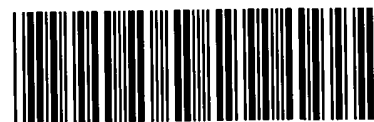


**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 30 June 2016**
for
Sun Healthcare Limited

Harris & Co Limited
Chartered Accountants & Statutory Auditor
Marland House
13 Huddersfield Road
Barnsley
South Yorkshire
S70 2LW

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Sun Healthcare Limited

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Sun Healthcare Limited
Company Information
for the Year Ended 30 June 2016

DIRECTORS:

Mr S Garside
Mr A J Tolan

SECRETARY:

Mr S Garside

REGISTERED OFFICE:

Cockerham Hall
17 Huddersfield Road
Barnsley
South Yorkshire
S70 2LT

REGISTERED NUMBER:

04220821 (England and Wales)

AUDITORS:

Harris & Co Limited
Chartered Accountants & Statutory Auditor
Marland House
13 Huddersfield Road
Barnsley
South Yorkshire
S70 2LW

Sun Healthcare Limited
Strategic Report
for the Year Ended 30 June 2016

The directors present their strategic report for the year ended 30 June 2016.

REVIEW OF BUSINESS

The social care sector continues to be significantly impacted by government spending cuts and other regulatory changes including the introduction of the National Living Wage from April 2016 which has continued to impact on the company's results and net assets as detailed further below.

Feedback we have received from inspections has been positive on the whole, recognising the high quality of service provided by the Company. The inspection regime changed last year in response to both the Francis Report and the findings from Winterbourne View, with the regulators becoming more concerned at issues relating to staffing, safeguarding and whistle-blowing. We have had two inspections under the new format with one at Tapton Grove being published earlier in the year.

The Company regularly reviews Key Performance Indicators that provide an overview of operational performance across all areas of service delivery. Issues of concern are discussed with senior staff and appropriate action plans are put in place as required. The past year has seen the Company continue to deliver its modernisation programme at Tapton Grove that will be completed in the year 2017-2018.

Turnover reduced by £131k (1.4%) to £9,316k reflecting ongoing pricing pressures from local authorities on social care contracts together with small reductions in occupancy levels at some homes partly offset by increases at others. These downward pricing pressures combined with upward cost pressures (including the impact of the National Living Wage from April 2016) have eroded the gross margin from 35.1% to 31.5% in the year; gross profit has reduced by £377k to £2,937k (2015: £3,314k).

Whilst operating profit increased by £607k to £1,265k, 2015 was stated after £615k exceptional repair costs. Adjusting for those, operating profit fell by £8k from £1,273k (adjusted). After a net interest charge of £1,292k (2015: £339k, but stated net of £694k exceptional compensation received for bank interest product mis-selling) the company incurred a loss before tax of £28k (2015: £319k profit). After a tax charge of £164k (2015: £204k) the loss for the financial year was £192k (2015: £115k).

As noted in the business review included in the strategic report on the 2015 financial accounts, the 2015 accounts included a £4.2m reduction in value of the company's care home portfolio resulting from an updated valuation incorporated in that year's accounts. The previous valuation was in March 2010 prior to the ongoing austerity measures introduced by the 2010 coalition government which continue to the present day and so which have adversely impacted on care home values.

The new UK accounting standard, FRS102, which applies to the accounts for the first time this year has had a very significant adverse impact on the company's balance sheet/statement of financial position in two major ways:

- (a) Derivative financial statements are now recorded at fair value at each period-end whereas previously no value was attributed to such instruments in a company's accounts. The company has previously entered into interest rate swaps to hedge the risk of upward movements in interest rates on the company's significant long-term borrowings, so effectively fixing the interest rates on its variable rate borrowings. However, these interest rate swaps were entered into when interest rates were substantially higher than the low rates seen since 2009 and accordingly have been consistently "out of the money". This has therefore resulted in a balance sheet liability of £3,066k at 30 June 2016 and the restatement of the previously reported balance sheets at 2015 and 2014 to include liabilities of £2,517k and £2,260k respectively.
- (b) Deferred taxation now has to be provided on revalued assets resulting in a transition adjustment at 1 July 2014 to establish an additional deferred tax provision of £1,038k, so reducing net assets at the date of transition. However, the £4,210k downward adjustment in the property valuations at 30 June 2015 resulted in this deferred tax provision being released in the 2015 restated FRS102 comparative accounts so reversing the £1,038k adverse impact on the transition balance sheet.

