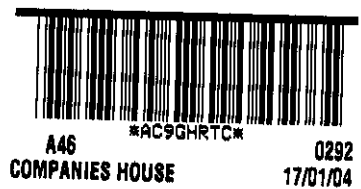


Registration number 04220821

Sun Healthcare Limited
Abbreviated accounts
for the year ended 30 June 2002



Sun Healthcare Limited

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Sun Healthcare Limited

Directors' report for the year ended 30 June 2002

The directors present their report and the accounts for the year ended 30 June 2002.

Incorporation and change of name

The company was incorporated on 21 May 2001 as Sun Healthcare Limited. The company commenced trade on 29 June 2001.

Principal activity and review of the business

The principal activity of the company was that of the operation of nursing homes.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	30/06/02	01/07/01
B G Ford Williams (appointed 21/5/01)	51	51
I R Watling (appointed 21/5/01)	49	49

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Valuation for loan security purposes

An independent professional valuation was carried out by Chesterton Plc International Property Consultants on 20th June 2001 of the freehold interest in the land and buildings and businesses of the nursing homes as detailed below. The valuations were carried out on an open market value basis of the freehold and the businesses as operational entities. The valuations have been prepared in accordance with the practice statements and guidance notes set out in the RICS appraisal and valuation manual. The valuations were carried out prior to the company purchasing the nursing homes and were requested by Northern Rock Plc for loan security purposes over a term of 25 years. The valuations were as follows:-

Sun Healthcare Limited

**Directors' report
for the year ended 30 June 2002**

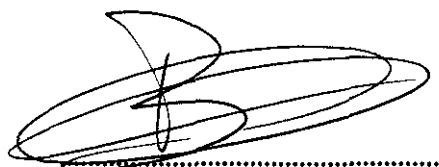
	£
St. Margarets Nursing Home, Grimsby (purchased 29/6/2001)	1,600,000
Havenfield Lodge Nursing Home, Barnsley (purchased 19/7/2001)	1,300,000
Tapton Grove Nursing Home, Chesterfield (purchased 18/10/01)	1,200,000

Auditors

Harris & Co. were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

This report was approved by the Board on 24 December 2003 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'B G Ford Williams', written over a dotted line.

B G Ford Williams
Director

**Independent auditors' report to Sun Healthcare Limited
under Section 247B of the Companies Act 1985**

We have examined the abbreviated accounts set out on pages 4 to 17 together with the financial statements of Sun Healthcare Limited for the year ended 30 June 2002 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 in respect of the year ended 30 June 2002, and the abbreviated accounts on pages 4 to 17 are properly prepared in accordance with that provision.

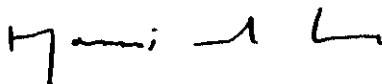
Other information

On 24 December 2003 we reported as auditors of Sun Healthcare Limited to the members on the financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 30 June 2002 and our audit report was as follows:

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements regarding the purchase price of one of the nursing homes. The company is of the opinion the purchase price which should have been paid for St Margarets Nursing Home was £1,600,000. However according to the sale and purchase agreement the price was £1,440,000. The company have written to the solicitors instructing them to convey the nursing home at the intended price of £1,600,000. The financial statements have been prepared on the basis of the purchase price of £1,600,000. Details of the circumstances relating to this fundamental uncertainty are described in note 19. Our opinion is not qualified in this respect.

With the exception of the above, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.'



**Harris & Co.
Chartered Accountants and
Registered auditors**

Date : 24 December 2003

**Marland House
13 Huddersfield Road
Barnsley
South Yorkshire
S70 2LW**

Sun Healthcare Limited

**Abbreviated profit and loss account
for the year ended 30 June 2002**

		Continuing operations
		2002
	Notes	£
Gross profit		2,169,229
Administrative expenses		(2,004,237)
Operating profit	2	<u>164,992</u>
Other interest receivable and similar income	3	1,191
Interest payable and similar charges	4	<u>(236,375)</u>
Loss on ordinary activities before taxation		<u>(70,192)</u>
Tax on loss on ordinary activities	7	<u>(21,804)</u>
Loss for the year		<u><u>(91,996)</u></u>

There are no recognised gains or losses other than the profit or loss for the above financial year.

