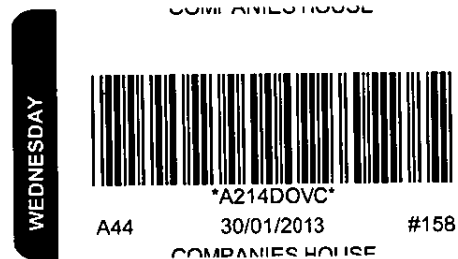


CANNON CARE HOMES LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012



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	Abbey National 21 Prescot Street London E1 8AD
SOLICITORS	WBW Solicitors Church House Queen Street Newton Abbot Devon TQ12 2QP

CANNON CARE HOMES LIMITED

CONTENTS

	Page
Director's report	1 - 2
Director's responsibilities statement	3
Independent auditors' report	4 - 5
Consolidated profit and loss account	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes to the financial statements	10 - 21
The following pages do not form part of the statutory financial statements	
Company detailed profit and loss account and summaries	22 - 23

CANNON CARE HOMES LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2012

The director presents his report and the financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITIES

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 3 Limited - in administration
Cannon Care Homes 4 Limited
Cannon Care Homes 5 Limited
The Check House Limited

BUSINESS REVIEW

During the year the company has incurred expenses on behalf of other group companies, and continued to receive rental income for the investment property leased to Thornfield Care Limited (100% subsidiary of the company).

The principal risks and uncertainties facing the company are group trading performance and the ability of the group to continue as a going concern. See note 1.11 to the accounts for further details.

Due to the nature of the company, an analysis using key performance indicators is not considered relevant.

RESULTS

The profit for the year, after taxation, amounted to £933,557 (2011: £455,669).

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.

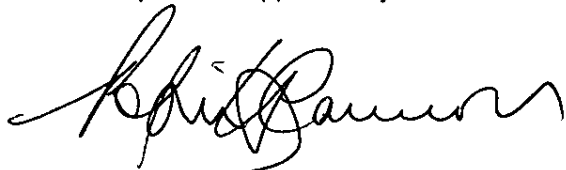
AUDITORS

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 2012**

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

A handwritten signature in black ink, appearing to read 'R Cannon', is written over the printed name and title.

**Mr R Cannon
Director**

Date 28/1/13

50 The Terrace
Torquay
Devon
TQ1 1DD

**DIRECTOR'S RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

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,
- state whether applicable UK 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 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 2012, 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 2012 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

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

William Hanbury FCA (Senior Statutory Auditor)

for and on behalf of

Bishop Fleming

Chartered Accountants

Statutory Auditors

50 The Terrace

Torquay

Devon

TQ1 1DD

29 January 2013

CANNON CARE HOMES LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	5,269,927	4,932,092
Cost of sales		<u>(2,662,540)</u>	<u>(2,640,291)</u>
GROSS PROFIT		2,607,387	2,291,801
Administrative expenses		(934,626)	(979,577)
Exceptional income		200,000	-
Total administrative expenses		<u>(734,626)</u>	<u>(979,577)</u>
OPERATING PROFIT	3	1,872,761	1,312,224
Interest receivable and similar income		2	3
Interest payable and similar charges		<u>(716,123)</u>	<u>(720,375)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,156,640	591,852
Tax on profit on ordinary activities	6	<u>(223,083)</u>	<u>(136,183)</u>
PROFIT FOR THE FINANCIAL YEAR	16	<u><u>933,557</u></u>	<u><u>455,669</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 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 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Intangible assets	7		1,398,341		1,223,841
Tangible assets	8		11,919,068		11,928,658
			<u>13,317,409</u>		<u>13,152,499</u>
CURRENT ASSETS					
Stocks	10	2,774		2,777	
Debtors	11	673,013		613,354	
Cash at bank and in hand		52,567		22,252	
			<u>728,354</u>	<u>638,383</u>	
CREDITORS: amounts falling due within one year	12	(1,521,059)		(1,769,410)	
NET CURRENT LIABILITIES			<u>(792,705)</u>		<u>(1,131,027)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,524,704</u>		<u>12,021,472</u>
CREDITORS: amounts falling due after more than one year	13		(12,208,608)		(12,228,594)
PROVISIONS FOR LIABILITIES					
Deferred tax	14		(100,542)		(80,881)
NET ASSETS/(LIABILITIES)			<u>215,554</u>		<u>(288,003)</u>
CAPITAL AND RESERVES					
Called up share capital	15		1		1
Profit and loss account	16		215,553		(288,004)
SHAREHOLDERS' FUNDS/(DEFICIT)	17		<u>215,554</u>		<u>(288,003)</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 28/1/13

