

Southern Cross Home Properties Limited
Annual report and financial statements
for the year ended 28 September 2008

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Southern Cross Home Properties Limited
Annual report and financial statements
for the year ended 28 September 2008
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Southern Cross Home Properties Limited

Directors' report for the year ended 28 September 2008

The directors present their report together with the audited financial statements of the company for the year ended 28 September 2008.

Principal activity

The principal activity of the company during the current and prior year comprised the operation of care homes.

Business review and future developments

The profit for the financial year amounted to £1,817,000 (2007: £701,000). 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 anticipate a change in the company's activities.

A dividend of £5.0m per £1 ordinary share, totalling £10.0m, in respect of the year ended 28 September 2008, was paid on 26 September 2008 (2007: £nil).

The directors have not proposed the payment of a final dividend (2007: £nil).

The dividends were agreed and paid before the decision was taken to convert to International Financial Reporting Standards ("IFRS").

Going concern

The company is a wholly owned subsidiary of Southern Cross Healthcare Group PLC. Southern Cross Healthcare Group PLC has undertaken to provide financial support to the company to the extent necessary for the foreseeable future.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are integrated with those of the group and are not identified separately. Further discussion of these risks and uncertainties and of future performance, in the context of the Southern Cross Healthcare Group PLC as a whole, is provided 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.

International Financial Reporting Standards ("IFRS")

The financial statements are being reported under IFRS for the first time. The impact of the adoption of IFRS on company's results has been significant, the main changes were in relation to future minimum rental payments. A reconciliation of the results and net assets under UK GAAP, as previously reported, to IFRS is included in note 19.

Southern Cross Home Properties Limited

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk) and credit risk. Risk management is carried out by the Southern Cross Healthcare Group PLC Risk Management Committee under policies approved by the board of directors.

Cash flow interest rate risk

The company's interest rate risk arises from intercompany borrowings and therefore the risk is considered minimal.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to residents, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Directors

The directors, who held office during the year and up to the date of signing the financial statements, were as follows:

J Murphy	(Resigned 30 September 2008)
P H Scott	(Resigned 31 December 2007)
G K Sizer	(Resigned 29 February 2008)
W Colvin	(Appointed 1 January 2008, resigned 8 October 2008)
J Lock	(Appointed 1 March 2008, resigned 29 June 2008)
R Midmer	(Appointed 7 August 2008)
K Foulkes	
E Poynton	(Resigned 7 June 2009)
A Heaps	(Resigned 1 December 2008)
J Malham	
P McKeever	
P Whitaker	
P Finnis	(Appointed 29 September 2008)
M Preston	(Appointed 29 September 2008)
W Buchan	(Appointed 1 January 2009)

Employees

The company gives full and fair consideration to applications for employment from disabled persons, with regard to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled during their employment. Retraining of newly disabled employees is provided where appropriate and fair consideration is given to all employees in terms of their career development and promotion prospects. The company seeks to recruit, develop and employ throughout the organisation, suitably qualified, capable and experienced people, irrespective of age, race, religion or sexual orientation. Employee involvement in the business is encouraged. The company communicates with its employees through the use of the company's intranet and its regular newsletter and obtains employee feedback through employee surveys.

Southern Cross Home Properties Limited

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 period.

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
- state that the financial statements comply with IFRSs as adopted by the European Union.

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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

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 independent 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



W McLeish

Company secretary

28 July 2009

Southern Cross Home Properties Limited

Independent auditors' report to the members of Southern Cross Home Properties Limited

We have audited the financial statements of Southern Cross Home Properties Limited for the year ended 28 September 2008 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in shareholders' equity/(deficit), the statement of 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we 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 Home Properties Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 28 September 2008 and of its profit and cash flows 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

28 July 2009

Southern Cross Home Properties Limited

Income statement for the year ended 28 September 2008

	Note	2008 £'000	2007 £'000
Revenue		45,303	43,394
Home payroll costs	3	(24,278)	(23,102)
Home running costs		(7,136)	(7,351)
Home EBITDAR ¹		13,889	12,941
Rent		(11,022)	(11,260)
EBITDA ²		2,867	1,681
Depreciation	6	(791)	(575)
Operating income	1	2,076	1,106
Finance income	2	120	-
Finance costs	2	-	(84)
Profit before taxation		2,196	1,022
Taxation	4	(379)	(321)
Profit for the year attributable to ordinary shareholders of the company		1,817	701

¹ EBITDAR represents earnings before interest, tax, depreciation and rent.

