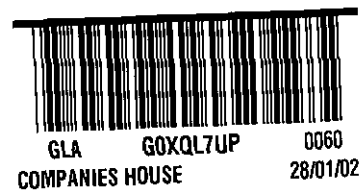
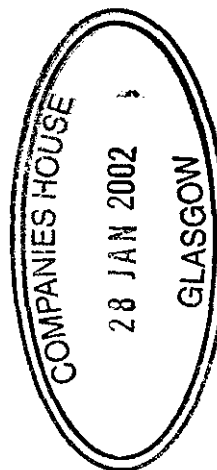


SunChoice Europe Limited
(Formerly SunScript UK Limited)
Registered number: 3017507

Accounts

For the 15 month period to 31 March 2001



SunChoice Europe Limited

Directors' Report

For the 15 month period to 31 March 2001

The directors present their report and their audited accounts for the 15 month period to 31 March 2001.

Principal activities, business review and future prospects

The company's principal trading activity during the period was the operation of pharmacy services.

On 31 January 2001 the company's name changed from SunScript UK Limited to SunChoice Europe Limited. On 28 February 2000, the trading assets of four pharmacies, excluding current assets and current liabilities, were transferred to another group undertaking and then subsequently sold to E Moss Directors Ltd. On 30 April 2000, the trading assets of the remaining seven pharmacies, excluding current assets and current liabilities, were sold to Levelcrown Ltd. On 5 May 2000 the pharmacy wholesale division was discontinued.

After 5 May 2000, the only continuing activities are the provision of high tech homecare services and the group administration function.

On 28 June 2001, for the purposes of setting up an Enterprise Management Incentive Scheme, the company and its subsidiaries were de-merged from the Ashbourne Limited group. The net assets of the SunChoice group at 31 March 2001 were £1,709,491.

From 28 June 2001 the company became the immediate parent undertaking of the SunChoice group of companies (per note 21). From 1 July 2001, the ultimate parent undertaking of the company and the other SunChoice group of companies was SunChoice Group Limited.

Results and dividends

The profit for the period after taxation was £ 800,541 (1999 – loss of £677,154). The Directors are unable to recommend a dividend. Accordingly the profit of £ 800,541 (1999 - loss of £677,154) has been transferred to reserves.

Directors

The directors of the company who served during the period and to the date of these accounts are listed below:

W C Schelling	(resigned 5 February 2001)
A L Turner	(resigned 12 December 2000)
R F Atwill	(resigned 31 March 2000)
P V Roach	
A Kerr	(resigned 31 March 2000)
W H McInteer	(appointed 1 April 2000)
K C K Scott	(appointed 27 April 2000, resigned 8 February 2001, re-appointed 25 April 2001, resigned 26 July 2001)
K W Phippen	(appointed 5 February 2001)
P Liddle	(appointed 25 April 2001, resigned 9 July 2001)
J Ablett	(appointed 25 April 2001)
L Antoniadis	(appointed 25 April 2001)

SunChoice Europe Limited

Directors' Report (continued)

For the 15 month period to 31 March 2001

According to the register required to be kept under Section 325 of the Companies Act 1985, none of the Directors had any interest in the share capital of the company.

Messrs McInteer and Phippen are also directors of SunChoice Group Limited, the ultimate parent undertaking of the company (note 21), and their interests in its shares are disclosed in that company's accounts.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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 period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

SunChoice Europe Limited

Directors' Report (continued)

For the 15 month period to 31 March 2001

Auditors

Arthur Andersen resigned as the company's auditors on 1 May 2001. Hardie Caldwell were appointed as auditors on the same date. As permitted by section 386 of the Companies Act 1985 the company has dispensed with the requirement to re-appoint auditors annually.

