

CANNON CARE HOMES LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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CANNON CARE HOMES LIMITED

COMPANY INFORMATION

DIRECTOR	Mr R Cannon
COMPANY SECRETARY	Vance Harris Services Limited
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 Prescott Street London E1 8AD
SOLICITORS	Vance Harris 3 Malvern House 199 Marsh Wall Meridian Gate London E14 9YT

CANNON CARE HOMES LIMITED

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CANNON CARE HOMES LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2010

The director presents his report and the financial statements for the year ended 31 March 2010

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 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.

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £64,666 (2009: loss £305,688).

During the year a dividend of £500,000 (2009: £Nil) 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.

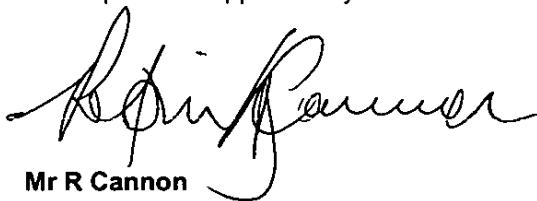
AUDITORS

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 2010**

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 17/12/10

50 The Terrace
Torquay
Devon
TQ1 1DD

CANNON CARE HOMES LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2010

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 group and parent company financial statements (the "financial statements") of Cannon Care Homes Limited for the year ended 31 March 2010, set out on pages 6 to 22. 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 Statement of director's responsibilities, 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 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.

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 2010 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.

CANNON CARE HOMES LIMITED

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.



Pamela Tuckett FCA (Senior Statutory Auditor)

for and on behalf of

BISHOP FLEMING

Chartered Accountants

Statutory Auditors

50 The Terrace

Torquay

Devon

TQ1 1DD

Date 21/12/10

CANNON CARE HOMES LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 £	2009 £
TURNOVER	1.2	4,735,384	4,554,536
Cost of sales		<u>(2,603,857)</u>	<u>(2,715,950)</u>
GROSS PROFIT		2,131,527	1,838,586
Administrative expenses		<u>(1,203,481)</u>	<u>(1,161,488)</u>
Exceptional administrative expenses		<u>(10,848)</u>	<u>(268,246)</u>
Total administrative expenses		(1,214,329)	(1,429,734)
Other operating income		<u>2,390</u>	<u>-</u>
OPERATING PROFIT	3	919,588	408,852
Interest receivable and similar income		4	560
Interest payable and similar charges		<u>(920,965)</u>	<u>(665,212)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,373)	(255,800)
Tax on loss on ordinary activities	7	<u>66,039</u>	<u>(49,888)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	17	<u>64,666</u>	<u>(305,688)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss Account

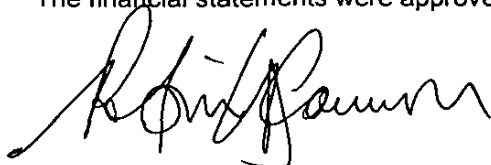
The notes on pages 10 to 22 form part of these financial statements

CANNON CARE HOMES LIMITED
REGISTERED NUMBER: 05317825

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Intangible assets	8		1,252,344		1,348,240
Tangible assets	9		11,936,753		11,895,872
			<u>13,189,097</u>		<u>13,244,112</u>
CURRENT ASSETS					
Stocks	11	2,775		2,775	
Debtors	12	231,323		735,409	
Cash at bank and in hand		34,252		48,369	
		<u>268,350</u>		<u>786,553</u>	
CREDITORS: amounts falling due within one year	13	(1,689,521)		(2,083,038)	
NET CURRENT LIABILITIES			<u>(1,421,171)</u>		<u>(1,296,485)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>11,767,926</u>		<u>11,947,627</u>
CREDITORS: amounts falling due after more than one year	14		(12,412,671)		(12,088,836)
PROVISIONS FOR LIABILITIES					
Deferred tax	15		(78,930)		(147,132)
NET LIABILITIES			<u>(723,675)</u>		<u>(288,341)</u>
CAPITAL AND RESERVES					
Called up share capital	16		1		1
Profit and loss account	17		(723,676)		(288,342)
SHAREHOLDERS' DEFICIT	18		<u>(723,675)</u>		<u>(288,341)</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 17/12/10


