

**SANCTUARY CARE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**

**Company Number: 04231521**

**WEDNESDAY**



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**Directors and advisors at the date of approval of the Financial Statements**

**Directors**

Leanne Blackwood  
Sarah Clarke-Kuehn  
Craig Moule  
Nicole Seymour  
James Thallon  
Gareth Tuckwell

**Company Secretary**

Nicole Seymour

**Independent statutory auditor**

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

**Internal auditor**

PricewaterhouseCoopers LLP  
One Chamberlain Square  
Birmingham  
B3 3AX

**Banker**

Barclays Bank PLC  
Barclays Corporate  
Social Housing Team  
Level 27  
1 Churchill Place  
London  
E14 5HP

**Legal advisor**

Gowling WLG (UK) LLP  
Two Snowhill  
Birmingham  
B4 6WR

**Registered office**

Chamber Court  
Castle Street  
Worcester  
WR1 3ZQ

**Registered number**

Company Number: 04231521

**Strategic report for the year ending 31 March 2020**

**Principal activities**

The principal activity of Sanctuary Care Limited (the Company) is the management of care homes on behalf of its parent company Sanctuary Housing Association, as well as a fellow subsidiary Sanctuary Care Property (2) Limited. Its aim is to provide a care service for older persons, placing emphasis on promoting health and independence.

The Company was incorporated on 8 June 2001 under the Companies Act number 04231521. The Company's ultimate parent undertaking is Sanctuary Housing Association and the Company forms part of the Sanctuary Group of entities (the Group).

**Results and gift aid payments**

The results of the Company for the year ended 31 March 2020 are set out on page 12. The Directors approve a gift aid payment of £7,884,000 for 2020 (2019: £8,959,000) to the Company's parent undertaking, Sanctuary Housing Association.

Sanctuary Care Limited now manages 1,908 bed spaces (2019: 1,915).

**Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

The Board consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year.

**Key performance indicators**

Key performance indicators are shown in the table below and compare the financial years ended 31 March 2020 and 31 March 2019. The key performance indicators have been calculated to include the 16 care homes owned by Sanctuary Care Property (2) Limited.

	<b>2020</b>	<b>2019</b>
Staffing costs as a % of turnover	61.1%	61.5%
Weekly staffing cost per bed space – based on average occupancy	£505	£483
Weekly turnover per bed space – based on average occupancy	£826	£786
Average occupancy per week	2,583	2,553
Occupancy as a % of total bed spaces	93%	91%

**Review of business**

The Directors are satisfied with the results for the year which have been achieved in a challenging marketplace. Despite market pressures, occupancy has remained strong at 93 per cent and fees remain competitive as a result of the continual development of the focussed revenue strategy. Sanctuary Care Limited has closed one home this year but continues to look at opportunities for further growth. However, this will largely be dependent upon the impact to the sector of the Covid-19 global pandemic.

The effects of the Covid-19 pandemic increased pressure on care operations towards the end of the year and in order to protect both residents and workers we took the difficult decision to not allow visitors to our care homes from 16 March 2020, but we were able to ensure vital family and social connections were not lost, by facilitating virtual visits through iPads in every one of our care homes.

Sanctuary Care has taken further steps to improve recruitment and retention plans by conducting a review of the terms and conditions for operational employees, which in October saw regional alignment of rates for the same role profiles. The use of agency staffing remains below the industry average and learning and development opportunities and career pathways continue to be improved. The overseas nurse programme has continued to reduce the number of nurse vacancies.

## Strategic report for the year ending 31 March 2020 continued

### Review of business (continued)

Sanctuary Care has continued to develop its working practices and governance to ensure homes meet Care Quality Commission (CQC) standards. Internal quality assurance monitoring accurately reflects the CQC inspection standard and the Company is committed to working with the CQC to maintain the delivery of high quality care. Sanctuary Care's CQC compliance (rated Good or Outstanding) is 86 per cent and is favourable to the sector average of 80 per cent.

### Future developments

We expect some short-term challenges in the year 2020/2021 due to the Covid-19 pandemic, with a temporary reduction in occupancy and an increase in certain costs. However, this will be partly offset by increased Government support, with an additional £3.8 billion of funding having been made available to the sector as a whole.

