

**REGISTRAR OF
COMPANIES**

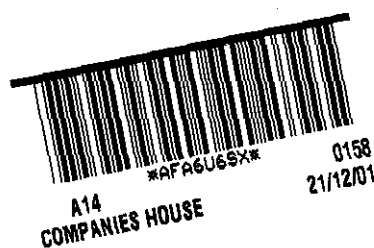
**Southern Cross Healthcare Services
Limited**

Report and Financial Statements

53 weeks ended

31 March 2001

3156327



BDO

BDO Stoy Hayward
Chartered Accountants

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report and financial statements for the 53 weeks ended 31 March 2001

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Directors

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Directors

J E Moreton - Chairman
L E Mark
A D Thorne
P H Scott
C Rutter

Secretary and registered office

C Rutter, Park House, 11 Sheet Street, Windsor, Berkshire, SL4 1BN.

Company number

03156327

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report of the directors for the 53 weeks ended 31 March 2001

The directors present their report together with the audited financial statements for the period ended 31 March 2001.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the period.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activities of the company are the development and operation of Nursing and Residential care homes in the United Kingdom.

The directors are satisfied with the result for the period given the relative immaturity of the portfolio and the effects of changes in legislation and the minimum wage, but are confident of an improvement in the following year.

Directors

The directors of the company during the period were:

J E Moreton	
L E Mark	
A D Thorne	
K Stevens	(resigned 31 December 2000)
T L Stables	(resigned 31 December 2000)
P H Scott	(appointed 6 November 2000)
C Rutter	(appointed 17 December 2000)

None of the directors had any interest in the share capital of the company. The interests of the directors in the ordinary share capital of the immediate parent company, Southern Cross Healthcare Limited, are shown in the financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report of the directors for the 53 weeks ended 31 March 2001 (*Continued*)

Directors' responsibilities (*Continued*)

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

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

C Rutter



Secretary

Date 10 December 2001

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report of the independent auditors

To the shareholders of Southern Cross Healthcare Services Limited

We have audited the financial statements of Southern Cross Healthcare Services Limited for the period ended 31 March 2001 on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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.

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 with the company 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 United Kingdom 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.

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
London

10 December 2001

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Profit and loss account for the 53 weeks ended 31 March 2001

	Note	53 weeks ended 31 March 2001 £	52 weeks ended 25 March 2000 £
Turnover	2	58,082,237	45,926,136
Direct costs		37,500,197	29,054,436
Gross profit		20,582,040	16,871,700
Administrative expenses		(7,558,483)	(5,998,402)
Operating lease rentals		(14,371,729)	(11,603,818)
Profit on sale of development properties	3	-	2,102,673
Operating (loss)/profit		(1,348,172)	1,372,153
Interest payable	6	(62,789)	(189,202)
Interest receivable		-	82,208
(Loss)/profit on ordinary activities before and after taxation and retained for the year	7	(1,410,961)	1,265,159
Retained profit brought forward		3,058,916	1,793,757
Retained profit carried forward		1,647,955	3,058,916

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The retained loss for the period represents the movement in shareholders' funds.

The notes on pages 7 to 12 form part of these financial statements

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Balance sheet at 31 March 2001

	Note	31 March 2001 £	31 March 2001 £	25 March 2000 £	25 March 2000 £
Fixed assets					
Intangible assets	9		748,208		774,536
Tangible assets	10		2,591,037		2,808,003
			<hr/>		<hr/>
			3,339,245		3,582,539
Current assets					
Stock		51,641		52,916	
Debtors	11	3,120,360		7,493,207	
Debtors - after one year	11	2,235,130		2,235,130	
Cash at bank and in hand		26,439		29,257	
		<hr/>		<hr/>	
		5,433,570		9,810,510	
Creditors: amounts falling due within one year	12	7,124,858		10,191,820	
		<hr/>		<hr/>	
Net current liabilities			(1,691,288)		(381,310)
			<hr/>		<hr/>
Total assets less current liabilities			1,647,957		3,201,229
Creditors: amounts falling due after more than one year	13		-		142,311
			<hr/>		<hr/>
			1,647,957		3,058,918
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14		2		2
Profit and loss account			1,647,955		3,058,916
			<hr/>		<hr/>
Shareholders' funds - equity			1,647,957		3,058,918
			<hr/>		<hr/>

The financial statements were approved by the Board on 10 December 2001.

J E Moreton
Director

The notes on pages 7 to 12 form part of these financial statements

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 53 weeks ended 31 March 2001

1 Accounting policies

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:

Turnover

Turnover represents fees charged (excluding VAT) for the provision of services.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, over their expected useful lives. It is calculated at the following rates:

Leasehold properties	-	over life of lease
Fixtures and fittings	-	14% per annum
Motor vehicles	-	20% per annum
Computer equipment	-	33⅓% per annum

Goodwill

Goodwill representing the excess of consideration paid over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated life of 30 years, which represents the lease period of the homes acquired.

Capitalised purchased goodwill is included within intangible fixed assets.

Development properties

Properties in the course of development are stated at the lower of cost and net realisable value.

Profit or loss on the sale of development properties is recognised in the year in which practical completion and Health Authority registration takes place provided contracts are exchanged before the year-end and completed prior to the financial statements being approved by the directors.

