

Sunrise Operations Cardiff Limited

**Directors' Report and Financial Statements
For the Year Ended 30 June 2019**



Sunrise Operations Cardiff Limited

Company Information

Directors	C Roberts J Skiver
Company secretary	CSC Corporate Services (UK) Ltd
Registered number	5550888
Registered office	Level 37 25 Canada Square London E14 5LQ
Independent auditors	Ernst & Young LLP, Statutory Auditor 1 More London Place London SE1 2AF

Sunrise Operations Cardiff Limited

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Sunrise Operations Cardiff Limited

Directors' Report For the Year Ended 30 June 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £1,760,188 (2018 - loss £296,202).

The directors do not recommend the payment of a dividend for the year.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

C Roberts
J Skiver

Future developments

The directors decided to consolidate the trade of this Company into Sunrise UK Operations Limited, a group company. The intention was that this would happen before the end of 2018 and the Company would cease trading. However this has been delayed by the complication that the Company operates in Wales which is under a different regulatory body to Sunrise UK Operations operating in the UK and regulated by the CQC. It is still intended that the trade of this Company will be consolidated, and is estimated to be around March 2022.

**Directors' Report (continued)
For the Year Ended 30 June 2019**

Going concern

The financial statements have not been prepared on a going concern basis. Instead they have been prepared on a basis other than going concern reflecting the assumption that the transfer of the Company's operations to a group company and then the Company ceasing to trade will happen in the future. The directors have considered the future outlook of the transfer for an amount of consideration, calculated at arm's length, which will be due to the Company for the transfer of operations when this happens. Therefore, no impairment has been made to the value of the assets of the Company. The directors have also considered the future operating results, cash flows and facilities available.

The immediate impact of Covid-19 has seen the government imposed restrictions in the number of visitors allowed into the homes and consequently a reduced number of presentations "Show Rounds" of potential residents, meaning that move in numbers have reduced in the short term. The Company has taken steps to reduce outgoings and to safeguard its team members to enable it to continue to provide the best care to its residents and protection for its team members by investing heavily in PPE for all who need it, alongside utilising the government furlough scheme for a very small number of staff who are shielding and not able to work where appropriate. Some non-essential Capital expenditure projects have been deferred and the Company is taking a prudent and vigilant approach on all expenditure to offset any revenue shortfall due to the limited move in opportunities.

The Company has incurred a loss after tax of £1,760,188 for the current year (2018 – £296,202) and has net current liabilities of £1,884,776 at the year end (2018 – £108,559) and net liabilities of £1,598,841 (2018 - net assets £161,347) and relies upon the ongoing support of fellow subsidiaries, from which the company benefits from intercompany funding.

In light of the impact Covid-19 is expected to have on the cashflows and operations of the Company, the Company's ultimate parent undertaking Welltower Inc. has confirmed that they will continue to support the Company in order to allow it to satisfy its financial obligations in the normal course of business at least through to 30 June 2021. The Directors are satisfied that the ultimate parent undertaking Welltower Inc. has the ability to provide this support, should it be required and that there is no material risk that the Parent will be unable to provide financial support within a period of at least 12 months from the date of approval of the financial statements. Welltower is forecast to have sufficient liquidity through the going concern period even under its most downside forecast scenario and before any further mitigating actions it may take. On March 31, 2020, Welltower had \$303 million of cash and cash equivalents and \$2.2 billion of available borrowing capacity under its unsecured revolving credit facility, exclusive of the \$1 billion term loan closed on April 1, 2020. During the quarter, Welltower sold 2 million shares of common stock under its ATM and DRIP programs, through both cash settle and forward sale agreements, at an initial weighted average price of \$83.94 per share, generating gross proceeds of approximately \$171 million. The sale of these shares and settlement of previously outstanding forward sales resulted in total gross proceeds of approximately \$603 million which were used to reduce borrowings under the unsecured revolving credit facility.

