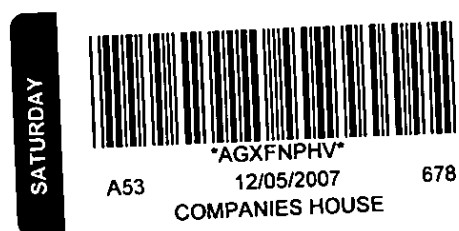


Ashbourne Group Europe Limited
Report and Financial Statements
for the 16 month period ended 1 October 2006

Registered Number 2247801



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Directors' report for the 16 month period ended 1 October 2006

The directors present their report and the audited financial statements of the company for the 16 month period ended 1 October 2006

Principal activity

The principal activity of the company is the operating of quality nursing homes in the United Kingdom. The results for the year are as set out on page 5. There has been no significant change in the activities of the company during the period.

Review of the business

On 31 October 2005, the company was acquired by a subsidiary of Southern Cross Healthcare Group PLC. There was a retained profit for the financial period amounting to £151,000 (year ended 31 May 2005: £511,000). The directors do not recommend the payment of a dividend (year ended 31 May 2005: £nil).

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 and their interests

The directors of the company who served during the period were

P H Scott	(appointed 4 November 2005)
G K Sizer	(appointed 4 November 2005)
C Rutter	(appointed 4 November 2005, resigned 25 May 2006)
J Murphy	(appointed 6 July 2006)
J Malham	(appointed 9 December 2005)
J P Flaherty	(resigned 4 November 2005)
M D Gosling	(resigned 4 November 2005)
C M Jap	(resigned 4 November 2005)
J Storey	(resigned 4 November 2005)

None of the directors have any interest in the share capital of the company.

The interests of P Scott, G Sizer and J Murphy in the share capital of the parent company, Southern Cross Healthcare Group PLC, are shown in the financial statements of that company.

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J Malham held 144,960 ordinary shares in the ultimate parent undertaking, Southern Cross Healthcare Group PLC, as at the date of her appointment and at 1 October 2006

J Malham was awarded 66,667 conditional shares under the terms of the Southern Cross Healthcare Group PLC Performance Share Plan ("the PSP") on 4 September 2006

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period 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 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 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 company will continue in business

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities

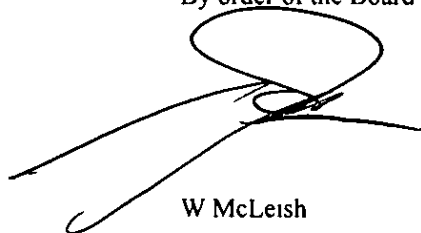
Auditors and disclosure of information to auditors

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, Grant Thornton UK LLP, resigned their position during the period. PricewaterhouseCoopers LLP were appointed as independent auditors to fill a casual vacancy in accordance with Section 388(1) of the Companies Act 1985. They 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

Ashbourne Group Europe Limited

Independent auditors' report to the members of Ashbourne Group Europe Limited

We have audited the financial statements of Ashbourne Group Europe Limited for the 16 month period ended 1 October 2006 which comprise the profit and loss account, the note of historical cost profits and losses, 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.

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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 16 month 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

23 March 2007

Ashbourne Group Europe Limited

Profit and loss account for the 16 month period ended 1 October 2006

	Note	16 month period ended 1 October 2006 £'000	Year ended 31 May 2005 £'000
Turnover		1,062	744
Cost of sales		(709)	(579)
Gross profit		353	165
Administration expenses before operating lease rentals		(100)	(36)
Operating lease rentals land and buildings		(149)	(73)
Administrative expenses		(249)	(109)
Operating profit		104	56
Interest receivable and similar income	3	95	-
Profit on disposal of tangible fixed assets		-	455
Profit on ordinary activities before taxation	1	199	511
Tax on profit on ordinary activities	4	(48)	-
Retained profit for the financial period	9	151	511

All transactions arise from continuing operations and relate to the principal activity in the United Kingdom

There were no recognised gains or losses other than the profit for the financial period stated above therefore no separate statement of total recognised gains and losses has been presented

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Note of historical cost profits and losses


	16 month period ended 1 October 2006 £'000	Year ended 31 May 2005 £'000
Profit on ordinary activities before taxation	151	511
Realisation of previously unrecognised revaluation gains	-	101
Historical cost profit on ordinary activities before taxation	151	612

Ashbourne Group Europe Limited

Balance sheet at 1 October 2006

	Note	1 October 2006 £'000	31 May 2005 £'000
Fixed assets			
Tangible assets	5	42	40
Current assets			
Debtors	6	1,648	1,445
Creditors, amounts falling due within one year	7	(55)	(1)
Net current assets		1,593	1,444
Total assets less current liabilities		1,635	1,484
Capital and reserves			
Called up equity share capital	8	-	-
Profit and loss account	9	1,635	1,484
Equity shareholders' funds	10	1,635	1,484

