

Southern Cross Healthcare Group PLC

-- Preliminary Results --

Tuesday, 8 December 2009 – Southern Cross Healthcare Group PLC (LSE: SCHE) ('Southern Cross', 'the Group', or the 'Company'), the UK's largest care home provider, today announces its preliminary results for the year ended 27 September 2009.

Financial Highlights

- » Revenue from continuing operations increased by 4.7% to £931.4m (2008 – £889.4m).
- » Home EBITDAR before central costs increased by 5.4% to £290.6m (2008 – £275.7m).
- » Home EBITDAR from continuing operations before central costs increased by 4.9% to £289.1m (2008 – £275.7m).
- » Adjusted EBITDA of £72.5m (2008 – £78.1m).
- » Home EBITDAR margin, before central costs, 31.0% (2008 – 31.0%).
- » Cash inflow from operations £87.5m (2008 – £71.4m).
- » Adjusted earnings per share for the year of 17.65p (2008 – 19.60p).
- » Net debt at year end reduced by £64.4m to £33.1m.
- » Announcement of dividend policy.

Statutory Financial Highlights

- » Revenue increased by 5.4% to £937.1m (2008 – £889.4m).
- » Operating loss £12.7m (2008 – loss of £5.2m) after a non-cash charge of £51.8m (2008 – £50.5m) for future minimum lease increases under IAS 17. Excluding this charge, operating income was £39.1m (2008 – £45.3m).
- » Basic loss per share for the year of 11.75p (2008 – 9.57p loss).

Operating Highlights

- » Available beds increased to 38,124 at year end (2008 – 37,425 beds).
- » Number of homes operated increased to 744 at the year end (2008 – 735).
- » Average mature occupancy 88.4% (2008 – 90.5%). Average occupancy 87.7% (2008 – 89.5%).
- » Average weekly fee increased by 4.6% to £546 (2008 – £522).
- » Significant progress made towards improving overall service quality, with 77% judged excellent or good, up from 71% in March 2009.

Jamie Buchan, Chief Executive, said:

"Despite tough economic conditions Southern Cross sees a continuing demand for its elderly care services.

"During the year we have made considerable progress in reducing debt and in improving service quality. Looking forward, we have identified a series of improvements in our quality of care and

operational effectiveness which we believe will combine to produce an improvement in operating margin run rate of 2% by the end of 2011.

“As a result of our significant progress in paying back debt, and our confidence in future business performance and cash flow sustainability we plan to re-initiate dividend payments during 2010.”

Notes

Mature occupancy excludes immature beds, newly developed homes or refurbished homes which have been trading for less than 12 months.

Home EBITDAR represents earnings before interest, tax, depreciation, amortisation, loss on disposal of property, plant and equipment and subsidiary undertakings, impairment of freehold assets held for sale and rent.

Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation, loss on disposal of property, plant and equipment and subsidiary undertakings, impairment of freehold assets and charges for future minimum rental increases.

Adjusted earnings per share is defined as earnings before charge for future minimum rental increases, loan arrangement fees written off, loss on disposal of property, plant and equipment and subsidiary undertakings and impairment of freehold assets held for sale and the taxation impact thereof, divided by the weighted average number of shares.

Chairman's Statement

Last year, I set out three strategic challenges which I believed the Group had to address if we were to achieve our goal of being recognised as the UK's premier provider of residential and nursing care home services. These were to bring stability to the Group after a period of turbulence, to improve operational efficiency and, finally, to re-establish a platform for long-term growth.

Underlying this new strategy is a determined drive for improved quality in everything we do across our operations, particularly in the all-important delivery of services to residents in our care homes. Throughout the year, we have made good progress in each of these areas.

Strategic Focus

A change in strategic focus was made necessary by events in 2008, outlined in my report last year. Led by our Chief Executive, Jamie Buchan, who joined the Group in January 2009, the new management team has quickly established a new direction for the Group squarely founded on improving operational performance, improving service quality and, in due course, resuming our expansion in the market for elderly care.

Our Finance Director, Richard Midmer, has led substantial improvement in the quality and timeliness of management and accounting information across the Group to equip management with the tools to improve our performance.

Our group-wide change programme, New Horizons, is aimed at creating an organisation which is universally respected and trusted for the quality of its care. Such a Group, we believe, will find its services in increasing demand from those who most benefit from those services – residents and their families. A new simplified operating structure is being introduced through which individual care home managers are being given more responsibility for effecting improvements at a local level together with more appropriate support to achieve this. Best practice improvements will be shared across all our homes, becoming a central element in our drive for higher quality service delivery. Fundamental to our long term success and growth is our ambition that our homes, in every location across the country, should be synonymous with the highest levels of care.

A detailed, home by home review of current practices was carried out early in the year. The results of this, complemented by the planned introduction of new, streamlined systems designed to improve efficiency and control costs, will bring about a sharper focus on our end product – the provision of care for the elderly and those with special needs. Some benefits will be immediately evident and, over time, we expect the full benefits to result in improved margins being achieved.

Financials

The full year results are in line with expectations. Adjusted EBITDA of £72.5m was achieved compared with £78.1m in 2008 and £66.8m in 2007. In many respects results have held up well despite the credit squeeze and recession. Revenue has grown by 5.4% to £937.1m from last years £889.4m. Meanwhile the Home EBITDAR margin before central costs has remained at 31.0%.

The Group has made good progress in managing its finances with net debt falling by £64.4m from £97.5m to £33.1m. The sale of some freehold assets, strong operating cash flow together with a one off tax repayment facilitated this. At this time, the Group continues to pursue its policy of reducing its debt and therefore the Board has decided not to propose a final dividend for FY2009.

I am also pleased to confirm that there have been no financing or bank covenant issues during the year. In November 2009 the Group extended the repayment date for its remaining development loan facility, currently £6.2m, to 30 June 2011, being the same date as the Group's syndicated term loan and revolving credit facility.

Industry

Demographic surveys repeatedly indicate that demand for high quality care in a residential or nursing home environment will remain strong. We are committed to providing accommodation which offers a safe, secure and caring environment for physically less able people in need of a helping hand – people who would otherwise be vulnerable and isolated in their own homes.

The average age of people entering care is increasing. Typically, our residents are highly dependent, often frail with a variety of acute needs and conditions, such as dementia. We believe the care home environment Southern Cross provides offers the most appropriate level of all-round support for those in need towards the end of their lives.

Private sector operators such as ourselves have a responsibility, as well as an opportunity, to support Local Authorities in their efforts to seek greater value for money through further reducing their in-house care home provision in favour of purchasing care services from the independent or voluntary sectors.

