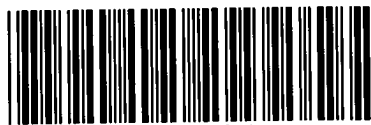


**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 30 June 2017**
for
Sun Healthcare Limited

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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for the Year Ended 30 June 2017**

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Sun Healthcare Limited
Company Information
for the Year Ended 30 June 2017

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 2017

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

REVIEW OF BUSINESS

We began the year with a clear agenda to continue to implement a tighter control on the expenditure side of the business without compromising the high quality of services our customers demand. The period saw the company trade in line with the directors' expectations following the controls we introduced which are delivering tangible benefits.

As reported last year the social care sector continues to be impacted by government spending cuts and the impact of those cuts is starting to filter throughout the business with the implementation of competitive tendering and framework agreements being the new way of authorities commissioning care provision within the sector.

The Company regularly reviews KPI's that provide an overview of the company's overall performance across its areas of service delivery. Any concerns are discussed with the service managers and all required action plans are implemented. The extensive refurbishment work at Tapton Grove has now been completed enhancing the lives of those who live and work at Tapton Grove, and we are planning further improvement works at Havenfield Lodge in the coming months.

Turnover increased by £812k (8.7%) to £10,128k, reflecting price increases and increases in occupancy levels at some homes. The price increases this year follow a sustained period of downward pricing pressures which combined with upward cost pressures (including the impact of the National Living Wage from April 2016) had eroded the gross margin from 35.1% in 2015 to 31.5% in 2016. However, the gross margin has recovered slightly this year, increasing from 31.5% to 32.9%, which together with the increase in turnover has resulted in an increase in gross profit of £394k (13%) from £2,937k to £3,331k.

Whilst operating profit increased by £163k to £1,428k, 2016 was stated after releasing £150k of exceptional repair costs that had been provided in previous years. Adjusting for those, operating profit increased by £313k from £1,115k (adjusted) to £1,428k. After a net interest charge of £153k (2016: £1,294k), made up of £778k loan interest, less £626k reduction in the fair value of derivative financial instruments liability (2016: £745k loan interest add £549k increase in the fair value of derivative financial instruments liability), the company made a net profit before tax of £1,275k (2016: £28k loss). After a tax charge of £185k (2016: £164k) profit for the financial year was £1,090k (2016: £192k loss).

As reported last year, the new UK accounting standard, FRS102, which applied to the accounts for the first time in that year had a very significant adverse impact on the company's balance sheet/statement of financial position reported in the 2016 accounts as 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 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. However, this year saw the fair value of these derivative financial instruments reduce by £626k from £3,066k to £2,441k.

This year's strong trading performance coupled with the reduction in the value of the fair value of the derivative financial instruments liability has therefore seen the company's net assets increase by £1,066k during the year from £655k to £1,721k at 30 June 2017.

Whilst 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 company continued to comply with all bank covenants during the year and is projected to continue to comply for the next financial year. The directors therefore believe that adequate banking facilities will continue to be made available to the company for the next 12 months and accordingly, the financial statements are prepared on a going concern basis.

Sun Healthcare Limited

Strategic Report for the Year Ended 30 June 2017

To enhance the company's position in the sector we have engaged the services of a marketing professional to ensure effective communications are broadcast both internally but moreover to the wider world. We have seen the introduction of a new web site and we are utilising social media in a sympathetic manner to ensure exposure to the marketplace.

As widely reported, the sector is seeing an increasingly stringent regulatory environment with an enhanced rigour of inspections which we welcome and are well positioned to benefit from this to enable us to improve the focus on quality of care.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business are as follows; -

Risk Description and Impact

Quality of Service

Failure to provide a high quality of care for the people we care for.

Regulatory Breach

Loss or suspension of our registrations due to a statutory, regulatory or contractual breach.

Service Innovation

Insufficient innovation in our business model, service or care model reduced our competitiveness in the market place.