² EBITDA represents earnings before interest, tax and depreciation.

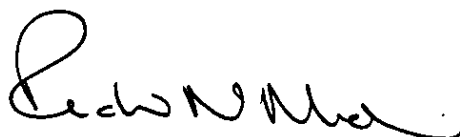
Southern Cross Home Properties Limited

Balance sheet as at 28 September 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	2,692	2,209
Deferred tax assets	12	77	1,529
Total non-current assets		2,769	3,738
Current assets			
Cash and cash equivalents	7	68	48
Trade receivables	8	2,059	2,184
Other current assets	8	2	3,735
Current tax asset		894	-
Total current assets		3,023	5,967
Total assets		5,792	9,705
Liabilities			
Current liabilities			
Payables	9	(2,980)	(8)
Current tax liability		-	(1,972)
Total current liabilities		(2,980)	(1,980)
Non current liabilities			
Deferred government grants		(91)	-
Future minimum rental payable	10	(8,596)	(5,417)
Total non-current liabilities		(8,687)	(5,417)
Total liabilities		(11,667)	(7,397)
Net (liabilities)/assets		(5,875)	2,308
Equity			
Ordinary shares	13	-	-
(Accumulated deficit)/retained earnings		(5,875)	2,308
Total (deficit)/equity		(5,875)	2,308

The financial statements on pages 6 to 25 were approved by the board of directors on 28 July 2009 and signed on its behalf by:

R Midmer
Director



Southern Cross Home Properties Limited

Cash flow statement for the year ended 28 September 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	14	12,967	1,219
Interest received		120	-
Interest paid		-	(84)
Tax paid		(1,793)	-
Net cash generated from operating activities		11,294	1,135
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,274)	(1,159)
Net cash used in investing activities		(1,274)	(1,159)
Cash flows from financing activities			
Dividends paid		(10,000)	-
Net cash used in financing activities		(10,000)	-
Net increase/(decrease) in cash and cash equivalents		20	(24)
Opening cash and cash equivalents		48	72
Closing cash and cash equivalents		68	48

Statement of changes in shareholders' equity/(deficit)

	Ordinary shares £'000	Retained earnings/ (accumulated deficit) £'000	Total equity/ (deficit) £'000
At 2 October 2006	-	1,607	1,607
Loss for the year attributable to ordinary shareholders	-	701	701
At 30 September 2007	-	2,308	2,308
Profit for the year attributable to ordinary shareholders	-	1,817	1,817
Ordinary dividends paid	-	(10,000)	(10,000)
At 28 September 2008	-	(5,875)	(5,875)

Southern Cross Home Properties Limited

Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. No IFRS's have been adopted before their effective date.

These financial statements are the first full period statements to be prepared in accordance with IFRS. Comparatives for 2007 have been restated to IFRS where applicable.

The financial statements are prepared under the historical cost basis of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant.

The transitional information required to be disclosed by IFRS 1 is included in Note 19.

Included in the financial statements is a prior year adjustment to correct the investments in subsidiary undertakings as this should have been disclosed in another group company, Southern Cross (Highfield Holdco) Limited. This adjustment has reduced investments and amounts owed to group undertakings by £5,806,000.

Ultimate parent company support

The company is a wholly owned subsidiary of Southern Cross Healthcare Group PLC. Southern Cross Healthcare Group PLC has undertaken to provide financial support to the company to the extent necessary for the foreseeable future.