Our strategic objectives remain unchanged and we will continue to enrich the lives of our current and future residents, by continuing to build on the foundations already in place.

### Principal risks

The Company is a subsidiary of Sanctuary Housing Association and part of the Sanctuary Group (the Group) of entities. The Company and the Group operate a comprehensive risk mapping process as part of its annual business planning cycle. This process identifies a number of external factors which affect both the Group and the Company.

The Executive Committee and Group Audit and Risk Committee review and scrutinise the risk maps for all Group entities. The Group Board approves the Group risk map.

The principal risks for the Company included in the risk map considered by the Board during 2019/2020 are:

- Staff recruitment
  - The ability to recruit and retain qualified carers and nurses is a continuing challenge for all care home operators. It impacts directly on the costs of operating care homes and the quality of care provided.
- Longer term occupancy issues
  - The Company faces competition from other care providers in the regions in which it operates. If a home were to experience an increase in the volume of vacant rooms or the duration of the vacancy, income streams and profitability of the care home will be impacted. The Company manages occupancy levels closely and ensures that the relationships it has with local authorities and other commissioning bodies remain strong and that there is also an established proportion of self funding clients in each home to ensure that rooms are filled promptly as they become vacant.
- Changes to government policy, legislation and regulation
  - The Company's operations are closely regulated by the Care Quality Commission (CQC). The consequences of non-compliance with regulations could be significant for the Company. The Company has a robust audit system in place to ensure adherence to policies and compliance with regulatory requirements. Changes to CQC compliance are monitored to ensure policies and processes are updated. The Company maintains a risk map that is reviewed by the Board and also by the Group Audit and Risk Committee. Risks also include those around health and safety compliance, legislative requirements and contractual risks.
- Covid-19
  - The outbreak of the coronavirus (Covid-19) may impact how the Company provides care, directly impacting income streams. The Company is counteracting this by ensuring that staff are adhering to government advice on self isolating, social distancing and the use of personal protective equipment (PPE).

## Strategic report for the year ending 31 March 2020 continued

### Financial risk

The Company has no external or internal debt finance and therefore carries no risk concerning repayment of debt. The Company retains sufficient cash to settle trading balances and gift aid payments due to the parent undertaking.

The Directors therefore view the overall level of financial risk of the Company as low.

### Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year.

In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company

Detailed below is how the Board has maintained its commitment to promoting the success of the Company.

### Consequences of decisions

The Board promotes a strong culture of governance within the Company, and continually monitors performance through the use of KPIs. As described on page 3 in the review of business, the Company took the decision to not allow visitors into care homes as a result of the Covid-19 pandemic. Whilst a difficult decision to make, it was the correct decision to put the wellbeing of our residents first. Through increased use of technology, we were able to assist residents in remaining in touch with family and social connections virtually through the use of iPads in every care home.

The long-term strategy of the Company is embedded in the strategy of the Group, and details of the Corporate Strategy 2020-2023 can be found on the Sanctuary Group website at <https://www.sanctuary-group.co.uk/about-us/our-corporate-strategy>

### Employees

With the key responsibility of providing residents with a quality level of care, our employees are fundamental to our success. Our employee satisfaction is monitored through employee engagement surveys, and employees are involved in matters affecting their functions. Please refer to page 8 for additional details.

### Business relationships

Our key customer is our residents and through monitoring of our compliance with CQC and CI ratings ensure we continue to provide a quality level of care. The Company is continually improving its use of technology in improving our quality of resident care and the strength of the supply chain. As detailed on page 7 the Company has invested in the latest technology to improve efficiency of electronic medication administration, which improves the strength of our relationship with our medical suppliers (GL and pharmacy services).

### Community & environment

The impact of the Company's operations on the community is inherent in the activities of the Company and the Sanctuary Group of entities. The Sanctuary Group is a strong investor in communities, investing over a million pounds in cash, time and resources each year. Further details on our environment and sustainability activities is included on page 8.

