

Bayfield Court Operations Limited

**Directors' Report and Financial Statements
for the year ended 31 December 2020**



Bayfield Court Operations Limited

Company Information

Directors	C. Roberts J. Myers
Company secretary	CSC Corporate Services (UK) Limited
Registered number	09342975
Registered office	10th Floor 5 Churchill Place London E14 5HU
Independent auditors	Ernst & Young LLP, Statutory Auditor 1 More London Place London SE1 2AF

Bayfield Court Operations Limited

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Bayfield Court Operations Limited

Directors' Report for the year ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

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 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 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 for the Company'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 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 £96,477 (2019 - loss £18,164).

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 (resigned 11 December 2020)
J. Myers (appointed 11 December 2020)

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.

**Directors' Report (continued)
for the year ended 31 December 2020**

Auditors

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

Going concern

The financial statements have been prepared on a going concern basis.

COVID-19 impacted the Company throughout 2020, but 2021 has seen an improvement in occupancy levels. The Company continues to take action 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. 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 additional costs associated with the pandemic.

The company has incurred a loss after tax of £96,477 for the year (2019 - £18,164) and has net current liabilities of £710,812 (2019 - £668,739) and net liabilities of £237,418 (2019 - £140,941) at the year end 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 through to 31 October 2022. 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 13 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. During the year, 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.

As of September 3, 2021, Welltower completed \$1.3 billion in pro rata dispositions and loan payoffs year-to-date. 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 December 31, 2020, Welltower had \$2.0 billion of cash and cash equivalents and \$3.0 billion of available borrowing capacity under its unsecured revolving credit facility which was expanded to \$4.0 billion with an improved pricing on 4 June 2021. Additional proceeds of \$307 million are expected from assets held for sale.

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

Bayfield Court Operations Limited

Directors' Report (continued) for the year ended 31 December 2020

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 on 29 September 2021 and signed on its behalf.


Jason Myers (Sep 29, 2021 15:48 GMT+1)

J. Myers
Director

Independent Auditors' Report to the Members of Bayfield Court Operations Limited

Opinion

We have audited the financial statements of Bayfield Court Operations Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 18, 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 Company's affairs as at 31 December 2020 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report.

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.

Independent Auditors' Report to the Members of Bayfield Court Operations Limited (continued)

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 themselves. 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.

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 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; or
- 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 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

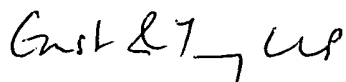
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, tax legislation, The Health and Social Care Act 2008, Care Quality Commission (Registration) Regulations 2009, Health and Safety at Work Act 1974, General Data Protection Regulation, Bribery Act 2010 and Money Laundering regulations, as well as employment law compliance.
- We understood how the Company is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and those charged with governance. We corroborated our enquiries through reading board minutes and correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud; considering performance targets and the risk of management override to achieve these; determining which account balances are subjective in nature; and considering the processes and controls which the Company has established to prevent and detect fraud, and how those controls are monitored.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiries of management and those charged with governance, identifying and testing journals indicating manual or unusual transactions based on our understanding of the business and against specific risk criteria, review of post year-end bank statements to detect unrecorded liabilities due to non-compliance, reading of board minutes to identify non-compliance with laws and regulations, and obtaining written representations from management.

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.

Independent Auditors' Report to the Members of Bayfield Court Operations Limited (continued)

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.



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

29 September 2021

Bayfield Court Operations Limited

Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	2,915,582	2,961,434
Cost of sales		(1,578,293)	(1,429,435)
Gross profit		1,337,289	1,531,999
Administrative expenses		(1,503,639)	(1,639,928)
Other operating income	4	55,764	-
Operating loss	5	(110,586)	(107,929)
Interest receivable and similar income		-	170
Loss before tax		(110,586)	(107,759)
Taxation	8	14,109	89,595
Loss for the financial year		(96,477)	(18,164)
Total comprehensive loss for the year		(96,477)	(18,164)

The notes on pages 11 to 22 form part of these financial statements.

Bayfield Court Operations Limited
Registered number:09342975

Statement of Financial Position
As at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	9	473,394	527,798
Current assets			
Stocks		4,036	476
Debtors: amounts falling due within one year	10	1,116,915	1,024,416
Cash at bank and in hand		148,412	127,115
		<u>1,269,363</u>	<u>1,152,007</u>
Current liabilities			
Creditors: amounts falling due within one year	11	<u>(1,980,175)</u>	<u>(1,820,746)</u>
Net current liabilities		<u>(710,812)</u>	<u>(668,739)</u>
Net liabilities		<u>(237,418)</u>	<u>(140,941)</u>
Capital and reserves			
Called up share capital	14	1	1
Accumulated losses	13	<u>(237,419)</u>	<u>(140,942)</u>
		<u>(237,418)</u>	<u>(140,941)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2021.


