



SOUTHERN CROSS CARE (VIC)

(Limited by Guarantee)

ACN 004 788 612
ABN 27 004 788 612

FINANCIAL

REPORT

30 JUNE 2008

SOUTHERN CROSS CARE (VIC)

ACN 004 788 612 ABN 27 004 788 612

YEAR ENDED 30 JUNE 2008

DIRECTORS' REPORT

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

DIRECTORS

The Directors in office at any time during, or since the end of, the year:

Director	Experience	Special Responsibilities
Norman Patrick Banner	Chairman, Board of Directors. A member of the Board since 1992. Extensive experience at executive level in industrial relations in both state and federal jurisdictions.	SCC(Vic) Chairman Board Executive (Governance) Committee Proposed Developments
John Robert Bruce	A member of the Board since 2003. John has extensive experience in Local Government, including his appointment as Mayor of Manningham City Council in 2003. John has significant experience in policy development and implementation, strategy planning, and project management.	Board Audit & Risk Committee Proposed Developments Committee Board Lynbrook Project Taskforce
Joseph Cilia	A member of the Board since 2000. Joe is a Certified Practicing Accountant. Maltese born, Joe's background is in the service and manufacturing industries with over 30 years experience in finance and administration. He also served on Knights of the Southern Cross State Council and was State Treasurer from 1988 to 1991.	Board Finance & IT Committee
John Peter Goold	A member of the Board from 2003 until 2007. John has significant experience in the area of risk management. He is a senior associate of Australian and New Zealand Insurance Institute and is a certified insurance professional. John is also a Trustee of the Templestowe Cemetery. John resigned from the Board of Directors in September 2007.	Board Audit & Risk Committee
Brendan Kelly	A member of the Board since 2004. Brendan is a Certified Practicing Accountant and a Certified Financial Planner. Brendan was involved in the initial establishment of SCC(Vic) Ave Maria Village. He has significant experience in planning, development and management of businesses and voluntary organisations.	Proposed Developments Committee
Joseph Johannes Mangelsdorf	A member of the Board since 2000. Joseph has significant finance and administration expertise. He was responsible for finance, investment & administration within the Catholic Archdiocese for 18 years.	Chairman Board Finance & IT Committee Board Executive (Governance) Committee Board Audit & Risk Committee Board Lynbrook Project Taskforce Proposed Developments Committee

Mario Joseph Pavone	Deputy Chairman, Board of Directors. Joined the Board in 1999, prior to which he was CEO of SCC(Vic) (formerly known as SCVAC) from 1992-1997. Joseph has an accounting background with over 46 years in health care administration in public and church related organisations.	SCC(Vic) Deputy Chairman Board Executive (Governance) Committee
Greg van Mourik	A member of the Board since 2006. Greg is a lecturer in management accounting at Monash University. He has over 20 years diverse senior management experience in large companies in the information and communication technology sector.	Board Finance & IT Committee
Patrick Francis Woodlock	A member of the Board since 2006. Patrick has extensive and varied experience in government and service enterprises. He holds the position as company secretary and corporate manager in Victoria's largest non-profit social rental housing organisation. He also served on Knights of the Southern Cross State Council (State Treasurer and State Deputy Chairman) from 1998 to 2004.	Board Audit & Risk Committee Board Finance & IT Committee Board Lynbrook Project Taskforce

Non-elected Directors

Nicholas Bourke	Michael	A member of the Board since 2005. Nick has extensive experience in property assessments & property development projects, including site & feasibility analysis and project management. Nick holds a number of Directorship portfolio's and is Managing Director of Bourskope Pty Ltd (formerly known as Synergy Property Services Pty Ltd).	Proposed Developments Committee Board Lynbrook Project Taskforce
Jane Robertson Fyfield		A member of the Board since 2002. Jane has extensive experience in the practice and teaching of Gerontology across the health & aged care sectors.	Board Governance System Taskforce Residential Services Clinical Taskforce
Anne Moon		A member of the Board since 2008. Anne is and Accredited Property Law Specialist with the Law Institute of Victoria and has over 25 years experience in commercial law. In recent years Anne has gained extensive experience in environmental law in the context of her commercial real estate practice.	Board Audit & Risk Committee

Chief Executive Officer

Jan Horsnell	Jan joined Southern Cross Care (Vic) in November 2007. Jan has extensive leadership experience in organisations delivering human services as a Chief Executive Officer.	Chief Executive Officer / Company Secretary Chair Executive Management Committee
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DIRECTORS' MEETINGS

The number of Directors' meetings and numbers of meetings attended by each of the Directors of the Company during the financial year are:

Director	A	B
Norman Patrick Banner (Chairman)	14	14
John Robert Bruce	10	14
Joseph Cilia	11	14
John Peter Goold	5	5
Brendan Kelly	12	14
Joseph Johannes Mangelsdorf	12	14
Mario Joseph Pavone (Deputy Chairman)	12	14
Greg van Mourik	14	14
Patrick Francis Woodlock	12	14
<i>Non-elected Directors</i>		
Nicholas Michael Bourke	13	14
Jane Robertson Fyfield	9	14
Anne Moon	4	4

A - Number of Meetings attended

B - Reflects the number of meetings held during the time the Director held office during the year.

