

Active Care Partnerships (Intercare) Limited  
Annual report and financial statements  
for the year ended 30 September 2010

Registered Number 3440926

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Active Care Partnerships (Intercare) Limited  
Annual report and financial statements  
for the year ended 30 September 2010  
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# Active Care Partnerships (Intercare) Limited

## Directors' report for the year ended 30 September 2010

The directors present their annual report together with the audited financial statements of the company for the year ended 30 September 2010. The company's registered number is 3440926.

### Principal activity

The principal activity of the company during the current and prior year comprised that of being an intermediate holding company.

### Business review and future developments

The loss for the financial year amounted to £49,000 (2009: £7,000).

The directors have not proposed the payment of a dividend (2009: £nil).

Following events which have taken place after 30 September 2010, the directors are anticipating that this company will cease to trade and as such have prepared these financial statements on a break-up basis. This basis of preparation is discussed below.

### Basis of preparation

As stated above, the directors have prepared these financial statements on a break-up basis. This decision has been made in the context of recent announcements made by the Southern Cross Healthcare Group (hereafter referred to as the "Group"), most notably

- The release of the Q1 2011 interim management statement on 8 February 2011 which showed adjusted EBITDA to have decreased by £9.4m compared to Q1 2010. A further trading update released by the Group on 14 March 2011 stated that the Group had seen a decline in its trading outlook since the issue of the Q1 interim management statement principally due to lower than expected placements and fee levels. The trading update stated that management were addressing these issues through a series of operational and financial restructuring initiatives which would involve the Group's lenders and landlords.
- The release of the Group's interim results for the six-month period ended 31 March 2011 on 19 May 2011 in which a loss before tax of £310.9m was reported. This loss included £267.8m of non-cash accounting charges (goodwill and fixed asset impairments). These impairments and a number of other matters related to the weakness of trading in the Group reflected the existence of material uncertainties which cast significant doubt over the Group's ability to continue as a going concern. At the time of release of these results the Group stated that they had reasonable grounds for believing that key stakeholders would agree on a comprehensive package to restructure Southern Cross' financial affairs.
- A Joint Statement issued by the Group, its lenders and its landlords on 15 June 2011 in which it was stated that the Group and its landlords would work towards a consensual solution to the Group's current financial problems which would be delivered over the coming four months. This process was to be overseen by a Restructuring Committee made up of representatives of a Landlords' Committee and the Group.
- A Restructuring Update issued on 11 July 2011, in which all landlords indicated, through the Restructuring Committee, their intention to leave the Group and explained that a plan was being formulated by the Committee to facilitate the smooth transition of homes to landlords and, where appropriate, their new operators. At that point, it was envisaged that the existing Group would cease to be an operator of homes at the end of the restructuring period. It was also anticipated that landlords, lenders and, where appropriate,

## Active Care Partnerships (Intercare) Limited

other residual stakeholders would agree the necessary measures to facilitate the orderly closure of the Group's affairs and that little or no value would be attributable to shareholders. Given these statements, and in agreement with the United Kingdom Listing Authority ("UKLA"), the Board took the decision that trading in the Group's shares be suspended with immediate effect. This remains the case at the date of approval of these financial statements.

In preparing these financial statements on a break-up basis the carrying value of all assets has been re-assessed and, where appropriate, assets have been impaired or provided against. Details of all specific impairments and provisions are provided in note 1 to the financial statements on page 13.

All assets and liabilities as at 30 September 2010 have been classed as current.

### Principal risks and uncertainties

The key business risks and uncertainties affecting the company have been assessed as being 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 Southern Cross Healthcare Group PLC as a whole, is provided in the group's annual report which does not form part of this report.

### Key performance indicators ('KPIs')

As these financial statements are being prepared on a break-up basis and the company is expected to cease trading the Directors are of the opinion that the presentation of KPIs is not necessary for an understanding of the development, performance and position of the business.

### Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk) and credit risk. Risk management is carried out by the Southern Cross Healthcare Group PLC Risk Management Committee under policies approved by the board of directors.

### Cash flow interest rate risk

The company's interest rate risk arises from intercompany borrowings, receivables and cash balances and therefore the risk is considered minimal.

### Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and deposits with banks and financial institutions. For banks and financial institutions, only institutions with a short term credit rating, as determined by Moody's, of P-1 are accepted.

### Directors

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

K Foulkes	(Resigned 31 December 2009)
R Midmer	(Resigned 31 December 2010)
W Buchan	
D Smith	(Appointed 11 December 2009)

# Active Care Partnerships (Intercare) Limited

## Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The accounts have been prepared on a break-up basis. In the circumstances there are a number of uncertainties over the valuation of assets and liabilities and limitations in the amount of work that the company has been able to perform in preparing these accounts. These uncertainties are referred to by the company's auditors in their audit report, which also includes references to various disclaimers and limitations to the scope of their work.

## Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006 it is hereby stated, in the case of each director in office at the date the directors' report is approved, that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

  
F McCormack

Company secretary

1 September 2011

# **Active Care Partnerships (Intercare) Limited**

## **Independent auditors' report to the members of Active Care Partnerships (Intercare) Limited**

We have audited the financial statements of Active Care Partnerships (Intercare) for the year ended 30 September 2010 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in shareholders' equity, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion: Disclaimer on view given by the financial statements**

The audit evidence available to us was limited because, as explained in note 15 to the financial statements, following announcements made by the Southern Cross Healthcare Group after the company's year end, the Board determined that it was appropriate to present the financial statements on a break-up basis, rather than on a going concern basis. As a result of the complexities arising from the implications for the company's financial statements following this decision, we have been unable to obtain sufficient appropriate audit evidence concerning the following matters:

- The financial exposure to the company which may result in the event that cross guarantees are called upon, as disclosed in note 13. The company is party to cross guarantees in relation to bank and other borrowings of other group undertakings amounting to £7.5m as at 30 September 2010.
- The carrying value of 'amounts owed by group undertakings', as disclosed in note 8, included in the balance sheet as at 30 September 2010 at an amount of £19,075,000.
- The carrying value of 'current tax assets' receivable from fellow group companies included in the balance sheet at 30 September 2010 at an amount of £6,000.

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements

## Active Care Partnerships (Intercare) Limited

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Emphasis of matter – significant uncertainties and basis of preparation

In seeking to form an opinion on the financial statements, we considered the adequacy of the disclosure in respect of the following

- the disclosures in note 15 to the financial statements regarding the basis of preparation of the financial statements As explained in note 15, following announcements made by the Southern Cross Healthcare Group after the company's year end, the Board determined that it was appropriate to present the financial statements on a break-up basis, rather than on a going concern basis, and in preparing the financial statements on a break-up basis, the carrying value of all assets has been re-assessed and, where appropriate, assets have been impaired or provided against All assets and liabilities as at 30 September 2010 have been classed as current

### Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### Matters on which we are required to report by exception

In respect solely of the limitation of our work resulting from matters arising after the company's year end referred to above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records have been kept

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made



Randal Casson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
1 September 2011

## Active Care Partnerships (Intercare) Limited

### Income statement for the year ended 30 September 2010

		2010 £'000	2009 £'000
	Note		
Impairment of investments in subsidiary undertakings	1	(34)	-
<b>Operating loss</b>		<b>(34)</b>	<b>-</b>
Finance costs	3	(21)	(10)
<b>Loss before taxation</b>	2	<b>(55)</b>	<b>(10)</b>
Taxation	5	6	3
<b>Loss for the year attributable to the owners of the company</b>		<b>(49)</b>	<b>(7)</b>

There is no other comprehensive income for the year




# Active Care Partnerships (Intercare) Limited

## Balance sheet as at 30 September 2010

	Note	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	6	-	34
<b>Total non-current assets</b>		<b>-</b>	<b>34</b>
<b>Current assets</b>			
Cash and cash equivalents	7	-	58
Other current assets	8	19,075	14,109
Current tax asset	5	6	3
<b>Total current assets</b>		<b>19,081</b>	<b>14,170</b>
<b>Total assets</b>		<b>19,081</b>	<b>14,204</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	9	19,047	14,121
<b>Total current liabilities</b>		<b>19,047</b>	<b>14,121</b>
<b>Net assets</b>		<b>34</b>	<b>83</b>
<b>Equity</b>			
Ordinary shares	11	-	-
Retained earnings		34	83
<b>Total equity</b>		<b>34</b>	<b>83</b>

