



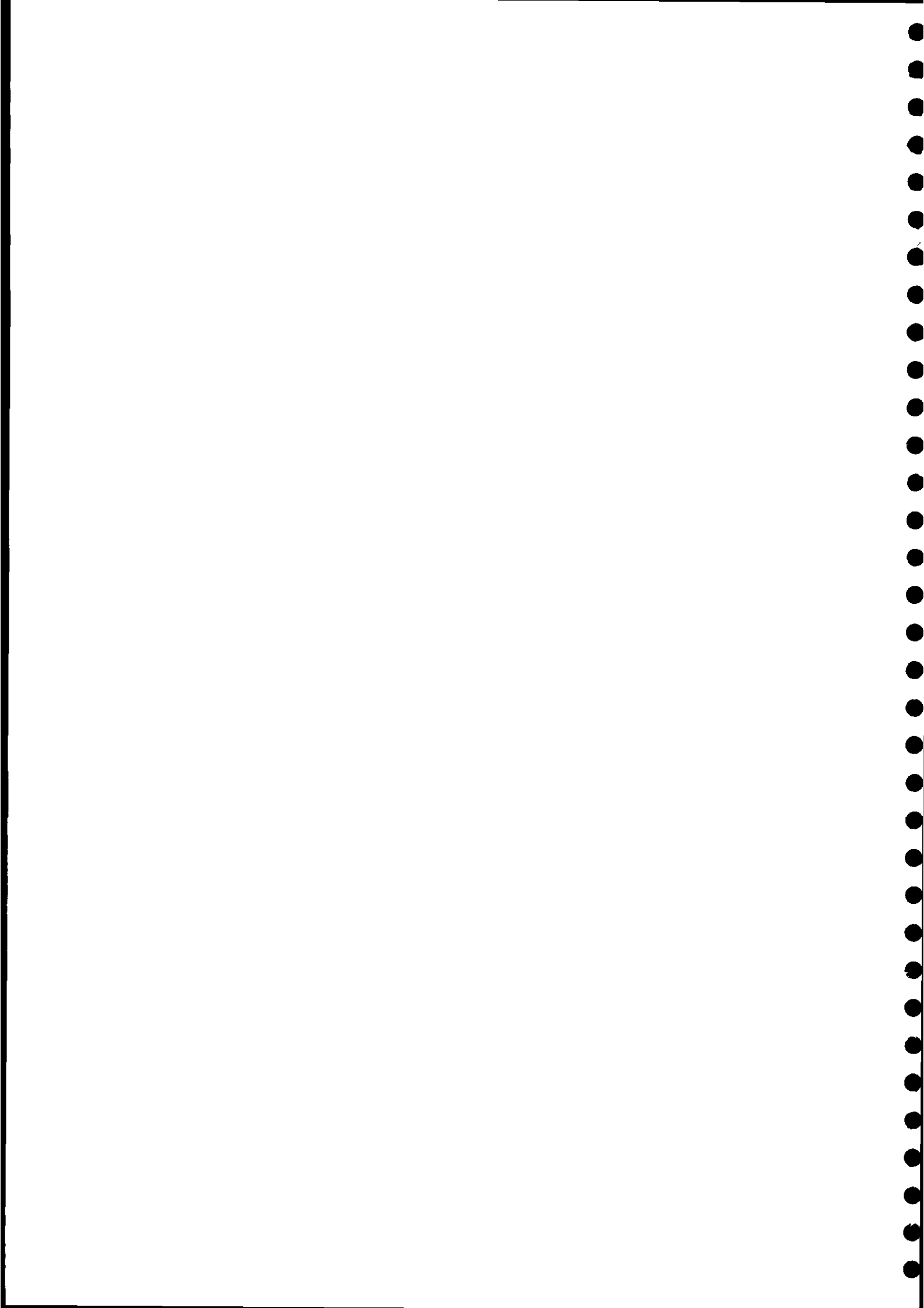
ARTHUR ANDERSEN

Noblerevel Limited

Financial statements for the year ended 27 December 1999
together with directors' and auditors' reports

Registered number: 2743181





Directors' report

For the year ended 27 December 1999

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 27 December 1999.

Principal activity

The company's principal trading activity during the year was the management and operation of a nursing home for highly dependent elderly residents.

Review of the business

The results for the year are as set out on page 5. There have been no significant changes in the activities of the company during the year.

Results and dividends

The profit for the year after taxation amounted to £2,482,000 (1998 – loss of £6,418,000). The directors do not recommend the payment of a dividend in respect of the year (1998 - £Nil). Accordingly, the loss for the year has been transferred to reserves.

Directors and directors' interests

The directors of the company who served during the year or from date of appointment if later are listed below:

J Ablett

S Lawrence

W H McInteer (appointed 18 October 1999, resigned 13 April 2000, appointed 18 January 2001)

W C Schelling (appointed 18 October 1999, resigned 13 April 2000)

C E Rhodes (resigned 4 August 1999)