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 Lynbrook Village. Lynbrook 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.

ENVIRONMENTAL ISSUES

The operations of the Company are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

DIVIDENDS

The payment of dividends is prohibited by the Memorandum of Association of the Company.

FINANCIAL POSITION

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in the financial report.

FUTURE DEVELOPMENTS

The Company is continually investigating opportunities to expand its residential aged care facilities and the delivery of lifestyle options. Applications to the Government, are proposed seeking a further expansion of Community Aged Care Packages, Extended Aged Care Packages and approved residential places.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with an entity in which the Director has a substantial financial interest.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the year the Company entered into an agreement indemnifying the current Directors of the Company against all liabilities to another person (other than the Company) that may arise from their position as Directors of the Company except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are unaware of any events subsequent to balance date that are likely to effect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, WHK Horwath Melbourne. The Auditors Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 35 of the report.

DATED AT MELBOURNE THIS7TH.....DAY OFOctober.....2008

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS:



.....
N P BANNER



.....
J J MANGELSDORF

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SOUTHERN CROSS CARE (VIC)**

ACN 004 788 612 ABN 27 004 788 612

Report on the Financial Report

We have audited the accompanying financial report of Southern Cross Care (Vic), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying 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 financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the company, and have met the independence requirements of Australian Professional Ethical Pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included with the Financial Report.

Auditor's Opinion

In our opinion the financial report of Southern Cross Care (Vic) is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

WHK Horwath Melbourne
Chartered Accountants



PETER SEXTON
Partner

Registered Company Auditor #85044
Date: 7 October 2008
Melbourne

SOUTHERN CROSS CARE (VIC)
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 / (Loss) from Ordinary Activities	(3,201,075)	118,183
Revenue from Acquisition of Licences	380,000	720,000
Profit / (Loss) from Discontinued Operations Held for Sale	(388,618)	-
Profit / (Loss) from Activities	(3,209,693)	838,183

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 14 to 32.

SOUTHERN CROSS CARE (VIC)
BALANCE SHEET
AS AT 30 JUNE 2008

	2008	2007
	\$	\$
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	3,474,153	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

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 14 to 32.

SOUTHERN CROSS CARE (VIC)
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 loss 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.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 14 to 32.

SOUTHERN CROSS CARE (VIC)
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$	\$
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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)
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Net cash provided by operating activities	632,546	549,409
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Cash flows from investing activities		
Interest received	250,160	210,468
	1,418,847	1,106,699
Proceeds from sale of property, plant and equipment		
Payment for property, plant and equipment	(7,948,025)	(25,829,743)
<hr/>		
Net cash used in investing activities	(6,279,018)	(24,512,576)
<hr/>		
Cash flows from financing activities		
	(432,354)	(92,907)
Interest paid	10,475,700	13,610,485
Net Proceeds from resident funded loans	(2,044,000)	9,444,000
Bill acceptance facility		
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Net cash provided by financing activities	7,999,346	22,961,578
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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
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Cash at the end of the financial year	5,373,665	3,020,791
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The cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 14 to 32.

SOUTHERN CROSS CARE (VIC)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general-purpose financial report, which has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated current valuations of non-current assets to their fair value. Cost is based on the fair values of the consideration given in exchange for assets.

Set out below is a summary of the significant accounting policies adopted by the Company in the preparation of the accounts.

(a) Government Subsidies

Capital subsidies received from the Commonwealth Department of Health and Ageing, towards the cost of certain fixed assets, are included as revenue and subsequently transferred to reserves.

(b) Revenue

Residents fees, government grants or subsidies in respect of operating expenses, retentions and deferred management fees, and interest are all considered to be funds from operations and have been brought to account in the income statement on an accrual basis. General donations and fundraising income is recognised on receipt of cash.

As a result of changes in Aged Care legislation during 1997/98 and the effective abolishment of Commonwealth funded capital grants, the Directors created a capital reserve.

Capital expenditure on residential facilities is identified at balance date and transferred from the capital reserve to retained accumulated profits.

Donations received for capital projects are treated as deferred income until the Company has legally contracted to incur the expenditure on the relevant capital project.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(c) Property Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the Company to have an independent valuation every three years, with annual appraisals being made by the directors. At 30 June 2008 the Directors undertook an assessment of the carrying amounts of land and buildings and elected to adopt Directors valuations for land and buildings.