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 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	8		1,323,783		1,325,754
Investments	9		3,911,453		3,711,453
			<u>5,235,236</u>		<u>5,037,207</u>
CURRENT ASSETS					
Debtors	11	4,251,212		3,571,496	
Cash in hand		165		50	
		<u>4,251,377</u>		<u>3,571,546</u>	
CREDITORS: amounts falling due within one year	12	<u>(2,832,577)</u>		<u>(2,630,797)</u>	
NET CURRENT ASSETS			<u>1,418,800</u>		<u>940,749</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,654,036</u>		<u>5,977,956</u>
CREDITORS: amounts falling due after more than one year	13		<u>(5,944,589)</u>		<u>(5,933,594)</u>
NET ASSETS			<u><u>709,447</u></u>		<u><u>44,362</u></u>
CAPITAL AND RESERVES					
Called up share capital	15		1		1
Profit and loss account	16		709,446		44,361
SHAREHOLDERS' FUNDS	17		<u><u>709,447</u></u>		<u><u>44,362</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 28/1/13

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 2012**

	Note	2012 £	2011 £
Net cash flow from operating activities	19	1,540,836	895,516
Returns on investments and servicing of finance	20	(716,121)	(720,372)
Taxation		(75,631)	(38,595)
Capital expenditure and financial investment	20	(22,469)	(28,979)
Equity dividends paid		(430,000)	(20,000)
CASH INFLOW BEFORE FINANCING		296,615	87,570
Financing	20	(157,104)	(98,178)
INCREASE/(DECREASE) IN CASH IN THE YEAR		139,511	(10,608)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2012**

	2012 £	2011 £
Increase/(Decrease) in cash in the year	139,511	(10,608)
Cash outflow from decrease in debt and lease financing	157,104	98,178
MOVEMENT IN NET DEBT IN THE YEAR	296,615	87,570
Net debt at 1 April 2011	(12,847,986)	(12,935,556)
NET DEBT AT 31 MARCH 2012	(12,551,371)	(12,847,986)

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

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.

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 and machinery	-	15% and 25% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures and 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

1. ACCOUNTING POLICIES (continued)

1.8 OPERATING LEASES

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.9 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

1.10 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

1.11 GOING CONCERN

The company generated a net profit of £1,184,324 during the year ended 31 March 2012, and at that date the company had net assets of £709,447. There is a cross guarantee agreement between all members of the Cannon Care group for the amount of the bank loans and overdrafts of £12,603,938 at 31 March 2012

As at 31 March 2012 the group had net current liabilities of £792,705 (2011 - £1,131,026), however, total assets exceeded total liabilities by £215,554 (2011 - £(288,003)). The group as a whole achieved a net profit of £933,557 (2011 - £455,669) for the period to 31 March 2012

On 21 January 2013 the group has agreed new terms with the bank and the two investors following the expiry of the previous finance agreement, securing ongoing support for the five years commencing 1 January 2013

New cash flow projections have been prepared by the group, based on the new financial arrangements, which demonstrate that the group can meet its obligations as they fall due

On the basis of the continued support of the director, the bank and the two investors the company is considered to be a going concern for the foreseeable future, and therefore the accounts have been prepared on the going concern basis

2. TURNOVER

All turnover arose within the United Kingdom

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3. OPERATING PROFIT

The operating profit is stated after charging

	2012 £	2011 £
Amortisation - intangible fixed assets	25,500	95,896
Depreciation of tangible fixed assets		
- owned by the group	32,059	37,076
Auditors' remuneration	12,000	15,000

Auditors fees for the company were £12,000 (2011 £15,000)

4. STAFF COSTS

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

	2012 £	2011 £
Wages and salaries	2,679,236	2,598,769

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

	2012 No.	2011 No
Director	1	1
Employees	7	5
	8	6

5. DIRECTOR'S REMUNERATION

	2012 £	2011 £
Emoluments	5,500	5,500

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**
6. TAXATION

	2012 £	2011 £
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on profit for the year	142,690	134,232
Adjustments in respect of prior periods	(3,505)	-
	<u>139,185</u>	<u>134,232</u>
Group taxation relief	64,237	-
	<u>203,422</u>	<u>134,232</u>
TOTAL CURRENT TAX		
	<u>203,422</u>	<u>134,232</u>
DEFERRED TAX (see note 14)		
Origination and reversal of timing differences	19,661	1,951
	<u>19,661</u>	<u>1,951</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>223,083</u>	<u>136,183</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2011 lower than) the standard rate of corporation tax in the UK of 26% (2011 28%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	1,156,640	591,852
	<u>1,156,640</u>	<u>591,852</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 28%)	300,726	165,719
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	26,126	-
Capital allowances for year in excess of depreciation	1,395	(31,487)
Utilisation of tax losses	(121,320)	-
Adjustments to tax charge in respect of prior periods	(3,505)	-
	<u>203,422</u>	<u>134,232</u>
CURRENT TAX CHARGE FOR THE YEAR (see note above)	<u>203,422</u>	<u>134,232</u>