Taken together, these FRS102 adjustments resulted in a reduction of shareholders' funds at date of transition (1 July 2014) of £3,298k from £7,302k to £4,004k and at 30 June 2015 by £2,517k to £872k as a result of implementing FRS102. However, when adding the impact of the downward property revaluation at 30 June 2015 and trading results over the last two years to these FRS102 adjustments, the company's published net assets have reduced from £7,302k at 30 June 2014 (as shown in published 2014 accounts) to £655k at 30 June 2016.

Sun Healthcare Limited
Strategic Report
for the Year Ended 30 June 2016

The social care sector continues to suffer significant financial pressures resulting from ongoing austerity measures and the future outlook remains uncertain, particularly in view of the result of the UK general election on 8 June 2017. However, despite these uncertainties and the very significant weakening in the company's balance sheet net assets from that originally reported at 30 June 2014 to the position at 30 June 2016 included in these accounts, the company has complied with all bank covenants during the year, has continued to be in compliance since the year end and the Company's forecasts for the year ending 30 June 2018 forecast continued compliance. The directors therefore believe that adequate banking facilities will continue to be made available to the company for the next 12 months. Accordingly, the financial statements are prepared on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have undertaken to compile a Risk Register and the key risks identified for 2015/16 are presented below:

Key Risk and Mitigating Action

Public Spending Cuts - Identifying efficiencies across all services, proactive engagement with local authority commissioners and explore alternative income streams.

Safeguarding - Continual review of Safeguarding Policy and Strategy, continue to monitor safeguarding, log system to identify patterns and provide specific training as required.

National Minimum Standards - Continue to undertake mock inspection regime.

Maximise Efficiencies - Continue to renegotiate historically low hourly contract rates, continue efficiency meetings with managers and lobby local and national Government over spending cuts.

Health & Safety - Continual review of existing policies and procedures and carry out rolling programme of Institute of Occupational Safety and Health for managers.

Delivery of Service Specifications - Monitor contracts to ensure that agreed delivery and obligations are met, ensure written agreements are in place with individuals and families, and continue to enhance role involved in safeguarding and health & safety.

Correct Professional Advice - Continue to maintain sector overview through attendance at conferences.

Recruitment, Retention and Loss of Key Personnel - Continually review structure of key personnel, continually review and update recruitment initiatives.

Business Plan

The Company has delivered on its business plan for the year ending 30 June 2016 and is going to maintain that plan going into the year ending June 2017 again with the focus on achieving large scale efficiencies across the organisation coupled with a drive to identify new business opportunities.

Objectives and progress to date

Continue to further develop Community Services based on a full cost recovery model. Engage both health and local authority commissioners as well as individual purchasers of service and improve local advertising and marketing. This has been partially achieved. Work is underway to review the Community Services model to achieve full cost recovery. Engagement with commissioners is variable. Local marketing strategies are being developed.

Contact local Clinical Commissioning Groups and establish their need for specialist packages of domiciliary care. Engagement with many of the Clinical Commissioning Groups has been difficult as they are still in the process of forming; however responses have been favourable from one or two.

Identify a suitable building or plot to develop a supported living Service in the Chesterfield area. This is progressing as expected.

Continue our efficiency reviews and savings exercises and deliver a balanced operational budget. The efficiency reviews are on-going and should be delivering favourable outcomes in the next year.

Sun Healthcare Limited
Strategic Report
for the Year Ended 30 June 2016

Undertake renegotiation of contract fees with commissioners to achieve appropriate levels of funding. This is to form one of our management KPI's.

Ensure all local authority and health stakeholders have up to date information on the full range of company services. Local engagement events planned across a number of areas. Senior managers have been tasked with keeping stakeholders informed.