The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax. The Company is, however, exempt from income and capital gains tax.

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

(i) Acquisition

Items of property, buildings, plant and equipment are recorded at cost and depreciated as outlined below. Interest incurred in financing the acquisition of land and buildings is capitalised and included in the cost.

Expenditure in respect of buildings since the date of acquisition is only capitalised where it adds value to the existing asset.

(ii) Depreciation - Plant, Equipment, Appliances and Motor Vehicles

Depreciation is calculated using the straight line method based on the estimated useful lives of the assets. The method of write off and the rates used are those considered appropriate to each class of asset.

Expenditure on individual items of plant and equipment in excess of \$300 that do not constitute a replacement are capitalised.

Depreciation - Buildings

Freehold buildings are depreciated on the straight line method based on their estimated useful lives. The Board of Directors have elected to change the depreciation rates for buildings for the year ending June 2008. The change in depreciation treatment increases the depreciation rate for new Residential Aged Care facilities to 4% (previously 1.25%) and new housing and independent living and other buildings to 2.5% (previously 1.25%).

Depreciation - Rates

Category	Method	Rate
Plant & Equipment	Straight – line	5.0 %
Computers and Electronic Equipment	Straight – line	20.0% – 30.0%
Furniture & Fittings	Straight – line	5.0 %
Motor Vehicles	Straight – line	10.0% - 15.0%
RACF Buildings	Straight – line	4.0%
Housing & Independent Living / Administration Buildings / Other	Straight – line	2.5%

(iii) Maintenance

All repairs and renewals expenditure is expensed as incurred.

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. As at 30th June 2008 the Company has no such lease arrangements.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(e) Financial Instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

At each reporting date the Company assesses whether there is objective evidence that a financial instrument has been impaired.

(f) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Intangibles

Approved Provider licences are issued by the Commonwealth Government. Holders of Approved Provider licences receive government funding for the provision of care services.

An independent valuation of Approved Provider Licences incorporating Residential Care and CACP Program licences as at 30 June 2006 was undertaken by Mr Samuel

Murphy (AAPI, F FIN), of Knight Frank valuations. A resolution of the Board of Directors was passed to adopt those values in the financial statements as at 30 June 2006.

All licences assessed as having an indefinite useful life will be impairment tested annually in accordance with the AASB 136 Impairment of Assets.

The following treatment applies to Approved Provider licences:

- (i) Licences received through Federal Government funding rounds will be recognised at fair value on acquisition and revalued according to revaluation policy every three years. The next revaluation is due in 2009; and
- (ii) Licences that have an indefinite useful life will not be amortised.

An additional 38 EACH and EACH Dementia program licences were allocated to the Company following the 2007 Aged Care Approvals Round. The fair value of these licences has been brought to account at 30 June 2008.

(h) Provisions

Provisions for Employee Benefits

Wages, Salaries, Annual Leave

The provisions for employee entitlements to wages, salaries and annual leave, represents the amount which the company has a present obligation to pay resulting from employee's service provided up to the balance date.

Long Service Leave

Long service leave liability is calculated in accordance with the regulations of AASB 1028. Long service leave is calculated as the employee's accrued entitlement including applicable on-costs.

Superannuation Funds

The Company contributes to employee superannuation funds. Contributions are charged against income as they are made.

(i) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Doubtful Debts Provision

The collectability of debts is assessed at year end and specific provision is made for any doubtful debts.

(j) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts. The effective cash rate on short term deposits was 7.15% (2007 6.15%).

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(l) Resident funded loans - lease premiums and accommodation bonds

Accommodation bonds are measured at the principal amount less retention amounts permitted under the Aged Care Act (1997).

Lease premiums paid for entry into retirement living are measured at the principal amount less any deferred management fees and/or sinking fund fees in accordance with individual lease agreements.

All resident funded loans are recognised as current liabilities in accordance with AASB 101, however historical turnover statistics indicate that only a small percentage of loans are likely to be required to be repaid within the next twelve months. The rolling nature of resident funded loans is such that the repayment of a bond is offset by a new resident funded ingoing loan.

2. INCOME TAX

In accordance with the provisions of the *Australian Income Tax Assessment Act*, the Company is exempt from income tax. The company has been endorsed as an Income Tax Exempt Charity (ITEC) under *A New Tax System (Goods and Services Tax) Act 1999*.