In addition, the Board of Directors of Welltower has authorized a share repurchase program whereby Welltower may repurchase up to \$1 billion of common stock through December 31, 2021. Under this authorization, Welltower is not required to purchase shares, but may choose to do so in the open market or through private transactions at times and amounts based on our evaluation of market conditions and other factors. On April 1, 2020, Welltower closed on its previously announced \$1.0 billion two-year unsecured term loan. The term loan carries a 60-day delayed draw and bears interest at a rate of 1-month LIBOR + 1.20%, based on our credit rating. Inclusive of available borrowings under our line of credit, two-year unsecured term loan, and cash and cash equivalents, at April 1, 2020 we have \$3.5 billion of near-term available liquidity and no material unsecured debt maturities until 2023.

Given the continued parental support, the Directors of the Company deem it appropriate to prepare the financial statements on other than going concern basis.

Sunrise Operations Cardiff Limited

**Directors' Report (continued)
For the Year Ended 30 June 2019**

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'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's auditors are aware of that information.

Auditors

The auditors, Ernst & Young LLP, Statutory Auditor, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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



J Skwer
Director

Date: 26 June 2020

Opinion

We have audited the financial statements of Sunrise Operations Cardiff Limited for the year ended 30 June 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditor's responsibilities for the audit of the financial statements section of our report below. 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

Emphasis of matter – financial statements prepared on a basis other than going concern and the effects of COVID-19

We draw attention to note 1.4 to the financial statements which explains that the directors intend to liquidate the company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 1.4.

We draw attention to Note 16 of the financial statements, which describes the risks that economic and social disruption the company is facing as a result of COVID-19 which is impacting consumer demand and personnel available for work and or being able to access offices.

Our opinion is not modified in respect of these matters

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, 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 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.

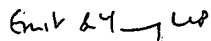
Auditor's responsibilities for the audit of the financial statements

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 auditor's 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 auditor's 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.



James Hilditch (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London
26 June 2020

Sunrise Operations Cardiff Limited

**Statement of Comprehensive Income
For the Year Ended 30 June 2019**

	Note	Year ended 30 Jun 2019 £	Year ended 30 Jun 2018 £
Turnover	3	3,824,014	5,420,554
Cost of sales		(2,813,449)	(2,783,074)
Gross profit		1,010,565	2,637,480
Administrative expenses		(2,771,728)	(2,934,472)
Operating loss	4	(1,761,163)	(296,992)
Interest receivable and similar income	7	975	790
Loss before tax		(1,760,188)	(296,202)
Taxation	8	-	-
Loss for the financial year		(1,760,188)	(296,202)
Total comprehensive loss for the year		(1,760,188)	(296,202)

All amounts relate to continuing activities.

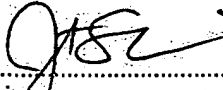
Sunrise Operations Cardiff Limited
Registered number:5550888

Statement of Financial Position
As at 30 June 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	9	285,935	269,906
Current assets			
Stocks		6,065	5,377
Debtors: amounts falling due within one year	10	1,181,529	2,298,399
Cash at bank and in hand		91,314	138,258
		<u>1,278,908</u>	<u>2,442,034</u>
Creditors: amounts falling due within one year	11	<u>(3,163,684)</u>	<u>(2,550,593)</u>
Net current liabilities		<u>(1,884,776)</u>	<u>(108,559)</u>
Net (liabilities)/assets		<u>(1,598,841)</u>	<u>161,347</u>
Capital and reserves			
Called up share capital	13	6,204,139	6,204,139
Share premium account	12	3,177,527	3,177,527
Profit and loss account	12	<u>(10,980,507)</u>	<u>(9,220,319)</u>
		<u>(1,598,841)</u>	<u>161,347</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 June 2020.



J Skiver
 Director

**Statement of Changes in Equity
For the Year Ended 30 June 2019**

	Called up share capital £	Share premium account £	Accumulated losses £	Total equity £
At 1 July 2017	6,204,139	3,177,527	(8,924,117)	457,549
Total comprehensive loss for the year	-	-	(296,202)	(296,202)
At 1 July 2018	6,204,139	3,177,527	(9,220,319)	161,347
Total comprehensive loss for the year	-	-	(1,760,188)	(1,760,188)
At 30 June 2019	6,204,139	3,177,527	(10,980,507)	(1,598,841)

The notes on pages 10 to 23 form part of these financial statements.