THE FUTURE

It is clear that the challenges identified last year will continue across the social care sector for the foreseeable future. The outcome of the general election on 8 June 2017 has created further uncertainty. It is highly unlikely that local authorities will be in a position to raise contractual fee levels above current rates. It is also unlikely that new developments will be supported without intensive research and business planning taking place. The Company is clear that it needs to review how it operates to adapt to the changing funding environment. The Directors are clear that they wish to see a strategic direction developed for the Company which will provide a road map for investment and development in the medium term.

The Leadership Team is currently (as indicated last year) developing a cohesive Strategic Plan for the organisation that will aim to secure the long term future of the organisation. This will include looking at the following issues:

Investment in IT systems and infrastructure - This will include looking at the systems that are used by all staff to see what efficiencies can be gained by making use of mobile technology;

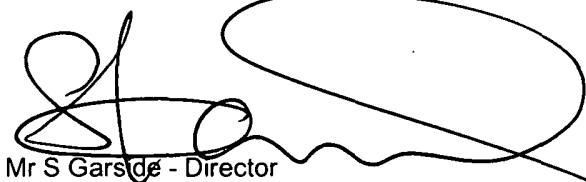
Organisational Leadership - This will include looking at how the Company can invest in its managers and staff to empower them to make more decisions;

Business Development - This will continue to include looking at areas where the Company can achieve more organic growth and what types of services will be delivered in future;

People Strategy - This will involve creating a recruitment and retention programme that will attract and reward staff, ensuring a quality service is offered to all service users;

Marketing Strategy - This will include looking at ways in which the Company can engage with current and future customers using social media, interaction and local advertising.

ON BEHALF OF THE BOARD:



Mr S Garstide - Director

14 September 2017

Sun Healthcare Limited

Report of the Directors for the Year Ended 30 June 2016

The directors present their report with the financial statements of the Company for the year ended 30 June 2016.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of the operation of Care Homes and provision of Domiciliary Care.

DIVIDENDS

An interim dividend of £12,500 per share was paid on 1 September 2015. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 30 June 2016 will be £25,000.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2015 to the date of this report.

Mr S Garside
Mr A J Tolan

DISCLOSURE IN THE STRATEGIC REPORT

The company has chosen in accordance with section 414C(11) of the Companies Act 2016 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This includes information that would have been included in the business review and the principal risks and uncertainties.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Sun Healthcare Limited

**Report of the Directors
for the Year Ended 30 June 2016**

AUDITORS

The auditors, Harris & Co Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'S Garside', written over a large, empty oval shape.

Mr S Garside - Director

14 September 2017

Independent Auditors' Report to the Members of Sun Healthcare Limited

We have audited the financial statements of Sun Healthcare Limited for the year ended 30 June 2016 on pages nine to twenty five. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditors' Report to the Members of
Sun Healthcare Limited**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Hinchliffe

Paul Hinchliffe BA FCA (Senior Statutory Auditor)
for and on behalf of Harris & Co Limited
Chartered Accountants & Statutory Auditor
Marland House
13 Huddersfield Road
Barnsley
South Yorkshire
S70 2LW

Date: *14 September 2017*

Sun Healthcare Limited

**Statement of Comprehensive Income
for the Year Ended 30 June 2016**

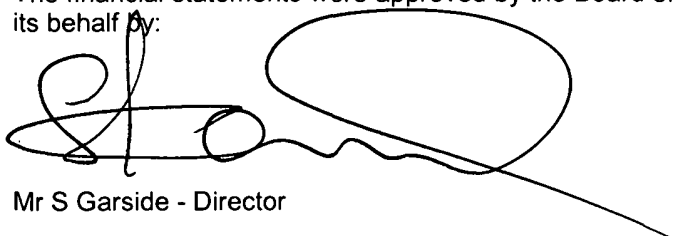
	Notes	2016 £	2015 £
TURNOVER		9,315,884	9,446,571
Cost of sales		6,378,915	6,132,486
GROSS PROFIT		2,936,969	3,314,085
Administrative expenses		1,672,387	2,660,041
		1,264,582	654,044
Other operating income		-	4,120
OPERATING PROFIT	3	1,264,582	658,164
Interest receivable and similar income		1,436	696,862
		1,266,018	1,355,026
Interest payable and similar expenses	5	1,293,836	1,036,061
(LOSS)/PROFIT BEFORE TAXATION		(27,818)	318,965
Tax on (loss)/profit	6	164,387	203,594
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(192,205)	115,371
OTHER COMPREHENSIVE INCOME		-	(4,209,861)
Income tax relating to other comprehensive income		-	1,037,684
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		-	(3,172,177)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(192,205)</u>	<u>(3,056,806)</u>

