

SOUTHERN CROSS CARE (VIC)
(Limited by Guarantee)
ACN 004 788 612
ABN 27 004 788 612

Concise Financial Report 30 June 2008

embracing
the
future

The financial statements and other specific disclosures are an extract of, and have been derived from the full financial report of Southern Cross Care (Vic) for the financial year. Other information included in the concise financial report is consistent with the Company's full financial report.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

A copy of the Company's 2008 Annual Financial Report, including the independent audit report, is available to all members, and can be downloaded from the Company's website (www.southern-cross.org.au).

Directors' Report

For The Year Ended 30 June 2008

The Directors present their report together with the concise financial report of Southern Cross Care (Vic) for the year ended 30 June 2008 and the auditors' report thereon.

Principal Activities

The principal activities of the Company during the course of the financial year were to undertake the care and welfare of aged persons in Victoria.

Result

The result from ordinary activities for the year amounted to a loss of \$(3,201,075) (2007: \$118,183). Changes to depreciation treatment, adopting industry standard depreciation rates for buildings, added approximately \$2,400,000 in depreciation charges compared to previous depreciation treatment. The change in depreciation treatment is the most significant factor contributing to the increased loss from operations.

In addition to ordinary activities, two significant items contributed to the combined net loss from all activities of \$(3,209,693) (2007: profit \$838,183).

Profit from the acquisition of licences was \$380,000 and loss from discontinued operations was \$(388,618). The combined net loss from all activities was \$(3,209,693) (2007: profit \$838,183).

The profit from acquisition of licences relates to the recognition as revenue of the fair value of 38 EACH & EACHD licences that were allocated to the Company following the 2007 Aged Care Approvals Round by the Commonwealth Government.

Review Of Operations

The year ending June 2008 was a year of significant change for Southern Cross Care (Vic). Chief Executive Officer, Jan Horsnell, was appointed in November 2007 and in recognition of the continuing ongoing difficulties in managing residential aged care facilities, a comprehensive review of all aspects of the operations of the organisation was commissioned by the Board of Directors in early 2008.

The objective of the operational review, which is ongoing, is to optimise operating performance to ensure long term financial sustainability and enhance the delivery of quality services to residents and clients.

The Directors acknowledge that the underlying financial performance of the Company in 2008 was unacceptable. There are a combination of operational and capital issues that have negatively impacted the financial performance of the organisation and these issues are being comprehensively addressed as part of the organisational review.

Significantly, in 2008 the financial performance of the residential care services division has been affected by less than optimal levels of occupancy and Government subsidy funding which have not offset real increases in costs. In particular, the Lynbrook residential facility, which commenced operations in April 2007 has experienced difficulty in attaining operational efficiencies due to a slower than anticipated take up of permanent places and lack of demand for the 32 approved extra services places.

Changes to accounting treatment for depreciation of buildings had a significant impact on the net result for the year. Following an assessment and review of the useful life all SCC (Vic) buildings, additional depreciation charges of \$2.4 million were expensed in year ending June 2008. The changes in depreciation treatment were undertaken in conjunction with the adoption of Directors valuations for buildings which resulted in devaluations of selected buildings. These changes were made to ensure that the accounts are representative of the financial performance and position of the Organisation.

Decisive action to improve the financial performance of the organisation across all areas of operations has been taken by the Directors based on the recommendations of the comprehensive organisational review. We expect the benefits arising from this to be realised in the second half of 2008/2009.

Prior to 30 June 2008 the Directors made the very difficult decision to divest the retirement development at Southern Cross Lynbrook Village. The Village, a proposed 196 unit development, commenced operations in August 2007 following construction of 21 units and clubhouse. Unfortunately, the demand for the units has been less than expected with 3 units occupied at 30 June 2008. The significant operating and holding costs of Lynbrook Village and the competing capital needs of the Organisation have made the project unviable for Southern Cross Care (Vic).

The Directors, Chief Executive Officer, executive management and senior management teams are committed to ensuring that the delivery of quality services to residents and clients will be undertaken from a foundation of financial sustainability for the Company.