By order of the Board



C Ford
Company Secretary

14 January 2002

Sun House
Woburn Road
Warrington
WA2 8UE

SunChoice Europe Limited

Report of the Independent Auditors To the Shareholders of SunChoice Europe Limited

We have audited the accounts of SunChoice Europe Limited for the period ended 31 March 2001 on pages 5 to 15. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

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 responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

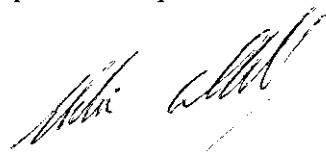
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Fundamental Uncertainty


In forming our opinion, we have considered the adequacy of the disclosures set out in note 1a) "Basis of accounting" relating to the restructuring and refinancing of Ashbourne 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 accounts give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985



Hardie Caldwell
Registered Auditors
Chartered Accountants
Savoy Tower
77 Renfrew Street
Glasgow G2 3BY



SunChoice Europe Limited

Profit and Loss Account

For the 15 month period to 31 March 2001

	Notes	Continuing Operations 2001 £	Discontinued Operations 2001 £	Period to 31 March 2001 £	1999 £
Turnover	2	752,501	3,351,266	4,103,767	12,655,518
Cost of sales		(548,990)	(3,009,967)	(3,558,957)	(9,969,081)
Gross profit		203,511	341,299	544,810	2,686,437
Administrative expenses		(558,845)	(417,475)	(976,320)	(787,657)
Administrative expenses - exceptional	3	2,344,402	(1,108,670)	1,235,732	
Distribution and selling expenses		(149,846)	(917,859)	(1,067,705)	(2,580,499)
Operating loss	3	1,839,222	(2,102,705)	(263,483)	(681,719)
Profit on disposal of discontinued operations		-	982,145	982,145	-
Trading Profit/ (loss)		1,839,222	(1,120,560)	718,662	(681,719)
Interest payable	4			(1,439)	(2,084)
Interest receivable	4			83,318	6,649
Profit/(loss) for the financial period retained				800,541	(677,154)

There is no material difference between the results disclosed in the profit and loss account and the results on a historical cost basis.

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

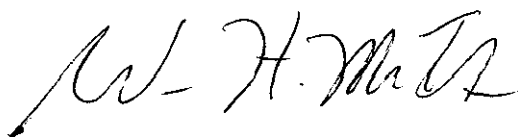
There are no recognised gains or losses other than the profit/(loss) for the period recorded in the profit and loss account.

SunChoice Europe Limited

Balance Sheet As at 31 March 2001

	Notes	As at 31 March 2001 £	As at 31 December 1999 £
Fixed assets			
Intangible assets	7	-	3,097,836
Tangible assets	8	362,351	995,843
Investments in subsidiaries	9	-	2,571,216
		<u>362,351</u>	<u>6,664,895</u>
Current assets			
Stock	10	50,185	1,399,794
Debtors – amounts falling due within one year	11	1,325,114	2,839,691
Debtors – amounts falling due after more than one year	11	1,043,432	-
Cash at bank and in hand		<u>134,395</u>	<u>152,874</u>
		2,553,126	4,392,359
Creditors: Amounts falling due within one year	12	(915,032)	(2,996,759)
Net current assets		<u>1,638,094</u>	<u>1,395,600</u>
Total assets less current liabilities		2,000,445	8,060,495
Creditors: Amounts falling due after more than one year	13	-	(6,860,591)
Net assets		<u>2,000,445</u>	<u>1,199,904</u>
Capital and reserves			
Called-up equity share capital	15	3,742,000	3,742,000
Profit and loss account	16	<u>(1,741,555)</u>	<u>(2,542,096)</u>
Equity shareholders' funds		<u>2,000,445</u>	<u>1,199,904</u>

Signed on behalf of the Board on 14 January 2002



W H McInteer
Director

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

SunChoice Europe Limited

Notes to the accounts

For the 15 month period to 31 March 2001

1 Accounting policies

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

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. As described in note 21 the company was part of the Ashbourne Limited group. In the event that an Ashbourne Limited group companies have a deficiency of assets the accounts are prepared on the basis that the company will continue to receive financial support from other Ashbourne Limited group companies. The following paragraphs are reproduced from the group accounts of Ashbourne Limited for the 15 month period ended 31 March 2001.