The notes on pages 10 to 22 form part of these financial statements

CANNON CARE HOMES LIMITED

**COMPANY BALANCE SHEET
AS AT 31 MARCH 2010**

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible assets	9		1,323,396		1,316,879
Investments	10		3,711,453		4,030,629
			<u>5,034,849</u>		<u>5,347,508</u>
CURRENT ASSETS					
Debtors	12	2,362,295		1,701,547	
CREDITORS: amounts falling due within one year	13	<u>(2,096,083)</u>		<u>(1,899,877)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>266,212</u>		<u>(198,330)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,301,061</u>		<u>5,149,178</u>
CREDITORS. amounts falling due after more than one year	14		(5,933,594)		(5,951,420)
PROVISIONS FOR LIABILITIES					
Deferred tax	15		-		(50,208)
NET LIABILITIES			<u>(632,533)</u>		<u>(852,450)</u>
CAPITAL AND RESERVES					
Called up share capital	16		1		1
Profit and loss account	17		<u>(632,534)</u>		<u>(852,451)</u>
SHAREHOLDERS' DEFICIT	18		<u>(632,533)</u>		<u>(852,450)</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 17/12/10

The notes on pages 10 to 22 form part of these financial statements

CANNON CARE HOMES LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 £	2009 £
Net cash flow from operating activities	20	1,275,606	(85,653)
Returns on investments and servicing of finance	21	(920,961)	(664,652)
Taxation		(25,701)	(13,792)
Capital expenditure and financial investment	21	(84,583)	(83,716)
Equity dividends paid		(500,000)	-
CASH OUTFLOW BEFORE FINANCING		(255,639)	(847,813)
Financing	21	246,169	442,437
DECREASE IN CASH IN THE YEAR		(9,470)	(405,376)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2010**

	2010 £	2009 £
Decrease in cash in the year	(9,470)	(405,376)
Cash inflow from increase in debt and lease financing	(246,169)	(442,438)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(255,639)	(847,814)
Other non-cash changes	-	2
MOVEMENT IN NET DEBT IN THE YEAR	(255,639)	(847,812)
Net debt at 1 April 2009	(12,679,916)	(11,832,104)
NET DEBT AT 31 MARCH 2010	(12,935,555)	(12,679,916)

The notes on pages 10 to 22 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

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, 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 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

1.8 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 2010

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 2010 the group had net current liabilities of £1,421,171, and total liabilities exceeded total assets by £723,675. The group as a whole achieved a net profit of £64,666 for the period to 31 March 2010.

As at 31 March 2010 the group had pre consolidated net current liabilities of £1,421,169, however, total assets exceeded total liabilities by £295,832. The group as a whole achieved a net profit of £64,666 for the period to 31 March 2010.

In December 2009 the group restructured its debt with the bank and two investors. New agreements were signed which last until December 2012. These are based on the performance anticipated in the cash flow projections provided by the group. These projections indicate the group can meet its obligations as they fall due.

On the basis of the continued support of the group, the bank and the two investors the Director considers the company to be a going concern for the next twelve months from the date of the audit report, and therefore the accounts have been prepared on the 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. OPERATING PROFIT

The operating profit is stated after charging

	2010 £	2009 £
Amortisation - intangible fixed assets	95,896	95,896
Depreciation of tangible fixed assets		
- owned by the group	43,702	50,515
Auditors' remuneration	15,000	15,000
Exceptional administrative expenses	10,848	268,246

Auditors fees for the company were £15,000 (2009 £15,000)

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

4. STAFF COSTS

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

	2010 £	2009 £
Wages and salaries	2,407,519	2,571,903
Social security costs	162,708	146,671
	<u>2,570,227</u>	<u>2,718,574</u>

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

	2010 No	2009 No
Director	1	1
Employees	189	213
	<u>190</u>	<u>214</u>

5. DIRECTOR'S REMUNERATION

	2010 £	2009 £
Emoluments	<u>5,500</u>	<u>5,500</u>

6. EXCEPTIONAL ITEMS

	2010 £	2009 £
Irrecoverable intercompany debts	<u>10,848</u>	<u>268,246</u>

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

7. TAXATION

	2010 £	2009 £
ANALYSIS OF TAX CHARGE/(CREDIT) IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on loss for the year	2,163	-
Adjustments in respect of prior periods	(6,971)	(19,363)
	(4,808)	(19,363)
Group taxation relief	6,971	-
TOTAL CURRENT TAX	2,163	(19,363)
DEFERRED TAX (see note 15)		
Origination and reversal of timing differences	(68,202)	69,251
TAX ON LOSS ON ORDINARY ACTIVITIES	(66,039)	49,888

