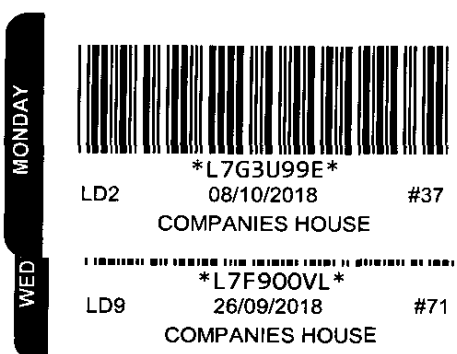


SUNLEY HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



SUNLEY HOLDINGS LIMITED

COMPANY INFORMATION

Directors	James B Sunley Rory Gleeson
Registered number	01458205
Registered office	20 Berkeley Square London W1J 6LH
Independent auditors	haysmacintyre 10 Queen Street Place London EC4R 1AG

SUNLEY HOLDINGS LIMITED

CONTENTS

	Page
Group Strategic Report	1
Directors' Report	2 - 3
Independent Auditors' Report	4 - 6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Company Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Company Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Financial Statements	13 - 33

SUNLEY HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The Directors present their strategic report and the consolidated financial statements for the year ended 31 December 2017.

Business review

The Sunley Holdings group of companies develop and invest in all areas of residential property, including new build, bespoke refurbishments, student housing and the strategic promotion and project management of sites requiring planning consent for new homes.

The company also invests in third party projects, joint ventures, and a variety of small companies.

Principal risks and uncertainties

The main financial risks are client credit risk and liquidity risk. The operational risks are in the vagaries of the planning process and the ability to source new profitable opportunities.

The Directors regularly review and agree policies to manage these risks, and maintain detailed cash flow forecasts and sensitivities.

Risk indicators include fluidity of cash flow, turnover, and operating profit as well as the general state of the property market and variable economic conditions.

Financial key performance indicators

Turnover in 2017 fell to £10,155,000 (2016: £15,710,000) giving rise to an operating profit of £197,000 (2016: £2,914,000) and a pre-tax loss of £93,000 (2016: profit £2,480,000).

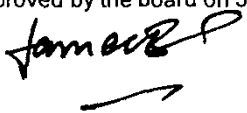
After the declaration of a dividend of £1,065,000 (2016: £1,072,000) the group's net assets at 31 December 2017 fell to £19,100,000 approx (2016: £21,700,000).

The Group loans and overdrafts were reduced during the year to £16,066,000 (2015: £16,408,000) and the cash balance increased to £2,246,000 (2015: £856,000).

Future developments

Despite the political uncertainties in the UK and Europe the Directors believe the outlook for the business is positive and with increased cash resources it is well placed to take quick advantage of new opportunities during 2017.

This report was approved by the board on 5 June 2018 and signed on its behalf.


James B Sunley
Director

SUNLEY HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £141,000 (2016 - £2,178,000).

The directors declared and paid dividends totalling £1,065,000 (2016: £1,072,000) during the year.

Directors

The directors who served during the year were:

James B Sunley
Rory Gleeson

Environmental matters

It is the company's policy to assess environmental issues which may be applicable to its business, customers and the general public and to take such measures consistent with being a responsible property development and construction company.

Future developments

The Directors believe the outlook for the business remains positive. They are of the opinion that the group is in a sound financial position to maximise opportunities throughout the following year.

Company's policy for payment of creditors

The company's policy concerning the payment of its trade creditors is as follows:

- to agree the terms of payments at the start of the business with that supplier;
- to ensure that suppliers are aware of the terms of payment; and
- to pay in accordance with its contractual and other legal obligations.

At 31 December 2017 the creditor days figure for the company was 8 days (2016: 5 days).

Employee involvement

Arrangements exist to keep all employees informed on matters of concern to them through a variety of media including conferences, newsletters and meetings.

It is the policy of the company that disabled persons shall be considered for employment, training, career development and promotion on the basis of their aptitudes and abilities, in common with all employees. The services of any existing employee who becomes disabled are retained wherever possible.

The company has a positive approach to health and safety at work and copies of formal health and safety policy statements are available at all company sites and offices.

