

Southern Cross Home Properties Limited  
(formerly Highfield Home Properties Limited)  
Annual Report and Financial Statements  
for the year ended 2 October 2005

Registered Number 3679340



Southern Cross Home Properties Limited  
(formerly Highfield Home Properties Limited)  
Report and Financial Statements  
for the year ended 2 October 2005  
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# **Southern Cross Home Properties Limited (formerly Highfield Home Properties Limited)**

## **Directors' report for the year ended 2 October 2005**

The directors present their annual report together with the audited financial statements for the year ended 2 October 2005.

### **Principal activity**

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

### **Results and dividends**

The retained profit for the financial year amounted to £1,134,593 (2004: £28,008). 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 recommend the payment of a dividend (2004: £Nil).

### **Directors and their interests**

The directors, during the year and at the date of this report, unless otherwise stated, were as follows:

J Murphy	
J Malham	(resigned 4 April 2005)
P McKeever	(resigned 4 April 2005)
A K Stein	(resigned 4 April 2005)
M S Wilson	(resigned 4 April 2005)
P H Scott	(appointed 11 February 2005)
C Rutter	(appointed 11 February 2005)
G K Sizer	(appointed 11 February 2005)
W Colvin	(appointed 1 June 2005)

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

### **Directors' responsibilities**

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

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

## **Southern Cross Home Properties Limited (formerly Highfield Home Properties Limited)**

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

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

### **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



C Rutter  
Secretary  
20 February 2006

**Southern Cross Home Properties Limited  
(formerly Highfield Home Properties Limited)**

**Independent auditors' report to the members of  
Southern Cross Home Properties Limited  
(formerly Highfield Home Properties Limited)**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with auditing standards 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 2 October 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Newcastle upon Tyne

20 February 2006

**Southern Cross Home Properties Limited**  
**(formerly Highfield Home Properties Limited)**

**Profit and loss account**  
**for the year ended 2 October 2005**

	Note	2005 £	2004 £
Turnover	1	40,126,742	38,954,454
Cost of sales		(25,340,283)	(23,585,025)
<b>Gross profit</b>		<b>14,786,459</b>	<b>15,369,429</b>
Administrative expenses before operating lease rentals		(5,242,732)	(5,582,767)
Operating lease rentals		(7,742,767)	(9,688,522)
Administrative expenses		(12,985,499)	(15,271,289)
<b>Operating profit</b>		<b>1,800,960</b>	<b>98,140</b>
Interest receivable and similar income		209	18,985
Interest payable and similar charges	4	(188,873)	-
<b>Profit on ordinary activities before taxation</b>	5	<b>1,612,296</b>	<b>117,125</b>
Taxation	6	(477,703)	(89,117)
<b>Retained profit for the financial year</b>	13	<b>1,134,593</b>	<b>28,008</b>

All amounts relate to continuing activities.

There are no material differences between the profit on ordinary activities before taxation and the retained 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 Home Properties Limited**  
**(formerly Highfield Home Properties Limited)**

