

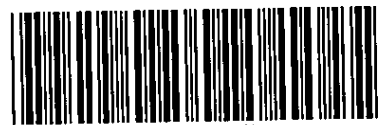
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Sunrise Operations Guildford Limited

Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

Sunrise Operations Guildford Limited

Registered No. 5222846

Directors

T Keinan
V M Rapley
T V Hende
R Dryden

Secretary

Mourant & Co. Capital Secretaries Limited

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

1st Floor
Phoenix House
18 King William Street
London
EC4N 7BP

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Results and dividends

The profit for the year, after taxation, amounted to £501,353 (2007 – loss £18,890). The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The company's principal activity is the operation of assisted living facilities in the UK.

The company performed as expected during the year and the directors do not envisage any change in its activities.

Directors

The current directors are shown on page 1. The directors who served the company during the year and subsequently, are shown below:

T Keinan	
V M Rapley	
T V Hende	(appointed 10 February 2009)
R Dryden	(appointed as alternate director on 26 March 2009)
R Dryden	(appointed on 27 May 2009)
D I Lockyer	(resigned 10 February 2009)
M Cash	(resigned 11 June 2009)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemption

In preparing this Directors' report, the directors have taken advantage of the special provisions for small companies under Section 246(4) of the Companies Act 1985 and have elected to neither include detailed information under their business review, nor to provide disclosures relating to the use of financial instruments, principal risks of uncertainties.

By order of the Board



For and on behalf of
Mourant & Co. Capital Secretaries Limited

Secretary

23rd October 2009

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 proper accounting records that 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 1985. 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.

Independent auditor's report

to the members of Sunrise Operations Guildford Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditor's report (continued)
to the members of Sunrise Operations Guildford Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

26 OCT 2009

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £	2007 £
Turnover	2	4,425,987	3,374,281
Administrative expenses		(4,198,736)	(3,732,169)
Other operating income	3	263,587	322,345
Operating profit/(loss)	4	490,838	(35,543)
Bank interest receivable		10,515	16,653
Profit/(loss) on ordinary activities before taxation		501,353	(18,890)
Tax on profit/(loss) on ordinary activities	6	—	—
Profit/(loss) for the financial year		501,353	(18,890)

All amounts relate to continuing activities.

There are no recognised gains or losses other than those shown in the profit and loss account above.

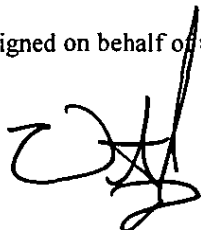
Balance sheet

at 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Investments	7	1	1
Current assets			
Stock	8	7,087	4,992
Debtors	9	2,391,598	1,424,510
Cash at bank		483,216	338,713
		2,881,901	1,768,215
Creditors: amounts falling due within one year	10	(1,917,500)	(1,305,167)
Net current assets		964,401	463,048
Total assets less current liabilities		964,402	463,049
Capital and reserves			
Called up share capital	11	2	2
Share premium account	12	1,471,781	1,471,781
Profit and loss account	12	(507,381)	(1,008,734)
Equity shareholders' funds	12	964,402	463,049

Approved by and signed on behalf of the Board:

Director



23rd October 2009

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Going concern

The company has delivered a profit for the financial year of £501,353 and has net assets of £964,402 as at 31 December 2008. Whilst the results mark a significant improvement from the prior years, the directors have taken steps to satisfy themselves as to the viability of the company such that preparation of these financial statements on the going concern basis is appropriate.

The directors recognise that the company is reliant on continuing support of the Dawn Limited Partnership group and therefore their assessment has been made both at the level of the company and the wider group.

The group's senior living portfolio contains assets which have recently opened and as such financial performance is expected to strengthen over time as resident occupancy levels increase towards full capacity at these facilities. The company benefits from an Intra-Group Loan Agreement, allowing working capital to be flexibly utilised and loaned within the Dawn Limited Partnership group as and when required. The directors have reviewed the working capital requirements for the company and the Dawn Limited Partnership group for the next 12 months to November 2010 and have concluded that there will be sufficient cash within the group to allow the entities to operate and service debt for at least that period without the need to seek additional funding or financing. The going concern basis has therefore been adopted.

Basis of consolidation

The company has taken advantage of the exemption available under Section 248 of the Companies Act 1985 and has prepared individual, rather than group financial statements, on the basis that the group headed by this company is small.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration receivable, excluding discounts and rebates.

Statement of cash flows

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is small.

Investments

Investments are stated at cost less accumulated impairment losses. The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Deferred taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Employers contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover represents amounts received and receivable from the company's continuing principal activity and is stated net of Value Added Tax.

