

**SANCTUARY CARE (GEFFEN) LIMITED (FORMERLY EMBRACE (GEFFEN) LIMITED)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 MARCH 2018**

**Company Number: 06788932**

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**Directors and advisors**

**Directors**

Anthony King  
Craig Moule  
Nathan Warren  
James Whitmore

**Company Secretary**

Nicole Seymour

**Independent statutory auditor**

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

**Internal auditor**

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

**Bankers**

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

**Legal advisors**

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

**Registered office**

Sanctuary House  
Chamber Court  
Castle Street  
Worcester  
WR1 3ZQ

**Registered number**

Company Number: 06788932

## **Strategic Report for the period ended 31 March 2018**

### **Review of business and future developments**

Sanctuary Care (Geffen) Limited (formerly Embrace (Geffen) Limited) (the Company) was incorporated on 12 January 2009 under number 06788932. The Company manages and operates care homes, providing long term care to the elderly. On 28 March 2018, the name of the Company was changed from Embrace (Geffen) Limited to Sanctuary Care (Geffen) Limited. In addition to the name change the accounts financial year end has been changed from June to March.

The Directors are satisfied with the results for the period which have been achieved in a challenging marketplace. They believe that the underlying activities of the Company are profitable and the Company will benefit from being part of Sanctuary Group (the Group) and the investment it is making into the Company's operations.

On 19 June 2017 Sanctuary Housing Association acquired the Company and a number of its fellow subsidiaries from the Embrace Group. For the nine month period ended 31 March 2018 all the care homes acquired in this Company have continued in operation.

From April 2018, the management team from the former Embrace operations (now known as Sanctuary Care (North), formerly referred to as Embrace Care) have joined with Sanctuary Care creating a combined business with more than 100 elderly care homes. Through the integration of systems, processes, cultures and values, the combined division will seek to make the best use of the skills and expertise that exist across the Group as well as maximising efficiencies.

We are committed to keeping kindness at the heart of our care. We help our residents live dignified and fulfilling lives in places where they can explore their passions, learn new things and build lasting friendships. Our well-equipped care homes provide a range of long and short-term care and support, including residential, nursing, intermediate, respite, end-of-life, and specialist dementia care.

The Company will maintain relationships with key partners while aiming to increase the number of self-funding residents and occupancy levels where possible, ensuring margin levels can be maintained despite the increasing cost of the National Living Wage.

Sanctuary Care will be rolling out its industry leading care application (kradle) after a successful trial in three care homes in 2017. 'kradle' allows care staff to electronically plan, track and measure care delivered to our residents. Staff use mobile devices around the home to deliver care and record well-being, with vital statistics and useful information about residents being available at the touch of a button. It is anticipated 'kradle' will contribute towards even higher care standards.

2018/2019 will be the second year of a three-year strategy designed to deliver improved ways of working and governance to ensure all homes maintain the delivery of high quality care that meets the Care Quality Commission (CQC) and the Care Inspectorate standards. Sanctuary Care will continue to build on its strong reputation in local areas and build brand awareness in the market place.

### **Key performance indicators**

Key performance indicators are shown in the table below and compare the financial year ended 30 June 2017 and the nine month period ended 31 March 2018.

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
| Staffing cost as a % of turnover                           | 52.7%       | 54.1%       |
| Weekly turnover per bed space – based on average occupancy | £585        | £565        |
| Average occupancy per week                                 | 100         | 108         |
| Occupancy as a % total of bed spaces                       | 86.3%       | 92.7%       |
| Operating margin (before one-off asset disposals)          | 11.9%       | 0.3%        |

## Strategic Report for the period ended 31 March 2018 continued

### Principal risks and uncertainties

The Company is a subsidiary of Sanctuary Housing Association and part of the Sanctuary Group of entities. The Company and Group operate a comprehensive risk mapping process as part of the 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 2017/2018 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 are 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 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. Risks also include those around health and safety compliance, legislative requirements and contractual risks.

### Financial risk management

The Company has the on going support of Sanctuary Housing Association. The Directors therefore view the overall level of financial risk of the Company as low.

### Going concern

The Directors confirm that they have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. The Company has the continued support of its ultimate parent, Sanctuary Housing Association. Accordingly, the Company continues to adopt the going concern basis in its financial statements.

On behalf of the board



Nathan Warren  
Director  
13 September 2018

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## **Directors' Report for the period ended 31 March 2018**

The Directors present their report and audited financial statements of Sanctuary Care (Geffen) Limited (formerly Embrace (Geffen) Limited) for the nine month period ended 31 March 2018.

### **Principal activities**

The principal activity of the Company is to manage and operate care homes, providing long term care to the elderly.