3. REVENUE

	2008	2007
	\$	\$
Operating activities		
- Residents'/clients' fees	15,364,334	14,941,957
- Government subsidies	32,531,173	27,003,300
- Government subsidies – Concessional	718,025	754,929
- Ingoing contributions retained	2,162,198	663,464
- Accommodation Bond Interest	402,340	283,109
- Interest received/receivable (3a)	250,160	210,468
- Other income (includes donations)	1,171,842	862,771
- Capital subsidies received and receivable	82,500	273,582
Total Operating Revenue	52,682,572	44,993,580
3 (a) Non-operating activities		
Revenue from Acquisition of Licences	380,000	720,000
Interest revenue from		
- other persons	250,160	210,468

4. PROFIT BEFORE INCOME TAX

	2008	2007
	\$	\$
Profit from ordinary activities has been determined after:		
(a) Expenses		
Borrowing Costs		
- Other persons	145,834	92,907
Depreciation of non-current assets		
- Land and Buildings	3,670,586	1,044,250
- Plant and Equipment	784,948	752,102
- Motor Vehicles	410,637	348,714
Total depreciation	4,866,171	2,145,066

	2008	2007
	\$	\$
(b) Significant Revenues and Expenses		
The following significant revenue and expense items are relevant in explaining the financial performance:		
Revenues		
Revenue from Acquisition of Licences	380,000	720,000
Capital subsidies received and receivable	82,500	273,582
Expenses		
Loss from Discontinued Operations	(388,618)	-

5. AUDITORS' REMUNERATION

	2008	2007
	\$	\$
Remuneration of the auditor of the entity for:		
- Auditing the financial report	34,500	32,000
- Certification of Department of Health & Ageing acquittals	11,000	13,000
	45,500	45,000

6. TRADE & OTHER RECEIVABLES

Current

	2008	2007
	\$	\$
Trade Receivables		
Resident debtors	6,136,764	6,266,066
Sundry debtors	532,227	1,039,369
	6,668,991	7,305,435
Less: Impairment of receivables	(8,839)	(3,105)
	6,660,152	7,302,330

7. OTHER ASSETS

Current

	2008	2007
	\$	\$
Security bonds	14,255	14,069
Prepayments	279,303	400,003
	<u>293,558</u>	<u>414,072</u>

8. FINANCIAL ASSETS

	2008	2007
	\$	\$
Available-for-sale financial assets		
- shares in listed securities at cost	65,000	65,000
	<u>65,000</u>	<u>65,000</u>

There has been no material change in the value of the financial assets and these have continued to be carried at cost.

9. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
	\$	\$
Freehold land and buildings at Independent valuation 2006	-	116,611,924
Freehold land and buildings at Directors valuation 2008	114,861,468	-
Less: Accumulated depreciation	-	1,029,244
	<u>114,861,468</u>	<u>115,582,680</u>
Land and buildings - at cost	-	15,935,313
Less: Accumulated depreciation	-	15,005
	<u>-</u>	<u>15,920,308</u>
Total freehold land and buildings	<u>114,861,468</u>	<u>131,502,988</u>
Plant, equipment, motor vehicles and appliances - at cost	14,955,856	14,040,352
Less: Accumulated depreciation	5,250,767	4,567,241
	<u>9,705,089</u>	<u>9,473,111</u>
Land and Buildings under construction-at cost	<u>549,153</u>	<u>9,406,347</u>
Total property, plant and equipment	<u>125,115,710</u>	<u>150,382,446</u>

A resolution of the Board of Directors was passed to adopt Directors valuations in the financial statements as at 30 June 2008. In reviewing the carrying amounts of land and buildings, the Directors have considered a range of factors including estimates of remaining 'useful life', the amenity and utility of the buildings and certification and building code requirements. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal.

The Company maintains a policy of obtaining an independent valuation of land and buildings every three years and the next external independent valuation is due as at 30 June 2009.

In accordance with the Retirement Villages Act (1986) a charge is generally registered on all Southern Cross Care (Vic) properties with respect to securing refundable entry contributions.

9. (a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land & Buildings at Valuation	Land & Buildings at Cost	Plant & Equipment	Buildings, Plant & Equipment under constructio n	Total
Balance at beginning of year	115,582,680	15,920,308	9,473,111	9,406,347	150,382,446
Additions	-	1,072,803	2,211,805	3,352,271	6,636,879
Disposals	(640,000)	-	(1,508,749)	-	(2,148,749)
Revaluation	10,604,018	(16,993,111)	-	(9,607,983)	(15,997,076)
Increment/(Decrement)					
Depreciation Expense	(4,182,645)	0	(683,526)	-	(4,866,171)
Reclassification	(6,502,584)	0	212,448	6,290,136	-
Buildings, Plant & Equipment under construction increment/(decrement)	-	-	-	-	-
Capitalised borrowing costs	-	-	-	1,108,381	1,108,381
Carrying amount at end of year	114,861,468	-	9,705,089	10,549,153	135,115,710

9. (b) Capitalised Borrowing Costs

	2008 \$	2007 \$
Borrowing costs capitalised	1,108,381	633,131
Capitalisation rate used in the allocation of borrowing costs to Building, Plant & Equipment	79%	100%

10. INTANGIBLES

	2008 \$	2007 \$
Approved Provider Licences at Valuation	26,910,000	26,530,000

Approved Provider licences are issued by the Commonwealth Government. Holders of Approved Provider licences receive government funding for the provision of care services.