SUNLEY HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 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'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

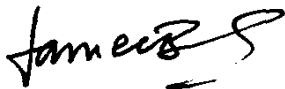
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

This report was approved by the board on 5 June 2018 and signed on its behalf.



James B Sunley
Director

SUNLEY HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUNLEY HOLDINGS LIMITED

Opinion

We have audited the financial statements of Sunley Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's 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.

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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Group's or the parent 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 included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material

SUNLEY HOLDINGS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUNLEY HOLDINGS LIMITED
(CONTINUED)**

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 Directors' Responsibilities Statement on page 3, 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 is 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

SUNLEY HOLDINGS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUNLEY HOLDINGS LIMITED
(CONTINUED)**

Auditors' 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.

Use of our report

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.



David Riley (Senior Statutory Auditor)

for and on behalf of
haysmacintyre

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

5 June 2018

SUNLEY HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	10,155	15,710
Cost of sales		(7,400)	(10,847)
Gross profit		2,755	4,863
Administrative expenses		(3,210)	(2,590)
Fair value movements		652	641
Operating profit	5	197	2,914
Income from fixed assets investments		8	-
Interest receivable and similar income	9	253	519
Interest payable and expenses	10	(551)	(953)
(Loss)/profit before taxation		(93)	2,480
Tax on (loss)/profit	11	39	(100)
(Loss)/profit for the financial year		(54)	2,380
(Loss)/profit for the year attributable to:			
Minority interest share of profit		(195)	202
Owners of the parent Company		141	2,178
		(54)	2,380

There was no other comprehensive income for 2017 (2016: £nil).

The notes on pages 13 to 33 form part of these financial statements.

SUNLEY HOLDINGS LIMITED
REGISTERED NUMBER: 01458205

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	13	117	130
Tangible assets	14	138	199
Investments	15	3,260	2,125
Investment property	16	23,096	28,571
		<u>26,611</u>	<u>31,025</u>
Current assets			
Stocks	17	3,377	1,119
Debtors	18	4,715	7,190
Cash at bank and in hand	19	2,896	2,246
		<u>10,988</u>	<u>10,555</u>
Creditors: amounts falling due within one year	20	(3,284)	(5,972)
Net current assets		<u>7,704</u>	<u>4,583</u>
Total assets less current liabilities		<u>34,315</u>	<u>35,608</u>
Creditors: amounts falling due after more than one year	21	(15,215)	(13,908)
Provisions for liabilities			
Net assets		<u>19,100</u>	<u>21,700</u>
Capital and reserves			
Called up share capital	25	4,150	4,150
Share premium account	26	250	250
Other reserves	26	24	24
Profit and loss account		14,670	15,594
Equity attributable to owners of the parent Company		<u>19,094</u>	<u>20,018</u>
Non-controlling interests		6	1,682
		<u>19,100</u>	<u>21,700</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 June 2018.



James B Sunley
Director

The notes on pages 13 to 33 form part of these financial statements.

SUNLEY HOLDINGS LIMITED
REGISTERED NUMBER: 01458205

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	14	2	3
Investments	15	22,932	23,010
		<u>22,934</u>	<u>23,013</u>
Current assets			
Stocks	17	238	466
Debtors	18	14,485	14,154
Cash at bank and in hand	19	1,327	1,167
		<u>16,050</u>	<u>15,787</u>
Creditors: amounts falling due within one year	20	(19,451)	(18,320)
Net current liabilities		<u>(3,401)</u>	<u>(2,533)</u>
Total assets less current liabilities		<u>19,533</u>	<u>20,480</u>
Creditors: amounts falling due after more than one year	21	(350)	(350)
Provisions for liabilities			
Deferred taxation	24	(89)	(118)
		<u>(89)</u>	<u>(118)</u>
Net assets		<u>19,094</u>	<u>20,012</u>
Capital and reserves			
Called up share capital	25	4,150	4,150
Share premium account	26	250	250
Profit and loss account	26	14,694	15,612
		<u>19,094</u>	<u>20,012</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 June 2018.

James B Sunley
Director



The notes on pages 13 to 33 form part of these financial statements.