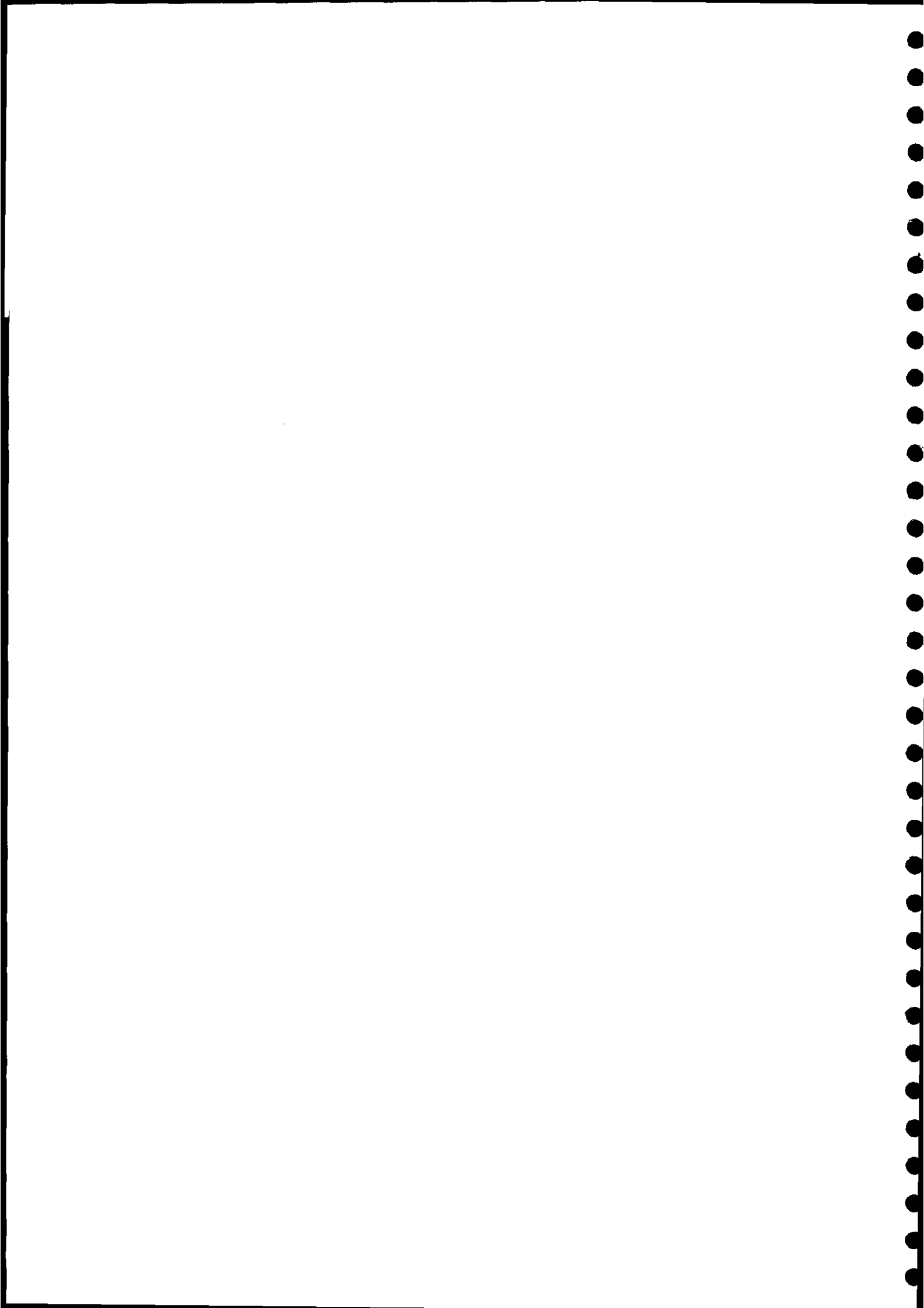
E A Farrall (resigned 15 October 1999)

A K Thomas (resigned 31 October 1999)

None of the directors serving at the year end had any interest in the share capital of any group company, other than as nominee.

Employee involvement

During the year, the directors have maintained a policy of involving employees in the affairs of the company. This is mainly done by regular, informal meetings with staff at the company's nursing homes as well as through established channels of communication. One director has particular responsibility for this aspect of the company's affairs.



Disabled employees

The company will employ disabled employees when they appear suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. Employees of the company who become disabled during the period of employment by the company will be given every opportunity to remain in the company's employment. The company arranges training for disabled employees as necessary.

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 affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