The Directors wish to acknowledge the management of the organisation by the executive and senior management teams as well as the contributions of all personnel in contributing to operations during a year of significant change for the organisation.

Directors' Declaration

In the opinion of the Directors of Southern Cross Care (Vic), the accompanying concise financial report of the Company for the year ended 30 June 2008:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with Australian Accounting Standard AASB 1039 Concise Financial Reports

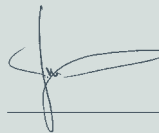
Dated at Melbourne this 7th day of October 2008

Signed in accordance with a resolution of the Directors.



N P BANNER

: Directors



J J MANGELSDORF

Independent Auditors' report

to the members of Southern Cross Care (Vic)



Report on the concise financial report

The accompanying concise financial report of Southern Cross Care (Vic) comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Southern Cross Care (Vic) for the year ended 30 June 2008, and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039: Concise Financial Reports (including the Australian Accounting Interpretations), statutory and other requirements. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Southern Cross Care (Vic) for the year ended 30 June 2008. Our audit report on the financial report for the year was signed on 7 October 2008 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039: Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039: Concise Financial Reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. A copy of our independence declaration accompanies this concise financial report and was provided to the directors at the date of this auditor's report.

Auditor's opinion

In our opinion, the concise financial report including the discussion and analysis of Southern Cross Care (Vic) for the year ended 30 June 2008 complies with Accounting Standard AASB 1039: Concise Financial Reports.

WHK Horwath Melbourne

PETER SEXTON
Partner

Registered Company Auditor #85044
Date: 7 October 2008
Melbourne

Income Statement

For The Year Ended 30 June 2008

	2008 \$	2007 \$
Revenues from Ordinary Activities	52,682,572	44,993,580
Employee Benefits Expense	39,591,197	32,809,481
Borrowing Costs Expense	145,834	92,407
Catering Provisions & Contract Meals Expense	2,102,594	1,835,209
Maintenance, Cleaning and Utilities Expense	3,050,600	2,751,575
Communication & General Office Expense	1,781,138	1,663,243
Depreciation Expense	4,866,171	2,145,066
Other Expenses from Ordinary Activities	4,346,113	3,577,916
Profit from Ordinary Activities	(3,201,075)	118,183
Revenue from Acquisition of Licences	380,000	720,000
Loss from Discontinued Operations Held for Sale	(388,618)	-
Profit from Activities	(3,209,693)	838,183

Cash Flow Statement

For The Year Ended 30 June 2008

	2008 \$	2007 \$
Cash flows from operating activities		
Cash receipts in the course of operations	50,862,535	41,979,413
Cash payments in the course of operations	(50,229,989)	(41,430,004)
Net cash provided by operating activities	632,546	549,409
Cash flows from investing activities		
Interest received	250,160	210,468
Proceeds from sale of property, plant and equipment	1,418,847	1,106,699
Payment for property, plant and equipment	(7,948,025)	(25,829,743)
Net cash used in investing activities	(6,279,018)	(24,512,576)
Cash flows from financing activities		
Interest paid	(432,354)	(92,907)
Net Proceeds from resident funded loans	10,475,700	13,610,485
Bill acceptance facility	(2,044,000)	9,444,000
Net cash provided by financing activities	7,999,346	22,961,578
Net increase/(decrease) in cash held	2,352,874	(1,001,589)
Add: Cash at the beginning of the year	3,020,791	4,022,380
Cash at the end of the financial year	5,373,665	3,020,791

