SANCTUARY CARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

Company Number: 4231521

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Directors and Advisors

Directors
David Bennett
Steve Wood
Mark McCarthy
Ian McDermott
Len Merton

Company Secretary
Craig Moule

Registered Office
Chamber Court
Castle Street
Worcester
WR1 3ZQ

Independent Statutory Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Court
Birmingham
B3 2DT

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

Legal Advisors
Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS

Registered Number
Company Number 4231521

Report of the Directors for the Year Ended 31 March 2012

The Directors submit their Annual Report and audited financial statements of the Sanctuary Care Limited (the "Company") for the year ended 31 March 2012 The Company was incorporated on 8 June 2001 under the Companies Act number 4231521

Principal activities

The principal activity of the Company is the management of care homes on behalf of its parent company Sanctuary Housing Association It aims to provide a care service for older people and younger adults, placing emphasis on promoting health and independence

The Company's ultimate parent undertaking is Sanctuary Housing Association and forms part of the Sanctuary Group of entities (the "Group")

Review of business and future developments

The Directors are satisfied with the results and expect future performance to continue to improve through continued growth and improved occupancy rates

During the year ended 31 March 2012 the Company enhanced its place within its market and continued to provide good quality care The Company continued its focus on improving financial management of its care home portfolio This improvement has been achieved against a backdrop of increasing pressures on government budgets and its funding of care services, a rise in both food and utility costs and ongoing pressure on employee pay rates within the sector

Results and Gift Aid payments

The results of the Company for the year ended 31 March 2012 are set out on page 7 Out of these profits, the Directors approved a gift aid payment of £4,504,762 for 2012 (2011 £4,500,998) to the Company's parent undertaking, Sanctuary Housing Association

In total, Sanctuary Care Limited now manages 2,192 bed spaces (2011 1,846)

Key performance indicators

Key performance indicators are shown in the table below and compare the financial years ended 31 March 2012 and 31 March 2011

	2012	2011
Staffing costs as a % of turnover	62 2%	62 1%
Weekly staffing cost per bed space – based on average occupancy	£379	£372
Weekly turnover per bed space – based on average occupancy	£610	£599
Average occupancy per week	2,038	1,894
Occupancy as a % of total bed spaces	93 0%	95 4%
Gross Margin	6 9%	7 6%

Report of the Directors for the Year Ended 31 March 2012 continued

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

David Bennett	(Chair)
Steve Wood	
Mark McCarthy	(appointed 26 September 2011)
Ian McDermott	(appointed 26 September 2011)
Len Merton	(appointed 26 September 2011)
Joan Nash	(resigned 26 September 2011)
Craig Moule	(resigned 26 September 2011)
Gilean Evans	(resigned 26 September 2011)

Company Secretary

Craig Moule

Principal risks

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 Committee reviews and scrutinises the risk maps for all group entities The Group Board approves the Group Risk Map

The principal risks for the Company covered by the risk map considered by the Board during 2011/12 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
- Reliance on social services income - The majority of residents within the Company's care homes are funded by social services Increased pressure on social services budgets has a direct impact on the fee rates it is possible to charge

Employee involvement

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

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 we plan, develop and deliver our services, covering our internal functions as an employer and our external operations as a provider of housing, care and facilities management services

Report of the Directors for the Year Ended 31 March 2012 continued

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In accordance with Section 418, the Report of the Directors' shall include a statement, in the case of each Director in office at the date the Report of the Directors' is approved, that

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board

Craig Moule
Company Secretary
21 September 2012

Independent Auditors' Report to the Members of Sanctuary Care Limited

We have audited the financial statements of Sanctuary Care Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

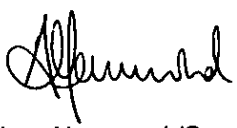
Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Hammond (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Date 22 OCTOBER 2012

Profit and Loss Account for the Year Ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Turnover	1	64,845	59,121
Administrative expenses		(60,368)	(54,635)
Operating profit	2	**4,477**	**4,486**
Interest receivable and similar income	5	15	19
Profit on sale of fixed assets	2	12	3
Profit on ordinary activities before tax		**4,504**	**4,508**
Tax on profit on ordinary activities	6	-	(7)
Profit for the financial year	11	**4,504**	**4,501**

There are no material differences between the profit on ordinary activities before tax and the profit for the years stated above and their historical cost equivalents

The results year on year relate wholly to continuing activities

There are no recognised gains and losses other than those included in the Profit and Loss Account above and therefore no separate Statement of Total Recognised Gains and Losses has been presented