1. Accounting policies

1.1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Sunrise Operations Cardiff Limited (the "Company") for the year ended 30 June 2019 were authorised for issue by the board of directors on 26 June 2020 and the balance sheet was signed on the board's behalf by J Skiver. Sunrise Operations Cardiff Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards and legislation.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out below.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 30 June 2019.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

1. Accounting policies (continued)

1.3 Impact of new international reporting standards, amendments and interpretations

IFRS 9

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 01 July 2018.

IFRS 15

From 01 July 2018, the Company has applied IFRS 15 using the cumulative effect method.

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 01 July 2018.

1. Accounting policies (continued)

1.4 Basis other than going concern

The financial statements have not been prepared on a going concern basis. Instead they have been prepared on a basis other than going concern reflecting the assumption that the transfer of the Company's operations to a group company and then the Company ceasing to trade will happen in the future. The directors have considered the future outlook of the transfer for an amount of consideration, calculated at arm's length, which will be due to the Company for the transfer of operations when this happens. Therefore, no impairment has been made to the value of the assets of the Company. The directors have also considered the future operating results, cash flows and facilities available.

The immediate impact of Covid-19 has seen the government imposed restrictions in the number of visitors allowed into the homes and consequently a reduced number of presentations "Show Rounds" of potential residents, meaning that move in numbers have reduced in the short term. The Company has taken steps to reduce outgoings and to safeguard its team members to enable it to continue to provide the best care to its residents and protection for its team members by investing heavily in PPE for all who need it, alongside utilising the government furlough scheme for a very small number of staff who are shielding and not able to work where appropriate. Some non-essential Capital expenditure projects have been deferred and the Company is taking a prudent and vigilant approach on all expenditure to offset any revenue shortfall due to the limited move in opportunities.

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In light of the impact Covid-19 is expected to have on the cashflows and operations of the Company, the Company's ultimate parent undertaking Welltower Inc. has confirmed that they will continue to support the Company in order to allow it to satisfy its financial obligations in the normal course of business at least through to 30 June 2021. The Directors are satisfied that the ultimate parent undertaking Welltower Inc. has the ability to provide this support, should it be required and that there is no material risk that the Parent will be unable to provide financial support within a period of at least 12 months from the date of approval of the financial statements. Welltower is forecast to have sufficient liquidity through the going concern period even under its most downside forecast scenario and before any further mitigating actions it may take. On March 31, 2020, Welltower had \$303 million of cash and cash equivalents and \$2.2 billion of available borrowing capacity under its unsecured revolving credit facility, exclusive of the \$1 billion term loan closed on April 1, 2020. During the quarter, Welltower sold 2 million shares of common stock under its ATM and DRIP programs, through both cash settle and forward sale agreements, at an initial weighted average price of \$83.94 per share, generating gross proceeds of approximately \$171 million. The sale of these shares and settlement of previously outstanding forward sales resulted in total gross proceeds of approximately \$603 million which were used to reduce borrowings under the unsecured revolving credit facility.

In addition, the Board of Directors of Welltower has authorized a share repurchase program whereby Welltower may repurchase up to \$1 billion of common stock through December 31, 2021. Under this authorization, Welltower is not required to purchase shares, but may choose to do so in the open market or through private transactions at times and amounts based on our evaluation of market conditions and other factors. On April 1, 2020, Welltower closed on its previously announced \$1.0 billion two-year unsecured term loan. The term loan carries a 60-day delayed draw and bears interest at a rate of 1-month LIBOR + 1.20%, based on our credit rating. Inclusive of available borrowings under our line of credit, two-year unsecured term loan, and cash and cash equivalents, at April 1, 2020 we have \$3.5 billion of near-term available liquidity and no material unsecured debt maturities until 2023.

1. Accounting policies (continued)

1.4 Basis other than going concern (continued)

Given the continued parental support, the Directors of the Company deem it appropriate to prepare the financial statements on other than going concern basis.

1.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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:

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, revenue for the separate good is recognised at a point in time when the good is delivered, the legal title has passed and the customer has accepted the good.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Work in progress (WIP) represents expenditure on capital projects that have not yet been completed. On completion of a project the accumulated costs are added to the fixed asset register and depreciated.