The notes form part of these financial statements

Statement of Financial Position
30 June 2016

	Notes	2016 £	2015 £
FIXED ASSETS			
Intangible assets	8	62,543	75,035
Tangible assets	9	14,875,563	15,047,986
Investments	10	1,000	1,000
		<u>14,939,106</u>	<u>15,124,021</u>
CURRENT ASSETS			
Debtors	11	1,355,571	1,039,610
Cash at bank and in hand		56,701	520,892
		<u>1,412,272</u>	<u>1,560,502</u>
CREDITORS			
Amounts falling due within one year	12	(1,610,479)	(3,582,743)
NET CURRENT LIABILITIES		<u>(198,207)</u>	<u>(2,022,241)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,740,899	13,101,780
CREDITORS			
Amounts falling due after more than one year	13	(13,608,614)	(11,253,280)
PROVISIONS FOR LIABILITIES	17	(477,031)	(976,041)
NET ASSETS		<u>655,254</u>	<u>872,459</u>
CAPITAL AND RESERVES			
Called up share capital	18	2	2
Revaluation reserve	19	479,489	515,865
Capital redemption reserve	19	98	98
Retained earnings	19	175,665	356,494
SHAREHOLDERS' FUNDS		<u>655,254</u>	<u>872,459</u>

The financial statements were approved by the Board of Directors on 14 September 2017 and were signed on its behalf by:



Mr S Garside - Director

Sun Healthcare Limited

**Statement of Changes in Equity
for the Year Ended 30 June 2016**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Total equity £
Balance at 1 July 2014	2	138,261	3,865,904	98	4,004,265
Changes in equity					
Dividends	-	(75,000)	-	-	(75,000)
Total comprehensive income	-	293,233	(3,350,039)	-	(3,056,806)
Balance at 30 June 2015	2	356,494	515,865	98	872,459
Changes in equity					
Dividends	-	(25,000)	-	-	(25,000)
Total comprehensive income	-	(155,829)	(36,376)	-	(192,205)
Balance at 30 June 2016	2	175,665	479,489	98	655,254

The notes form part of these financial statements

Sun Healthcare Limited

**Statement of Cash Flows
for the Year Ended 30 June 2016**

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	1,446,353	1,417,096
Interest paid		(744,446)	(779,246)
Interest element of hire purchase or finance lease rental payments paid		(549,390)	(2,458)
Tax paid		-	209,511
Net cash from operating activities		<u>152,517</u>	<u>844,903</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(199,193)	(46,015)
Sale of tangible fixed assets		2,300	-
Interest received		1,436	3,049
Net cash from investing activities		<u>(195,457)</u>	<u>(42,966)</u>
Cash flows from financing activities			
Loan repayments in year		(428,170)	(235,837)
Equity dividends paid		(25,000)	(75,000)
Net cash from financing activities		<u>(453,170)</u>	<u>(310,837)</u>
(Decrease)/increase in cash and cash equivalents		<u>(496,110)</u>	<u>491,100</u>
Cash and cash equivalents at beginning of year	2	520,892	29,792
Cash and cash equivalents at end of year	2	<u><u>24,782</u></u>	<u><u>520,892</u></u>

The notes form part of these financial statements

Sun Healthcare Limited

**Notes to the Statement of Cash Flows
for the Year Ended 30 June 2016**

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016 £	2015 £
(Loss)/profit before taxation	(27,818)	318,965
Depreciation charges	380,119	484,320
Loss on disposal of fixed assets	1,689	-
Increase in provisions	-	170,000
Finance costs	1,293,836	1,036,061
Finance income	(1,436)	(696,862)
	<u>1,646,390</u>	<u>1,312,484</u>
(Increase)/decrease in trade and other debtors	(333,507)	47,294
Increase in trade and other creditors	133,470	57,318
	<u>1,446,353</u>	<u>1,417,096</u>
Cash generated from operations	<u><u>1,446,353</u></u>	<u><u>1,417,096</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 30 June 2016

