Registration number 04220821

Sun Healthcare Limited

Abbreviated accounts

for the year ended 30 June 2004



Sun Healthcare Limited

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Sun Healthcare Limited

Directors' report
for the year ended 30 June 2004

The directors present their report and the accounts for the year ended 30 June 2004.

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

The figures for the year ended 30th June 2004 are based on the three nursing homes already fully operational at 1st July 2003, together with one home in operation for only part of 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
Shaftsbury House Nursing Home, leased from 25/11/2003

Shaftsbury House Nursing Home was not fully operational during the year (see Results and dividends note below).

Results and dividends
The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

The company has during the financial year leased a property in Barnsley called Shaftsbury House. The company has converted the property from a 16 bed unit to a 2007 compliant 10 bed home to care for people with severe learning disabilities. The home became certified by the C.S.C.I in April 2004 some 5 months after taking the lease. The home opened with only 2 residents, however, at the time of writing this report this has increased to 4 with a further resident due imminently. It is believed that with 5 or more residents in place Shaftsbury House will make a significant impact on the income of the company and that will filter through to the profitability of the company in the year 2004-2005.

The previous reported dispute between the shareholders has now been resolved culminating with the sale of Mr Watlings' 49% shareholding to Mrs Ford-Williams, a director of Sun Healthcare Limited. This has also had the effect of resolving the matters contained within the fundamental uncertainty contained in the company's accounts for the year ending 30 June 2003, but has resulted in a prior year adjustment to the accounts, as described in note 18.

Future Developments
The directors announce that the program of upgrading Tapton in line with the C.S.C.I requests began in the September of 2004. The C.S.C.I are regularly informed of the progress. These works were delayed as a result of the shareholder dispute reported in previous Directors' reports.

In addition to the above, 2 new en-suite rooms are being built at Havenfield Lodge in addition to the company applying for consent to add 3 more rooms to the site.

All the current works are being funded from the company's cash flow.

Directors' report
for the year ended 30 June 2004

Directors and their interests

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

	Ordinary shares	
	30/06/04	01/07/03
B G Ford Williams	50	51
I R Watling	49	49
S J Ford Williams	1	-

S J Ford-Williams purchased I R Watlings' 49 £1 ordinary shares on 7 September 2004.

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 were 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, which have not been incorporated in the company's financial statements were as follows:-

	£
St. Margarets Nursing Home, Grimsby	1,600,000
Havenfield Lodge Nursing Home, Barnsley	1,300,000
Tapton Grove Nursing Home, Chesterfield	1,200,000

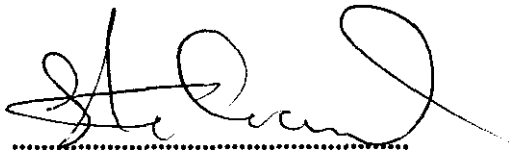
Directors' report
for the year ended 30 June 2004

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 3-05-2005 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 5 to 20 together with the financial statements of Sun Healthcare Limited for the year ended 30 June 2004 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 2004, and the abbreviated accounts on pages 5 to 20 are properly prepared in accordance with that provision.

Harris & Co.
Chartered Accountants and
Registered auditors

Date : 3rd March 2005

Marland House
13 Huddersfield Road
Barnsley
South Yorkshire
S70 2LW

Abbreviated profit and loss account
for the year ended 30 June 2004

	Notes	Continuing operations 2004 £	As restated 2003 £
Gross profit		3,006,122	2,613,300
Administrative expenses		(2,766,918)	(2,388,897)
Operating profit	2	239,204	224,403
Other interest receivable and similar income	3	1,852	2,678
Interest payable and similar charges	4	(227,842)	(229,602)
Profit/(loss) on ordinary activities before taxation		13,214	(2,521)
Tax on profit/(loss) on ordinary activities	6	(5,013)	21,804
Retained profit for the year		8,201	19,283
Statement of total recognised gains and losses			
Total recognised gains relating to the year		8,201	19,283
Prior year adjustment	18	23,142	-
Total recognised gains since last annual report		31,343	19,283

The notes on pages 8 to 20 form an integral part of these financial statements.

