

Southern Cross Care Management Limited
Annual report and financial statements
for the year ended 30 September 2010

Registered Number: 4045136

SATURDAY



A6EZBRSN

A14

19/02/2011

31

COMPANIES HOUSE

Southern Cross Care Management Limited
Annual report and financial statements
for the year ended 30 September 2010
Contents

Directors' report for the year ended 30 September 2010	1
Independent auditors' report to the members of Southern Cross Management Limited	4
Income statement for the year ended 30 September 2010	6
Balance sheet as at 30 September 2010	7
Cash flow statement for the year ended 30 September 2010	8
Statement of changes in shareholders' deficit	8
Statement of accounting policies	9
Notes to the financial statements for the year ended 30 September 2010	14

Southern Cross Care Management Limited

Directors' report for the year ended 30 September 2010

The directors present their report together with the audited financial statements of the company for the year ended 30 September 2010. The company's registered number is 4045136.

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 £319,000 (2009: £182,000). 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.

The directors have not proposed the payment of a dividend (2009: £nil).

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.

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, receivables and cash balances 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 institutions with a short term credit rating, as determined by Moody's, of P-1 are accepted.

Southern Cross Care Management Limited

Directors

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

P Whitaker	(Resigned 11 December 2009)
R Midmer	(Resigned 31 December 2010)
K Foulkes	(Resigned 31 December 2009)
W Buchan	
J Malham	(Resigned 11 December 2009)
P Finnis	(Resigned 11 December 2009)
M Preston	(Resigned 11 December 2009)
M MacIntosh	(Resigned 11 December 2009)
D Smith	(Appointed 11 December 2009)

Employees

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 and formal focus groups. Full and fair consideration is given to applications for employment from disabled persons, having 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.

Directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 Care Management Limited

Disclosure of information to Auditors

In accordance with Section 418 of the Companies Act 2006 it is hereby stated that in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



W McLeish
Company secretary

25 January 2011

Southern Cross Care Management Limited

Independent auditors' report to the members of Southern Cross Care Management Limited

We have audited the financial statements of Southern Cross Care Management Limited for the year ended 30 September 2010 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in shareholders' deficit, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Southern Cross Care Management Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne
25 January 2011

Southern Cross Care Management Limited

Income statement for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Revenue		15,493	14,442
Home payroll costs	3	(8,400)	(8,073)
Home running costs		(2,627)	(2,370)
Home EBITDAR ¹		4,466	3,999
Rent		(3,691)	(3,461)
EBITDA ²		775	538
Depreciation	5	(342)	(342)
Operating profit	1	433	196
Finance income	2	27	19
Profit before taxation		460	215
Taxation	4	(141)	(33)
Profit for the year attributable to the owners of the company		319	182

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

² EBITDA represents earnings before interest, tax and depreciation

There is no other comprehensive income for the year

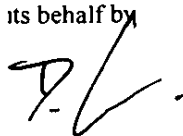
Southern Cross Care Management Limited

Balance sheet as at 30 September 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	1,092	1,055
Deferred tax assets	12	173	112
Total non-current assets		1,265	1,167
Current assets			
Cash and cash equivalents	6	64	275
Trade receivables	7	846	1,203
Inventories	8	26	25
Other current assets	7	1,265	4
Total current assets		2,201	1,507
Total assets		3,466	2,674
Liabilities			
Current liabilities			
Payables	9	(39)	(455)
Current tax liability	4	(203)	(141)
Total current liabilities		(242)	(596)
Non current liabilities			
Deferred government grants		(63)	(63)
Future minimum rental increase accrual	10	(3,252)	(2,425)
Total non-current liabilities		(3,315)	(2,488)
Total liabilities		(3,557)	(3,084)
Net liabilities		(91)	(410)
Equity			
Ordinary shares	13	-	-
Accumulated deficit		(91)	(410)
Total deficit		(91)	(410)

The financial statements on pages 6 to 24 were approved by the board of directors on 25 January 2011 and signed on its behalf by