	30/6/16 £	1/7/15 £
Cash and cash equivalents	56,701	520,892
Bank overdrafts	(31,919)	-
	<u>24,782</u>	<u>520,892</u>

Year ended 30 June 2015

	30/6/15 £	1/7/14 £
Cash and cash equivalents	<u>520,892</u>	<u>29,792</u>

Sun Healthcare Limited

Notes to the Financial Statements for the Year Ended 30 June 2016

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

After reviewing the company's forecasts and projections, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Statutory information

Sun Healthcare Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation and functional currency of the financial statements is the Pound Sterling (£).

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates that affect the amounts reported for assets and liabilities as at the balance sheet date and amounts reported for revenues and expenses during the year.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Derivative financial instruments

Interest Rate Swap derivative financial instruments are valued at fair value and provided based on current market valuations and current interest rates. To the extent that the Interest Rate Swap product has been bought out of in the future, interest rates may have fluctuated which means that the liability may be different to that disclosed in the financial statements.

Valuation of freehold property

The company's carehome portfolio is reviewed at regular intervals. Carehome valuations are subject to changes in social care policy and other market conditions.

Provisions for repairs and maintenance costs

The company provides for exceptional expenditure on repairs and maintenance across the company's carehome properties to ensure that it remains fully compliant with legal and regulatory requirements. The timing of provisions and the related expenditure together with the adequacy of the provision are all dependent upon legal and regulatory changes.

Going concern

The social care sector continues to suffer significant financial pressures resulting from ongoing austerity measures and the future outlook remains uncertain, particularly in view of the result of the UK general election on 8 June 2017. The 30 June 2015 accounts included a downward property revaluation adjustment of £4.3m following an updated professional valuation of the company's care home portfolio. This year's accounts include the new requirements of FRS102 for the first time which require the inclusion of derivative financial instruments at fair value and so have resulted in the inclusion of an interest rate swap liability of £3.1m. Taking into account the impact of both these adjustments, the company's shareholders' funds have reduced from £7.3m in the previously reported 2014 accounts to £0.5m in this year's accounts.

Sun Healthcare Limited

Notes to the Financial Statements - continued for the Year Ended 30 June 2016

Despite these financial pressures and uncertainties together with the very significant weakening in the company's balance sheet since 30 June 2014 to the position at 30 June 2016 included in these accounts, the company has complied with all bank covenants during the year, has continued to be in compliance since the year end and the Company's forecasts for the year ending 30 June 2018 forecast continued compliance. The directors therefore believe that adequate banking facilities will continue to be made available to the company for the next 12 months. Accordingly, the financial statements are prepared on a going concern basis.

Deferred taxation

Deferred taxation on land and buildings is provided based on current market property valuations and current tax rates. To the extent that land and buildings are sold in the future, either the property market or tax rates may have fluctuated which means that the value of deferred tax may be different to that disclosed in the financial statements.

Changes in accounting policies

Following the transition from UK GAAP to FRS 102 as at 1 July 2014, the company changed its accounting policy for the recognition of derivative financial instruments and now recognises liabilities on the balance sheet in relation to Interest Rate Swap derivative financial instruments, which are valued at fair value and movements processed through the profit and loss account each year.

Turnover

Turnover represents amounts earned on services provided during the year and derives from the provision of goods falling within the company's ordinary activities. Revenue is recognised at the point of delivery of the service.

