

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

Registered Number: 4746571



Southern Cross Care Limited

Annual report and financial statements for the year ended 27 September 2009

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Southern Cross Care 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 4746571.

Principal activity

The principal activity of the company during the current and prior year comprised the provision of management services to other companies within the group.

Business review and future developments

The profit for the financial year amounted to £204,000 (2008: £137,000). 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 (2008: £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 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, 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 Limited

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)

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, 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.

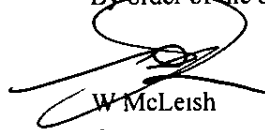
Disclosure of information to Auditors

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

22 February 2010

Southern Cross Care Limited

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

We have audited the financial statements of Southern Cross Care 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' 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 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 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 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
22 February 2010

Southern Cross Care Limited

Income statement for the year ended 27 September 2009

	Note	2009 £'000	2008 £'000
Administrative expenses		(4)	(32)
Onerous lease release	8	200	159
EBITDA ¹		196	127
Profit on disposal of property, plant and equipment		-	2
Depreciation	5	(16)	(93)
Operating profit	1	180	36
Finance income	2	91	281
Profit before taxation		271	317
Taxation	4	(67)	(180)
Profit for the year attributable to ordinary shareholders of the company		204	137

¹ EBITDA represents earnings before profit on disposal of property, plant and equipment, interest, tax and depreciation

Southern Cross Care Limited

Balance sheet as at 27 September 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	28	44
Deferred tax assets	11	231	176
Total non-current assets		259	220
Current assets			
Other current assets	6	20	3,820
Total current assets		20	3,820
Total assets		279	4,040
Liabilities			
Current liabilities			
Payables	7	(596)	(4,317)
Financial liabilities	8	-	(50)
Current tax liability	4	(69)	(63)
Total current liabilities		(665)	(4,430)
Non current liabilities			
Provisions and similar obligations	9	-	(200)
Total non-current liabilities		-	(200)
Total liabilities		(665)	(4,630)
Net liabilities		(386)	(590)
Equity			
Ordinary shares	12	13	13
Accumulated deficit		(399)	(603)
Total deficit		(386)	(590)

The financial statements on pages 5 to 19 were approved by the board of directors on 22 February 2010 and signed on its behalf by



D Smith
Director

Southern Cross Care 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	13	75	609
Interest received		91	281
Tax paid		(116)	(892)
Net cash generated from/(used in) operating activities		50	(2)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	2
Net cash generated from investing activities		-	2
Net increase in cash and cash equivalents		50	-
Opening cash and cash equivalents		(50)	(50)
Closing cash and cash equivalents		-	(50)

Statement of changes in shareholders' deficit

	Ordinary shares £'000	Accumulated deficit £'000	Total deficit £'000
At 1 October 2007	13	(740)	(727)
Profit for the year attributable to ordinary shareholders	-	137	137
At 28 September 2008	13	(603)	(590)
Profit for the year attributable to ordinary shareholders	-	204	204
At 27 September 2009	13	(399)	(386)

Southern Cross Care 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 profit for the year or deficit.

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 profits or deficit The adoptions may affect the disclosures in the company's financial statements

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) Onerous Leases and Contracts

Provisions are made for future operating lease payments of vacant care homes for the full remaining lease term or up to the expected point at which the lease is expected to be sublet and for amounts in respect of an onerous contract Calculating provisions for onerous leases requires an estimation of future lease payments and other associated costs over the remaining period of the lease, and the best estimate of amounts required to settle the contract Furthermore, a suitable discount rate to calculate the present value of the future cash flows must be selected

Administrative expenses

Administrative expenses represent costs directly incurred in running the office

EBITDA

EBITDA represents earnings before profit on disposal of property, plant and equipment, interest, tax and depreciation

The company believes that 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

Motor vehicles – 25% per annum

Fixtures and fittings – 10% - 33 1/3% per annum

Computer equipment – 33 1/3% per annum

Southern Cross Care 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

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

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. Bank overdrafts are shown within borrowings in current liabilities, however they are included as a component of cash and cash equivalents for the purposes of the cash flow statement

Finance income

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

Other current assets

Other current assets primarily comprise amounts owed by group undertakings, which are measured at the best estimate of the income required to settle the obligation

Payables

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

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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 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 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, 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.