The tax assessed for the year is lower than (2009 lower than) the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before tax	(1,373)	(255,800)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	(384)	(71,624)
EFFECTS OF:		
Non-tax deductible amortisation of goodwill and impairment	22,475	69,110
Capital allowances for year in excess of depreciation	(12,957)	(13,223)
Losses carried forward to future years	-	6,971
Tax adjustment in relation to prior year	(6,971)	(10,597)
CURRENT TAX CHARGE/(CREDIT) FOR THE YEAR (see note above)	2,163	(19,363)

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

8. INTANGIBLE FIXED ASSETS

	Goodwill £
GROUP	
COST	
At 1 April 2009 and 31 March 2010	1,737,929
AMORTISATION	
At 1 April 2009	389,689
Charge for the year	95,896
At 31 March 2010	485,585
NET BOOK VALUE	
At 31 March 2010	1,252,344
At 31 March 2009	1,348,240

9. TANGIBLE FIXED ASSETS

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £
GROUP					
COST					
At 1 April 2009	11,733,365	46,208	23,625	328,226	5,790
Additions	63,949	1,407	-	9,475	9,752
At 31 March 2010	11,797,314	47,615	23,625	337,701	15,542
DEPRECIATION					
At 1 April 2009	-	19,454	10,706	208,801	2,381
Charge for the year	-	4,521	3,230	32,657	3,294
At 31 March 2010	-	23,975	13,936	241,458	5,675
NET BOOK VALUE					
At 31 March 2010	11,797,314	23,640	9,689	96,243	9,867
At 31 March 2009	11,733,365	26,754	12,919	119,425	3,409

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

9. TANGIBLE FIXED ASSETS (continued)

			Total £
GROUP			
COST			
At 1 April 2009			12,137,214
Additions			84,583
At 31 March 2010			12,221,797
DEPRECIATION			
At 1 April 2009			241,342
Charge for the year			43,702
At 31 March 2010			285,044
NET BOOK VALUE			
At 31 March 2010			11,936,753
At 31 March 2009			11,895,872
	Freehold property £	Office equipment £	Total £
COMPANY			
COST			
At 1 April 2009	1,314,176	3,604	1,317,780
Additions	-	9,594	9,594
At 31 March 2010	1,314,176	13,198	1,327,374
DEPRECIATION			
At 1 April 2009	-	901	901
Charge for the year	-	3,077	3,077
At 31 March 2010	-	3,978	3,978
NET BOOK VALUE			
At 31 March 2010	1,314,176	9,220	1,323,396
At 31 March 2009	1,314,176	2,703	1,316,879

CANNON CARE HOMES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010****10. 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 2010 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	(176,630)	(37,142)
The Check House Limited	604,822	318,453
Cannon Care Homes 4 Limited	(194,387)	1,133,485
Silverleigh Limited	694,560	547,120

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

	Investments in subsidiary companies £
COMPANY	
COST OR VALUATION	
At 1 April 2009 and 31 March 2010	4,030,629
IMPAIRMENT	
At 1 April 2009	-
Charge for the year	319,176
At 31 March 2010	319,176
NET BOOK VALUE	
At 31 March 2010	3,711,453
At 31 March 2009	4,030,629

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CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

11. STOCKS

	GROUP		COMPANY	
	2010	2009	2010	2009
	£	£	£	£
Raw materials	2,775	2,775	-	-

12 DEBTORS

	GROUP		COMPANY	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	60,065	57,687	-	-
Amounts owed by group undertakings	-	-	2,208,228	1,057,380
Other debtors	155,067	391,142	154,067	388,092
Prepayments and accrued income	16,191	286,580	-	256,075
	231,323	735,409	2,362,295	1,701,547

**13 CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	GROUP		COMPANY	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	474,871	479,518	474,872	479,518
Other loans	82,266	159,931	-	-
Trade creditors	90,662	55,674	1,047	3,015
Amounts owed to group undertakings	297,107	324,163	1,462,476	1,314,834
Corporation tax	113,956	137,494	30,813	-
Social security and other taxes	274,661	359,577	37,320	53,082
Other creditors	247,010	259,655	-	-
Accruals and deferred income	108,988	307,026	89,555	49,428
	1,689,521	2,083,038	2,096,083	1,899,877

The bank overdraft due within one year of £474,871 (2009 - £479,518) is secured against the assets of the company

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

**14 CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	GROUP		COMPANY	
	2010	2009	2010	2009
	£	£	£	£
Debenture loans	1,557,666	1,267,588	-	-
Bank loans	10,387,183	10,411,317	5,933,594	5,951,420
Other loans	467,822	409,931	-	-
	12,412,671	12,088,836	5,933,594	5,951,420