Industry Developments

Whilst aware of the financial problems faced by Local Authorities, we continue to consider that fee levels paid by many of them do not meet the generally accepted true cost of care today. 68% of our fee income comes from the Local Authority sector with a further 10% from Health Authorities. We continue to campaign actively - through the English Community Care Association, Scottish Care and Care Forum Wales – for Local Authorities to meet the true cost of care. This is a vitally important area which needs to be addressed continuously if we are to deliver ever greater service quality to an ever growing number of people across the country.

We welcome the publication of the Government's Green paper, "Shaping the Future of Care Together", and the national debate on elderly care provision it has helped engender. As the country's largest operator in our sector, we are contributing positively to that debate. The industry should be encouraged to invest in the development required to sustain the quantity and quality of care facilities demanded in future years. Affording the rising costs resulting from new legislation, regulation and changes in minimum wage levels will continue to be a priority for all operators.

People

Today, the Group employs over 44,000 staff working in 744 homes across the UK. I am delighted with the way our new management team and staff in every part of the business have responded to the challenges we face. They are the core of our business and their enthusiasm in finding ways to improve the quality of everything we do will help us achieve our goals as a business. Their support for our new strategic focus is vital to success. On behalf of the Board, may I thank all of our colleagues for their dedication and contribution to the Group as a whole.

In October, we announced Kamma Foulkes' decision to step down from the Company with effect from the end of December 2009. With many years' experience working in the nursing and residential care sector, Kamma has made a significant contribution to Southern Cross. We record our thanks for her six years service and wish her well for the future.

Outlook

The Group is making considerable and steady progress towards our objectives and further advances will be made next year, securing our long-term leadership position within the marketplace. We are in a period of consolidation after several years of rapid growth, concentrating on what we do best and looking to organic growth through continuing improvements in service quality. As the country's largest residential and nursing care home operator, we believe that securing the best reputation in the business is vital to our success. Nothing else will reflect the skills and dedication of our staff in our homes up and down the country.

This is the right approach for the business at this stage. It is a strategy which will ultimately allow us to grow again through appropriate acquisitions as the industry continues to consolidate in the years ahead. In a competitive market, Southern Cross must continue to mark itself out as the number one provider in terms of quality of care and accommodation. This represents the best

way of meeting the increasing demand for residential and nursing care services and securing long-term shareholder value.

While remaining focused on our core elderly care operations, we also intend to respond flexibly to changing market demands and to take advantage of the opportunities presented. This will include offering more specialised care - for example, in dementia, palliative and step down care. Eventually, it could also involve greater levels of day care provision, outreach care in the community and short-term and respite care as Local Authorities seek to encourage people to stay in their own homes, with support, for as long as practicable.

The significant reduction in debt has provided the opportunity to reconsider our dividend policy. Furthermore, the Board has confidence in the future business performance and cash flow sustainability, and now anticipates working towards a dividend cover of 3x adjusted EPS over time, with dividend payments recommencing in 2010.

With significant progress already made towards our corporate goals and a continuing focus on service quality and operational performance, we believe the Group is strategically well placed to capture a significant proportion of the rising demand for care services. With recent difficulties now firmly behind us, we are looking forward with renewed confidence to the period ahead.

Ray Miles Chairman

CEO Report and Operational Review

I am privileged to be associated with a Group whose core purpose is to provide excellent affordable personalised care to vulnerable members of the many communities which we serve across the UK.

Overview

Following four years of rapid, acquisition-led growth, our focus in 2009 has been to begin the process of establishing a well managed Group with a clear strategy, capable of fulfilling its obligations to all stakeholders as the country's leading provider of residential and nursing care home services.

We believe the recent acquisitions were not fully integrated, hence symptoms emerged which hampered business performance. These symptoms included inconsistency of quality in our service delivery, duplication in management roles and a lack of understanding of the business fundamentals, all of which led to an underlying decline in operating margin. During the first quarter of 2009, the new management team carried out a comprehensive, home by home and function by function review of the business, aimed at addressing these related issues and re-focusing the business on becoming the acknowledged best in its sector. From this review, we identified what needs to be done to fully integrate recent acquisitions, achieve consistent service quality and get the best possible performance out of each of our care homes. Against an encouraging demographic background, it became clear that a programme of business transformation was required at Southern Cross.

New Horizons

Our diagnosis of the business has led us to launch a major change management initiative, internally known as the New Horizons programme. This programme, which we expect to complete during 2011, is aimed at changing the way we operate such that Southern Cross can provide a care experience which is the most trusted and sought after in the UK. The principal areas of focus of New Horizons are as follows:

- organisational effectiveness and service quality
- estate segmentation and brand development
- cost re-engineering
- management systems
- new business streams

New Horizons is about investing in our people, investing in new and better systems and investing in the fabric of our existing properties. In changing the way we do things our home managers will become empowered to deliver the level of care each of us would expect for our own family members. To that end each home will be supported by regionally based specialists in quality of care, people development, estate management and such other disciplines as are required.

In the medium term, specific quality targets have been established for the business in order to reduce the number of underperforming homes in the portfolio. Our homes are situated in the middle of local communities and are used by individuals with varying levels of need. If our performance falls short, word soon gets out and demand falls off, particularly so given that the star rating system (applied by the regulator across most of the Group's portfolio) is publicly available. As a consequence, service quality must be – and is – our number one priority and nothing will get in the way of our determination to raise our quality standards to the best in the business. I believe that it is our home managers who are best placed to deliver the improvements we seek by responding to local needs in their own particular areas with fresh thinking, new initiatives and personal relationships. Management has a crucial role to play in ensuring that systems exist through which best practice can be shared and adopted throughout our entire portfolio.

When we published our 2009 Interim Report, we said that 71% of our homes were judged by the Care Quality Commission in England (which accounts for 75% of the Group's estate) to be in the top two categories of their star rating system and were therefore rated as "good" or "excellent". We lagged behind the industry as a whole which had about 80% of homes in these categories. Similar challenges exist in Scotland, Wales and Northern Ireland. This is not an acceptable position and our New Horizons programme is targeted at improving these results over the period ahead. Assessments by the four UK Care Commissions are undertaken at intervals of between 6 months and 3 years, so quantifiable steps in the right direction take time to have an impact on operating margin, however, we remain committed to raising the proportion of our homes in the good or excellent category to a minimum of 80% by May 2011. I'm pleased to report that some progress has already been made and that by the year end the number of our homes judged to be good or excellent had improved to 77%.

CQC Scoring	SCH 2009 Interim (Actual)	SCH 2009 Full (Actual)	SCH 2011 Interim (Target)
Good/Excellent	71%	77%	80%
Poor/Adequate	29%	23%	20%

NB: The Group has a target of zero homes in the CQC "Poor" category, or equivalent. During FY 2009 the number of homes in this category reduced from 24 to 13.