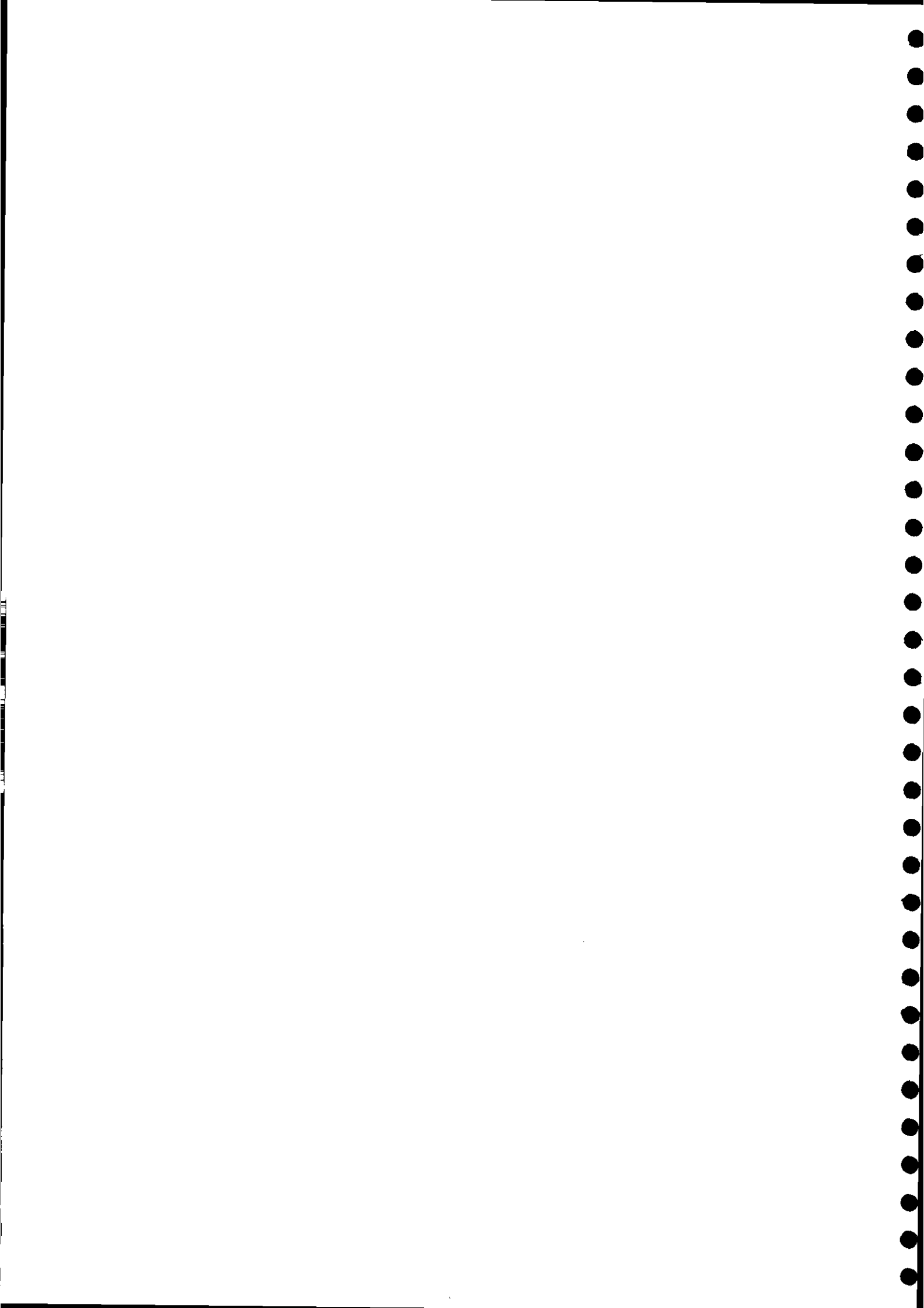
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Year 2000

The company assessed the risks to the business resulting from the date change to the Year 2000. Action plans were put in place to deal with the key risks. The Board is confident that Year 2000 compliance has been achieved and there has been no significant impact on the business as a result of the date change to the Year 2000. The cost of achieving Year 2000 compliance was not material and was absorbed within the existing budgets. The directors will continue to review this issue as part of their ongoing risk assessment procedures.

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.



Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

79 High Street
Eton
Windsor
Berkshire
SL4 6AF

A handwritten signature in black ink, appearing to read 'C Ford', written in a cursive style.

C Ford
Company Secretary

19 January 2001

To the Shareholders of Noblerevel Limited:

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out in note 1.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures set out in note 1a) 'Basis of accounting' relating to post balance sheet events and the strategic review and financing of the UK holding company, Sun Healthcare Group UK Limited and its subsidiaries, including this company. In view of the significance of these matters and their potential impact on the going concern basis adopted in these accounts, we believe that they should be brought to your attention. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 27 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
191 West George Street
Glasgow
G2 2LB

