

Southern Cross Finance Limited
Annual report and financial statements
for the year ended 27 September 2009

Registered Number: 4086082

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Southern Cross Finance Limited

Annual report and financial statements for the year ended 27 September 2007

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Southern Cross Finance Limited

Directors' report for the year ended 27 September 2009

The directors present their report together with the audited financial statements of the company for the year ended 27 September 2009. The company's registered number is 4086082.

Principal activity

The principal activity of the company during the current and prior year comprised that of a holding company for Trinity Care Limited and its subsidiaries, which operate care homes in the United Kingdom.

Business review and future developments

The loss for the financial year amounted to £537,000 (2008 profit of £19,217,000 including dividends received of £20,000,000). 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 recommended the payment of a dividend (2008 £18.0m).

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 market risk (including cash flow interest rate 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.

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) |
| W Colvin | (Resigned 8 October 2008) |
| R Midmer | |
| K Foulkes | (Resigned 31 December 2009) |
| W Buchan | (Appointed 1 January 2009) |
| D Smith | (Appointed 11 December 2009) |

Southern Cross Finance Limited

Statement of 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 elected to prepare 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,
- 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors 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.


Disclosure of information to Auditors

In accordance with Section 418, directors' reports shall include a statement, 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

5 March 2010

Southern Cross Finance Limited

Independent Auditors' report to the members of Southern Cross Finance Limited

We have audited the financial statements of Southern Cross Finance Limited for the year ended 27 September 2009 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in shareholders' equity, 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 page 2, 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 Sections 495 and 496 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 27 September 2009 and of its loss 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 Finance 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
5 March 2010

Southern Cross Finance Limited

Income statement for the year ended 27 September 2009

| | Note | 2009 £'000 | 2008 £'000 |
|---|------|---------------|---------------|
| Other income | 2 | - | 20,000 |
| Operating profit | 1 | - | 20,000 |
| Finance costs | 3 | (746) | (1,103) |
| (Loss)/profit before taxation | | (746) | 18,897 |
| Taxation | 5 | 209 | 320 |
| (Loss)/profit for the year attributable to ordinary shareholders of the company | | (537) | 19,217 |

Southern Cross Finance Limited

Balance sheet as at 27 September 2009

| | Note | 2009 £'000 | 2008 £'000 |
|--|------|-----------------|-----------------|
| Assets | | | |
| Non-current assets | | | |
| Investments in subsidiary undertakings | 7 | 15,709 | 15,709 |
| Total non-current assets | | 15,709 | 15,709 |
| Current assets | | | |
| Current tax asset | 5 | 209 | 320 |
| Total current assets | | 209 | 320 |
| Total assets | | 15,918 | 16,029 |
| Liabilities | | | |
| Current liabilities | | | |
| Payables | 8 | (14,245) | (13,819) |
| Total liabilities | | (14,245) | (13,819) |
| Net assets | | 1,673 | 2,210 |
| Equity | | | |
| Ordinary shares | 10 | 1,550 | 1,550 |
| Retained earnings | | 123 | 660 |
| Total equity | | 1,673 | 2,210 |

The financial statements on pages 5 to 14 were approved by the board of directors on 5 March 2010 and signed on its behalf by


D Smith
Director

Southern Cross Finance Limited

Cash flow statement for the year ended 27 September 2009

| | Note | 2009 £'000 | 2008 £'000 |
|--|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 11 | 426 | 18,826 |
| Interest paid | | (746) | (1,103) |
| Tax received | | 320 | 277 |
| Net cash generated from operating activities | | - | 18,000 |
| Cash flows from financing activities | | | |
| Dividends paid | | - | (18,000) |
| Net cash used in financing activities | | - | (18,000) |
| Net increase in cash and cash equivalents | | - | - |
| Opening cash and cash equivalents | | - | - |
| Closing cash and cash equivalents | | - | - |

Statement of changes in shareholders' equity

| | Ordinary shares £'000 | Retained earnings / (accumulated deficit) £'000 | Total equity £'000 |
|---|-----------------------------|---|--------------------------|
| At 1 October 2007 | 1,550 | (557) | 993 |
| Profit for the year attributable to ordinary shareholders | - | 19,217 | 19,217 |
| Ordinary dividends paid | - | (18,000) | (18,000) |
| At 28 September 2008 | 1,550 | 660 | 2,210 |
| Loss for the year attributable to ordinary shareholders | - | (537) | (537) |
| At 27 September 2009 | 1,550 | 123 | 1,673 |

Southern Cross Finance 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.

From 29 September 2008 the following standards, amendments and interpretations became effective and were adopted by the company:

| | |
|-----------------|--|
| IAS27 | Amendment – Consolidated and separate financial statements |
| IAS39 and IFRS7 | Amendment – Reclassification of financial assets |
| IFRIC13 | Customer loyalty programmes |
| IFRIC14 | The limit on a defined benefit asset, minimum funding requirements and their interaction |

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

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the company:

| | |
|---------|---|
| IFRS1 | Revised – First time adoption of international financial reporting standards |
| IFRS2 | Amendment – Share-based payments: Vesting conditions and cancellations |
| IFRS2 | Amendment – Share-based payments: Group cash-settled share-based payment transaction |
| IFRS3 | Revised – Business combinations |
| IFRS8 | Operating segments |
| IFRS9 | Financial instruments |
| IAS1 | Revised – Presentation of financial statements |
| IAS1 | Amendment – Presentation of financial statements: Puttable Financial Instruments and Obligations Arising on Liquidation |
| IAS23 | Amendment – Borrowing costs |
| IAS24 | Amendment – Related party disclosures |
| IAS27 | Revised – Consolidation and separate financial statements |
| IAS32 | Amendment – Presentation on classification or rights issues |
| IAS39 | Amendment – Eligible hedged items |
| IFRIC9 | Amendment – Embedded derivatives |
| IFRIC15 | Agreements for construction of real estates |
| IFRIC16 | Hedges of a net investment in a foreign operation |

Amendments to the following standards arising from the April 2009 Annual Improvements process: IFRS2, IFRS5, IFRS8, IAS1, IAS7, IAS17, IAS18, IAS36, IAS38, IAS39, IFRIC9 and IFRIC16.