Giving our home management teams the responsibility they deserve and the flexibility they need to succeed in their local area will require the development of commercial and people management skills supported by appropriate training. The New Horizons programme commits us to making that vital investment in our people, not just for local management but for all our care staff, who are the Group's main point of contact with our residents. By improving staff engagement, we expect this investment to significantly reduce staff turnover rates which are a major causal factor in inferior service quality.

Each of our homes is now actively implementing an agreed action plan covering quality of service, team development and local marketing, all of which affect the reputation of our homes and, therefore, impact positively on operating margin. We want Southern Cross, a nationwide group, to be synonymous with local, high quality, personalised care for valued individuals in the community, delivered by appropriately trained, motivated and dedicated staff. Within the media, care homes are often referred to as "institutions" and their residents characterised as somehow on the fringes of society. At Southern Cross we work hard to ensure our homes are an integral part of the community and that is why we encourage individual homes to support local community initiatives and forge links with other local bodies and organisations.

Personal Dignity

No society can call itself truly civilised unless it treats its elderly citizens with respect and dignity. Hand in hand with our desire to improve service quality is our determination to champion the dignity of our residents at all times. That means respecting their right to as much independence as possible, to privacy and to choice. We fully support the Government's "Dignity in Care" campaign. We already have over 750 registered Dignity Champions in our homes, responsible for ensuring the highest levels of individual dignity. We plan to have a permanent Dignity Champion in every single home in the Group and believe we lead the market in giving this commitment.

During the year, the Group entered into a partnership with Action on Elder Abuse, a highly respected charity focused on the dignity of elderly people. Southern Cross has a policy of zero tolerance to any form of abuse and wholeheartedly supports the work of this charity. Our partnership investment provides a telephone 'hotline' service allowing anyone with a concern about abuse in any of our homes to contact them on an independent and confidential basis.

Portfolio

Southern Cross operates 744 homes across the UK. Bed numbers have increased from 37,425 at the end of the last financial year to 38,124 this year end, an increase of 1.9%, giving the Group around 10.4% of the UK market for independently provided residential care (Source: Lang & Buisson).

This year, total capital expenditure was £46.9m of which the major components were £19.4m spent on in-house development projects and £24.1m on home capex. Following our review of the estate we believe that the level of investment will need to increase by up to £10m per year over the next two years in support of our New Horizons programme objectives.

Notwithstanding the current focus on consolidating the business and improving our existing service quality standards, the business has continued to grow, if at a deliberately more measured pace. During the year, eight new developments were completed (five own developments, three externally developed), adding 531 beds and providing accommodation of exceptional quality both in terms of design and specification.

In March 2009, we acquired the leasehold of six existing homes from Britannia Leased Homes Limited, adding a further 311 beds. As stated at the time of our Interim Results, these properties were acquired at zero cost to the Group, the deal being structured to provide appropriate investment and levels of rent cover.

Looking ahead, we expect growth in our network to come principally from the acquisition of homes through agreements to lease. We remain operators of residential care homes rather than property owners. Subsequent to the year end a further five freehold properties, with a value of £17.7m, have been sold and we continue to be in discussions with potential purchasers in respect of the remaining freehold homes owned by the Group.

	Number of homes	Number of available beds			
		Acquired	Developed	Closed	Total
At 29 September 2008	735				37,425
New developments opened	8		531		531
Acquisitions	6	311			311
Closed	(5)			(143)	(143)
At 27 September 2009	744	311	531	(143)	38,124

Our Brands

Southern Cross

With 600 homes and 31,941 beds, Southern Cross is the principal brand within the Group. Its core proposition is to provide a range of residential services to customers whose primary funding comes from Local Authorities. In the year under review, the brand generated revenue of £758.4m (2008 - £718.8m), an increase of 5.5%. It attracted average weekly fees of £522 (2008 - £500).

Ashbourne Senior Living

The Ashbourne brand is positioned to provide residential services for customers whose primary funding comes from their own resources. The self-funded sector is one which the Group believes will expand considerably over time and therefore represents an important growth opportunity. In the year under review, the brand generated revenue of £134.9m (2008 - £125.9m), an increase of 7.1%. It attracted average weekly fees of £598 (2008 - £572).

Active Care is one of the country's largest independent mental health and learning disability care providers, operating 47 homes and 930 beds. During the year, the Group conducted a strategic review of the business which concluded that, for the majority of homes, shareholder interest would be best served under its continued operatorship. In the year under review, the brand generated revenue of £43.8m (2008 - £44.7m) a decrease of 2.0%. It attracted average weekly fees of £1,097 (2008 - £952).

Operating Performance

This year, occupancy once again followed the normal seasonal pattern. Together with other predictable factors such as the timing of pay and fee reviews this meant that the pattern of trading was similar to previous years.

Average weekly fees outstripped inflation, increasing by 4.6%, home payroll costs increased by 6.6%, while home running costs (excluding payroll costs) fell year on year. However results were

negatively impacted by falling occupancy. Average occupancy in mature homes fell by 2.1% to 88.4%, although the market generally also fell. The net effect was that margin was unchanged at 31.0%. UK bed capacity grew by circa 1.5% in the year and eligibility criteria for local authority placement continued to become more demanding. Nevertheless the Group accepts that lower service quality in certain homes led to a reduction in market share together with reputational erosion in parts of the country. We believe that the initiatives being progressed under our New Horizons Programme will, in time, impact positively on occupancy and on the Group's reputation.

The operating performance is summarised below.

	H1 2009 £'m	H2 2009 £'m	Total 2009 £'m
Revenue	460.8	476.3	937.1
Home EBITDAR before central costs	134.9	155.7	290.6
Margin %	29.3%	32.7%	31.0%
Rent – charge for amounts currently payable	92.4	94.9	187.3
Rent cover – times	1.46	1.64	1.55
Adjusted EBITDA	28.5	44.0	72.5
Adjusted EBITDA profile	39.3%	60.7%	100%
Average mature occupancy %	88.8%	87.9%	88.4%

Fee Rates

In the year under review, the Group achieved an increase in average weekly fee rates of 4.6% to £546 (2008 - £522). Fees charged to private clients were reviewed and an overall increase of 8.0% was agreed, effective from February 2009. Over the period, Local Authority fee rate increases differed from Authority to Authority. In England, an average increase of 3.0% was achieved, while in Scotland and Northern Ireland it was 3.2%. The corresponding figure for Wales was 4.9%. A growing number of Local Authorities now pay 'Quality Premiums' and the Group has benefitted from these due to the continued improvement in the standards of care achieved across our entire portfolio. The effect of these premiums is reflected in the percentage fee rate increase achieved.

People

You can't deliver the highest levels of care without having a fantastic team of dedicated people. As I go round the business, I am constantly struck, and humbled, by the professionalism and enthusiasm of colleagues everywhere. Our people – home managers, carers, nurses, chefs, housekeepers, administrators and maintenance staff – take the lead in fostering long term relations with our residents, their families and the local community. They are vital to our success. That is why we are committed to rapidly increasing staff engagement through the training and personal development programmes outlined below. I am delighted to express my thanks to them, in addition to the regional and head office teams.