19 January 2001

Profit and loss account

For the year ended 27 December 1999

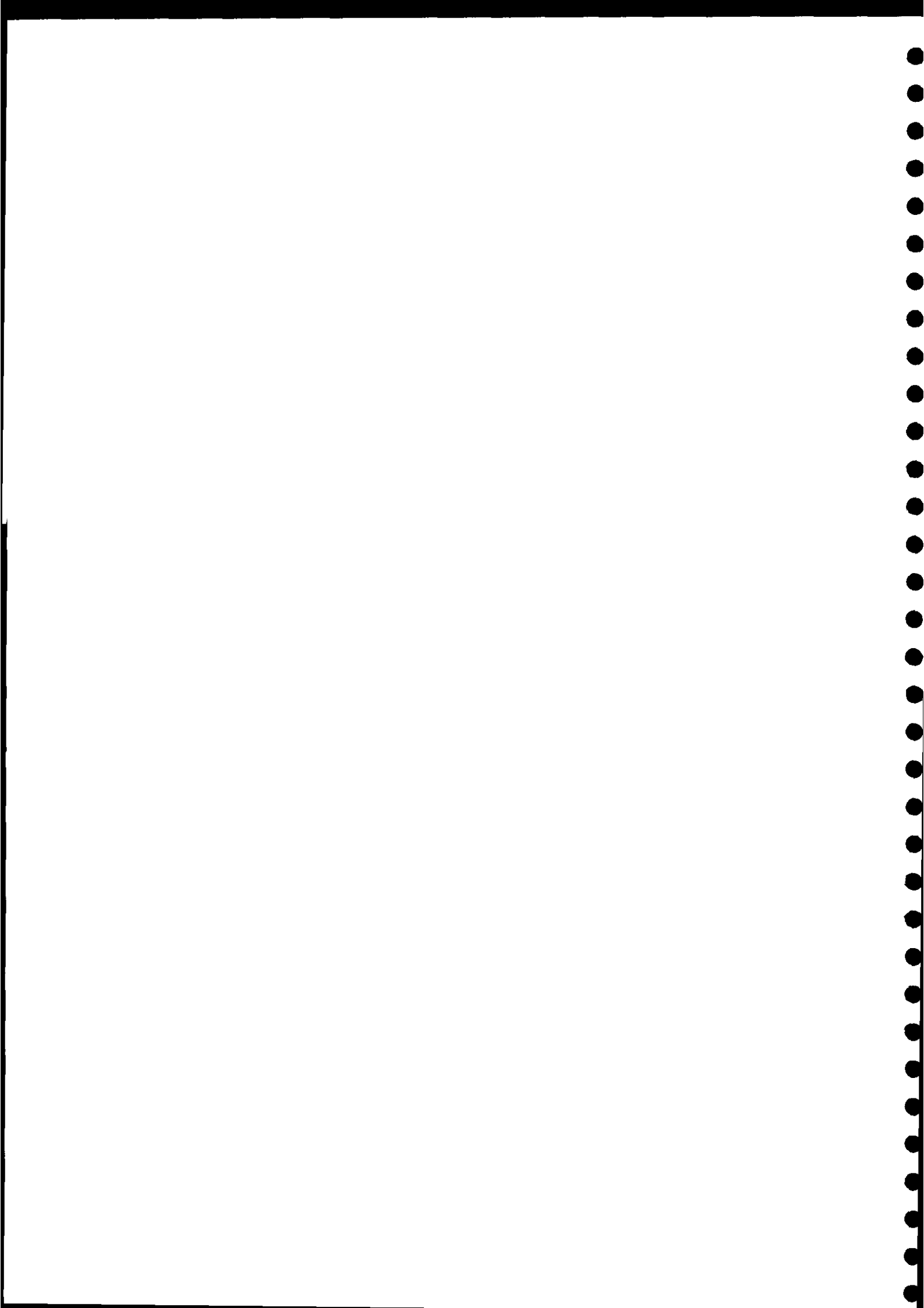
	Notes	1999 £000	1998 £000
Turnover		4,022	5,695
Cost of sales (including exceptional items)		(2,388)	(11,286)
Gross profit before exceptional items		832	880
Exceptional items	2	802	(6,471)
Gross profit/(loss) after exceptional items		1,634	(5,591)
Administrative expenses		(436)	(631)
Operating profit/(loss)	3	1,198	(6,222)
Loss on sale of tangible fixed assets		-	(196)
Profit/(loss) on ordinary activities before taxation		1,198	(6,418)
Taxation on profit/(loss) on ordinary activities	5	1,284	-
Profit/(loss) on ordinary activities after taxation	11	2,482	(6,418)

The results derive wholly from continuing operations.

As permitted by Financial Reporting Standard 3 'Reporting Financial Performance' the company has not prepared a Statement of Total Recognised Gains and Losses or a Reconciliation of Movements in Shareholders' Funds as it has no recognised gains or losses other than the profit/(loss) in either year.

The profit/(loss) in either year equates to the historical cost profit/(loss) in either year.

The accompanying notes are an integral part of this profit and loss account.



Balance sheet
27 December 1999

	Notes	1999 £000	1998 £000
Fixed assets			
Tangible assets	6	1,904	9,679
Current assets			
Debtors	7	93	928
		93	928
Creditors: amounts falling due within one year	8	(6,082)	(15,088)
Net current liabilities		(5,989)	(14,160)
Total assets less current liabilities		(4,085)	(4,481)
Provisions for liabilities and charges	9	(659)	(2,745)
Net liabilities		(4,744)	(7,226)
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	(4,744)	(7,226)
Shareholders' funds		(4,744)	(7,226)