The financial statements on pages 6 to 19 were approved by the board of directors on 1 September 2011 and signed on its behalf by

  
W Buchan  
Director

# Active Care Partnerships (Intercare) Limited

## Cash flow statement for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
<b>Cash flows from operating activities</b>			
Cash used in operations	12	(40)	(420)
Interest paid	3	(21)	(10)
Tax received		3	3
Net cash used in operating activities		(58)	(427)
<b>Net decrease in cash and cash equivalents</b>		<b>(58)</b>	<b>(427)</b>
Opening cash and cash equivalents		58	485
<b>Closing cash and cash equivalents</b>		<b>-</b>	<b>58</b>

## Statement of changes in shareholders' equity

	Ordinary shares £'000	Retained earnings £'000	Total equity £'000
At 29 September 2008	-	90	90
Loss for the year attributable to the owners of the company	-	(7)	(7)
At 27 September 2009	-	83	83
Loss for the year attributable to the owners of the company	-	(49)	(49)
<b>At 30 September 2010</b>	<b>-</b>	<b>34</b>	<b>34</b>

# Active Care Partnerships (Intercare) Limited

## Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

At the start of the financial year the company changed its internal reporting cycles and now reports on a calendar monthly basis. The results for the period ended 30 September 2010 are therefore for a period of 368 days (2009: 364 days).

The Board presents these financial statements on a break-up basis. This decision has been made in the context of recent announcements made by the Southern Cross Healthcare Group (hereafter referred to as the "Group"), most notably:

- The release of the Q1 2011 interim management statement on 8 February 2011 which showed adjusted EBITDA to have decreased by £9.4m compared to Q1 2010. A further trading update released by the Group on 14 March 2011 stated that the Group had seen a decline in its trading outlook since the issue of the Q1 interim management statement principally due to lower than expected placements and fee levels. The trading update stated that management were addressing these issues through a series of operational and financial restructuring initiatives which would involve the Group's lenders and landlords.
- The release of the Group's interim results for the six-month period ended 31 March 2011 on 19 May 2011 in which a loss before tax of £310.9m was reported. This loss included £267.8m of non-cash accounting charges (goodwill and fixed asset impairments). These impairments and a number of other matters related to the weakness of trading in the Group reflected the existence of material uncertainties which cast significant doubt over the Group's ability to continue as a going concern. At the time of release of these results the Group stated that they had reasonable grounds for believing that key stakeholders would agree on a comprehensive package to restructure Southern Cross' financial affairs.
- A Joint Statement issued by the Group, its lenders and its landlords on 15 June 2011 in which it was stated that the Group and its landlords would work towards a consensual solution to the Group's current financial problems which would be delivered over the coming four months. This process was to be overseen by a Restructuring Committee made up of representatives of a Landlords' Committee and the Group.
- A Restructuring Update issued on 11 July 2011, in which all landlords indicated, through the Restructuring Committee, their intention to leave the Group and explained that a plan was being formulated by the Committee to facilitate the smooth transition of homes to landlords and, where appropriate, their new operators. At that point, it was envisaged that the existing Group would cease to be an operator of homes at the end of the restructuring period. It was also anticipated that landlords, lenders and, where appropriate, other residual stakeholders would agree the necessary measures to facilitate the orderly closure of the Group's affairs and that little or no value would be attributable to shareholders. Given these statements, and in agreement with the United Kingdom Listing Authority ("UKLA"), the Board took the decision that trading in the Group's shares be suspended with immediate effect. This remains the case at the date of approval of these financial statements.

## Active Care Partnerships (Intercare) Limited

In preparing these financial statements on a break-up basis the carrying value of all assets has been re-assessed and, where appropriate, assets have been impaired or provided against. Details of all specific impairments and provisions are provided in note 1 to the financial statements on page 13.

All assets and liabilities as at 30 September 2010 have been classed as current.

### **Adoption of new and revised International Financial Reporting Standards**

The following new standards, amendments and interpretations, which are in issue at the balance sheet date but not yet effective, have not been applied in these financial statements.

