

CANNON CARE HOMES LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

CANNON CARE HOMES LIMITED

COMPANY INFORMATION

DIRECTOR	Mr R Cannon
COMPANY SECRETARY	Mrs J Cannon
REGISTERED NUMBER	05317825
REGISTERED OFFICE	50 The Terrace Torquay Devon TQ1 1DD
INDEPENDENT AUDITORS	Bishop Fleming LLP Chartered Accountants & Statutory Auditors 50 The Terrace Torquay Devon TQ1 1DD
BANKERS	Barclays Bank Plc 2-12 Pinstone Street Sheffield S1 2HN
SOLICITORS	WBW Solicitors Church House Queen Street Newton Abbot Devon TQ12 2QP

CONTENTS

	Page
Group strategic report	1
Director’s report	2 - 3
Independent auditors’ report	4 - 5
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Company statement of financial position	8
Consolidated statement of changes in equity	9
Company statement of changes in equity	10
Consolidated Statement of cash flows	11
Notes to the financial statements	12 - 31

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

INTRODUCTION

The group has had a successful year with an extensions completed at Silverleigh and the Check House. This will enable the group to maximise its potential occupancy.

BUSINESS REVIEW

During the year the company has incurred expenditure on behalf of other group companies and has recharged these to group companies.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the company and group are group trading performance and the ability of the group to continue as a going concern.

FINANCIAL KEY PERFORMANCE INDICATORS

Financial key performance indicators which the group uses to monitor performance are salary costs as a percentage of income, operating profit and EBITDA, which are standard performance measures accross the industry.

OTHER KEY PERFORMANCE INDICATORS

The group monitors average monthly occupancy. The group achieved an average occupancy for the year in excess of the target set by management.

This report was approved by the board on 28 February 2018 and signed on its behalf.

Mr R Cannon
Director

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

The director presents his report and the financial statements for the year ended 31 March 2017.

DIRECTOR'S RESPONSIBILITIES STATEMENT

The director is responsible for preparing the Group strategic report, the Director's report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that he gives 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting 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 Company and the Group and to 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.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,038,730 (2016:£1,151,179).

Dividends declared and paid in the year amounted to £650,000 (2016: £Nil).

DIRECTOR

The director who served during the year was:

Mr R Cannon

FUTURE DEVELOPMENTS

Having completed the extensions at Silverleigh increasing capacity to 65, and at Check House increasing the capacity to 57, the group is intending to extend the property at Thornfield House.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as he is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017**

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Group since the year end.

AUDITORS

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

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

Mr R Cannon
Director

Date: 28 February 2018

50 The Terrace
Torquay
Devon
TQ1 1DD

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 2017, set out on pages 6 to 31. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 DIRECTORS AND AUDITORS

As explained more fully in the Director's responsibilities statement on page 2, 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 Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 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, based on the work undertaken in the course of the audit, the information given in the Group strategic report and the Director's report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Director's report.

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.

William Hanbury FCA (Senior statutory auditor)

for and on behalf of

Bishop Fleming LLP

Chartered Accountants

Statutory Auditors

50 The Terrace

Torquay

Devon

TQ1 1DD

13 March 2018

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £	2016 £
Turnover	4	7,192,176	6,569,119
Cost of sales		(4,072,155)	(3,276,905)
GROSS PROFIT		3,120,021	3,292,214
Administrative expenses		(1,677,580)	(1,393,528)
OPERATING PROFIT	5	1,442,441	1,898,686
Interest receivable and similar income	9	25,898	33,007
Interest payable and expenses	10	(442,945)	(519,780)
PROFIT BEFORE TAXATION		1,025,394	1,411,913
Tax on profit	11	13,336	(260,734)
PROFIT FOR THE FINANCIAL YEAR		1,038,730	1,151,179
Revaluation movement		-	276,628
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	276,628
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,038,730	1,427,807
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent Company		1,038,730	1,151,179
		1,038,730	1,151,179
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent Company		1,038,730	1,427,807
		1,038,730	1,427,807