Personal Development & Training

Improving staff retention is a key priority for the Group and depends on our identifying the root cause of the high levels of staff turnover, currently in excess of 30% per year, which the Group experiences. We believe improving and widening the range of training opportunities open to staff is critical to success in this area. To that end, we have further developed our range of staff training and development programmes with encouraging results. For example, the revised Vocational Training course has seen its successful completion rate rise to 93%. In addition, the number of candidates dropping out of courses has decreased significantly. The Home Manager and Care Staff induction programme has been comprehensively revised to reflect the changing demands placed on staff. Resultant feedback demonstrates that staff have been able to integrate into their working environments more quickly, allowing them to carry out their roles more effectively and efficiently and boosting job satisfaction levels.

We are committed to attracting young people into the health and social care sector. Our new Youth Development Scheme offers 16-18 year olds an opportunity to progress into a rewarding career within the health care professions. The Southern Cross Apprenticeship scheme is

designed to combine vocational training with the Business & Technology Education Council (BTEC) certificate. This provides young people with a range of qualifications with which to progress into a career within health and social care.

We have recently introduced the Southern Cross Diploma course in conjunction with a leading training consortium. The diploma is open to all staff and consists of 12 specialist modules, validated by the Northern Council for Further Education (NCFE). The course provides staff with a new level of personal development and is an ideal way for them to build on their current S/NVQ qualifications.

We are proud to be investing in our people. Such investment will improve job satisfaction levels and reduce staff turnover rates, leading directly to better quality service delivery.

Costs

This year, hourly paid staff received effective pay increases of 5.5%. This was driven by both the national minimum wage (NMW) and working time directive (WTD) legislation. The NMW increased in October 2008 by 3.8% while the additional four days' holiday entitlement under the WTD increased staff costs by 1.7%. The Group works with the GMB Union to agree on pay levels and has continued to maintain its pay rates above NMW for all staff groups for the sixth consecutive year. We also continue to reward staff achieving a National Vocational Qualification.

During the year, we continued to recruit staff from overseas. The percentage of our workforce from non-EU countries has risen to 9.7%, while the number of migrant workers from the European Economic Area has declined compared to previous years. Our experience over many years is that migrant workers are extremely dedicated and industrious with good communication skills. The impact of the changes implemented by the Border and Immigration Authority (BIA), which revised the qualifying criteria, were not as detrimental as previously expected, with the majority of staff hours lost due to the changes offset by the planned increase in the number of overseas students engaged in Vocational Training Programmes. In light of this, we have adjusted our strategy from one of overseas recruitment to one of overseas training. Upon commencement of a National Vocational Qualification, staff are able to stay in the UK for a period of up to two years. Once completed, they can apply for team leader positions which attract the rates of pay required to meet the BIA qualifying criteria.

Outlook

Our market is continuing to mature. This, together with the anticipated pressures on public sector funding, will ensure that things will remain both dynamic and challenging.

The burden of regulation is growing and the case for consistent national assessment and regulation has never been more compelling. As Local Authorities and Primary Care Trusts take a more active commissioning and monitoring role, a major overlap has emerged between their responsibilities and those of the four national Regulators. In addition, the Group continues to experience significant variations in the quality of commissioning exercised by, and fee rates paid by, Local Authorities for similar services – this is what has become known as the “postcode lottery” of elderly care provision. Furthermore, many Local Authority taxpayers continue to subsidise the operation of Local Authority-owned facilities, which are typically operated at cost levels far in excess of the prices paid for equivalent services to independent operators.

The Group will continue to take a leading role in constructively lobbying for higher standards of commissioning and for the elimination of cost inefficiencies in the provision of services by both Local Authorities and PCTs. We remain keen supporters of the important work undertaken by national care commissioners and recognise our obligations to lead the industry in the provision of standards of care which meet the expectations of society.

Despite the anticipated headwinds from uncertainty over public expenditure we remain confident that we can improve operating margins across our portfolio by driving through our current programme of improvements. Indeed we believe that spending pressures will open up opportunities for low cost, high service quality operators such as Southern Cross. Equally, we believe the opportunity exists to capture an increased share of the growing, high value private pay market where the Group is currently under-represented. We continue to build on our position as the UK market leader, while the scale of our operations means we are already well placed to

respond in the years ahead to the increasing demand for care services predicted by demographic studies.

We have clear plans in place to take the business forward and early benefits are already becoming evident as we set about creating a Group fit for purpose. There are undoubtedly challenges ahead but I do not believe any Group in the sector is better placed than ours to meet them head on. We are looking ahead with confidence and with a sense of determination which, I hope, comes across clearly in this Report.

Financial Review

Revenue Statement

The Group's operating performance is summarised in the following table:

	2009 £'m	2008 £'m	Growth/ (decline) %
Revenue	937.1	889.4	5.4
Home EBITDAR	290.6	275.7	5.4
Home EBITDAR margin (%)	31.0	31.0	–
Adjusted EBITDA	72.5	78.1	(7.2)
Operating loss	(12.7)	(5.2)	–
Loss before taxation	(19.8)	(22.9)	–
Average number of available beds	37,664	36,626	2.8
Cash generated from operating activities	87.5	71.4	22.5

Revenue

As at the year end, the Group had increased the number of available beds by 699 (1.9%) to 38,124 (2008: 37,425). The growth was driven by the acquisition of six leasehold homes (311 beds) from Britannia Leased Homes Limited, the acquisition of a further three leasehold homes (192 beds) and the completion of five in-house developments (339 beds). The opening of our Torrwood home, in Wells, Somerset, allowed for the planned closure of two homes (79 beds), with all residents being successfully relocated to Torrwood. Also, during the year the Group continued to review its portfolio of homes resulting in the closure of three homes (64 beds) that the Group did not consider fit for purpose.

The average number of available beds increased by 1,038 (2.8%) during the year from 36,626 in 2008 to 37,664.

Revenue increased by £47.7m to £937.1m (2008 - £889.4m), an increase of 5.4%. The key driver of revenue growth was the increase in average weekly fee: across the Group's entire portfolio, the average weekly fee increased by 4.6% from £522 to £546 which, along with the full year impact of acquisitions completed in the prior year, equated to £42.0m. Acquisitions completed in the current year contributed a further £5.7m of revenue.