Effective for periods commencing on or after

IFRS9 'Financial instruments' 1 January 2013

IAS24 Revised 'Related party disclosures' 1 January 2011

Amendment to IFRS7 'Financial instruments Disclosures' 1 July 2011

Amendment to IFRIC14 'Pre-payments of a Minimum Funding Requirement' 1 January 2011

IFRIC18 'Transfer of Assets from Customers' 30 October 2009

IFRIC19 'Extinguishing Financial Liabilities with Equity Instruments' 1 July 2010

Annual improvements 2010 1 January 2011

It is considered that the above standards, amendments and interpretations will not have a significant effect on the results or net assets of the company.

From 28 September 2009, the following standards, amendments and interpretations became effective and were adopted by the company.

IFRS8 'Operating segments'

IAS1 Revised 'Presentation of financial statements'

IAS23 Revised 'Borrowing costs'

IAS27 Revised 'Consolidated and separate financial statements'

IFRS1 Revised 'First time adoption of IFRS'

IFRS3 Revised 'Business combinations'

IFRIC13 'Customer Loyalty Programmes'

IFRIC14 'The Limit on a Defined Benefit Asset'

IFRIC15 'Agreements for the Construction of Real Estate'

IFRIC16 'Hedges of a Net Investment Including Foreign Operations'

Amendment to IAS39 'Financial instruments Recognition and measurement', and IFRS7 'Financial instruments Disclosures' on the reclassification of financial assets

Amendment to IFRIC9 and IAS39 regarding embedded derivatives

Amendment to IFRS1 'First time adoption of IFRS' and IAS27 'Consolidated and separate financial statements' on the cost of an investment in a subsidiary, jointly controlled entity or associate

Annual improvements to IFRSs (2008)

Amendment to IAS32 'Financial instruments Presentation' and IAS1 'Presentation of financial statements on puttable financial instruments and obligations arising on liquidation'

Amendment to IFRS2, 'Share-based payments' on vesting conditions and cancellations

Annual improvements 2009

Amendment to IFRS2 'Share-based payments - Group cash-settled share-based payment transactions'

Amendments to IFRS1 for additional exemptions

Amendments to IAS32 'Financial instruments Presentation on classification of rights issues'

Amendment to IAS39 'Financial instruments Recognition and measurement' on eligible hedged items

IFRIC17 'Distribution of Non Cash Assets to Owners'

## **Active Care Partnerships (Intercare) Limited**

The adoption of these standards, amendments and interpretations has not had a significant impact on the company's result for the year or equity

### **Consolidated accounts**

The financial statements contain information about Active Care Partnerships (Intercare) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 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.

### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings are stated at cost less provision for impairment. A provision is made for permanent diminution in value.

Following the decision to prepare these financial statements on a break-up basis due to the expected cessation of trade, the carrying value of investments in subsidiary undertakings as at 30 September 2010 has been fully impaired.

### **Taxation**

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been in force during the period.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash and balances in accounts at no or short notice.

### **Finance costs**

Finance costs consist of interest which is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

### **Payables**

Payables comprise amounts owed to group undertakings, which are measured at the best estimate of the expenditure required to settle the obligation.

### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

### **Fair value estimation**

The carrying value of payables are assumed to approximate their fair values.

### **Financial risk management**

The company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate

## **Active Care Partnerships (Intercare) Limited**

risk) and credit risk Risk management is carried out by the Southern Cross Healthcare Group PLC Risk Management Committee under policies approved by the board of directors

### **Cash flow interest rate risk**

The company's interest rate risk arises from intercompany borrowings, receivables and cash balances and therefore the risk is considered minimal

### **Credit risk**

Credit risk is managed on a group basis Credit risk arises from cash and deposits with banks and financial institutions For banks and financial institutions, only institutions with a short term credit rating, as determined by Moody's, of P-1 are accepted

# Active Care Partnerships (Intercare) Limited

## Notes to the financial statements for the year ended 30 September 2010

### 1 Impairment of investments in subsidiary undertakings

The decision has been made to fully impair the carrying value of investments in subsidiary undertakings and as a result an impairment of £34,000 has been recognised in the income statement for the current year

### 2 Loss before taxation

Audit fees in the current and prior year have been borne by another group company, Southern Cross Healthcare Limited

### 3 Finance costs

	2010	2009
	£'000	£'000
Interest payable on amounts owed to group undertakings	21	10

### 4 Employees and directors

The company has no employees other than its directors. Directors' emoluments in the current and prior year were paid by Southern Cross Healthcare Limited, another group company. Their services to this company and to a number of other subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company.