The notes on pages 7 to 17 form an integral part of these financial statements.

Sun Healthcare Limited

**Abbreviated balance sheet
as at 30 June 2002**

	Notes	2002	
		£	£
Fixed assets			
Intangible assets	8		237,500
Tangible assets	9		3,361,454
			<u>3,598,954</u>
Current assets			
Stocks	10	15,000	
Debtors	11	183,201	
Cash at bank and in hand		37,898	
		<u>236,099</u>	
Creditors: amounts falling due within one year	12	(330,336)	
Net current liabilities			<u>(94,237)</u>
Total assets less current liabilities			3,504,717
Creditors: amounts falling due after more than one year	13		(3,588,363)
Provisions for liabilities and charges	14		<u>(8,250)</u>
Deficiency of assets			<u>(91,896)</u>
Capital and reserves			
Called up share capital	16		100
Profit and loss account			<u>(91,996)</u>
Equity shareholders' funds			<u>(91,896)</u>

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies .

The abbreviated accounts were approved by the Board on 24 December 2003 and signed on its behalf by



B G Ford Williams
Director

The notes on pages 7 to 17 form an integral part of these financial statements.

Sun Healthcare Limited

**Cash flow statement
for the year ended 30 June 2002**

	Notes	2002 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit		164,992
Depreciation		97,714
(Increase) in stocks		(15,000)
(Increase) in debtors		(183,201)
Increase in creditors		302,679
Net cash inflow from operating activities		<u>367,184</u>
Cash flow statement		
Net cash inflow from operating activities		367,184
Returns on investments and servicing of finance	22	(235,184)
Capital expenditure	22	(3,649,329)
		<u>(3,517,329)</u>
Financing	22	3,555,227
Increase in cash in the year		<u>37,898</u>
Reconciliation of net cash flow to movement in net debt (Note 23)		
Increase in cash in the year		37,898
Cash inflow from decrease in debts and lease financing		(3,555,127)
Change in net debt resulting from cash flows		(3,517,229)
New finance leases and hire purchase contracts		(47,339)
Net debt at 30 June 2002		<u>(3,564,568)</u>

Sun Healthcare Limited

Notes to the abbreviated financial statements for the year ended 30 June 2002

1. Accounting policies

1.1. Accounting convention

The accounts are prepared under the historical cost convention .

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 20 years.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	Straight line over 50 years
Fixtures, fittings and equipment	-	15% on a reducing balance basis
Motor vehicles	-	25% on a reducing balance basis

1.5. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6. Stock

Stock is valued at the lower of cost and net realisable value.

1.7. Deferred taxation

The company adopted Financial Reporting Standard 19 "Deferred Taxation" (FRS 19) during the financial year.

Full provision is made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date.

Sun Healthcare Limited

Notes to the abbreviated financial statements for the year ended 30 June 2002

2.	Operating profit	2002
		£
	Operating profit is stated after charging:	
	Depreciation and other amounts written off intangible assets	12,500
	Depreciation and other amounts written off tangible assets	85,214
	Operating lease rentals	
	- Plant and machinery	5,508
	Auditors' remuneration	12,925
		<u> </u>
3.	Interest receivable and similar income	2002
		£
	Bank interest	1,191
		<u> </u>
4.	Interest payable and similar charges	2002
		£
	On loans repayable in five years or more	179,425
	Hire purchase interest	1,235
	Other loan interest	55,715
		<u> </u>
		<u>236,375</u>
5.	Employees	
	Number of employees	
	The average monthly numbers of employees	2002
	(including the directors) during the year were:	Number
	Directors	2
	Administration and management	16
	Nursing and kitchen	158
		<u> </u>
		<u>176</u>
	Employment costs	2002
		£
	Wages and salaries	1,465,325
	Social security costs	87,982
		<u> </u>
		<u>1,553,307</u>

Sun Healthcare Limited

**Notes to the abbreviated financial statements
for the year ended 30 June 2002**

5.1. Directors' emoluments	2002
	£

Remuneration and other emoluments	153,445
Sums paid to third parties	52,086
	<u>205,531</u>

6. Directors' emoluments	2002
	£

Remuneration and other emoluments	<u>153,445</u>
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Sun Healthcare Limited

