Acaena Limited

Annual report and financial statements

for the 9 month period ended 28 September 2008

Registered Number: SC290790

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Directors' report for the 9 month period ended 28 September 2008

The directors present their report together with the audited financial statements of the company for the 9 month period ended 28 September 2008.

Principal activity
The company did not trade during either period. The principal activity during the current period and prior year was the promotion of a care facility for autistic adults and children. This activity ceased when the company was acquired by Southern Cross Healthcare Group PLC on 9 May 2008. On 29 September 2008 the trade of a care home in Alexandra Park Limited was transferred to the company.

Business review and future developments
The loss for the financial period amounted to £46,000 (year ended 31 December 2007: loss of £182,000).

The directors have not proposed the payment of a dividend (year ended 31 December 2007: £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.

International Financial Reporting Standards ("IFRS")
The financial statements are being reported under IFRS for the first time. There has been no impact of the adoption of IFRS on the company's results.

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. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

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

J P Murray	(Resigned 9 May 2008)
W Madden	(Resigned 9 May 2008)
E Madden	(Resigned 9 May 2008)
M Appleyard	(Resigned 9 May 2008)
J Murphy	(Appointed 9 May 2008, resigned 30 September 2008)
W Colvin	(Appointed 9 May 2008, resigned 8 October 2008)
J Lock	(Appointed 9 May 2008, resigned 29 June 2008)
R Midmer	(Appointed 7 August 2008)
K Foulkes	(Appointed 3 July 2008)
W Buchan	(Appointed 1 January 2009)

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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.

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; and

- state that the financial statements comply with IFRSs as adopted by the European Union.

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.

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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, were appointed during the period, 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

W McLeish
Company secretary

28 July 2009

Independent auditors' report to the members of Acaena Limited

We have audited the financial statements of Acaena Limited for the 9 month period ended 28 September 2008 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. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also 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 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.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 28 September 2008 and of its loss and cash flows for the period 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

28 July 2009

Acaena Limited

Income statement for the 9 month period ended 28 September 2008

	Note	**9 month period ended 28 September 2008**	Year ended 31 December 2007
		£'000	£'000
Payroll costs	2	**(17)**	(78)
Administration expenses		**(25)**	(102)
Other operating income		**-**	2
EBITDA[1]		**(42)**	(178)
Depreciation	4	**(3)**	(4)
Loss before taxation		**(45)**	(182)
Taxation	3	**(1)**	-
Loss for the year attributable to ordinary shareholders of the company		**(46)**	(182)

[1] EBITDA represents earnings before interest, tax and depreciation.

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Balance sheet as at 28 September 2008

	Note	**28 September 2008**	31 December 2007
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	4	-	11
Total non-current assets		-	11
Current assets			
Cash and cash equivalents	5	-	4
Inventories	6	-	2
Total current assets		-	6
Total assets		-	17
Liabilities			
Current liabilities			
Trade and other payables	7	**(240)**	(212)
Total current liabilities		**(240)**	(212)
Non current liabilities			
Deferred tax liabilities	9	**(1)**	-
Total non-current liabilities		**(1)**	-
Total liabilities		**(241)**	(212)
Net liabilities		**(241)**	(195)
Equity			
Ordinary shares	10	-	-
Accumulated deficit		**(241)**	(195)
Total deficit		**(241)**	(195)

The financial statements on pages 6 to 19 were approved by the board of directors on 28 July 2009 and signed on its behalf by:

R Midmer
Director

Cash flow statement for the 9 month period ended 28 September 2008

	Note	**9 month period ended 28 September 2008**	Year ended 31 December 2007
		£'000	£'000
Cash flows from operating activities			
Cash (used in)/generated from operations	11	**(12)**	18
Net cash (used in)/generated from operating activities		**(12)**	18
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3)**	(15)
Proceeds from sale of property, plant and equipment		**11**	-
Net cash generated from/(used in) investing activities		**8**	(15)
Net (decrease)/increase in cash and cash equivalents		**(4)**	3
Opening cash and cash equivalents		**4**	1
Closing cash and cash equivalents		**-**	4

Statement of changes in shareholders' deficit

	Ordinary shares	**Accumulated deficit**	**Total deficit**
	£'000	**£'000**	**£'000**
At 1 January 2007	-	(13)	(13)
Loss for the year attributable to ordinary shareholders	-	(182)	(182)
At 31 December 2007	-	(195)	(195)
Loss for the period attributable to ordinary shareholders	-	(46)	(46)
At 28 September 2008	-	**(241)**	**(241)**

Acaena 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
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. No IFRSs have been adopted before their effective date.