### 5 Taxation

	2010	2009
	£'000	£'000
Current tax		
– current year	(6)	(3)
<b>Taxation</b>	<b>(6)</b>	<b>(3)</b>

The current rate applicable to the company for the year ended 30 September 2010 was 28% (2009: 28%)

## Active Care Partnerships (Intercare) Limited

The tax for the current year differs to (2009 is in line) with the standard rate of corporation tax in the UK of 28% (2009 28%) These differences are explained below

	2010 £'000	2009 £'000
<b>Loss before taxation</b>	<b>(55)</b>	<b>(10)</b>
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	(15)	(3)
<i>Effects of</i>		
Impairment of investments in subsidiary undertakings	9	-
<b>Tax credit for the year</b>	<b>(6)</b>	<b>(3)</b>

The standard rate of corporation tax changes from 28% to 27% in April 2011 The rate change will impact on the current tax charge going forward

## 6 Investments in subsidiary undertakings

	£'000
<b>Shares in subsidiary undertakings</b>	
Cost and net book amount at 28 September 2008 and 27 September 2009	34
Impairment of investment in subsidiary undertakings	(34)
<b>At 30 September 2010</b>	<b>-</b>

Investments in subsidiary undertakings are stated at cost less provision for impairment A provision is made for permanent or temporary diminutions in value

The company directly owns 50% of the issued ordinary share capital of the following companies registered in England and Wales

### Care home operating companies

Active Care Partnerships (Broadoaks) Limited  
 Active Care Partnerships (Churchfields) Limited  
 Active Care Partnerships (Drummond) Limited  
 Active Care Partnerships (Fryers) Limited  
 Active Care Partnerships (Lombardy) Limited

Following the decision to prepare these financial statements on a break-up basis the carrying value of investments in subsidiary undertakings has been fully impaired resulting in an impairment being recognised in the income statement of £34,000

The companies noted above are deemed to be subsidiary undertakings because the remainder of the share capital in each entity is owned by another group company, Active Care Partnerships (Holdings) Limited



# Active Care Partnerships (Intercare) Limited

## 7 Cash and cash equivalents

	2010	2009
	£'000	£'000
Cash at bank and in hand	-	58

All cash balances are held by Barclays Bank PLC, whose current credit rating, as determined by Moody's, is P-1

## 8 Other current assets

	2010	2009
	£'000	£'000
Amounts owed from group undertakings	19,075	14,109

Amounts owed by group undertakings were formerly underwritten by the undertaking of the Southern Cross Healthcare Group to provide financial support across the Group. Given the statements made regarding going concern throughout these financial statements the Group can no longer undertake to provide this financial support and therefore the recoverability of amounts owed by group undertakings are subject to significant doubt.

The directors note that the auditors' report includes a disclaimer of opinion in respect of the above balance.

## 9 Payables

	2010	2009
	£'000	£'000
Amounts owed to group undertakings	19,047	14,121

Amounts owed to group undertakings are unsecured, repayable upon demand and interest is charged at 4% (2009: 5%).

## 10 Financial instruments

Numerical financial instruments disclosures are set out below.

In accordance with IAS 39, "Financial instruments: Recognition and measurement", management has reviewed contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives were found.

# Active Care Partnerships (Intercare) Limited

## Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below

	2010 Loans and receivables £'000	2009 Loans and receivables £'000
<b>Assets as per balance sheet</b>		
Other current assets	19,075	14,109
Cash and cash equivalents	-	58
	<b>19,075</b>	<b>14,167</b>

	2010 Other financial liabilities £'000	2009 Other financial liabilities £'000
<b>Liabilities as per balance sheet</b>		
Payables	19,047	14,121

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values

Financial assets and liabilities are denominated in sterling

## 11 Ordinary shares

	2010 £	2009 £
<b>Authorised share capital</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted and fully paid</b>		
100 ordinary shares of £1 each	100	100

# Active Care Partnerships (Intercare) Limited

## 12 Cash flows from operating activities

Reconciliation of operating loss before taxation to net cash flow from operating activities