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

7. INTANGIBLE FIXED ASSETS

	Goodwill £
GROUP COST	
At 1 April 2011	1,737,929
Impairment losses written back	200,000
At 31 March 2012	<u>1,937,929</u>
AMORTISATION	
At 1 April 2011	514,088
Charge for the year	25,500
At 31 March 2012	<u>539,588</u>
NET BOOK VALUE	
At 31 March 2012	<u><u>1,398,341</u></u>
At 31 March 2011	<u><u>1,223,841</u></u>

8. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
GROUP COST						
At 1 April 2011	11,808,561	48,340	23,625	351,669	18,583	12,250,778
Additions	6,800	-	-	15,232	437	22,469
At 31 March 2012	<u>11,815,361</u>	<u>48,340</u>	<u>23,625</u>	<u>366,901</u>	<u>19,020</u>	<u>12,273,247</u>
DEPRECIATION						
At 1 April 2011	-	27,851	16,359	269,008	8,902	322,120
Charge for the year	-	3,240	1,817	24,473	2,529	32,059
At 31 March 2012	<u>-</u>	<u>31,091</u>	<u>18,176</u>	<u>293,481</u>	<u>11,431</u>	<u>354,179</u>
NET BOOK VALUE						
At 31 March 2012	<u><u>11,815,361</u></u>	<u><u>17,249</u></u>	<u><u>5,449</u></u>	<u><u>73,420</u></u>	<u><u>7,589</u></u>	<u><u>11,919,068</u></u>
At 31 March 2011	<u><u>11,808,561</u></u>	<u><u>20,489</u></u>	<u><u>7,266</u></u>	<u><u>82,661</u></u>	<u><u>9,681</u></u>	<u><u>11,928,658</u></u>

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

	Freehold property £	Office equipment £	Total £
COMPANY			
COST			
At 1 April 2011	1,316,559	16,238	1,332,797
Additions	-	437	437
At 31 March 2012	1,316,559	16,675	1,333,234
DEPRECIATION			
At 1 April 2011	-	7,043	7,043
Charge for the year	-	2,408	2,408
At 31 March 2012	-	9,451	9,451
NET BOOK VALUE			
At 31 March 2012	1,316,559	7,224	1,323,783
At 31 March 2011	1,316,559	9,195	1,325,754

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

9. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COMPANY	
COST OR VALUATION	
At 1 April 2011 and 31 March 2012	<u>3,711,453</u>
IMPAIRMENT	
At 1 April 2011	-
Reversal of impairment losses	<u>(200,000)</u>
At 31 March 2012	<u>(200,000)</u>
NET BOOK VALUE	
At 31 March 2012	<u>3,911,453</u>
At 31 March 2011	<u>3,711,453</u>

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 2012 and 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	(128,514)	(7,901)
The Check House Limited	365,084	141,702
Cannon Care Homes 4 Limited	160,767	250,000
Silverleigh Limited	66,159	223,616

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

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

10. STOCKS

	GROUP		COMPANY	
	2012	2011	2012	2011
	£	£	£	£
Raw materials	2,774	2,777	-	-

11. DEBTORS

	GROUP		COMPANY	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	79,486	63,648	-	-
Amounts owed by group undertakings	390	-	3,673,743	3,035,874
Other debtors	546,926	424,698	546,926	424,698
Prepayments and accrued income	46,211	125,008	30,543	110,924
	673,013	613,354	4,251,212	3,571,496

**12. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	GROUP		COMPANY	
	2012	2011	2012	2011
	£	£	£	£
Bank loans and overdrafts	364,284	473,480	364,284	473,480
Net obligations under finance leases and hire purchase contracts	31,046	168,164	-	-
Trade creditors	47,073	69,574	-	2,537
Amounts owed to group undertakings	297,107	297,107	2,291,875	1,964,280
Corporation tax	337,384	209,593	88,968	75,361
Social security and other taxes	41,948	142,148	5,540	9,300
Other creditors	281,932	272,956	-	-
Accruals and deferred income	120,285	136,388	81,910	105,839
	1,521,059	1,769,410	2,832,577	2,630,797

The bank overdraft due within one year of £364,284 (2011 - £473,446) is secured against the assets of the company

