

Southern Cross Home Properties Limited
Annual report and financial statements
for the year ended 30 September 2007

Registered Number 3679340

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Southern Cross Home Properties Limited
Annual report and financial statements
for the year ended 30 September 2007
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Southern Cross Home Properties Limited

Directors' report for the year ended 30 September 2007

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

Business review and principal activities

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

The directors do not anticipate a change in the company's activities

The profit for the financial year amounted to £ 3,131,719 (2006 £1,443,822) 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 (2006 £Nil)

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 group 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

Directors

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

J Murphy

P H Scott

G K Sizer

K Foulkes (appointed 20 August 2007)

E Haines (appointed 20 August 2007)

A Heaps (appointed 20 August 2007)

J Malham (appointed 20 August 2007)

P McKeever (appointed 20 August 2007)

P Whittaker (appointed 20 August 2007)

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 PLC, are disclosed in the consolidated accounts of that company

Southern Cross Home Properties Limited

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year that 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,
- state whether applicable 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 group will continue in business

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 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

Employees

The company's policy is that, where it is reasonable and practicable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training, career development and promotion

The board recognises the importance of employees being fully informed of events which directly affect them and their working conditions

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

Company director

21 December 2007

Southern Cross Home Properties Limited

Independent auditors' report to the members of Southern Cross Home Properties Limited

We have audited the financial statements of Southern Cross Home Properties 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 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.

Southern Cross Home Properties 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

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers', followed by the initials 'UP' in a similar cursive style.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

21 December 2007

Southern Cross Home Properties Limited

Profit and loss account for the year ended 30 September 2007

	Note	2007 £	2006 £
Turnover	1	43,394,247	41,269,314
Cost of sales		(26,666,387)	(26,044,040)
Gross profit		16,727,860	15,225,274
Administrative expenses before operating lease rentals		(4,362,758)	(5,222,322)
Operating lease rentals		(7,883,602)	(7,766,185)
Administrative expenses		(12,246,360)	(12,988,507)
Operating profit		4,481,500	2,236,767
Interest payable and similar charges	4	(83,853)	(153,596)
Profit on ordinary activities before taxation	5	4,397,647	2,083,171
Taxation	6	(1,265,928)	(639,349)
Profit for the financial year	13	3,131,719	1,443,822

All amounts relate to continuing activities

There are no material differences 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 Home Properties Limited

Balance sheet as at 30 September 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	7	2,208,518	1,624,813
Investments	8	5,806,307	5,806,307
		8,014,825	7,431,120
Current assets			
Debtors	9	2,196,081	3,258,573
Cash at bank and in hand		47,873	72,226
		2,243,954	3,330,799
Creditors: amounts falling due within one year	10	(4,050,750)	(7,647,990)
Net current liabilities		(1,806,796)	(4,317,191)
Total assets less current liabilities		6,208,029	3,113,929
Provision for liabilities	11	-	(37,619)
Net assets		6,208,029	3,076,310
Capital and reserves			
Called up equity share capital	12	2	2
Profit and loss account	13	6,208,027	3,076,308
Total shareholders' funds	14	6,208,029	3,076,310

The financial statements on pages 5 to 14 were approved by the board of directors on 21 December 2007 and signed on its behalf by



G K Sizer
Director

Southern Cross 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.

Consolidated accounts

The financial statements contain information about Southern Cross Home Properties 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 parent, Southern Cross Healthcare Group PLC, a company registered in England and Wales.

Turnover

Turnover represents fees charged (excluding value added tax) 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 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 (Highfield Holdco) Limited and is included in the consolidated financial statements of Southern Cross Healthcare Group PLC which are publicly available. Consequently, the company has taken advantage from 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 or investees of Southern Cross Healthcare Group PLC.

Southern Cross Home Properties Limited

Pension costs

The company operates a defined contribution scheme, providing benefits for employees additional to those from the State. New entrants are only eligible to join the Southern Cross Healthcare scheme. This is a money purchase scheme to which the company does not contribute.

Fixed asset investments

Fixed asset investments are stated at lower of cost and net realisable value. A provision is made for permanent diminution in value.