Home Operating Costs

Home payroll costs increased £33.1m (6.6%) from £500.6m to £533.7m, of which £4.0m (0.8%) was due to acquisitions. A further 4.1% was attributable to an increase in payroll costs driven by a 3.8% increase in the National Minimum Wage, which directly involved approximately 50% of staff, and an increase of 1.7% in annual leave entitlement set by the Working Time Directive which affected the majority of staff. Staff not directly impacted by the National Minimum Wage received pay rises below 3.8%. The additional increase of 1.7% is a result of the full year impact of acquisitions completed in the previous year and reduced occupancy.

Home running costs for the current year were 12.0% of revenue (2008 - 12.7%).

Rent

The rent charge for the year amounted to £239.1m (2008 – £221.6m). Excluding the non-cash charge of £51.8m (2008 – £50.5m) under IAS 17, for leases with fixed or minimum annual increases, the rental charge for the year was £187.3m (2008 – £171.1m). Included within the current year rent charge is £8.6m in respect of new leases entered into by the Group through either freehold disposals or leasehold acquisitions. The Group's rent cover defined as Home EBITDAR before central costs divided by rent currently payable was 1.55 times (2008 – 1.61 times)

The cash rental charge per average available bed for the year was £4,973 per annum (2008 – £4,672), an increase of 6.4%. During the year, the Group was subject to a number of five yearly rent increases, whereby rental increases are applied in the current year covering the previous five years. They will remain at the increased level for the next five years. The rental charge per available bed also reflects the impact of higher rents being paid under leases recently entered into. Excluding the impact of five yearly increases and new leases entered into during the last two years, the cash rental charge per available bed increased by 2.8% on the prior year.

Central Costs

Total central costs for the year amounted to £30.8m, an increase of £4.3m (16.2%) over 2008. The increase from 2008 is principally due to payroll costs, including staff bonuses and share options totalling £2.5m (2008 - £nil). As a percentage of revenue, central costs equated to 3.3% (2008: 3.0%).

Segmental Results

The Group continued to have two distinct segments within its operations, namely **Elderly Care** (which incorporates the Southern Cross Healthcare and Ashbourne Senior Living brands) and **Specialist** (being the Active Care Partnership business).

Elderly Care

Average available beds within the Elderly Care portfolio increased by 1,147 to 36,734 (2008 – 35,587) and included 151 beds reclassified from the Active Care Partnership business to Elderly Care. The total number of available beds within the Elderly Care portfolio at the year end was 37,195 (2008 – 36,345).

Fee revenue in the Elderly Care segment increased by £48.6m (5.8%) to £893.3m for the year. The key driver of revenue growth was the increase in average weekly fee: across the Elderly Care segment, the average weekly fee increased by 4.5% from £510 to £533 equating to £38.1m. Acquisitions completed in the current year contributed £5.7m of revenue, whilst the 151 beds transferred from the Active Care Partnerships portfolio added a further £4.8m of revenue.

Total Home EBITDAR before central costs increased by £14.5m (5.5%) to £279.3m, the impact of acquisitions in the year being £1.5m. Excluding the impact of acquisitions in the current year, total Home EBITDAR increased by £13.0m, a 4.9% increase. Home EBITDAR margin before central costs for Elderly Care remained at 31.3%. The comparable margin for acquisitions in the year was lower at 26.3%.

Specialist Care

The Specialist segment recorded a decrease in average available beds, from 1,039 in 2008 to 930, due to the 151 beds transferred to the Elderly Care segment.

During the year, revenues in the Specialist segment decreased by £0.9m (2.0%) to £43.8m (2008 – £44.7m). This represented the net impact of beds transferred to the Elderly Care segment (£6.7m) and an increase in the average weekly fee of 15.2% to £1,097, increasing income by £5.8m.

Due to fee rate increases and lower home running costs, on a per resident basis, Home EBITDAR before central costs for the year increased from £10.9m to £11.3m and Home EBITDAR margin increased from 24.4% to 25.8%.

EBITDA

Earnings before interest, tax, depreciation and amortisation, loss on disposal of property, plant and equipment and subsidiary undertakings and impairment of freehold assets held for sale ("EBITDA") for the Group decreased by £6.9m (25.0%) to £20.7m. Excluding the impact of future minimum rental increases under IAS 17, adjusted EBITDA decreased by £5.6m (7.2%) to £72.5m.

Depreciation

Depreciation has increased from £17.6m in 2008 to £21.6m in the current year, reflecting the increased number of homes operated by the Group and higher spend incurred during the prior year.

Disposal of Freehold Assets

During the year, the Group disposed of freehold assets for net cash consideration totalling £16.7m. The related assets had a net book value of £16.5m, resulting in a profit on disposal of £0.2m. Professional costs in respect of freehold asset disposals completed in the previous year, and other provisions, were £3.3m.

On 3 September 2009, the Group completed the transfer of the business and certain assets of the Sunchoice division for consideration of £3.7m, realising a loss on disposal of £1.0m.

As previously disclosed, the Directors reviewed the carrying value of the Group's freehold properties. Following this review, a number of properties were found to have fair values lower than their carrying value. As a result, the carrying value of the related freeholds has been written down by £7.7m.

Finance Income and Costs

The net financing costs for the year amounted to £7.1m (2008 – £17.7m), representing a decrease of £10.6m. Excluding the impact of loan arrangement fees and associated costs incurred by the Group and written off in the previous year as a result of renegotiating its banking facilities, net financing costs decreased £3.7m.

Included within net financing costs are interest charges of £6.0m (2008 – £10.0m) in relation to interest payable on bank borrowings and amortisation of loan arrangement fees of £0.7m (2008 - £0.1m). The lower charge in respect of interest payable on bank borrowings was due to average levels of debt held by the Group being 33% lower than in 2008 and lower rates of interest being charged. Loan arrangement fee amortisation increased as a result of the costs associated with the Group's refinancing. Interest receivable during the year rose to £0.8m (2008 – £0.4m) principally as a result of interest received on the tax repayment received in the year.

Taxation

As previously reported, during the year the Group took the decision to prepare its subsidiary financial statements under IFRS in line with the Group accounts. As a consequence of this decision, the non-cash charges, under IAS 17, for future minimum rental increases that were previously recognised upon consolidation are now charged into the individual subsidiary financial statements. On this basis, tax computations for financial years 2008 and 2007, incorporating the future minimum rental charges, were resubmitted to HM Revenue & Customs (HMRC).

The preparation of the subsidiary financial statements under IFRS has resulted in £157.7m of additional tax deductions at entity level. This transition, along with normal prior year adjustments, have resulted in a current tax, prior year adjustment, of £24.3m (credit) and a repayment of taxes totalling £17.6m in respect of 2007 and 2008. The prior year current tax credit of £24.3m includes the realisation of tax losses totalling £21.4m and other prior period adjustments of £2.8m.

During the year the Group has been subject to a prior period, deferred tax, charge of £30.5m. Included within this charge is £21.4m (being equal in value to the current tax prior period credit) in respect of the realisation of taxable losses, a £9.7m deferred tax write off due to £34.6m of taxable losses where the future economic benefit cannot be measured readily and a £0.6m credit of other prior period items.