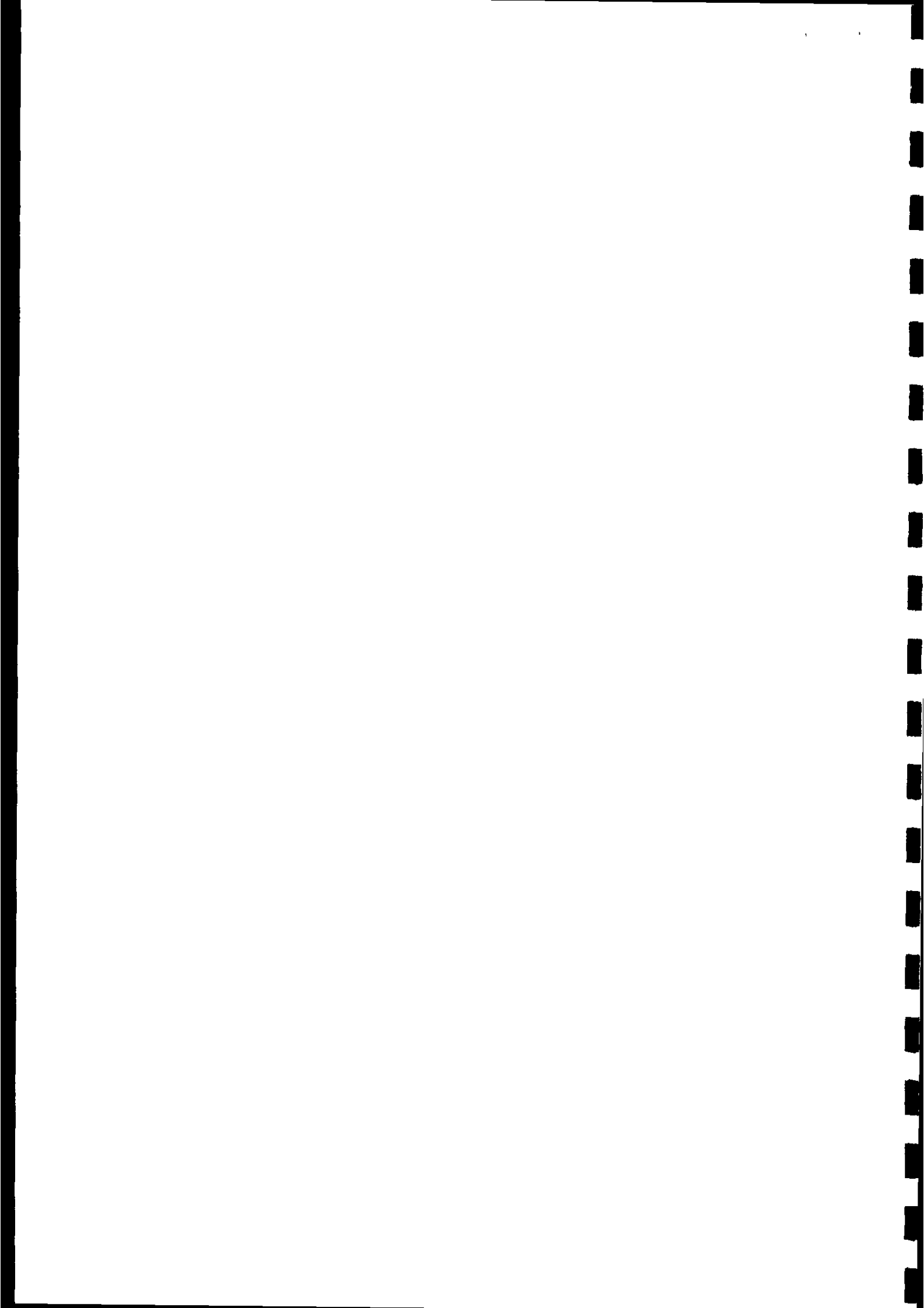
**Balance sheet as at 2 October 2005**

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	7	1,574,687	1,330,330
Investments	8	5,806,307	1,061,044
		<b>7,380,994</b>	<b>2,391,374</b>
<b>Current assets</b>			
Debtors – due within one year		19,308,777	12,172,883
Debtors – due after more than one year		-	1,280,734
Debtors	9	19,308,377	13,453,617
Cash at bank and in hand		17,672	37,701
		<b>19,326,049</b>	<b>13,491,318</b>
<b>Creditors: amounts falling due within one year</b>	10	<b>(25,016,098)</b>	<b>(15,295,680)</b>
<b>Net current liabilities</b>		<b>(5,690,049)</b>	<b>(1,804,362)</b>
<b>Total assets less current liabilities</b>		<b>1,690,945</b>	<b>587,012</b>
<b>Provision for liabilities and charges</b>	11	<b>(58,457)</b>	<b>(89,117)</b>
<b>Net assets</b>		<b>1,632,488</b>	<b>497,895</b>
<b>Capital and reserves</b>			
Called up equity share capital	12	2	2
Profit and loss account	13	1,632,486	497,893
<b>Equity shareholders' funds</b>	14	<b>1,632,488</b>	<b>497,895</b>

The financial statements on pages 4 to 15 were approved by the board of directors on 20 February 2006 and signed on its behalf by:



G Sizer  
 Director





# **Southern Cross Home Properties Limited (formerly Highfield Home Properties 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 consistently:

### **Turnover**

Turnover represents fees charged (excluding VAT) for the provision of services. Turnover is recognised when the service is provided in full.

