

SANCTUARY MANAGEMENT SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017
Company Number: 4230906

FRIDAY



A6JD8IK8

A20

17/11/2017

#264

COMPANIES HOUSE

Sanctuary Management Services Limited

Contents	Page
Directors and advisors	2
Strategic report	3
Directors' report	5
Statement of Directors' responsibilities in respect of the Strategic report, Directors' Report and the financial statements	6
Independent auditor's report to the members of Sanctuary Management Services Limited	7
Profit and Loss Account	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the financial statements	12

Sanctuary Management Services Limited

Directors and advisors

Directors

Simon Clark
Hilary Gardner
Anthony King
Craig Moule
Alan West

Company Secretary

Sophie Atkinson

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 LLP
Two Snowhill
Birmingham
B4 6WR

Registered office

Chamber Court
Castle Street
Worcester
WR1 3ZQ

Registered number

Company Number: 4230906

Strategic report for the year ending 31 March 2017

Principal activities

The principal activity of Sanctuary Management Services Limited (the Company) is the provision of tenancy and broader facilities management services in the NHS, further education and private finance initiative markets.

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

Results

The results of the Company for the year ended 31 March 2017 are set out on page 9.

Review of business and future developments

The results of the Company were in accordance with the Directors' expectations. The Directors are satisfied with the results.

Key performance indicators

The Directors use the following key indicators to monitor the outcome of the Company's objectives. These indicators focus on one of the Company's key business streams; the provision of management services at West Park Conference Centre, Dundee.

	2017	2016
West Park Conference Centre:		
Turnover (£'000)	793	830
Employee costs as a percentage of turnover (%)	52.1	52.4

Statement of internal control

The Directors are ultimately responsible for ensuring that the Company maintains a system of internal control that is appropriate to the various business environments in which it operates. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed. The controls by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Directors have established procedures to provide internal control and there are clear lines of responsibility for the establishment and maintenance of the procedures through designated senior executives. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Company or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

Major business risks are identified through a system of continuous monitoring. The financial control framework includes the following key features:

- the Directors are directly responsible for strategic risk management;
- the adoption of formal policies and procedures including documentation of key systems and rules relating to a delegation of authorities which allows the monitoring of controls and restricts the unauthorised use of the Company's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures ensure standards of performance are maintained;

Strategic report for the year ended 31 March 2017 continued

Statement of internal control continued

- executives monitor the key business risks and financial objectives allowing the Company to progress towards its financial plans set for the year and the medium term. Regular management accounts are prepared promptly providing relevant, reliable and up-to-date financial and other information including significant variances from budgets and forecasts which are investigated as necessary;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures; and
- the Group Audit and Risk Committee reviews reports from management and PricewaterhouseCoopers LLP (internal auditor) to provide reasonable assurance that control procedures are in place and are being followed. The Group Audit and Risk Committee receives an annual report on internal controls from the Executive Committee. The Group Audit and Risk Committee make regular reports to the Group Board and relevant points are communicated to the Company. The Company follows formal procedures for ensuring appropriate actions are taken to correct weaknesses identified from these reports.

The Group Audit and Risk Committee met with PricewaterhouseCoopers LLP, the internal auditor, and KPMG LLP, the statutory auditor, to discuss their work throughout the year.

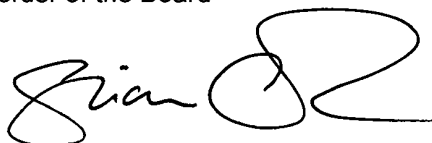
On behalf of the Directors, the Group Audit and Risk Committee has reviewed the effectiveness of the system of internal control in existence in the Company for the year ended 31 March 2017 and is not aware of any material changes at the date of signing the financial statements.

Arrangements for managing the risk of fraud

The Company has robust arrangements in place for managing the risks of fraud. These include:

- prevention – the Company seeks to generate a strong anti-fraud culture supported by appropriate controls over operational and employment systems;
- detection – the Company has implemented comprehensive systems and procedures to detect evidence of fraud and to facilitate and encourage the reporting of fraud;
- investigation – the Company follows a comprehensive Company policy on fraud investigation and reporting; and
- insurance – the Company has appropriate insurance cover in place to mitigate the potential financial losses associated with fraud.