Consolidated accounts

The financial statements contain information about Southern Cross Home Properties Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Southern Cross Healthcare Group PLC, a company registered in England and Wales.

Revenue recognition

Revenue comprises the fair value of fee income relating to the provision of care services, net of price reductions directly related to sales. Fee income comprises care home fees which are recognised when delivery of service is completed. Fees invoiced in advance are included as deferred income until service is completed.

The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the company.

Southern Cross Home Properties Limited

Home payroll costs

Home payroll costs represent payroll costs directly incurred at home level, including costs incurred in respect of the use of agency labour.

Home running costs

Home running costs represent costs of items directly incurred at home level, including food and kitchen supplies, medical supplies, utilities, maintenance and other running costs of the home.

Home EBITDAR

Home EBITDAR represents profitability at a home level after taking account of home payroll and home running costs, but before rental charges on operating leases and depreciation on home assets.

EBITDA

EBITDA represents earnings before interest, tax and depreciation.

The company believes that EBITDA (and measures derived therefrom including Home EBITDAR) facilitate operating performance comparisons from period to period by eliminating potential differences caused by variations in capital structures (affecting finance income and costs), tax positions and the age and book depreciation of property, plant and equipment (affecting relative depreciation expense).

Leases

Assets held under finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at inception of the lease, with a corresponding liability being recognised for the value of the leased asset or, if lower, the present value of the minimum lease payments. Assets held under finance leases are depreciated over the shorter of the estimated useful economic life or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight-line basis over the lease term. Where property lease contracts contain guaranteed minimum incremental increases in rental payments, the total committed cost is determined and is calculated and amortised on a straight-line basis over the lease term. The charge for rentals currently payable is the actual amount payable, in the period, by the company for its operating leases. The charge for future minimum rental increases reflects the impact of recognising future-fixed committed rental increases on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. Borrowing costs attributable to assets under construction are recognised as an expense as incurred. No depreciation is charged on assets under construction.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset on a straight line basis over its estimated useful life as follows:

Motor vehicles – 25% per annum

Fixtures and fittings – 10% - 33⅓% per annum

Computer equipment – 33⅓% per annum

Southern Cross Home Properties Limited

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are recognised within central costs, in the income statement.

Employee benefit costs

Staff costs comprise salaries, wages and pensions for the company's staff. The company operates defined contribution pension plans, which are plans under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are recognised as employee benefit expenses as they fall due.

Taxation including deferred tax

The tax expense represents the sum of the current tax and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been in force during the period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which the temporary differences can be utilised. Deferred tax is calculated at the average tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Cash and cash equivalents

Cash and cash equivalents includes cash and balances in accounts at no or short notice.

Finance costs

Finance costs include interest and are accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Southern Cross Home Properties Limited

Finance income

Finance income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Trade receivables

Trade receivables defined in accordance with IAS 39 are recorded initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment for any doubtful amounts. A provision for impairment of trade receivables is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of future cash flows discounted at the effective interest rate. The movement in the provision is recognised in the income statement.

Any other trade receivables are recognised at their original amount less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

Other current assets

Other current assets comprise other receivables, which are measured at the best estimate of the income required to settle the obligation.

Payables

Payables comprise amounts owed to group undertakings, which are measured at the best estimate of the expenditure required to settle the obligation.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related asset.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Fair value estimation

The carrying value less impairment provision of trade receivables and other current assets and payables are assumed to approximate their fair values.

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), liquidity risk and credit risk. Risk management is carried out by the Southern Cross Healthcare Group PLC Risk Management Committee under policies approved by the board of directors.

Cash flow interest rate risk

The company's interest rate risk arises from intercompany borrowings and therefore the risk is considered minimal.