The notes on pages 9 to 15 form part of these financial statements

Balance Sheet as at 31 March 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible fixed assets	7	374	373
Current assets			
Debtors	8	2,885	3,086
Cash at bank and in hand		3,320	5,340
		6,205	8,426
Creditors . Amounts falling due within one year	9	(6,579)	(8,799)
Net current liabilities		(374)	(373)
Total assets less current liabilities		-	-
Net assets		-	-
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	-	-
Total shareholders' funds	12	-	-

Approved and authorised by the Board of Directors on 21 September 2012 and signed on its behalf by

Stephen Wood
Director

The notes on pages 9 to 15 form part of these financial statements

Notes to the Financial Statements for the Year Ended 31 March 2012

1. Principal accounting policies

Basis of accounting

The Company's financial statements have been prepared in accordance with applicable Financial Reporting Standards in the United Kingdom and the Companies Act 2006 The principal accounting policies are set out below

The financial statements have been prepared on the historical cost and going concern basis of accounting There have been no changes in accounting policy during the year

Notwithstanding the fact that the Company has net current liabilities, the Company is viewed as a going concern by the Directors and will continue in operation for the foreseeable future with the support of its parent undertaking, Sanctuary Housing Association

Cash flow statement and related party transactions

The Company is a wholly owned subsidiary of Sanctuary Housing Association and is included in the consolidated financial statements of the Group which are publicly available Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 Cash Flow Statements The Company is also exempt under the terms of Financial Reporting Standard 8 Related Party Disclosures, from disclosing related party transactions with entities that are part of the Sanctuary Group that are wholly owned

Turnover

Turnover represents fees receivable for care services and is disclosed net of VAT This is the Company's only revenue stream Turnover is recognised as it falls due, either daily, weekly or monthly Where charges are billed in advance these are recorded as deferred income

Tangible fixed assets

Tangible fixed assets are included at cost, less accumulated depreciation Costs include attributable costs to bring the asset into service Depreciation is charged at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Motor Vehicles	25% straight line
Fixtures and Fittings	12 5% straight line

Fixed assets are transferred between Group undertakings at 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 a rise to a small amount of VAT recovery on related input costs Where appropriate, costs are stated including irrecoverable VAT

Corporation tax

The tax expense for the year comprises current tax Tax is recognised in the financial statements, except to the extent that it relates to items recognised directly in equity In this case the tax is recognised in equity

Deferred income tax is recognised on temporary timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

1 Principal accounting policies continued

Retirement benefits

The Company operates a defined contribution scheme and two defined benefit schemes

Defined benefit schemes

The underlying assets and liabilities of the defined benefit schemes operated by the Company are not separately identifiable Therefore, under the provisions of Financial Reporting Standard 17 Retirement Benefits – Revised, the scheme is accounted for as a defined contribution scheme

Where it is not possible to separately identify the share of the underlying assets and liabilities of a defined benefit scheme the amount charged to the Profit and Loss Account represents the contributions payable in the year

The Company has determined that it is not possible to identify the share of underlying assets and liabilities for the following main reasons

- Scheme assets are not allocated to individual employers,
- Contributions are the same for all employers irrespective of underlying assets, and
- Residual ('orphan') members whose employer has withdrawn from the scheme cannot be allocated to specific remaining employers

All of the above reduce the accuracy with which an individual employer's liability could be calculated

Note 13 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

Financial assets

Financial assets are defined as cash or any asset that is a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable, or an equity instrument of another entity The only category of financial assets held by the Company is loans and receivables

Loans and receivables are assets with fixed or determinable payments that are not quoted on an active market, other than those that are categorised as financial assets at fair value through profit or loss These are initially recognised at fair value plus transaction costs At each Balance Sheet date they are re-measured at fair value Examples of loans and receivables include sundry debtors

Financial liabilities

Financial liabilities are defined as any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable The only category of financial liability held by the Company is other financial liabilities Other financial liabilities are all financial liabilities that are not initially measured at fair value and revalued at Balance Sheet dates, for instance debt finance

Provisions against debtors

The Society provides against specific debtor balances where the likelihood of settlement in full or in part is unlikely

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

1. Principal accounting policies continued

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

2. Operating profit

The operating profit is arrived after charging

	2012 £'000	2011 £'000
Depreciation of tangible fixed assets	130	119
Auditors' remuneration – audit services	4	7

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

The net surplus on sale of fixed assets consists of £52,168 proceeds (2011 £35,450) less £39,997 depreciated cost (2011 £32,006)

3. Directors' emoluments

David Bennett, Steve Wood and Ian McDermott are Directors of Sanctuary Care Limited Craig Moule resigned as a Director during the year They are all employed by Sanctuary Housing Association, the parent company Sanctuary Housing Association recharged the Company the following salary costs for their services No other remuneration is recharged

	2012 £'000	2011 £'000
David Bennett	31	31
Craig Moule (resigned 26 September 2011)	15	31
Steve Wood	88	118
Ian McDermott	16	-
	150	**180**

