



(Limited by Guarantee)

**ACN 004 788 612
ABN 27 004 788 612**

FINANCIAL

REPORT

30 JUNE 2009

SOUTHERN CROSS CARE (VIC)
ACN 004 788 612 ABN 27 004 788 612
YEAR ENDED 30 JUNE 2009
DIRECTORS' REPORT

The Directors present their report together with the financial report of Southern Cross Care (Vic) for the year ended 30 June 2009 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
Nicholas Michael Bourke	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).	
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
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
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. Brendan resigned from the Board of Directors in April 2009.	

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
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 48 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. Patrick resigned from the Board of Directors in July 2008	
Non-elected Directors		
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.	
Anne Moon	A member of the Board since 2008. Anne is an 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 Executive (Governance) Committee 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

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)	11	11
Nicholas Michael Bourke	9	11
John Robert Bruce	11	11
Joseph Cilia	11	11
Brendan Kelly (resigned April 2009)	7	8
Joseph Johannes Mangelsdorf	9	11
Mario Joseph Pavone (Deputy Chairman)	11	11
Greg van Mourik	11	11
Patrick Francis Woodlock (resigned July 2009)	1	1
<i>Non-elected Directors</i>		
Jane Robertson Fyfield	8	11
Anne Moon	10	11

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.

No significant changes in the nature of the entity's activities occurred during the financial year.

RESULT

The result from ordinary activities for the year amounted to a profit of \$386,353 (2008: loss \$3,201,075). The net result from all activities was a loss of \$(394,261) (2008: loss \$3,209,693).

DIVIDENDS

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

REVIEW OF OPERATIONS

The year ending June 2009 has seen a significant improvement in the financial performance of Southern Cross Care (Vic).

The improved financial performance, across all operational areas, is a direct consequence of the Organisational review of operations which commenced in 2007/08 and continued during the year.

The focus of the Organisational review, which is ongoing, is to ensure the long term financial sustainability of the Organisation and to enhance the delivery of quality services to residents and clients.

Whilst the net surplus and cash flows generated from operations have improved during the year, the Organisation still has many operational and capital challenges to address before financial sustainability can be attained. For example, Southern Cross Care (Vic) has several ageing residential aged care facilities that require redevelopment in the near future in order to meet the increasing complexity of residents needs.

The Directors wish to acknowledge the efforts of all personnel in contributing to the improved financial performance during 2009.

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.

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.

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.

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.

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.

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, WHK Melbourne. The Auditors Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 32 of the report.

DATED AT MELBOURNE THIS1st.....DAY OFSeptember... 2009

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 2009, 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 of the company 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 2009 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
Melbourne

Dated: 1st September 2009

**SOUTHERN CROSS CARE (VIC)
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	NOTE	2009 \$	2008 \$
Revenues from Ordinary Activities	3	59,404,151	52,682,572
Employee Benefits Expense		42,598,863	39,591,197
Borrowing Costs Expense	4	103,450	145,834
Catering Provisions & Contract Meals Expense		2,153,511	2,102,594
Maintenance, Cleaning and Utilities Expense		3,272,788	3,050,600
Communication & General Office Expense		1,658,738	1,781,138
Depreciation Expense	4	4,903,808	4,866,171
Other Expenses from Ordinary Activities		4,326,640	4,346,113
Profit / (Loss) from Ordinary Activities		386,353	(3,201,075)
Revenue from Acquisition of Licences	4b	-	380,000
Profit / (Loss) from Discontinued Operations Held for Sale	21	(780,614)	(388,618)
Profit / (Loss) from Activities		(394,261)	(3,209,693)

