

Southern Cross Healthcare Investments No 2 Limited
Report and financial statements
for the year ended 30 September 2007

Registered number 5328122

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Southern Cross Healthcare Investments No 2 Limited
Report and financial statements
for the year ended 30 September 2007
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Southern Cross Healthcare Investments No 2 Limited

Directors' report for the year ended 30 September 2007

The directors present their report and the audited financial statements of the company for the year ended 30 September 2007

Business review and principal activities

The company's principal activity is that of an investment holding company

The performance during the year relates to financing. It is the directors' intention that the company will remain as an investment holding company

The profit and loss account is set out on page 5 and shows the profit for the year. During the year the company made a payment of a dividend of £283 (2006 £933) per ordinary share, amounting to £8,500,000 (2006 £28,000,000)

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

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

Directors

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

P Scott

G K Sizer

J Murphy

None of the directors had any interest in the ordinary share capital of the company. The interests of the directors in the share capital of the ultimate parent company, Southern Cross Healthcare Group PLC, are shown in the financial statements of that company

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

Southern Cross Healthcare Investments No 2 Limited

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

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

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

Disclosure of information to auditors

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

Independent auditors

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

By order of the board



G K Sizer
Director

21 December 2007

Southern Cross Healthcare Investments No 2 Limited

Independent auditors' report to the members of Southern Cross Healthcare Investments No 2 Limited

We have audited the financial statements of Southern Cross Investments No 2 Limited for the year ended 30 September 2007 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and 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. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 Healthcare Investments No 2 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 30 September 2007 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
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

21 December 2007

Southern Cross Healthcare Investments No 2 Limited

Profit and loss account for the year ended 30 September 2007

	Note	2007 £	2006 £
Income from fixed asset investments		5,500,000	26,000,000
Net interest receivable	3	5,148,460	5,000,780
Profit on ordinary activities before taxation		10,648,460	31,000,780
Taxation	4	(1,544,538)	(1,500,234)
Profit on ordinary activities after taxation		9,103,922	29,500,546
Dividends	5	(8,500,000)	(28,000,000)
Profit for the financial year	11	603,922	1,500,546

All amounts relate to continuing activities

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year and their historical cost equivalents

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

Southern Cross Healthcare Investments No 2 Limited

Balance sheet as at 30 September 2007

	Note	2007 £	2006 £
Fixed assets			
Investments	6	646,830	646,830
Current assets			
Debtors	7	79,885,840	97,610,534
Creditors amounts falling due within one year	8	(1,703,444)	(17,313,194)
Net current assets		78,182,396	80,297,340
Total assets less current liabilities		78,829,226	80,944,170
Creditors amounts falling due after more than one year	9	(1,745,676)	(4,464,542)
Net assets		77,083,550	76,479,628
Capital and reserves			
Called up share capital	10	300	300
Share premium account	11	72,847,749	72,847,749
Profit and loss account	11	4,235,501	3,631,579
Total shareholders' funds	12	77,083,550	76,479,628

The financial statements on pages 5 to 12 were approved by the board of directors on 21 December 2007 and signed on their behalf by



G K Sizer
Director

Southern Cross Healthcare Investments No 2 Limited

Statement of accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Consolidated accounts

The financial statements contain information about Southern Cross Healthcare Investments No 2 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Southern Cross Healthcare Group PLC, a company registered in England and Wales.

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Investments

Fixed asset investments are shown at cost less provisions made for permanent diminution in value. Income is included in the accounts of the year in which it is receivable.

Cash flow statement and related party disclosure

The company is a wholly owned subsidiary of Southern Cross Healthcare Investments No 1 Limited. Its ultimate parent undertaking is Southern Cross Healthcare Group PLC. The company is included in the consolidated financial statements of its ultimate parent company, Southern Cross Healthcare Group PLC, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Southern Cross Healthcare Group PLC group or investees of Southern Cross Healthcare Group PLC.