D Smith
Director



Southern Cross Care Management Limited

Cash flow statement for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated from/(used in) operations	14	281	(10)
Interest received	2	27	19
Tax (paid)/received		(140)	114
Net cash generated from operating activities		168	123
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(379)	(344)
Net cash used in investing activities		(379)	(344)
Net decrease in cash and cash equivalents		(211)	(221)
Opening cash and cash equivalents		275	496
Closing cash and cash equivalents	6	64	275

Statement of changes in shareholders' deficit

	Ordinary shares £'000	Accumulated deficit £'000	Total deficit £'000
At 29 September 2008	-	(592)	(592)
Profit for the year attributable to the owners of the company	-	182	182
At 27 September 2009	-	(410)	(410)
Profit for the year attributable to the owners of the company	-	319	319
At 30 September 2010	-	(91)	(91)

Southern Cross Care Management 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

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the going concern basis under the historical cost convention.

The following new standards, amendments and interpretations, which are in issue at the balance sheet date but not yet effective, have not been applied in these financial statements:

Effective for periods commencing on or after

IFRS9 'Financial instruments' 1 January 2013

IAS24 Revised 'Related party disclosures' 1 January 2011

Amendment to IFRS7 'Financial instruments Disclosures' 1 July 2011

Amendment to IFRIC14 'Pre-payments of a Minimum Funding Requirement' 1 January 2011

IFRIC18 'Transfer of Assets from Customers' 30 October 2009

IFRIC19 'Extinguishing Financial Liabilities with Equity Instruments' 1 July 2010

Annual improvements 2010 1 January 2011

It is considered that the above standards, amendments and interpretations will not have a significant effect on the results or net assets of the company.

From 28 September 2009, the following standards, amendments and interpretations became effective and were adopted by the company:

IFRS8 'Operating segments'

IAS1 Revised 'Presentation of financial statements'

IAS23 Revised 'Borrowing costs'

IAS27 Revised 'Consolidated and separate financial statements'

IFRS1 Revised 'First time adoption of IFRS'

IFRS3 Revised 'Business combinations'

IFRIC13 'Customer Loyalty Programmes'

IFRIC14 'The Limit on a Defined Benefit Asset'

IFRIC15 'Agreements for the Construction of Real Estate'

IFRIC16 'Hedges of a Net Investment Including Foreign Operations'

Amendment to IAS39 'Financial instruments Recognition and measurement', and IFRS7 'Financial instruments Disclosures' on the reclassification of financial assets

Amendment to IFRIC9 and IAS39 regarding embedded derivatives

Amendment to IFRS1 'First time adoption of IFRS' and IAS27 'Consolidated and separate financial statements' on the cost of an investment in a subsidiary, jointly controlled entity or associate

Annual improvements to IFRSs (2008)

Amendment to IAS32 'Financial instruments Presentation' and IAS1 'Presentation of financial statements on puttable financial instruments and obligations arising on liquidation'

Southern Cross Care Management Limited

Amendment to IFRS2, 'Share-based payments' on vesting conditions and cancellations

Annual improvements 2009

Amendment to IFRS2 'Share-based payments - Group cash-settled share-based payment transactions'

Amendments to IFRS1 for additional exemptions

Amendments to IAS32 'Financial instruments Presentation on classification of rights issues'

Amendment to IAS39 'Financial instruments Recognition and measurement' on eligible hedged items

IFRIC17 'Distribution of Non Cash Assets to Owners'

The adoption of these standards, amendments and interpretations has not had a significant impact on the company's result for the year or equity

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

Significant accounting judgements, estimates and assumptions

In order to prepare these financial statements in accordance with the below accounting policies, management has used estimates and judgements to establish the amounts at which certain items are recorded Critical accounting estimates and judgements are those which have the greatest impact on the financial statements and require the most difficult, subjective and complex judgements about matters that are inherently uncertain and are set out below

a) 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

All other leases are considered to be operating leases The land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification, with the lease of land normally classified as an operating lease 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 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

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

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

Southern Cross Care Management Limited

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 and Home EBITDA) 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)

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

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

Short leasehold property – over life of lease

Fixtures, fittings and equipment – 3 – 10 years

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. Where necessary, impairment is made for obsolete, slow moving and defective stocks

Southern Cross Care Management Limited

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

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 equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

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

Finance income

Finance income is accrued on a time basis by reference to the principal outstanding and 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 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.