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

**SOUTHERN CROSS CARE (VIC)
BALANCE SHEET
AS AT 30 JUNE 2009**

	NOTE	2009 \$	2008 \$
CURRENT ASSETS			
Cash		7,729,141	5,373,665
Trade & Other Receivables	6	5,645,006	6,660,152
Other	7	286,448	293,558
TOTAL CURRENT ASSETS		13,660,595	12,327,375
NON CURRENT ASSETS			
Property, plant and equipment	9	131,638,905	125,115,710
Intangible Assets	10	28,480,000	26,910,000
Assets of Discontinued Operations Held for Sale	21	11,325,136	10,000,000
TOTAL NON CURRENT ASSETS		171,444,041	162,025,710
TOTAL ASSETS		185,104,636	174,353,085
CURRENT LIABILITIES			
Trade Payables & Accrued Expenses	11	4,143,701	3,918,802
Borrowings	1(i) & 12	117,612,636	102,124,447
Provisions	13	4,565,771	3,981,823
TOTAL CURRENT LIABILITIES		126,322,108	110,025,072
NON CURRENT LIABILITIES			
Borrowings	12	-	16,000,000
Provisions	13	530,478	937,948
TOTAL NON CURRENT LIABILITIES		530,478	16,937,948
TOTAL LIABILITIES		126,852,586	126,963,020
NET ASSETS		58,252,050	47,390,065
ACCUMULATED FUNDS			
Donations and funds reserves	14	2,267,862	2,267,862
Government capital subsidies reserve	15,19	3,046,956	3,474,153
Asset Revaluation Reserve	16	39,429,851	28,660,931
Capital reserve		8,940,302	6,372,598
Accumulated Retained Profits		4,567,079	6,614,521
TOTAL ACCUMULATED FUNDS		58,252,050	47,390,065

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

**SOUTHERN CROSS CARE (VIC)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Accumulated Retained Profits	Donations & Funds Reserve	Government Capital Subsidies Reserve	Asset Revaluation Reserve	Capital Reserve	TOTAL 2009
Balance as at 1 July 2008		6,614,521	2,267,862	3,474,153	28,660,931	6,372,598	47,390,065
Increment/(decrement) on revaluation of Non-current assets	16	-	-	-	10,768,920	-	10,768,920
Transfer to Reserves							
- Retained Entry Contributions & Concessional subsidies	1a	(2,975,089)	-	-	-	2,975,089	-
Transfer from Reserves							
- Capital expenditure on residential facilities		407,385	-	-	-	(407,385)	-
- Reduction in contingent liability to refund Commonwealth Government Capital subsidises	19	427,197	-	(427,197)	-	-	-
Profit from operations		(394,261)					(394,261)
Adjustment to retained earnings		487,326	-	-	-	-	487,326
Balance as at 30 June 2009		4,567,079	2,267,862	3,046,956	39,429,851	8,940,302	58,252,050

The adjustment to accumulated retained profits relates to an accounting error in the treatment of a non-cash provision in prior periods. The non-cash provision related to a provision for refunds of accommodation bonds.

It should be noted that the net profit from ordinary activities includes \$2,304,196 retained entry contributions and \$670,893 Concessional Government subsidies (total \$ 2,975,089). In line with the Aged Care Act (1997) these amounts are identified for capital purposes and transferred to capital reserve.

Capital expenditure totalling \$407,385 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.

	Note	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	-	-	-	(16,840,507)	-	(16,840,507)
Transfer to Reserves							
- Retained Entry Contributions & Concessional subsidies	1a	(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	19	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

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

**SOUTHERN CROSS CARE (VIC)
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	NOTE	2009 \$	2008 \$
Cash flows from operating activities			
Cash receipts in the course of operations		57,024,543	50,862,535
Cash payments in the course of operations		(52,854,156)	(50,229,989)
Net cash provided by operating activities	25(ii)	4,170,387	632,546
Cash flows from investing activities			
Interest received	3	228,902	250,160
Proceeds from sale of property, plant and equipment		675,036	1,418,847
Payment for property, plant and equipment		(3,279,016)	(7,948,025)
Net cash used in investing activities		<u>(2,375,078)</u>	<u>(6,279,018)</u>
Cash flows from financing activities			
Interest paid	4	(692,236)	(432,354)
Net Proceeds from resident funded loans		9,252,403	10,475,700
Bill acceptance facility		(8,000,000)	2,044,000
Net cash provided by financing activities		560,167	7,999,346
Net increase/(decrease) in cash held		2,355,476	2,352,874
Add: Cash at the beginning of the year		5,373,665	3,020,791
Cash at the end of the financial year	25(i)	7,729,141	5,373,665

The cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

SOUTHERN CROSS CARE (VIC)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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 and impairment losses.