### **Tangible fixed assets**

Tangible fixed assets are initially recorded at purchase price plus any incidental costs of purchase.

### **Depreciation**

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles, fixtures and fittings, tools and equipment                      - 3 to 10 years

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **Leased assets**

Assets acquired under operating leases have their annual rentals charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and other payments received in respect of operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

### **Cash flow statement and related party disclosures**

The company is a wholly owned subsidiary of Southern Cross Care Homes Holdings Limited and is included in the consolidated financial statements of Southern Cross Healthcare Group Limited which are publicly available. Consequently, the company has taken advantage of the exemption of preparing a cashflow 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 Limited or investees of Southern Cross Healthcare Group Limited.

# Southern Cross Home Properties Limited (formerly Highfield Home Properties Limited)

## Notes to the financial statements for the year ended 2 October 2005

### 1 Turnover

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

### 2 Employees

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

	2005	2004
	Number	Number
Nursing staff	1,430	1,380
Administrative staff	84	81
Total staff	1,514	1,461

The aggregate costs of staff were:

	2005	2004
	£	£
Wages and salaries	20,032,592	19,031,768
Social security costs	1,457,138	1,508,724
Other pension costs	44,045	65,974
	21,533,775	20,606,466

### 3 Directors

The directors received no emoluments during the period (2004: £Nil).

### 4 Interest payable and similar charges

	2005	2004
	£	£
Amounts payable to group undertakings	174,852	-
Other interest charges	14,021	-
	188,873	-

**Southern Cross Home Properties Limited**  
**(formerly Highfield Home Properties Limited)**

**5 Profit on ordinary activities before taxation**

	2005	2004
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation – owned tangible assets	540,100	271,401
Audit fees	-	21,494
Operating lease rentals: land and buildings	7,742,767	9,688,522
Gain on sale of fixed assets	(80)	(2,083)

Audit fees are paid by another group undertaking, Southern Cross Healthcare Group Limited.

**6 Taxation**

**(a) Analysis of tax charge for the year**

	2005	2004
	£	£
Current tax:		
UK corporation tax	508,363	-
	508,363	-
Deferred tax:		
Origination and reversal of timing differences	(23,230)	89,117
Adjustments in respect of previous periods	(7,430)	-
	(30,660)	89,117
Tax on profit on ordinary activities	477,703	89,117