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	13	20,761,138	19,540,511
		<u>20,761,138</u>	<u>19,540,511</u>
CURRENT ASSETS			
Stocks	15	6,250	2,775
Debtors: amounts falling due within one year	16	1,583,922	1,756,017
Cash at bank and in hand	17	473,531	992,552
		<u>2,063,703</u>	<u>2,751,344</u>
Creditors: amounts falling due within one year	18	(1,908,058)	(1,445,067)
		<u>155,645</u>	<u>1,306,277</u>
NET CURRENT ASSETS			
		<u>20,916,783</u>	<u>20,846,788</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
Creditors: amounts falling due after more than one year	19	(13,884,421)	(13,996,448)
PROVISIONS FOR LIABILITIES			
Deferred taxation	23	(2,152,710)	(2,359,418)
		<u>(2,152,710)</u>	<u>(2,359,418)</u>
NET ASSETS EXCLUDING PENSION ASSET			
		<u>4,879,652</u>	<u>4,490,922</u>
NET ASSETS			
		<u>4,879,652</u>	<u>4,490,922</u>
CAPITAL AND RESERVES			
Called up share capital	24	1	1
Profit and loss account	25	4,879,651	4,490,921
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			
		<u>4,879,652</u>	<u>4,490,922</u>
		<u>4,879,652</u>	<u>4,490,922</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 February 2018

The notes on pages 12 to 31 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	13	1,715	2,286
Investments	14	3,911,453	3,911,453
		<u>3,913,168</u>	<u>3,913,739</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	16	10,770,592	4,365,663
Cash at bank and in hand	17	338,253	876,525
		<u>11,108,845</u>	<u>5,242,188</u>
Creditors: amounts falling due within one year	18	(900,676)	(8,217,509)
NET CURRENT ASSETS/(LIABILITIES)		<u>10,208,169</u>	<u>(2,975,321)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,121,337</u>	<u>938,418</u>
Creditors: amounts falling due after more than one year	19	(13,725,582)	-
PROVISIONS FOR LIABILITIES			
Deferred taxation	23	(292)	(56,837)
		<u>(292)</u>	<u>(56,837)</u>
NET ASSETS EXCLUDING PENSION ASSET		<u>395,463</u>	<u>881,581</u>
NET ASSETS		<u><u>395,463</u></u>	<u><u>881,581</u></u>
CAPITAL AND RESERVES			
Called up share capital	24	1	1
Profit and loss account brought forward	25	231,580	734,802
Profit for the year		163,882	146,778
		<u>395,462</u>	<u>881,580</u>
Profit and loss account carried forward		<u><u>395,463</u></u>	<u><u>881,581</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 February 2018

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£
At 1 April 2015	1	3,063,114	3,063,115	3,063,115
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	1,151,179	1,151,179	1,151,179
Group relief	-	276,628	276,628	276,628
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	1,427,807	1,427,807	1,427,807
At 1 April 2016	1	4,490,921	4,490,922	4,490,922
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	1,038,730	1,038,730	1,038,730
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	1,038,730	1,038,730	1,038,730
Dividends: Equity capital	-	(650,000)	(650,000)	(650,000)
TOTAL TRANSACTIONS WITH OWNERS	-	(650,000)	(650,000)	(650,000)
AT 31 MARCH 2017	1	4,879,651	4,879,652	4,879,652

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	1	1,132,419	1,132,420
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	146,778	146,778
Revaluation movement	-	(397,617)	(397,617)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(250,839)	(250,839)
At 1 April 2016	1	881,580	881,581
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	163,881	163,881
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS			
Dividends: Equity capital	-	(650,000)	(650,000)
AT 31 MARCH 2017	1	395,461	395,462