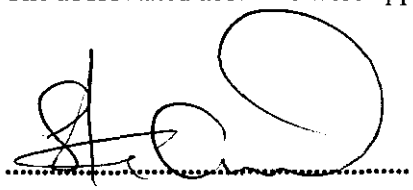
Sun Healthcare Limited

Abbreviated balance sheet
as at 30 June 2004

	Notes	2004 £	2004 £	As restated 2003 £	As restated 2003 £
Fixed assets					
Intangible assets	7		212,500		225,000
Tangible assets	8		3,217,392		3,176,206
			3,429,892		3,401,206
Current assets					
Stocks	9	17,500		15,000	
Debtors	10	167,961		161,936	
Cash at bank and in hand		91,492		83,275	
		276,953		260,211	
Creditors: amounts falling due within one year	11	(239,536)		(238,649)	
Net current assets			37,417		21,562
Total assets less current liabilities			3,467,309		3,422,768
Creditors: amounts falling due after more than one year	12		(3,511,725)		(3,475,385)
Deficiency of assets			(44,416)		(52,617)
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		(44,516)		(52,717)
Equity shareholders' funds	15		(44,416)		(52,617)

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 13-05-2005 and signed on its behalf by



S Garside
Director

The notes on pages 8 to 20 form an integral part of these financial statements.

Cash flow statement
for the year ended 30 June 2004

	Notes	2004 £	As restated 2003 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		239,204	224,403
Depreciation		136,146	112,497
(Increase) in stocks		(2,500)	-
(Increase) in debtors		(6,025)	21,265
(Decrease) in creditors		(2,967)	29,606
Net cash inflow from operating activities		363,858	387,771
Cash flow statement			
Net cash inflow from operating activities		363,858	387,771
Returns on investments and servicing of finance	**20**	(225,990)	(226,924)
Taxation	**20**	(1,199)	-
Capital expenditure	**20**	(134,856)	(44,277)
		1,813	116,570
Financing	**20**	6,404	(71,193)
Increase in cash in the year		8,217	45,377
Reconciliation of net cash flow to movement in net debt (Note 21)			
Increase in cash in the year		8,217	45,377
Cash inflow from decrease in debts and lease financing		(6,404)	71,193
Change in net funds resulting from cash flows		1,813	116,570
New finance leases and hire purchase contracts		(29,976)	(33,544)
Movement in net debt in the year		(28,163)	83,026
Net debt at 1 July 2003		(3,411,662)	(3,494,688)
Net debt at 30 June 2004		(3,439,825)	(3,411,662)

Notes to the abbreviated financial statements for the year ended 30 June 2004

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
Leasehold properties	-	Straight line over the life of the lease (25 years)
Fixtures, fittings and equipment	-	15% on a reducing balance basis/33 1/3 straight line 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	2004	As restated 2003
	£	£
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	123,646	99,997
Operating lease rentals		
- Plant and machinery	27,676	18,161
Auditors' remuneration	8,812	8,225

3. Interest receivable and similar income	2004	2003
	£	£
Bank interest	1,852	1,236
Other interest	-	1,442
	1,852	2,678

4. Interest payable and similar charges

	2004	As restated 2003
	£	£
Mortgage loan interest	184,662	183,424
Hire purchase interest	2,938	4,558
Other loan interest	36,499	36,120
Interest on overdue tax	3,743	5,500
	227,842	229,602

5. Employees

Number of employees

The average monthly numbers of employees (including the directors) during the year were:	2004 Number	2003 Number
Directors	5	2
Administration and management	16	15
Nursing and kitchen	167	175
	188	192

Employment costs

	2004	2003
	£	£
Wages and salaries	1,935,590	1,737,342
Social security costs	143,647	110,847
	2,079,237	1,848,189

5.1. Directors' emoluments

	2004	2003
	£	£
Remuneration and other emoluments	183,062	105,360

6. Tax on profit/(loss) on ordinary activities

Analysis of charge in period	2004 £	2003 £
Current tax		
UK corporation tax	486	-
Adjustments in respect of prior periods	4,527	(13,554)
	5,013	(13,554)
Total current tax charge	5,013	(13,554)
Deferred tax		
Timing differences, origination and reversal	-	(8,250)
Total deferred tax	-	(8,250)
Tax on profit on ordinary activities	5,013	(21,804)