These financial statements are the first full period statements to be prepared in accordance with IFRS. Comparatives for 2007 have been restated to IFRS where applicable.

The financial statements are prepared under the historical cost basis of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant.

In accordance with the provisions of IFRS 1 "First-time Adoption of International Reporting Standards", there are no reconciling items for net assets and profit after tax from UK GAAP to IFRS."

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.

Payroll costs
Payroll costs represent payroll costs directly incurred, including costs incurred in respect of the use of agency labour.

Administrative expenses
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.

EBITDA
EBITDA represents earnings before interest, tax and depreciation.

The company believes that 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:

Plant and machinery – 25% reducing balance

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 and wages for the company's staff.

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.

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.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other payables
Other payables primarily 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 trade and other 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. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Future accounting standards

The following standards, amendments and interpretations to existing standards have been published and are mandatory to the company's accounting periods beginning on or after 29 September 2008 or later periods, but the company has not early adopted them:

IFRIC12	Service concession arrangements
IFRIC13	Customer loyalty programmes
IFRIC14	The limit on a defined benefit assets, minimum funding requirements and their interaction
IFRIC15	Agreements for the construction of real estate
IFRIC16	Hedges of a net investment in a foreign operation
IFRS8	Operating segments
IFRS3	Revised – Business combinations
IAS23	Revised – Borrowing costs
IAS27	Revised – Consolidated and separate financial statements
IFRS1	Amendment – First time adoption of international financial reporting standards
IFRS2	Amendment – Share-based payments
IAS1	Amendment – Presentation of financial statements
IAS28	Amendment – Interest and associates
IAS31	Amendment – Interests in joint ventures
IAS32	Amendment – Financial instruments: Presentation
IAS39	Amendment – Financial instruments: Recognition and measurement

Amendments to the following standards arising from the May 2008 Annual Improvements process: IFRS5, IAS1, IAS16, IAS19, IAS20, IAS23, IAS27, IAS28, IAS29, IAS31, IAS36, IAS38, IAS39, IAS40 and IAS41.

IFRIC12, IFRIC13 and IFRIC14 are effective for the company from 29 September 2008. IFRS3 Revised is effective for business combinations taking place on or after 1 July 2009. 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 equity. The adoptions may affect disclosures in the company's financial statements.

Notes to the financial statements for the 9 month period ended 28 September 2008

1 Operating loss

	9 month period ended 28 September 2008	Year ended 31 December 2007
	£'000	£'000
The following items have been included in arriving at operating loss:		
Staff costs (note 2)	**17**	78
Depreciation of property, plant and equipment – owned assets	**3**	4

Audit fees in the current period have been borne by another group company, Southern Cross Healthcare Limited (year ended 31 December 2007: £nil).

2 Employees and directors

The aggregate costs of staff were:

	9 month period ended 28 September 2008	Year ended 31 December 2007
	£'000	£'000
Wages and salaries	**16**	71
Social security costs	**1**	7
	17	78

The average monthly number of staff employed by the company during the period was 1 (year ended 31 December 2007: 3)

Directors' emoluments in the current period were paid by Southern Cross Healthcare Limited, another group company. During the year ended 31 December 2007, directors' emoluments were £14,000.

3 Taxation

	9 month period ended 28 September 2008	Year ended 31 December 2007
	£'000	£'000
Deferred tax (note 9)		
– current period/year	**1**	-
Taxation	**1**	-

As from 1 April 2008, the UK Corporation Tax rate changed from 30% to 28%. The current rate applicable to the company for the 9 month period ended 28 September 2008 was 29%. Deferred tax relating to temporary timing differences that reverse after 1 April 2008 have been measured at a tax rate of 28% as these are the rates that will apply on reversal.

