Registration number 04220821

Sun Healthcare Limited

Abbreviated accounts

for the year ended 30 June 2003



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Sun Healthcare Limited

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Sun Healthcare Limited

Directors' report
for the year ended 30 June 2003

The directors present their report and the accounts for the year ended 30 June 2003.

Principal activity and review of the business
The principal activity of the company was that of the operation of nursing homes.

The figures for the year ended 30th June 2002 are based on the two nursing homes purchased at the start of the financial year and one nursing home purchased part way through the year as follows :-

St. Margarets Nursing Home, Grimsby, purchased 29/06/2001
Havenfield Lodge Nursing Home, Barnsley, purchased 19/07/2001
Tapton Grove Nursing Home, Chesterfield, purchased 18/10/2001

The figures for the year ended 30 June 2003 are based on the three nursing homes being fully operational throughout the period.

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

The results for the year, although an improvement on the first years trading are somewhat disappointing. The directors attribute the disappointing trading figures to the distraction of a shareholder dispute persuant to Section 459 of the Companies Act 1985 which is to go to a valuation trial in July 2004.

The directors do not recommend payment of a final dividend.

Future Developments
Work is continuing on the renovation of the existing homes to maintain registrations with the National Care Standards Commission. In particular, major renovation work at Tapton Grove Nursing Home has to be carried out. The directors envisage that the cost of this work will be in the region of £1,000,000 and will also involve the loss of as many as 10 beds. The first phase of this renovation work was completed in January 2004 at a cost of some £32,000 for a new roof.

It has been agreed by the directors that a full enquiry will be made into the purchase price of St. Margarets Nursing Home, see note 19 (note 20 of the financial statements).

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

	Ordinary shares	
	30/06/03	**01/07/02**
B G Ford Williams	51	51
I R Watling	49	49

Directors' report
for the year ended 30 June 2003

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 guidence 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:-

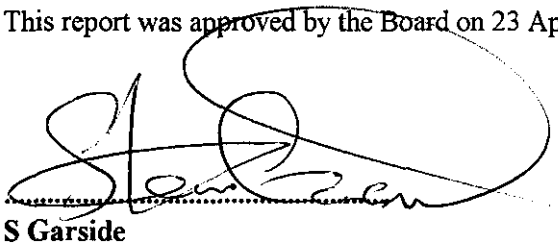
	£
St. Margarets Nursing Home, Grimsby (purchased 29/6/2001)	1,600,000
Havenfield Lodge Nursing Home, Barnsley (purchased 19/7/2001)	1,300,000
Tapton Grove Nursing Home, Chesterfield (purchased 18/10/01)	1,200,000

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 23 April 2004 and signed on its behalf by



S Garside
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 18 together with the financial statements of Sun Healthcare Limited for the year ended 30 June 2003 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 2003, and the abbreviated accounts on pages 4 to 18 are properly prepared in accordance with that provision.

Harris & Co.
Chartered Accountants and
Registered auditors

Date : 23 April 2004

Marland House
13 Huddersfield Road
Barnsley
South Yorkshire
S70 2LW

Abbreviated profit and loss account
for the year ended 30 June 2003

	Notes	Continuing operations 2003 £	2002 £
Gross profit		2,613,300	2,169,229
Administrative expenses		(2,374,117)	(2,004,237)
Operating profit	2	239,183	164,992
Other interest receivable and similar income	3	2,678	1,191
Interest payable and similar charges	4	(247,528)	(236,375)
Loss on ordinary activities before taxation		(5,667)	(70,192)
Tax on loss on ordinary activities	6	21,804	(21,804)
Retained profit/(loss) for the year		16,137	(91,996)
Accumulated (loss)/profit brought forward		(91,996)	-
Accumulated loss carried forward		(75,859)	(91,996)

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

The notes on pages 7 to 18 form an integral part of these financial statements.

Sun Healthcare Limited

Abbreviated balance sheet
as at 30 June 2003

	Notes	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Intangible assets	7		225,000		237,500
Tangible assets	8		3,335,950		3,361,454
			3,560,950		3,598,954
Current assets					
Stocks	9	15,000		15,000	
Debtors	10	180,044		183,201	
Cash at bank and in hand		83,275		37,898	
		278,319		236,099	
Creditors: amounts falling due within one year	11	(323,797)		(330,336)	
Net current liabilities			(45,478)		(94,237)
Total assets less current liabilities			3,515,472		3,504,717
Creditors: amounts falling due after more than one year	12		(3,591,231)		(3,588,363)
Provisions for liabilities and charges	13		-		(8,250)
Deficiency of assets			(75,759)		(91,896)
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account	16		(75,859)		(91,996)
Equity shareholders' funds	17		(75,759)		(91,896)

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 23 April 2004 and signed on its behalf by

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S Garside
Director

The notes on pages 7 to 18 form an integral part of these financial statements.