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.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

Stock

Stock is valued at the lower of cost and net realisable value.

2 Turnover

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

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 53 weeks ended 31 March 2001 (*Continued*)

3 Profit on sale of development properties

	53 weeks ended 31 March 2001 £	52 weeks ended 25 March 2000 £
Income from sale of development properties	-	5,991,679
Development costs	-	(3,889,006)
	<u>-</u>	<u>2,102,673</u>

4 Employees

	53 weeks ended 31 March 2001 £	52 weeks ended 25 March 2000 £
Staff costs consist of:		
Wages and salaries	28,141,526	24,915,469
Social security costs	1,843,381	1,599,023
	<u>29,984,907</u>	<u>26,514,492</u>

The average number of employees during the period was 3,855 (2000 – 3,583).

5 Directors

The directors received no emoluments during the period (2000 - £Nil).

6 Interest payable

	53 weeks ended 31 March 2001 £	52 weeks ended 25 March 2000 £
Bank loans and overdrafts	62,789	189,202

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 53 weeks ended 31 March 2001 (*Continued*)

7 (Loss)/profit on ordinary activities before taxation

	53 weeks ended 31 March 2001 £	52 weeks ended 25 March 2000 £
This is arrived at after charging:		
Depreciation	425,757	310,803
Amortisation	26,328	15,207
	<u>452,085</u>	<u>326,010</u>

8 Taxation on (loss)/profit ordinary activities

No tax liability arises due to the availability of tax losses within the group.

9 Intangible assets

	Purchased goodwill £
<i>Cost</i>	
At 26 March 2000 and at 31 March 2001	789,743
	<u>789,743</u>
<i>Amortisation</i>	
At 26 March 2000	15,207
Charge for the period	26,328
	<u>41,535</u>
At 31 March 2001	41,535
	<u>41,535</u>
<i>Net book value</i>	
At 31 March 2001	748,208
	<u>748,208</u>
At 25 March 2000	774,536
	<u>774,536</u>

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 53 weeks ended 31 March 2001 (Continued)

10 Tangible assets

	Leasehold property £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>				
At 26 March 2000	926,069	10,000	2,419,236	3,355,305
Additions	2,350	-	212,923	215,273
Disposals	-	(10,000)	-	(10,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	928,419	-	2,632,159	3,560,578
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 26 March 2000	55,622	3,518	488,162	547,302
Provided for the period	38,787	-	386,970	425,757
Disposals	-	(3,518)	-	(3,518)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	94,409	-	875,132	969,541
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2001	834,010	-	1,757,027	2,591,037
	<hr/>	<hr/>	<hr/>	<hr/>
At 26 March 2000	870,447	6,482	1,931,074	2,808,003
	<hr/>	<hr/>	<hr/>	<hr/>

11 Debtors

	31 March 2001 £	25 March 2000 £
Amounts receivable within one year:		
Trade debtors	3,070,230	5,801,635
Amounts due from group undertakings	-	702,543
Other debtors	21,183	176,290
Prepayments and accrued income	28,947	812,739
	<hr/>	<hr/>
	3,120,360	7,493,207
Amounts receivable after more than one year:		
Other debtors - operating lease rental deposits	2,235,130	2,235,130
	<hr/>	<hr/>
	5,355,490	9,728,337
	<hr/>	<hr/>

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 53 weeks ended 31 March 2001 (Continued)

12 Creditors: amounts falling due within one year

	31 March 2001 £	25 March 2000 £
Bank loans and overdrafts	532,123	1,154,528
Trade creditors	-	-
Amounts due to group undertakings	5,590,933	2,134,451
Other creditors	72,312	1,671,667
Creditors for taxation and social security	-	1,453,773
Accruals and deferred income	929,490	3,777,401
	<u>7,124,858</u>	<u>10,191,820</u>

13 Creditors: amounts falling due after more than one year

	31 March 2001 £	25 March 2000 £
Bank loans	-	142,311
	<u>-</u>	<u>142,311</u>

Bank loans and overdrafts are secured on the group's freehold and leasehold properties. Interest is charged, on a group basis, at a variable margin of between 2½% and 3½% above the bank's base rate.

14 Share capital

	Authorised		Allotted, called up and fully paid	
	31 March 2001 £	25 March 2000 £	31 March 2001 £	25 March 2000 £
Ordinary shares of £1 each	1,000	1,000	2	2
	<u>1,000</u>	<u>1,000</u>	<u>2</u>	<u>2</u>

SOUTHERN CROSS HEALTHCARE SERVICES LIMITED

Notes forming part of the financial statements for the 53 weeks ended 31 March 2001 (*Continued*)

15 Commitments under operating leases

As at 31 March 2001, the company had annual commitments under non-cancellable operating leases, all of which relate to land and buildings, as set out below:

	31 March 2001 £	25 March 2000 £
Operating leases which expire:		
After five years	13,377,230	13,410,726

16 Related party transactions

The company has taken advantage of the exemption available under FRS 8 "Related Party transactions" not to disclose transactions with entities that are included in the consolidated financial statements of the parent company, Southern Cross Healthcare Limited.

17 Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its 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 company is Manuwai Investments Limited, a company incorporated in Jersey.