Southern Cross Home Properties Limited

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to residents, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Future accounting standards

The following standards, amendments and interpretations to existing standards have been published and are mandatory to the company's accounting periods beginning on or after 29 September 2008 or later periods, but the company has not early adopted them:

IFRIC12	Service concession arrangements
IFRIC13	Customer loyalty programmes
IFRIC14	The limit on a defined benefit assets, minimum funding requirements and their interaction
IFRIC15	Agreements for the construction of real estate
IFRIC16	Hedges of a net investment in a foreign operation
IFRS8	Operating segments
IFRS3	Revised – Business combinations
IAS23	Revised – Borrowing costs
IAS27	Revised – Consolidated and separate financial statements
IFRS1	Amendment – First time adoption of international financial reporting standards
IFRS2	Amendment – Share-based payments
IAS1	Amendment – Presentation of financial statements
IAS28	Amendment – Interest and associates
IAS31	Amendment – Interests in joint ventures
IAS32	Amendment – Financial instruments: Presentation
IAS39	Amendment – Financial instruments: Recognition and measurement

Amendments to the following standards arising from the May 2008 Annual Improvements process: IFRS5, IAS1, IAS16, IAS19, IAS20, IAS23, IAS27, IAS28, IAS29, IAS31, IAS36, IAS38, IAS39, IAS40 and IAS41.

IFRIC12, IFRIC13 and IFRIC14 are effective for the company from 29 September 2008. IFRS3 Revised is effective for business combinations taking place on or after 1 July 2009. The other standards, amendments and revisions are effective for the company from 28 September 2009. The adoption of these standards, amendments and interpretations is not expected to have a material impact on the company's profits or equity. The adoptions may affect disclosures in the company's financial statements.

Southern Cross Home Properties Limited

Notes to the financial statements for the year ended 28 September 2008

1 Operating income

	2008	2007
	£'000	£'000
The following items have been included in arriving at operating profit:		
Staff costs (note 3)	24,278	23,102
Depreciation of property, plant and equipment – owned assets	791	575
Operating lease rentals - property	11,022	11,260

Audit fees in the current and prior year have been borne by another group company, Southern Cross Healthcare Limited.

2 Net finance income/(costs)

	2008	2007
	£'000	£'000
Interest payable on amounts owed to group undertakings	-	(84)
Finance costs	-	(84)
Interest receivable on amounts owed by group undertakings	120	-
Finance income	120	-
Net finance income/(costs)	120	(84)

Southern Cross Home Properties Limited

3 Employees and directors

The aggregate costs of staff were:

	2008	2007
	£'000	£'000
Wages and salaries	22,312	21,234
Social security costs	1,936	1,828
Pension costs (note 17)	30	40
	24,278	23,102

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

By activity	2008	2007
	Number	Number
Nursing staff	1,927	2,040
Administrative staff	40	56
Total staff	1,967	2,096

Directors' emoluments in the current and prior year were paid by Southern Cross Healthcare Limited, another group company.

4 Taxation

	2008	2007
	£'000	£'000
Current tax		
– current year	(894)	1,319
– prior year	(179)	(3)
Deferred tax (note 12)		
– current year	1,459	(931)
– prior year	(7)	(64)
Taxation	379	321

As from 1 April 2008, the UK corporation tax rate changed from 30% to 28%. The current rate applicable to the company for the year ended 28 September 2008 was 29%. Deferred tax relating to temporary timing differences that reverse after 1 April 2008 have been measured at a tax rate of 28% as these are the rates that will apply on reversal.

Southern Cross Home Properties Limited

The tax for the year differs to the standard rate of corporation tax in the UK (29%) (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Profit before taxation	2,196	1,022
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 29% (2007: 30%)	637	307
<i>Effects of:</i>		
Adjustments to tax charge in respect of previous periods	(186)	(67)
Rate difference on deferred tax	(82)	68
Expenses not deductible for tax purposes	10	13
Tax charge for the year	379	321

5 Dividend paid and proposed

A dividend of £5.0m per £1 ordinary share, totalling £10.0m, in respect of the year ended 28 September 2008, was paid on 26 September 2008 (2007: £nil).