- i) The group completed a Management Buyout (MBO) of all its UK operations on 9 February 2001. The MBO put management in control of the Group and separated the Group, financially and legally, from its prior American parent, Sun Healthcare Group, Inc. Immediately following this MBO, management agreed external bank financing which provided the company with necessary working capital resources to implement its business plan.
- ii) The directors have prepared projected cash flow information for the period extending 12 months from the date of approval of these accounts. On the basis of this cash flow information, the directors consider that the Group will continue to be able to trade. However, the margin of cash resources over requirements is not large and, inherently there can be no certainty in relation to these matters.
- iii) Ashbourne Limited group companies have operating leases relating to nursing homes they manage and operate, which have financial covenants pertaining to rental coverage. Ashbourne Limited group companies are currently in breach of these financial covenants, although they have not defaulted on any of its lease rental payments that have fallen due for payment to date. Such breach allows the lessor to invoke the default terms of the lease agreement, which allow the lessor to repossess the property and potentially make Ashbourne Limited group companies liable for the difference between the agreed income cover and the actual income of the property for a specified number of years. The directors are in discussions with the lessors to develop a strategy to resolve the current covenant breach position. To date no lessor has communicated their intention to invoke the default terms of their agreement that ultimately could result in them selling the property currently operated by Ashbourne Limited group companies.

There can be no assurance over the ability of Ashbourne Limited group companies to meet the covenants contained in its lease agreements or the lessor's willingness to extend waivers or amend terms to avoid any actual or anticipated breaches of such covenants.

SunChoice Europe Limited

Notes to the accounts (continued)

For the 15 month period to 31 March 2001

1 Accounting policies (continued)

a) Basis of accounting (continued)

- iv) Red Mountain Funding LLC ('the lessor') contacted the directors during 1999 regarding its calculation of the mandatory debt service coverage ratio prepayment ('DSCR') that was due under the terms of the agreement, as their leases were in breach of the financial covenants. The amount that the lessor considered to be due under the terms of the agreement was approximately \$7.5 million. On 26 May 2000, the directors re-financed these lease arrangements which has resulted in the Group securing a loan facility in order to re-purchase the properties detailed in the previous lease agreement and resolving the contingent liability detailed above. Since this re-financing all principal and interest payments have been made on a timely basis. This re-financing was for a two year term which ends on 1 July 2002. On that day the outstanding balance of the loan (estimated to be \$25.3 million) will be due to be repaid in full. Management is currently in discussions with the current lender and other potential lenders regarding re-structuring of that loan. No assurances can be given, however, regarding this re-structuring.

On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that would result from the failure of Ashbourne Limited group companies to meet their financial obligations.

b) Consolidation

No consolidated accounts have been prepared as permitted by section 228 of the Companies Act 1985 since the company is a wholly owned subsidiary undertaking of Ashbourne Consolidated Group Limited, which itself prepares consolidated accounts.

c) Turnover

Turnover is the total amount receivable, excluding VAT, in the ordinary course of business for goods and services provided.

d) Leased assets

Operating lease rentals are charged to the profit and loss account as incurred.

e) Goodwill

Goodwill arising on acquisitions of businesses, and representing the excess of the consideration given over the fair value of net assets acquired, is being written off on a straight line basis over its estimated useful economic life of 20 years.

SunChoice Europe Limited

Notes to the accounts (continued)

For the 15 month period to 31 March 2001

1 Accounting policies (continued)

f) Investments

Fixed asset investments are shown at cost less provision for impairment.

g) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and any provision for impairment.

Depreciation is provided so as to write down the carrying value of the tangible fixed assets to their residual values evenly over their estimated useful lives as follows:

Freehold and long leasehold property	-2.5%
Short leasehold property and leasehold improvements	-over period of lease
Fixtures, fittings, tools and equipment	-10-20%

h) Stock

Stock, comprising drugs, medical supplies and other pharmacy products held for resale, is valued at the lower of cost and net realisable value.

i) Deferred taxation

Corporation tax is provided on taxable profits at the current rate of taxation after utilising available group tax losses. Provision is made for deferred taxation using the liability 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.

j) 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 in accordance with the Standard and which includes the cash flows of the company. The company has therefore taken advantage of the exemption as this statement is prepared by the parent company.

k) Pensions costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments.

SunChoice Europe Limited

Notes to the accounts (continued)

For the 15 month period to 31 March 2001

2 Turnover

No segmental information is provided as the Directors consider that the only class of business which the company engages in is the provision of pharmacy services in the United Kingdom.

3 Operating loss

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

Non exceptional

	Period to 31 March 2001 £	1999 £
Amortisation of goodwill	-	197,444
Depreciation of owned assets	116,928	96,580
Depreciation of leased assets	6,725	15,824
Operating lease rentals		
- plant and machinery	34,960	35,332
- other	37,294	36,967
Auditors' remuneration	<u>26,881</u>	<u>31,850</u>

During the current period the company has been charged with audit fees relating to its subsidiary companies.