	2010 £'000	2009 £'000
Operating loss	(34)	-
<i>Adjustments for</i>		
Impairment of investments in subsidiary undertakings	34	-
<i>Changes in working capital</i>		
Increase in other current assets	(4,966)	-
Increase/(decrease) in payables	4,926	(420)
<b>Cash used in operating activities</b>	<b>(40)</b>	<b>(420)</b>

## 13 Contingent liabilities

The company is party to cross guarantees in relation to bank and other borrowings of other group undertakings amounting to £7.5m (2009 £41.9m), however given that the directors are currently facilitating the orderly closure of the company the likelihood of such cross-guarantees being called upon, and thus the financial exposure to this company, cannot be reliably quantified

The directors note that the auditors' report includes a disclaimer of opinion in respect of the above

## 14 Related party transactions

The majority of the transactions in the current and prior year were funded through the bank account held in Southern Cross Healthcare Limited which is central to the group's treasury activities. The main transactions with group companies are disclosed below

Year ended 30 September 2010

	Working capital movement increase £'000	Interest paid £'000	Net amounts owed by £'000
<b>Fellow subsidiary undertakings</b>	<b>61</b>	<b>(21)</b>	<b>28</b>

# Active Care Partnerships (Intercare) Limited

Year ended 27 September 2009

	Working capital movement decrease	Interest paid	Net amounts owed to
	£'000	£'000	£'000
Fellow subsidiary undertakings	430	(10)	(12)

The key management of the company are deemed to be the Board of Directors who have authority and responsibility for planning and controlling all significant activities of the company

## 15 Post balance sheet events

Since the end of the current financial year there have been events and announcements made which have resulted in the directors deciding to prepare these financial statements on a break-up basis

This decision has been made in the context of the following events and announcements made by the Southern Cross Healthcare Group (hereafter referred to as the "Group"), most notably

- The release of the Q1 2011 interim management statement on 8 February 2011 which showed adjusted EBITDA to have decreased by £9.4m compared to Q1 2010. A further trading update released by the Group on 14 March 2011 stated that the Group had seen a decline in its trading outlook since the issue of the Q1 interim management statement principally due to lower than expected placements and fee levels. The trading update stated that management were addressing these issues through a series of operational and financial restructuring initiatives which would involve the Group's lenders and landlords.
- The release of the Group's interim results for the six-month period ended 31 March 2011 on 19 May 2011 in which a loss before tax of £310.9m was reported. This loss included £267.8m of non-cash accounting charges (goodwill and fixed asset impairments). These impairments and a number of other matters related to the weakness of trading in the Group reflected the existence of material uncertainties which cast significant doubt over the Group's ability to continue as a going concern. At the time of release of these results the Group stated that they had reasonable grounds for believing that key stakeholders would agree on a comprehensive package to restructure Southern Cross' financial affairs.
- A Joint Statement issued by the Group, its lenders and its landlords on 15 June 2011 in which it was stated that the Group and its landlords would work towards a consensual solution to the Group's current financial problems which would be delivered over the coming four months. This process was to be overseen by a Restructuring Committee made up of representatives of a Landlords' Committee and the Group.
- A Restructuring Update issued on 11 July 2011, in which all landlords indicated, through the Restructuring Committee, their intention to leave the Group and explained that a plan was being formulated by the Committee to facilitate the smooth transition of homes to landlords and, where appropriate, their new operators. At that point, it was envisaged that the existing Group would cease to be an operator of homes at the end of the restructuring period. It was also anticipated that landlords, lenders and, where appropriate, other residual stakeholders would agree the necessary measures to facilitate the orderly closure of the Group's affairs and that little or no value would be attributable to shareholders. Given these statements, and in

## **Active Care Partnerships (Intercare) Limited**

agreement with the United Kingdom Listing Authority ("UKLA"), the Board took the decision that trading in the Group's shares be suspended with immediate effect. This remains the case at the date of approval of these financial statements.

### **16 Ultimate parent company**

The immediate parent company is Active Care Partnerships (Holdings) Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is Southern Cross Healthcare Group PLC, a company registered in England, 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, County Durham, DL3 6AH

### **17 Registered office and domicile**

The company's registered office is Southgate House, Archer Street, Darlington, County Durham, DL3 6AH and is registered in England and Wales.