

SANCTUARY CARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Company Number: 04231521



Sanctuary Care Limited

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Sanctuary Care Limited

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

Directors

Leanne Blackwood
Sarah Clarke-Kuehn
Diane French
Craig Moule
Nicole Seymour
James Thallon

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

Sanctuary Care Limited**Strategic report for the year ending 31 March 2021****Principal activities**

Sanctuary Care Limited (the Company) was incorporated on 8 June 2001 under the Companies Act number, 04231521. Its aim is to provide a care service for older persons, placing emphasis on promoting health and independence. The Company's ultimate parent undertaking is Sanctuary Housing Association and the Company forms part of the Sanctuary Group of entities (the Group).

The principal activity of the Company is the operation of Care homes on behalf of its parent and various subsidiaries within the Group.

Results and gift aid payments

The results of the Company for the year ended 31 March 2021 are set out on page 16. There was no gift aid payment made for 2021 to the Company's parent undertaking, Sanctuary Housing Association (2020: £7,884,000).

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. Ongoing guidance has been provided to Board members on s172(1)(a-f) areas to ensure business models and strategies consider these elements in the longer term and for urgent matters. Policies have been reviewed across the organisation to ensure all elements of s172 are reflected. Further details are included in the Strategic report on pages 6 and 7.

Key performance indicators

Sanctuary Care Limited manages the following bed spaces:

	2021		2020	
	Homes	Bed spaces	Homes	Bed spaces
Operation of homes owned by parent	33	1,653	34	1,658
Operation of homes owned by parent (closed in year)	1	16	1	23
Operation of homes owned by SAHL*	1	60	1	60
Operation of homes owned by SCP(2) Limited**	16	931	16	931
Royal Borough of Greenwich via ASK (Greenwich) Limited	3	167	3	167
City of Westminster via parent	4	149	6	235
Management of homes owned by SCN***	27	1,298	-	-
Management of homes owned by SCN (closed in year)	1	86	-	-

*Sanctuary Affordable Housing Limited

**Sanctuary Care Property (2) Limited

***Sanctuary Care (North) Limited

Key performance indicators are shown in the table below and compare the financial years ended 31 March 2021 and 31 March 2020. The key performance indicators exclude those owned by Sanctuary Care (North) Limited to ensure comparability between years.

	2021	2020
Staffing costs as a % of turnover	65.6%	61.1%
Weekly staffing cost per bed space – based on average occupancy	£605	£505
Weekly turnover per bed space – based on average occupancy	£923	£826
Average occupancy per week	2,301	2,583
Occupancy as a % of total bed spaces	83%	93%

Sanctuary Care Limited

Strategic report for the year ending 31 March 2021 continued**Review of business**

The Covid-19 pandemic has had a significant impact on the older persons care sector, with a decline in occupancy rates and unprecedented cost increases experienced by all care home operators. The Company faced a reduction in occupancy from the first quarter of 2020/2021 and despite a short recovery occupancy was further impacted in the final quarter of the year, leading to an average for the year of 83 per cent (93 per cent in 2020). Notwithstanding the challenges the Company faced, occupancy remained consistently above industry averages and fee rates for residents remained strong throughout.

The pandemic has had a significant impact on the delivery of services including the requirement that all staff need to use personal protective equipment (PPE) when working with vulnerable people. Due to this, the Company incurred additional costs in areas such as PPE provision, though mitigated the impact to the extent possible through Government support, which included using the Government's PPE ordering portal. Government funded support for furloughed staff and infection control funding helped mitigate increased staff costs caused by staff shielding or having to self isolate with actual or suspected Covid-19.

Operationally, the effects of the Covid-19 pandemic have put increased pressure on care operations to protect both residents and workers. Over the course of the year various lockdowns have been in place and although our care homes have been largely closed to visitors, in line with Government guidance, we have continued to facilitate virtual visits through the provision of iPads and have installed heated outdoor visiting pods at many of our homes.

Sanctuary Care continues to strive for improvements in recruitment and retention to ensure staff consistency is supporting quality care in our homes. 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 and the Company continues to support the Government's kickstart programme to attract 18 to 24-year-olds to the social care sector with access to training and qualifications.

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.