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	1,038,730	1,151,179
ADJUSTMENTS FOR:		
Depreciation of tangible assets	258,470	207,863
Loss on disposal of tangible assets	-	12
Interest paid	442,943	519,775
Interest received	(25,898)	(33,007)
Taxation charge	(13,336)	260,734
(Increase)/decrease in stocks	(3,475)	-
Decrease/(increase) in debtors	172,095	(416,469)
Increase/(decrease) in creditors	214,790	(433,436)
Corporation tax (paid)	(113,217)	(373,763)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>1,971,102</u>	<u>882,888</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(1,479,097)	(1,234,555)
Sale of tangible fixed assets	-	250
Interest received	25,897	33,007
HP interest paid	(37,136)	(7,559)
NET CASH FROM INVESTING ACTIVITIES	<u>(1,490,336)</u>	<u>(1,208,857)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New secured loans	1,016,004	2,675,553
Repayment of debenture loans	(1,070,366)	(835,228)
New finance leases	110,385	8,268
Dividends paid	(650,000)	-
Interest paid	(405,810)	(512,221)
NET CASH USED IN FINANCING ACTIVITIES	<u>(999,787)</u>	<u>1,336,372</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(519,021)</u>	<u>1,010,403</u>
Cash and cash equivalents at beginning of year	992,552	(17,851)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u><u>473,531</u></u>	<u><u>992,552</u></u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	473,531	992,552
	<u><u>473,531</u></u>	<u><u>992,552</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. GENERAL INFORMATION

Cannon Care Homes Limited is a private company, limited by shares and registered in the UK. The registered number is 05317825, the address of the registered office is 50 The Terrace, Torquay, Devon, TQ1 1DD. The principal activity of the company for the year continued to be that of a holding company.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2015.

2.3 GOING CONCERN

The company achieved a profit after tax of £163,881 during the year ended 31 March 2017, and at that date the company had net assets of £395,463.

The group achieved a profit after tax of £1,038,730 (2016: £1,151,179) for the year to 31 March 2017. As at 31 March 2017 the group had net current assets of £155,645 (2016: £1,306,277), total assets exceeded total liabilities by £4,879,652 (2016: £4,490,922).

In January 2018 the group refinanced with Triodos Bank NV. The Santander loans and the amounts owed to a third party investor were repaid. There is a cross guarantee agreement between all members of the Cannon Care Homes group for the amount of bank loan of £15,270,000. In addition the group will be able to draw a further £1,400,000 to complete the development project at Thornfield Care Home.

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 and the bank, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES (continued)

2.4 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 TANGIBLE FIXED ASSETS

Freehold property has been transferred under FRS102 at deemed cost as at 1 April 2014.

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. ACCOUNTING POLICIES (continued)

2.5 TANGIBLE FIXED ASSETS (CONTINUED)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Freehold property	-	not depreciated
Plant and machinery	-	25% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	25% reducing balance
Office equipment	-	25% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.6 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.7 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES (continued)

2.9 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.10 FINANCIAL INSTRUMENTS

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 FINANCE COSTS

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. ACCOUNTING POLICIES (continued)

2.13 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 OPERATING LEASES: THE GROUP AS LESSEE

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income 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 lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.15 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.16 INTEREST INCOME

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.17 BORROWING COSTS

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES (continued)

2.18 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.19 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3.

JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates. The following judgments have had the most significant effect on amounts recognised in the financial statements.

Classification of leases:

The Company obtains use of fixed assets as a lessee. The classification of such leases as operating or finance lease required the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Turnover	7,192,176	6,569,119
	<u>7,192,176</u>	<u>6,569,119</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	7,192,176	6,569,119
	<u>7,192,176</u>	<u>6,569,119</u>

All turnover arose within the United Kingdom.