Goodwill

Goodwill arising on business combinations is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful life. The period chosen for writing off goodwill is 20 years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- Straight line over 50 years
Fixtures and fittings	- 33% on cost and 15% on reducing balance
Motor vehicles	- 25% on reducing balance

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

2. EMPLOYEES AND DIRECTORS

	2016 £	2015 £
Wages and salaries	5,643,269	5,479,029
Social security costs	404,387	384,124
Other pension costs	135,457	108,780
	<u>6,183,113</u>	<u>5,971,933</u>

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

2. EMPLOYEES AND DIRECTORS - continued

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

	2016	2015
Directors	2	2
Administration and management	7	8
Nursing and kitchen	377	366
	<u>386</u>	<u>376</u>

	2016 £	2015 £
Directors' remuneration	120,000	120,000
Directors' pension contributions to money purchase schemes	<u>80,000</u>	<u>80,000</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2016 £	2015 £
Other operating leases	48,981	53,375
Depreciation - owned assets	367,627	490,184
Loss on disposal of fixed assets	1,689	-
Goodwill amortisation	12,492	12,492
Audit of accounts	17,500	12,500
Taxation services	<u>2,500</u>	<u>2,500</u>

4. EXCEPTIONAL ITEMS

	2016 £	2015 £
Compensation received for bank interest rate product mis-selling	-	693,813
Exceptional items - repairs	150,000	(615,428)
	<u>150,000</u>	<u>78,385</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 £	2015 £
Bank loan interest	744,446	779,246
Loss on derivative financial instruments	549,390	256,815
	<u>1,293,836</u>	<u>1,036,061</u>

Loss on derivative financial instruments represents the movement on fair value of these instruments in the year (see note 13).

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

6. TAXATION

Analysis of the tax charge

The tax charge on the loss for the year was as follows:

	2016 £	2015 £
Current tax:		
UK corporation tax	167,494	198,429
Deferred tax	(3,107)	5,165
Tax on (loss)/profit	<u>164,387</u>	<u>203,594</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
(Loss)/profit before tax	<u>(27,818)</u>	<u>318,965</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 21%)	(5,564)	66,983
Effects of:		
Expenses not deductible for tax purposes	-	492
Depreciation in excess of capital allowances	63,180	81,146
Effect of change in standard rate of corporation tax	-	(3,887)
Marginal rate relief	-	(236)
Deferred tax	(3,107)	5,165
Loss on derivatives	109,878	53,931
Total tax charge	<u>164,387</u>	<u>203,594</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2015 Tax £	Net £
Unrealised loss on revaluation	<u>(4,209,861)</u>	<u>1,037,684</u>	<u>(3,172,177)</u>

7. DIVIDENDS

	2016 £	2015 £
Ordinary shares of £1 each		
Interim	<u>25,000</u>	<u>75,000</u>

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

8. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 July 2015 and 30 June 2016	250,000
AMORTISATION	
At 1 July 2015	174,965
Amortisation for year	12,492
At 30 June 2016	187,457
NET BOOK VALUE	
At 30 June 2016	62,543
At 30 June 2015	75,035

9. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 July 2015	14,763,953	814,512	109,358	15,687,823
Additions	190,000	9,193	-	199,193
Disposals	-	-	(16,810)	(16,810)
At 30 June 2016	14,953,953	823,705	92,548	15,870,206
DEPRECIATION				
At 1 July 2015	-	551,700	88,137	639,837
Charge for year	299,079	64,240	4,308	367,627
Eliminated on disposal	-	-	(12,821)	(12,821)
At 30 June 2016	299,079	615,940	79,624	994,643
NET BOOK VALUE				
At 30 June 2016	14,654,874	207,765	12,924	14,875,563
At 30 June 2015	14,763,953	262,812	21,221	15,047,986

Cost or valuation at 30 June 2016 is represented by:

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2016	1,818,791	-	-	1,818,791
Cost	13,135,162	823,705	92,548	14,051,415
	14,953,953	823,705	92,548	15,870,206

Sun Healthcare Limited

Notes to the Financial Statements - continued for the Year Ended 30 June 2016

9. TANGIBLE FIXED ASSETS - continued

All 5 care homes were subject to external professional valuation carried out by Savills in March 2016 for the purpose of inclusion in the 30 June 2015 accounts. These valuations were carried out for each home individually on an open market basis assuming they are fully operational entities on a freehold basis. The remaining non-care home property owned by the company was also valued by Savills on a Market Value basis assuming vacant possession and no trade potential.