The current year deferred tax credit of £3.9m represents the recognition of current year losses within the Group.

The overall tax charge on earnings before taxation of £2.3m (2008 - £4.9m credit) represents a headline rate of 11.6% (negative) (2008 – 21.4%). Both the current and deferred tax charges are significantly impacted by prior period items, relating primarily to the Group's decision to prepare its subsidiary financial statements under IFRS. Furthermore, the current year tax charge was also impacted by the loss on disposal of property, plant and equipment (£4.1m), impairment charges (£7.7m) and deferred tax charges on share options (£0.4m). The reconciliation below shows the effective rate of tax after consideration of these items:

	£	Taxation (charge)/credit £
Loss before taxation	(19.8)	(2.3)
Future minimum rental increases	51.8	(14.5)
Impairment	7.7	-
Loss on disposal of property, plant and equipment and subsidiary undertakings	4.1	(0.4)
Deferred tax on share options	-	(0.3)
Impact of prior period items		6.2
	43.8	(11.3)

After consideration of the above items, the current tax charge of £11.3m represents an effective tax rate of 25.8% (2008 – 25.8%) before charges for future minimum rental increases, losses on disposal, impairment charges and deferred tax on share options.

The Group expects the effective future tax rate to remain at or slightly below the standard rate of corporation tax in future periods.

Dividends

Total dividends paid during the year amounted to £nil (2008 – £16.5m) and the Directors have decided not to recommend a final dividend for the year ended 27 September 2009.

Loss per Share

The loss per share for the year was 11.75p (2008 – 9.57p loss). Adjusted earnings per share for the year before future minimum rental increase charges, loan arrangement fees written off and the taxation impact thereof, was 8.08p (2008 – 12.10p), a decrease of 33%. Excluding the impact of losses recognised in respect of freehold properties, impairment charges and the write off of deferred tax assets associated with the conversion of subsidiaries to IFRS, adjusted earnings per share was 17.65p (2008 – 19.60p).

Balance Sheet

Non-current Assets

Property, Plant and Equipment

Property, plant and equipment decreased from £121.3m to £111.4m due to the net impact of additions to property, plant and equipment of £46.9m (including £19.4m in respect of assets under construction), offset by depreciation charges of £21.6m, £34.6m in respect of the four developments under construction and eight further freehold properties being transferred to assets held for sale, and other assets disposed of £0.6m.

Goodwill

Goodwill increased by £0.7m due to the professional costs and associated fees in respect of acquisitions completed in the previous financial year.

Deferred Tax

Deferred tax assets have decreased by £26.5m from £41.2m to £14.7m. The movement is due to the realisation of deferred tax losses of £21.4m, a £9.7m write off relating to taxable losses where the future economic benefit cannot be measured readily (both directly as a result of the Group's decision to prepare its subsidiary financial statements under IFRS) and credits of £4.6m.

Property Assets Held for Sale

At the start of the current year, the Group held 11 freehold property assets for resale with a value totalling £36.1m. In respect of these 11 freeholds, 2 were disposed of with a value of £11.3m during the first half of the year, with a further disposal totalling £5.2m divested during the second half.

During the year, the Group's remaining four in-house developments were completed and transferred into property assets held for resale at a value of £30.2m. A further eight homes were transferred from freehold property at a value of £4.4m. Following a review by the Directors of the value of all freehold assets held for sale, an impairment charge of £7.7m was made.

The property assets held for sale at the year end relate to 20 freehold properties amounting to £46.5m. The Group is actively seeking landlords for all the freehold properties held for resale.

Subsequent to the year end, the Group has sold five property assets held for sale.

The sale of Taunton Care Centre completed on 10 November 2009 for a cash consideration of £4.8m, which is equal to the asset's carrying value.

On 13 November 2009, the Group disposed of Southern Cross (Paisley) Propco Limited and its freehold interest for a cash consideration of £4.6m, realising a profit on disposal of £0.1m.

On 13 November 2009, the Group completed the sale of Portishead Fundco Limited, Portishead Newco Limited and freehold interest for £7.4m, which was equal to its book value.

On 13 November 2009, the Group exchanged contracts on Wookey Hole and Cathedral View. The sale of these homes completed on 20 and 23 November 2009 respectively, for cash consideration of £0.9m, which is equal to the book value of the assets.

Cash Flow

	2009	2008
	£'m	£'m
Cash flows from operations	87.5	71.4
Net interest and taxation	3.3	(21.8)
Investing activities	(25.6)	64.7
Financing activities	(35.6)	(127.0)
Net increase/(decrease) in cash	29.6	(12.7)

Cash inflow from operations was £87.5m (2008 – £71.4m), representing a cash conversion ratio compared to Adjusted EBITDA of 120.7% (2008 – 91.4%).

Finance charges paid during the year amounted to £13.1m (2008 – £11.5m) and included £4.7m relating to loan arrangement fees and costs in respect of the renegotiation of the Group's banking facilities. The remaining payments relate to standard charges incurred in accordance with the Group's banking facilities. Tax receipts during the year totalled £15.6m (2008 – £10.6m payment) and were principally due to a tax repayment of £17.6m received from HMRC in February 2009.

Net cash outflow from investing activities amounted to £25.6m (2008 – £64.7m inflow). Included within net cash outflow from investing activities are costs associated with the purchase of subsidiary undertakings from the prior year of £0.7m, purchase of property, plant and equipment totalling £45.3m and receipts from the sale of property, plant, equipment and other assets of £20.4m.

Purchase of property, plant and equipment totalled £45.3m and included £18.1m of development expenditure, £21.7m of maintenance capex on the Group's mature homes, £2.4m maintenance capex in respect of immature homes, and other capital expenditure of £3.1m.

The net cash used in financing activities for the year amounted to £35.6m (2008 – £127.0m) and included net repayment of bank borrowings totalling £34.8m.

Net Debt and Financing

During the year, the Group's net debt reduced by £64.4m to £33.1m, down from £97.5m, with bank borrowings reducing by a net £34.4m. As at the year end, the Group had committed bank facilities of £113.9m, against which it had loans drawn of £64.9m and guarantees issued of £11.5m, leaving £37.5m of undrawn facilities.

Included within net repayments of bank borrowings is £20m in respect of term loans, comprising a scheduled £5m repayment on 30 March 2009, an acceleration of £10m in relation to the 31 July 2009 and 31 January 2010 repayments made on 8 May 2009 and a voluntary repayment of £5m, also made on 8 May 2009. On the same date, £10m of availability under the term loan was transferred to the revolving credit facility in order to provide more flexibility and reduce borrowing costs. Following the above, the Group's syndicated term loan was reduced from £70m to £40m as at the year end. Since the year end, the Group has reduced the borrowings under this facility to £33.5m using the proceeds from three disposals totalling £5.4m and making a voluntary repayment of £1.1m.

