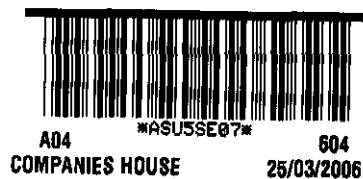


Southern Cross Cymru Limited  
(formerly Highfield Cymru Limited)  
Report and Financial Statements  
for the year ended 2 October 2005

Registered Number 03558528



Southern Cross Cymru Limited  
(formerly Highfield Cymru Limited)  
Report and Financial Statements  
for the year ended 2 October 2005  
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# **Southern Cross Cymru Limited** **(formerly Highfield Cymru Limited)**

## **Directors' report for the year ended 2 October 2005**

The directors present their annual report together with the audited financial statements for the year ended 2 October 2005.

### **Principal activity**

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

### **Results and dividends**

The profit for the financial year after tax amounted to £308,015 (2004: loss of £502,218). The directors are satisfied with the performance of the business in the year and believe that the financial position of the company at the year end is satisfactory. The directors do not recommend the payment of a dividend (2004: £Nil).

### **Directors and their interests**

The directors during and at the end of the year unless otherwise stated were as follows:

J Murphy	
K Foulkes	(resigned 4 April 2005)
P Scott	(appointed 11 February 2005)
C Rutter	(appointed 11 February 2005)
G Sizer	(appointed 11 February 2005)
W Colvin	(appointed 1 June 2005)

None of the directors had any interest in the ordinary share capital of the company. The interests of the above directors in the shares of the ultimate parent undertaking, Southern Cross Healthcare Group Limited, are disclosed in the consolidated accounts 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 group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

## **Southern Cross Cymru Limited (formerly Highfield Cymru Limited)**

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.

### **Employee involvement**

The future success of the company is dependent on the skill and commitment of its staff, both full time and part time and it is the policy of the company to develop and maintain employee awareness and involvement in its activities through regular management visits and dissemination of relevant information. Particular importance is attached to career development and staff training is available to those who wish to participate through in-house and nationally recognised training courses. It is also company policy to consider fully applications from disabled persons, and to employ, such persons, where practicable. In the event of employees becoming disabled every effort is made to retain them in order that their employment may continue.

### **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



C Rutter  
Secretary

10 March 2006



**Southern Cross Cymru Limited**  
**(formerly Highfield Cymru Limited)**

**Independent auditors' report to the members of**  
**Southern Cross Cymru Limited (formerly Highfield Cymru Limited)**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of 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 state of affairs of the company at 2 October 2005 and of its profit for the year 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 Cymru Limited**  
**(formerly Highfield Cymru Limited)**

**Profit and loss account**  
**for the year ended 2 October 2005**

	Note	2005 £	2004 £
Turnover	1	12,296,556	8,005,919
Cost of sales		(7,676,701)	(4,927,045)
<b>Gross profit</b>		<b>4,619,855</b>	<b>3,078,874</b>
Administrative expenses before operating lease rentals		(1,755,799)	(1,588,942)
Operating lease rentals: land and buildings		(2,287,096)	(1,983,181)
Administrative expenses		(4,042,895)	(3,572,123)
<b>Operating profit/(loss)</b>		<b>576,960</b>	<b>(493,249)</b>
Interest receivable and similar income		-	3,480
Interest payable and similar charges	4	(144,138)	-
<b>Profit/(loss) on ordinary activities before taxation</b>	5	<b>432,822</b>	<b>(489,769)</b>
Taxation	6	(124,807)	(15,449)
<b>Retained profit/(loss) for the year</b>	12	<b>308,015</b>	<b>(505,218)</b>

All amounts relate to continuing activities.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

The company has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

**Southern Cross Cymru Limited**  
**(formerly Highfield Cymru Limited)**

**Balance sheet as at 2 October 2005**

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	7	1,297,874	1,293,524
<b>Current assets</b>			
Debtors	8	1,352,889	1,182,644
Cash at bank and in hand		7,838	614,785
		1,360,727	1,797,429
<b>Creditors: amounts falling due within one year</b>	9	(2,855,802)	(3,580,720)
<b>Net current liabilities</b>		(1,495,075)	(1,783,291)
<b>Total assets less current liabilities</b>		(197,201)	(489,767)
<b>Provision for liabilities and charges</b>	10	-	(15,449)
<b>Net liabilities</b>		(197,201)	(505,216)
<b>Capital and reserves</b>			
Called up share capital	11	2	2
Profit and loss account	12	(197,203)	(505,218)
<b>Equity shareholders' deficit</b>	13	(197,201)	(505,216)

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



G Sizer  
Director



# **Southern Cross Cymru Limited** **(formerly Highfield Cymru Limited)**

## **Statement of 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:

### **Turnover**

Turnover represents fees charged (excluding VAT) for the provision of services. Turnover is recognised when the service is provided in full.

### **Cash flow statement and related party disclosures**

The company is a wholly owned subsidiary of Southern Cross Care Homes 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.

### **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 the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold property	- over term of lease
Motor vehicles	- 4 years
Fixtures and fittings	- 3 to 10 years

### **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.

### **Pension costs**

The company operates a defined contribution scheme, providing benefits for employees additional to those from the State. From the date of acquisition by Southern Cross Healthcare Group Limited on 8 April 2005, new entrants are only eligible to join the Southern Cross Healthcare scheme. This is a money purchase scheme to which the Company does not contribute.