Factors affecting tax charge for period

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

	2004 £	As restated 2003 £
Profit/(loss) on ordinary activities before taxation (2003: as previously reported)	13,214	(5,667)
Prior year adjustment	-	3,146
Profit/(loss) on ordinary activities before taxation	13,214	(2,521)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.000% (30 June 2003 : 19.000%)	2,511	(479)
Expenses not deductible for tax purposes	1,827	1,603
Depreciation for period in excess of capital allowances	2,757	2,803
Utilisation of tax losses	(4,806)	(3,927)
Adjustments to tax charge in respect of previous periods	4,527	(13,554)
Marginal rate relief	1,803	-
Current tax charge for period	5,013	(13,554)

7. Intangible fixed assets

	Goodwill	Total
	£	£
Cost		
At 1 July 2003	250,000	250,000
At 30 June 2004	250,000	250,000
Aggregate amortisation		
At 1 July 2003	25,000	25,000
Charge for year	12,500	12,500
At 30 June 2004	37,500	37,500
Net book values		
At 30 June 2004	212,500	212,500
At 30 June 2003	225,000	225,000

8. Tangible fixed assets

	Land and buildings freehold £	Short leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 30 June 2003 as previously reported	3,272,777	-	191,994	59,718	3,524,489
Prior year adjustment (Note 18)	(166,400)	-	-	-	(166,400)
At 1 July 2003	3,106,377	-	191,994	59,718	3,358,089
Additions	16,063	22,924	78,522	47,323	164,832
At 30 June 2004	3,122,440	22,924	270,516	107,041	3,522,921
Depreciation					
At 30 June 2003 as previously reported	122,672	-	47,408	18,459	188,539
Prior year adjustment (Note 18)	(6,656)	-	-	-	(6,656)
At 1 July 2003	116,016	-	47,408	18,459	181,883
Charge for the year	62,449	917	38,134	22,146	123,646
At 30 June 2004	178,465	917	85,542	40,605	305,529
Net book values					
At 30 June 2004	2,943,975	22,007	184,974	66,436	3,217,392
At 30 June 2003 as previously reported	3,150,105	-	144,586	41,259	3,335,950
Prior year adjustment	(159,744)	-	-	-	(159,744)
At 1 July 2003	2,990,361	-	144,586	41,259	3,176,206

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

	2004		2003	
Asset description	**Net book value £**	**Depreciation charge £**	**Net book value £**	**Depreciation charge £**
Fixtures, fittings and Equipment	25,647	1,454	27,101	1,636
Motor vehicles	47,553	15,852	32,878	10,960
	73,200	17,306	59,979	12,596

9. Stocks	2004 £	2003 £
Stocks of raw materials and consumables	17,500	15,000

10. Debtors	2004 £	As restated 2003 £
Trade debtors	140,408	155,496
Other debtors	5,233	-
Prepayments and accrued income	22,320	6,440
	167,961	161,936

11. Creditors: amounts falling due within one year	2004 £	As restated 2003 £
Net obligations under finance leases and hire purchase contracts	19,592	19,552
Trade creditors	87,242	36,974
Corporation tax	3,814	-
Other taxes and social security costs	82,358	124,857
Accruals and deferred income	46,530	57,266
	239,536	238,649

12. Creditors: amounts falling due after more than one year	2004 £	As restated 2003 £
Director's loan account	310,127	274,154
Mortgage loan	3,100,000	3,100,000
Other loan	75,000	75,000
Net obligations under finance leases and hire purchase contracts	26,598	26,231
	3,511,725	3,475,385
Loans		
Repayable between two and five years	465,000	310,000
Repayable in five years or more	3,020,127	3,139,154
	3,485,127	3,449,154
Repayable in five years or more:		
Director's loan account	310,127	274,154
Mortgage loan	2,635,000	2,790,000
Other loan	75,000	75,000
	3,020,127	3,139,154

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	19,592	19,552
Repayable between one and five years	26,598	26,231
	46,190	45,783

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

Subordinated directors loan

The directors loan of £310,127 is subordinated in favour of the mortgage lender.