By order of the Board



Simon Clark
Director

31 July 2017

Sanctuary Management Services Limited

Directors' report for the year ended 31 March 2017

The Directors present their annual report and audited financial statements of Sanctuary Management Services Limited for the year ended 31 March 2017.

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:

Simon Clark	(appointed 23 November 2016)
Hilary Gardner	
Anthony King	(appointed 21 September 2016)
Ian McDermott	(resigned 21 September 2016)
Craig Moule	
Nathan Warren	(resigned 23 November 2016)
Alan West	(Chair)

Company Secretary

Sophie Atkinson

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. The Company adheres to the Group's single equality scheme - 'Fairness for All' – which outlines the Group's commitment to ensuring that its services meet the needs of its 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 facilities management 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.

Directors' report for the year ended 31 March 2017 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.

United Kingdom 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping 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 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 auditor

In the case of each Director in office at the date the Report of the Directors 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) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

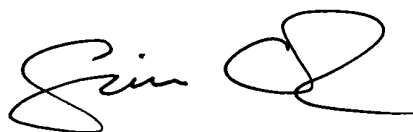
Political and charitable donations

The Company made no donations to political or charitable organisations (2016: £nil).

Independent 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.



Simon Clark
Director

31 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY MANAGEMENT SERVICES LIMITED

We have audited the financial statements of Sanctuary Management Services Limited for the year ended 31 March 2017 set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities 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. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 and of its result for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

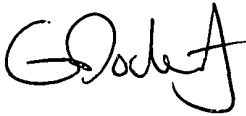
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY MANAGEMENT SERVICES LIMITED (CONTINUED)

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.



**Gordon Docherty (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Date: 7 August 2017

Profit and Loss Account for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Revenue	1	5,339	4,787
Operating expenditure	2	<u>(5,339)</u>	<u>(4,780)</u>
Operating profit		-	7
Other Interest receivable and similar income	5	<u>-</u>	<u>1</u>
Profit on ordinary activities before taxation		-	8
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
Profit for the financial year		<u>-</u>	<u>8</u>

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

There is no material difference between the profit on ordinary activities before taxation and the profit 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.

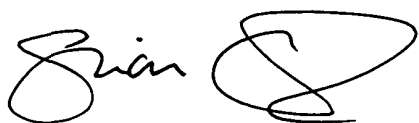
The notes on pages 12 to 16 form part of these financial statements.

Balance Sheet as at 31 March 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Debtors	7	173	130
Cash at bank and in hand		815	1,990
		<u>988</u>	<u>2,120</u>
Creditors : amounts falling due within one year	8	<u>(726)</u>	<u>(1,876)</u>
Net current assets		262	244
Total assets less current liabilities		<u>262</u>	<u>244</u>
Provision for liabilities and charges	9	(262)	(244)
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account		-	-
Shareholders' funds		<u>-</u>	<u>-</u>

The notes on pages 12 to 16 form part of these financial statements.

The financial statements on pages 9 to 16 were approved and authorised by the Board of Directors on 31 July 2017 and signed on its behalf by:



Simon Clark
Director

Statement of Changes in Equity as at 31 March 2017

	Share capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2015	-	-	-
Profit for the financial year	-	-	-
At 31 March 2016	<u>-</u>	<u>-</u>	<u>-</u>
At 1 April 2016	-	-	-
Profit for the financial year	-	-	-
At 31 March 2017	<u>-</u>	<u>-</u>	<u>-</u>

The notes on pages 12 to 16 form part of these financial statements.

Sanctuary Management Services Limited

Notes to the financial statements for the year ended 31 March 2017

1. Principal accounting policies

Sanctuary Management Services Limited 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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and effective immediately have been applied.

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:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs; and
- Certain disclosures required by IFRS13 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 Directors confirm that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in its financial statements.

Notes to the financial statements for the year ended 31 March 2017 continued

1. Principal accounting policies continued

Employee benefits

Defined contribution plans

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.

Defined benefit plans

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

Note 10 contains further information.

Revenue

Revenue for the year represents income receivable from facilities management contracts (net of VAT) and services performed for other Group entities. This is the Company's only revenue stream. Revenue is recognised as it falls due, either daily, weekly or monthly.

Value Added Tax (VAT)

The majority of the Company's turnover generated from facilities management contracts is subject to VAT. Revenue generated from works performed for other Group entities is exempt from VAT. Revenue and costs are stated excluding any recoverable VAT.