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.

Southern Cross Care Management Limited

Payables

Payables comprise amounts owed to group undertakings and other payables, 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.

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), 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, receivables and cash balances 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 institutions with a short term credit rating, as determined by Moody's, of P-1 are accepted.

Southern Cross Care Management Limited

Notes to the financial statements for the year ended 30 September 2010

1 Operating profit

	2010	2009
	£'000	£'000
The following items have been included in arriving at operating profit		
Staff costs (note 3)	8,400	8,073
Depreciation of property, plant and equipment – owned assets	342	342
Amortisation of government grants	-	(11)
Operating lease rentals – property	3,691	3,461

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

2 Finance income

	2010	2009
	£'000	£'000
Interest receivable on amounts owed by group undertakings	27	19

Southern Cross Care Management Limited

3 Employees and directors

The aggregate costs of staff were

	2010 £'000	2009 £'000
Wages and salaries	7,750	7,450
Social security costs	640	615
Pension costs	10	8
	8,400	8,073

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

By activity	2010 Number	2009 Number
Nursing staff	598	539
Administrative staff	24	95
Total staff	622	634

Directors' emoluments in the current and prior year were paid by Southern Cross Healthcare Limited, another group company. Their services to this company and to a number of other subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company.

4 Taxation

	2010 £'000	2009 £'000
Current tax		
– current year	203	141
– prior year	(1)	(37)
Deferred tax (note 12)		
– current year	(62)	(75)
– prior year	1	4
Taxation	141	33

The current rate applicable to the company for the year ended 30 September 2010 was 28% (2009: 28%)

The tax for the year differs to the standard rate of corporation tax in the UK 28% (2009: 28%). The differences are explained below:

Southern Cross Care Management Limited

	2010 £'000	2009 £'000
Profit before taxation	460	215
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	129	60
<i>Effects of</i>		
Adjustments to tax charge in respect of previous years	-	(33)
Rate difference	6	-
Expenses not deductible for tax purposes	6	6
Tax charge for the year	141	33

The deferred tax charge in the current year is impacted by the change in the standard rate of corporation tax from 28% to 27% in April 2011. This has reduced the value of the company's tax asset by £6,000. The rate change will impact on the current tax charge going forward.

5 Property, plant and equipment

	Short leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 29 September 2008	257	1,370	1,627
Additions	36	308	344
At 27 September 2009	293	1,678	1,971
Additions	23	356	379
At 30 September 2010	316	2,034	2,350
Accumulated depreciation			
At 29 September 2008	20	554	574
Charge for the year	13	329	342
At 27 September 2009	33	883	916
Charge for the year	16	326	342
At 30 September 2010	49	1,209	1,258
Net book amount			
At 30 September 2010	267	825	1,092
At 27 September 2009	260	795	1,055

Southern Cross Care Management Limited

6 Cash and cash equivalents

	2010	2009
	£'000	£'000
Cash at bank and in hand	64	275

All cash balances are held by Barclays Bank PLC, whose current credit rating, as determined by Moody's, is P-1

7 Trade receivables and other current assets

	2010	2009
	£'000	£'000
Trade receivables	1,089	1,414
Less provision for impairment of receivables	(243)	(211)
Trade receivables - net	846	1,203
Amounts owed by group undertakings	1,245	-
Other receivables	20	4
Other current assets	1,265	4

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.

	2010	2010	2009	2009
	Gross value	Provision for impairment	Gross value	Provision for impairment
	£'000	£'000	£'000	£'000
Not yet due	327	-	424	-
Past due 0-62 days	450	(16)	584	(14)
Past due 62-122 days	132	(47)	171	(39)
Past due 122 days	180	(180)	235	(158)
	1,089	(243)	1,414	(211)

The carrying value of trade receivables and other current assets is stated after a provision for impairment of receivables has been made. The provision for impairment for trade receivables is calculated on an individual account by account assessment based on past and current credit history. There is no concern over the credit quality of amounts past due not impaired since the risk is spread over a number of unrelated counterparties which include local Government.