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

**13. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	GROUP		COMPANY	
	2012	2011	2012	2011
	£	£	£	£
Debenture loans	1,557,666	1,557,666	-	-
Bank loans	10,400,942	10,387,183	5,944,589	5,933,594
Other loans	250,000	250,000	-	-
Net obligations under finance leases and hire purchase contracts	-	33,745	-	-
	12,208,608	12,228,594	5,944,589	5,933,594

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	£	£	£	£
Between one and five years	-	33,745	-	-

The bank loans due after one year of £10,400,942 (2011 - £10,387,183) are secured against assets of the company

14. DEFERRED TAXATION

	GROUP		COMPANY	
	2012	2011	2012	2011
	£	£	£	£
At beginning of year	80,881	78,930	-	-
Charge for the year	19,661	1,951	-	-
At end of year	100,542	80,881	-	-

The provision for deferred taxation is made up as follows

	GROUP		COMPANY	
	2012	2011	2012	2011
	£	£	£	£
Accelerated capital allowances	100,542	62,006	-	-
Tax losses brought forward	-	18,875	-	-
	100,542	80,881	-	-

15. SHARE CAPITAL

2012	2011
£	£

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

15. SHARE CAPITAL (continued)

ALLOTTED, CALLED UP AND PARTLY PAID

1 Ordinary shares share of £1

1	1
<u>1</u>	<u>1</u>

16. RESERVES

GROUP

At 1 April 2011

Profit for the year

Dividends Equity capital

**Profit and
loss account
£**

(288,004)

933,557

(430,000)

215,553

At 31 March 2012

COMPANY

At 1 April 2011

Profit for the year

Dividends Equity capital

**Profit and
loss account
£**

44,361

1,095,085

(430,000)

709,446

At 31 March 2012

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

GROUP

Opening shareholders' deficit

Profit for the year

Dividends (Note 18)

**2012
£**

(288,003)

933,557

(430,000)

215,554

Closing shareholders' funds/(deficit)

**2011
£**

(723,672)

455,669

(20,000)

(288,003)

COMPANY

Opening shareholders' funds/(deficit)

Profit for the year

Dividends (Note 18)

**2012
£**

44,362

1,095,085

(430,000)

709,447

Closing shareholders' funds

**2011
£**

(632,533)

696,895

(20,000)

44,362

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 £1,095,085 (2011 £696,895)

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

18. DIVIDENDS

	2012 £	2011 £
Dividends paid on equity capital	<u>430,000</u>	<u>20,000</u>

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	1,872,761	1,312,224
Amortisation of intangible fixed assets	25,500	28,500
Depreciation of tangible fixed assets	32,059	37,076
Impairments of fixed assets	(200,000)	-
Increase in debtors	(59,269)	(382,031)
(Increase)/decrease in amounts owed by group undertakings	(390)	4,738,207
Decrease in creditors	(129,825)	(100,254)
Decrease in amounts owed to group undertakings	-	(4,738,206)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,540,836</u>	<u>895,516</u>

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £	2011 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	2	3
Interest paid	(716,123)	(720,375)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(716,121)</u>	<u>(720,372)</u>
	2012 £	2011 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(22,469)	(28,979)
	2012 £	2011 £
FINANCING		
New secured loans	13,759	-
Repayment of finance leases	(170,863)	(98,178)
NET CASH OUTFLOW FROM FINANCING	<u>(157,104)</u>	<u>(98,178)</u>

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

21. ANALYSIS OF CHANGES IN NET DEBT

	1 April 2011 £	Cash flow £	Other non-cash changes £	31 March 2012 £
Cash at bank and in hand	22,252	30,315	-	52,567
Bank overdraft	(473,480)	109,196	-	(364,284)
	<u>(451,228)</u>	<u>139,511</u>	<u>-</u>	<u>(311,717)</u>
DEBT:				
Debts due within one year	(168,164)	157,104	(19,986)	(31,046)
Debts falling due after more than one year	(12,228,594)	-	19,986	(12,208,608)
	<u>(12,847,986)</u>	<u>296,615</u>	<u>-</u>	<u>(12,551,371)</u>
NET DEBT				

22. RELATED PARTY TRANSACTIONS

During the year the company paid £430,000 (2011 - £20,000) in dividends to the Mr R Cannon, the director of the company

At the year end, Mr R Cannon owed £546,926 (2011 - £424,696) to the company via his director's loan account. The maximum outstanding during the year was £546,926 (2011 - £424,696). No interest is charged on this account and the balance will be repaid within 9 months of the year end.

During the year Cannon Care Homes Limited received £250,000 (2011 - £250,000) in respect of rent from their 100% owned subsidiary company, Thornfield Care Limited. The company was under the control of Mr R Cannon throughout this and the previous year.

As these 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.