

Southern Cross Home Properties Limited
Annual Report and Financial Statements
for the year ended 1 October 2006

Registered Number 3679340

WEDNESDAY



A35 *A14L2MH5* 570
24/01/2007
COMPANIES HOUSE

Southern Cross Home Properties Limited
Annual Report and Financial Statements
for the year ended 1 October 2006

Contents

Directors' report for the year ended 1 October 2006.....	1
Independent auditors' report to the members of Southern Cross Home Properties Limited	3
Profit and loss account for the year ended 1 October 2006.....	5
Balance sheet as at 1 October 2006.....	6
Statement of accounting policies.....	7
Notes to the financial statements for the year ended 1 October 2006.....	8

Southern Cross Home Properties Limited

Directors' report for the year ended 1 October 2006

The directors present their annual report together with the audited financial statements for the year ended 1 October 2006.

Business review and principal activities

The retained profit for the financial year amounted to £1,443,822 (2005: £1,134,593). 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 (2005: £Nil).

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

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 and their interests

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

J Murphy
P H Scott
G K Sizer
C Rutter (resigned 7 June 2006)
W Colvin (resigned 5 June 2006)
E Haines (appointed 14 November 2005, resigned 12 June 2006)
P Malhan (appointed 14 November 2005, resigned 12 June 2006)
P McKeever (appointed 14 November 2005, resigned 12 June 2006)

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

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.

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.

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.

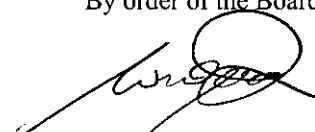
Auditors and disclosure of information to auditors

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

By order of the Board



W McLeish
Company Secretary
22 December 2006

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 1 October 2006 which comprise the profit and loss account, 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.

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 1 October 2006 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

22 December 2006

Southern Cross Home Properties Limited

Profit and loss account for the year ended 1 October 2006

	Note	2006 £	2005 £
Turnover	1	41,269,314	40,126,742
Cost of sales		(26,044,040)	(25,340,283)
Gross profit		15,225,274	14,786,459
Administrative expenses before operating lease rentals		(5,222,322)	(5,242,732)
Operating lease rentals		(7,766,185)	(7,742,767)
Administrative expenses		(12,988,507)	(12,985,499)
Operating profit		2,236,767	1,800,960
Interest receivable and similar income		-	209
Interest payable and similar charges	4	(153,596)	(188,873)
Profit on ordinary activities before taxation	5	2,083,171	1,612,296
Taxation	6	(639,349)	(477,703)
Retained profit for the financial year	13	1,443,822	1,134,593

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

Balance sheet as at 1 October 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	7	1,624,813	1,574,687
Investments	8	5,806,307	5,806,307
		7,431,120	7,380,994
Current assets			
Debtors	9	3,258,573	19,308,377
Cash at bank and in hand		72,226	17,672
		3,330,799	19,326,049
Creditors: amounts falling due within one year	10	(7,647,990)	(25,016,098)
Net current liabilities		(4,317,191)	(5,690,049)
Total assets less current liabilities		3,113,929	1,690,945
Provision for liabilities and charges	11	(37,619)	(58,457)
Net assets		3,076,310	1,632,488
Capital and reserves			
Called up equity share capital	12	2	2
Profit and loss account	13	3,076,308	1,632,486
Equity shareholders' funds	14	3,076,310	1,632,488

The financial statements on pages 5 to 14 were approved by the board of directors on 22 December 2006 and signed on its behalf by:



G K Sizer
Director



P H Scott
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:

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 PLC 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 PLC or investees of Southern Cross Healthcare Group PLC.

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.

Southern Cross Home Properties Limited

Notes to the financial statements for the year ended 1 October 2006

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:

	2006	2005
	Number	Number
Nursing staff	1,854	1,430
Administrative staff	77	84
Total staff	1,931	1,514

The aggregate costs of staff were:

	2006	2005
	£	£
Wages and salaries	21,165,526	20,032,592
Social security costs	1,738,738	1,457,138
Other pension costs	30,906	44,045
	22,935,170	21,533,775

3 Directors

The directors received no emoluments during the period (2005: £Nil).