Incident Response

Inability to effectively react and respond to an incident or systematic incidents in a timely and controlled manner.

Relationships

Failure to create and maintain strong relationships with commissioners to ensure referrals at appropriate prices or price increase to cover cost increases.

Systems and Processes

Immaturity of financial and operational systems and processes prevent effective business operations and sustainable growth in the future.

Recruitment and Retention

Failure to attract and maintain an effective, high quality resource and talent base.

Strategy and Performance

Failure to develop, execute and operate a strategic plan that ensures continued viable growth.

Government Action

Failure to anticipate or respond to changes in government policy or regulation.

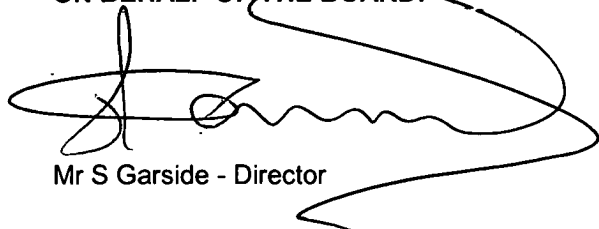
Financing

Failure to meet our financing obligation to our lenders.

Brexit

Adverse impact on the healthcare industry or the UK economy following the referendum to leave the EU.

ON BEHALF OF THE BOARD:

A large, stylized handwritten signature in black ink, appearing to read 'S Garside', written over the text 'ON BEHALF OF THE BOARD:' and the name 'Mr S Garside - Director'.

Mr S Garside - Director

15 November 2017

Sun Healthcare Limited

Report of the Directors for the Year Ended 30 June 2017

The directors present their report with the financial statements of the Company for the year ended 30 June 2017.

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 £12500 per share was paid on 30 June 2017. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 30 June 2017 will be £25,000.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2016 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.

Sun Healthcare Limited

**Report of the Directors
for the Year Ended 30 June 2017**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employee wherever appropriate.

Employee involvement

It is company policy that all personnel have equality of opportunity upon recruitment and during service regardless of gender, race, religion or disability and also to select and train people dependant upon their ability and the requirements of the group for particular skills. Employees are informed of relevant company developments on a regular basis.

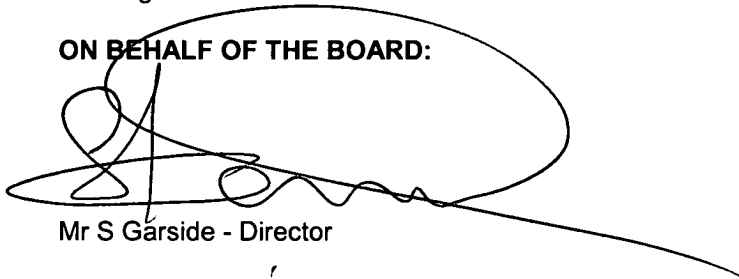
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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.

AUDITORS

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

ON BEHALF OF THE BOARD:

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Mr S Garside - Director

15 November 2017

Independent Auditors' Report to the Members of Sun Healthcare Limited

Opinion

We have audited the financial statements of Sun Healthcare Limited (the 'Company') for the year ended 30 June 2017 on pages eight to twenty. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

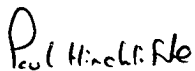
As explained more fully in the Statement of Directors' Responsibilities set out on pages four and five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.