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

1 Operating profit

	2009 £'000	2008 £'000
The following items have been included in arriving at operating profit		
Depreciation of property, plant and equipment – owned assets	16	93
Profit on disposal of property, plant and equipment	-	(2)

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

2 Finance income

	2009 £'000	2008 £'000
Interest receivable on amounts owed by group undertakings	91	281

3 Employees and directors

There were no employees in the current or prior year

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

Southern Cross Care Limited

4 Taxation

	2009 £'000	2008 £'000
Current tax		
– current year	69	63
– prior year	53	(2)
Deferred tax (note 11)		
– current year	(4)	58
– prior year	(51)	61
Taxation	67	180

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

The tax for the current and prior year differs to the standard rate of corporation tax in the UK 28% (2008 29%) The differences are explained below

	2009 £'000	2008 £'000
Profit before taxation	271	317
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008 29%)	76	92
<i>Effects of</i>		
Adjustments to tax charge in respect of previous years	2	59
Income not chargeable for tax purposes	(11)	-
Expenses not deductible for tax purposes	-	29
Tax charge for the year	67	180

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5 Property, plant and equipment

	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 October 2007	2,271	661	2,932
Disposals	-	(16)	(16)
At 28 September 2008 and 27 September 2009	2,271	645	2,916
Accumulated depreciation			
At 1 October 2007	2,166	629	2,795
Charge for the year	67	26	93
Disposals	-	(16)	(16)
At 28 September 2008	2,233	639	2,872
Charge for the year	13	3	16
At 27 September 2009	2,246	642	2,888
Net book amount			
At 27 September 2009	25	3	28
At 28 September 2008	38	6	44

6 Other current assets

	2009 £'000	2008 £'000
Other receivables	20	20
Amounts owed by group undertakings	-	3,800
Other current assets	20	3,820

The classes within 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.

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7 Payables

	2009	2008
	£'000	£'000
Amounts owed to group undertakings	596	4,317

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

8 Financial liabilities - borrowings

a) Short-term borrowings

	2009	2008
	£'000	£'000
Overdraft	-	50

9 Provisions and similar obligations

Onerous lease	Vacant property £'000
At 1 October 2007	(359)
Utilised in the year	159
At 28 September 2008	(200)
Utilised in the year	200
At 27 September 2009	-

Provision for a vacant property relates to rent payable on leased properties where in the opinion of the directors the re-letting of the property is unlikely. The lease expired in 2009.

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10 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 Loans and receivables £'000	2008 Loans and receivables £'000
Assets as per balance sheet		
Other current assets	20	3,820
	2009 Other financial liabilities £'000	2008 Other financial liabilities £'000
Liabilities as per balance sheet		
Short-term liabilities – borrowings	-	50
Payables	596	4,317
	596	4,367

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.

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11 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008 28%)

The movement on the deferred tax account is as shown below

	2009 £'000	2008 £'000
Opening balance – asset	176	295
Income and expense credit/(charge)	55	(119)
Closing balance – asset	231	176

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

Deferred tax assets	Accelerated capital allowances £'000
At 28 September 2008	176
Income and expense credit	55
At 27 September 2009	231

12 Ordinary shares

	2009 £'000	2008 £'000
Authorised share capital		
50,000 ordinary shares of £1 each	50	50
Allotted and fully paid		
12,500 ordinary shares of £1 each	13	13

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13 Cash flows from operating activities

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

	2009 £'000	2008 £'000
Operating profit	180	36
<i>Adjustments for</i>		
Profit on disposal of property, plant and equipment	-	(2)
Depreciation	16	93
<i>Changes in working capital</i>		
Decrease/(increase) in other current assets	3,800	(3)
(Decrease)/increase in payables	(3,721)	644
Decrease in provisions	(200)	(159)
Cash generated from operating activities	75	609

14 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)

15 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

	Working capital movement decrease £'000	Interest received £'000	Amounts owed to £'000
Fellow subsidiary undertakings	(170)	91	(596)

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Year ended 28 September 2008

	Working capital movement decrease	Interest received	Amounts owed to
	£'000	£'000	£'000
Fellow subsidiary undertakings	(925)	281	(517)

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

16 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

17 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