**Notes to the abbreviated financial statements
for the year ended 30 June 2002**

7. Tax on loss on ordinary activities

Analysis of charge in period	2002 £
Current tax	
UK corporation tax	13,554
Total current tax charge	<u>13,554</u>
Deferred tax	
Timing differences, origination and reversal	8,250
Total deferred tax	<u>8,250</u>
Tax on profit on ordinary activities	<u><u>21,804</u></u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (20 per cent). The differences are explained below:

	2002 £
Loss on ordinary activities before taxation	<u>(70,192)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.7496%	(13,802)
Expenses not deductible for tax purposes	22,192
Depreciation for period in excess of capital allowances	<u>5,164</u>
Current tax charge for period	<u><u>13,554</u></u>

Sun Healthcare Limited

**Notes to the abbreviated financial statements
for the year ended 30 June 2002**

8. Intangible fixed assets

	Goodwill £	Total £
Cost		
Additions	250,000	250,000
At 30 June 2002	<u>250,000</u>	<u>250,000</u>
Provision for diminution in value		
Charge for year	12,500	12,500
At 30 June 2002	<u>12,500</u>	<u>12,500</u>
Net book value At 30 June 2002	<u>237,500</u>	<u>237,500</u>

9. Tangible fixed assets

	Land and buildings freehold £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
Additions	3,241,585	184,538	20,545	3,446,668
At 30 June 2002	<u>3,241,585</u>	<u>184,538</u>	<u>20,545</u>	<u>3,446,668</u>
Depreciation				
Charge for the year	57,216	23,290	4,708	85,214
At 30 June 2002	<u>57,216</u>	<u>23,290</u>	<u>4,708</u>	<u>85,214</u>
Net book value At 30 June 2002	<u>3,184,369</u>	<u>161,248</u>	<u>15,837</u>	<u>3,361,454</u>

Land and buildings additions include £188,559 in respect of stamp duty and legal fees on purchase.

Sun Healthcare Limited

**Notes to the abbreviated financial statements
for the year ended 30 June 2002**

Included above are assets held under finance leases or hire purchase contracts as follows:

Asset description	2002	
	book value	Net Depreciation charge
	£	£
Fixtures, fittings and Equipment	2,869	420
Motor vehicles	15,837	4,708
	<u>18,706</u>	<u>5,128</u>
10. Stocks		2002
		£
Stocks of raw materials and consumables		15,000
		<u>15,000</u>
11. Debtors		2002
		£
Trade debtors		173,022
Other debtors		10,179
		<u>183,201</u>
12. Creditors: amounts falling due within one year		2002
		£
Net obligations under finance leases and hire purchase contracts		14,103
Trade creditors		52,112
Corporation tax		13,554
Other taxes and social security costs		120,718
Directors' accounts		103,410
Accruals and deferred income		26,439
		<u>330,336</u>

Sun Healthcare Limited

Notes to the abbreviated financial statements for the year ended 30 June 2002

13. Creditors: amounts falling due after more than one year 2002 £

Directors loan account	390,000
Mortgage loan	3,100,000
Other loan	75,000
Net obligations under finance leases and hire purchase contracts	23,363
	<u>3,588,363</u>

Loans

Repayable between two and five years	155,000
Repayable in five years or more	3,410,000
	<u>3,565,000</u>

Repayable in five years or more:

Directors loan account	390,000
Mortgage loan	2,945,000
Other loan	75,000
	<u>3,410,000</u>

The mortgage loan is repayable over a term of 25 years from 30th June 2001. However the company have a capital payment holiday until 30th June 2006.

Net obligations under finance leases and hire purchase contracts

Repayable within one year	14,103
Repayable between one and five years	23,363
	<u>37,466</u>

The mortgage loan is secured on the following:-

A first legal charge over the properties known as:-

- St Margarets Nursing Home, Grimsby
- Havenfield Lodge Nursing Home, Barnsley
- Tapton Grove Nursing Home, Chesterfield

A fixed and floating charge over the assets of the company.

Subordinated directors loan

The directors loan of £390,000 is subordinated in favour of the mortgage lender (see note 21).