Southern Cross Healthcare Investments No 2 Limited

Notes to the financial statements for the year ended 30 September 2007

1 Profit on ordinary activities before taxation

Auditors' remuneration is paid by another group company

2 Directors and employees

The directors' emoluments are paid by Southern Cross Healthcare Limited, another group company. The company had no employees in the year (2006: none)

3 Net interest receivable

	2007	2006
	£	£
Interest payable on loan notes	(190,926)	(101,830)
Bank interest receivable	-	28,224
Interest receivable from group undertakings	5,339,386	5,074,386
	5,148,460	5,000,780

4 Taxation

(a) Analysis of tax charge in the year

	2007	2006
	£	£
Current tax:		
UK corporation tax	1,544,538	1,500,234

Southern Cross Healthcare Investments No 2 Limited

(b) Factors affecting the tax charge for the year

The tax assessed for the year is equal (2006 lower) than the standard rate of corporation tax in the UK (30%)
The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	10,648,460	31,000,780
Profit on ordinary activities before tax multiplied by the standard rate of tax of 30% (2006 30%)	3,194,538	9,300,234
Effects of		
Income not taxable	(1,650,000)	(7,800,000)
Current tax charge for the year	1,544,538	1,500,234

(c) Factors that may affect future tax charges

The tax charge will be impacted by the change in the standard rate of corporation tax from 30% to 28% from April 2008

5 Dividends

	2007 £	2006 £
Dividends paid of £283 (2006 £933) per 1p ordinary share	8,500,000	28,000,000

6 Investments

	£
Cost	
At 2 October 2006 and 30 September 2007	646,830

Southern Cross Healthcare Investments No 2 Limited

The principal wholly owned subsidiary undertakings at the end of the year, all of which are registered in England and Wales (unless otherwise stated - SC = registered in Scotland) are as follows

Care home operating companies	Intermediate holding companies
APTA Healthcare (UK) Limited	APTA Healthcare Limited
Ashbourne (Eton) Limited	Ashbourne Holdings Limited
Ashbourne Group UK Limited (SC)	Ashbourne Limited
Ashbourne Homes Limited (SC)	CCSX Holdings Limited
Exceler Health Care Group Limited	CCSX Limited
Exceler Healthcare Services Limited	CCSX Ventures Limited
Southern Cross Care Centres Limited	Southern Cross (Highfield Holdco) Limited
Southern Cross Care Homes No 2 Limited	Southern Cross (SX Holdco) Limited
Southern Cross Cymru Limited	Southern Cross Bidco Limited
Southern Cross Healthcare Services Limited	Southern Cross Care Homes Holdings Limited
Southern Cross Home Properties Limited	Southern Cross Care Homes Limited
Southern Cross(LSC)Limited	Southern Cross Finance Limited
Trinity Care Limited	Southern Cross Healthcare Limited

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

7 Debtors

	2007	2006
	£	£
Amounts due from group undertakings	79,885,840	97,610,534

8 Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts payable to parent undertaking	-	15,723,185
Amounts payable to ultimate parent undertaking	-	89,775
Corporation tax	1,544,538	1,500,234
Accruals	158,906	-
	1,703,444	17,313,194

Southern Cross Healthcare Investments No 2 Limited

9 Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Loan notes	1,745,676	4,464,542

Interest is accrued upon the loan notes at a rate of 0.75% below LIBOR per annum. The loan notes are unsecured and are redeemable by 2015.

During the year the company redeemed £2,909,793 of loan notes, including accrued interest.

	£
As at 2 October 2006	4,464,542
Accrued interest in year	190,927
Redeemed in the year	(2,909,793)
As at 30 September 2007	1,745,676

10 Called up share capital

	2007	Authorised	Allotted, issued and fully paid
	Number	£	2007
			Number
			£
Ordinary shares of 1p each	30,000	300	30,000
			300

	2006	Authorised	Allotted, issued and fully paid
	Number	£	2006
			Number
			£
Ordinary shares of 1p each	30,000	300	30,000
			300

Southern Cross Healthcare Investments No 2 Limited

11 Reserves

	Share premium account	Profit and loss account
	£	£
At 2 October 2006	72,847,749	3,631,579
Profit for the financial year	-	603,922
At 30 September 2007	72,847,749	4,235,501

12 Reconciliation of movement in shareholders' funds

	2007	2006
	£	£
Opening shareholders' funds	76,479,628	26,965,897
Capital contribution	-	48,013,185
Profit for the financial year	9,103,922	29,500,546
Dividends	(8,500,000)	(28,000,000)
Closing shareholders' funds	77,083,550	76,479,628

13 Contingent liabilities

The company has provided bank guarantees to assist the trading of other group companies. Liabilities covered by the guarantee are disclosed in the financial statements of the ultimate parent undertaking.

14 Ultimate parent company

The immediate parent company is Southern Cross Investments No 1 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 in 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
Co Durham
DL3 6AH