

Southern Cross Care Centres Limited
Report and Financial Statements
for the year ended 1 October 2006

Registered Number 4285217

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Southern Cross Care Centres Limited
Report and Financial Statements
for the year ended 1 October 2006
Contents

Directors' report for the year ended 1 October 2006	1
Independent auditors' report to the members of Southern Cross Care Centres Limited	3
Profit and loss account for the year ended 1 October 2006	5
Balance sheet as at 1 October 2006	6
Statement of accounting policies	7
Notes to the financial statements for the year ended 1 October 2006	8

Southern Cross Care Centres Limited

Directors' report for the year ended 1 October 2006

The directors present their annual report together with the audited financial statements for the year ended 1 October 2006

Principal activity

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

Results and dividends

The retained profit for the financial year amounted to £320,242 (2005 loss of £200,020) 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 cannot recommend the payment of a dividend (2005 £Nil)

Key performance indicators ('KPIs')

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

Principal risks and uncertainties

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

Directors and their interests

The directors and their interests in the share capital of the company were as follows

John Murphy

Philip Henry Scott

Christopher Rutter (resigned 7 June 2006)

William Colvin (resigned 5 June 2006)

Graham Kevin Sizer

None of the directors had any interest in the ordinary share capital of the company The interests of the above directors in the shares of the ultimate parent undertaking, Southern Cross Healthcare Group PLC, are disclosed in the consolidated accounts of that company

Southern Cross Care Centres Limited

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Employees

The company's policy is that, where it is reasonable and practicable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training, career development and promotion

The board recognises the importance of employees being fully informed of events which directly affect them and their working conditions

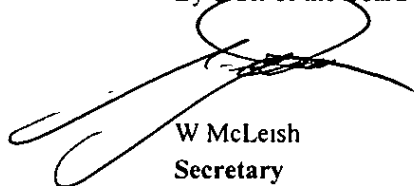
Auditors and disclosure of information to auditors

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

Independent auditors

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

By order of the Board



W McLeish
Secretary

23 March 2007

Southern Cross Care Centres Limited

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

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Southern Cross Care Centres Limited

Opinion

In our opinion

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Newcastle upon Tyne

23 March 2007

Southern Cross Care Centres Limited

Profit and loss account for the year ended 1 October 2006

	Note	2006 £	2005 £
Turnover	1	12,446,939	12,024,034
Cost of sales		(7,857,297)	(7,825,164)
Gross profit		4,589,642	4,198,870
Administration expenses before operating lease rentals		(1,748,710)	(2,041,441)
Operating lease rentals		(2,284,916)	(2,372,871)
Administrative expenses		(4,033,626)	(4,414,312)
Operating profit/(loss)		556,016	(215,442)
Interest payable and similar charges	4	(60,677)	(80,632)
Profit/(loss) on ordinary activities before taxation	5	495,339	(296,074)
Taxation	6	(175,097)	96,054
Retained profit/(loss) for the financial year	12	320,242	(200,020)

All amounts relate to continuing activities

There are no material differences between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the financial year and their historical cost equivalents

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

Southern Cross Care Centres Limited

Balance sheet as at 1 October 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	7	1,500,876	558,435
Current assets			
Debtors	8	611,977	902,985
Cash at bank and in hand		6,393	21,360
		618,370	924,345
Creditors: amounts falling due within one year	9	(1,806,742)	(1,490,518)
Net current liabilities		(1,188,372)	(566,173)
Net liabilities		312,504	(7,738)
Capital and reserves			
Called up equity share capital	11	1,800,002	1,800,002
Profit and loss account	12	(1,487,498)	(1,807,740)
Equity shareholders' funds/ (deficit)	13	312,504	(7,738)

The financial statements on pages 5 to 13 were approved by the board of directors on 23 March 2007 and signed on its behalf by



G Sizer
Director

Southern Cross Care Centres Limited

Notes to the financial statements for the year ended 1 October 2006

1 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

2 Employees

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

	2006 Number	2005 Number
Nursing staff	592	573
Administration staff	24	31
Total staff	616	604

The aggregate costs of staff were

	2006 £	2005 £
Wages and salaries	6,273,341	6,046,339
Social security costs	511,567	428,269
Other pension costs	6,234	7,559
	6,791,142	6,482,167