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 July 2015	
and 30 June 2016	1,000
NET BOOK VALUE	
At 30 June 2016	1,000
At 30 June 2015	1,000

The Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Autism Support & Care Limited

Registered office: Cockerham Hall, 17 Huddersfield Road, Barnsley, South Yorkshire, S70 2LT

Nature of business: Dormant

	% holding
Class of shares:	
Ordinary	100.00

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade debtors	1,026,126	879,666
Other debtors	138,093	43,127
Directors' current accounts	-	17,546
Prepayments and accrued income	191,352	99,271
	<u>1,355,571</u>	<u>1,039,610</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Bank loans and overdrafts (see note 14)	525,199	2,717,246
Trade creditors	136,118	84,989
Amounts owed to group undertakings	1,000	1,000
Corporation tax	475,131	307,637
Social security and other taxes	108,989	95,512
Accruals and deferred income	364,042	376,359
	<u>1,610,479</u>	<u>3,582,743</u>

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £	2015 £
Bank loans (see note 14)	10,542,357	8,736,413
Derivative financial instruments	3,066,257	2,516,867
	<u>13,608,614</u>	<u>11,253,280</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year or on demand:		
Bank overdrafts	31,919	-
Bank loans	493,280	2,717,246
	<u>525,199</u>	<u>2,717,246</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>525,013</u>	<u>398,568</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>1,781,798</u>	<u>1,388,511</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more than 5 years by instalments	8,235,546	6,949,334
	<u>8,235,546</u>	<u>6,949,334</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2016 £	2015 £
Bank loans	<u>11,035,637</u>	<u>11,453,659</u>

The company's bank borrowings are secured by a charge over its freehold land & buildings and related assets. In addition, the bank borrowings are secured by life policies over Mr S Garside and Mr A Tolan with a death benefit of not less than £250,000 each.

16. FINANCIAL INSTRUMENTS

The company holds derivative financial instruments comprising interest rate swaps to hedge interest rate risks arising from its long term borrowings. Derivative financial instruments are initially measured at fair value; any gain or loss on remeasurement is recognised in the income statement.

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

17. PROVISIONS FOR LIABILITIES

	2016 £	2015 £
Deferred tax		
Accelerated capital allowances	42,934	46,041
Other provisions	434,097	930,000
	<u>477,031</u>	<u>976,041</u>
	Deferred tax	Other provisions
	£	£
Balance at 1 July 2015	46,041	930,000
Utilised during year	(3,107)	(495,903)
	<u>42,934</u>	<u>434,097</u>

Other provisions relate to expected expenditure on repairs and maintenance across the company's carehome properties to ensure that it remains fully compliant with legal and regulatory requirements and is expected to be fully utilised by 30 June 2018.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value: £1	2016 £	2015 £
2	Ordinary	£1	<u>2</u>	<u>2</u>

19. RESERVES

	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 July 2015	356,494	515,865	98	872,457
Deficit for the year	(192,205)			(192,205)
Dividends	(25,000)			(25,000)
Other movements - transfer to/from revaluation reserve	36,376	(36,376)	-	-
	<u>175,665</u>	<u>479,489</u>	<u>98</u>	<u>655,252</u>

Reserves consist of the following:

Retained earnings represents the company's cumulative distributable reserves.

Revaluation reserve represents the company's cumulative reserves relating to the revaluation of freehold property.

Capital redemption reserve represents cumulative amounts set aside within reserves as share capital is redeemed or repurchased.

Sun Healthcare Limited

Notes to the Financial Statements - continued for the Year Ended 30 June 2016

20. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to a director subsisted during the years ended 30 June 2016 and 30 June 2015:

	2016 £	2015 £
Mr A J Tolan		
Balance outstanding at start of year	17,546	32,042
Amounts repaid	(17,546)	(14,496)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>17,546</u>

Interest has been charged at HMRC official rate throughout this loan.

21. RELATED PARTY DISCLOSURES

During the year, a total of key management personnel compensation of £200,000 was paid.

22. FIRST YEAR ADOPTION

The company has adopted FRS102 for the year ended 30 June 2016. The transition adjustments are disclosed in the Reconciliation of Equity and Reconciliation of Profit on pages 23 to 25.