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IAS24 Amendment is effective for the company from 1 October 2011 IFRS1 Amendment, IFRS2 Amendment, IAS27 and IAS32 Amendment are effective for the company from 1 October 2010 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 losses or equity The adoptions may affect the disclosures in the company's financial statements

Consolidated accounts

The financial statements contain information about Southern Cross Finance Limited as an individual company and do not contain consolidated financial information as the parent of a group The company is exempt under section 400 of the Companies Act 2006 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

Other income

Other income relates to dividends received from subsidiary undertakings

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for impairment A provision is made for permanent diminution in value

Taxation

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

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

Payables

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

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 of payables are assumed to approximate their fair values

Financial risk management

The company's activities expose it to market risk (including cash flow interest rate 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 Finance Limited

Notes to the financial statements for the year ended 27 September 2009

1 Operating profit

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

2 Other income

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| Dividends received from subsidiary undertakings | - | 20,000 |

3 Finance costs

| | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| Interest payable on amounts owed to group undertakings | 746 | 1,103 |

4 Employees and directors

There were no employees during the current or prior year

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

5 Taxation

| | 2009 £'000 | 2008 £'000 |
|-----------------|---------------|---------------|
| Current tax | | |
| – current year | (209) | (320) |
| Taxation | (209) | (320) |

The current rate applicable to the company for the year ended 27 September 2009 was 28% (2008 29%)

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The tax for the year is in line with (2008 differs to) the standard rate of corporation tax in the UK 28% (2008 29%) The differences are explained below

| | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| (Loss)/profit before taxation | (746) | 18,897 |
| (Loss)/profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008 29%) | (209) | 5,480 |
| <i>Effects of</i> | | |
| Income not chargeable for tax purposes | - | (5,800) |
| Tax credit for the year | (209) | (320) |

6 Dividend paid and proposed

The directors have not recommended the payment of a dividend (2008 £18 0m)

7 Investments in subsidiary undertakings

| | £'000 |
|---|---------------|
| Shares in subsidiary undertakings | |
| Cost and net book amount at 1 October 2007, 28 September 2008 and 27 September 2009 | 15,709 |

The company directly owns the entire issued ordinary share capital of Trinity Care Limited, a company registered in England and Wales

The company indirectly owns the entire ordinary share capital of the following subsidiary undertakings through Trinity Care Limited at the end of the year, all of which are registered in England and Wales, are as follows

Care home operating companies

Trinity Care (Brookfield) Limited
Trinity Care (Crown) Limited
Trinity Care (Hove) Limited
Trinity Care (Whitchurch) Limited
Trinity Care Homes Limited
Southern Cross Healthcare (Clyde) Limited

Dormant Companies

Care (Wookey Hole) Limited
Southern Cross Healthcare Developments Limited
Stoneyford Park Limited
Trinity Care (Southampton) Limited
Trinity Care Management Limited
Woodleigh Property (Dormant) Limited
Doncaster Care Developments Limited

The directors believe that the carrying value of the investments is supported by their underlying net assets

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8 Payables

| | 2009 | 2008 |
|------------------------------------|--------|--------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | 14,245 | 13,819 |

Amounts owed to group undertakings are unsecured, repayable upon demand and interest is charged at 5% (2008 7%)

9 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

| | 2009 | 2008 |
|---|-----------------------------|-----------------------------|
| | Other financial liabilities | Other financial liabilities |
| | £'000 | £'000 |
| Liabilities as per balance sheet | | |
| Payables | 14,245 | 13,819 |

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

Financial liabilities are denominated in sterling

10 Ordinary shares

| | 2009 | 2008 |
|--------------------------------------|-------|-------|
| | £'000 | £'000 |
| Authorised share capital | | |
| 1,550,000 ordinary shares of £1 each | 1,550 | 1,550 |
| Allotted and fully paid | | |
| 1,550,000 ordinary shares of £1 each | 1,550 | 1,550 |

Southern Cross Finance Limited

11 Cash flows from operating activities

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

| | 2008 | 2007 |
|---|------------|---------------|
| | £'000 | £'000 |
| Operating profit | - | 20,000 |
| <i>Changes in working capital</i> | | |
| Increase/(decrease) in trade and other payables | 426 | (1,174) |
| Cash generated from operating activities | 426 | 18,826 |

12 Contingent liabilities

The company has provided cross guarantees in relation to bank and other borrowings of other group undertakings amounting to £41.9m (2008 £87.5m)

13 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 27 September 2009

| | Tax relief given | Interest paid | Amounts owed to |
|---------------------------------------|------------------|---------------|-----------------|
| | £'000 | £'000 | £'000 |
| Fellow subsidiary undertakings | 320 | (746) | (14,245) |

Year ended 28 September 2008

| | Tax relief given | Interest paid | Amounts owed to |
|---------------------------------------|------------------|----------------|-----------------|
| | £'000 | £'000 | £'000 |
| Fellow subsidiary undertakings | 277 | (1,103) | (13,819) |

During the year the company received dividends of £nil (2008 £20.0m) from Trinity Care Limited, its immediate subsidiary undertaking.

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During the year the company paid dividends of £nil (2008 £18 0m) to Southern Cross Healthcare Limited, its immediate parent company

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

14 Ultimate parent company

The immediate parent company is Southern Cross Healthcare 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

15 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