13. Share capital	2004 £	2003 £
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

14. Equity Reserves	Profit and loss account £	Total £
At 30 June 2003		
as previously reported	(75,859)	(75,859)
Prior year adjustment	23,142	23,142
At 1 July 2003	(52,717)	(52,717)
Retained profit for the year	8,201	8,201
At 30 June 2004	(44,516)	(44,516)

15. Reconciliation of movements in shareholders' funds	2004 £	2003 £
Profit for the year	8,201	19,283
Opening shareholders' funds as previously reported	(75,759)	(71,900)
Prior year adjustment (Note 18)	3,146	19,996
Opening shareholders' funds as restated	(52,617)	(71,900)
Closing shareholders' funds	(44,416)	(52,617)

16. Financial commitments

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Between one and five years	-	-	26,948	17,334
In over five years	55,000	-	-	-
	55,000	-	26,948	17,334

17. Prior Year Adjustment

As a result of the full enquiry made by the company into the purchase price of St. Margarets Nursing Home, and following the agreement of the position on a disputed loan account, the two circumstances giving rise to the fundamental uncertainty referred to in the previous years accounts have now been resolved and the following prior year adjustments included in these accounts :-

Adjustments affecting only the balance sheet:
The cost of land and buildings brought forward at 1 July 2002 and 1 July 2003 has been reduced by £160,000, as has the balance on the director's loan account (included in creditors). As a result, the cost of the land and buildings brought forward has also been reduced by £6,400 for the related stamp duty as has the corresponding liability (included in other taxes and social security costs).

Adjustments affecting the profit and loss account:
As a result of the above prior year adjustments, depreciation on freehold property and interest on the director's loan account have both been reduced. The total prior year adjustment included in the 2004 statement of total recognised gains and losses on page 5 is made up as follows:-

	Restatement of profit and loss account (Charge)/credit		
	Total	2003	2002
	£	£	£
Reduction of depreciation on freehold property (fixed assets)	6,656	3,328	3,328
Reduction of interest on director's loan account (creditors)	34,594	17,926	16,668
	41,250	21,254	19,996
Mr I R Watling disputed loan account (debtors)	(18,108)	(18,108)	-
	23,142	3,146	19,996

Mr I R Watling was in dispute with the company at 30th June 2003 and did not accept that he had received a loan from the company. Mr I R Watling resigned as a director on 7 September 2004 and as part of his severance agreement this loan was written off.

18. Related party transactions

The directors consider the following to be related parties:-

Sun Asset Leasing Limited	-	A company in which B G Ford-Williams is the sole director and holds 100% of the share capital.
Ford-Williams Land	-	A business owned by S J Ford-Williams.
R W L Associates	-	A business owned by S Garside.
Ashtree On Line Developments	-	A business owned by S Garside.

During the year the following material related party transactions took place:-

£26,340 was paid to Sun Asset Leasing Limited for general and motor insurance.
£700 was paid to Sun Asset Leasing Limited for a photocopier.
£7,468 was paid to R W L Associates for management charges.
£44,229 was paid to Ashtree On Line Developments for computer software development, computer hardware and repairs.
£17,999 was paid to R W L Associates for the provision of temporary staff.
£37,420 was paid to S J Ford-Williams t/a Ford Williams Land for the lease of Shaftsbury House Nursing Home.
£7,821 was paid to Mr and Mrs Ford Williams for the rent of the registered office.
£28,999 gross interest (£23,199 net) on director's loans was paid to B G Ford-Williams (See note 13).

The following balances were due from/owed to related parties as at 30 June 2004:-

Included in Other Debtors:-

	2004	2003
	£	£
Sun Asset Leasing Limited	1,502	Nil

All the above transactions were entered into in the normal course of business and on an arms length basis.

Personal guarantees have been given to the mortgage lender by B G Ford-Williams, a controlling director of the company and I R Watling, a director and minority shareholder until the date of his resignation after the year end, for £700,000 each on a joint and several basis. However, I R Watling was released from his personal guarantees on 25 November 2004.

20. Gross cash flows

	2004	2003
	£	£
Returns on investments and servicing of finance		
Interest received	1,852	2,678
Interest paid	(227,842)	(229,602)
	(225,990)	(226,924)
Taxation		
Corporation tax paid	(1,199)	-
Capital expenditure		
Payments to acquire tangible assets	(134,856)	(44,277)
Financing		
New directors loan	35,973	(45,966)
Capital element of finance leases and hire purchase contracts	(29,569)	(25,227)
	6,404	(71,193)

21. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	83,275	8,217		91,492
Debt due after one year	(3,449,154)	(35,973)	-	(3,485,127)
Finance leases and hire purchase contracts	(45,783)	29,569	(29,976)	(46,190)
	(3,494,937)	(6,404)	(29,976)	(3,531,317)
Net funds	(3,411,662)	1,813	(29,976)	(3,439,825)