During the 2020/2021 financial year, the operation of 27 care homes was transferred to the Company. These homes were previously operated by fellow Group subsidiaries which were acquired as part of the former Embrace entities in 2017/2018. Transfer of operations commenced from the date of CQC (England) or Care Inspectorate (CI) (Scotland) transfer, which occurred between 1 July 2020 and 14 January 2021.

Future developments

A key focus of the Company for the next 12 months will be the recovery of occupancy levels following the impact of the pandemic. Analysts for the sector are forecasting a sustained recovery during the next financial year, with recovery of occupancy levels to pre-pandemic levels as early as quarter three of 2021/2022, driven by pent up demand and the impact of the vaccination programme.

Principal risks

The Company is a subsidiary of Sanctuary Housing Association and part of the Sanctuary Group (the Group). The Company, as part of the Group, operates 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 2020/2021 are:

Sanctuary Care Limited

Strategic report for the year ending 31 March 2021 continued

Principal risks continued

- Covid-19
 - The Covid-19 pandemic has had a significant impact on the care sector due to periods of increased death rates, increasing customer uncertainty, staff self-isolation and personal protective equipment (PPE) requirements. This has directly impacted income streams in 2020/2021 and it is expected that this will continue into 2021/2022. The Company is constantly monitoring the rates of infection, Government advice and the internal impact of the pandemic to ensure we are offering the best care to our residents in these unprecedented times. Management are constantly ensuring that staff are adhering to government advice on self isolating, social distancing and the use of PPE.
- 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.

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.

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

Sanctuary Care Limited

Strategic report for the year ending 31 March 2021 continued**Statement by the Directors in performance of their statutory duties in accordance with section 172(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 key performance indicators. As described on page 3 in the review of business, as per the Government guidelines the Company took the decision to restrict visitors into care homes during 2020/2021. Through increased use of technology, we were able to assist residents to remain in touch with family and social connections virtually through the use of iPads in every care home. The Company has also invested in outdoor visiting pods at the majority of homes to allow social distanced visiting where possible.

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. Refer to page 8 for additional details.

Business relationships

Our key customer is our residents and the monitoring of our compliance with CQC and CI ratings ensures we continue to provide a quality level of care. The Company is continually developing its use of technology to improve our quality of resident care and the strength of the supply chain. As detailed on page 8 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.

Community & environment

The impact of the Company's operations on the community is integral to the activities of the Company and the Sanctuary Group of entities. 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 are included on page 9.

High standard of conduct

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

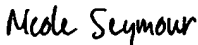
Sanctuary Care Limited

Strategic report for the year ending 31 March 2021 continued

Statement by the Directors in performance of their statutory duties in accordance with section 172(1) Companies Act 2006 continued

Act fairly between members

The Company's sole member is its parent undertaking Sanctuary Housing Association. In previous years members of the Group Executive team would spend time each month with staff on the frontline, so they have a complete understanding of our operations, this will continue now that Government restrictions have been lifted. We encourage honest conversations between staff and managers at all levels, and through these conversations we work together even more effectively.

DocuSigned by:

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Nicole Seymour
Director
10 August 2021

Sanctuary Care Limited

Directors' report for the year ended 31 March 2021

The Directors present the annual report and audited financial statements of Sanctuary Care Limited (the Company) for the year ended 31 March 2021.

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
Sarah Clarke-Kuehn
Diane French (appointed 1 December 2020)
Craig Moule
Nicole Seymour
James Thallon
Gareth Tuckwell (resigned 22 September 2020)

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. Refer to the business relationships section in the s172 statement on page 6.

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 has continued to develop kradle, which is an in-house electronic care planning app, as well as both electronic medication administration records (eMAR) and staff communications with the Kronos Dimensions app. Dedicated training is being provided to staff through the implementation of the new technology to ensure a smooth transformation from the paper-based approach.

Sanctuary Care Limited**Directors' report for the year ended 31 March 2021 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

The UK faces the challenge of becoming a net zero-carbon economy by 2050 and decarbonisation of the care sector forms an integral part of this. As a large employer and care home provider, tackling our environmental impact is of utmost importance.

In the past year, we have made considerable progress towards understanding and tackling our environmental impact. We recently launched the Group's first Environment and Climate Change Strategy, which presents initial plans for action and achievements so far. Our future efforts will focus on five themes: assets, data, evaluation, people, and procurement. To be both ambitious and realistic, our strategy will be updated annually.