**Southern Cross Home Properties Limited  
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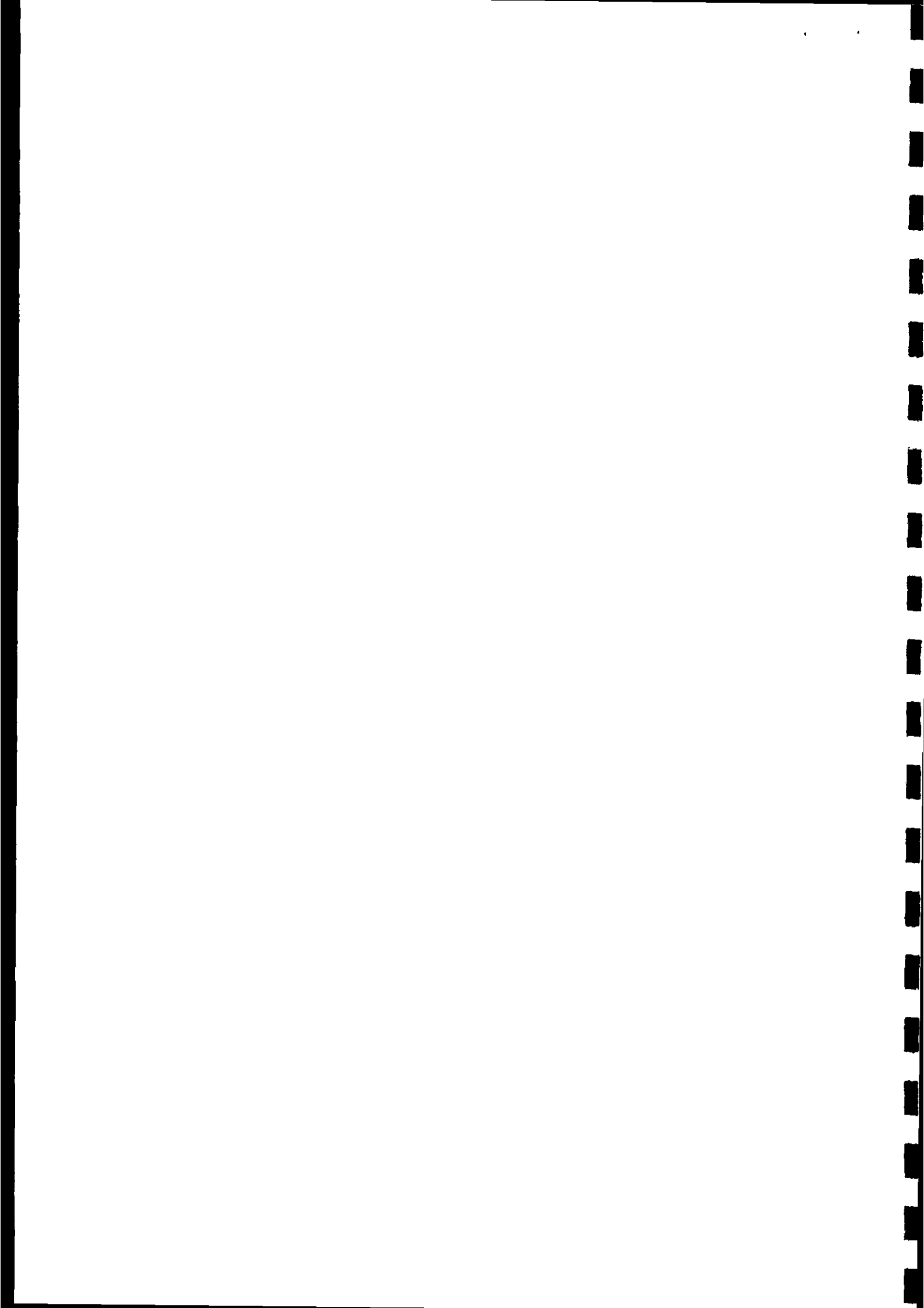
**(b) Factors affecting the tax charge for the year**

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

	2005	2004
	£	£
Profit on ordinary activities multiplied by the standard rate of UK corporation rate of 30% (2004: 30%)	483,689	35,138
Effects of:		
Capital allowances in excess of depreciation	23,230	(20,847)
Utilisation of group relief	-	(48,215)
Timing differences	-	33,924
Expenses not deductible for tax purposes	1,444	-
<b>Current tax charge for the year</b>	<b>508,363</b>	<b>-</b>

