

**Southern Cross Healthcare Services
Limited**

Report and Financial Statements

52 Weeks Ended

27 March 1999



BDO Stoy Hayward
Chartered Accountants

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report and financial statements for the 52 weeks ended 27 March 1999

Contents

Directors

Page:

1	Report of the directors
3	Report of the auditors
4	Profit and loss account
5	Balance sheet
6	Notes forming part of the financial statements

Directors

J E Moreton - Chairman
L E Mark
A D Thorne
T L Stables
K Steven

Secretary and registered office

K Steven, Park House, 11 Sheet Street, Windsor, Berkshire, SL4 1BN.

Company number

3156327

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report of the directors for the 52 weeks ended 27 March 1999

The directors present their report together with the audited financial statements for the period ended 27 March 1999.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the period.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

At 31 March 1999, the company operated 35 nursing and residential care homes in the United Kingdom and presently operates 60 such facilities with 3,537 registered beds.

The principal activity of the company is the operation of nursing and residential homes after sale. The directors consider the result for the period to be in line with expectations and are confident of a further improvement in the following year.

Year 2000

Since 1 January 2000 the company has not experienced any significant operational problems as a result of the Year 2000 issue.

Directors

The directors of the company during the period were:

J E Moreton
L E Mark
A D Thorne
T L Stables
K Steven

None of the directors had any interest in the share capital of the company. The interests of the directors in the ordinary share capital of the immediate parent company, Southern Cross Healthcare Limited, are shown in the financial statements of that company.

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report of the directors for the 52 weeks ended 27 March 1999 (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



K Steven

Secretary

11 January 2000

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report of the auditors

To the shareholders of Southern Cross Healthcare Services Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 27 March 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

11 January 2000

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Profit and loss account for the 52 weeks ended 27 March 1999

	Note	1999 £	1998 £
Turnover	2	21,570,274	8,244,977
Direct costs		13,260,669	5,154,827
Gross profit		8,309,605	3,090,150
Administrative expenses		2,126,511	825,567
Operating lease rentals		6,086,494	2,543,837
Profit on sale of development properties	3	2,091,575	1,208,631
Operating profit		2,188,175	929,377
Interest payable	5	(46,954)	(3,722)
Interest receivable		52,333	24,964
Profit on ordinary activities before taxation	6	2,193,554	950,619
Taxation on ordinary activities	7	459,854	9,900
Profit on ordinary activities after taxation, and retained		1,733,700	940,719
Retained profit/(accumulated losses) brought forward		670,501	(270,218)
Retained profit carried forward		2,404,201	670,501

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The retained profit for the period represents the movement in shareholders' funds.

The notes on pages 6 to 10 form part of these financial statements

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Balance sheet at 27 March 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	8	2,265,469	1,055,298
Current assets			
Stock		36,768	15,641
Debtors	9	6,178,148	1,105,739
Debtors - after one year	9	2,393,762	731,549
Cash at bank and in hand		-	97,905
Development properties		79,347	-
		<u>8,688,025</u>	<u>1,950,834</u>
Creditors: amounts falling due within one year	10	<u>6,624,208</u>	<u>1,541,114</u>
Net current assets		<u>2,063,817</u>	<u>409,720</u>
Total assets less current liabilities		<u>4,329,286</u>	<u>1,465,018</u>
Creditors: amounts falling due after more than one year	11	<u>1,925,083</u>	<u>794,515</u>
		<u>2,404,203</u>	<u>670,503</u>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account		<u>2,404,201</u>	<u>670,501</u>
Shareholders' funds - equity		<u>2,404,203</u>	<u>670,503</u>

The financial statements were approved by the Board on 11 January 2000


J E Moreton
Director

The notes on pages 6 to 10 form part of these financial statements

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 52 weeks ended 27 March 1999

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents fees charged (excluding VAT) for the provision of services and proceeds from the sale of properties.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, over their expected useful lives. It is calculated at the following rates:

Leasehold properties	-	over life of lease
Fixtures and fittings	-	14% per annum
Motor vehicles	-	20% per annum
Computer equipment	-	33⅓% per annum

Development properties

Properties in the course of development are stated at the lower of cost and net realisable value.

Profit or loss on the sale of development properties is recognised in the year in which practical completion and health authority registration takes place provided contracts are exchanged before the year-end and completed prior to the financial statements being approved by the directors.