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 2009 the Directors adopted independent 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 has been expensed.

(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 new plant and equipment in excess of \$300 that do not constitute a replacement are capitalised. Anything less than \$300 is expensed.

Depreciation - Buildings

Freehold buildings are depreciated on the straight line method based on their estimated useful lives.

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 2009 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 Care Package Program licences as at 30 June 2009 was undertaken by Mr Dan Magree, of M3property. A resolution of the Board of Directors was passed to adopt those values in the financial statements as at 30 June 2009.

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 2012 ; and
- (ii) Licences that have an indefinite useful life will not be amortised.

On 1st July 2009, an additional 20 CACP, 37 EACH/EACH Dementia and 28 high care residential licences were provisionally allocated to the Company following the 2008/09 Aged Care Approvals Round. The provisional allocation commenced effective from 3rd August 2009.

(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 119. 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 2.9% as at 30th June 2009 (June 2008 7.15%).

(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 units 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 usually offset by a new resident funded ongoing 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

	Note	2009 \$	2008 \$
Operating activities			
- Residents'/clients' fees		17,974,523	15,364,334
- Government subsidies		36,236,485	32,531,173
- Government subsidies – Concessional		670,893	718,025
- Ingoing contributions retained		2,304,196	2,162,198
- Accommodation Bond Interest		489,851	402,340
- Interest received/receivable (3a)		228,902	250,160
- Other income (includes donations)		1,404,321	1,171,842
- Capital subsidies received and receivable		94,980	82,500
Total Operating Revenue		59,404,151	52,682,572
3 (a) Non-operating activities			
Revenue from Acquisition of Licences		-	380,000
Interest revenue from - other persons		228,902	250,160

4. PROFIT BEFORE INCOME TAX

	2009	2008
	\$	\$
Profit from ordinary activities has been determined after:		
(a) Expenses		
Borrowing Costs		
- Other persons	103,450	145,834
Depreciation of non-current assets		
- Land and Buildings	3,713,904	3,670,586
- Plant and Equipment	777,962	784,948
- Motor Vehicles	411,942	410,637
Total depreciation	4,903,808	4,866,171

	2009	2008
	\$	\$
(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
Expenses		
Loss from Discontinued Operations	(780,614)	(388,618)

5. AUDITORS' REMUNERATION

	2009	2008
	\$	\$
Remuneration of the auditor of the entity for:		
- Auditing the financial report	36,225	34,500
- Certification of Department of Health & Ageing acquittals	11,550	11,000
	47,775	45,500

6. TRADE & OTHER RECEIVABLES
Current

	2009	2008
	\$	\$
Trade Receivables		
Resident debtors	5,387,699	6,136,764
Sundry debtors	273,897	532,227
	5,661,596	6,668,991
Less: Impairment of receivables	(16,590)	(8,839)
	5,645,006	6,660,152

7. OTHER ASSETS
Current

	2009	2008
	\$	\$
Security bonds	14,155	14,255
Prepayments	272,293	279,303
	<u>286,448</u>	<u>293,558</u>

8. FINANCIAL ASSETS

	2009	2008
	\$	\$
Available-for-sale financial assets		
- shares in listed securities at market price	47,125	59,150
	<u>47,125</u>	<u>59,150</u>

9. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	\$	\$
Freehold land and buildings at Independent valuation 2009	121,407,921	-
Freehold land and buildings at Directors valuation	-	114,861,468
Less: Accumulated depreciation	-	-
Total freehold land and buildings	<u>121,407,921</u>	<u>114,861,468</u>
Plant, equipment, motor vehicles and appliances - at cost	15,287,088	14,955,856
Less: Accumulated depreciation	6,053,438	5,250,767
	<u>9,233,650</u>	<u>9,705,089</u>
Buildings, Plant & Equipment under construction-at cost	997,334	549,153
Total property, plant and equipment	<u>131,638,905</u>	<u>125,115,710</u>

A resolution of the Board of Directors was passed to adopt independent valuations in the financial statements as at 30 June 2009.

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 2012.

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 construction	Total
Balance at beginning of year	114,861,468	-	9,705,089	10,549,153	135,115,710
Additions	-	1,339,354	1,393,501	448,182	3,181,037
Disposals	-	-	(675,036)	-	(675,036)
Revaluation	8,921,002	-	-	1,325,136	10,246,138
Increment/(Decrement)					
Depreciation Expense	(3,713,904)	-	(1,189,903)	-	(4,903,808)
Reclassification	1,339,354	(1,339,354)	-	-	-
Buildings, Plant & Equipment under construction increment/(decrement)	-	-	-	-	-
Capitalised borrowing costs	-	-	-	-	0
Carrying amount at end of year	121,407,920	-	9,233,650	12,322,471	142,964,041

9. (b) Capitalised Borrowing Costs

	2009 \$	2008 \$
Borrowing costs capitalised	-	1,108,381
Capitalisation rate used in the allocation of borrowing costs to Building, Plant & Equipment	0%	79%

10. INTANGIBLES

	2009 \$	2008 \$
Approved Provider Licences at Valuation	28,480,000	26,910,000

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 as at 30 June 2009 was undertaken by Mr Dan Magree, of M3property. A resolution of the Board of Directors was passed to adopt those values in the financial statements as at 30 June 2009.

On 1st July 2009, an additional 20 CACP, 37 EACH/EACH Dementia and 28 high care residential licences were provisionally allocated to the Company following the 2008/09 Aged Care Approvals Round. These licences were not brought to account as at 30th June 2009.

11. TRADE AND OTHER PAYABLES
Current

	2009 \$	2008 \$
Unsecured Liabilities		
Trade payables and accrued expenses	1,235,321	1,369,381
Other creditors and accruals	2,689,931	2,328,395
Employee Benefits	218,450	221,026
	4,143,702	3,918,802

12. BORROWINGS
Current

	2009	2008
	\$	\$
Resident funded loans – secured	109,612,636	102,124,447
Bank Acceptance facilities - secured	8,000,000	-
	117,612,636	102,124,447

Non Current

Bank Acceptance facilities - secured	-	16,000,000
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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 usually 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.

	2009	2008
	\$	\$
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	8,000,000	16,000,000
Facilities not utilised at balance date:		
Bank overdraft	100,000	100,000
Bill acceptance facility	12,000,000	4,000,000
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, Box Hill & Lynbrook, 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. The current facility expires on the 30th May 2010. Directors continue to review financing facilities in line with planned developments.

	2009	2008
	\$	\$
<hr/>		
The carrying amounts of non-current assets pledged as security are:		
<i>First Mortgage:</i>		
Freehold land and buildings	100,322,461	96,248,399
<i>Floating Charge:</i>		
Cash	7,729,141	5,373,665
Receivables	5,645,006	6,660,152
Other	286,448	293,558
Property Plant & Equipment	131,638,906	125,115,710
Intangibles	28,480,000	26,910,000

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

	2009	2008
	\$	\$
<hr/>		
Employee benefits		
- annual leave including on costs	2,537,061	2,195,492
- long service leave including on costs	2,028,710	1,786,331
	<hr/>	<hr/>
	4,565,771	3,981,823