An independent valuation of Approved Provider Licences incorporating Residential Care and CACP Program licences 30 June 2006 was undertaken by Mr Samuel Murphy (AAPI, F FIN), of Knight Frank valuations. A resolution of the Board of Directors was passed to adopt those values in the financial statements as at 30 June 2006.

An additional 38 EACH and EACH Dementia program licences were allocated to the Company following the 2007 Aged Care Approvals Round. The value of these licences has been brought to account at 30 June 2008.

11. TRADE AND OTHER PAYABLES

CURRENT

Unsecured Liabilities

	2008	2007
	\$	\$
Trade payables and accrued expenses	1,369,381	1,478,521
Other creditors and accruals	2,328,395	1,965,292
Employee Benefits	221,026	219,135
	3,918,802	3,662,948

12. BORROWINGS

Current

	2008	2007
	\$	\$
Bill acceptance facilities – secured	-	-
Resident funded loans – secured	102,124,447	93,838,179
	102,124,447	93,838,179

Non Current

	2008	2007
	\$	\$
Bill acceptance facilities – secured	16,000,000	18,044,000
Resident funded loans – secured	-	-
	16,000,000	18,044,000

The bank loans, other loans and bank bills payable are secured as outlined below.

Resident funded loans include Accommodation Bonds paid on entry to residential aged care facilities and in-going lease premiums paid on entry to retirement living and independent living units. Subject to deductions for retentions and deferred management fees, the major proportion of the resident funded loans are repayable on exit. All resident funded loans are recognised as current liabilities in accordance with AASB 101, however historical turnover statistics indicate that only a small percentage of loans are likely to be required to be repaid within the next twelve months. The rolling nature of resident funded loans is such that the repayment of a bond is offset by a new resident funded ingoing loan.

The loans are secured as outlined below.

The Company has access to the following line of credit.

	2008	2007
	\$	\$
Total facilities available:		
Bank overdraft	100,000	100,000
Business Credit Card	170,000	170,000
Bill acceptance facility	20,000,000	20,000,000
Facilities utilised at balance date:		
Bank overdraft	-	-
Bill acceptance facility	16,000,000	18,044,000

Facilities not utilised at balance date:

Bank overdraft	100,000	100,000
Bill acceptance facility	4,000,000	1,956,000
Business Credit Card	170,000	170,000

Bank Overdraft, Bill Facility and Business Credit Card

The bank overdraft, loan and bills are secured by a registered first mortgage over freehold properties of the Company at Shepparton, Hughesdale, Forest Hill and Box Hill, and a floating charge over the total of its assets and undertakings subject to the preferential ranking of creditors under the Retirement Villages Act 1986 and Aged Care Act 1997.

	2008	2007
	\$	\$
The carrying amounts of non-current assets pledged as security are:		
<i>First Mortgage:</i>		
Freehold land and buildings	96,248,399	86,881,919
<i>Floating Charge:</i>		
Cash	5,373,665	3,020,791
Receivables	6,660,152	7,302,329
Other	293,558	414,072
Property Plant & Equipment	125,115,710	150,382,446
Intangibles	26,910,000	26,530,000

Resident Funded Loans

Resident Funded Loans are secured pursuant to the Retirement Villages Act 1986 and the prudential requirements of the Aged Care Act 1997.

13. PROVISIONS

Current

	2008	2007
	\$	\$
Employee benefits		
- annual leave including on costs	2,195,492	2,065,385
- long service leave including on costs	1,786,331	1,732,408
	3,981,823	3,797,793

Non Current

Employee benefits		
- long service leave including on costs	436,503	460,719
Bond reimbursement provision	501,445	405,733
	937,948	866,452
Aggregate employee benefit liability	4,418,327	4,258,512
On-costs included in aggregate employee benefit liability	411,096	482,881
Number of employees at year end	1,094	977

14. DONATIONS AND FUNDS RESERVES

	2008	2007
	\$	\$
Founder donor donations	426,550	426,550
Donations and funds	1,841,312	1,841,312
	<u>2,267,862</u>	<u>2,267,862</u>

Movements in Donations Reserves

	2008	2007
	\$	\$
<u>Founder Donor Donations</u>		
Opening balance	426,550	426,550
Add: Amount transferred from/(to) retained earnings	-	-
Closing balance	<u>426,550</u>	<u>426,550</u>
<u>Donations and Funds</u>		
Opening balance	1,841,312	1,841,312
Add: Amount transferred from/(to) retained earnings	-	-
Closing balance	<u>1,841,312</u>	<u>1,841,312</u>

Funds transferred to the Donation Reserves represent major capital donations. Transfers from the reserve are made when donations are specifically allocated to capital projects.

