

Southern Cross Healthcare Facilities Limited
Report and Financial Statements
for the period ended 2 October 2005

Registered Number 3225331



Southern Cross Healthcare Facilities Limited
Report and Financial Statements
for the period ended 2 October 2005
Contents

Directors' report for the period ended 2 October 2005	1
Independent auditors' report to the members of Southern Cross Healthcare Facilities Limited.....	3
Profit and loss account for the period ended 2 October 2005	4
Balance sheet as at 2 October 2005	5
Accounting policies	6
Notes to the financial statements for the period ended 2 October 2005.....	7

Southern Cross Healthcare Facilities Limited

Directors' report for the period ended 2 October 2005

The directors have pleasure in submitting their report together with the financial statements of the company for the period ended 2 October 2005.

Results and dividends

The profit and loss account is set out on page 4. The directors are satisfied with the performance of the company during the period and with the year end position.

The directors do not recommend the payment of a dividend (2004: £Nil).

Principal activity

The principal activity of the company is the operation of care homes.

Directors and their interests

The directors of the company during the period and at 2 October 2005 were:

P Scott
C Rutter
G Sizer
J Murphy (appointed 11 February 2005)

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

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 confirm that they have complied with the above requirements in preparing the financial statements.

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.

Southern Cross Healthcare Facilities Limited

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'C Rutter', written in a cursive style.

C Rutter
Secretary

10 March 2006

Southern Cross Healthcare Facilities Limited

Independent auditors' report to the members of Southern Cross Healthcare Facilities Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

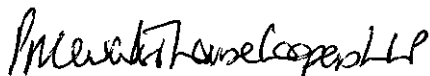
Basis of audit opinion

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 company's affairs at 2 October 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

10 March 2006

Southern Cross Healthcare Facilities Limited

Profit and loss account for the period ended 2 October 2005

	Note	Period ended 2 October 2005 £	Year ended 27 March 2004 £
Turnover	1	136,416	-
Cost of sales		(124,634)	-
Gross profit		11,782	-
Administrative expenses before operating lease rentals		(22,767)	-
Operating lease rentals: land and buildings		(56,985)	-
Administrative expenses		(79,752)	-
Operating loss		(67,970)	-
Interest receivable	4	61,442	-
Interest payable	5	(7,892)	-
Loss on ordinary activities before taxation	6	(14,420)	-
Taxation	7	2,498	-
Loss for the year	12	(11,922)	-

All amounts relate to discontinued activities.

There are no other recognised gains and losses in the period other than the result for the period reported above.

There is no material difference between the loss on ordinary activities before taxation and the loss for the year reported above and their historical cost equivalents.

Southern Cross Healthcare Facilities Limited

Balance sheet as at 2 October 2005

	Note	Period ended 2 October 2005 £	Year ended 27 March 2004 £
Fixed assets			
Tangible assets	8	65,925	-
Current assets			
Debtors	9	550,819	627,315
Cash at bank and in hand		517	
Net current assets		551,336	627,315
Provisions for liabilities and charges	10	(1,868)	-
Net assets		615,393	627,315
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	615,391	627,313
Equity shareholders' funds	13	615,393	627,315

The financial statements on pages 4 to 12 were approved by the board of directors on 10 March 2006 and signed on their behalf by:



G Sizer
Director

Southern Cross Healthcare Limited

Accounting policies

Basis of preparation

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 consistently:

Tangible fixed assets

Tangible fixed assets are initially recorded at purchase price plus any incidental costs of purchase.

Depreciation

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

Fixtures and fittings	-	10 - 33½% per annum
-----------------------	---	---------------------

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 other payments received in respect of 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.

Cashflow statement and related party disclosure

The company is a wholly owned subsidiary of Southern Cross Healthcare Limited and is included in the consolidated financial statements of Southern Cross Healthcare Group Limited which are publicly available. Consequently, the company has taken advantage of the exemption of preparing a cashflow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Southern Cross Healthcare Group Limited group or investees of Southern Cross Healthcare Group Limited.