5. OPERATING PROFIT

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	258,470	207,863
Amortisation of intangible assets, including goodwill	-	(147,431)
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	12,000	12,000
Other operating lease rentals	10,346	9,411
Defined contribution pension cost	<u>19,724</u>	<u>14,277</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. AUDITORS' REMUNERATION

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>12,000</u>	<u>12,000</u>
FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:		
All other services	<u>59,954</u>	<u>122,480</u>
	<u>59,954</u>	<u>122,480</u>

7. EMPLOYEES

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

	2017 £	2016 £
Wages and salaries	3,738,405	3,056,459
Social security costs	126,795	78,988
Cost of defined contribution scheme	19,724	14,277
	<u>3,884,924</u>	<u>3,149,724</u>

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

	2017 No.	2016 No.
Director	1	1
Employees	227	210
	<u>228</u>	<u>211</u>

8. DIRECTOR'S REMUNERATION

	2017 £	2016 £
Director's emoluments	-	458
	<u>-</u>	<u>458</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

9. INTEREST RECEIVABLE

	2017 £	2016 £
Other interest receivable	25,898	33,007
	<u>25,898</u>	<u>33,007</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Bank interest payable	352,554	330,633
Other loan interest payable	51,808	181,575
Finance leases and hire purchase contracts	37,136	7,559
Other interest payable	1,447	13
	<u>442,945</u>	<u>519,780</u>

11. TAXATION

	2017 £	2016 £
CORPORATION TAX		
Current tax on profits for the year	193,478	205,107
Adjustments in respect of previous periods	(106)	23,762
	<u>193,372</u>	<u>228,869</u>
TOTAL CURRENT TAX	<u>193,372</u>	<u>228,869</u>
DEFERRED TAX		
Origination and reversal of timing differences	(206,708)	31,865
TOTAL DEFERRED TAX	<u>(206,708)</u>	<u>31,865</u>
TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	<u>(13,336)</u>	<u>260,734</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is the same as (2016:the same as) the standard rate of corporation tax in the UK of 20% (2016: 20%) as set out below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>1,025,392</u>	<u>1,411,913</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016:20%)	205,078	282,382
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,598	7,319
Adjustments to tax charge in respect of prior periods	(54,356)	6,577
Capital gains/(losses)	(46,898)	226,235
Effect of change in tax rates on deferred tax balances	(123,758)	(262,157)
Other differences leading to an increase (decrease) in the tax charge	-	378
TOTAL TAX CHARGE FOR THE YEAR	<u>(13,336)</u>	<u>260,734</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

At the balance sheet date legislation has been substantially enacted which reduced the main rate of corporation tax from 20% to 19% from, 1 April 2017 and to 17% from 1 April 2020. This reduction has been reflected in the calculation of the companies deferred tax assets and liabilities.

12. DIVIDENDS

	2017 £	2016 £
Dividends paid	650,000	-
	<u>650,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

13. TANGIBLE FIXED ASSETS

Group

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
COST OR VALUATION						
At 1 April 2016	18,892,257	100,685	30,283	1,257,091	22,105	20,302,421
Additions	1,066,039	30,036	174,637	206,828	1,557	1,479,097
At 31 March 2017	19,958,296	130,721	204,920	1,463,919	23,662	21,781,518
DEPRECIATION						
At 1 April 2016	-	54,184	21,490	668,147	18,089	761,910
Charge for the year on owned assets	-	13,834	1,448	178,080	1,114	194,476
Charge for the year on financed assets	-	-	44,409	19,585	-	63,994
At 31 March 2017	-	68,018	67,347	865,812	19,203	1,020,380
NET BOOK VALUE						
At 31 March 2017	19,958,296	62,703	137,573	598,107	4,459	20,761,138
At 31 March 2016	18,892,257	46,501	8,793	588,944	4,016	19,540,511

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Freehold	19,958,296	18,892,257
	<u>19,958,296</u>	<u>18,892,257</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Motor vehicles	129,449	-
Furniture, fittings and equipment	74,039	100,832
	<u>203,488</u>	<u>100,832</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