The directors have not proposed the payment of a final dividend (2007: £nil).

Southern Cross Home Properties Limited

6 Property, plant and equipment

	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 2 October 2006	3,382	351	3,733
Additions	1,159	-	1,159
At 30 September 2007	4,541	351	4,892
Additions	1,274	-	1,274
At 28 September 2008	5,815	351	6,166
Accumulated depreciation			
At 2 October 2006	1,818	290	2,108
Charge for the year	532	43	575
At 30 September 2007	2,350	333	2,683
Charge for the year	779	12	791
At 28 September 2008	3,129	345	3,474
Net book amount			
At 28 September 2008	2,686	6	2,692
At 30 September 2007	2,191	18	2,209

7 Cash and cash equivalents

	2008 £'000	2007 £'000
Cash at bank and in hand	68	48

All cash balances are held by Barclays Bank PLC, whose current credit rating, as determined by Moody's, is AA.

Southern Cross Home Properties Limited

8 Trade receivables and other current assets

	2008 £'000	2007 £'000
Trade receivables	2,293	2,502
Less: provision for impairment of receivables	(234)	(318)
Trade receivables - net	2,059	2,184
Amounts owed by group undertakings	-	3,735
Other receivables	2	-
Other current assets	2	3,735

The fair value of trade receivables and other current assets is equal to the amounts shown above. The ageing analysis of trade receivables and the associated provision for impairment is shown below:

	2008 Gross value £'000	2008 Provision for impairment £'000	2007 Gross value £'000	2007 Provision for impairment £'000
Not yet due	688	-	759	-
Past due 0-62 days	947	(16)	1,009	(21)
Past due 62-122 days	277	(43)	308	(58)
Past due 122 days	381	(175)	426	(239)
	2,293	(234)	2,502	(318)

The provision for impairment for trade receivables is calculated on an individual account by account assessment based on past and current credit history.

Movements on the provision for impairment of trade receivables are as follows:

	2008 £'000	2007 £'000
Opening provision	(318)	(325)
Provision for receivables impairment	190	19
Receivables written off during the year as uncollectible	(106)	(12)
Closing provision	(234)	(318)

The other classes within trade receivables and other current assets do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Southern Cross Home Properties Limited

9 Payables

	2008	2007
	£'000	£'000
Amounts owed to group undertakings	2,980	-
Other payables	-	8
	2,980	8

Other payables are not subject to interest. Amounts owed to group undertakings are unsecured, repayable upon demand and interest is charged at 7%.

10 Future minimum rental payable

Future minimum rental payable represents the cumulative difference between operating lease charges under IFRS and the amounts actually payable during the period.

An analysis of the movement during the period is given below:

	2008	2007
	£'000	£'000
Opening balance	5,417	2,041
Charged to income statement	3,179	3,376
Closing balance	8,596	5,417

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11 Financial instruments

Numerical financial instruments disclosures are set out below.

In accordance with IAS 39, "Financial instruments: Recognition and measurement", management has reviewed contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives were found.

	2008	2008	2007	2007
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Fair value of current financial assets and financial liabilities				
Cash at bank and in hand (Note 7)	68	68	48	48
Trade receivables and other current assets (Note 8)	2,061	2,061	5,919	5,919
Payables (Note 9)	(2,980)	(2,980)	(8)	(8)

The fair values are based on the book values as the directors consider that there is no material difference between the book value and the fair value.

Financial assets and liabilities are denominated in sterling.

12 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 28%).

The movement on the deferred tax account is as shown below:

	2008	2007
	£'000	£'000
Opening balance – asset	1,529	534
Income and expense (charge)/credit	(1,452)	995
Closing balance - asset	77	1,529

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The movements in deferred tax assets during the year are shown below.