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

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:

- Leasehold land and building improvements - 5 - 15 years
- Fixtures, fittings and equipment - 5 years

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 Statement of Comprehensive Income.

1.7 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1. Accounting policies (continued)

1.9 Financial Instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Financial Liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

Financial liabilities at amortised cost are initially recognised at fair value plus any attributable transaction costs. Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

1. Accounting policies (continued)

1.10 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the 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 Company in independently administered funds.

1.11 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1.12 Taxation

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 operates and generates income.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Notes to the Financial Statements
For the Year Ended 30 June 2019**

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments

The Company has entered into commercial property leases and obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

3. Turnover

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

	Year ended 30 Jun 2019	Year ended 30 Jun 2018
	£	£
Operating residential and nursing care facilities	3,824,014	5,420,554

All turnover arose within the United Kingdom.

4. Operating loss

The operating loss is stated after charging:

	Year ended 30 Jun 2019	Year ended 30 Jun 2018
	£	£
Depreciation of tangible fixed assets	88,806	79,174
Defined contribution pension cost	42,166	26,296
Land and building lease payments	1,475,797	1,404,100
Equipment lease payments	16,149	12,225
Subcontract labour	292,107	272,575
Management fees	227,515	311,947
Other administration fees	915,421	1,070,682

Sunrise Operations Cardiff Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

5. Auditors' remuneration

	Year ended 30 Jun 2019 £	Year ended 30 Jun 2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>19,500</u>	<u>21,600</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

6. Staff costs and directors remuneration

	Year ended 30 Jun 2019 £	Year ended 30 Jun 2018 £
Wages and salaries	2,155,464	2,123,048
Social security costs	176,630	172,224
Cost of defined contribution scheme	42,166	26,296
	<u>2,374,260</u>	<u>2,321,568</u>

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

	Year ended 30 Jun 2019 No.	Year ended 30 Jun 2018 No.
Admin & other staff	41	43
Care assistants	86	89
	<u>127</u>	<u>132</u>

During the year, no director received any emoluments (30 June 2018 - £nil).

C Roberts and J Skiver received remuneration from HCN UK Management Services Limited, a related company, as employees of that company. They received no remuneration for their services as directors of Sunrise Operations Cardiff Limited.

Sunrise Operations Cardiff Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

7. Interest receivable and similar income

	Year ended 30 Jun 2019 £	Year ended 30 Jun 2018 £
Bank interest receivable	975	790

8. Taxation

	Year ended 30 Jun 2019 £	Year ended 30 Jun 2018 £
Total current tax	-	-
Total deferred tax	-	-
Taxation on loss on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year is different to (2018 - different to) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Year ended 30 Jun 2019 £	Year ended 30 Jun 2018 £
Loss on ordinary activities before tax	(1,760,188)	(296,202)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(334,436)	(56,278)
Effects of:		
Expenses not deductible for tax purposes	4,649	4,755
Changes in unrecognised deferred tax assets	295,073	46,099
Effect of difference between current and deferred tax rates	34,714	5,424
Total tax charge for the year	-	-

8. Taxation (continued)

Deferred Tax

At 30 June 2019, the company has estimated trading losses and other timing differences of approximately £8,065,000 (30 June 2018 - £6,330,000) that are available indefinitely for offset against future taxable profits arising from the same trade of the company.

At 30 June 2019, the company has an unrecognised deferred tax asset of approximately £1,371,000 (30 June 2018 - £1,076,000) calculated at 17% (2018 – 17%), resulting from trading tax losses and other timing differences carried forward. In accordance with the company's accounting policy this amount has not been recognised in the financial statements due to uncertainty surrounding the timing of future taxable profits available for offset.

In March 2020, an increase in the future corporation tax rate applicable from 1 April 2020 to 19% was announced. The company's unrecognised deferred tax asset continues to be calculated using the enacted rate of 17%, but will be re-measured once the higher rate that has been announced is substantively enacted.