**Strategic report for the year ending 31 March 2020 continued**

**High standard of conduct**

The Company meets the needs of its residents through continuous internal monitoring and external monitoring, through the CQC and CI regulators to continuously improve the standard of Care we provide. Details of the CQC and CI rating are given on page 4 in the review of business.

**Act fairly between members**

The Company's sole member is its parent undertaking Sanctuary Housing Association. Members of the Group Executive team spend time each month with staff on the frontline, so they have a complete understanding of our operations. We encourage honest conversations between staff and managers at all levels, and through these conversations we work together even more effectively.



Nicole Seymour  
Director  
19 August 2020

## **Directors' report for the year ended 31 March 2020**

The Directors present the annual report and audited financial statements of Sanctuary Care Limited (the Company) for the year ended 31 March 2020.

### **Directors**

The Directors of the Company who have served during the year and to the date of signing the financial statements unless otherwise stated were:

Leanne Blackwood (appointed 22 May 2019)  
Sarah Clarke-Kuehn  
Craig Moule  
Nicole Seymour  
James Thallon  
Gareth Tuckwell (Chair)

### **Company Secretary**

Nicole Seymour

### **Employee engagement**

It is Group policy to involve all employees in matters affecting their functions. At a formal level this takes place through the Staff Council where management consult with elected staff representatives. At an operational level a team briefing system is in place to keep all employees updated on core Group business issues.

### **Business relationships**

The Company's relationship with key business partners is integral to the success of the Company. Please refer to the business relationships section in the s172 statement on page 5.

### **Equality and diversity**

The Group aims to be an open and inclusive organisation, where diversity is promoted and discrimination eliminated. Our single equality scheme – 'Fairness for All' – outlines our commitment to ensuring that our services meet the needs of all our diverse customers. It ensures that equality, diversity and human rights are integrated into the way the Group plans, develops and delivers services, covering internal functions as an employer and external operations as a provider of housing, care and commercial services.

### **Health and safety**

It is the clear intention of the Group to ensure, as far as reasonably practicable, the health, safety and welfare at work of all its employees. The Group undertakes to comply, as a minimum, with the provisions of the Health and Safety at Work Act 1974 and other relevant legislation to meet the objective of achieving the highest possible standards.

### **Investment in technology**

Sanctuary Care is continuing to invest in the latest technology with the introduction of electronic medication administration records (eMARs) across its care homes. eMARs offer significant safety and efficiency advantages over traditional paper-based methods, reducing paperwork and administration for staff and freeing them to spend more time delivering high quality care to residents. eMARs have been proven to improve safety, accountability and efficiency for residents and staff, as well as enabling closer working with local GP and pharmacy services. Dedicated training is being provided to staff through the implementation of the new technology to ensure a smooth transformation from the paper-based approach.

**Directors' report for the year ended 31 March 2020 continued**
**Going concern**

The Directors confirm that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company also has the continued support of its ultimate parent, Sanctuary Housing Association, who has provided a letter of support to the Directors of the Company to confirm that it intends to provide financial and other support as required for a period of at least 12 months from the date of these financial statements. Accordingly the Company continues to adopt the going concern basis in its financial statements. Further details are given in note 1.

**Environment and Sustainability**

We recognise that the climate emergency is one of the key issues of our era. We also accept that as a manager of care homes, we have a significant impact on the environment. It is important that we act in an environmentally responsible manner, helping to navigate to a sustainable, low-carbon economy. The Company has a responsibility to all its stakeholders to deliver environmental good practice, energy and waste reduction and assist the UK Government to meet its target of net zero carbon emissions by 2050. We are on a journey and we don't have all the solutions at this stage; however, environment and sustainability are key priorities so that we can make a material change and play our part in contributing to society and the environment.

The following tables show the Company's energy usage for the year, together with associated greenhouse gas emissions, as well as the target for 2021.