Exceptional

	Period to 31 March 2001 £	1999 £
Loans from group companies written off	2,344,402	-
Investments in subsidiaries written off (note 9)	<u>(1,108,670)</u>	<u>-</u>
	<u>1,235,732</u>	<u>-</u>

4 Interest

	Period to 31 March 2001 £	1999 £
Payable:		
Bank loans and overdrafts	<u>(1,439)</u>	<u>(2,084)</u>
Receivable:		
Bank interest receivable	<u>83,318</u>	<u>6,649</u>

SunChoice Europe Limited

Notes to the accounts (continued)

For the 15 month period to 31 March 2001

5 Directors and employees

Staff costs during the period:

	Period to 31 March 2001 £	1999 £
Wages and salaries	909,474	1,683,715
Social security costs	70,334	141,693
Other pensions costs	63,923	128,073
	<u>1,043,731</u>	<u>1,953,481</u>

Directors' emoluments for services as directors of the company during the period were £98,384 (1999 - £205,715). The emoluments, excluding pension contributions, of the highest paid director were £45,498 (1999 - £104,000).

The average monthly number of employees (including executive directors) was:

	2001 Number	1999 Number
Administration	15	18
Distribution and selling	52	124
	<u>67</u>	<u>142</u>

6 Tax on profit/(loss) on ordinary activities

No tax charge has arisen in the current period on the taxable operating profit or on the profit on disposal of discontinued operations of £982,145 as any liability arising will be offset by the availability of losses within the group.

7 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 1999	3,556,593
Disposal	<u>(3,556,593)</u>
At 31 March 2001	-
Accumulated amortisation	
At 1 January 1999	458,757
On Disposals	<u>(458,757)</u>
At 31 March 2001	-
Net book value	
At 31 March 2001	-
At 31 December 1999	<u>3,097,836</u>

SunChoice Europe Limited

Notes to the accounts (continued)

For the 15 month period to 31 March 2001

8 Tangible fixed assets

	Land and Buildings		Short Leasehold Improve- ments £	Fixtures, Fittings tools and equipment £	Total £
	Freehold £	Long Leasehold £			
Cost					
At 31 December 1999	231,220	115,764	326,404	552,722	1,226,110
Additions	-	-	60,486	94,076	154,562
Transfers	-	22,774	-	123,558	146,332
Disposals	(151,220)	(138,538)	(183,421)	(520,720)	(993,899)
At 31 March 2001	<u>80,000</u>	<u>-</u>	<u>203,469</u>	<u>249,636</u>	<u>533,105</u>
Depreciation					
At 31 December 1999	17,824	7,722	20,011	184,710	230,267
Charge for the period	36,926	981	12,182	73,564	123,653
Transfers	-	11,699	-	92,054	103,753
Disposals	(14,750)	(20,402)	(13,160)	(238,607)	(286,919)
At 31 March 2001	<u>40,000</u>	<u>-</u>	<u>19,033</u>	<u>111,721</u>	<u>170,754</u>
Net book value					
At 31 March 2001	<u>40,000</u>	<u>-</u>	<u>184,436</u>	<u>137,915</u>	<u>362,351</u>
At 31 December 1999	<u>213,396</u>	<u>108,042</u>	<u>306,393</u>	<u>368,012</u>	<u>995,843</u>

SunChoice Europe Limited

Notes to the accounts (continued)

For the 15 month period to 31 March 2001

9 Investments in subsidiaries

	Cost £
At 31 December 1999	2,571,216
Written off	(1,108,670)
Disposals	(1,462,546)
At 31 March 2001	-

During the year, the company disposed of its investment in N & J Sampson Limited.

The Company owns the whole of the issued ordinary share capital of SunChoice Services Limited, SunChoice Trading Limited and P F Young Limited, all of which are incorporated and operate in Great Britain. The principal activity of these subsidiaries was the provision of pharmacy services. All such activities were discontinued during the period. As these companies now no longer trade and have net assets of £Nil, the investments in these subsidiaries have been written off. From 28 June 2001 the company also owns the whole of the issued ordinary share capital of SunChoice UK Limited whose principal activity is the distribution of bulk medical products and surgical appliances.