3 Directors

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

4 Interest payable and similar charges

	2006 £	2005 £
Amounts payable to group undertakings	60,677	76,334
Other interest charges	-	4,298
	60,677	80,632

Southern Cross Care Centres Limited

5 Profit/(loss) on ordinary activities before taxation

	2006	2005
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging		
Depreciation – owned tangible fixed assets	206,296	380,710
Operating lease rentals land and buildings	2,284,916	2,372,871

Audit fees are borne by another group undertaking

6 Taxation

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

	2006	2005
	£	£
Current tax:		
UK corporation tax	117,222	(31,512)
Adjustments in respect to prior periods	12,981	-
	130,203	(31,512)
Deferred tax:		
Origination and reversal of timing differences	57,822	(56,006)
Adjustments in respect of previous periods	(12,928)	(8,536)
	175,097	(96,054)

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

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

	2006	2005
	£	£
Profit/(loss) on ordinary activities before tax	495,339	(296,074)
Profit/(loss) on ordinary activities multiplied by the standard rate of UK corporation rate of 30% (2005 30%)	148,602	(88,822)
Effects of		
Capital allowances in excess of depreciation	(57,822)	57,309
Expenses not deductible for tax purposes	26,442	-
Adjustments in respect to previous years	12,981	-
Current tax charge for the year	117,222	(31,512)

Southern Cross Care Centres Limited

(c) Factors affecting future tax charges

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

7 Tangible fixed assets

	Short term lease	Fixtures, fittings, tools & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 3 October 2005	-	1,033,587	41,940	1,075,527
Additions	-	352,972	-	352,972
Transfer from fellow subsidiaries	795,765	-	-	795,765
Disposals	-	(670)	-	(670)
At 1 October 2006	795,765	1,385,889	41,940	2,223,594
Depreciation				
At 3 October 2005	-	490,858	26,234	517,092
Charge for the year	3,028	192,783	10,485	206,296
On disposals	-	(670)	-	(670)
At 1 October 2006	3,028	682,971	36,719	722,718
Net book amount				
At 1 October 2006	792,737	702,918	5,221	1,500,876
At 30 September 2005	-	542,729	15,706	558,435

8 Debtors

	2006	2005
	£	£
Due within one year:		
Trade debtors	610,640	774,388
Corporation tax	-	31,512
Deferred tax (note 10)	1,337	46,231
Prepayments and accrued income	-	50,854
	611,977	902,985

Southern Cross Care Centres Limited

9 Creditors: amounts falling due within one year

	2006	2005
	£	£
Amounts owed to group undertakings	1,661,290	1,071,617
Other tax and social security	117,222	-
Other creditors	28,230	115,357
Accruals and deferred income	-	303,544
	1,806,742	1,490,518

10 Deferred taxation

	£
Deferred tax asset at 3 October 2005	46,231
Deferred tax credit in the profit and loss account	(44,894)
Deferred tax asset at 1 October 2006 (note 8)	1,337

	2006	2005
	£	£
Deferred tax is provided as follows		
Capital allowances	1,337	39,713
Losses	-	6,518
	1,337	46,231

11 Share capital

	2006	2005
	£	£
Authorised share capital		
1,801,000 ordinary shares of £1 each	1,801,000	1,801,000
Allotted, issued and fully paid		
1,800,002 ordinary shares of £1 each	1,800,002	1,800,002

Southern Cross Care Centres Limited

12 Reserves

	Profit and loss account £
At 3 October 2005	(1,807,740)
Retained profit for the financial year	320,242
At 1 October 2006	(1,487,498)

13 Reconciliation of movement in equity shareholders' funds

	2006 £	2005 £
Retained profit/(loss) for the financial year	320,242	(200,020)
Issue of ordinary shares	-	1,800,000
Opening equity shareholders' deficit	(7,738)	(1,607,718)
Closing equity shareholders' funds/(deficit)	312,504	(7,738)

14 Financial commitments

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

	2006 £	2005 £
After more than five years	2,315,921	2,259,400

15 Contingent liabilities

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

16 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 £6,234 (2005 £7,559).

Southern Cross Care Centres Limited

17 Ultimate parent company

The immediate parent company is Southern Cross Care Holdings Limited, a company registered in England and which prepares consolidated financial statements

The ultimate parent undertaking is Southern Cross Healthcare Group PLC, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Southern Cross Healthcare Group PLC's consolidated financial statements can be obtained from its registered office

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