The tax for the period differs to the standard rate of corporation tax in the UK 29% (2007: 30%). The differences are explained below:

	9 month period ended 28 September 2008	Year ended 31 December 2007
	£'000	£'000
Loss before taxation	**(45)**	(182)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 29% (2007: 30%)	**(13)**	(55)
Effects of:		
Expenses not deductible for tax purposes	**1**	-
Losses not recognised	**13**	55
Tax charge for the period/year	**1**	-

A deferred tax asset of £59,000 (year ended 31 December 2007: £51,000) in relation to losses of £209,000 (year ended 31 December 2007: £163,000) has not been recognised due to uncertainty of future taxable profits.

4 Property, plant and equipment

	Plant and machinery £'000
Cost	
At 1 January 2007	-
Additions	15
At 31 December 2007	15
Additions	3
Transferred to group companies	(18)
At 28 September 2008	-
Accumulated depreciation	
At 1 January 2007	-
Charge for the year	4
At 31 December 2007	4
Charge for the period	3
Transferred to group companies	(7)
At 28 September 2008	-
Net book amount	
At 28 September 2008	-
At 31 December 2007	11

5 Cash and cash equivalents

	28 September 2008 £'000	31 December 2007 £'000
Cash at bank and in hand	-	4

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

6 Inventories

	28 September 2008	31 December 2007
	£'000	£'000
Consumables	-	2

The replacement cost of inventory does not differ materially from the costs stated above. There were no write-downs of inventory in the 9 month period ended 28 September 2008 or the year ended 31 December 2007.

7 Trade and other payables

	28 September 2008	31 December 2007
	£'000	£'000
Trade payables	-	1
Other taxes and social security	-	2
Other payables	-	209
Amounts owed to group undertakings	**240**	-
	240	212

Trade and other payables are not subject to interest. Amounts owed to group undertakings are unsecured, repayable upon demand and interest is charged at 7%.

8 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.

	28 September 2008	**28 September 2008**	31 December 2007	31 December 2007
	Book value	**Fair value**	Book value	Fair value
	£'000	**£'000**	£'000	£'000
Fair value of current financial assets and financial liabilities				
Cash at bank and in hand (Note 5)	-	-	4	4
Trade and other payables (Note 7)	**(240)**	**(240)**	(212)	(212)

The fair values are based on the book values as the directors consider that there is no material difference between the book value and the fair value.

Financial assets and liabilities are denominated in sterling.

9 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 28%).

The movement on the deferred tax account is as shown below:

	28 September 2008	31 December 2007
	£'000	£'000
Opening balance – liability	-	-
Income and expense charge	**1**	-
Closing balance – liability	**1**	-

The movements in deferred tax liabilities during the period are shown below.

Deferred tax liabilities	Accelerated capital allowances
	£'000
At 1 January 2008	-
Income and expense charge	1
At 28 September 2008	**1**

10 Ordinary shares

	28 September 2008	31 December 2007
	£	£
Authorised share capital		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted and fully paid		
100 ordinary shares of £1 each	**100**	100

11 Cash flows from operating activities

Reconciliation of loss before taxation to net cash flow from operating activities:

	9 month period ended 28 September 2008	Year ended 31 December 2007
	£'000	£'000
Loss before taxation	**(45)**	(182)
Adjustments for:		
Depreciation	**3**	4
Changes in working capital		
Decrease/(increase) in inventories	**2**	(2)
Increase in trade and other payables	**28**	198
Cash (used in)/generated from operating activities	**(12)**	18

12 Related party transactions

The majority of the transactions in the current period 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:

9 month period ended 28 September 2008:

	Assets transferred	Working capital movement	Amounts owed to
	£'000	£'000	£'000
Fellow subsidiary undertakings	**11**	**(251)**	**(240)**

There were no transactions with related parties during the year ended 31 December 2007.

13 Ultimate parent company

The immediate parent company is Southern Cross (Alexandra) Propco 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.

14 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.