### **Directors**

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

Anthony King  
Craig Moule  
Nathan Warren  
James Whitmore

### **Results and dividends**

The results of the Company for the period ended 31 March 2018 are set out on page 9.

The Directors do not recommend payment of a final dividend (2017: nil) and no interim dividend was paid (2017: nil).

### **Employee involvement**

It is Group and Company 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.

### **Ethical business**

The Group and Company are committed to conducting business in an ethical and responsible manner. This involves making decisions which take into account not only economic considerations, but also social and environmental impacts. It means running Group operations efficiently, investing in the communities where the Group works, providing training and employment opportunities, and ensuring that Group operations are run in an environmentally-friendly manner.

### **Equality and diversity**

The Group and Company aim to be open and inclusive organisations, where diversity is promoted and discrimination eliminated. Our single equality scheme – 'Fairness for All' – outlines the commitment to ensuring that our services and operations 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. The Group operates an Equality and Diversity Working Group, which ensures that the requirements set out by the scheme are embedded across the Group's operations.

### **Health and safety**

It is the clear intention of the Group and Company 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.

## Directors' Report for the period ended 31 March 2018 continued

### 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.

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.



Nathan Warren  
Director  
13 September 2018

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY CARE (Geffen) LIMITED (FORMERLY EMBRACE (Geffen) LIMITED)**

### **Opinion**

We have audited the financial statements of Sanctuary Care (Geffen) Limited (formerly Embrace (Geffen) Limited) for the period ended 31 March 2018 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 2018 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**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY CARE (GEFFEN) LIMITED (FORMERLY EMBRACE (GEFFEN) LIMITED) CONTINUED**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, 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

20 September 2018

**Profit and Loss Account for the period ended 31 March 2018**

|  | Notes | 9 Month<br>period ended<br>31 March 2018<br>£'000 | Year ended<br>30 June 2017<br>£'000 |
|--|-------|---|-------------------------------------|
| <b>Turnover</b>  |       | 2,292   | 3,194                               |
| Operating expenses   |       | (2,019)   | (3,183)                             |
| Loss on disposal of fixed assets                             | 2     | -   | (692)                               |
| <b>Operating profit/(loss)</b>                               | 2     | <b>273</b>  | <b>(681)</b>                        |
| <b>Interest payable and similar expenses</b>                 | 5     | -   | (5)                                 |
| <b>Profit/(loss) before taxation</b>                         |       | <b>273</b>  | <b>(686)</b>                        |
| Taxation   | 6     | -   | 2                                   |
| <b>Profit/(loss) after taxation for the financial period</b> |       | <b>273</b>  | <b>(684)</b>                        |

There are no differences between the profit/(loss) before taxation and the profit/(loss) after taxation for the financial periods stated above and their historical cost equivalents.

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

The notes on pages 12 to 18 form part of these financial statements.

**Balance Sheet as at 31 March 2018**

|   | Notes | 31 March<br>2018<br>£'000 | 30 June<br>2017<br>£'000 |
|---|-------|---------------------------|--------------------------|
| <b>Fixed assets</b>                                   |       |                           |                          |
| Tangible fixed assets                                 | 7     | 149                       | 81                       |
|   |       | <u>149</u>                | <u>81</u>                |
| <b>Current assets</b>                                 |       |                           |                          |
| Debtors   | 8     | 264                       | 1,773                    |
|   |       | <u>264</u>                | <u>1,773</u>             |
| <b>Creditors: amounts falling due within one year</b> | 9     | <u>(749)</u>              | <u>(2,463)</u>           |
| <b>Net current liabilities</b>                        |       | (485)                     | (690)                    |
| <b>Total assets less current liabilities</b>          |       | <u>(336)</u>              | <u>(609)</u>             |
| <b>Net liabilities</b>                                |       | <u><b>(336)</b></u>       | <u><b>(609)</b></u>      |
| <b>Capital and reserves</b>                           |       |                           |                          |
| Called up share capital                               | 10    | -                         | -                        |
| Profit and loss account                               |       | (336)                     | (609)                    |
| <b>Total shareholders' deficit</b>                    |       | <u><b>(336)</b></u>       | <u><b>(609)</b></u>      |

The notes on pages 12 to 18 form part of these financial statements.

The financial statements have been authorised and approved by the Board of Directors on 13 September 2018 and signed on its behalf by:



Nathan Warren  
Director

Statement of Changes in Equity as at 31 March 2018

|                                 | Share capital<br>£'000 | Profit and<br>Loss Account<br>£'000 | Total<br>£'000 |
|---------------------------------|------------------------|-------------------------------------|----------------|
| At 1 July 2016                  | -                      | 75                                  | 75             |
| Loss for the financial year     | -                      | (684)                               | (684)          |
| <b>At 30 June 2017</b>          | <b>-</b>               | <b>(609)</b>                        | <b>(609)</b>   |
| At 1 July 2017                  | -                      | (609)                               | (609)          |
| Profit for the financial period | -                      | 273                                 | 273            |
| <b>At 31 March 2018</b>         | <b>-</b>               | <b>(336)</b>                        | <b>(336)</b>   |

The notes on pages 12 to 18 form part of these financial statements.