SUNLEY HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Equity attributable to owners of parent Company £000	Non-controlling interests £000	Total equity £000
At 1 January 2016	4,150	250	24	14,488	18,912	1,480	20,392
Profit for the year	-	-	-	2,178	2,178	-	2,178
Attributable to minority interests	-	-	-	-	-	202	202
Dividends: Equity capital	-	-	-	(1,072)	(1,072)	-	(1,072)
At 1 January 2017	4,150	250	24	15,594	20,018	1,682	21,700
Profit for the year	-	-	-	141	141	-	141
Attributable to minority interests	-	-	-	-	-	(195)	(195)
Repayment of capital	-	-	-	-	-	(1,092)	(1,092)
Repatriation of working capital and profits	-	-	-	-	-	(389)	(389)
Dividends: Equity capital	-	-	-	(1,065)	(1,065)	-	(1,065)
At 31 December 2017	4,150	250	24	14,670	19,094	6	19,100

The notes on pages 13 to 33 form part of these financial statements.

SUNLEY HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2016	4,150	250	14,512	18,912
Profit for the year	-	-	2,164	2,164
Dividends: Equity capital	-	-	(1,064)	(1,064)
At 1 January 2017	4,150	250	15,612	20,012
Profit for the year	-	-	147	147
Dividends: Equity capital	-	-	(1,065)	(1,065)
At 31 December 2017	4,150	250	14,694	19,094

The notes on pages 13 to 33 form part of these financial statements.

SUNLEY HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £000	2016 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(54)	2,380
Adjustments for:		
Depreciation and amortisation	90	64
Interest paid	552	953
Interest received	(253)	(519)
Taxation (credit) / charge	(38)	98
(Increase)/decrease in stocks	(2,259)	7,491
Decrease in debtors	2,493	2,683
(Decrease) in creditors	(463)	(1,477)
Net fair value (gains) recognised in P&L	(652)	(1,206)
Corporation tax received/(paid)	26	(855)
Net cash generated from operating activities	(558)	9,612
Cash flows from investing activities		
Purchase of tangible fixed assets	(252)	(27)
Purchase of investment properties	-	(268)
Sale of investment properties	6,276	233
Purchase of unlisted and other investments	(1,467)	(330)
Sale of unlisted and other investments	431	272
Interest received	253	519
Net cash from investing activities	5,241	399
Cash flows from financing activities		
Repayment of other loans	(927)	(6,165)
Dividends paid	(1,065)	(1,072)
Interest paid	(552)	(953)
Dividends and other distributions paid to minority interests	(1,481)	-
Net cash used in financing activities	(4,025)	(8,190)
Net increase in cash and cash equivalents	658	1,821
Cash and cash equivalents at beginning of year	2,138	317
Cash and cash equivalents at the end of year	2,796	2,138
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,896	2,246
Bank overdrafts	(100)	(108)
	2,796	2,138

SUNLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Sunley Holdings Limited is a limited liability company incorporated in England.

The registered office and principal place of business is 20 Berkeley Square, Mayfair, London, W1J 6LH.

The principal activity of the company is the investment in commercial and residential real estate investments and developments, and the provision of debt and equity financing for real estate joint venture projects, corporate acquisitions and private equity.

The financial statements are presented in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain *critical accounting estimates*. It also requires *Group management to exercise judgment in applying* the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.3 Revenue

Revenue comprises rental income, management fees, property sales, collaboration fees and overage income recognised by the group in respect of the year.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Other fixed assets	- 3 years straight line
--------------------	-------------------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.6 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.7 Valuation of investments

Investments in subsidiaries are measured at the net asset value of each company. Gains and losses on remeasurement are recognised in the statement of comprehensive income for the period.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.8 Stocks

Property held for development is stated at the lower of cost which includes costs directly associated with the acquisition and development of the project and net realisable value.

Properties held for resale and other stocks and work in progress are stated at the lower of cost and net realisable value.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.11 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.12 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.15 Pensions**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.17 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The Directors consider the valuation of investment properties and the valuation of unlisted investments to be critical judgements applicable to the financial statements.

Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets are assessed annually.

Stock and work in progress comprises land and properties held for development. They are measured at the lower of cost and net realisable value and the valuation is assessed annually.