4 Interest payable and similar charges

	2006	2005
	£	£
Amounts payable to group undertakings	153,596	174,852
Other interest charges	-	14,021
	153,596	188,873

Southern Cross Home Properties Limited

5 Profit on ordinary activities before taxation

	2006	2005
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation – owned tangible assets	563,431	540,100
Operating lease rentals: land and buildings	7,766,185	7,742,767
Gain/(loss) on sale of fixed assets	1,828	(80)

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

6 Taxation

(a) Analysis of tax charge for the year

	2006	2005
	£	£
Current tax:		
UK corporation tax	655,781	508,363
Adjustments in respect of previous periods	4,406	-
	660,187	508,363
Deferred tax:		
Origination and reversal of timing differences	(18,324)	(23,230)
Adjustments in respect of previous periods	(2,514)	(7,430)
	(20,838)	(30,660)
Tax on profit on ordinary activities	639,349	477,703

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:

	2006	2005
	£	£
Profit on ordinary activities multiplied by the standard rate of UK corporation rate of 30% (2005: 30%)	624,951	483,689
Effects of:		
Capital allowances in excess of depreciation	-	23,230
Timing differences	18,324	-
Expenses not deductible for tax purposes	12,506	1,444
Adjustments in respect of previous periods	4,406	-
Current tax charge for the year	660,187	508,363

(c) Factors affecting future tax charges

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

Southern Cross Home Properties Limited

7 Tangible fixed assets

	Motor vehicles £	Fixtures, fittings, tools & equipment £	Total £
Cost			
At 2 October 2005	350,501	2,770,752	3,121,253
Additions	-	615,385	615,385
Disposals	-	(4,107)	(4,107)
At 1 October 2006	350,501	3,382,030	3,732,531
Depreciation			
At 2 October 2005	231,989	1,314,577	1,546,566
Charge for the year	58,016	505,415	563,431
Disposals	-	(2,279)	(2,279)
At 1 October 2006	290,005	1,817,713	2,107,718
Net book amount			
At 1 October 2006	60,496	1,564,317	1,624,813
At 2 October 2005	118,512	1,456,175	1,574,687

Southern Cross Home Properties Limited

8 Fixed asset investments

£

Shares in subsidiary undertakings

Cost at 2 October 2005 and 1 October 2006 **5,806,307**

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)

9 Debtors

	2006	2005
	£	£
Due within one year:		
Trade debtors	3,258,573	4,518,829
Amounts owed by group undertakings	-	14,572,440
Prepayments and accrued income	-	217,108
	3,258,573	19,308,377

10 Creditors: amounts falling due within one year

	2006	2005
	£	£
Bank overdraft	-	2,201,665
Amounts owed to group undertakings	6,918,514	20,084,362
Accruals and deferred income	-	1,379,324
Other creditors	73,695	842,384
Corporation tax	655,781	508,363
	7,647,990	25,016,098

Southern Cross Home Properties Limited

11 Deferred taxation

	£
Deferred tax liability:	
At 2 October 2005	58,457
Deferred tax credit in the profit and loss account (See note 6)	(20,838)
At 1 October 2006	37,619

	2006	2005
	£	£
Deferred tax is provided as follows:		
Capital allowances	37,619	43,457
Short term timing differences	-	15,000
	37,619	58,457

12 Share capital

	2006	2005
	£	£
Authorised share capital		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid		
2 ordinary shares of £1 each	2	2

13 Reserves

	Profit and loss account
	£
At 2 October 2005	1,632,486
Retained profit for the financial year	1,443,822
At 1 October 2006	3,076,308

Southern Cross Home Properties Limited

14 Reconciliation of movement in equity shareholders' funds

	2006
	£
Retained profit for the financial year	1,443,822
Opening equity shareholders' funds at 2 October 2005	1,632,488
Closing equity shareholders' funds at 1 October 2006	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:

	2006	2005
	£	£
After more than five years	7,918,868	7,684,754

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 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 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..

18 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 £30,906 (2005: £44,045).