Notes to the Financial Statements
For the Year Ended 30 June 2019

9. Tangible fixed assets

	Leasehold land and building improvements £	Fixtures, fittings and equipment £	Work in progress £	Total £
Cost or valuation				
At 1 July 2018	161,168	275,598	10,879	447,645
Additions	8,514	58,940	40,279	107,733
Disposals	-	(14,487)	-	(14,487)
Transfers between classes	-	9,631	(9,631)	-
At 30 June 2019	169,682	329,682	41,527	540,891
Depreciation				
At 1 July 2018	64,006	113,733	-	177,739
Charge for the year on owned assets	31,216	57,590	-	88,806
Disposals	-	(11,589)	-	(11,589)
At 30 June 2019	95,222	159,734	-	254,956
Net book value				
At 30 June 2019	74,460	169,948	41,527	285,935
At 30 June 2018	97,162	161,865	10,879	269,906

10. Debtors

	2019 £	2018 £
Trade debtors	61,085	183,031
Amounts owed by group undertakings	1,053,462	2,071,767
Amounts owed by related parties	-	476
Prepayments and accrued income	66,982	43,125
	1,181,529	2,298,399

Trade debtors are stated after provisions for impairment of £6,698 (2018 - £4,476).

**Notes to the Financial Statements
For the Year Ended 30 June 2019**

11. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	54,716	112,272
Amounts owed to group undertakings	2,658,525	1,868,898
Amounts owed to related parties	56,910	74,573
Taxation and social security	48,918	53,930
Other creditors	12,314	108,522
Accruals and deferred income	332,301	332,398
	<u>3,163,684</u>	<u>2,550,593</u>

12. Reserves

Retained earnings reserve

The retained earnings reserve comprises the cumulative net gains and losses recognised in the statement of comprehensive income.

Share premium reserve

The share premium reserve comprises the cumulative additional consideration paid for shares above the nominal share value.

13. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
6,204,139 (2018 - 6,204,139) Ordinary shares of £1.00 each	<u>6,204,139</u>	<u>6,204,139</u>

14. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £42,166 (2018 - £26,296). Contributions totalling £9,220 (2018 - £5,912) were payable to the fund at the reporting date.

**Notes to the Financial Statements
For the Year Ended 30 June 2019**

15. Commitments under operating leases

The Company has a 25 year operating lease for the premises it operates. Rent charged under the lease was reviewed and revised on 8 August 2017 and will be reviewed every 3 years thereafter. The revised rental payments are reflected in the figures reported below. The Company has the option to take a further lease of the premises at the end of the current lease term.

The Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Land and buildings		
Not later than 1 year	1,475,797	1,475,797
Later than 1 year and not later than 5 years	5,903,187	5,903,187
Later than 5 years	11,442,479	20,297,259
	<u>18,821,463</u>	<u>27,676,243</u>

The premises lease will be transferred to Sunrise UK Operations Ltd at the same time as the operations of the Company are transferred.

16. Subsequent events

Covid-19

Whilst the immediate impact of Covid-19 has consequently reduced number of presentations "Show Rounds" of potential residents, meaning that move in numbers have reduced in the short term, the Company's resident numbers have been stable in the first 5 months of 2020 around the December year end level of 59 residents.

The Company has taken steps to enable it to continue to provide the best care to its residents and protection for its team members by investing heavily in PPE for all who need it; increasing the hourly pay for April and May 2020; hiring a small minibus for staff using public transport; utilising the government furlough scheme for a very small number of staff who are shielding and not able to work where appropriate alongside offering a loan scheme for teams members financially impacted by the situation.

Some non-essential Capital expenditure projects have been deferred and the Company is taking a prudent and vigilant approach on all expenditure to offset any revenue shortfall due to the limited move in opportunities. To date debtors collections have not been adversely affected by the situation.

17. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Dawn Opco Limited. Dawn Opco Limited is itself a wholly owned subsidiary undertaking of Welltower Inc, a company registered and incorporated in the United States of America, which the directors consider to be the ultimate parent undertaking and controlling party.

At the period end, the parent undertaking of the largest and smallest group for which group financial statements were prepared was Welltower Inc, whose group accounts can be obtained from the corporate headquarters at 4500 Dorr Street, Toledo, Ohio 43615-4040 or from the corporate website, www.welltower.com.