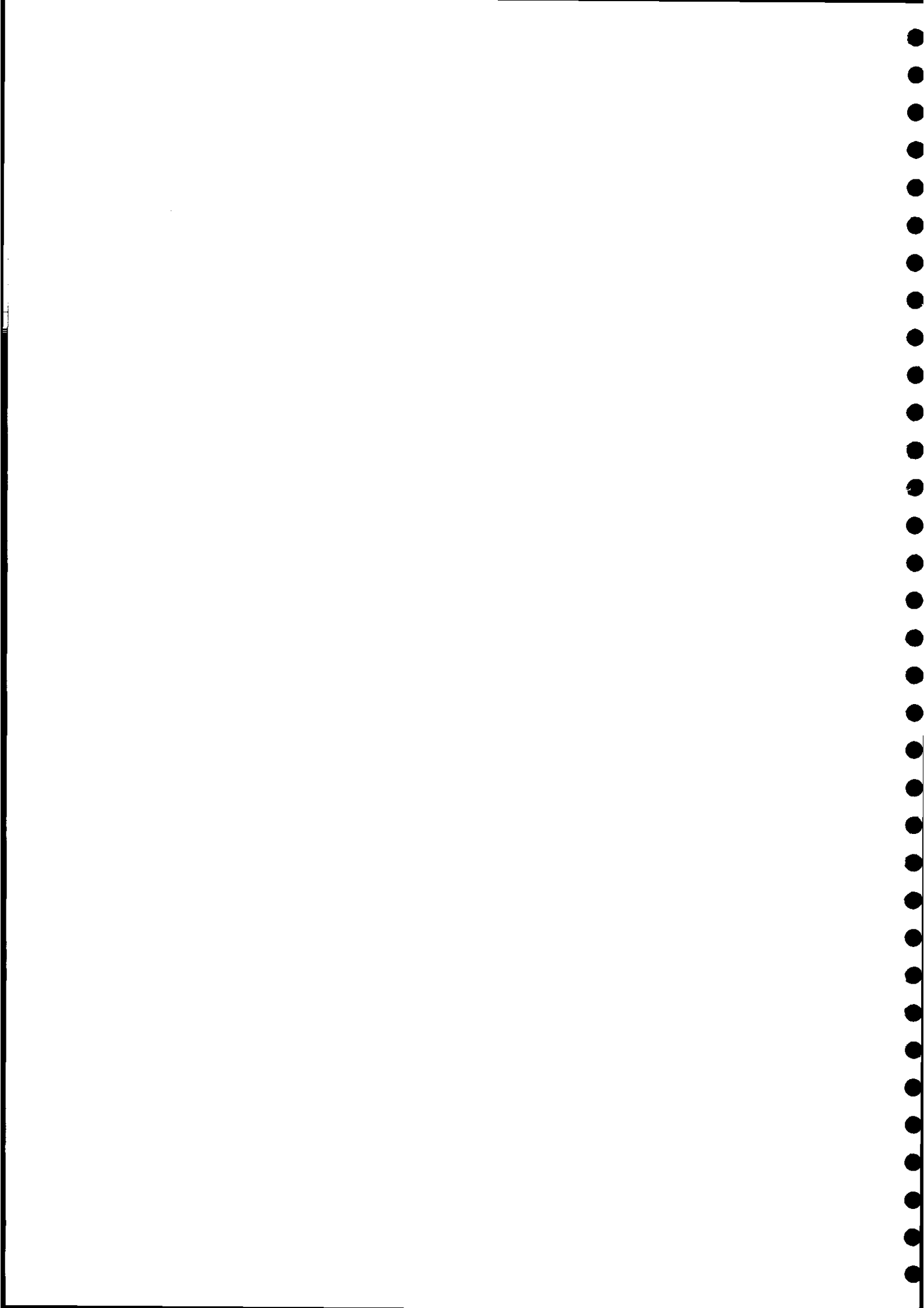
Signed on behalf of the Board,



W H McInteer
Director

19 January 2001

The accompanying notes are an integral part of this balance sheet.



Notes to the financial statements

27 December 1999

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are set out below.

a) Basis of accounting

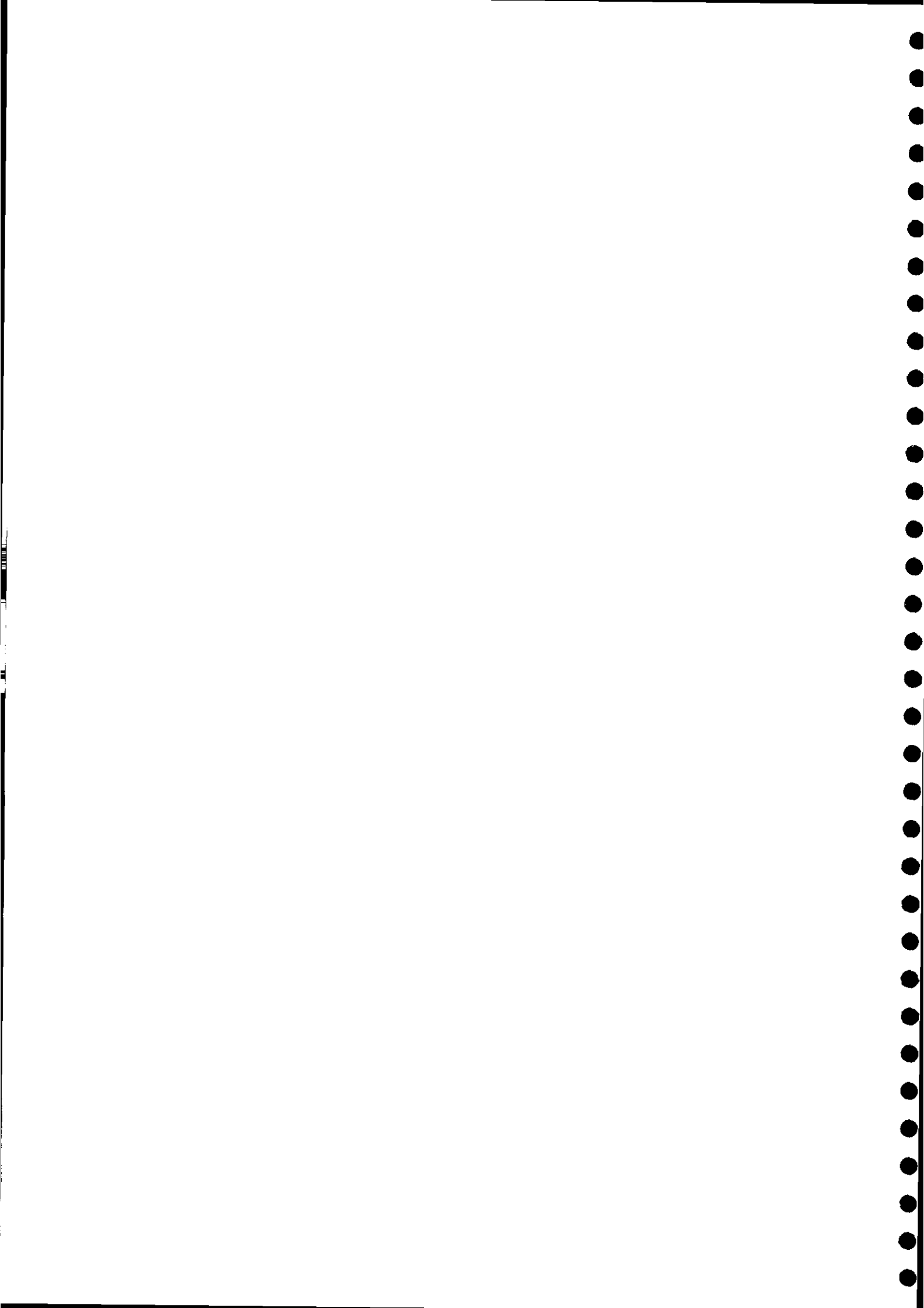
The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The ultimate parent entity, Sun Healthcare Group Inc., filed a voluntary petition for protection under Chapter 11 of the US Bankruptcy Code for all US operating subsidiaries on 14 October 1999. During the period of protection it is unlikely that funds will be remitted from the US parent company to its UK subsidiaries. Sun Healthcare Group UK Limited ('SHG UK') currently operates effectively on a standalone basis and has been self-financing from 14 October 1999.