Jason Myers (Sep 29, 2021 15:48 GMT+1)

J. Myers
Director

Bayfield Court Operations Limited

**Statement of Changes in Equity
for the year ended 31 December 2020**

	Called up share capital	Accumulated losses	Total equity
	£	£	£
At 1 January 2019	1	(122,778)	(122,777)
Total comprehensive loss for the year	-	(18,164)	(18,164)
At 1 January 2020	1	(140,942)	(140,941)
Total comprehensive loss for the year	-	(96,477)	(96,477)
At 31 December 2020	1	(237,419)	(237,418)

The notes on pages 11 to 22 form part of these financial statements.

**Notes to the Financial Statements
for the year ended 31 December 2020**

1. Accounting policies

1.1 Authorisation of financial statements and statement of compliance with FRS 102

The financial statements of Bayfield Court Operations Limited (the "Company") for the period ended 31 December 2020 were authorised for issue by the board of directors on 29 September 2021 and the Statement of Financial Position was signed on the board's behalf by J Myers. Bayfield Court Operations Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Section 1A of Financial Reporting Standard 102 Reduced Disclosure Framework (FRS 102) 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 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Welltower Inc. as at 31 December 2020 and these financial statements may be obtained from the corporate headquarters at 4500 Dorr Street, Toledo, Ohio 43615-4040 or from the corporate website, www.welltower.com.

**Notes to the Financial Statements
for the year ended 31 December 2020**

1. Accounting policies (continued)

1.3 Going concern

The financial statements have been prepared on a going concern basis.

COVID-19 impacted the Company throughout 2020, but 2021 has seen an improvement in occupancy levels. The Company continues to take action 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. 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 additional costs associated with the pandemic.

The company has incurred a loss after tax of £96,477 for the year (2019 - £18,164) and has net current liabilities of £710,812 (2019 - £668,739) and net liabilities of £237,418 (2019 - £140,941) at the year end 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 through to 31 October 2022. 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 13 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. During the year, 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.

As of September 3, 2021, Welltower completed \$1.3 billion in pro rata dispositions and loan payoffs year-to-date. 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 December 31, 2020, Welltower had \$2.0 billion of cash and cash equivalents and \$3.0 billion of available borrowing capacity under its unsecured revolving credit facility which was expanded to \$4.0 billion with an improved pricing on 4 June 2021. Additional proceeds of \$307 million are expected from assets held for sale.

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

**Notes to the Financial Statements
for the year ended 31 December 2020**

1. Accounting policies (continued)

1.4 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:

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 Company 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.

1.5 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.

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.

Depreciation is provided on the following basis:

Leasehold land & building	- 5 years
improvements	
Fixtures, fittings and equipment	- 5 - 10 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 Statement of Comprehensive Income.

1.6 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.

**Notes to the Financial Statements
for the year ended 31 December 2020**

1. Accounting policies (continued)

1.7 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 the Statement of Comprehensive Income.

1.8 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.

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 Statement of Financial Position 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.

**Notes to the Financial Statements
for the year ended 31 December 2020**

1. Accounting policies (continued)

1.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

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.

**Notes to the Financial Statements
for the year ended 31 December 2020**

1. Accounting policies (continued)

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax are recognised in the Statement of Comprehensive Income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are 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 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 Statement of Financial Position 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 Statement of Financial Position 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.

1.12 Interest income

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

**Notes to the Financial Statements
for the year ended 31 December 2020**

2. Judgments 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 Statement of Financial Position date and the amounts reported for revenues and expenses during the year. 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:

	2020 £	2019 £
Operation of residential and nursing care facilities	<u>2,915,582</u>	<u>2,961,434</u>

All turnover arose within the United Kingdom.

4. Other operating income

	2020 £	2019 £
Government grants received	<u>55,764</u>	<u>-</u>

During the year ended 31 December 2020 the Company received grant funding from the government to support the Care sector through the COVID-19 pandemic.

The Company has carefully assessed and considered the criteria associated with grant income prior to submission of a claim and is of the opinion that all criteria have been met to recognise the amount detailed above in the financial statements.

Bayfield Court Operations Limited

Notes to the Financial Statements for the year ended 31 December 2020

5. Operating loss

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

	2020 £	2019 £
Depreciation of tangible fixed assets	139,822	105,607
Defined contribution pension cost	35,070	28,149
Equipment leasing (operational)	10,953	7,540
Rent -building operating lease	633,164	851,938
Subcontract labour	174	2,783
Management fees	178,403	177,229
Other administration expenses	504,747	466,186
Government grants	(55,764)	-
	<u>1,385,519</u>	<u>1,549,432</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>15,840</u>	<u>13,608</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.

7. Employees

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

	2020 No.	2019 No.
Care assistants	37	38
Administration and other staff	28	25
	<u>65</u>	<u>63</u>

During the period, no director received any emoluments (2019 - Nil).