10 Stocks

	Period to 31 March 2001 £	1999 £
Shop goods, drugs and consumables	50,185	1,399,794

11 Debtors – Amounts falling due within one year

	2001 £	1999 £
Trade debtors	181,451	1,574,000
Amounts due from fellow subsidiary undertakings	370,000	938,960
Other debtors	36,687	232,887
Prepayments and accrued income	736,976	93,844
	<u>1,325,114</u>	<u>2,839,691</u>

Debtors – Amounts falling due after more than one year

	2001 £	1999 £
Amounts due from subsidiary undertakings	<u>1,043,43</u>	<u>-</u>

The amounts owed from the fellow subsidiary undertaking are not interest bearing and have no set repayment terms, except that the company has undertaken not to require repayment of this debt until after 31 March 2002. Per note 21, this fellow subsidiary is now a subsidiary undertaking.

SunChoice Europe Limited

Notes to the accounts (continued)

For the 15 month period to 31 March 2001

12 Creditors - Amounts falling due within one year

	2001 £	1999 £
Trade creditors	212,948	1,471,071
Amounts owed to fellow subsidiary undertakings	500,000	1,138,901
Taxation and social security	27,276	144,171
Accruals and deferred income	174,808	242,616
	<u>915,032</u>	<u>2,996,759</u>

On 28 June 2001 the SunChoice group of companies were demerged from the Ashbourne Limited group. On this date it was resolved that the £500,000 noted above would be secured by a fixed and floating charge over the stock and assets of the company and its subsidiaries.

13 Creditors – Amounts falling due after more than one year

	2001 £	1999 £
Amounts owed to ultimate parent undertaking	<u>-</u>	<u>6,860,591</u>

14 Provisions for liabilities and charges

In the opinion of the directors there is no deferred tax liability unprovided at 31 March 2001(1999 – Nil)

15 Share capital

	2001 £	1999 £
Equity shares:		
<i>Authorised:</i>		
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
<i>Allotted, called up and fully paid:</i>		
3,742,000 ordinary shares of £1 each	<u>3,742,000</u>	<u>3,742,000</u>

16 Profit and loss account

	2001 £	1999 £
At 31 December 1999	(2,542,096)	(1,864,942)
Profit/(loss) for the period	<u>800,541</u>	<u>(677,154)</u>
At 31 March 2001	<u>(1,741,555)</u>	<u>(2,542,096)</u>

SunChoice Europe Limited

Notes to the accounts (continued)

For the 15 month period to 31 March 2001

17 Reconciliation of movements in shareholders' funds

	Period to 31 March 2001 £	1999 £
Profit/(loss) for the period	800,541	(677,154)
Opening equity shareholders' funds	1,199,904	1,877,058
Closing equity shareholders' funds	<u>2,000,445</u>	<u>1,199,904</u>

18 Operating lease commitments

	Land and buildings £	Other £	2001 Total £	Land and buildings £	Other £	1999 Total £
Expiry date						
- within one year	-	11,808	11,808	-	69,840	69,840
- between two and five years	-	15,120	15,120	36,200	-	36,200
- after five years	133,500	-	133,500	158,000	-	158,000
	<u>133,500</u>	<u>26,928</u>	<u>160,428</u>	<u>194,200</u>	<u>69,840</u>	<u>264,040</u>

19 Related party transactions

The company, as a wholly owned subsidiary undertaking, has taken advantage of exemptions granted under Financial Reporting Standard Number 8, Related Parties, by not disclosing sales and purchases with other group companies

20 Pension arrangements

The company operates a number of defined contribution schemes for which the pension cost for the period amounted to £63,923 (1998 - £128,073).

21 Post balance sheet events

On 28 June 2001, for the purposes of setting up an Enterprise Management Incentive Scheme, the SunChoice group of companies were demerged from Ashbourne Limited group.

The net assets of the SunChoice group at 31 March 2001 were £1,709,491.

From 28 June 2001 the company became the immediate parent undertaking of SunChoice UK Limited, SunChoice Services Limited, SunChoice Trading Limited, P F Young Limited and Elders Pharmacies Limited.

From 1 July 2001, the ultimate parent undertaking of the company and the other SunChoice group of companies was SunChoice Group Limited.