Southern Cross Healthcare Facilities Limited

Notes to the financial statements for the period ended 2 October 2005

1 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

2 Employees

The average number of staff employed by the company during the period was as follows:

The allocation of staff is as follows:

	Period ended 2 October 2005	Year ended 27 March 2004
	Number	Number
Nursing care	31	-
Management/administration	2	-
	33	-

The aggregate costs of staff were:

	Period ended 2 October 2005	Year ended 27 March 2004
	£	£
Wages and salaries	112,452	-
Social security costs	6,823	-
	119,275	-

3 Directors

The directors received no emoluments during the period (2004: £Nil).

Southern Cross Healthcare Facilities Limited

4 Interest receivable

	Period ended 2 October 2005 £	Year ended 27 March 2004 £
Interest receivable from group undertakings	61,442	-

5 Interest payable

	Period ended 2 October 2005 £	Year ended 27 March 2004 £
Interest payable	7,892	-

6 Loss on ordinary activities before taxation

	Period ended 2 October 2005 £	Year ended 27 March 2004 £
This is stated after charging:		
Depreciation – tangible assets	1,109	-

Auditors' remuneration is paid by an intermediate parent undertaking.

Southern Cross Healthcare Facilities Limited

7 Taxation

(a) Analysis of tax charge/(credit) in the period

	Period ended 2 October 2005 £	Year ended 27 March 2004 £
Current tax:		
UK corporation tax	(4,366)	-
Deferred tax:		
Origination and reversal of timing differences	1,868	-
	(2,498)	-

(b) Factors affecting the tax charge for the period

The tax assessed differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Period ended 2 October 2005 £	Year ended 27 March 2004 £
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2004: 30%)	(4,326)	-
Effects of:		
Accelerated capital allowances	(1,869)	-
Expenses not deductible for tax purposes	1,829	-
	(4,366)	-

(c) Factors that may affect future charges

There are no factors which are expected to materially affect future tax charges.

Southern Cross Healthcare Facilities Limited

8 Tangible fixed assets

	Fixtures & fittings	Total
	£	£
Cost		
At 28 March 2004	-	-
Additions	67,034	67,034
At 2 October 2005	67,034	67,034
Depreciation		
At 28 March 2004	-	-
Charge for the year	1,109	1,109
At 2 October 2005	1,109	1,109
Net book amount		
At 2 October 2005	65,925	65,925
At 27 March 2004	-	-

9 Debtors

	2 October 2005	27 March 2004
	£	£
Trade debtors	33,020	-
Amount owed by group undertakings	512,774	627,315
Other debtors and prepayments	659	-
Corporation tax	4,366	-
	550,819	627,315

Southern Cross Healthcare Facilities Limited

10 Provisions for liabilities and charges

	2005 £
At 27 March 2004	-
Deferred tax charge in the profit and loss account	1,868
Deferred tax liability at 2 October 2005	1,868

	2 October 2005 £	27 March 2004 £
Deferred tax is provided as follows:		
Capital allowances	1,868	-

11 Equity share capital

	2 October 2005 £	27 March 2004 £
Authorised share capital		
100 ordinary shares of £1 each	100	100
Allotted, issued and fully paid		
2 ordinary shares of £1 each	2	2

12 Profit and loss account

	Profit and loss account £
At 28 March 2004	627,313
Loss for the period	(11,922)
At 2 October 2005	615,391

Southern Cross Healthcare Facilities Limited

13 Reconciliation of movement in shareholders' funds

	2 October 2005 £	27 March 2004 £
Loss for the financial period	(11,922)	-
Opening equity shareholders' funds	627,315	627,315
Closing equity shareholders' funds	615,393	627,315

14 Financial commitments

As at 2 October 2005, the company had annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows:

	2 October 2005 £	27 March 2004 £
After more than five years	184,104	-

15 Contingent liabilities

The company has provided bank guarantees to assist the trading of other group companies. Liabilities covered by the guarantee are disclosed in the financial statements of the ultimate parent undertaking.

16 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 undertaking is Southern Cross Healthcare Group Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Southern Cross Healthcare Group Limited's consolidated financial statements can be obtained from its registered office:

Unit 2G, Enterprise House, Valley Street North, Darlington, Co Durham DL1 1GY.

In the opinion of the directors, ultimate control of the Company and Group is shared between three parties:

Blackstone Capital Partners IV LP,

Blackstone Real Estate Partners International LP;

Blackstone Real Estate Partners IV LP.

The head office of Blackstone Capital Partners IV LP and Blackstone Real Estate Partners is at 345 Park Avenue, New York, NY10154, USA.