C Roberts, J Myers and J Skiver received remuneration from HCN UK Management Services Ltd and Welltower Inc respectively, related companies, as employees of those companies. They received no remuneration for their services as directors of Bayfield Court Operations Limited.

Notes to the Financial Statements
for the year ended 31 December 2020

8. Taxation

	2020 £	2019 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(9,639)	(89,595)
Adjustments in respect of prior years	(4,470)	-
Taxation on loss on ordinary activities	(14,109)	(89,595)

Factors affecting tax credit for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(110,586)	(107,759)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(21,011)	(20,474)
Effects of:		
Expenses not deductible for tax purposes	11,372	7,846
Adjustments to tax charge in respect of prior periods	(4,470)	-
Change in unrecognised deferred tax asset	-	(76,967)
Total tax (credit) for the year	(14,109)	(89,595)

Deferred tax

At 31 December 2020, the Company has a deferred tax asset of approximately £103,704 calculated at 19% relating to trading tax losses carried forward and other timing differences of £545,811. In accordance with the Company's accounting policy this amount has been recognised in the financial statements since the directors forecast taxable profits will be available in the immediate future which will allow the timing differences to be recovered.

At 31 December 2020, the Company had an unrecognised deferred tax asset of approximately £17,527 (2019 - £17,527) calculated at 19% (2019 - 19%) relating to pre-April 2017 trading tax losses carried forward of £92,246 (2019 - £92,246).

In March 2021, it was announced that from 1 April 2023, the corporation tax rate would increase to 25%. The company's recognised and unrecognised deferred tax assets will be re-measured once this higher rate has been substantively enacted.

Notes to the Financial Statements
for the year ended 31 December 2020

9. Tangible fixed assets

	Leasehold land & building improvements £	Fixtures, fittings and equipment £	Work in progress £	Total £
Cost or valuation				
At 1 January 2020	230,043	360,664	109,154	699,861
Additions	4,307	23,443	85,431	113,181
Disposals	-	(8,853)	-	(8,853)
Transfers between classes	66,893	43,579	(136,672)	(26,200)
At 31 December 2020	301,243	418,833	57,913	777,989
Depreciation				
At 1 January 2020	47,221	124,842	-	172,063
Charge for the year	59,705	80,117	-	139,822
Disposals	-	(7,290)	-	(7,290)
At 31 December 2020	106,926	197,669	-	304,595
Net book value				
At 31 December 2020	194,317	221,164	57,913	473,394
At 31 December 2019	182,822	235,822	109,154	527,798

10. Debtors

	2020 £	2019 £
Trade debtors	130,608	101,687
Amounts owed by group undertakings	1	1
Amounts owed by related undertakings	853,398	793,664
Other debtors	4	13
Prepayments and accrued income	29,200	39,456
Deferred taxation (see note 12)	103,704	89,595
	1,116,915	1,024,416

Trade debtors are stated after provisions for impairment of £8,935 (2019: £16,857).

Bayfield Court Operations Limited

Notes to the Financial Statements for the year ended 31 December 2020

11. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	19,684	111,966
Amounts owed to group undertakings	1,606,485	1,399,963
Amounts owed to related undertakings	-	5
Other taxation and social security	33,036	30,310
Other creditors	146,013	149,573
Accruals and deferred income	174,957	128,929
	<u>1,980,175</u>	<u>1,820,746</u>

12. Deferred taxation

	2020 £
At beginning of year	89,595
Credited to Statement of Comprehensive Income	14,109
At end of year	<u>103,704</u>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Tax losses and other timing differences carried forward	<u>103,704</u>	<u>89,595</u>

13. Reserves

Accumulated losses

Accumulated losses comprises the cumulative net gains and losses recognised in the statement of comprehensive income.

14. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1 (2019 - 1) Ordinary share of £1	<u>1</u>	<u>1</u>

Bayfield Court Operations Limited

Notes to the Financial Statements for the year ended 31 December 2020

15. 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 £35,070 (2019 - £28,149). Contributions totalling £5,303 (2019 - £5,113) were payable to the fund at the reporting date.

16. Commitments under operating leases

The Company has a 15 year operating lease for the premises it operates. Rent charged under this lease was reviewed on 1 August 2020. The figures below reflect the revised rent. Further rent reviews will be every 3 years. The Company has the option to take a further lease of the premises at the end of the current lease term.

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	326,881	851,938
Later than 1 year and not later than 5 years	1,307,524	3,407,752
Later than 5 years	1,294,091	4,224,679
	<u>2,928,496</u>	<u>8,484,369</u>

17. Post balance sheet events

From the 1st November 2021 the Management Company "Gracewell Healthcare Limited" will no longer be responsible for the management of this home. The home will fall under the management of "Care UK Limited".

18. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is HCN UK Investments Limited, a company registered and incorporated in Jersey. HCN UK Investments 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 year 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.

Bayfield Court Operations Limited - Dec 2020

Final Audit Report


2021-09-29

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