**(c) Factors affecting future tax charges**

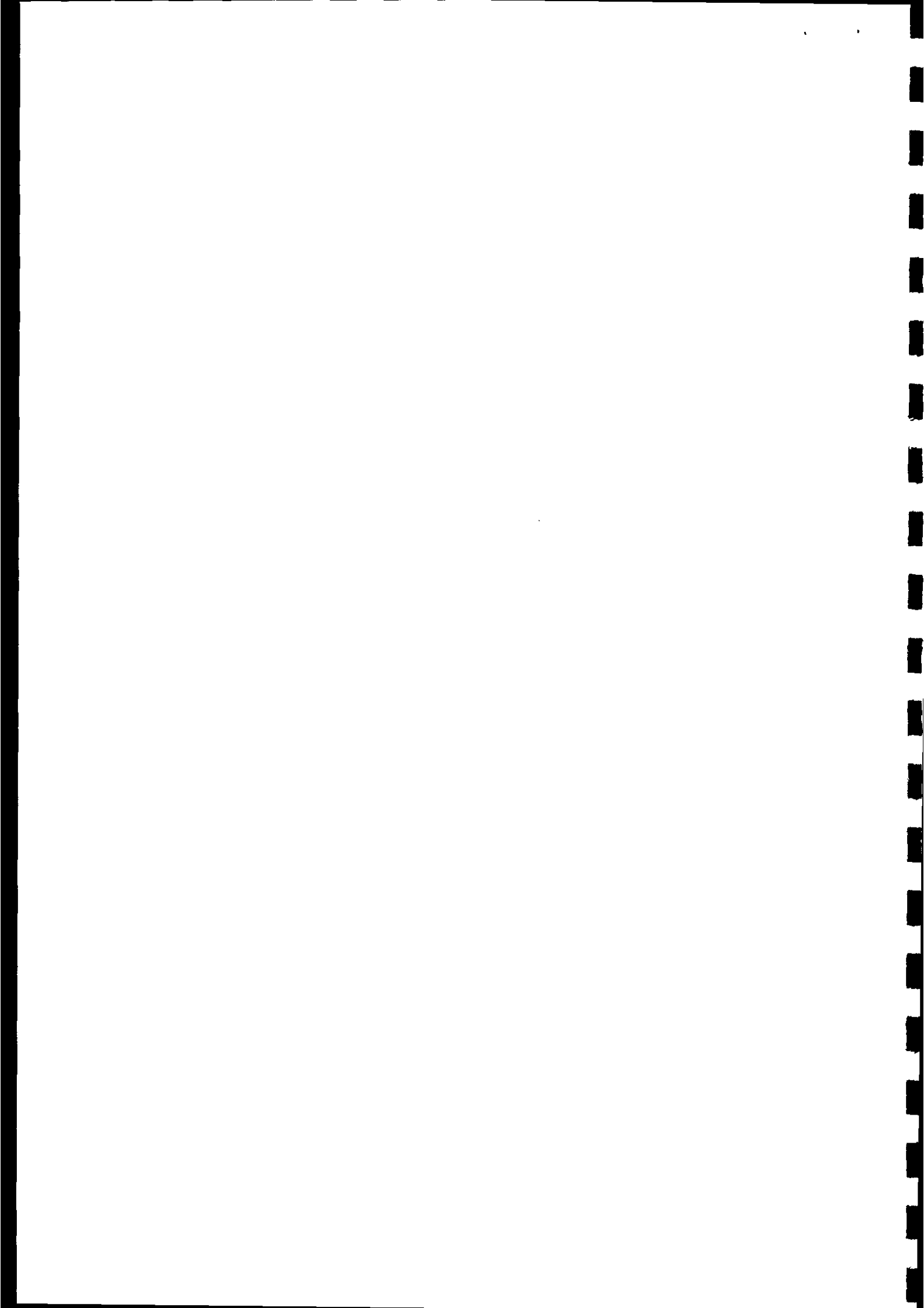
There are no factors which are expected to materially affect future tax charges.



**Southern Cross Home Properties Limited**  
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**7 Tangible fixed assets**

	Motor vehicles £	Fixtures, fittings, tools & equipment £	Total £
<b>Cost</b>			
At 1 October 2004	359,892	2,007,115	2,367,007
Transfers from other group companies	14,300	-	14,300
Additions	30,449	875,468	905,917
Disposals	(54,140)	(111,831)	(165,971)
<b>At 2 October 2005</b>	<b>350,501</b>	<b>2,770,752</b>	<b>3,121,253</b>
<b>Depreciation</b>			
At 1 October 2004	177,089	859,588	1,036,677
Transfers from other group companies	14,300	-	14,300
Charge for the year	72,907	467,193	540,100
Disposals	(32,307)	(12,204)	(44,511)
<b>At 2 October 2005</b>	<b>231,989</b>	<b>1,314,577</b>	<b>1,546,566</b>
<b>Net book amount</b>			
<b>At 2 October 2005</b>	<b>118,512</b>	<b>1,456,175</b>	<b>1,574,687</b>
At 30 September 2004	182,803	1,147,527	1,330,330



# Southern Cross Home Properties Limited (formerly Highfield Home Properties Limited)

## 8 Fixed asset investments

	£
<hr/>	
<b>Shares in subsidiary undertakings</b>	
Cost brought forward at 1 October 2004	1,061,044
Additions	4,745,263
<hr/>	
<b>At 2 October 2005</b>	<b>5,806,307</b>