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
Rental income	1,815	2,817
Property and land sales	6,727	11,127
Management fee and other income	513	666
Collaboration fee income	1,100	1,100
	<u>10,155</u>	<u>15,710</u>

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	63	64
Amortisation of intangible assets, including goodwill	13	-
Other operating lease rentals	<u>212</u>	<u>220</u>

6. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>29</u>	<u>35</u>

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Wages and salaries	1,878	1,872	1,074	1,337
Social security costs	238	283	135	151
Cost of defined contribution scheme	87	155	53	124
	<u>2,203</u>	<u>2,310</u>	<u>1,262</u>	<u>1,612</u>

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

2017 No.	2016 No.
<u>10</u>	<u>11</u>

8. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	959	1,370
Company contributions to defined contribution pension schemes	15	15
	<u>974</u>	<u>1,385</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £450,000 (2016 - £1,020,000).

9. Interest receivable

	2017 £000	2016 £000
Other interest receivable	<u>253</u>	<u>519</u>
	<u>253</u>	<u>519</u>

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	551	953
	<u>551</u>	<u>953</u>

11. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	(44)	(25)
Adjustments in respect of previous periods	5	(14)
	<u>(39)</u>	<u>(39)</u>
Total current tax	<u>(39)</u>	<u>(39)</u>
Deferred tax		
Origination and reversal of timing differences	-	148
Changes to tax rates	-	(9)
	<u>-</u>	<u>139</u>
Total deferred tax	<u>-</u>	<u>139</u>
Taxation on (loss)/profit on ordinary activities	<u>(39)</u>	<u>100</u>

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit on ordinary activities before tax	(93)	2,480
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(4)	496
Effects of:		
Expenses not deductible for tax purposes	21	48
Adjustments to tax charge in respect of prior periods	5	(14)
Non-taxable income	(70)	(53)
Difference between accounting and tax base costs	(144)	(156)
Deferred tax not recognised	185	(66)
Effect of difference between current and deferred tax rate	12	(33)
Tax losses utilised not previously recognised as deferred tax	-	(154)
Group relief	-	53
Receipt of group relief	(44)	(21)
Total tax charge for the year	(39)	100

Factors that may affect future tax charges

Following Budget 2016 announcements, there was a reduction in the main rate of corporation tax in the year to 19% on 1 April 2017 followed by a further reduction to 17% from 1 April 2020.

12. Dividends

	2017 £000	2016 £000
Dividends paid	1,065	1,072

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Intangible assets**Group and Company**

	Goodwill £000
Cost	
At 1 January 2017	130
At 31 December 2017	130
Amortisation	
Charge for the year	13
At 31 December 2017	13
Net book value	
At 31 December 2017	117
At 31 December 2016	130

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Tangible fixed assets**Group**

	Other fixed assets £000
Cost or valuation	
At 1 January 2017	2,481
Additions	2
At 31 December 2017	<u>2,483</u>
Depreciation	
At 1 January 2017	2,282
Charge for the year on owned assets	63
At 31 December 2017	<u>2,345</u>
Net book value	
At 31 December 2017	<u>138</u>
At 31 December 2016	<u>199</u>

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Tangible fixed assets (continued)**Company**

	Other fixed assets £000
Cost or valuation	
At 1 January 2017	122
At 31 December 2017	122
Depreciation	
At 1 January 2017	119
Charge for the year on owned assets	1
At 31 December 2017	120
Net book value	
At 31 December 2017	2
At 31 December 2016	3

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Fixed asset investments**Group**

	Other fixed asset investments £000
Cost or valuation	
At 1 January 2017	2,125
Additions	1,467
Disposals	(431)
Revaluations	99
At 31 December 2017	<u>3,260</u>
Net book value	
At 31 December 2017	<u>3,260</u>
At 31 December 2016	<u>2,125</u>

Subsidiary undertakings

The following is a list of the subsidiary and associated companies of Sunley Holdings Limited at 31 December 2017 which operated in the UK.

The registered office for each of the entities listed below is the same as the Sunley Holdings Limited registered office, which can be found in note 1.

Group companies not owned directly by Sunley Holdings Limited are indicated by an asterisk.