Non Current

Employee benefits		
- long service leave including on costs	516,358	436,503
Bond reimbursement provision	14,120	501,445
	<hr/>	<hr/>
	530,478	937,948
Aggregate employee benefit liability	5,082,131	4,418,326
On-costs included in aggregate employee benefit liability	576,159	411,096
Number of employees at year end	<hr/>	<hr/>
	1,080	1,094

14. DONATIONS AND FUNDS RESERVES

	2009	2008
	\$	\$
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

	2009	2008
	\$	\$
Founder Donor Donations		
Opening balance	426,550	426,550
Add: Amount transferred from/(to) retained earnings	-	-
Closing balance	<u>426,550</u>	<u>426,550</u>
Donations and Funds		
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

	2009	2008
	\$	\$
Contributions from the Commonwealth Department of Health and Ageing	3,046,956	3,474,153
Movements in Government Subsidies		
Opening balance	3,474,153	3,901,350
Less: amount transferred to Accumulated Retained Profits	(427,197)	(427,197)
Add: Government Capital subsidy received	-	-
Closing balance	<u>3,046,956</u>	<u>3,474,153</u>

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

16. ASSET REVALUATION RESERVE

	2009	2008
	\$	\$
Opening balance	28,660,931	45,501,438
Add: Revaluation increment on Freehold Land & Buildings	9,198,920	(16,840,507)
Add: Revaluation increment on Approved Provider Licences	1,570,000	-
Closing balance	39,429,851	28,660,931

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.

(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

	2009	2008
	\$	\$
Financial Assets		
Cash and Cash Equivalents	7,729,141	5,373,665
Receivables	5,931,454	6,953,710
Financial Liabilities		
Trade Creditors	4,143,701	3,918,802
Loans	8,000,000	16,000,000
Resident Funded Loans	109,612,636	102,124,447

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 2009 6.5% of the Company's financial liabilities were interest bearing (2008: 13.1%).

(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 manage liquidity requirements.

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 cash flows 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:

	2009 \$	2008 \$	2007 \$
Net Movement in Resident Funded Loans	9,252,403	10,475,700	13,610,485

Liquidity and Risk tables

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

2009	Note	Fixed Interest Rate			Non Interest Bearing	Total 2009
		Floating Interest Rate	Maturing within 1 year	Maturing 1 to 5 years		
		\$	\$	\$	\$	\$
Weighted Average Effective Interest Rate Financial Assets		2.10%	-%	- %	- %	
Cash & cash equivalents		7,729,141				7,729,141
Trade receivables	6				5,645,006	5,645,006
Other receivables	7				286,448	286,448
Short Term Deposits						
Total Financial Assets		7,729,141			5,931,454	13,660,595

2009	Note	Fixed Interest Rate			Non Interest Bearing	Total 2009
		Floating Interest Rate	Maturing within 1 year	Maturing 1 to 5 years		
		\$	\$	\$	\$	\$
Weighted Average Effective Interest Rate Financial Liabilities		- %	-%	4.50%	- %	
Trade and other payables	11				4,143,701	4,143,701
Bank line facility secured	12			8,000,000		8,000,000
Resident Funded Loans	12				109,612,636	109,612,636
Total Financial Liabilities				8,000,000	113,756,337	121,756,337

2008	Note	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		5.0%	7.15%	- %	- %	
Cash & cash equivalents		5,373,665				5,373,665
Trade receivables	6				6,660,152	6,660,152
Other receivables	7				293,558	293,558
Short Term Deposits						
Total Financial Assets		5,373,665			6,953,710	12,327,375

2008	Note	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	11				3,918,802	3,918,802
Bank line facility secured	12			16,000,000		16,000,000
Resident Funded Loans	12				102,124,447	102,124,447
Total Financial Liabilities				16,000,000	106,043,249	122,043,249

(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

	2009	2008
	\$	\$
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Freehold Land	-	-
Buildings, plant and equipment	418,468	1,306,541
	418,468	1,306,541
Payable		
- not later than 1 year	418,468	1,306,541
	418,468	1,306,541

The capital expenditure commitment relates to the implementation of an ICT Enterprise Data Management System and in the prior period, development at Lynbrook.