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

15 November 2017

Sun Healthcare Limited

**Statement of Comprehensive Income
for the Year Ended 30 June 2017**

	Notes	2017 £	2016 £
TURNOVER		10,128,483	9,315,884
Cost of sales		6,797,215	6,378,915
GROSS PROFIT		3,331,268	2,936,969
Administrative expenses		1,903,598	1,672,387
OPERATING PROFIT	3	1,427,670	1,264,582
Interest receivable and similar income		166	1,436
		1,427,836	1,266,018
Interest payable and similar expenses	5	152,614	1,293,836
PROFIT/(LOSS) BEFORE TAXATION		1,275,222	(27,818)
Tax on profit/(loss)	6	184,781	164,387
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,090,441	(192,205)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,090,441	(192,205)

The notes form part of these financial statements

Statement of Financial Position
30 June 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	8	50,043	62,543
Tangible assets	9	14,792,475	14,875,563
Investments	10	1,000	1,000
		<u>14,843,518</u>	<u>14,939,106</u>
CURRENT ASSETS			
Debtors	11	1,200,217	1,355,571
Cash at bank and in hand		233,709	56,701
		<u>1,433,926</u>	<u>1,412,272</u>
CREDITORS			
Amounts falling due within one year	12	1,557,821	1,610,479
NET CURRENT LIABILITIES		<u>(123,895)</u>	<u>(198,207)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,719,623</u>	<u>14,740,899</u>
CREDITORS			
Amounts falling due after more than one year	13	(12,805,796)	(13,608,614)
PROVISIONS FOR LIABILITIES	17	<u>(193,132)</u>	<u>(477,031)</u>
NET ASSETS		<u><u>1,720,695</u></u>	<u><u>655,254</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	2	2
Revaluation reserve	19	443,113	479,489
Capital redemption reserve	19	98	98
Retained earnings	19	1,277,482	175,665
SHAREHOLDERS' FUNDS		<u><u>1,720,695</u></u>	<u><u>655,254</u></u>

The financial statements were approved by the Board of Directors on 15 November 2017 and were signed on its behalf by:


Director
Mr S Garside

Sun Healthcare Limited

**Statement of Changes in Equity
for the Year Ended 30 June 2017**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Total equity £
Balance at 1 July 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
Changes in equity					
Dividends	-	(25,000)	-	-	(25,000)
Total comprehensive income	-	1,126,817	(36,376)	-	1,090,441
Balance at 30 June 2017	2	1,277,482	443,113	98	1,720,695

The notes form part of these financial statements

Sun Healthcare Limited

**Statement of Cash Flows
for the Year Ended 30 June 2017**

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	1,711,873	896,963
Interest paid		(778,242)	(744,446)
Tax paid		(199,143)	-
Net cash from operating activities		<u>734,488</u>	<u>152,517</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(271,314)	(199,193)
Sale of tangible fixed assets		1,250	2,300
Interest received		166	1,436
Net cash from investing activities		<u>(269,898)</u>	<u>(195,457)</u>
Cash flows from financing activities			
New loans in year		200,000	-
Loan repayments in year		(430,663)	(428,170)
Equity dividends paid		(25,000)	(25,000)
Net cash from financing activities		<u>(255,663)</u>	<u>(453,170)</u>
Increase/(decrease) in cash and cash equivalents		<u>208,927</u>	<u>(496,110)</u>
Cash and cash equivalents at beginning of year	2	24,782	520,892
Cash and cash equivalents at end of year	2	<u><u>233,709</u></u>	<u><u>24,782</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 2017**

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

	2017 £	2016 £
Profit/(loss) before taxation	1,275,222	(27,818)
Depreciation charges	365,508	380,119
Loss on disposal of fixed assets	146	1,689
Movement on other provisions	(282,570)	(495,903)
Finance costs	152,614	1,293,836
Finance income	(166)	(1,436)
	1,510,754	1,150,487
Decrease/(increase) in trade and other debtors	155,354	(333,507)
Increase in trade and other creditors	45,765	79,983
Cash generated from operations	1,711,873	896,963

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 2017

	30/6/17 £	1/7/16 £
Cash and cash equivalents	233,709	56,701
Bank overdrafts	-	(31,919)
	233,709	24,782

Year ended 30 June 2016

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

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

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.