- i) In preparing the financial statements on the going concern basis the directors have placed reliance on a letter of continuing financial support received from Sun Healthcare Group UK Limited, the UK parent company. This letter confirms that Sun Healthcare Group UK Limited ('SHG UK') is committed to providing financial support to enable the company to meet its debts as they fall due. SHG UK's ability to provide such support is dependent on the successful completion of a proposed Management Buyout (MBO) of SHG UK and its subsidiaries and the subsequent implementation of management's business plan. Management have agreed this MBO with the shareholders of the ultimate parent entity, and is still subject to the approval by the US Bankruptcy Court which is overseeing the Chapter 11 proceedings with Sun Healthcare Group, Inc. It is anticipated that the US Bankruptcy Court will make its ruling in the near future. After the MBO, management plan to implement its business plan which includes a requirement for working capital. Management has agreed, subject to the finalisation of contracts, external bank financing which will provide the necessary cash to fulfill this requirement.

At 27 December 1999, the company's liabilities exceeded its assets by £4,744,000. The company and SHG UK now meet their day to day working capital requirements through the management of existing cash resources.

- ii) The company and SHG UK's future operational existence is dependent on the successful completion of a proposed MBO of SHG UK and its subsidiaries and the subsequent implementation of management's business plan. Management has agreed this MBO with the shareholders of the ultimate parent entity, and is still subject to US Bankruptcy Court approval. After the MBO, management plans to implement its business plan which includes a requirement for working capital. Management has agreed, subject to the finalisation of contracts, external bank financing which will provide the necessary cash to fulfill this requirement. The directors have prepared projected cash flow information for the period extending 12 months from the date of approval of these financial statements. On the basis of this cash flow information and in knowledge of the likelihood of the successful MBO, the directors consider that the company will continue to operate within the agreed, subject to finalisation of contracts, banking facilities. However, the margin of cash resources over requirements is not large and, inherently there can be no certainty in relation to these matters.



Notes to the financial statements (continued)

1 Accounting policies (continued)

a) Basis of accounting (continued)

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from the failure of the company to meet its financial obligations.

b) Turnover

Turnover is the total amount receivable in the ordinary course of business for services provided. The Directors consider that the only class of business which the company engages in is the provision of nursing care in the United Kingdom.

c) Cash flow statement

Financial Reporting Standard Number 1 (Revised) "Cash Flow Statements" exempts undertakings from the requirement to produce such a statement where they are wholly owned subsidiaries of undertakings which prepare a consolidated cash flow statement and which includes the cash flows of the company. The company's ultimate parent undertaking prepares such a statement in its account, which are publicly available and the company has therefore taken advantage of the exemption.

d) Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and any provision for impairment.

Depreciation is provided so as to write off the carrying value of tangible fixed assets to their residual values over their estimated useful lives in equal annual instalments as follows:

Freehold buildings	Over 40 years
Plant and equipment	Over 10 years
Motor vehicles	Over 5 years

Freehold land is not depreciated.

Residual value is calculated on prices prevailing at the date of acquisition.