Sun Healthcare Limited

**Notes to the abbreviated financial statements
for the year ended 30 June 2002**

14 Provisions for liabilities and charges

	Deferred taxation (Note 15) £	Total £
Movements in the year	8,250	8,250
At 30 June 2002	<u>8,250</u>	<u>8,250</u>

15. Provision for deferred taxation

	2002 £
Accelerated capital allowances	<u>8,250</u>
Deferred tax charge in profit and loss account	<u>8,250</u>
Provision at 30 June 2002	<u>8,250</u>

16. Share capital

	2002 £
Authorised equity	
10,000 Ordinary shares of £1 each	<u>10,000</u>
Allotted, called up and fully paid equity	
100 Ordinary shares of £1 each	<u>100</u>

During the period the company issued 100 ordinary shares at par value of £1 each.

Sun Healthcare Limited

Notes to the abbreviated financial statements for the year ended 30 June 2002

17. Financial commitments

At 30 June 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2002 £	Other 2002 £
Expiry date:		
Between one and five years	-	8,094
In over five years	-	5,428
	<u>-</u>	<u>13,522</u>

18. Fundamental uncertainty

On 29th June 2001 the company purchased St Margarets Nursing Home, Grimsby from Mr B G Ford-Williams, a controlling director of the company for what in their opinion should have been a purchase price of £1,600,000. The transaction was entered into in the normal course of business and on an arms length basis with the intended purchase price being as per the valuation carried out by Chesterton Plc International Property Consultants on 20th June 2001 (see note in Directors Report). However the sale and purchase agreement shows the purchase price to be £1,440,000. In the opinion of the directors, this is incorrect and they have written to the solicitors instructing them to convey the nursing home at the intended price of £1,600,000. The financial statements have been prepared on the basis of a purchase price of £1,600,000. Should this not be the case the effect on the financial statements would be that the cost of the land and buildings would be reduced by £160,000 and the balance on Mr B G Ford-Williams' loan account would be reduced by £160,000.

19. Transactions with directors

The following directors had interest free loans during the year. The movements on these loans are as follows:

	Amount owing 2002 £	Maximum in year £
I R Watling	<u>5,019</u>	<u>5,019</u>

I R Watling who is in dispute with the company does not accept that he has received a loan from the company.

Sun Healthcare Limited

Notes to the abbreviated financial statements for the year ended 30 June 2002

20. Related party transactions

During the year the following related party transaction took place:-

On the 29th June 2001 the company purchased St. Margarets Nursing Home, Grimsby for £1,600,000 from Mr B G Ford Williams a controlling director of the company. The transaction was entered into in the normal course of business and on an arm's length basis.

Personal guarantees have been given to the mortgage lender by Mr B G Ford Williams, a controlling director of the company and Mr I R Watling, a director and minority shareholder, for £700,000 each on a joint and several liability basis.

As a condition of the primary lending terms dated 5th June 2001, Mr B G Ford Williams has agreed to subordinate his directors loan account in the sum of £390,000 in favour of the mortgage lender.

21. Clients bank accounts

Amounts held on behalf of residents in clients bank accounts amounted to £48,354 and has been excluded from the company's balance sheet.

22. Gross cash flows

	2002 £
Returns on investments and servicing of finance	
Interest received	1,191
Interest paid	(236,375)
	<u>(235,184)</u>
Capital expenditure	
Payments to acquire intangible assets	(250,000)
Payments to acquire tangible assets	(3,399,329)
	<u>(3,649,329)</u>
Financing	
Issue of ordinary share capital	100
New directors loan	390,000
New long term bank loan	3,100,000
Other new long term loans	75,000
Capital element of finance leases and hire purchase contracts	(9,873)
	<u>3,555,227</u>

Sun Healthcare Limited

**Notes to the abbreviated financial statements
for the year ended 30 June 2002**

23. Analysis of changes in net funds

	Cash flows	Other changes	Closing balance
	£	£	£
Cash at bank and in hand	37,898		37,898
Debt due after one year	(3,565,000)	-	(3,565,000)
Finance leases and hire purchase contracts	9,873	(47,339)	(37,466)
	(3,555,127)	(47,339)	(3,602,466)
Net funds	<u>(3,517,229)</u>	<u>(47,339)</u>	<u>(3,564,568)</u>