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 a 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 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. As reported in the 2016 accounts, the impact of a downward property valuation in 2015, and the new FRS 102 requirement to include interest rate swaps at fair value adversely impacted on the company's net assets in 2015 and 2016. Taking into account the impact of both these adjustments, the company's shareholders' funds reduced from £7.3m in the previously reported 2014 accounts to £0.65m in the 30 June 2016 accounts.

Sun Healthcare Limited

Notes to the Financial Statements - continued for the Year Ended 30 June 2017

However, a strong trading performance coupled with a reduction in the fair value of the derivative financial instruments liability has seen the company net assets increase by £1.16m during this year from £0.65m to £1.72m at 30 June 2017.

The company continued to comply with all bank covenants during this year and is projected to continue to comply for the next financial year. The directors therefore believe that adequate banking facilities will continue to be made available to the company for the next 12 months and accordingly, the financial statements are prepared on a going concern basis.

Turnover

Turnover represents amounts earned on services provided during the year and derives from the provision of services 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.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

All fixed assets are initially recorded at cost.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

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.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

2. EMPLOYEES AND DIRECTORS

	2017 £	2016 £
Wages and salaries	5,957,738	5,643,269
Social security costs	439,668	404,387
Other pension costs	143,391	135,457
	<u>6,540,797</u>	<u>6,183,113</u>

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

	2017	2016
Directors	2	2
Administration and management	8	7
Nursing and kitchen	382	377
	<u>392</u>	<u>386</u>

	2017 £	2016 £
Directors' remuneration	120,300	120,000
Directors' pension contributions to money purchase schemes	80,000	80,000

3. OPERATING PROFIT

The operating profit is stated after charging:

	2017 £	2016 £
Other operating leases	49,264	48,981
Depreciation - owned assets	353,006	367,627
Loss on disposal of fixed assets	146	1,689
Goodwill amortisation	12,500	12,492
Audit of accounts	17,500	17,500
Taxation services	2,500	2,500

4. EXCEPTIONAL ITEMS

	2017 £	2016 £
Exceptional items - repairs	-	150,000

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £	2016 £
Bank loan interest	778,242	744,446
Movement on derivatives	(625,628)	549,390
	<u>152,614</u>	<u>1,293,836</u>

(Profits)/losses on derivative financial instruments represents the movement on fair value of these instruments in the year (see note 14).

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

6. TAXATION

Analysis of the tax charge

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

	2017 £	2016 £
Current tax:		
UK corporation tax	186,110	167,494
Deferred tax	(1,329)	(3,107)
Tax on profit/(loss)	<u>184,781</u>	<u>164,387</u>

Reconciliation of total tax charge included in profit and loss

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

	2017 £	2016 £
Profit/(loss) before tax	<u>1,275,222</u>	<u>(27,818)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	255,044	(5,564)
Effects of:		
Depreciation in excess of capital allowances	58,547	63,180
Effect of change in standard rate of corporation tax	(2,356)	-
Deferred tax	(1,329)	(3,107)
(Profit)/loss on derivatives	<u>(125,125)</u>	<u>109,878</u>
Total tax charge	<u>184,781</u>	<u>164,387</u>

7. DIVIDENDS

	2017 £	2016 £
Ordinary shares of £1 each		
Interim	<u>25,000</u>	<u>25,000</u>

8. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 July 2016 and 30 June 2017	<u>250,000</u>
AMORTISATION	
At 1 July 2016	187,457
Amortisation for year	<u>12,500</u>
At 30 June 2017	<u>199,957</u>
NET BOOK VALUE	
At 30 June 2017	<u>50,043</u>
At 30 June 2016	<u>62,543</u>

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

9. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 July 2016	14,953,953	823,705	92,548	15,870,206
Additions	214,052	40,012	17,250	271,314
Disposals	-	-	(8,011)	(8,011)
At 30 June 2017	15,168,005	863,717	101,787	16,133,509
DEPRECIATION				
At 1 July 2016	299,079	615,940	79,624	994,643
Charge for year	303,360	42,451	7,195	353,006
Eliminated on disposal	-	-	(6,615)	(6,615)
At 30 June 2017	602,439	658,391	80,204	1,341,034
NET BOOK VALUE				
At 30 June 2017	14,565,566	205,326	21,583	14,792,475
At 30 June 2016	14,654,874	207,765	12,924	14,875,563