Southern Cross Home Properties Limited

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

1 Turnover

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

2 Employees

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

	2007 Number	2006 Number
Nursing staff	2,040	1,854
Administrative staff	56	77
Total staff	2,096	1,931

The aggregate costs of staff were

	2007 £	2006 £
Wages and salaries	21,234,267	21,165,526
Social security costs	1,828,440	1,738,738
Other pension costs (note 17)	39,641	30,906
	23,102,348	22,935,170

3 Directors

Directors' emoluments are paid by Southern Cross Healthcare Limited, another group company

4 Interest payable and similar charges

	2007 £	2006 £
Amounts payable to group undertakings	83,853	153,596

Southern Cross Home Properties Limited

5 Profit on ordinary activities before taxation

	2007	2006
	£	£
Profit on ordinary activities before taxation is stated after charging		
Depreciation owned tangible assets	575,446	563,431
Operating lease rentals land and buildings	7,883,602	7,766,185
Loss on sale of fixed assets	-	1,828

Audit fees are paid by another group undertaking

6 Taxation

(a) Analysis of tax charge for the year

	2007	2006
	£	£
Current tax		
UK corporation tax on profits of the period	1,319,294	655,781
Adjustments in respect of previous years	(3,482)	4,406
Total current tax	1,315,812	660,187
Deferred tax:		
Origination and reversal of timing differences	13,659	(18,324)
Adjustments in respect of previous years	(63,543)	(2,514)
Total deferred tax (note 11)	(49,884)	(20,838)
Tax on profit on ordinary activities	1,265,928	639,349

Southern Cross Home Properties Limited

(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

	2007 £	2006 £
Profit on ordinary activities before tax	4,397,647	2,083,171
Profit on ordinary activities before tax multiplied by the standard rate of UK corporation rate of 30% (2006 30%)	1,319,294	624,951
Effects of		
Timing differences	(6,386)	18,324
Expenses not deductible for tax purposes	6,386	12,506
Adjustments in respect of previous years	(3,482)	4,406
Current tax charge for the year	1,315,812	660,187

(c) Factors affecting 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

The deferred tax charge in the current year is impacted by the change in the standard rate of corporation tax from 30% to 28% from April 2008 This has increased the value of the company's tax assets by £1,399

7 Tangible fixed assets

	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 2 October 2006	350,501	3,382,030	3,732,531
Additions	-	1,159,151	1,159,151
At 30 September 2007	350,501	4,541,181	4,891,682
Accumulated depreciation			
At 2 October 2006	290,005	1,817,713	2,107,718
Charge for the year	43,054	532,392	575,446
At 30 September 2007	333,059	2,350,105	2,683,164
Net book amount			
At 30 September 2007	17,442	2,191,076	2,208,518
At 2 October 2006	60,496	1,564,317	1,624,813

Southern Cross Home Properties Limited

8 Fixed asset investments

£

Shares in subsidiary undertakings

Cost and net book amount at 2 October 2006 and 30 September 2007

5,806,307

The wholly owned subsidiary undertakings at the end of the year, 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

Dunlurg Home Limited (registered in Northern Ireland)

Longfield Care Limited (registered in Northern Ireland)

Nightingale Private Nursing Home Limited (registered in Northern Ireland)

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

9 Debtors

	2007	2006
	£	£
Trade debtors	2,183,816	3,258,573
Deferred tax (note 11)	12,265	-
	2,196,081	3,258,573

10 Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts owed to group undertakings	2,723,174	6,918,514
Other creditors	8,282	73,695
Corporation tax	1,319,294	655,781
	4,050,750	7,647,990

Southern Cross Home Properties Limited

11 Deferred taxation

	£
Deferred tax	
Deferred tax liability at 2 October 2007	37,619
Deferred tax credit in the profit and loss account (See note 6)	(49,884)
Deferred tax asset at 30 September 2007 (note 9)	(12,265)

	2007	2006
	£	£
Deferred tax is provided as follows		
Accelerated capital allowances	(12,265)	37,619

The directors consider it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset is recognised in these financial statements

12 Called up share capital

	2007	2006
	£	£
Authorised share capital		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
2 ordinary shares of £1 each	2	2

13 Reserves

	Profit and loss account £
At 2 October 2006	3,076,308
Profit for the financial year	3,131,719
At 30 September 2007	6,208,027

Southern Cross Home Properties Limited

14 Reconciliation of movement in shareholders' funds

	2007	2006
	£	£
Profit for the financial year	3,131,719	1,443,822
Opening shareholders' funds	3,076,310	1,632,488
Closing shareholders' funds	6,208,029	3,076,310

15 Financial commitments

The company had the annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows

	2007	2006
	£	£
After more than five years	8,690,202	7,918,868

16 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

17 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 £39,641 (2006 £30,906)

18 Ultimate parent company

The immediate parent company is Southern Cross (Highfield Holdco) Limited, a company registered in England and which prepares consolidated financial statements

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, Co Durham, DL3 6AH