The whole of the company's turnover arose in the UK.

3. Other operating income

	2008	2007
	£	£
Income support	263,587	322,345

The income support receivable is consideration due from PS UK Sarl (registered in Luxembourg), the previous immediate parent undertaking of the company. In accordance with the sale and purchase agreement between PS UK Sarl, Dawn Holdco Limited and Dawn Opco Limited, income support is provided to cover any shortfall in income until stabilisation of each community is reached. Stabilisation means that the business has achieved mature occupancy and has been trading at that level for a minimum period of three months.

4. Operating profit/(loss)

This is stated after charging/(crediting):

	2008	2007
	£	£
Auditor's remuneration – audit services	9,400	9,125
Directors' remuneration	–	–
Operating leases – land and buildings	1,750,000	1,750,000
Operating leases – other	16,875	–
(Gain)/loss on foreign exchange	(338)	338

Notes to the financial statements

at 31 December 2008

5. Staff costs

	2008 £	2007 £
Wages and salaries	730,504	460,275
Social security costs	68,679	69,771
Pension costs	16,816	11,282
	<u>815,999</u>	<u>541,328</u>

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

	2008 No.	2007 No.
Administrative staff	6	5
Other staff	20	25
	<u>26</u>	<u>30</u>

6. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2008 £	2007 £
<i>Current tax:</i>		
UK corporation tax at current rates	—	—
Total current tax (note 6(b))	<u>—</u>	<u>—</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	—	—
Tax on profit/(loss) on ordinary activities	<u>—</u>	<u>—</u>

Notes to the financial statements

at 31 December 2008

6. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 28% (2007 – 30%). The differences are explained below:

	2008 £	2007 £
Profit/(loss) on ordinary activities before taxation	501,353	(18,890)
Profit/(loss) on ordinary activities multiplied by blended rate of corporation tax of 28.5% (2007 - 30%).	142,886	(5,667)
Utilisation of tax losses brought forward	(207,391)	(5,108)
Expenses not deductible for tax purposes	3,971	15,771
Losses received under group relief for no consideration	–	(4,996)
Transfer Pricing Adjustment	60,534	–
Total current tax (note 6(a))	–	–

(c) Deferred taxation

The company has estimated trading losses of approximately £262,157 (2007 – £989,843) that are available indefinitely for offset against future taxable profits arising from the same trade of the company.

The UK standard rate of corporation tax decreased from 30% to 28% from 1 April 2008. The rate change affects the amount of future tax payments to be made by the company. The company does not expect the change in the tax rate will have material impact on the company's deferred tax asset or future tax expense.

At 31 December 2008, the company has an unrecognised deferred tax asset of approximately £73,404 (2007 – £296,952) resulting from trading tax losses carried forward. In accordance with the company's accounting policy this amount has not been recognised in the financial statements due to the uncertainty surrounding the timing of future taxable profits available for offset.

7. Investments

	Shares in subsidiary undertakings £
At 1 January 2008 and 31 December 2008	1

The company owns the entire Ordinary share capital of Sunrise Home Help Guildford Limited. Sunrise Home Help Guildford Limited is a company registered in England and Wales which provides domiciliary care services.

At 31 December 2008, Sunrise Home Help Guildford Limited had aggregate capital and reserves of £1 (2007 – £1) having made a result for the year then ended of £nil (2007 – £nil).

8. Stocks

	2008 £	2007 £
Consumables	7,087	4,992

Notes to the financial statements

at 31 December 2008

9. Debtors

	2008	2007
	£	£
Trade debtors	186,280	161,309
Amounts owed by group undertakings	2,145,597	1,173,688
Amounts owed by related undertakings	32,409	–
Other debtors	1,900	1,231
Prepayments and accrued income	25,412	88,282
	2,391,598	1,424,510

10. Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	63,788	29,499
Amounts owed to group undertakings	1,623,616	930,990
Amounts owed to related undertakings	–	10,774
Other taxes and social security	51,906	32,741
Other creditors	8,086	110,283
Accruals and deferred income	170,104	190,880
	1,917,500	1,305,167

11. Authorised and issued share capital

	2008	2007
	£	£
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>	2008	2007
	£	£
2 Ordinary shares of £1 each	2	2

Notes to the financial statements

at 31 December 2008

12. Reconciliation of shareholder's funds and movement on reserves

	<i>Share capital £</i>	<i>Share premium account £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 1 January 2007	1	–	(989,844)	(989,843)
Arising on share issue	1	1,471,781	–	1,471,782
Loss for the year	–	–	(18,890)	(18,890)
At 31 December 2007	2	1,471,781	(1,008,734)	463,049
Profit for the year	–	–	501,353	501,353
At 31 December 2008	2	1,471,781	(507,381)	964,402

13. Contingent liabilities

The company is party to a group loan facilities agreement with the Bank of Scotland in its capacity as a subsidiary undertaking of Dawn Holdco Limited.