During the year the company acquired the entire share capital of the following companies:

Name	No of Shares	Date	Consideration
Dunlarg Home Limited	10,000 £1 ordinary shares	3 December 2005	£1,250,000
Nightingale Private Nursing Home Ltd	10,489 £1 ordinary shares	3 December 2005	£1,850,000
Longfield Care Limited	2 £1 ordinary shares	9 February 2005	£1,645,263

The wholly owned subsidiary undertakings at the end of the period, all of which are registered in England and Wales (except where stated), are as follows:

### Care home operating companies

Southern Cross Home Properties (Perth) Limited  
Abbeycourt Care Limited  
Dunlarg Home Limited (registered in Northern Ireland)  
Longfield Care Limited (registered in Northern Ireland)  
Nightingale Private Nursing Home Limited (registered in Northern Ireland)



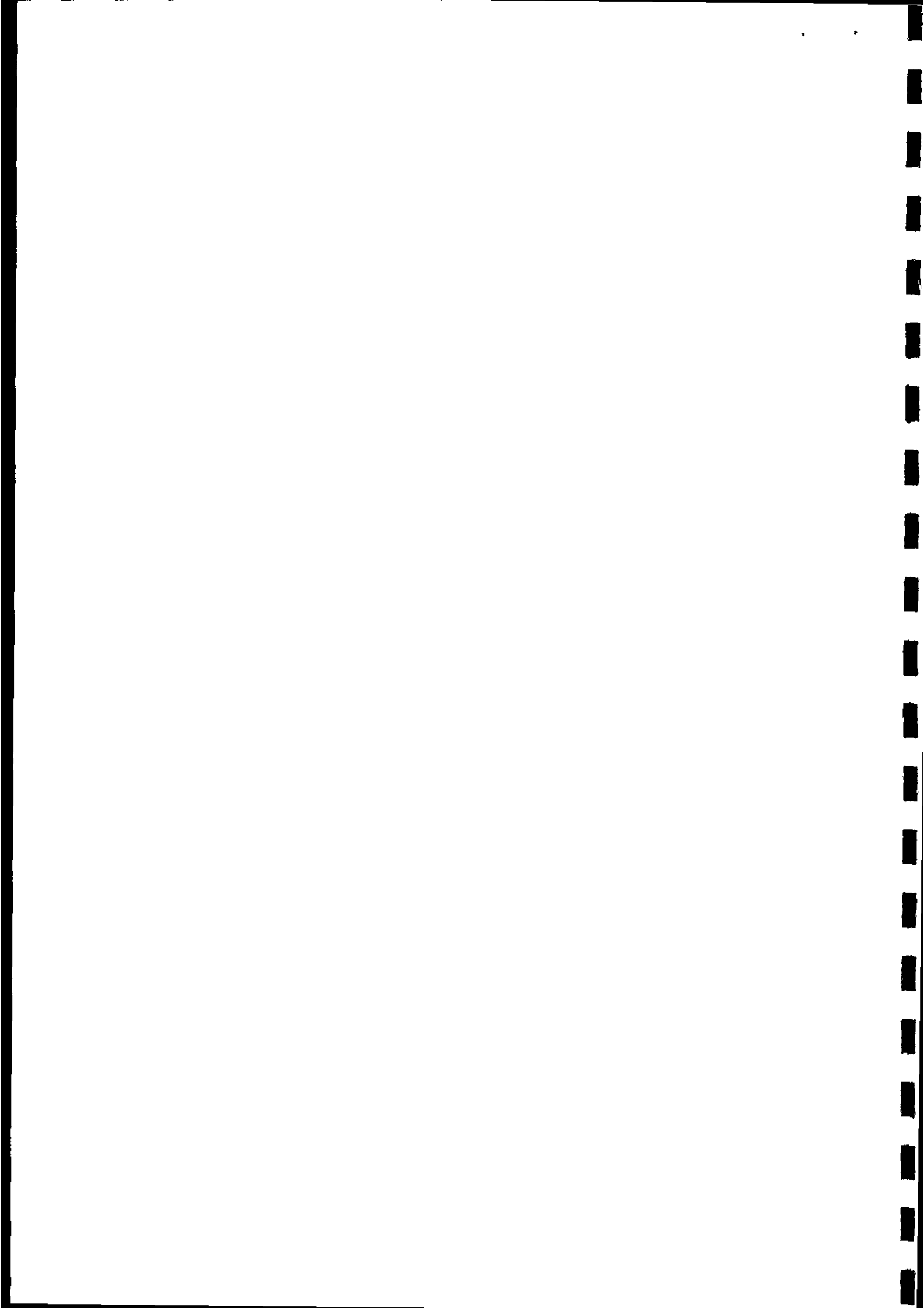
**Southern Cross Home Properties Limited  
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**9 Debtors**