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

4. Employee information

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

	2012 £'000	2011 £'000
Wages and salaries	38,055	36,442
Social security costs	2,660	2,535
Pension costs	576	539
	41,291	**39,516**

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

	2012 Number	2011 Number
Care home staff	1,912	1,783
Office-based staff	75	54
	1,987	**1,837**

5. Interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable from		
Short term deposits	15	19

6. Tax on profit on ordinary activities

(a) Analysis of tax charge in year

	2012 £'000	2011 £'000
Current tax		
UK corporation tax on profit of the year	-	-
Adjustments to prior periods	-	7
Tax on profit on ordinary activities	**-**	**7**

The tax charge for the year is lower (2011 lower) than the standard rate of corporation tax in the UK The differences are explained below

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

6. Tax on profit on ordinary activities continued

(b) Factors affecting the tax charge in the year

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	4,504	4,508
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 26% (2011 28%)	1,171	1,262
Effects of		
Gift Aid payment to Sanctuary Housing Association	(1,171)	(1,260)
Permanent difference	-	(2)
Prior year amounts	-	7
Current tax charge for the year	**-**	**7**

7. Tangible fixed assets

	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2011	419	212	631
Additions	180	2	182
Disposals	(109)	-	(109)
Group transfers	(13)	-	(13)
At 31 March 2012	**477**	**214**	**691**
Depreciation			
At 1 April 2011	182	76	258
Charge for year	103	27	130
Disposals	(70)	-	(70)
Group transfers	(1)	-	(1)
At 31 March 2012	**214**	**103**	**317**
Net Book Amount			
At 31 March 2012	**263**	**111**	**374**
At 31 March 2011	**237**	**136**	**373**

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

8. Debtors

	2012 £'000	2011 £'000
Amounts owed by fellow subsidiary	88	550
Other debtors and prepayments	2,797	2,536
	2,885	**3,086**

All of the amounts disclosed as owed by fellow subsidiary are all trading in nature These amounts are non-interest bearing

9 Creditors: Amounts falling due within one year

	2012 £'000	2011 £'000
Deferred finance, bank loans and overdrafts	79	-
Trade creditors	251	205
Amounts due to parent undertaking	1,103	1,338
Amounts due to fellow subsidiary companies	-	274
Other taxes and social security costs	718	1,437
Other creditors	1,844	3,629
Accruals and deferred income	2,584	1,916
	6,579	**8,799**

All of the amounts disclosed as due to parent undertaking and fellow subsidiary companies all are trading in nature These amounts are non interest bearing

10. Called up share capital

	2012 £	2011 £
Authorised share capital		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted, issued and fully paid		
2 ordinary shares of £1 each	2	2

11. Revenue reserves

	£'000
At 1 April 2011	-
Profit for the year	4,504
Gift Aid paid	(4,504)
At 31 March 2012	-

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

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

12. Reconciliation of shareholders' funds

	2012 £'000	2011 £'000
Profit for the year	4,504	4,501
Gift Aid paid	(4,504)	(4,501)
Net additions to shareholders' funds	-	-
Opening total shareholders' funds	-	-
Closing total shareholders' funds	-	-

13. Retirement benefits

Defined benefit schemes

The Company participates in Sanctuary Housing Association's defined benefit pension scheme However, the contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme because the Company is unable to identify its share of the underlying assets and liabilities in the scheme Sanctuary Housing Association is solely responsible for any surplus or deficit on the scheme The deficit on the scheme at 31 March 2012 attributed to Sanctuary Group as a whole, and disclosed as such in its financial statements, is £29 7m (2011 £24 0m) The last formal actuarial valuation was undertaken on 30 September 2010

The cost borne by the employer of contributions to this scheme amounted to £343,674 (2011 £318,877), being 18 6% to 21 6% of pensionable salary for both 2012 and 2011, the rate used across this scheme

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 2012 attributable to Sanctuary Housing Association and disclosed as such in its financial statements, is £1 5m deficit (2011 £1 0m deficit) The last formal actuarial valuation of the London Borough of Greenwich Fund was undertaken on 31 March 2010

The cost borne by the employer of contributions to the Group scheme amounted to £144,645 (2011 £152,824), being 21 0%, the rate used across this scheme, of pensionable salary for both 2012 and 2011

Defined contribution schemes

The Company also participates in a defined contribution scheme for members of staff Contributions by the Company to the defined contribution schemes during the year amounted to £78,211 (2011 £67,206) At 31 March 2012, an amount of £12,714 (2011 £25,625) is included within creditors, being accrued contributions

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 an Industrial and Provident Society (Number 19059R) and with the Homes and Communities Agency (Number L0247) A copy of the Group financial statements can be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester WR1 3ZQ