The company has pledged all of its assets as security over all group liabilities owed by Dawn Holdco Limited group, to the bank. As at 31 December 2008, the aggregate amount owed by the group was £296 million.

The company under a Domiciliary Care Agreement has committed, to provide financial support to its subsidiary undertaking, Sunrise Home Help Guildford Limited.

14. Related party transactions

Transactions with group undertakings

The following disclosures relate to undertakings which are fellow wholly owned subsidiaries of Dawn Limited Partnership, the ultimate controlling undertaking of the company.

- The company has entered into two operating lease agreements with Sunrise of Guildford Limited. Under these leases, facility premises rentals payable during the year amounted to £1,750,000 (2007 – £1,750,000) and equipment rentals payable during the year amounted to £9,336 (2007 – £nil).
- The company has entered into a Domiciliary Care Agreement, under which, it outsources resident care services provided to residents of the facility operated by the company. During the year, the following transactions were recorded with Sunrise Home Help Guildford Limited under the Domiciliary Care Agreement:

	<i>2008 £</i>	<i>2007 £</i>
Service fees payable	476,280	322,020
Working capital reimbursement received	(130,441)	(36,279)
Salary costs received under recharge	396,206	493,136

Notes to the financial statements

at 31 December 2008

14. Related party transactions (continued)

- (c) As a result of the above and other group funding and settlement transactions, the following amounts were owed by/(to) fellow group undertakings at the year end:

	2008 £	2007 £
Sunrise of Bassett Limited	100,000	–
Sunrise of Solihull Limited	112,000	–
Sunrise Operations Bassett Limited	48	–
Sunrise Operations Cardiff Limited	7	–
Sunrise Operations Esher Limited	–	1,344
Sunrise Operations Edgbaston Limited	48	–
Sunrise Operations Solihull Limited	7	–
Sunrise Operations Chorleywood Limited	7	–
Sunrise Home Help Guildford Limited	20,549	–
Dawn Holdco Limited	850,000	850,000
Dawn Opco Limited	1,062,931	322,344
	<u>2,145,597</u>	<u>1,173,688</u>
Sunrise of Guildford Limited	(1,410,899)	(727,815)
Sunrise Home Help Guildford Limited	–	(15,178)
Sunrise Operations Fleet Limited	(187,948)	(187,996)
Sunrise Operations Westbourne Limited	(2,036)	–
Sunrise Operations Mobberley Limited	(5)	–
Sunrise Operations Esher Limited	(22,727)	–
Sunrise Home Help Bassett Limited	(1)	(1)
	<u>(1,623,616)</u>	<u>(930,990)</u>

Transactions with related party undertakings

The following disclosures relate to companies which are wholly owned subsidiary undertakings of Sunrise Senior Living Inc., which has a 10% indirect interest in Dawn Limited Partnership, the ultimate controlling undertaking of the company.

- (d) The company has entered into an operational management agreement with Sunrise Senior Living Limited under which the company receives management services. During the year, the company was charged £288,197 (2007 – £218,762) by Sunrise Senior Living Limited, for management services rendered.
- (e) As a result of the above and other funding and settlement transactions, the following amounts were owed by/(to) related undertakings at the year end:

	2008 £	2007 £
Sunrise Senior Living Limited	32,409	(10,774)

Notes to the financial statements

at 31 December 2008

15. Operating lease commitments

At 31 December 2008, the company had annual commitments under non-cancellable operating leases as set out below:

	2008		2007	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
In two - five years	–	6,005	–	4,277
In over five years	1,750,000	–	1,750,000	–
	<u>1,750,000</u>	<u>6,005</u>	<u>1,750,000</u>	<u>4,277</u>

16. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Dawn Opco Limited.

In the opinion of the directors, the company's ultimate controlling undertaking is Dawn Limited Partnership, a partnership registered in Jersey. The partnership is controlled and governed by Dawn General Partner Limited, a company incorporated in Jersey, which is owned by Sunrise Senior Living International Limited Partnership (10% ownership) and Morgan Stanley Real Estate Fund VI (90% ownership), which is the ultimate parent undertaking.

The parent undertaking of the smallest group of undertakings for which group financial statements are prepared is Dawn Opco Limited, and the parent undertaking of the largest group of undertakings for which group financial statements are prepared is Morgan Stanley Real Estate Fund VI International.