Cash flow statement
for the year ended 30 June 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		239,183	164,992
Depreciation		115,825	97,714
(Increase) in stocks		-	(15,000)
Decrease in debtors		3,157	(183,201)
Increase in creditors		1,566	302,679
Net cash inflow from operating activities		359,731	367,184
Cash flow statement			
Net cash inflow from operating activities		359,731	367,184
Returns on investments and servicing of finance	23	(244,850)	(235,184)
Capital expenditure	23	(44,277)	(3,649,329)
		70,604	(3,517,329)
Financing	23	(25,227)	3,555,227
Increase in cash in the year		45,377	37,898
Reconciliation of net cash flow to movement in net funds (Note 24)			
Increase in cash in the year		45,377	37,898
Cash outflow from increase in debts and lease financing		25,227	(3,555,127)
Change in net funds resulting from cash flows		70,604	(3,517,229)
New finance leases and hire purchase contracts		(33,544)	(47,339)
Movement in net funds in the year		37,060	(3,564,568)
Net debt at 1 July 2002		(3,564,568)	-
Net debt at 30 June 2003		(3,527,508)	(3,564,568)

Notes to the abbreviated financial statements for the year ended 30 June 2003

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Operating profit

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	12,500	12,500
Depreciation and other amounts written off tangible assets	103,325	85,214
Operating lease rentals		
- Plant and machinery	237	5,508
Auditors' remuneration	8,225	12,925

3. Interest receivable and similar income

	2003	2002
	£	£
Bank interest	1,236	1,191
Other interest	1,442	-
	2,678	1,191

4. Interest payable and similar charges

	2003	2002
	£	£
On loans repayable in five years or more	183,424	179,425
Hire purchase interest	4,558	1,235
Other loan interest	54,046	55,715
Other interest	5,500	-
	247,528	236,375

5. Employees

Number of employees

The average monthly numbers of employees (including the directors) during the year were:	2003 Number	2002 Number
Directors	2	2
Administration and management	15	16
Nursing and kitchen	175	158
	192	176

Employment costs	2003	2002
	£	£
Wages and salaries	1,737,342	1,465,325
Social security costs	110,847	87,982
	1,848,189	1,553,307

5.1. Directors' emoluments

	2003	2002
	£	£
Remuneration and other emoluments	105,360	153,445

6. Tax on loss on ordinary activities

Analysis of charge in period	2003 £	2002 £
Current tax		
UK corporation tax	-	13,554
Prior period adjustments	(13,554)	-
	(13,554)	13,554
Total current tax charge	(13,554)	13,554
Deferred tax		
Timing differences, origination and reversal	(8,250)	8,250
Total deferred tax	(8,250)	8,250
Tax on profit on ordinary activities	(21,804)	21,804

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (19 per cent). The differences are explained below:

	2003 £	2002 £
Loss on ordinary activities before taxation	(5,667)	(70,192)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.000% (30 June 2002 : 19.749%)	(1,077)	(13,802)
Expenses not deductible for tax purposes	1,603	22,192
Depreciation for period in excess of capital allowances	2,803	5,164
Utilisation of tax losses	(3,329)	-
Adjustments to tax charge in respect of previous periods	(13,554)	-
Current tax charge for period	(13,554)	13,554

7. Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1 July 2002	250,000	250,000
At 30 June 2003	250,000	250,000
Provision for diminution in value		
At 1 July 2002	12,500	12,500
Charge for year	12,500	12,500
At 30 June 2003	25,000	25,000
Net book values		
At 30 June 2003	225,000	225,000
At 30 June 2002	237,500	237,500

8. Tangible fixed assets

	Land and buildings freehold £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2002	3,241,585	184,538	20,545	3,446,668
Additions	31,192	7,456	39,173	77,821
At 30 June 2003	3,272,777	191,994	59,718	3,524,489
Depreciation				
At 1 July 2002	57,216	23,290	4,708	85,214
Charge for the year	65,456	24,118	13,751	103,325
At 30 June 2003	122,672	47,408	18,459	188,539
Net book values				
At 30 June 2003	3,150,105	144,586	41,259	3,335,950
At 30 June 2002	3,184,369	161,248	15,837	3,361,454

Land and buildings cost at 1 July 2002 includes £188,559 in respect of stamp duty and legal fees on purchase.

