

SANCTUARY MANAGEMENT SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018
Company Number: 4230906



Sanctuary Management Services Limited

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Sanctuary Management Services Limited

Directors and advisors

Directors

Simon Clark
Hilary Gardner
Anthony King
Craig Moule
Alan West

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 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 2018

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 2018 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.

The Company expects its future performance to be in line with prior years.

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.

	2018	2017
West Park Conference Centre:		
Turnover (£'000)	629	793
Employee costs as a percentage of turnover (%)	48.3	52.1

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;

Sanctuary Management Services Limited**Strategic report for the year ended 31 March 2018 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 2018 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

26 July 2018

Sanctuary Management Services Limited

Directors' report for the year ended 31 March 2018

The Directors present their annual report and audited financial statements of Sanctuary Management Services Limited for the year ended 31 March 2018.

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
Hilary Gardner
Anthony King
Craig Moule
Alan West (Chair)

Company Secretary

Nicole Seymour

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.

Sanctuary Management Services Limited
Directors' report for the year 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.

Disclosure of information to auditor

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

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

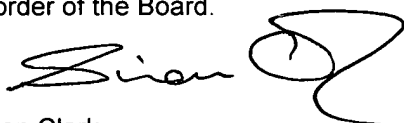
Political and charitable donations

The Company made no donations to political or charitable organisations (2017: £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

26 July 2018

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

We have audited the financial statements of Sanctuary Management Services Limited ("the company") for the year ended 31 March 2018 which comprise the Profit and Loss Account, the Balance Sheet, 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 year 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.

Directors' report

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

Our responsibility is to read 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 Directors' Report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Gordon Docherty (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
Date: 1 August 2018

Profit and Loss Account for the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Revenue		6,012	5,339
Operating expenditure	2	<u>(6,012)</u>	<u>(5,339)</u>
Operating result		<u>-</u>	<u>-</u>
Result before taxation		-	-
Tax on result	5	<u>-</u>	<u>-</u>
Result for the financial year		<u><u>-</u></u>	<u><u>-</u></u>

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

There is no material difference between the result before taxation and the result 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.

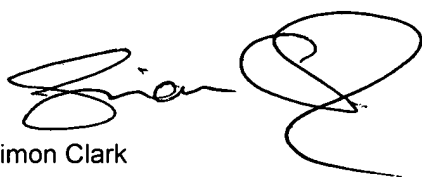
The notes on pages 12 to 16 form part of these financial statements.

Balance Sheet as at 31 March 2018

	Notes	2018 £'000	2017 £'000
Current assets			
Debtors	6	430	173
Cash at bank and in hand		703	815
		<u>1,133</u>	<u>988</u>
Creditors : amounts falling due within one year	7	<u>(859)</u>	<u>(726)</u>
Net current assets		274	262
Total assets less current liabilities		<u>274</u>	<u>262</u>
Provision for liabilities and charges	8	(274)	(262)
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	10	-	-
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 26 July 2018 and signed on its behalf by:



Simon Clark
Director

Statement of Changes in Equity as at 31 March 2018

	Share capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2016	-	-	-
Result for the financial year	-	-	-
At 31 March 2017	<u>-</u>	<u>-</u>	<u>-</u>
At 1 April 2017	-	-	-
Result for the financial year	-	-	-
At 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>

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

Notes to the financial statements for the year ended 31 March 2018

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").

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 transactions with wholly owned subsidiaries of the Group; and
- the effects of new but not yet effective IFRSs.

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 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 2018 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. Profits or losses 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 9 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.

Provisions for liabilities and charges

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

2. Auditor's remuneration

Included in operating expenditure are the following:

	2018 £'000	2017 £'000
Auditor's remuneration – audit services	<u>1</u>	<u>1</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 2018 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	
	2018	2017
Site-based staff	98	84
Office-based staff	109	99
	<u>207</u>	<u>183</u>

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	5,054	4,376
Social security costs	405	319
Contributions to pension scheme	115	145
	<u>5,574</u>	<u>4,840</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.

£28,000 (2017: £53,000) has been recharged from Sanctuary Housing Association, the parent undertaking. This includes a consideration for services provided by the Directors.

5. Taxation

a) Analysis of tax charge for the year

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax on profit for the year	<u>-</u>	<u>-</u>

The tax charge for the year is lower than the standard rate of corporation tax in the UK (2017: lower than). The differences are explained below.

Sanctuary Management Services Limited

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

5. Taxation (continued)

b) Factors affecting tax charge for the year

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before tax	-	-
Profit/(loss) on ordinary activities multiplied by small profits rate of corporation tax in the UK of 19% (2017: 20%)	-	-
	-	-

(c) Factors affecting future tax charge

A reduction in the UK corporation tax rate from 19% 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.

6. Debtors

	2018 £'000	2017 £'000
Trade debtors	70	111
Other debtors and prepayments	360	62
Due within one year	430	173

7. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	6	9
Amounts owed to group undertakings	30	8
Other creditors	188	218
Accruals and deferred income	635	491
	859	726

Amounts owed to group undertakings are trading in nature, repayable on demand and do not incur interest.

8. Provisions

	2018 £'000	2017 £'000
Onerous Contract	274	262

The Company holds a provision of £274,000 (2017: £262,000) regarding one of its non-cancellable management contracts. The provision reflects potential future trading losses over the remaining ten year life of the lease, due to competitive market conditions and new entrants to the market.

Sanctuary Management Services Limited
Notes to the financial statements for the year ended 31 March 2018 continued
9. 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'). On 31 October 2016 the scheme was closed to future accrual for all of its existing members. There were no contributions made to this scheme in 2018 in respect of further pensionable service. Until closure, the Company contributed at a rate of 18.6% to 21.9% of pensionable salaries in 2017. Members paid contributions at a rate between 5.0% and 15.0% of pensionable salaries during 2017.

The cost borne by the employer of contributions to this scheme amounted to £nil (2017: £61,000).

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 £115,000 (2017: £77,000). At 31 March 2018, an amount of £2,000 (2017: £2,000) is included within creditors, being accrued contributions.

10. Share capital

2018
£

Authorised, allotted, issued and fully paid:
2 (2017:2) ordinary shares of £1 each

2

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

11. Ultimate parent company

The ultimate parent undertaking and controlling party is Sanctuary Housing Association being the 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). A copy of the Group financial statements can be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester, WR1 3ZQ.

12. Post balance sheet events

There are no post balance sheet events to report.