The main transition adjustments were:

- (a) provision for deferred taxation on revalued assets.
- (b) recording derivative financial instruments at fair value.

Sun Healthcare Limited

**Reconciliation of Equity
1 July 2014
(Date of Transition to FRS 102)**

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Intangible assets	9	(738,474)	-	(738,474)
Tangible assets	10	20,509,662	-	20,509,662
Investments	11	1,000	-	1,000
		<u>19,772,188</u>	<u>-</u>	<u>19,772,188</u>
CURRENT ASSETS				
Debtors	12	1,187,207	-	1,187,207
Cash at bank and in hand		29,792	-	29,792
		<u>1,216,999</u>	<u>-</u>	<u>1,216,999</u>
CREDITORS				
Amounts falling due within one year	13	(2,008,698)	-	(2,008,698)
NET CURRENT LIABILITIES		<u>(791,699)</u>	<u>-</u>	<u>(791,699)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		18,980,489	-	18,980,489
CREDITORS				
Amounts falling due after more than one year	14	(10,877,612)	(2,260,052)	(13,137,664)
PROVISIONS FOR LIABILITIES	18	(800,876)	(1,037,684)	(1,838,560)
NET ASSETS		<u>7,302,001</u>	<u>(3,297,736)</u>	<u>4,004,265</u>
CAPITAL AND RESERVES				
Called up share capital	19	2	-	2
Revaluation reserve	20	4,903,588	(1,037,684)	3,865,904
Capital redemption reserve	20	98	-	98
Retained earnings	20	2,398,313	(2,260,052)	138,261
SHAREHOLDERS' FUNDS		<u>7,302,001</u>	<u>(3,297,736)</u>	<u>4,004,265</u>

The notes form part of these financial statements

Sun Healthcare Limited

Reconciliation of Equity - continued
30 June 2015

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Intangible assets	9	75,035	-	75,035
Tangible assets	10	15,047,986	-	15,047,986
Investments	11	1,000	-	1,000
		<u>15,124,021</u>	<u>-</u>	<u>15,124,021</u>
CURRENT ASSETS				
Debtors	12	1,039,610	-	1,039,610
Cash at bank and in hand		520,892	-	520,892
		<u>1,560,502</u>	<u>-</u>	<u>1,560,502</u>
CREDITORS				
Amounts falling due within one year	13	(3,582,743)	-	(3,582,743)
NET CURRENT LIABILITIES		<u>(2,022,241)</u>	<u>-</u>	<u>(2,022,241)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,101,780	-	13,101,780
CREDITORS				
Amounts falling due after more than one year	14	(8,736,413)	(2,516,867)	(11,253,280)
PROVISIONS FOR LIABILITIES	18	(976,041)	-	(976,041)
NET ASSETS		<u>3,389,326</u>	<u>(2,516,867)</u>	<u>872,459</u>
CAPITAL AND RESERVES				
Called up share capital	19	2	-	2
Revaluation reserve	20	515,865	-	515,865
Capital redemption reserve	20	98	-	98
Retained earnings	20	2,873,361	(2,516,867)	356,494
SHAREHOLDERS' FUNDS		<u>3,389,326</u>	<u>(2,516,867)</u>	<u>872,459</u>

The notes form part of these financial statements

Sun Healthcare Limited

**Reconciliation of Profit
for the Year Ended 30 June 2015**

	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
TURNOVER	9,446,571	-	9,446,571
Cost of sales	(6,132,486)	-	(6,132,486)
GROSS PROFIT	3,314,085	-	3,314,085
Administrative expenses	(2,660,041)	-	(2,660,041)
Other operating income	4,120	-	4,120
OPERATING PROFIT	658,164	-	658,164
Interest receivable and similar income	696,862	-	696,862
Interest payable and similar expenses	(779,246)	(256,815)	(1,036,061)
PROFIT BEFORE TAXATION	575,780	(256,815)	318,965
Tax on profit	(203,594)	-	(203,594)
PROFIT FOR THE FINANCIAL YEAR	372,186	(256,815)	115,371

The notes form part of these financial statements