Southern Cross Care Management Limited

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

	2010 £'000	2009 £'000
Opening provision	(211)	(93)
Provision for receivables impairment	(63)	(118)
Receivables written off during the year as uncollectible	31	-
Closing provision	(243)	(211)

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.

8 Inventories

	2010 £'000	2009 £'000
Consumables	26	25

9 Payables

	2010 £'000	2009 £'000
Amounts owed to group undertakings	-	455
Accruals	18	-
Other payables	21	-
	39	455

Other payables are not subject to interest. Amounts owed to group undertakings are unsecured, repayable upon demand and interest is charged at 4% (2009: 5%).

Southern Cross Care Management Limited

10 Future minimum rental increase accrual

Future minimum rental increase accrual represents the cumulative difference between operating lease charges under IFRS and the amounts actually payable during the year

An analysis of the movement during the year is given below

	2010	2009
	£'000	£'000
Opening balance	2,425	1,526
Charged to income statement	827	899
Closing balance	3,252	2,425

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.

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below

	2010	2009
	Loans and receivables	Loans and receivables
	£'000	£'000
Assets as per balance sheet		
Cash and cash equivalents	64	275
Trade receivables	846	1,203
Other current assets	1,265	4
	2,175	1,482

Southern Cross Care Management Limited

	2010 Other financial liabilities £'000	2009 Other financial liabilities £'000
Liabilities as per balance sheet		
Payables	18	455

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values

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 27% (2009 28%)

The movement on the deferred tax account is as shown below

	2010 £'000	2009 £'000
Opening balance – asset	112	41
Income and expense credit	61	71
Closing balance – asset	173	112

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

Deferred tax asset	Accelerated capital allowances £'000
At 28 September 2009	112
Income and expense credit	61
At 30 September 2010	173

Deferred tax assets are expected to be recovered in more than 12 months. Deferred tax assets have been recognised on the basis that it is expected that there will be appropriate and sufficient taxable profits arising in future periods.

Southern Cross Care Management Limited

13 Ordinary shares

	2010 £	2009 £
Authorised share capital		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
1 ordinary share of £1 each	1	1

14 Cash flows from operating activities

Reconciliation of operating profit before taxation to net cash flow from operating activities

	2010 £'000	2009 £'000
Operating profit	433	196
<i>Adjustments for</i>		
Depreciation	342	342
<i>Changes in working capital</i>		
Increase in inventories	(1)	-
Increase in trade receivables and other current assets	(904)	(43)
Decrease in payables	(416)	(1,406)
Increase in provision for future minimum rental increase accrual	827	899
Increase in government grants	-	2
Cash generated from/(used in) operating activities	281	(10)

Southern Cross Care Management Limited

15 Financial commitments

At 30 September 2010 and 27 September 2009 the company had total commitments under non-cancellable operating leases as follows

	2010	2009
	£'000	£'000
Within one year	3,553	3,553
Within one to three years	7,106	7,106
Within three to five years	7,106	7,106
After more than five years	33,649	34,182
	51,414	51,947

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

	2010	2009
	£'000	£'000
Five-yearly, fixed, rental increases	3,553	3,553

16 Contingent liabilities

The company has provided cross guarantees in relation to bank and other borrowings of other group undertakings amounting to £7.5m (2009 £41.9m)

Southern Cross Care Management Limited

17 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 30 September 2010

	Working capital movement increase	Interest received	Amounts owed by
	£'000	£'000	£'000
Fellow subsidiary undertakings	2,256	27	1,245

Year ended 27 September 2009

	Working capital movement increase	Interest received	Amounts owed to
	£'000	£'000	£'000
Fellow subsidiary undertakings	728	19	(455)

During the year the company paid management charges of £583,000 (2009 £493,000) to Southern Cross Healthcare Limited.

The key management of the company are deemed to be the Board of Directors who have authority and responsibility for planning and controlling all significant activities of the company.

18 Ultimate parent company

The immediate parent company is Southern Cross Care Homes Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is Southern Cross Healthcare Group PLC, a company registered in England, 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

Southern Cross Care Management Limited

19 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