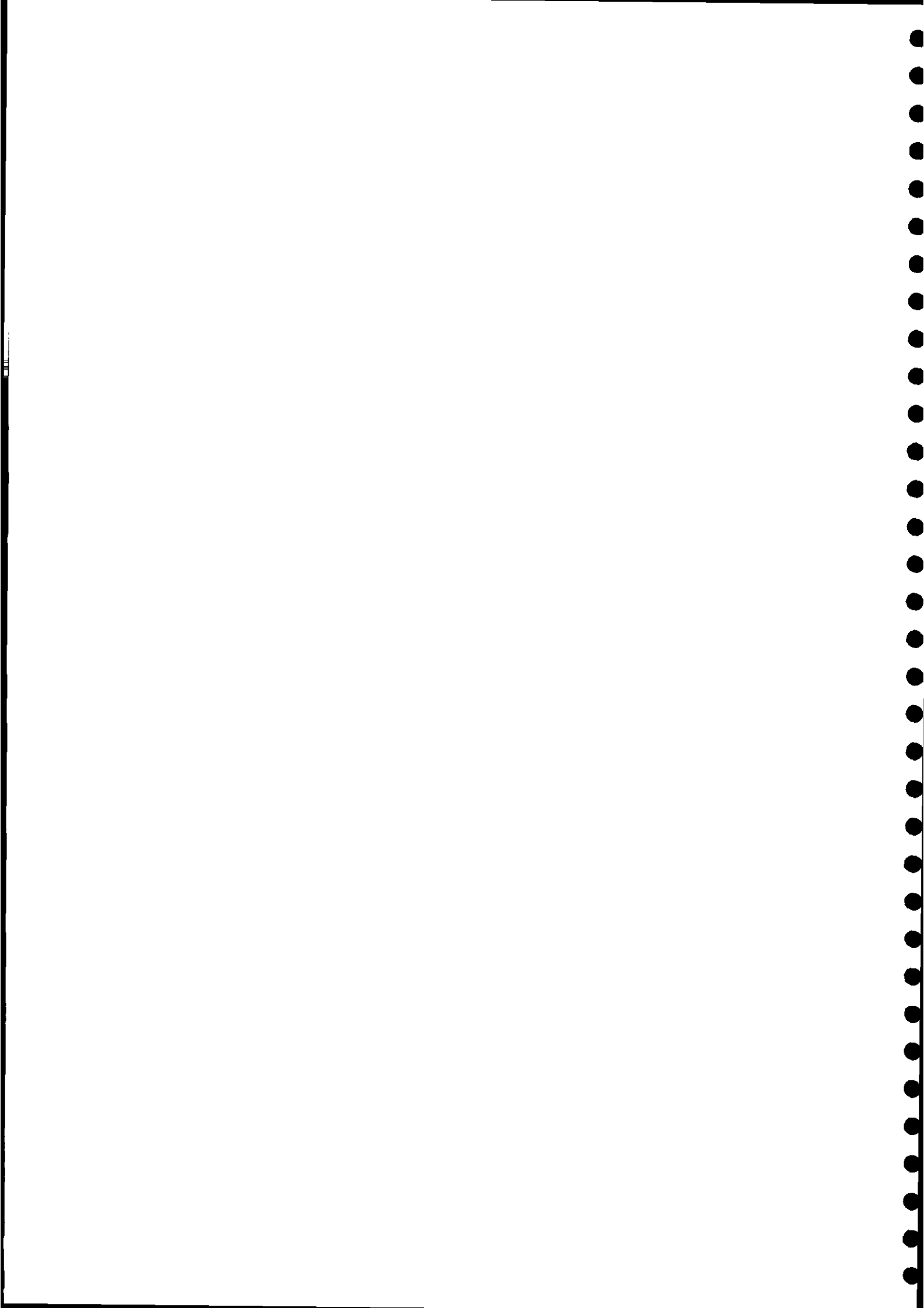
e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation using the liability method on all timing differences between the recognition of income and expenditure for tax and accounting purposes to the extent that, in the opinion of the Directors, it is probable that a liability or asset will crystallise in the foreseeable future.

f) Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease periods.



Notes to the financial statements (continued)

1 Accounting policies (continued)

g) Interest

Interest charges incurred in the acquisition, construction or re-development of a nursing home are capitalised during the building period, until the date of registration. Any other interest is charged to the profit and loss account.

2 Exceptional items

	1999 £000	1998 £000
Included within cost of sales are the following exceptional items:		
Impairment loss on fixed assets (note 6)	-	5,669
Provision for onerous contracts	(802)	802
	<u>(802)</u>	<u>6,471</u>

The directors have released £802,000 for those property leases which they consider to be onerous contracts. The amount of the provision was calculated as the least cost to the company of fulfilling the contract.

3 Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	1999 £000	1998 £000
Depreciation	266	489
Staff costs (note 4)	<u>2,007</u>	<u>2,805</u>

The auditors' remuneration (for audit and non-audit services), is borne by the company's immediate parent company, Sun Healthcare Group UK Limited and is shown as part of the charge in the financial statements of that company.

4 Directors and employees

Staff costs during the year:

	1999 £000	1998 £000
Wages and salaries	1,925	2,634
Social security costs	82	171
	<u>2,007</u>	<u>2,805</u>

The average monthly number of employees during the year was as follows:

	1999 Number	1998 Number
Nursing and ancillary staff	<u>411</u>	<u>479</u>

The directors received no remuneration in respect of their services to the company (1998 - £Nil).

Notes to the financial statements (continued)

5 Tax on loss on ordinary activities

The taxation charge for the year is made up as follows:

	1999 £000	1998 £000
Adjustment in respect of prior year	-	-
Deferred tax movements		
- transfer to deferred tax provision for the year	1,284	-
	<u>1,284</u>	<u>-</u>

6 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At beginning of year	14,859	1,248	16,107
Additions	91	88	179
Disposals	(10,517)	(952)	(11,469)
At end of year	<u>4,433</u>	<u>384</u>	<u>4,817</u>
Depreciation			
At beginning of year	6,205	223	6,428
Charge for the year	200	66	266
Disposals	(3,587)	(194)	(3,781)
At end of year	<u>2,818</u>	<u>95</u>	<u>2,913</u>
Net book value			
At end of year	<u>1,615</u>	<u>289</u>	<u>1,904</u>
At beginning of year	<u>8,654</u>	<u>1,025</u>	<u>9,679</u>

Notes to the financial statements (continued)

6 Tangible fixed assets (continued)

Interest capitalised included in fixed assets amounts to £381,000 (1998 - £381,000).

The impairment loss on tangible and intangible fixed assets have been calculated by reference to the value in use of the fixed assets to the company. A discount rate of 8% has been applied to the cashflows. A long-term growth rate of approximately 5% has been used in the calculation of value in use, this rate exceeds the long-term average growth rate for the UK. The directors of the company, however, are of the opinion that the rate applied reflects the growth rates experienced in the industry in which the company operates.

7 Debtors

	1999 £000	1998 £000
Trade debtors	93	928

8 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Amounts owed to immediate parent undertaking	6,082	15,088

The amount owed to the immediate parent undertaking is interest free with no fixed dates for repayment.