Repayments made from disposals of freehold properties and scheduled loan amortisations under the Group's acquisition facility amounted to £17.5m, leaving an outstanding balance of £1.9m at the year end. The Group has voluntarily repaid this balance subsequent to the year end.

During the year borrowings under the Group's development facility grew by £11.2m to £19.8m (2008: £8.6m). The £11.2m of additional borrowings were net of a £6.2m repayment following the divestment of one of the Group's in house freehold developments. Since the year end the Group has reduced the borrowings under this facility to £6.2m following the disposal of two of the developments for £12.1m and a voluntary repayment of £1.5m.

On 25 November 2009, the Group agreed an extension to its development facility. Under the agreement, the development facility becomes repayable on 30 June 2011, being the same date as the Group's two remaining facilities (the syndicated term loan and revolving credit facility). The extension allows the Group increased flexibility in respect of its two remaining development property freeholds.

At the year end the Group had no borrowings outstanding under its revolving credit facility but had utilised £11.5m of the £46.0m available to it under this facility to issue guarantees relating to landlord rent deposits.

A further review of the Group's working capital requirements will be undertaken in January, following which a further voluntary repayment of the Group's Term A loan will be considered.

As part of the Group's debt refinancing at the beginning of the year the Group entered into agreements to limit its exposure to interest rate movements. At the year end the Group had £21.0m of interest rate caps outstanding at 4.62%, and £21.0m of interest rate collars outstanding with cap rates of 4.50% and floors of 2.57%. The notional amount hedged under these agreements reduces over their term and both expire on 30 June 2011.

International Financial Reporting Standards ("IFRSs")

As a listed company, the financial statements continue to be prepared in accordance with applicable IFRSs. There have not been any changes to IFRSs which have had a significant effect upon the financial statements for the 52 week period ended 27 September 2009.

Consolidated Income Statement

		52 weeks ended 27 September 2009 £'m	52 weeks ended 28 September 2008 £'m
Revenue		937.1	889.4
Home payroll costs		(533.7)	(500.6)
Home running costs		(112.8)	(113.1)
Home EBITDAR ¹ before central costs		290.6	275.7
Rent			
Charge for rental amounts currently payable		(187.3)	(171.1)
Charge for future minimum rental increases		(51.8)	(50.5)
Total rent		(239.1)	(221.6)
Home EBITDA ² before central costs		51.5	54.1
Central costs		(30.8)	(26.5)
Adjusted EBITDA ³ before charge for future minimum rental increases		72.5	78.1
Charge for future minimum rental increases		(51.8)	(50.5)
EBITDA		20.7	27.6
Loss on disposal of property, plant and equipment and subsidiary undertakings	2	(4.1)	(9.6)
Impairment of freehold assets held for sale	2	(7.7)	(4.5)
Depreciation		(21.6)	(17.6)
Amortisation		-	(1.1)
Operating loss		(12.7)	(5.2)
Finance costs	3	(7.9)	(11.2)
Exceptional finance costs	3	-	(6.9)
Total finance costs	3	(7.9)	(18.1)
Finance income	3	0.8	0.4
Loss before taxation		(19.8)	(22.9)
Taxation (charge)/credit	4	(2.3)	4.9
Loss attributable to ordinary shareholders of the company		(22.1)	(18.0)
	Note	Pence per share	Pence per share
Loss per share attributable to equity shareholders of the company			
Basic	6	(11.75)	(9.57)
Diluted	6	(11.75)	(9.57)

All of the above activities relate to continuing operations.

¹ EBITDAR represents earnings before interest, tax, depreciation, amortisation, loss on disposal of property, plant and equipment and subsidiary undertakings, impairment of freehold assets held for sale and rent.

² EBITDA represents earnings before interest, tax, depreciation, amortisation, loss on disposal of property, plant and equipment and subsidiary undertakings and impairment of freehold assets held for sale.

³ Adjusted EBITDA represents EBITDA after adding back the charge for future minimum rental increases.

Consolidated Balance Sheet

	27 September 2009 £'m	28 September 2008 £'m
ASSETS		
Non-current assets		
Property, plant and equipment	111.4	121.3
Goodwill	219.2	218.5
Deferred tax assets	14.7	41.2
Other non-current assets	3.4	3.3
Total non-current assets	348.7	384.3
Current assets		
Cash and cash equivalents	31.8	2.2
Trade receivables	37.7	44.6
Inventories	1.1	2.4
Property assets held for sale	46.5	36.1
Other current assets	8.9	9.7
Total current assets	126.0	95.0
Total assets	474.7	479.3
LIABILITIES		
Current liabilities		
Short-term financial liabilities	(21.5)	(97.4)
Corporation tax payable	(0.4)	(8.8)
Trade and other payables	(97.5)	(91.2)
Total current liabilities	(119.4)	(197.4)
Non-current liabilities		
Long-term financial liabilities	(41.7)	(1.3)
Provisions and similar obligations	(12.9)	(9.4)
Deferred government grants	(2.9)	(3.4)
Future minimum rental increase accrual	(209.5)	(157.7)
Total non-current liabilities	(267.0)	(171.8)
Total liabilities	(386.4)	(369.2)
Net assets	88.3	110.1
Equity		
Ordinary shares	1.9	1.9
Share premium	161.5	161.5
Accumulated deficit	(75.1)	(53.3)
Total equity	88.3	110.1

Consolidated Cash Flow Statement

	52 weeks ended 27 September 2009 £'m	52 weeks ended 28 September 2008 £'m
Cash flows from operations		
Cash generated from operations	87.5	71.4
Interest received	0.8	0.3
Interest and bank loan arrangement fees paid	(13.1)	(11.5)
Tax received/(paid)	15.6	(10.6)
Net cash generated from operations	90.8	49.6
Cash flows from investing activities		
Purchase of subsidiary undertakings net of cash acquired	(0.7)	(55.2)
Sales of subsidiary undertakings	-	130.3
Purchase of property, plant and equipment	(45.3)	(62.0)
Receipts from the sale of property, plant, equipment and other assets	20.4	51.6
Net cash (used in)/generated from investing activities	(25.6)	64.7
Cash flows from financing activities		
Repayment of borrowings	(75.9)	(250.6)
New borrowings	41.1	140.7
Capital element of finance leases	(0.8)	(0.6)
Dividends paid	-	(16.5)
Net cash used in financing activities	(35.6)	(127.0)
Net increase/(decrease) in cash and cash equivalents	29.6	(12.7)
Opening cash and cash equivalents	2.2	14.9
Closing cash and cash equivalents	31.8	2.2

Note: Included within the purchase of property, plant and equipment is development expenditure on new properties totalling £18.1m (2008 – £25.0m).

Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'m	Share premium account £'m	Accumulated deficit £'m	Total equity £'m
Balance at 1 October 2007	1.9	161.5	(18.6)	144.8
Share-based payments	-	-	(0.2)	(0.2)
Ordinary dividends paid	-	-	(16.5)	(16.5)
Loss attributable to ordinary shareholders	-	-	(18.0)	(18.0)
Balance at 28 September 2008	1.9	161.5	(53.3)	110.1
Share-based payments (including deferred tax of £0.1m)	-	-	0.3	0.3
Loss attributable to ordinary shareholders	-	-	(22.1)	(22.1)
Balance at 27 September 2009	1.9	161.5	(75.1)	88.3

Notes to the Preliminary Results

Notes for the 52 weeks ended 27 September 2009.

1 Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS.

Details of the IFRS policies can be found in the Group's consolidated financial statements for the 52 weeks period ended 27 September 2009.

2 Sale of Subsidiary Undertakings, Property, Plant and Equipment, Other Assets and Impairment of Freehold Assets Held for Sale

During the year the Group disposed of freehold assets for net cash consideration totalling £16.7m. The related assets had a net book value of £16.5m, resulting in a profit on disposal of £0.2m. Professional costs in respect of freehold asset disposals completed in the previous year, and other provisions, were £3.3m.

On 3 September 2009 the Group completed the disposal of the business and certain assets of the Sunchoice division, for consideration of £3.7m, and realised a loss on disposal of £1.0m

Impairment of Freehold Assets Held for Sale

The Group has reviewed the carrying values of its freehold properties. Following this review, a number of properties were found to have a fair value lower than their carrying value. As a result the carrying value of the related freeholds has been written down by £7.7m.

3 Finance Costs and Finance Income

	52 weeks ended 27 September 2009 £'m	52 weeks ended 28 September 2008 £'m
Interest payable on bank borrowings	6.0	10.0
Interest payable on loan notes	-	0.2
Amortisation of loan arrangement fees	0.7	0.1
Movement on fair value of financial instruments	0.5	0.2
Other finance costs	0.7	0.7
Finance costs	7.9	11.2
Loan arrangement fees and associated costs	-	6.9
Exceptional finance costs	-	6.9
Interest received on tax repayment	(0.6)	-
Bank interest receivable	(0.2)	(0.4)
Finance income	(0.8)	(0.4)
Finance costs – net	7.1	17.7

4 Taxation

	52 weeks ended 27 September 2009 £'m	52 weeks ended 28 September 2008 £'m
Current tax		
– Current period	-	10.6
– Prior period (realisation of taxable losses)	(21.4)	-
– Prior period (other)	(2.8)	0.5
Deferred tax		
– Current period	(3.9)	(12.4)
– Prior period (realisation of taxable losses)	21.4	(3.6)
– Prior period (reversal of deferred tax asset)	9.7	-
– Prior period (other)	(0.7)	-
Taxation charge/(credit)	2.3	(4.9)

The current tax prior period credit of £21.4m relates to the realisation of losses in respect of the 52 weeks ended 28 September 2008 and 30 September 2007 as a result of preparing subsidiary financial statements under IFRS.

The deferred tax prior period charge relates to the realisation of losses, as referred to above, totalling £21.4m and a further charge of £9.7m in respect of losses arising as a result of preparing subsidiary financial statements under IFRS, where the future economic benefit cannot be measured reliably.

The tax charge for the period is higher than the average standard rate of corporation tax in the United Kingdom (28%) (2008 – 29%), due to the reversal of some of the deferred tax asset.

The tax for the period differs from the standard rate of corporation tax in the United Kingdom as follows:

	52 weeks ended 27 September 2009 £'m	52 weeks ended 28 September 2008 £'m
Loss before taxation	(19.8)	(22.9)
Loss before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2008 – 29%)	(5.5)	(6.6)
Effects of:		
Amounts in respect of prior periods	6.2	-
Expenses not deductible for tax purposes	0.2	0.3
Impairment	2.2	-
Loss on disposal	0.8	-
Rate differences	-	0.5
Utilisation of tax losses	(0.4)	-
Other	(1.2)	0.9
Tax charge/(credit) for the period	2.3	(4.9)

The tax charge is expected to be lower than the standard rate in future periods, as the impact of non-deductible intangibles and depreciation is expected to be outweighed by benefits.

5 Dividends Paid and Proposed

The Directors declared an interim dividend of £nil (2008 – 3.75p) per ordinary share, totalling £nil (2008 – £7.1m and this was paid on 20 June 2008).

The Directors have decided not to recommend a final dividend for the year ended 27 September

2009.

6 Loss per Ordinary Share

Loss per share is calculated by dividing the loss for the period attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share is calculated by dividing the loss for the period attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the share data used in the basic and diluted earnings per share calculations:

	52 weeks ended 27 September 2009 Number	52 weeks ended 28 September 2008 Number
Basic weighted average number of shares (excluding treasury shares)	188,067,377	188,067,377
Dilutive potential ordinary shares:		
Employee share options	Nil	Nil
Diluted weighted average number of shares	188,067,377	188,067,377

The Group presents exceptional items and future minimum rental increases on the face of the income statement. Items that are considered exceptional, by virtue of their size or incidence, are disclosed in order to improve a reader's understanding of the financial information. To this end, additional basic and diluted earnings per share information, including loan arrangement fees written off, is also presented on this basis. Reconciliations of earnings and the weighted average number of ordinary shares used are set out below:

	52 weeks ended 27 September 2009			52 weeks ended 28 September 2008		
	Earnings £'m	Basic amount p	Diluted amount p	Earnings £'m	Basic amount p	Diluted amount p
Loss attributable to ordinary Shareholders	(22.1)	(11.75)	(11.75)	(18.0)	(9.57)	(9.57)
Charge for future minimum rental increases	51.8	27.54	27.54	50.5	26.85	26.85
Loan arrangement fees written off	-	-	-	6.9	3.67	3.67
Taxation impact of above	(14.5)	(7.71)	(7.71)	(16.6)	(8.85)	(8.85)
Profit attributable to ordinary shareholders before charges for future minimum rental increases and loan arrangement fees written off and taxation impact thereof	15.2	8.08	8.08	22.8	12.10	12.10

7 Statutory Accounts

The financial information included in this document for the 52 week period ended 27 September 2009 has been derived from the audited consolidated financial statements of the Group for the 52 week period ended 27 September 2009.

The financial information does not constitute statutory consolidated financial statements for the 52 week period ended 27 September 2009 or the 52 week period ended 28 September 2008, which will be filed with the Registrar of Companies for the 52 week period ended 27 September 2009, following the Company's annual general meeting.