	<b>2020</b>
<b>UK energy use</b>	
Electricity (kWh)	11,457,434
Gas (kWh)	29,425,069
Transport (kWh)	6,245,538
<b>Associated greenhouse gas emissions (GHG)</b>	
Electricity (Tonnes of CO <sub>2</sub> e)	3,177
Gas (Tonnes of CO <sub>2</sub> e)	5,410
Transport (Tonnes of CO <sub>2</sub> e)	1,500
<b>Intensity ratios</b>	
Tonnes of CO <sub>2</sub> e per bed space	5.3
	<b>2021 - Target</b>
Tonnes of CO <sub>2</sub> e per bed space	5.2

Utility energy consumption has been captured using Sigma energy management software. Transport energy consumption has been captured using SAP Housing Management and Key2 Fleet Management software. Greenhouse gas emissions have been calculated based on conversion factors published by the Department for Business, Energy & Industrial Strategy. Implementation of energy-efficient measures have both economic and environmental benefits, cutting costs and at the same time reducing carbon emissions. Specific measures taken to reduce our consumption of energy include:

- Insulation of roof spaces.
- Updating light fittings to use LED lights.
- Fitting presence-detecting and/or light-detecting lighting controls in offices, toilets, storage spaces.
- Setting heating and air conditioning to operate optimally.
- Installing solar thermal systems in buildings with high consumption of hot water.
- Installing photo voltaic panels in buildings with high electricity consumption during the day.
- Roll-out of SMETS 2 AMR meters.

We aim to continually improve the sustainability of our business by considering environmental factors in decision-making processes, ensuring adverse impacts on the environment are avoided or minimised through design and planning.

**Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, 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, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**Disclosure of information to independent auditor**

In the case of each Director in office at the date the Directors' Report is approved:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Independent statutory auditor**

KPMG LLP has indicated its willingness to continue in office. A resolution concerning the appointment of the auditor will be proposed at the Annual General Meeting.

By order of the Board.



Nicole Seymour  
Director  
19 August 2020

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY CARE LIMITED

### Opinion

We have audited the financial statements of Sanctuary Care Limited ("the Company") for the year ended 31 March 2020 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

### Strategic Report and Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY CARE LIMITED CONTINUED**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 9, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Gordon Docherty (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
Date: 24 August 2020

**Sanctuary Care Limited**

**Profit and Loss Account for the year ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
<b>Revenue</b>		118,845	113,520
Operating expenses	2	(111,043)	(103,995)
Other gains and losses	2	21	23
<b>Operating profit</b>		<b>7,823</b>	<b>9,548</b>
Interest receivable	5	61	51
<b>Profit before taxation</b>		<b>7,884</b>	<b>9,599</b>
Tax on profit	6	(1,498)	(1,702)
<b>Profit after taxation for the financial year</b>		<b>6,386</b>	<b>7,897</b>

The results for the current and prior year relate wholly to continuing activities.

There is no material difference between the profit before taxation and the profit after taxation stated above and their historical cost equivalents.

There are no recognised gains and losses other than those included in the Profit and Loss Account above and therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 15 to 22 form part of these financial statements.

## Balance Sheet as at 31 March 2020

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible fixed assets	7	758	686
<b>Current assets</b>			
Debtors	8	10,623	8,251
Cash at bank and in hand		15,733	4,586
		<u>26,356</u>	<u>12,837</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(27,114)</u>	<u>(13,523)</u>
<b>Net current liabilities</b>		(758)	(686)
<b>Total assets less current liabilities</b>		<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account	11	-	-
<b>Total shareholders' funds</b>		<u>-</u>	<u>-</u>

The notes on pages 15 to 22 form part of these financial statements.

The financial statements on pages 12 to 22 were approved and authorised by the Board of Directors on 19 August 2020 and signed on its behalf by:



Nicole Seymour  
 Director

## Statement of Changes in Equity for the year ended 31 March 2020

	Share capital £'000	Profit and Loss Account £'000	Total £'000
<b>At 1 April 2018</b>	-	-	-
Adjustment on initial application of IFRS 9	-	(514)	(514)
Adjustment on initial application of IFRS 15	-	(126)	(126)
<b>Restated balance at 1 April 2018</b>	-	<b>(640)</b>	<b>(640)</b>
<b>Comprehensive income</b>			
Profit for the year	-	7,897	7,897
<b>Total comprehensive income</b>	-	<b>7,897</b>	<b>7,897</b>
<b>Transactions with owners</b>			
Gift aid paid	-	(8,959)	(8,959)
Tax credit on gift aid paid	-	1,702	1,702
<b>Total transactions with owners</b>	-	<b>(7,257)</b>	<b>(7,257)</b>
<b>At 31 March 2019</b>	-	-	-
At 1 April 2019	-	-	-
<b>Comprehensive income</b>			
Profit for the year	-	6,386	6,386
<b>Total comprehensive income</b>	-	<b>6,386</b>	<b>6,386</b>
<b>Transactions with owners</b>			
Gift aid paid	-	(7,884)	(7,884)
Tax credit on gift aid paid	-	1,498	1,498
<b>Total transactions with owners</b>	-	<b>(6,386)</b>	<b>(6,386)</b>
<b>At 31 March 2020</b>	-	-	-

The notes on pages 15 to 22 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2020

### 1. Principal accounting policies

Sanctuary Care Limited is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework (FRS 101)*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

A number of standards have become effective from 01 April 2019. This transition has had no material impact to the financial position and financial performance to the Company. The Company is party to an arrangement with Sanctuary Housing Association, its' ultimate parent company, where the Company operates certain care homes on its behalf, with no set termination date. The payments due to Sanctuary Housing Association are based on the performance of the care homes in the period. Whilst this is recognised as a lease under IFRS 16, due to the nature of the payments, the lease liability is recognised as nil value.

The Company's ultimate parent undertaking, Sanctuary Housing Association includes the Company in its consolidated financial statements. The consolidated financial statements of Sanctuary Housing Association are prepared in accordance with IFRS and are available to the public and may be obtained from Chamber Court, Castle Street, Worcester, WR1 3ZQ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosure:

- a Cash Flow Statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries of the Group;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel;
- disclosures of transactions with a management entity that provides key management personnel services to the Company;
- comparative period reconciliation for property, plant and equipment;
- certain disclosures required by IFRS 15.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### Measurement convention

The financial statements are prepared on the historical cost basis.

### Going Concern

The Company's principal activities, together with factors likely to affect its future performance, are set out on page 3.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared a going concern assessment, based on consideration of cash flow forecasts, for a period of at least 12 months from the date of approval of these financial statements (the going concern assessment period), taking account of severe but plausible downside scenarios that take into consideration the current economic environment due to Covid-19. In forming their view the Directors have taken into consideration that Sanctuary Housing Association, the Company's ultimate parent, has provided a letter of

**Notes to the financial statements for the year ended 31 March 2020 continued**

**1. Principal accounting policies continued**

**Going concern continued**

support to the Directors of the Company to confirm that it intends, should the need arise, to provide financial and or other support to the Company, including, if required, not seeking repayment of amounts currently made available (note 9 - £8,306,000 at 31 March 2020), for the period covered by the forecasts.

Based on these considerations it has been concluded that the Company will have sufficient funds to meet its liabilities as they fall due for the period of assessment.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

**Critical accounting estimates, judgements and assumptions**

The Directors have not been required to make any judgements which have a significant impact upon the financial statements, nor have they been required to make any significant estimates or assumptions which could result in a significant risk of material adjustments in future periods.

**Revenue**

The Company recognises revenue when it transfers control over a product or service to a customer, which, as per the Standard, is either over time or at a point in time. Revenue represents fees receivable for care services. Customers consume the benefits of performance simultaneously with the Company performing and so all revenue is recognised over time.

**Tangible fixed assets**

Assets are stated at cost (this includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use) less accumulated depreciation, which is charged on a straight line basis to write off assets over their expected economic useful lives as follows:

Furniture and equipment	4 – 10 years
Motor vehicles	4 – 7 years

Fixed assets are transferred between Group undertakings at net book value.

**Value Added Tax (VAT)**

The majority of the Company's turnover is exempt from VAT. However, certain activities are subject to VAT and give rise to a small amount of VAT recovery on related input costs. Where appropriate, costs are stated including irrecoverable VAT.