The financial statements on pages 5 to 14 were approved by the board of directors on 23 March 2007 and signed on their behalf by



G K Sizer
Director

Ashbourne Group Europe Limited

Notes to the financial statements for the 16 month period ended 1 October 2006

1 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after

	16 month period ended 1 October 2006 £'000	Year ended 31 May 2005 £'000
Depreciation – tangible owned fixed assets	8	36
Operating lease rentals		
- Land and buildings	149	73
Profit on disposal of tangible fixed assets	-	455

The auditors remuneration for audit and non-audit services is borne by a fellow subsidiary

2 Directors and employees

Staff costs during the year were as follows

	16 month period ended 1 October 2006 £'000	Year ended 31 May 2005 £'000
Wages and salaries	560	366
Social security costs	16	28
	576	394

The average number of employees, including directors and part time staff was 33 (2005 37), all of whom were engaged in the principal activity of the company

No directors received remuneration from the company in either period

Ashbourne Group Europe Limited

3 Interest receivable and similar income

	16 month period ended 1 October 2006 £'000	Year ended 31 May 2005 £'000
Intercompany interest receivable	95	-

4 Tax on profit on ordinary activities

(a) Analysis of tax charge in the period

	16 month period ended 1 October 2006 £'000	Year ended 31 May 2005 £'000
Corporation tax		
Current year	55	-
	55	-
Deferred tax		
Current year	5	-
Adjustments in respect of prior years	(12)	-
	(7)	-
	48	-

Ashbourne Group Europe Limited

(b) Factors affecting the current tax charge for the period

	16 month period ended 1 October 2006 £'000	Year ended 31 May 2005 £'000
Profit on ordinary activities before taxation	199	511
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2005 30%)	60	153
Effect of		
Profit on disposal of assets in excess of chargeable gain	-	(137)
Group relief – ultimate parent undertaking	-	(21)
Capital allowances in excess of depreciation	-	5
Origination and reversal of timing differences	(5)	-
Current tax charge for the period	55	-

No provision for deferred taxation on accelerated capital allowances has been made as this is insignificant to the financial statements

(c) Factors that may affect future tax charges

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

(d) Deferred tax asset

	£'000
At 1 June 2005	-
Deferred tax credit in the profit and loss account	7
At 1 October 2006 (note 6)	7

The deferred tax asset relates entirely to capital allowances

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5 Tangible fixed assets

	Plant and equipment £'000
Cost	
At 31 May 2005	51
Additions	10
At 1 October 2006	61
Depreciation	
At 31 May 2005	11
Charge in the period	8
At 1 October 2006	19
Net book amount	
At 1 October 2006	42
At 31 May 2005	40

6 Debtors

	1 October 2006 £'000	31 May 2005 £'000
Trade debtors	67	29
Amounts owed by fellow subsidiary undertakings	1,574	6
Deferred tax asset	7	-
Other debtors and prepayments	-	1,410
	1,648	1,445

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7 Creditors: amounts falling due within one year

	1 October 2006	31 May 2005
	£'000	£'000
Corporation tax	55	-
Amounts owed to group undertakings	-	1
	55	1

8 Equity share capital

	1 October 2006	31 May 2005
	£	£
Authorised share capital		
1,000 ordinary share of £1 each	1,000	1,000
Allotted, called up and fully paid		
2 ordinary share of £1 each	2	2

9 Reserves

	Profit and loss account
	£'000
At 31 May 2005	1,484
Retained profit for the financial period	151
At 1 October 2006	1,635

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10 Reconciliation of movement in equity shareholders' funds

	16 month period ended 1 October 2006 £'000	Year ended 31 May 2005 £'000
Retained profit for the financial period	151	511
Opening equity shareholders' funds	1,484	973
Closing equity shareholders' funds	1,635	1,484

11 Leasing Commitments

Operating lease payments amounting to £106,000 (2005 £131,000) are due within one year. The leases to which these amounts relate expire as follows:

	1 October 2006 Land and buildings £'000	31 May 2005 Land and buildings £'000
After five years	106	131

12 Ultimate parent company

The immediate parent company is Exceler Healthcare Group Limited, a company registered in England and Wales.

On 31 October 2005 Southern Cross Bidco Limited acquired the entire share capital of Cannon Capital Ventures Limited and as a result Southern Cross Healthcare PLC became the ultimate parent undertaking. Southern Cross Healthcare Group PLC is the smallest and largest group to consolidate these financial statements, and copies of these can be obtained from its registered office:

Southgate House, Archer Street, Darlington, County Durham, DL3 6AH