It is likely that 2021 will be a defining year for sustainability. As Glasgow's COP26 climate talks approach, the ESG investment sector is growing exponentially, and a global green recovery is an important part of the roadmap out of Covid-19. While exciting developments are also planned in our Environment and Climate Change Strategy for the coming year, this is only the beginning of the journey for Sanctuary Care.

The Company's energy consumption and associated carbon emissions are reported below in line with the Government's Streamlined Energy and Carbon Reporting (SECR) regulations.

The following tables show the Company's energy usage for the year, together with associated greenhouse gas emissions, as well as the target for 2022.

	2021	2020 restated*
UK energy use		
Electricity (kWh)	9,345,355	9,450,841
Gas (kWh)	23,405,452	23,772,238
Transport (kWh)	426,005	546,799
Associated greenhouse gas emissions (GHG)		
Electricity (Tonnes of CO ₂ e)	2,179	2,416
Gas (Tonnes of CO ₂ e)	4,303	4,371
Transport (Tonnes of CO ₂ e)	103	133
Intensity ratios		
Tonnes of CO ₂ e per bed space	2.3	2.4
	2022 - Target	2021 - Target
Tonnes of CO ₂ e per bed space	2.2	2.3

Energy data was captured using consumption reports from our Group gas and electricity providers. This includes the 51 care homes where the Company has direct control over energy consumption and efficiency. The 2019-2020 carbon calculation has been restated to reflect this updated methodology.

*Previous year has been restated due to re-evaluation of the homes the Company has direct control over energy consumption and efficiency.

Sanctuary Care Limited

Directors' report for the year ended 31 March 2021 continued

Environment and Sustainability continued

Transport energy consumption relates to litres of fuel consumed by fleet vehicles owned by Sanctuary, with the inclusion of business miles carried out by employees in personal vehicles. Our methodology includes all travel carried out by employees at the 51 care homes in scope and an apportionment of travel from across our wider Care business. Fuel and mileage data were collated using SAP and Key2 Fleet software.

Greenhouse gas emissions were calculated with the Department for Business, Energy & Industrial Strategy's 2020 Conversion Factors.

Specific measures to reduce our carbon footprint associated with our care homes include:

- A programme to inspect and increase insulation, where appropriate, is underway across all of our care homes.
- We are assessing the energy efficiency of all appliances used within our care homes and upgrading to highly energy efficient products where possible.
- During Financial Year 2021/2022 we will be switching our energy arrangements so that all electricity is purchased from renewable sources.

We recognise that some of our emissions reductions have stemmed from restrictions, which will continue to ease over the coming year, as well as employees working from home and the positive impact of increased renewable generation in the UK electricity fuel mix within the conversion factors.

We will therefore be realistic about what is achievable following this unprecedented period, aiming to avoid unnecessary increases in emissions as we exit lockdown and setting a revised baseline in the coming year to understand what a 'new normal' will look like. Emissions reductions will be achieved through appropriate, sustainable change initiatives, detailed in our new Environment and Climate Change Strategy.

Sanctuary Care Limited

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

A resolution concerning the appointment of the auditor will be proposed at the Annual General Meeting.

By order of the Board.

DocuSigned by:

Nicole Seymour

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Nicole Seymour
Director
10 August 2021

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 2021 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 2021 and of its loss 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").

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.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

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

Fraud and breaches of laws and regulations – ability to detect continued

- Enquiring of Directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company does not operate in an industry that would create an inherent revenue risk, the revenue transactions do not contain estimates, there is no history of significant or a high number of audit misstatements in relation to revenue and management is not incentivised on revenue directly.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Care Quality Commission standards, health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the committee and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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 11, 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.

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

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

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.



Sarah Tannock-Kitchen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
Date: 13 August 2021

Sanctuary Care Limited**Profit and Loss Account for the year ended 31 March 2021**

	Notes	2021 £'000	2020 £'000
Revenue		135,193	118,845
Operating expenses	2	(144,909)	(111,043)
Other gains and losses	2	16	21
Other income	3	6,679	-
Operating (loss)/profit		(3,021)	7,823
Interest receivable	6	17	61
(Loss)/profit before taxation		(3,004)	7,884
Taxation for the year	7	-	(1,498)
(Loss)/profit after taxation for the financial year		(3,004)	6,386

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

There is no material difference between the (loss)/profit before taxation and the (loss)/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 19 to 26 form part of these financial statements.