Deferred tax assets	Accelerated capital allowances £'000	Operating leases £'000	Total £'000
At 1 October 2007	12	1,517	1,529
Income and expense credit/(charge)	65	(1,517)	(1,452)
At 28 September 2008	77	-	77

13 Ordinary shares

	2008 £	2007 £
Authorised share capital		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
2 ordinary shares of £1 each	2	2

14 Cash flows from operating activities

Reconciliation of operating income before taxation to net cash flow from operating activities:

	2008 £'000	2007 £'000
Operating income	2,076	1,106
<i>Adjustments for:</i>		
Depreciation	791	575
<i>Changes in working capital</i>		
Decrease in trade receivables and other current assets	3,858	1,075
Increase/(decrease) in payables	2,972	(4,913)
Increase in provision for future minimum rental payable	3,179	3,376
Increase in government grants	91	-
Cash generated from operating activities	12,967	1,219

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15 Financial commitments

At 28 September 2008 and 30 September 2007 the company had total commitments under non-cancellable operating leases as follows:

	2008	2007
	£'000	£'000
Within one year	11,404	11,404
Within one to three years	22,808	22,808
Within three to five years	22,808	22,808
After more than five years	219,838	231,242
	276,858	288,262

Financial commitments, due within one year, under non-cancellable operating leases and analysed by nature of lease terms is included below.

	2008	2007
	£'000	£'000
Fixed annual rental increases	11,404	11,404

16 Contingent liabilities

The company has provided cross guarantees in relation to bank and other borrowings of other group undertakings amounting to £87.5m (2007: £174.0m).

17 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 £30,000 (2007: £40,000).

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18 Related party transactions

The majority of the transactions in the current and prior year were funded through the bank account held in Southern Cross Healthcare Limited which is central to the group's treasury activities. The main transactions with group companies are disclosed below:

Year ended 28 September 2008:

	Working capital movement	Interest received	Amounts owed to
	£'000	£'000	£'000
Fellow subsidiary undertakings	4,873	120	(2,980)

Year ended 30 September 2007:

	Working capital movement	Interest paid	Amounts owed by
	£'000	£'000	£'000
Fellow subsidiary undertakings	6,755	(84)	3,735

During the year the company paid management charges of £1,708,000 (2007: £1,823,000) to Southern Cross Healthcare Limited.

During the year the company paid dividends of £10,000,000 (2007: £nil) to Southern Cross (Highfield Holdco) Limited, its immediate parent company.

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19 Transition from UK GAAP to IFRS

Set out below, in accordance with the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" are the reconciliations of net assets and profit after tax from UK GAAP to IFRS.

	2007	2007
	£'000	£'000
Net assets		
Net assets - UK GAAP	6,208	3,076
Adjustments to conform to IFRS:		
Future minimum rental payable	(5,417)	(2,041)
Deferred tax	1,517	572
Net assets – IFRS	2,308	1,607
		2007
Profit after tax		£'000
Profit after tax - UK GAAP		3,132
Adjustments to conform to IFRS:		
Operating lease rentals		(3,376)
Deferred tax		945
Profit after tax – IFRS		701

Operating lease rentals

General practise under UK GAAP has been for operating lease rentals to be charged as an expense in accordance with the contractual payments made under the lease, IFRS requires the minimum guaranteed lease payments made under operating leases to be recognised, as an expense, on a straight line basis over the lease term, even if the payments are not made on such a basis.

Consequently, rental charges included in the income statement have increased by £3,376,000 in the period to 30 September 2007. The cumulative impact on the balance sheet at 30 September 2007 is £5,417,000 and at 1 October 2006 is £2,041,000. Related corporation tax credits of £1,517,000 and £572,000 have been recognised in the balance sheet at 30 September 2007 and 1 October 2006.

20 Ultimate parent company

The immediate parent company is Southern Cross (Highfield Holdco) Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party 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 PLC's consolidated financial statements can be obtained from its registered office:

Southgate House, Archer Street, Darlington, County Durham, DL3 6AH.

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21 Registered office and domicile

The company's registered office is Southgate House, Archer Street, Darlington, County Durham, DL3 6AH and the company is registered in England and Wales.