13. TANGIBLE FIXED ASSETS (CONTINUED)

Cost or valuation at 31 March 2017 is as follows:

	Land and buildings £
AT COST	6,726,537
AT VALUATION:	
Valuations	<u>13,231,759</u>
	<u><u>19,958,296</u></u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2017 £	2016 £
GROUP		
Cost	<u>6,726,537</u>	<u>5,660,498</u>
NET BOOK VALUE	<u><u>6,726,537</u></u>	<u><u>5,660,498</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

13. TANGIBLE FIXED ASSETS (CONTINUED)

Company

	Office equipment £
COST OR VALUATION	
At 1 April 2016	16,674
	<hr/>
At 31 March 2017	16,674
	<hr/>
DEPRECIATION	
At 1 April 2016	14,388
Charge for the year on owned assets	571
	<hr/>
At 31 March 2017	14,959
	<hr/>
NET BOOK VALUE	
	<hr/>
At 31 March 2017	1,715
	<hr/>
At 31 March 2016	2,286
	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

14. FIXED ASSET INVESTMENTS**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Cannon Care Homes 4 Limited	Ordinary £1	100 %	Holding company Residential care
The Check House Limited	Ordinary £1	100 %	home operator Residential care
Thornfield Care Limited	Ordinary £1	100 %	operator

The aggregate of the share capital and reserves as at 31 March 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Cannon Care Homes 4 Limited	160,768	(41,446)
The Check House Limited	5,983,695	222,174
Thornfield Care limited	1,607,008	166,587
	<u>7,751,471</u>	<u>347,315</u>

Company

	Investments in subsidiary companies £
COST OR VALUATION	
At 1 April 2016	3,911,453
At 31 March 2017	<u>3,911,453</u>
NET BOOK VALUE	
At 31 March 2017	<u>3,911,453</u>
At 31 March 2016	<u>3,911,453</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

15. STOCKS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Raw materials and consumables	6,250	2,775	-	-
	6,250	2,775	-	-

16. DEBTORS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	161,019	179,991	-	-
Amounts owed by group undertakings	-	-	9,381,786	2,837,054
Other debtors	1,396,331	1,540,785	1,388,806	1,528,609
Prepayments and accrued income	26,572	35,241	-	-
	1,583,922	1,756,017	10,770,592	4,365,663

17. CASH AND CASH EQUIVALENTS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	473,531	992,552	338,253	876,525
	473,531	992,552	338,253	876,525

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017	Group 2016	Company 2017	Company 2016
	£	£	£	£
Bank loans	449,420	237,725	449,420	-
Trade creditors	73,469	103,916	-	-
Amounts owed to group undertakings	297,107	297,107	297,107	8,145,689
Corporation tax	310,147	229,992	43,076	27,237
Other taxation and social security	84,838	55,436	27,532	4,549
Obligations under finance lease and hire purchase contracts	59,703	103,347	-	-
Other creditors	255,590	185,642	-	-
Accruals and deferred income	377,784	231,900	83,541	40,035
	<u>1,908,058</u>	<u>1,445,065</u>	<u>900,676</u>	<u>8,217,510</u>

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

	Group 2017	Group 2016	Company 2017	Company 2016
	£	£	£	£
Debentures loans	-	1,070,366	-	-
Bank loans	13,725,581	12,921,271	13,725,582	-
Net obligations under finance leases and hire purchase contracts	158,840	4,811	-	-
	<u>13,884,421</u>	<u>13,996,448</u>	<u>13,725,582</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

20. LOANS

Loans are secured against the assets of the group.