Environ (Kent) Limited, Bach Homes (Sunley) Limited, GMH (2004) Limited and SP (2004) Limited are exempt from the requirement to have an audit under the exemptions available under 479A of the Companies Act 2006.

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Sunley Estates Limited*		Ordinary	100 % Property development
Executive Centre Brighton Limited		Ordinary	100 % Provision of serviced accommodation
Environ (Kent) Limited		Ordinary	100 % Property development
Bach Homes (Sunley) Limited		Ordinary	100 % Property development

SUNLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. Fixed asset investments (continued)

GMH (2004) Limited	Ordinary	100 %	Property investment
SP (2004) Limited	Ordinary	100 %	Property investment
Fairfax Shelfco 321 Limited*	Ordinary	100 %	Provision of student accommodation
Sunley FPR Limited	Ordinary	100 %	Property investment
Sunley Canterbury LLP*	Ordinary	100 %	Property investment
Fairfax Shelf 1 LLP	Ordinary	58 %	Property investment
Sunley Crayfern LLP	Ordinary	50 %	Property development
BHE Property Developments Limited	Ordinary	100 %	Dormant
Castleford Homes Limited	Ordinary	100 %	Dormant
Industrial Ownership Limited*	Ordinary	100 %	Dormant
John B Sunley & Sons Limited	Ordinary	100 %	Dormant
Sir John Jackson Limited	Ordinary	100 %	Dormant
Sunley Group Limited	Ordinary	100 %	Dormant
Sunley London Limited	Ordinary	100 %	Dormant
Sunley Properties Limited	Ordinary	100 %	Dormant
Sunley Securities Limited	Ordinary	100 %	Dormant
Sunley Trading Limited	Ordinary	100 %	Dormant
GMH Management Limited	Ordinary	100 %	Dormant
Swallowfield Park Management Limited	Ordinary	100 %	Dormant
Bernard and Mary Sunley Limited*	Ordinary	100 %	Dormant

Company

	Investments in subsidiary companies £000	Other fixed asset investments £000	Total £000
Cost or valuation			
At 1 January 2017	20,893	2,117	23,010
Additions	-	1,467	1,467
Disposals	(1,508)	(424)	(1,932)
Revaluations	288	99	387
At 31 December 2017	19,673	3,259	22,932
Net book value			
At 31 December 2017	19,673	3,259	22,932
At 31 December 2016	20,893	2,117	23,010

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Investment property**Group**

	Freehold investment property £000
Valuation	
At 1 January 2017	28,571
Additions at cost	248
Disposals	(6,276)
Surplus on revaluation	553
At 31 December 2017	23,096

The Directors performed an internal valuation of the freehold investment properties as at 31 December 2017 on the basis of open market value. The Directors' valuation was £23,096,000 (2016: £28,571,000).

17. Stocks

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Work in progress (goods to be sold)	3,377	1,119	238	466
	3,377	1,119	238	466

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Debtors

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Due after more than one year				
Other debtors	2,842	3,158	2,842	3,158
	<u>2,842</u>	<u>3,158</u>	<u>2,842</u>	<u>3,158</u>
Due within one year				
Trade debtors	315	664	40	34
Amounts owed by group undertakings	77	26	10,493	10,408
Other debtors	1,196	3,022	1,005	463
Prepayments and accrued income	260	295	105	91
Deferred taxation	25	25	-	-
	<u>4,715</u>	<u>7,190</u>	<u>14,485</u>	<u>14,154</u>

19. Cash and cash equivalents

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash at bank and in hand	2,896	2,246	1,327	1,167
Less: bank overdrafts	(100)	(108)	-	-
	<u>2,796</u>	<u>2,138</u>	<u>1,327</u>	<u>1,167</u>

20. Creditors: Amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank overdrafts	100	108	-	-
Bank loans	67	2,300	-	-
Trade creditors	178	177	39	29
Amounts owed to group undertakings	58	50	18,920	17,595
Corporation tax	5	-	-	-
Other taxation and social security	314	210	128	58
Other creditors	1,410	424	8	10
Accruals and deferred income	1,152	2,703	356	628
	<u>3,284</u>	<u>5,972</u>	<u>19,451</u>	<u>18,320</u>

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

21. Creditors: Amounts falling due after more than one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank loans	14,865	13,558	-	-
Other loans	350	350	350	350
	<u>15,215</u>	<u>13,908</u>	<u>350</u>	<u>350</u>

22. Loans

Two bank loans totalling £13,072,500 are due for repayment on 15 January 2020 and carry an interest rate of 2.2% above Libor and a fixed rate of 7.55% for the senior (£9,801,000) and junior (£3,271,500) element respectively. It is secured by a fixed charge and guarantee over an investment property.