Balance Sheet

As at 30 June 2008

CURRENT ASSETS		
Cash	5,373,665	3,020,791
Trade & Other Receivables	6,660,152	7,302,330
Other	293,558	414,072
TOTAL CURRENT ASSETS	12,327,375	10,737,193
NON CURRENT ASSETS		
Property, plant and equipment	125,115,710	150,382,446
Intangible Assets	26,910,000	26,530,000
Assets of Discontinued Operations Held for Sale	10,000,000	–
TOTAL NON CURRENT ASSETS	162,025,710	176,912,446
TOTAL ASSETS	174,353,085	187,649,639
CURRENT LIABILITIES		
Trade Payables & Accrued Expenses	3,918,802	3,662,948
Borrowings	102,124,447	93,838,179
Provisions	3,981,823	3,797,793
TOTAL CURRENT LIABILITIES	110,025,072	101,298,920
NON CURRENT LIABILITIES		
Borrowings	16,000,000	18,044,000
Provisions	937,948	866,452
TOTAL NON CURRENT LIABILITIES	16,937,948	18,910,452
TOTAL LIABILITIES	126,963,020	120,209,372
NET ASSETS	47,390,065	67,440,267
ACCUMULATED FUNDS		
Donations and funds reserves	2,267,862	2,267,862
Government capital subsidies reserve	3,474,353	3,901,350
Asset Revaluation Reserve	28,660,931	45,501,438
Capital reserve	6,372,598	4,327,205
Accumulated Retained profits	6,614,521	11,442,412
TOTAL ACCUMULATED FUNDS	47,390,065	67,440,267

Statement of changes in equity

For The Year Ended 30 June 2008

	Accumulated Retained Profits	Donations & Funds Reserve	Government Capital Subsidies Reserve	Asset Revaluation Reserve	Capital Reserve	TOTAL 2008
Balance as at 1 July 2007	11,442,411	2,267,862	3,901,350	45,501,438	4,327,204	67,440,265
Increment/(decrement) on revaluation of Non-current assets	-	-	-	(16,840,507)	-	(16,840,507)
Transfer to Reserves						
– Retained Entry Contributions & Concessional subsidies	(2,880,224)	-	-	-	2,880,224	-
Transfer from Reserves						
– Capital expenditure on residential facilities	834,830	-	-	-	(834,830)	-
– Reduction in contingent liability to refund Commonwealth Government Capital subsidises	427,197	-	(427,197)	-	-	-
Profit from operations	(3,209,693)	-	-	-	-	(3,209,693)
Balance as at 30 June 2008	6,614,521	2,267,862	3,474,153	28,660,931	6,372,598	47,390,065

It should be noted that the net surplus from ordinary activities includes \$2,162,198 retained entry contributions and \$718,025 Concessional Government subsidies (total \$ 2,880,223). In line with the Aged Care Act (1997) these amounts are identified for capital purposes and transferred to capital reserve.

Capital expenditure totalling \$834,830 has been provided for residential facilities during the year. This expenditure has been drawn down from funds allocated to capital reserve and transferred to accumulated retained profits.

	Accumulated Retained Profits	Donations & Funds Reserve	Government Capital Subsidies Reserve	Asset Revaluation Reserve	Capital Reserve	TOTAL 2007
Balance as at 1 July 2006	9,887,952	2,267,862	4,333,778	45,501,438	4,713,496	66,704,526
Increment/(decrement) on revaluation of Non-current assets	-	-	-	-	-	-
Transfer to Reserves						
– Retained Entry Contributions & Concessional subsidies	(1,418,394)	-	-	-	1,418,394	-
Transfer from Reserves						
– Capital expenditure on residential facilities	1,804,685	-	-	-	(1,804,685)	-
– Reduction in contingent liability to refund Commonwealth Government Capital subsidises	432,428	-	(432,428)	-	-	-
Profit from operations	838,183	-	-	-	-	838,183
Adjustment for under provision for Employee Entitlements	(102,442)	-	-	-	-	(102,442)
Balance as at 30 June 2007	11,442,411	2,267,862	3,901,350	45,501,438	4,327,204	67,440,265

The adjustment to Retained Earnings in 2007 relating to Employee Entitlements was undertaken due to an error in calculation resulting in an under provision for annual leave entitlements in prior reporting periods.

Auditor's independence declaration

Under section 307C of the *Corporations Act 2001*

To the Directors of Southern Cross Care (Vic)



I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK Horwath Melbourne

A handwritten signature in dark ink, appearing to be "P. Sexton", written over a horizontal line.

PETER SEXTON
Partner

Registered Company Auditor #85044

Date: 7 October 2008

Melbourne