	2005	2004
	£	£
<b>Due within one year:</b>		
Trade debtors	4,518,829	2,645,498
Amounts owed by group undertakings	14,572,440	9,016,755
Other debtors	-	295,738
Prepayments and accrued income	217,108	214,892
	<b>19,308,377</b>	<b>12,172,883</b>
<b>Due after more than one year:</b>		
Other debtors	-	1,280,734
	<b>19,308,377</b>	<b>13,453,617</b>

**10 Creditors: amounts falling due within one year**

	2005	2004
	£	£
Bank overdraft	2,201,665	724,709
Trade creditors	-	207
Amounts owed to group undertakings	20,084,362	11,969,655
Other tax and social security	-	233,848
Accruals and deferred income	1,379,324	-
Other creditors	842,384	2,367,261
Corporation tax	508,363	-
	<b>25,016,098</b>	<b>15,295,680</b>



**Southern Cross Home Properties Limited**  
**(formerly Highfield Home Properties Limited)**

**11 Deferred taxation**

	£
<hr/>	
Deferred tax liability:	
At 1 October 2004	89,117
Deferred tax credit in the profit and loss account	(30,660)
<hr/>	
At 2 October 2005	58,457
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	2005	2004
	£	£
<hr/>		
Deferred tax is provided as follows:		
Capital allowances	43,457	89,117
Short term timing differences	15,000	-
<hr/>		
	58,457	89,117
<hr/>		

**12 Share capital**

	2005	2004
	£	£
<hr/>		
<b>Authorised share capital</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<hr/>		
<b>Allotted, issued and fully paid</b>		
2 ordinary shares of £1 each	2	2
<hr/>		

**13 Reserves**

	<b>Profit and loss account</b>
	£
<hr/>	
At 1 October 2004	497,893
Retained profit for the financial year	1,134,593
<hr/>	
At 2 October 2005	1,632,486
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**Southern Cross Home Properties Limited**  
**(formerly Highfield Home Properties Limited)**

**14 Reconciliation of movement in equity shareholders' funds**

	2005	2004
	£	£
Retained profit for the financial year	1,134,593	28,008
Opening equity shareholders' funds	497,895	469,887
<b>Closing equity shareholders' funds</b>	<b>1,632,488</b>	<b>497,895</b>

**15 Financial commitments**

At 2 October 2005, the company had the annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows:

	2005	2004
	£	£
After more than five years	7,684,754	8,152,754

**16 Capital commitments**

At 2 October 2005 the company had entered into contracts for capital expenditure not provided for in these accounts of £nil (2004: £30,927).

**17 Contingent liabilities**

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

**18 Ultimate parent company**

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

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

Unit 2G, Enterprise House, Valley Street North, Darlington, Co Durham DL1 1GY.

## **Southern Cross Home Properties Limited (formerly Highfield Home Properties Limited)**

In the opinion of the directors, ultimate control of the Company and Group is shared between three parties:

Blackstone Capital Partners IV LP,

Blackstone Real Estate Partners International LP;

Blackstone Real Estate Partners IV LP.

The head office of Blackstone Capital Partners IV LP and Blackstone Real Estate Partners is at 345 Park Avenue, New York, NY10154, USA.

### **19 Pension costs**

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions made by the company to the scheme during the year amounted to £44,045 (2004: £65,974).