Cost or valuation at 30 June 2017 is represented by:

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2016	1,818,791	-	-	1,818,791
Cost	13,349,214	863,717	101,787	14,314,718
	15,168,005	863,717	101,787	16,133,509

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 2016 and 30 June 2017	1,000
NET BOOK VALUE	
At 30 June 2017	1,000
At 30 June 2016	1,000

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

10. FIXED ASSET INVESTMENTS - continued

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

Class of shares:	% holding
Ordinary	100.00

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade debtors	894,507	1,026,126
Other debtors	177,613	138,093
Prepayments and accrued income	128,097	191,352
	<u>1,200,217</u>	<u>1,355,571</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Bank loans and overdrafts (see note 14)	439,807	525,199
Trade creditors	186,634	136,118
Amounts owed to group undertakings	1,000	1,000
Corporation tax	462,098	475,131
Social security and other taxes	95,399	108,989
Accruals and deferred income	372,883	364,042
	<u>1,557,821</u>	<u>1,610,479</u>

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

	2017 £	2016 £
Bank loans (see note 14)	10,365,167	10,542,357
Derivative financial instruments	2,440,629	3,066,257
	<u>12,805,796</u>	<u>13,608,614</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year or on demand:		
Bank overdrafts	-	31,919
Bank loans	439,807	493,280
	<u>439,807</u>	<u>525,199</u>

Sun Healthcare Limited

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2017**

14. LOANS - continued

	2017 £	2016 £
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>439,807</u>	<u>525,013</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>1,319,420</u>	<u>1,781,798</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more than 5 years by instalments	<u>8,605,940</u>	<u>8,235,546</u>
	<u>8,605,940</u>	<u>8,235,546</u>

Bank loans incur interest charges of 1.4% to 1.9% above LIBOR. The company has entered into separate interest rate swaps to hedge interest rate risk. Any gains or loss on these derivative financial instruments is recognised in the profit and loss account.

15. SECURED DEBTS

The following secured debts are included within creditors:

	2017 £	2016 £
Bank loans	<u>10,804,974</u>	<u>11,035,637</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 carrying amounts of the company's financial instruments are:

Financial assets - Debt instruments measured at amortised cost of £1,398,673 (2016: £1,391,139).

Financial liabilities - Measured at amortised cost of £11,345,488 (2016: £11,538,668).

17. PROVISIONS FOR LIABILITIES

	2017 £	2016 £
Deferred tax		
Accelerated capital allowances	41,605	42,934
Other provisions	<u>151,527</u>	<u>434,097</u>
	<u>193,132</u>	<u>477,031</u>

Sun Healthcare Limited

Notes to the Financial Statements - continued for the Year Ended 30 June 2017

17. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £	Other provisions £
Balance at 1 July 2016	42,934	434,097
Credit to Statement of Comprehensive Income during year	(1,329)	(282,570)
Balance at 30 June 2017	<u>41,605</u>	<u>151,527</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	2017 £	2016 £
2	Ordinary	£1	<u>2</u>	<u>2</u>

19. RESERVES

	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 July 2016	175,665	479,489	98	655,252
Profit for the year	1,090,441			1,090,441
Dividends	(25,000)			(25,000)
Other movements - transfer to/from revaluation reserve	36,376	(36,376)	-	-
At 30 June 2017	<u>1,277,482</u>	<u>443,113</u>	<u>98</u>	<u>1,720,693</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.

20. RELATED PARTY DISCLOSURES

During the year, a total of key management personnel compensation of £200,300 (2016 - £200,000) was paid.