Leased assets

Assets acquired under operating leases have their annual rentals charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

Stock

Stock is valued at the lower of cost and net realisable value.

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 52 weeks ended 27 March 1999 (*Continued*)

2 Turnover and profit before taxation

Turnover and profit before taxation is wholly attributable to the principal activities of the company and arises solely within the UK.

3 Profit on sale of development properties

	1999 £	1998 £
Turnover	21,962,500	17,959,000
Cost of sales	(19,870,925)	(16,750,369)
	<u>2,091,575</u>	<u>1,208,631</u>

4 Employees

Staff costs consist of:

Wages and salaries	11,282,167	4,555,800
Social security costs	707,566	264,287
	<u>11,989,733</u>	<u>4,820,087</u>

The average monthly number of employees during the period was 1,749 (1998 – 1,068).

5 Interest payable

	1999 £	1998 £
Bank loans and overdrafts	46,954	3,722
	<u>46,954</u>	<u>3,722</u>

6 Profit on ordinary activities before taxation

This is arrived at after charging:

Depreciation	184,878	64,739
Operating lease rentals	6,086,494	2,543,837
	<u>6,271,372</u>	<u>2,608,576</u>

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 52 weeks ended 27 March 1999 (*Continued*)

7 Taxation on ordinary activities

	1999 £	1998 £
UK corporation tax based on profit for the period after group relief	459,854	9,900

8 Tangible assets

	Short Leasehold properties £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>				
At 29 March 1998	689,245	437,050	11,500	1,137,795
Additions	769,032	627,292	-	1,396,324
Disposals	-	-	(1,500)	(1,500)
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 March 1999	1,458,277	1,064,342	10,000	2,532,619
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 29 March 1998	19,779	62,718	-	82,497
Provided for the period	42,974	139,904	2,000	184,878
Disposals	-	-	(225)	(225)
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 March 1999	62,753	202,622	1,775	267,150
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 27 March 1999	1,395,524	861,720	8,225	2,265,469
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 March 1998	669,466	374,332	11,500	1,055,298
	<hr/>	<hr/>	<hr/>	<hr/>

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 52 weeks ended 27 March 1999 (Continued)

9 Debtors

	1999 £	1998 £
Amounts receivable within one year		
Trade debtors	2,846,190	846,751
Other debtors	43,675	47,115
Prepayments and accrued income	3,288,283	211,873
	<hr/>	<hr/>
	6,178,148	1,105,739
Amounts receivable after more than one year		
Other debtors - operating lease rental deposits	1,278,188	696,324
Amounts due from fellow subsidiary undertakings	1,115,574	35,225
	<hr/>	<hr/>
	8,571,910	1,837,288
	<hr/> <hr/>	<hr/> <hr/>

10 Creditors: amounts falling due within one year

Bank loans and overdrafts	153,663	119,491
Trade creditors	3,362,778	268,148
Other creditors	856,085	545,242
Creditors for taxation and social security	692,088	324,755
Accruals and deferred income	1,099,740	273,578
Corporation tax	459,854	9,900
	<hr/>	<hr/>
	6,624,208	1,541,114
	<hr/> <hr/>	<hr/> <hr/>

11 Creditors: amounts falling due after more than one year

Amounts owed to fellow subsidiary undertakings	1,464,172	41,870
Amounts owed to immediate parent company	460,911	752,645
	<hr/>	<hr/>
	1,925,083	794,515
	<hr/> <hr/>	<hr/> <hr/>

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 52 weeks ended 27 March 1999 (*Continued*)

12 Share capital

	Authorised		Allotted, called up and fully paid	
	1998 £	1996 £	1998 £	1996 £
Ordinary shares of £1 each	1,000	1,000	2	2

13 Commitments under operating leases

As at 27 March 1999, the company had annual commitments under non-cancellable operating leases, all of which relate to land and buildings, as set out below:

	1999 £	1998 £
Operating leases which expire:		
After five years	7,304,861	4,164,156

14 Ultimate parent company

The immediate parent company is Southern Cross Healthcare Limited, a company registered in England and which prepares consolidated financial statements.

The ultimate parent company is Manuwai Investments Limited, a company incorporated in Jersey.