**Corporation tax**

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**Gift aid**

Where gift aid payments are made to the Company's parent undertaking, Sanctuary Housing Association, these are treated as a distribution of reserves.

**Notes to the financial statements for the year ended 31 March 2020 continued**

**1. Principal accounting policies continued**

**Retirement benefits**

*Defined benefit schemes*

The Company participates in Sanctuary Housing Association's defined benefit pension scheme. For this scheme, the cost charged to the Profit and Loss Account represents the Company's accrued contributions to the scheme in the period in which they fall due. Surpluses or deficits of the scheme are not recognised in the Company's financial statements, but are shown on the Statement of Financial Position of Sanctuary Housing Association.

Note 12 contains further information.

*Defined contribution schemes*

For the defined contribution arrangements, the cost charged to the Profit and Loss Account represents the Company's accrued contributions to the scheme in the period in which they fall due.

**Expected credit losses on trade receivables**

Loss allowances for trade receivables are measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of the receivable.

When estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

**2. Operating profit**

The operating profit is arrived at after (crediting)/charging:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Other gains and losses (gain on sale of tangible fixed assets)	(21)	(23)
Depreciation of tangible fixed assets (Note 7)	290	190
Auditor remuneration – audit services	23	23

Depreciation of assets purchased using money from grants and capital donations, has been offset against the grant monies.

No non-audit services were provided to the Company during the year or prior year.

**Notes to the financial statements for the year ended 31 March 2020 continued**

**3. Directors' emoluments**

Directors receive remuneration in their capacity as employees and Directors of the ultimate parent undertaking, Sanctuary Housing Association. Salaries and expenses were recharged for those Directors with a high level of involvement with the Company and are shown below. Costs for other Directors were not recharged as they were incidental to their services provided to other Sanctuary Group Companies.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration	188	149
Company contributions to pension scheme	11	10
	<u><b>199</b></u>	<u><b>159</b></u>

**4. Employee information**

Employee costs, including Directors, charged during the year amounted to:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	71,633	69,667
Social security costs	5,831	5,410
Pension costs	2,378	1,565
	<u><b>79,842</b></u>	<u><b>76,642</b></u>

The average monthly number of persons employed, including Directors, during the year expressed in full time equivalents was:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Care home staff	2,796	2,911
Office-based staff	132	130
	<u><b>2,928</b></u>	<u><b>3,041</b></u>

Full-time equivalents have been calculated based on hours worked compared to the standard level of working hours per week for an equivalent employee in the same business area.

**5. Interest receivable**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from:		
Short term deposits	<u>61</u>	<u>51</u>

Notes to the financial statements for the year ended 31 March 2020 continued

6. Tax on profit on activities

(a) Analysis of tax charge in year:

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on profit for the year	1,498	1,702
<b>Tax on profit on activities</b>	<u>1,498</u>	<u>1,702</u>

The tax charge is at the standard rate of corporation tax in the UK of 19% (2019: below the standard rate of 19%).

(b) Factors affecting the tax charge in the year:

	2020 £'000	2019 £'000
Profit before taxation	<u>7,884</u>	<u>9,599</u>
Profit before taxation multiplied by the main rate of corporation tax in the UK 19% (2019: 19%)	1,498	1,824
Effects of:		
Use of losses generated on initial application of IFRS 9 & IFRS 15	-	(122)
<b>Total tax charge for the year</b>	<u>1,498</u>	<u>1,702</u>

Due to the charitable allowance of gift aid the overall expectant tax charge payable to HMRC will be £nil.

(c) Factors affecting future tax charge

Following the introduction of the Finance Bill 2020, the rate of corporation tax is set to remain at 19% for 2020/2021. The Finance Act 2020 was passed in to law in April 2020 which overrode previous legislation that enacted a reduction in the rate to 17%.