(b) Operating Lease Commitments

	2009	2008
	\$	\$
Future operating lease rentals not provided for and payable:		
No longer than one year	135,058	195,250
Longer than one year but not longer than five years	366,952	91,541
Longer than five years	1,670,000	-

It should be noted that, during the year, the company entered into a 25 year lease agreement to secure a future development site.

19. CONTINGENT LIABILITIES

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 provision of aged care services. 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.

	2009	2008
	\$	\$
Opening balance	3,474,153	3,901,350
add capital subsidies/grant received and receivable	-	-
less amount transferred to Accumulated Retained Profits	(427,197)	(427,197)
Closing balance	3,046,956	3,474,153

20. SEGMENT REPORTING

Southern Cross Care (Vic) operates in the provision of aged care services 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. Where necessary, statistical methods have been used to estimate segment results and assets employed.

2009	Residential Aged Care	Other Operations	Consolidated
Revenue			
Sales to external customers	24,625,307	34,778,844	59,404,151
Inter segment sales	-	-	-
Net Profit from Ordinary Activities	(1,114,050)	719,789	(394,261)
Segment Assets	57,189,518	127,915,118	185,104,636
Segment Liabilities	39,043,005	87,809,581	126,852,586
Capital Expenditure	407,385	2,950,941	3,358,326
Depreciation & Amortisation	1,930,586	2,973,222	4,903,808

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

21. DISCONTINUED OPERATIONS HELD FOR SALE

As at 30 June 2009 Lynbrook Retirement Village continues to be available for sale and is classified as a discontinued operation held available for sale.

(b) Financial performance of discontinued operations

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

	2009	2008
	\$	\$
Revenues	39,210	11,712
Expenses	(819,824)	(400,330)
Profit (Loss) before tax from discontinued operations held for sale	(780,614)	(388,618)
Income tax expense	-	-
Profit (Loss) after tax from discontinued operations held for sale	(780,614)	(388,618)

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

	2009	2008
	\$	\$
Assets		
- Land and buildings	11,325,136	10,000,000
Liabilities		
- Resident funded loans	(1,315,134)	(1,054,088)
Net assets attributable to discontinued operations held for sale	10,010,002	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
2009						
Total compensation	726,125	-	-	-	-	726,125
2008						
Total compensation	1,055,201	-	211,675	-	-	1,266,876

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:

	NOTE	2009 \$	2008 \$
Cash		2,529,141	1,023,665
Short term deposits		5,200,000	4,350,000
		7,729,141	5,373,665

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

	NOTE	2009 \$	2008 \$
Operating profit		(394,261)	(3,209,693)
Add/(less) items classified as investing/financing activities:			
(Profit)/loss on sale of non current assets		103,450	87,152
Interest paid		692,236	432,354
Interest received	3	(228,902)	(250,160)
Lease & accommodation bond funds retained		(2,304,196)	(2,162,198)
Add/(less) non cash items:			
Depreciation and amortisation	4	4,903,808	4,866,171
Fair Value of Licences at Acquisition		-	(380,000)
Net cash provided by operating activities before change in assets and liabilities during the financial year		2,772,135	(616,374)
(Increase)/decrease in trade debtors		502,601	(612,795)
(Increase)/decrease in prepayments		7,010	(120,700)
Increase/(decrease) in trade creditors		569,920	288,204
Increase/(decrease) in pre-paid income		(345,084)	(28,306)
Increase/(decrease) in provisions		663,805	255,527
Net cash provided by operating activities		4,170,387	632,546

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. 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 2009**

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

- (a) the financial statements and notes, set out on pages 9 to 30, 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 2009 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 this 1st day of September 2009

Signed in accordance with a resolution of the Directors.



.....
N P BANNER



.....
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

Dated: 1st September 2009