The Bank loans due after one year of £10,387,183 (2009 - £10,411,317) are secured against assets of the company

15. DEFERRED TAXATION

	GROUP		COMPANY	
	2010	2009	2010	2009
	£	£	£	£
At beginning of year	147,132	77,881	50,208	-
(Released during)/charge for the year	(68,202)	69,251	(50,208)	50,208
At end of year	78,930	147,132	-	50,208

The provision for deferred taxation is made up as follows

	GROUP		COMPANY	
	2010	2009	2010	2009
	£	£	£	£
Accelerated capital allowances	78,930	147,132	-	50,208

16 SHARE CAPITAL

	2010	2009
	£	£
ALLOTTED, CALLED UP AND PARTLY PAID		
1 Ordinary shares share of £1	1	1

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

17. RESERVES

	Profit and loss account £
GROUP	
At 1 April 2009	(288,342)
Profit for the year	64,666
Dividends Equity capital	(500,000)
	<u>(723,676)</u>
At 31 March 2010	<u>(723,676)</u>
COMPANY	
At 1 April 2009	(852,451)
Profit for the year	719,917
Dividends Equity capital	(500,000)
	<u>(632,534)</u>
At 31 March 2010	<u>(632,534)</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2010 £	2009 £
GROUP		
Opening shareholders' (deficit)/funds	(288,341)	17,347
Profit/(loss) for the year	64,666	(305,688)
Dividends (Note 19)	(500,000)	-
	<u>(723,675)</u>	<u>(288,341)</u>
Closing shareholders' deficit	<u>(723,675)</u>	<u>(288,341)</u>
COMPANY		
Opening shareholders' deficit	(852,450)	(115,573)
Profit/(loss) for the year	719,917	(736,877)
Dividends (Note 19)	(500,000)	-
	<u>(632,533)</u>	<u>(852,450)</u>
Closing shareholders' deficit	<u>(632,533)</u>	<u>(852,450)</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/(loss) for the year dealt with in the accounts of the company was £719,917 (2009 £-736,877)

19 DIVIDENDS

	2010 £	2009 £
Dividends paid on equity capital	<u>500,000</u>	<u>-</u>

CANNON CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	919,588	408,852
Amortisation of intangible fixed assets	95,896	95,896
Depreciation of tangible fixed assets	43,702	50,515
Loss on disposal of tangible fixed assets	-	231
Decrease/(increase) in debtors	504,086	(586,045)
Decrease in amounts owed by group undertakings	-	1,947,364
Decrease in creditors	(260,610)	(49,745)
Decrease in amounts owed to group undertakings	(27,056)	(1,952,721)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,275,606	(85,653)

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

	2010 £	2009 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	4	560
Interest paid	(920,965)	(665,212)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(920,961)	(664,652)

	2010 £	2009 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(84,583)	(83,716)

	2010 £	2009 £
FINANCING		
Purchase of ordinary shares	-	(1)
Repayment of loans	(24,134)	(134,665)
Purchase of debenture loans	290,078	-
Other new loans	-	577,103
Repayment of other loans	(19,775)	-
NET CASH INFLOW FROM FINANCING	246,169	442,437

CANNON CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

22 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2009 £	Cash flow £	Other non-cash changes £	31 March 2010 £
Cash at bank and in hand	48,369	(14,117)	-	34,252
Bank overdraft	(479,518)	4,647	-	(474,871)
	<u>(431,149)</u>	<u>(9,470)</u>	<u>-</u>	<u>(440,619)</u>
DEBT				
Debts due within one year	(159,931)	(246,169)	323,834	(82,266)
Debts falling due after more than one year	(12,088,836)	-	(323,834)	(12,412,670)
	<u>(12,679,916)</u>	<u>(255,639)</u>	<u>-</u>	<u>(12,935,555)</u>
NET DEBT				

23. OPERATING LEASE COMMITMENTS

At 31 March 2010 the Group had annual commitments under non-cancellable operating leases as follows

GROUP	2010 £	2009 £
EXPIRY DATE:		
Between 2 and 5 years	-	59,493

24. RELATED PARTY TRANSACTIONS

During the year the company paid £500,000 (2009 - £nil) in dividends to the director of the company

During the year Cannon Care Homes Limited received £252,390 (2009 - £250,000) 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 £123,253 (2009 - £388,091) to the company via his director's loan account. The maximum outstanding during the year was £388,091 (2009 - £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

25. PRINCIPAL SUBSIDIARIES

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

25. PRINCIPAL SUBSIDIARIES (continued)

Company name	Percentage Shareholding
Silverleigh Limited	100