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank loans	449,420	237,725	449,420	-
	449,420	237,725	449,420	-
AMOUNTS FALLING DUE 2-5 YEARS				
Bank loans	2,581,075	257,848	2,581,075	-
Debenture loans	-	1,070,366	-	-
	2,581,075	1,328,214	2,581,075	-
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS				
Bank loans	11,144,505	12,663,423	11,144,505	-
	11,144,505	12,663,423	11,144,505	-
	14,175,000	14,229,362	14,175,000	-

21. HIRE PURCHASE AND FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	Group 2017 £	Group 2016 £
Within one year	75,613	46,056
Between 1-2 years	75,613	64,053
Between 2-5 years	99,385	145,844
	250,611	255,953

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

22. FINANCIAL INSTRUMENTS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
FINANCIAL ASSETS				
Financial assets measured at fair value through profit or loss	473,531	992,552	338,253	876,525
Financial assets that are debt instruments measured at amortised cost	1,557,351	1,720,777	10,770,592	4,365,663
	<u>2,030,882</u>	<u>2,713,329</u>	<u>11,108,845</u>	<u>5,242,188</u>
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost	(14,987,569)	(14,903,178)	(14,555,651)	(8,185,723)
	<u>(14,987,569)</u>	<u>(14,903,178)</u>	<u>(14,555,651)</u>	<u>(8,185,723)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank.

Financial assets measured at amortised cost comprise trade debtors, other debtors and intercompany balances.

Financial liabilities measured at amortised cost comprise trade and other creditors and bank loans.

23. DEFERRED TAXATION

Group

	2017 £
At beginning of year	(2,359,418)
Charged to profit or loss	206,708
AT END OF YEAR	<u>(2,152,710)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

23. DEFERRED TAXATION (CONTINUED)

Company

	2017 £
At beginning of year	(56,837)
Charged to profit or loss	56,545
AT END OF YEAR	(292)

	Group 2017 £	Company 2017 £
Accelerated capital allowances	(145,971)	(292)
Capital gains	(2,006,739)	-
	<u>(2,152,710)</u>	<u>(292)</u>

24. SHARE CAPITAL

	2017 £	2016 £
ALLOTTED, CALLED UP AND PARTLY PAID		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

25. RESERVES

Profit and loss account

The company profit and loss reserve is represented by £395,462 relating to distributable profits. The Group profit and loss reserve is represented by £2,727,051 relating to distributable profits and £2,152,598 relating to previous revaluation of tangible fixed assets.

26. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension contributions payable by the Group to the fund amounted to £17,023. Contributions totalling £2,913 were payable to the fund at the reporting date

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

27. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £
Not later than 1 year	8,176	32,134
Later than 1 year and not later than 5 years	12,081	33,177
	<u>20,257</u>	<u>65,311</u>

28. TRANSACTIONS WITH DIRECTORS

At the year end, Mr R Cannon owed £1,117,417 (2016 £1,297,660) to the company via his director's loan account. Interest is charged on this balance at 3% and there is no fixed date for repayment.

29. RELATED PARTY TRANSACTIONS

During the year Cannon Care Homes Limited paid £650,000 (2016: £Nil) in dividends to Mr R Cannon, the director of the company.

Cannon Care Homes Limited is the 100% parent company of Thornfield Care Limited and owed £1,250,501 (2016: £680,879) to the company at the year end.

Cannon Care Homes Limited is the 100% parent company of Cannon Care Homes 2 (Highcliffe) Limited and owed £297,107 (2016: £297,107) to the company at the year end.

Cannon Care Homes Limited is the 100% parent company of Cannon Care Homes 4 Limited and was owed £3,209,393 (2016: £2,837,054) from the company at the year end.

Cannon Care Homes Limited is the 100% parent company of The Check House Limited and owed £938,545 (2016: £3,977,618) to the company at the year end.

Cannon Care Homes Limited is the 100% parent company of Silverleigh Limited and owed £3,983,346 (2016: £3,190,085) to the company at the year end.

Newton Drinks Limited, a company under common control, owed £40,439 (2016: £12,176) to the company at the year end.

No interest is due on the above balances and there is no fixed date for repayment.

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

30. CONTROLLING PARTY

The company is under the control of Mr R Cannon.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.