Notes to the financial statements for the year ended 31 March 2020 continued

7. Tangible fixed assets

	Vehicles, Furniture and equipment £'000
<b>Cost</b>	
At 1 April 2019	983
Additions	493
Disposals	(289)
<b>At 31 March 2020</b>	<b>1,187</b>
<b>Accumulated depreciation</b>	
At 1 April 2019	297
Charge for year	290
Disposals	(158)
<b>At 31 March 2020</b>	<b>429</b>
<b>Net Book Amount</b>	
<b>At 31 March 2020</b>	<b>758</b>
<b>At 31 March 2019</b>	<b>686</b>

8. Debtors

	2020 £'000	2019 £'000
Trade debtors	3,434	3,192
Amounts owed by fellow subsidiary	3,986	2,378
Other debtors and prepayments	3,203	2,681
	<b>10,623</b>	<b>8,251</b>

An impairment loss allowance is held against trade debtors totalling £940,000 (2019: £865,000). Amounts disclosed as owed by fellow subsidiary are trading in nature, repayable on demand and nature and non-interest bearing.

9. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	2,042	688
Amounts owed to parent undertaking	8,067	1,085
Amounts owed to fellow subsidiary companies	239	1,055
Other taxes and social security costs	1,270	1,262
Other creditors	1,382	1,072
Accruals and deferred income	14,114	8,361
	<b>27,114</b>	<b>13,523</b>

Amounts disclosed as due to parent undertaking and fellow subsidiary companies are trading in nature, repayable on demand and non-interest bearing.

Notes to the financial statements for the year ended 31 March 2020 continued

10. Called up share capital

	2020 £	2019 £
Authorised share capital: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11. Profit and loss account

	£'000
At 1 April 2019	-
Profit for the year	6,386
Gift aid paid	(7,884)
Tax credit of gift aid paid	<u>1,498</u>
<b>At 31 March 2020</b>	<u>-</u>

The gift aid payment represents a distribution of the profit for the year to the ultimate parent undertaking, Sanctuary Housing Association, which is recognised by Her Majesty's Revenue and Customs as an exempt charity for tax purposes.

12. Retirement benefits

Defined benefit schemes

The Company participates in Sanctuary Housing Association's defined benefit pension scheme which is part of the total fund administered by the Pension Trust for Charities and Voluntary Organisations. The contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme because the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Sanctuary Housing Association is solely responsible for any surplus or deficit on the scheme. The deficit on the scheme at 31 March 2020 attributed to Sanctuary Group as a whole, and disclosed as such in its financial statements, is £7,688,000 (2019: £12,580,000). On 31 October 2016, the scheme was closed to future accrual of pensionable service for all of its existing members.

The Company also participates in the London Borough of Greenwich Pension Fund, a defined benefit scheme. The contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme because the Company is unable to identify its share of the underlying assets and liabilities in the scheme. The deficit on the scheme at 31 March 2020 attributable to Sanctuary Housing Association and disclosed as such in its financial statements, is £3,209,000 deficit (2019: £2,640,000 deficit).

The cost borne by the employer of contributions to this scheme amounted to £53,000 (2019: £64,000), being 18.5% (2019: 18.5%), the rate used across this scheme, of pensionable salary.

The Company is an admitted body to the City of Westminster Local Government Pension Scheme, the pension scheme is a defined benefit scheme. The Company's liability in relation to the participating employees is capped at 13.9% of pensionable payroll. The scheme is therefore accounted for as a defined contribution scheme in accordance with IAS19.

**Notes to the financial statements for the year ended 31 March 2020 continued**

**12. Retirement benefits continued**

**Defined contribution schemes**

The Company also participates in a defined contribution scheme for members of staff. Contributions by the Company to the defined contribution scheme during the year amounted to £1,838,000 (2019: £1,135,000). At 31 March 2020, an amount of £262,000 (2019: £156,000) is included within creditors, being accrued contributions.

**13. Ultimate parent undertaking and controlling party**

The ultimate parent undertaking and controlling party is Sanctuary Housing Association, being the smallest and largest group to consolidate these financial statements, registered in England as a Registered Society (Number 19059R) and with the The Regulator of Social Housing (Number L0247). A copy of the Group financial statements can be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester WR1 3ZQ.

**14. Events after the reporting period**

No matters have arisen since the year end which require disclosure in the financial statements.