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**Notes to the financial statements for the period ended 31 March 2018**

**1. Principal accounting policies**

Sanctuary Care (Geffen) Limited (formerly Embrace (Geffen) Limited) (the Company) is a company incorporated and domiciled in the UK.

The financial statements are presented in pounds sterling, which is the Company's functional currency. Unless otherwise stated, amounts are denominated in thousands (£'000) rounded to the nearest thousand.

The financial year end has changed from June to March in line with the rest of the Group.

**Basis of accounting**

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 IFRSs"), but makes amendments where necessary in order to comply with 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 International Financial Reporting Standards and are available to the public and may be obtained from Sanctuary Housing Association, 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 disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Sanctuary Housing Association 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 financial statements are prepared on the historical cost basis.

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**Notes to the financial statements for the period ended 31 March 2018 continued**

**1. Principal accounting policies continued**

**Going concern**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 3.

The Company has the continued support of its ultimate parent, Sanctuary Housing Association and is viewed as a going concern by the Directors to continue in operational existence for a period of at least 12 months from signing of this report. Accordingly the Company continues to adopt the going concern basis in its financial statements.

**Turnover**

Turnover represents fees receivable for care services. Turnover is recognised as it is incurred, either daily, weekly or monthly. Where charges are billed in advance these are recorded as deferred income.

**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 and accumulated impairment losses, which is charged on a straight line basis to write off assets over their expected economic useful lives as follows:

|                                  |                              |
|----------------------------------|------------------------------|
| Fixtures, fittings and equipment | 4 – 10 years                 |
| Land and buildings leasehold     | Over the period of the lease |

**Financial instruments**

***Financial assets***

All financial assets within the Company are deemed to be classified as loans and receivables.

These are initially recognised at fair value plus transaction costs, and subsequently at amortised cost. Examples of loans and receivables include trade receivables, unlisted investments, sundry receivables and cash at bank and in hand.

***Financial liabilities***

All financial liabilities within the Company are deemed to be classified as other financial liabilities.

They are valued at fair value at inception and then amortised cost subsequently. Other financial liabilities are all financial liabilities that have value to the supplying party, for instance debt finance, trade payables, other payables and accruals.

**Taxation**

Tax on the profit or loss for the period comprises current and deferred 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 taxation**

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

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**Notes to the financial statements for the period ended 31 March 2018 continued**

**1. Principal accounting policies continued**

**Deferred taxation**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

**Critical accounting estimates, judgements and assumptions**

In the prior period a comprehensive review of the fixed asset register was undertaken as a result of the acquisition by Sanctuary Housing Association. A number of items were identified where capitalisation criteria, including capitalisation thresholds, were not consistent with Sanctuary Group's capital policies. This resulted in the disposal of a number of tangible fixed assets last year, generating losses on disposal in the Profit and Loss Account. Further details are given in note 2.

The Directors have not been required to make any further 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.

**Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Profit and Loss Account represents the contributions payable to the scheme in respect of the accounting period.

**Operating leases**

Rentals payable under operating leases, including any lease incentives received, are charged to the Profit and Loss Account on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Notes to the financial statements for the period ended 31 March 2018 continued

**2. Operating profit/(loss)**

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

|   | 2018<br>£'000     | 2017<br>£'000     |
|---|-------------------|-------------------|
| Loss on disposal of tangible fixed assets | -                 | 692               |
| Depreciation of tangible fixed assets     | 13                | 121               |
| Auditor's remuneration – audit services   | 5                 | 3                 |
|   | <u>          </u> | <u>          </u> |

In the prior period a comprehensive review of the fixed asset register was undertaken as part of the acquisition process. This resulted in the disposal of a number of tangible fixed assets, generating losses on disposal in the Profit and Loss Account.

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

**3. Employee information**

Employee costs, charged during the period amounted to:

|                       | 2018<br>£'000 | 2017<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 1,123         | 1,629         |
| Social security costs | 71            | 89            |
| Pension costs         | 15            | 10            |
|                       | <u>1,209</u>  | <u>1,728</u>  |

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

|             | 2018<br>Number | 2017<br>Number |
|-------------|----------------|----------------|
| Total staff | <u>70</u>      | <u>121</u>     |

**4. Directors' remuneration**

The Directors' emoluments are borne by the ultimate parent undertaking Sanctuary Housing Association, consequently any expenses payable are also borne by Sanctuary Housing Association; these expenses are negligible.