One bank loan totalling £473,000 is repayable on 8 August 2018 and carries an interest rate of 4.5%. The loan is secured by a first legal charge on an investment property.

A further bank loan totalling £1,385,500 which also has a first legal over the investment property it was used to acquire carries a rate of interest of 6.25% above base rate and is repayable in October 2019.

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Amounts falling due within one year				
Bank loans	67	2,300	-	-
	<u>67</u>	<u>2,300</u>	<u>-</u>	<u>-</u>
Amounts falling due 1-2 years				
Bank loans	1,792	485	-	-
	<u>1,792</u>	<u>485</u>	<u>-</u>	<u>-</u>
Amounts falling due 2-5 years				
Bank loans	13,073	13,073	-	-
Other loans	350	350	350	350
	<u>13,423</u>	<u>13,423</u>	<u>350</u>	<u>350</u>
	<u>15,282</u>	<u>16,208</u>	<u>350</u>	<u>350</u>

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. Financial instruments

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>4,423</u>	<u>6,870</u>	<u>14,380</u>	<u>14,063</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(16,996)</u>	<u>(16,967)</u>	<u>(19,507)</u>	<u>(17,984)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed from group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, accruals and amounts due to group undertakings.

24. Deferred taxation**Group**

	2017 £000	2016 £000
At beginning of year	25	163
Charged to profit or loss	-	(138)
At end of year	<u>25</u>	<u>25</u>

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

24. Deferred taxation (continued)**Company**

	2017 £000	2016 £000
At beginning of year	(118)	(98)
Charged to profit or loss	29	(20)
At end of year	(89)	(118)

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Short term timing differences	25	25	(89)	(118)
	<u>25</u>	<u>25</u>	<u>(89)</u>	<u>(118)</u>

25. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Allotted, called up and fully paid		
4,150,000 Ordinary shares of £1 each	4,150	4,150

26. Reserves**Share premium account**

The share premium account includes any premiums received on the issue of share capital less share issue costs.

Profit and loss account

The profit and loss account includes all current and prior period results less dividends declared.

27. Pension commitments

The group operates a defined contribution pension scheme for most employees. Certain employees operate their own pension schemes into which the group contributes. The assets of the schemes are held separately from those of the group in independently administered funds.

The pension cost charge represents contributions payable by the group to the group scheme and to personal pension schemes and amounted to £87,000 (2016: £155,000)

SUNLEY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

28. Commitments under operating leases

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Not later than 1 year	214	214	214	214
Later than 1 year and not later than 5 years	212	426	212	426
	<u>426</u>	<u>640</u>	<u>426</u>	<u>640</u>

29. Related party transactions

During the year the group entered into transactions, in the ordinary course of business and all being at arm's length transactions, with other related parties. Transactions entered into and the balances outstanding as at 31 December are as follows:

	Interest charged on the loans £000	Property sales £000	Amounts owed from related party £000
Entities in which a director has an interest			
2017	180	-	2,625
2016	328	-	2,908
Transactions with directors or key management personnel			
2017	-	-	564
2016	-	375	-
	<u>-</u>	<u>375</u>	<u>564</u>

30. Controlling party

The ultimate parent company is Sunley Family Limited. Sunley Family Limited is the head of the largest group of companies of which the company is a member that prepares group financial statements.

Sunley Family Limited is registered in England and Wales. Group financial statements for Sunley Family Limited are available to the public, on payment of the appropriate fee, from the registrar of Companies at Companies House, Crown Way, Cardiff, CF14 3UZ.

The Directors do not consider there to be one controlling party.