Corporation tax

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

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

2. Auditor's remuneration

Included in operating expenditure are the following:

	2017 £'000	2016 £'000
Auditor's remuneration – audit services	<u>1</u>	<u>3</u>

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

Notes to the financial statements for the year ended 31 March 2017 continued

3. Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year expressed in full time equivalents, analysed by category, was as follows:

	Number of employees	
	2017	2016
Site based staff	84	82
Office-based staff	99	80
	<u>183</u>	<u>162</u>

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	4,376	3,697
Social security costs	319	260
Contributions to pension scheme	145	156
	<u>4,840</u>	<u>4,113</u>

4. Directors' remuneration

Alan West, Craig Moule, Anthony King and Simon Clark receive remuneration from the parent undertaking, Sanctuary Housing Association. Consequently, any expenses payable are also borne by the parent undertaking.

£53,000 (2016: £34,000) has been recharged from Sanctuary Housing Association, the parent undertaking. This includes a consideration for services provided by the Directors.

5. Other interest receivable and similar income

	2017 £'000	2016 £'000
Bank interest	<u>-</u>	<u>1</u>

6. Taxation

a) Analysis of tax charge for the year

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax on profit for the year	<u>-</u>	<u>-</u>

The tax charge for the year is lower than small profits rate of corporation tax in the UK (2016: lower than). The differences are explained below.

Notes to the financial statements for the year ended 31 March 2017 continued

6. Taxation (continued)

b) Factors affecting tax charge for the year

	2017 £'000	2016 £'000
Profit/(loss) on ordinary activities before tax	-	8
Profit/(loss) on ordinary activities multiplied by small profits rate of corporation tax in the UK of 20% (2016: 20%)	-	2
Effects of: Losses utilised from prior years	-	(2)
	-	-

(c) Factors affecting future tax charge

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016 and substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

7. Debtors

	2017 £'000	2016 £'000
Trade debtors	111	87
Other debtors and prepayments	62	43
Due within one year	<u>173</u>	<u>130</u>

8. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	9	11
Amounts owed to parent undertaking	-	897
Amounts owed to group undertakings	8	6
Other creditors	218	494
Accruals and deferred income	491	468
	<u>726</u>	<u>1,876</u>

Amounts owed to parent and group undertakings are trading in nature and do not incur interest.

9. Provisions

	2017 £'000	2016 £'000
Onerous Contract	<u>262</u>	<u>244</u>

The Company holds a provision of £262,000 (2016: £244,000) regarding one of its management contracts. The provision reflects potential future trading losses, due to competitive market conditions and new entrants to the market. The provision is based on trading losses over a ten year period.

Notes to the financial statements for the year ended 31 March 2017 continued

10. Employee benefits

Defined benefit scheme

The Company participates in Sanctuary Housing Association's defined benefit pension scheme, The Pensions Trust for Charities and Voluntary Organisations ('The Pensions Trust'). The Company contributed at a rate of 18.6% to 21.9% of pensionable salaries for 2017 and 2016. Members have paid contributions at a rate between 5.0% and 15.0% of pensionable salaries for 2017 and 2016. On 31 October 2016 the scheme was closed to the future accrual of pensionable service for all of its existing members.

The cost borne by the employer of contributions to this scheme amounted to £61,496 (2016: £106,808).

Defined contribution scheme

The Company also participates in a defined contribution scheme for members of staff. Contributions by the employer to the defined contribution scheme during the year amounted to £77,384 (2016: £50,867). At 31 March 2017, an amount of £2,098 (2016: £4,524) is included within creditors, being accrued contributions.

11. Share capital

	2017 £
Authorised, allotted, issued and fully paid:	
2 (2016:2) ordinary shares of £1 each	<u>2</u>

All share capital is classified as part of shareholders' funds.

12. Ultimate parent company

The Company is a subsidiary undertaking of Sanctuary Housing Association which is the ultimate parent company incorporated in England. The ultimate controlling party is the parent company, Sanctuary Housing Association.

The largest group in which the results of the Company are consolidated is that headed by Sanctuary Housing Association, incorporated in England. The smallest group in which they are consolidated is that headed by Sanctuary Housing Association, incorporated in England. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester WR1 3ZQ.

13. Post balance sheet events

There are no post balance sheet events to report.