9 Provisions for liabilities and charges

	1999 £000	1998 £000
Provision for onerous contracts (see note 2)	-	802
Deferred taxation	659	1,943
	659	2,745

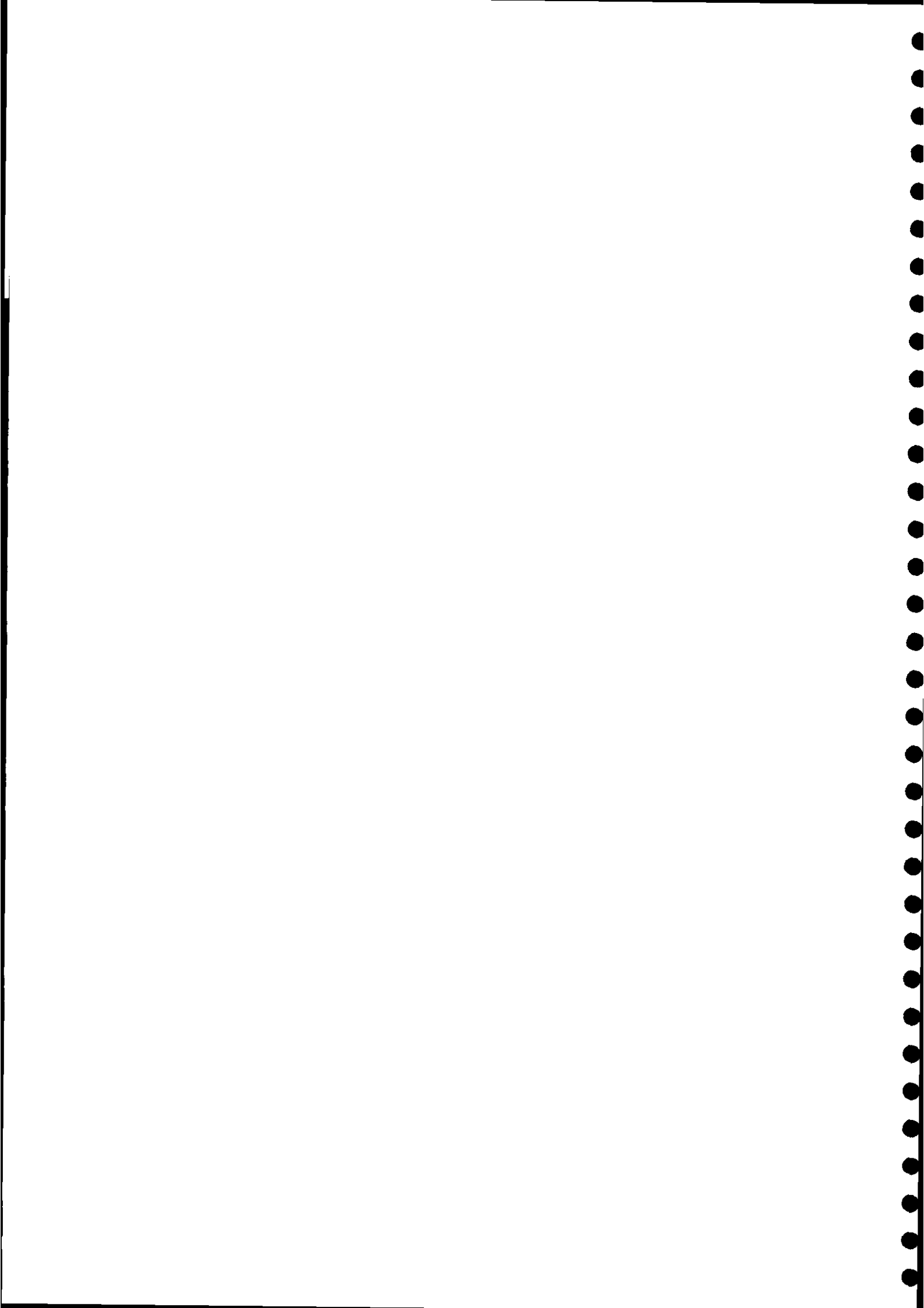
£000

Deferred taxation

Movements in deferred taxation in the year were:

At beginning of year	1,943
Released in the year	(1,284)
At end of year	659

IN the opinion of the directors there is no deferred tax unprovided for.



Notes to the financial statements (continued)

10 Called-up share capital

	1999 £	1998 £
<i>Authorised:</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid:</i>		
2 ordinary shares of £1 each	2	2

11 Profit and loss account

	1999 £000
At beginning of year	(7,226)
Profit for the year	2,482
At end of year	(4,744)

12 Parent undertakings

The ultimate parent undertaking of Noblerevel Limited is Sun Healthcare Group Inc, a company incorporated in the United States of America. The financial statements of that company are the financial statements of the largest group which are prepared including the results of the company. The financial statements of Sun Healthcare Group UK Limited, which is incorporated in England and Wales, are the financial statements of the smallest group which are prepared including the results of the company.

The immediate parent undertaking is Exceler Health Care Group Limited, which is registered in England and Wales.

Group accounts may be obtained from:

Sun Healthcare Group Inc
101 Sun Avenue, NE
Albuquerque
New Mexico 87109

Sun Healthcare Group UK Limited
79 High Street
Eton
Windsor
Berkshire
SL4 6AF

Notes to the financial statements (continued)

13 Related party information

The company has taken advantage of the exemption available to wholly owned subsidiaries under Financial Reporting Standard Number 8, Related Parties, not to provide details of transactions with other group undertakings of Sun Healthcare Group, Inc.