Sanctuary Care Limited**Balance Sheet as at 31 March 2021**

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	8	475	758
Current assets			
Debtors	9	19,825	10,623
Cash at bank and in hand		16,471	15,733
		<u>36,296</u>	<u>26,356</u>
Creditors: amounts falling due within one year	10	<u>(38,165)</u>	<u>(27,114)</u>
Net current liabilities		(1,869)	(758)
Total assets less current liabilities		<u>(1,394)</u>	-
Provisions for liabilities and charges	11	(1,610)	-
Net assets		<u>(3,004)</u>	-
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account		(3,004)	-
Total shareholders' funds		<u>(3,004)</u>	-

The notes on pages 19 to 26 form part of these financial statements.

The financial statements on pages 16 to 26 were approved and authorised by the Board of Directors on 10 August 2021 and signed on its behalf by:

DocuSigned by:
Nicole Seymour
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Nicole Seymour
Director

Sanctuary Care Limited**Statement of Changes in Equity for the year ended 31 March 2021**

	Share capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2019	-	-	-
Comprehensive income			
Profit for the year	-	6,386	6,386
Total comprehensive income	-	6,386	6,386
Transactions with owners			
Gift aid paid	-	(7,884)	(7,884)
Tax credit on gift aid paid	-	1,498	1,498
Total transactions with owners	-	(6,386)	(6,386)
At 31 March 2020	-	-	-
At 1 April 2020	-	-	-
Comprehensive income			
Loss for the year	-	(3,004)	(3,004)
Total comprehensive income	-	(3,004)	(3,004)
Transactions with owners			
Gift aid paid	-	-	-
Total transactions with owners	-	-	-
At 31 March 2021	-	(3,004)	(3,004)

The notes on pages 19 to 26 form part of these financial statements.

Sanctuary Care Limited

Notes to the financial statements for the year ended 31 March 2021**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 Accounting Standards in conformity with the requirements of applicable law (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.

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 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 10 - £4,329,000 at 31 March 2021), for the period covered by the forecasts.

Sanctuary Care Limited

Notes to the financial statements for the year ended 31 March 2021 continued**1. Principal accounting policies continued****Going concern continued**

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.

Non-Capital Grants

The Company has received Government funding during the year ending 31 March 2021 through both the Adult Social Care Infection Control Fund and the Coronavirus Job Retention Scheme.

In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the Company considers this funding to constitute income related grants and has presented them as other income. Where conditions are yet to be met, the amount is deferred and included within accruals and deferred income. There is a degree of estimation uncertainty required in determining the appropriate deferral with respect to this.

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.

Sanctuary Care Limited**Notes to the financial statements for the year ended 31 March 2021 continued****1. Principal accounting policies continued****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.

Retirement benefits*Defined benefit schemes*

The Company participates in the London Borough of Greenwich Pension Fund, defined benefit pension scheme. 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. The Company is also an admitted body to the City of Westminster Local Government Pension Scheme, the pension scheme is a defined benefit scheme.

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:

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets (Note 7)	224	290
Other gains and losses (gain on sale of tangible fixed assets)	(16)	(21)
Auditor remuneration – audit services	23	23
	<u>23</u>	<u>23</u>

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

Sanctuary Care Limited**Notes to the financial statements for the year ended 31 March 2021 continued****3. Other Income**

	2021	2020
	£'000	£'000
Non-capital grants received	6,679	-

Non-capital grants received relate to infection control grant funding and coronavirus job retention scheme funding to support CQC services in social care with the provision of a safe service during the pandemic.

4. 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.

	2021	2020
	£'000	£'000
Directors' remuneration	188	188
Company contributions to pension scheme	12	11
	<u>200</u>	<u>199</u>

5. Employee information

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

	2021	2020
	£'000	£'000
Wages and salaries	91,396	71,633
Social security costs	7,408	5,831
Pension costs	3,149	2,378
	<u>101,953</u>	<u>79,842</u>

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

	2021	2020
	Number	Number
Care home staff	3,243	2,796
Office-based staff	255	132
	<u>3,498</u>	<u>2,928</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.