**5. Interest payable and similar expenses**

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Interest payable on Intercompany loans | <u>-</u>      | <u>5</u>      |



Notes to the financial statements for the period ended 31 March 2018 continued

6. Taxation on profit

(a) Analysis of tax charge for the period

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Current tax:                                |               |               |
| UK corporation tax on profit for the period | 54            | -             |
| Adjustments to prior periods                | -             | (2)           |
|   | <u>54</u>     | <u>(2)</u>    |

(b) Factors affecting the tax charge for the period

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Profit/(loss) before taxation   | <u>273</u>    | <u>(686)</u>  |
| Profit/(loss) multiplied by the main rate of corporation tax in the UK<br>19% (2017: 19.75%)                    | 52            | (135)         |
| Effects of:   |               |               |
| Tax effect of expenses that are not deductible/(income that is not<br>chargeable) in determining taxable profit | 2             | 153           |
| Group relief  | -             | (7)           |
| Post 1 April group losses brought forward   | (54)          | -             |
| Rate difference   | -             | (2)           |
| Transfer pricing adjustment   | -             | (1)           |
| Deferred tax not recognised   | -             | (10)          |
| <b>Total tax charge for the period</b>  | <u>-</u>      | <u>(2)</u>    |

(c) Factors affecting future tax charge

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

Notes to the financial statements for the period ended 31 March 2018 continued

7. Tangible fixed assets

|                                    | Land and<br>buildings<br>leasehold | Fixtures,<br>fittings,<br>and<br>equipment | Total      |
|------------------------------------|------------------------------------|--|------------|
|                                    | £'000                              | £'000                                      | £'000      |
| <b>Cost</b>                        |                                    |  |            |
| Balance at 1 July 2017             | -                                  | 103  | 103        |
| Additions                          | 67                                 | 14   | 81         |
| Balance at 31 March 2018           | <u>67</u>                          | <u>117</u>                                 | <u>184</u> |
| <b>Depreciation and impairment</b> |                                    |  |            |
| Balance at 1 July 2017             | -                                  | 22   | 22         |
| Depreciation charge for the period | -                                  | 13   | 13         |
| Balance at 31 March 2018           | <u>-</u>                           | <u>35</u>                                  | <u>35</u>  |
| <b>Net book value</b>              |                                    |  |            |
| <b>31 March 2018</b>               | <u>67</u>                          | <u>82</u>                                  | <u>149</u> |
| <b>30 June 2017</b>                | <u>-</u>                           | <u>81</u>                                  | <u>81</u>  |

8. Debtors

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Trade debtors   | 243           | 158           |
| Amounts owed by parent and fellow subsidiary undertakings | -             | 1,564         |
| Prepayments and accrued income                            | 21            | 51            |
|   | <u>264</u>    | <u>1,773</u>  |

Trade debtors are stated net of provision for doubtful debts of £13,000 (2017:£13,000).

Amounts owed by parent and fellow subsidiary undertakings are trading in nature, are repayable on demand and do not bear interest.

9. Creditors: amounts falling due within one year

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Trade creditors   | 65            | 9             |
| Amounts owed to parent and fellow subsidiary undertakings | 501           | 2,133         |
| Other creditors   | 29            | 92            |
| Social security and taxes                                 | -             | 26            |
| Accruals and deferred income                              | 154           | 203           |
|   | <u>749</u>    | <u>2,463</u>  |

Amounts owed to parent and fellow subsidiary undertakings are trading in nature, are repayable on demand and do not bear interest.

Notes to the financial statements for the period ended 31 March 2018 continued

**10. Called up share capital**

|                                     | 2018 | 2017 |
|-------------------------------------|------|------|
|                                     | £    | £    |
| Allotted, called up and fully paid: |      |      |
| 1 ordinary shares of £1 each        | 1    | 1    |

**11. Operating leases**

At 31 March 2018, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                                       | 2018          | 2017          |
|---------------------------------------|---------------|---------------|
|                                       | £'000         | £'000         |
| <b>Operating leases which expire:</b> |               |               |
| Within one year                       | 423           | 423           |
| Between two and five                  | 1,692         | 1,692         |
| In more than five years               | 8,923         | 9,240         |
|                                       | <b>11,038</b> | <b>11,355</b> |

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements were £317,000 (2017: £423,000).

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

The immediate parent company is Sanctuary Care (North) Limited (formerly Embrace Care Limited), a company registered in England and Wales under registration number 08991220.

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 Homes and Communities Agency (Number L0247).

**13. Events after the reporting period**

No matters have arisen since the period end that require disclosure in the financial statements.