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

Asset description	2003 Net book value £	2003 Depreciation charge £	2002 Net book value £	2002 Depreciation charge £
Fixtures, fittings and Equipment	27,101	1,636	2,869	420
Motor vehicles	32,878	10,960	15,837	4,708
	59,979	12,596	18,706	5,128

9. Stocks

	2003 £	2002 £
Stocks of raw materials and consumables	15,000	15,000

10. Debtors

	2003 £	2002 £
Trade debtors	155,496	173,022
Other debtors	18,108	10,179
Prepayments and accrued income	6,440	-
	180,044	183,201

11. Creditors: amounts falling due within one year

	2003 £	2002 £
Net obligations under finance leases and hire purchase contracts	19,552	14,103
Trade creditors	36,974	52,112
Corporation tax	-	13,554
Other taxes and social security costs	138,220	120,718
Directors' accounts	71,785	103,410
Accruals and deferred income	57,266	26,439
	323,797	330,336

12. Creditors: amounts falling due after more than one year	2003 £	2002 £
Directors loan account	390,000	390,000
Mortgage loan	3,100,000	3,100,000
Other loan	75,000	75,000
Net obligations under finance leases and hire purchase contracts	26,231	23,363
	3,591,231	3,588,363
Loans		
Repayable between two and five years	310,000	155,000
Repayable in five years or more	3,255,000	3,410,000
	3,565,000	3,565,000
Repayable in five years or more:		
Directors loan account	390,000	390,000
Mortgage loan	2,790,000	2,945,000
Other loan	75,000	75,000
	3,255,000	3,410,000

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	19,552	14,103
Repayable between one and five years	26,231	23,363
	45,783	37,466

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).

13 Provisions for liabilities and charges

	Deferred taxation (Note 14) £
At 1 July 2002	8,250
Movements in the year	8,250
At 30 June 2003	-

14. Provision for deferred taxation

	2003 £	2002 £
Accelerated capital allowances	25,710	8,250
Tax losses carried forward	(25,710)	-
Undiscounted provision for deferred tax	-	8,250

Provision at 1 July 2002	8,250
Deferred tax charge in profit and loss account	(8,250)
Provision at 30 June 2003	-

15. Share capital

	2003 £	2002 £
Authorised equity		
10,000 Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid equity		
100 Ordinary shares of £1 each	100	100

16. Equity Reserves

	Profit and loss account £	Total £
At 1 July 2002	(91,996)	(91,996)
Retained profit/(loss) for the year	16,137	16,137
At 30 June 2003	(75,859)	(75,859)

17. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit/(loss) for the year	16,137	(91,996)
Net proceeds of equity share issue	-	100
Net addition to shareholders' funds	16,137	(91,896)
Opening shareholders' funds	(91,896)	-
Closing shareholders' funds	(75,759)	(91,896)

18. Financial commitments

At 30 June 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Other 2003 £	2002 £
Expiry date:		
Between one and five years	17,334	8,094
In over five years	-	5,428
	17,334	13,522

19. 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 solicitors have replied that for them to unilaterally now alter the purchase price and to pay the additional stamp duty when they know that there is a dispute between the shareholders, Mr Ford-Williams and Mr Ian Watling would be inappropriate or impossible or both as they clearly do not have the consent of both parties to do so. The company are still adamant that the intended purchase price was £1,600,000 and it is on this basis that the financial statements have been prepared. Should this not be the case the effect on the financial statements would be as follows:

- 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.

- The depreciation for the year on freehold property would be reduced by £3,200 (2002 £3,200).

- Other loan interest charged in the accounts would be reduced by £17,978 (2002 £16,600) and consequently the balance on Mr Ford-Williams loan.

The financial statements include Mr Watlings overdrawn loan account of £18,108. Mr Watling is in dispute with the company and does not accept that he has received a loan from the company. In his opinion the overdrawn loan account relates to directors remuneration which is due to him and payments for an Allied Dunbar policy which should be a company expense. The financial statements have been prepared on the basis that the payments made were loans. Should this not be the case the effect on the financial statements would be that the balance of £18,108 would be charged to the profit and loss account reducing the net profit by £13,089 (2002 £5,019).

The financial statements include Mr Ford-Williams loan account at £461,785. Mr Watling who is in dispute with the company does not agree with the balance due, in the main, to the matters mentioned in the fundamental uncertaincy described in paragraph 1 above.

20. Transactions with directors

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

	Amount owing 2003 £	2002 £	Maximum in year £
I R Watling	18,108	5,019	18,108

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

21. Related party transactions

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 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.

22. Clients bank accounts

Amounts held on behalf of residents in clients bank accounts amounted to £72,265 and has been excluded from the company's balance sheet.

23. Gross cash flows

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	2,678	1,191
Interest paid	(247,528)	(236,375)
	(244,850)	(235,184)
Capital expenditure		
Payments to acquire intangible assets	-	(250,000)
Payments to acquire tangible assets	(44,277)	(3,399,329)
	(44,277)	(3,649,329)
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	(25,227)	(9,873)
	(25,227)	3,555,227

24. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	37,898	45,377		83,275
Debt due after one year	(3,565,000)	-	-	(3,565,000)
Finance leases and hire purchase contracts	(37,466)	25,227	(33,544)	(45,783)
	(3,602,466)	25,227	(33,544)	(3,610,783)
Net funds	(3,564,568)	70,604	(33,544)	(3,527,508)