15. GOVERNMENT CAPITAL SUBSIDIES RESERVE

	2008	2007
	\$	\$
Contributions from the Commonwealth Department of Health and Ageing	3,474,153	3,901,350
Movements in Government Subsidies		
Opening balance	3,901,350	4,333,778
Less: amount transferred to Accumulated Retained Profits	(427,197)	(432,428)
Add: Government Capital subsidy received	-	-
Closing balance	<u>3,474,153</u>	<u>3,901,350</u>

Funds transferred to the government subsidies reserve represent capital subsidies received for major projects.

16. ASSET REVALUATION RESERVE

	2008	2007
	\$	\$
Opening balance	45,501,438	45,501,438
Add: Revaluation increment on Freehold Land & Buildings	(16,840,507)	-
Add: Revaluation increment on Approved Provider Licences	-	-
Closing balance	<u>28,660,931</u>	<u>45,501,438</u>

The Asset Revaluation reserve records revaluations of non current assets.

17. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while optimising the financial objectives of the Company through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings and resident funded loans disclosed in note 12, cash and cash equivalents and equity attributable to the reserves and retained earnings as disclosed in notes 14,15 & 16.

The Company's Board Finance & IT Committee reviews the capital structure regularly and as part of this review process the Committee considers the cost of capital, the mix of interest bearing and non-interest bearing debt and the risks associated with each class of capital. The Company's overall strategy remains unchanged from 2007.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Categories of Financial Instruments

	2008	2007
	\$	\$
Financial Assets		
Cash and Cash Equivalents	5,373,665	3,020,791
Receivables	6,953,710	7,302,330
Financial Liabilities		
Trade Creditors	3,918,802	3,662,948
Loans	16,000,000	18,044,000
Resident Funded Loans	<u>102,124,447</u>	<u>93,838,179</u>

At the reporting date there are no significant concentrations of credit risk relating to financial assets at fair value through profit or loss. The carrying amount reflected above represents the Company's maximum exposure to credit risk for loans and receivables.

(d) Financial Risk Management Objectives

The Company has a management and Board review structure that seeks to minimise financial risk. These risks include market risk, credit risk, liquidity risk and cash flow interest rate risk.

(e) Market Risk

The Company is not exposed to significant financial market risk. The Company has no exposure to financial risks associated with foreign currency exchange rates.

(f) Interest Rate Risk

The Company is exposed to interest rate risk as the Company borrows funds at variable interest rates. The company seeks to minimise interest rate risk by limiting exposure to interest bearing debt. As at 30 June 2008 13.1% of the Company's financial liabilities were interest bearing (2007: 15.6%).

(g) Other Price Risks

The Company is not exposed to equity price risks arising from equity investments.

(h) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company only deals with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults.

Trade receivables consists of a large number of clients and the Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are Australian banks regulated by the Australian Prudential Regulation Authority with high credit-ratings assigned by international credit-rating agencies.

(i) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. An appropriate liquidity risk management framework has been developed for the management of the short, medium and long term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 12 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

In compliance with the Aged Care Act (1997) the Company maintains a Liquidity Management Strategy to ensure adequate liquidity to enable repayment of resident funded accommodation bonds. The projected cashflows of the Company are actively monitored to ensure that there is sufficient liquidity to meet bond refunds as they fall due. In order to ensure that liquidity will be adequate an analysis of the historical pattern of bond refunds, average bond values, average time taken to replace departing residents and expected number and values of new bonds are monitored on a regular basis.

An analysis of actual net annual movements in resident funded loans for the last three years shows the following positive movements:

	2008 \$	2007 \$	2006 \$
Net Movement in Resident Funded Loans	10,475,700	13,610,485	20,241,537

Liquidity and Risk tables

The following table details the Company's expected maturity for its non-derivative financial assets.

2008	Fixed Interest Rate			Non Interest Bearing	Total 2008
	Floating Interest Rate	Maturing within 1 year	Maturing 1 to 5 years		
	\$	\$	\$	\$	\$
Weighted Average Effective Interest Rate Financial Assets	5.00%	7.15%	- %	- %	
Cash & cash equivalents	5,373,665				5,373,665
Trade receivables				6,660,152	6,660,152
Other receivables				293,558	293,558
Short Term Deposits					
Total Financial Assets	5,373,665			6,953,710	12,327,375

2008	Fixed Interest Rate			Non Interest Bearing	Total 2008
	Floating Interest Rate	Maturing within 1 year	Maturing 1 to 5 years		
	\$	\$	\$	\$	\$
Weighted Average Effective Interest Rate Financial Liabilities	- %	-%	8.77%	- %	
Trade and other payables				3,918,802	3,918,802
Bank line facility secured			16,000,000		16,000,000
Resident Funded Loans				102,124,447	102,124,447
Total Financial Liabilities			16,000,000	106,043,249	122,043,249