**Southern Cross Cymru Limited**  
**(formerly Highfield Cymru Limited)**

**Notes to the financial statements**  
**for the year 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 year was as follows:

	2005	2004
	Number	Number
Nursing staff	480	248
Administration staff	29	15
	509	263

The aggregate costs of staff were:

	2005	2004
	£	£
Wages and salaries	5,939,773	4,020,080
Social security costs	388,280	247,122
Other pension costs	2,747	367
	6,330,800	4,267,569

**3 Directors**

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

**4 Interest payable and similar charges**

	2005	2004
	£	£
Amounts payable to group undertakings	137,916	-
Bank charges	6,222	-
	144,138	-



**Southern Cross Cymru Limited**  
**(formerly Highfield Cymru Limited)**

**5 Profit/(loss) on ordinary activities before taxation**

	2005	2004
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation -- owned tangible assets	400,172	115,886
Audit fees	-	4,390
Operating lease rentals: land and buildings		

Audit fees are paid by another group company, Southern Cross Healthcare Limited.

**6 Taxation**

**(a) Analysis of tax charge/(credit) for the year**

	2005	2004
	£	£
Current tax:		
UK corporation tax	(183,224)	-
	(183,224)	-
Deferred tax:		
Origination and reversal of timing differences	52,192	(15,449)
Adjustments in respect of previous periods	6,225	-
<b>Tax on profit/(loss) on ordinary activities</b>	<b>(124,807)</b>	<b>(15,449)</b>



## Southern Cross Cymru Limited (formerly Highfield Cymru Limited)

### (b) Factors affecting the tax charge/(credit) for the year

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

	2005 £	2004 £
Profit/(loss) on ordinary activities multiplied by the standard rate of UK corporation rate of 30% (2004: 30%)	129,847	(146,931)
Effects of:		
Capital allowances in excess of depreciation	53,377	(15,449)
Utilisation of group relief	-	148,447
Permanent differences	-	13,933
<b>Current tax charge for the year</b>	<b>183,224</b>	<b>-</b>

### (c) Factors affecting future tax charges

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

## 7 Tangible fixed assets

	Leasehold property £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 October 2004	749,986	54,379	605,045	1,409,410
Additions	24,066	53,844	326,612	404,522
<b>At 2 October 2005</b>	<b>774,052</b>	<b>108,223</b>	<b>931,657</b>	<b>1,813,932</b>
<b>Depreciation</b>				
At 1 October 2004	20,732	8,157	86,997	115,886
Charge for the year	34,072	25,556	340,544	400,172
<b>At 2 October 2005</b>	<b>54,804</b>	<b>33,713</b>	<b>427,541</b>	<b>516,058</b>
<b>Net book amount</b>				
<b>At 2 October 2005</b>	<b>719,248</b>	<b>74,510</b>	<b>504,116</b>	<b>1,297,874</b>
At 30 September 2004	729,254	46,222	518,048	1,293,524





**Southern Cross Cymru Limited**  
**(formerly Highfield Cymru Limited)**

**8 Debtors**

	2005	2004
	£	£
<b>Due within one year:</b>		
Trade debtors	1,269,815	1,033,075
Deferred tax (note 10)	42,968	-
Other debtors	4,310	103,221
Prepayments and accrued income	35,796	46,348
	<b>1,352,889</b>	<b>1,182,644</b>

**9 Creditors: amounts falling due within one year**

	2005	2004
	£	£
Amounts owed to group undertakings	2,315,504	2,973,304
Other tax and social security	-	88,828
Corporation tax	183,224	-
Other creditors	25,632	53,910
Accruals and deferred income	331,442	464,678
	<b>2,855,802</b>	<b>3,580,720</b>

**10 Deferred taxation**

	£
Deferred tax liability at 1 October 2004	15,449
Deferred tax credit in the profit and loss account	(58,417)
<b>Deferred tax asset at 2 October 2005 (note 8)</b>	<b>(42,968)</b>

	2005	2004
	£	£
Deferred tax is provided as follows:		
Capital allowances	(42,968)	15,449

**Southern Cross Cymru Limited**  
**(formerly Highfield Cymru Limited)**

**11 Share capital**

	2005	2004
	£	£
<b>Authorised share capital</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted, issued and fully paid</b>		
2 ordinary shares of £1 each	2	2

**12 Reserves**

	Profit and loss account
	£
At 1 October 2004	(505,218)
Retained profit for the year	308,015
<b>At 2 October 2005</b>	<b>(197,203)</b>

**13 Reconciliation of movement in equity shareholders' deficit**

	2005	2004
	£	£
Profit/(loss) for the year	308,015	(505,218)
Opening equity shareholders' (deficit)/funds	(505,216)	2
<b>Closing equity shareholders' deficit</b>	<b>(197,201)</b>	<b>(505,216)</b>

**14 Financial commitments**

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

	2005	2004
	£	£
After more than five years	2,270,080	2,270,080

## **Southern Cross Cymru Limited (formerly Highfield Cymru Limited)**

### **15 Capital commitments**

At 2 October 2005 the company had entered into contracts for capital expenditure not provided for in these accounts of £Nil (2004: £7,931).

### **16 Contingent liabilities**

The company has provided guarantees to certain of the group's landlords and bankers. Liabilities and commitments covered by these guarantees are disclosed in the financial statements of the parent company.

### **17 Ultimate parent company**

The immediate parent company is Southern Cross (Highfield Holdco) 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.

### **18 Pension costs**

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions made by the company to the scheme during the year amounted to £2,747 (2004: £367).