6. Interest receivable

	2021	2020
	£'000	£'000
Interest receivable from:		
Short term deposits	<u>17</u>	<u>61</u>

Sanctuary Care Limited**Notes to the financial statements for the year ended 31 March 2021 continued****7. Tax on profit****(a) Analysis of tax charge in year:**

	2021	2020
	£'000	£'000
Current tax:		
UK corporation tax on profit for the year	-	1,498
Tax on profit	<u>-</u>	<u>1,498</u>

The tax charge is at the standard rate of corporation tax in the UK of 19% (2020: the standard rate of 19%).

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

	2021	2020
	£'000	£'000
(Loss)/profit before taxation	<u>(3,004)</u>	<u>7,884</u>
(Loss)/profit before taxation multiplied by the main rate of corporation tax in the UK 19% (2020: 19%)	(571)	1,498
Effects of:		
Surrendered for Group relief	571	-
Total tax charge for the year	<u>-</u>	<u>1,498</u>

(c) Factors affecting future tax charge

The Finance Act 2021 was substantively enacted on 24 May 2021. Following enactment, the rate of corporation tax will remain at 19 per cent for 2021/2022 and 2022/2023 but will increase to a main rate of 25 per cent for profits over £250,000 from April 2023. Companies with profits below £50,000 will be subject to a small profits rate of 19 per cent, while profits between £50,000 and £250,000 will be subject to corporation tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

Sanctuary Care Limited**Notes to the financial statements for the year ended 31 March 2021 continued****8. Tangible fixed assets**

	Vehicles, Furniture and equipment £'000
Cost	
At 1 April 2020	1,187
Additions	57
Intra-group transfers	(61)
Disposals	(125)
At 31 March 2021	<u>1,058</u>
Accumulated depreciation	
At 1 April 2020	429
Charge for year	224
Disposals	(70)
At 31 March 2021	<u>583</u>
Net Book Amount	
At 31 March 2021	<u><u>475</u></u>
At 31 March 2020	<u><u>758</u></u>

9. Debtors

	2021 £'000	2020 £'000
Trade debtors	7,358	3,434
Amounts owed by fellow subsidiary	8,949	3,986
Other debtors and prepayments	3,518	3,203
	<u>19,825</u>	<u>10,623</u>

An expected credit loss is held against trade debtors totalling £1,082,000 (2020: £940,000). Amounts disclosed as owed by fellow subsidiary are trading in nature, repayable on demand and nature and non-interest bearing.

10. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	3,597	2,042
Amounts owed to parent undertaking	3,618	8,067
Amounts owed to fellow subsidiary companies	711	239
Other taxes and social security costs	1,762	1,270
Other creditors	6,125	1,382
Accruals	20,683	13,198
Deferred income	1,668	916
	<u>38,164</u>	<u>27,114</u>

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

Sanctuary Care Limited

Notes to the financial statements for the year ended 31 March 2021 continued

11. Provisions for liabilities and charges

Cost	Total £'000
Balances at 1 April 2020	-
Provided for in the year	1,610
Balance at 31 March 2021	<u>1,610</u>

Provisions held are all short term and relate to expected credit notes and low occupancy clawback, provisions have been made for potential legal or contractual costs that will not be covered in insurance policies. The provisions are expected to be utilised in the next 12 months.

12. Called up share capital

	2021 £	2020 £
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>

13. Retirement benefits

Defined benefit schemes

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 2021 attributable to Sanctuary Housing Association and disclosed as such in its financial statements, is £3,705,000 deficit (2020: £3,209,000 deficit).

The cost borne by the employer of contributions to this scheme amounted to £42,000 (2020: £53,000), being 18.5% (2020: 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.

Defined contribution schemes

The Company also participates in defined contribution schemes for members of staff. Contributions by the Company to the defined contribution schemes during the year amounted to £2,245,000 (2020: £1,838,000). At 31 March 2021, an amount of £199,000 (2020: £262,000) is included within creditors, being accrued contributions.

Sanctuary Care Limited

Notes to the financial statements for the year ended 31 March 2021 continued

14. 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.

15. Events after the reporting period

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