

Southern Cross Healthcare Facilities Limited
Report and Financial Statements
for the year ended 1 October 2006

Registered Number 3225331



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for the year ended 1 October 2006
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Southern Cross Healthcare (Cheshire) Limited

Directors' report for the year ended 1 October 2006

The directors have pleasure in submitting their report together with the financial statements of the company for the year ended 1 October 2006

Results and dividends

The profit and loss account is set out on page 5. The directors are satisfied with the performance of the company during the year and with the year end position.

The directors do not recommend the payment of a dividend (2005 £Nil)

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Southern Cross Healthcare Group PLC, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Key performance indicators ('KPIs')

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Southern Cross Healthcare Group PLC, which includes the company, is discussed in the group's annual report which does not form part of this report.

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 year and at 1 October 2006 were

P Scott

C Rutter (resigned 31 August 2006)

E Haines (appointed 14 November 2005)

G Sizer

J Murphy

None of the directors had any interest in the share capital of the company.

The interests of P Scott, G Sizer and J Murphy in the share capital of the parent company, Southern Cross Healthcare Group PLC, are shown in the financial statements of that company.

Southern Cross Healthcare (Cheshire) Limited

E Haines held 144,960 ordinary shares in the ultimate parent undertaking, Southern Cross Healthcare Group PLC, as at the date of their appointment and at 1 October 2006

E Haines was awarded 55,556 conditional shares under the terms of the Southern Cross Healthcare Group PLC Performance Share Plan ("the PSP") on 4 September 2006

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

Auditors and disclosure of information to auditors

Each director, as at the date of this report has confirmed that in so far as they are aware there is no relevant audit information (this is information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors

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

By order of the Board



W McLeish
Secretary

23 March 2007

Southern Cross Healthcare (Cheshire) Limited

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

We have audited the financial statements of Southern Cross Healthcare Facilities Limited for the year ended 1 October 2006 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Southern Cross Healthcare (Cheshire) Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 October 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

23 March 2007

Southern Cross Healthcare Facilities Limited

Profit and loss account for the year ended 1 October 2006

	Note	Year ended 1 October 2006 £	Period ended 2 October 2005 £
Turnover	1	842,368	136,416
Cost of sales		(571,643)	(124,634)
Gross profit		270,725	11,782
Administrative expenses before operating lease rentals		(142,883)	(22,767)
Operating lease rentals land and buildings		(202,223)	(56,985)
Administrative expenses		(345,106)	(79,752)
Operating loss		(74,380)	(67,970)
Interest receivable and similar income	4	25,563	61,442
Interest payable and similar charges	5	-	(7,892)
Loss on ordinary activities before taxation	6	(48,817)	(14,420)
Taxation	7	12,581	2,498
Loss for the financial year	12	(36,236)	(11,922)

All amounts relate to discontinued activities

There are no other recognised gains and losses in the year other than the loss for the period reported above

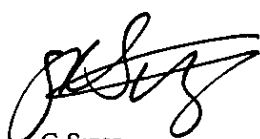
There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year reported above and their historical cost equivalents

Southern Cross Healthcare (Cheshire) Limited

Balance sheet as at 1 October 2006

	Note	1 October 2006 £	2 October 2005 £
Fixed assets			
Tangible assets	8	92,132	65,925
Current assets			
Debtors	9	486,505	550,819
Cash at bank and in hand		520	517
Net current assets		487,025	551,336
Provisions for liabilities and charges	10	-	(1,868)
Net assets		579,157	615,393
Capital and reserves			
Called up equity share capital	11	2	2
Profit and loss account	12	579,155	615,391
Equity shareholders' funds	13	579,157	615,393

The financial statements on pages 5 to 13 were approved by the board of directors on 23 March 2007 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:

Leasehold property	-	term of the lease
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 year ended 1 October 2006

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

	Year ended 1 October 2006 Number	Period ended 2 October 2005 Number
Nursing care	38	31
Management/administration	1	2
	39	33

The aggregate costs of staff were

	Year ended 1 October 2006 £	Period ended 2 October 2005 £
Wages and salaries	460,755	112,452
Social security costs	35,502	6,823
	496,257	119,275

3 Directors

The directors received no emoluments during the period (2005 £Nil)

Southern Cross Healthcare Facilities Limited

4 Interest receivable and similar income

	Year ended 1 October 2006 £	Period ended 2 October 2005 £
Interest receivable from group undertakings	25,563	61,442

5 Interest payable and similar charges

	Year ended 1 October 2006 £	Period ended 2 October 2005 £
Interest payable	-	7,892

6 Loss on ordinary activities before taxation

	Year ended 1 October 2006 £	Period ended 2 October 2005 £
This is stated after charging		
Depreciation – tangible assets	17,078	1,109
Operating lease rental land and buildings	202,223	56,985

Auditors' remuneration is paid by an intermediate parent undertaking

Southern Cross Healthcare Facilities Limited

7 Taxation

(a) Analysis of tax credit in the period

	Year ended 1 October 2006 £	Period ended 2 October 2005 £
Current tax:		
UK corporation tax	(12,793)	(4,366)
Adjustment in respect of previous period	4,366	-
	(8,427)	-
Deferred tax:		
Origination and reversal of timing differences	(42)	1,868
Adjustment in respect of previous period	(4,112)	-
	(12,581)	(2,498)

(b) Factors affecting the tax credit for the period

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

	Year ended 1 October 2006 £	Period ended 2 October 2005 £
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2005 30%)	(14,645)	(4,326)
Effects of		
Accelerated capital allowances	42	(1,869)
Expenses not deductible for tax purposes	1,810	1,829
Adjustment in respect of previous period	4,366	-
	(8,427)	(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

	Leasehold property £	Fixtures & fittings £	Total £
Cost			
At 2 October 2005	-	67,034	67,034
Additions	1,901	48,068	49,969
Disposals	-	(7,007)	(7,007)
At 1 October 2006	1,901	108,095	109,996
Depreciation			
At 2 March 2005	-	1,109	1,109
Charge for the year	7	17,071	17,078
Disposals	-	(323)	(323)
At 1 October 2006	7	17,857	17,864
Net book amount			
At 1 October 2006	1,894	90,238	92,132
At 2 October 2005	-	65,925	65,925

9 Debtors

	1 October 2006 £	2 October 2005 £
Trade debtors	57,723	33,020
Amount owed by group undertakings	413,363	512,774
Other debtors and prepayments	8,767	659
Corporation tax	4,366	4,366
Deferred tax asset (note 10)	2,286	-
	486,505	550,819

Southern Cross Healthcare Facilities Limited

10 Provisions for liabilities and charges

	2006 £
Deferred tax liability at 2 October 2005	1,868
Deferred tax credit in the profit and loss account	(4,154)
Deferred tax asset at 1 October 2006 (note 9)	(2,286)

	1 October 2006 £	2 October 2005 £
Deferred tax is provided as follows		
Capital allowances	2,286	1,868

11 Equity share capital

	1 October 2006 £	2 March 2005 £
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 2 October 2005	615,391
Loss for the financial year	(36,236)
At 1 October 2006	579,155

Southern Cross Healthcare Facilities Limited

13 Reconciliation of movement in shareholders' funds

	1 October 2006 £	2 October 2005 £
Loss for the financial year	(36,236)	(11,922)
Opening equity shareholders' funds	615,393	627,315
Closing equity shareholders' funds	579,157	615,393

14 Financial commitments

As at 1 October 2006, the company had annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows

	1 October 2006 £	2 October 2005 £
After more than five years	205,000	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 PLC, 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.

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