2007	Fixed Interest Rate			Non Interest Bearing	Total 2007
	Floating Interest Rate	Maturing within 1 year	Maturing 1 to 5 years		
	\$	\$	\$	\$	\$
Weighted Average Effective Interest Rate Financial Assets	3.5%	6.15%	- %	- %	
Cash & cash equivalents	1,856,004				1,856,004
Trade receivables				6,266,066	6,266,066
Other receivables				1,039,369	1,039,369
Short Term Deposits		1,164,787			1,164,787
Total Financial Assets	1,856,004	1,164,787		7,305,435	10,326,226

2007	Fixed Interest Rate			Non Interest Bearing	Total 2007
	Floating Interest Rate	Maturing within 1 year	Maturing 1 to 5 years		
	\$	\$	\$	\$	\$
Weighted Average Effective Interest Rate Financial Liabilities	- %	-%	7.49%	- %	
Trade and other payables				3,662,948	3,662,948
Bank line facility secured			18,044,000		18,044,000
Resident Funded Loans				93,838,179	93,838,179
Total Financial Liabilities			18,044,000	97,501,127	115,545,127

(j) Fair value of financial instruments

The Directors consider that the carrying amounts of the financial assets and financial liabilities reflect their fair values.

18. COMMITMENTS

	2008	2007
	\$	\$
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Freehold Land	-	-
Buildings, plant and equipment	1,306,541	1,576,902
	1,306,541	1,576,902
Payable		
- not later than 1 year	1,306,541	1,576,902
	1,306,541	1,576,902

The capital expenditure commitment relates to the development in Lynbrook.

(b) Operating Lease Commitments

	2008	2007
	\$	\$
Future operating lease rentals not provided for and payable:		
No longer than one year	195,250	157,303
Longer than one year but not longer than five years	91,541	304,766
Longer than five years	-	-

19. CONTINGENT LIABILITIES

	2008	2007
	\$	\$

A contingent liability exists in respect of subsidies received from the Commonwealth Department of Health and Ageing. Under existing legislation, no actual liability will arise while the Company continues to operate in the area of aged care. Capital grants provided by the Commonwealth are recoverable over a defined period relevant to the size of the grant. The liability is now reducing in line with Government guidelines.

Opening balance	3,901,350	4,333,778
add capital subsidies/grant received and receivable	-	-
less amount transferred to Accumulated Retained Profits	(427,197)	(432,428)
Closing balance	3,474,153	3,901,350

20. SEGMENT REPORTING

Southern Cross Care (Vic) operates in the provision of aged care solely within Victoria. The Department of Health and Ageing requires Residential Aged Care to be treated as a

reportable segment in order to meet the acquittal requirements of the Conditional Allocation Payment (CAP) funding.

The company's service provision comprises a number of related activities which to varying degrees share common assets and support services. Statistical methods have been used to estimate segment results and assets employed.

2008	Residential Aged Care	Other Operations	Consolidated
Revenue			
Sales to external customers	22,084,495	30,598,077	52,682,572
Inter segment sales			
Net Profit from Ordinary Activities	(2,960,094)	(249,599)	(3,209,693)
Segment Assets	77,620,558	96,732,527	174,353,085
Segment Liabilities	37,992,532	88,970,488	126,963,020
Capital Expenditure	834,830	7,197,548	8,032,378
Depreciation & Amortisation	1,909,213	2,956,958	4,866,171

2007	Residential Aged Care	Other Operations	Consolidated
Revenue			
Sales to external customers	19,801,739	25,191,841	44,993,580
Inter segment sales			
Net Profit from Ordinary Activities	(546,682)	1,384,865	838,183
Segment Assets	75,571,616	112,078,023	187,649,639
Segment Liabilities	30,988,729	89,220,643	120,209,372
Capital Expenditure	1,804,685	24,025,058	25,829,743
Depreciation & Amortisation	671,683	1,473,383	2,145,066

21. DISCONTINUED OPERATIONS HELD FOR SALE

(a) Details of discontinued operations held for sale

Prior to 30 June 2008 the Directors determined to divest the partially constructed Lynbrook Retirement Village. Stage 1 of the Lynbrook Retirement Village, comprising 21 units and a clubhouse, was completed in August 2007. The original plan for Lynbrook Retirement Village was a development comprising 196 units. The decision to divest the Village has been made as a consequence of the lack of demand for the units. As at 30 June 2008, 3 units were occupied and 18 were vacant.

It is with reluctance that the Directors determined to divest the Village, however, the significant holding costs and competing capital requirements of the organisation made the operations of the Village and the remainder of the project unviable for Southern Cross Care (Vic).

The sale once finalised represents a change in strategy of the Board.

(b) Financial performance of discontinued operations

The results of the discontinued operations held for sale are presented below:

	2008	2007
	\$	\$
Revenues	11,712	-
Expenses	(400,330)	-
Profit (Loss) before tax from discontinued operations held for sale	(388,618)	-
Income tax expense	-	-
Profit (Loss) after tax from discontinued operations held for sale	(388,618)	-

(c) Assets and liabilities of discontinued operations held for sale

	2008	2007
	\$	\$
Assets		-
- Land and buildings	10,000,000	-
Liabilities		-
- Resident funded loans	(1,054,088)	-
Net assets attributable to discontinued operations held for sale	8,945,912	

22. INCORPORATION

The Company is limited by guarantee and has been issued a licence under Section 383 of the Corporations Law. This enables the Company to be registered as a Company with limited liability without the addition of the word "limited" to its name, provided certain conditions are met. Liability is limited to an amount not exceeding \$20 per member.

23. SUBSEQUENT EVENTS

The Directors are unaware of events that are likely to affect substantially the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

24. REMUNERATION OF DIRECTORS AND COMPENSATION OF KEY MANAGEMENT PERSONNEL

Directors of Southern Cross Care (Vic) receive no financial benefits. They provide their services on a purely honorary basis.

Key Management Personnel Compensation	Short-term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payment	Total
2008						
Total compensation	1,055,201	-	211,675	-	-	1,266,876
2007						
Total compensation	1,430,877	-	-	-	-	1,430,877

Long-term benefits relates to long service leave entitlements paid on termination of employment.

25. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of Cash

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	2008	2007
	\$	\$
Cash	1,023,665	1,856,004
Short term deposits	4,350,000	1,164,787
	5,373,665	3,020,791

(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit	(3,209,693)	838,183
Add/(less) items classified as investing/financing activities:		
(Surplus)/loss on sale of non current assets	87,152	(5,431)
Interest paid	432,354	92,907
Interest received	(250,160)	(210,468)
Lease & accommodation bond funds retained	(2,162,198)	(2,098,573)
Add/(less) non cash items:		
Depreciation and amortisation	4,866,171	2,145,066
Fair Value of Licences at Acquisition	(380,000)	(720,000)
Net cash provided by operating activities before change in assets and liabilities during the financial year	(616,374)	41,684
(Increase)/decrease in trade debtors	612,795	(606,065)
(Increase)/decrease in prepayments	120,700	(133,027)
Increase/(decrease) in trade creditors	288,204	597,773
Increase/(decrease) in pre-paid income	(28,306)	(90,760)
Increase/(decrease) in provisions	255,527	739,804
Net cash provided by operating activities	632,546	549,409

26. RELATED PARTY DISCLOSURES

There were no transactions involving related parties during the financial year.

27. ECONOMIC DEPENDENCY

The Company relies on subsidies from the Commonwealth Department of Health and Ageing to fund, in part, its operations.

28. CHANGE IN ACCOUNTING POLICY & ESTIMATES

In accordance with the requirements of AASB 116 (Property Plant & Equipment) the Directors reviewed the carrying amounts of property plant and equipment and determined that the carrying amounts of land and buildings were greater than 'fair value'. As at 30 June 2008 the class of assets was devalued by the Directors to 'fair value' with the result of a revaluation decrement. This revaluation decrement was written back to the asset revaluation reserve in accordance with the requirements of AASB 116.

The policy of obtaining independent valuations every three years remains and the next independent valuation will be undertaken at 30 June 2009.

The Board of Directors have elected to change the depreciation rates for buildings for the year ending June 2008 . The change in depreciation treatment increases the depreciation rate for new Residential Aged Care facilities to 4% (previously 1.25%) and new housing and independent living and other buildings to 2.5% (previously 1.25%).

29. COMPANY DETAILS

The registered office of the company is:

Southern Cross Care (Vic)
45-47 Warrigal Road
Hughesdale Vic 3166

SOUTHERN CROSS CARE (VIC)

**DIRECTORS' DECLARATION
30 JUNE 2008**

In the opinion of the Directors of Southern Cross Care (Vic):

- (a) the financial statements and notes, set out on pages 14 to 33, are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2008 and of its performance, as represented by the results of its operations and its cash flow, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this7th.....day ofOctober.....2008

Signed in accordance with a resolution of the Directors.



.....
N P BANNER

: Directors



.....
J J MANGELSDORF

SOUTHERN CROSS CARE (VIC)

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SOUTHERN CROSS CARE (VIC)**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Southern Cross Care (Vic).

I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

WHK Horwath Melbourne
Chartered Accountants



PETER SEXTON
Partner

Registered Company Auditor #85044
Date: 7 October 2008
Melbourne

