SANCTUARY CARE (KLER) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Company Number: 05872121

Contents

Directors and advisors at the date of approval of the financial statements

Directors
Ed Lunt
Peter Williams
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: 05872121

Strategic Report for the period ended 31 March 2019

Principal activities and future developments

Sanctuary Care (Kler) Limited (the Company) was incorporated on 11 July 2006 under the Companies Act, number 05872121. The principal activity of the Company is to manage and operate care homes, providing long term care to the elderly.

In the forthcoming financial year, the Directors intend to perform a legal entity restructure of the former Embrace entities (of which the Company is one) within the Group to simplify its structure. The underlying trade and assets of the Company will be transferred to another entity in the Group, pending regulatory approval.

Results and dividends

The results of the Company for the year ended 31 March 2019 are set out on page 9.

The Directors do not recommend payment of a final dividend (2018: nil) and no interim dividend was paid (2018: nil).

Review of business

The Directors are satisfied with the results for the period, which have been achieved in a challenging marketplace. Despite market pressures, occupancy has remained strong – at 92 per cent in the current year, and fees remain competitive as a result of the continual development of a focussed revenue strategy. The Directors believe that the underlying activities of the Company are profitable and the Company is benefitting from being part of the Group and the investment it is making into the Company's operations, with 2018/2019 being the second year of a three year strategy to improve ways of working and governance, and included significant refurbishment as Camilla House in the current year.

The Company forms part of the Sanctuary Care division. Sanctuary Care is committed to keeping kindness at the heart of its care, helping its residents live dignified and fulfilling lives in places where they can explore their passions, learn new things and build lasting friendships. Sanctuary Care's 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.

This year saw the successful pilot and initial roll-out of kradle, a new industry leading internally developed electronic care plan system, across care homes in the Sanctuary Care division. In the forthcoming financial year this will be rolled out into the Care homes of the Sanctuary Care (North) subgroup (of which this Company is one).

Key performance indicators

Key performance indicators are shown in the table below and compare the nine month period ended 31 March 2018 and the financial year ended 31 March 2019.

	2019	2018
Staffing cost as a % of turnover	72.4%	61.2%
Weekly staffing cost per bed space – based on average occupancy	£615	£547
Weekly turnover per bed space – based on average occupancy	£794	£730
Average occupancy per week	77	79
Occupancy as a % total of bed spaces	91.7%	93.9%

Strategic Report for the year ended 31 March 2019 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 its annual business planning cycle. This process identifies a number of external factors which affect both the Group and the Company.

The Executive Committee and Group Audit and Risk Committee review and scrutinise the risk maps for all Group entities. The Group Board approves the Group risk map.

The principal risks for the Company included in the risk map considered by the Board during 2018/2019 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 Care Inspectorate. 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 Care Inspectorate 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 no external or internal debt finance and therefore carries no risk concerning repayment of debt. The Directors therefore view the overall level of financial risk of the Company as low.

Going concern

The Directors intend to perform a legal entity restructure of the former Embrace entities (of which the Company is one) within the Group to simplify its structure. The underlying trade and assets of the Company will be transferred to another entity in the Group in the forthcoming financial year, pending regulatory approval. As a result of this restructure the Company itself is not a going concern.

On behalf of the board

J Whitmore

James Whitmore
Director
17 December 2019

Directors' Report for the year ended 31 March 2019

The Directors present their report and audited financial statements of Sanctuary Care (Kler) Limited (The Company) for the year ended 31 March 2019.

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	(resigned 25 September 2019)
Ed Lunt	(appointed 22 May 2019)
Peter Williams	(appointed 1 January 2019)
Craig Moule	(resigned 1 January 2019)
Nathan Warren	
James Whitmore	

Company Secretary

Craig Moule	(resigned 23 May 2018)
Nicole Seymour	(appointed 23 May 2018)

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.

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 year ended 31 March 2019 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. As explained in note 1, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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.

A Whitmore

James Whitmore
Director
17 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY CARE (KLER) LIMITED

Opinion

We have audited the financial statements of Sanctuary Care (Kler) Limited for the year ended 31 March 2019 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 2019 and of its loss 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 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. As explained in note 1, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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

19 December 2019

Profit and Loss Account for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 £'000	9 month period ended 31 March 2018 £'000
Revenue		3,189	2,256
Operating expenses		(3,563)	(2,549)
Operating loss	2	**(374)**	**(293)**
Loss before taxation		**(374)**	**(293)**
Taxation	5	43	56
Loss after taxation		**(331)**	**(237)**

Revenue is generated wholly from UK operations.

There are no differences between the loss before taxation and the 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 20 form part of these financial statements.

Balance Sheet as at 31 March 2019

	Notes	31 March 2019 £'000	31 March 2018 £'000
Fixed assets			
Tangible fixed assets	6	-	74
		-	74
Current assets			
Debtors	7	305	350
Deferred tax asset	8	99	56
Assets held for sale	9	580	-
		984	406
Creditors: amounts falling due within one year	10	(3,075)	(2,217)
Net current liabilities		(2,091)	(1,811)
Total assets less current liabilities		(2,091)	(1,737)
Net liabilities		**(2,091)**	**(1,737)**
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account		(2,091)	(1,737)
Total shareholders' deficit		**(2,091)**	**(1,737)**

The notes on pages 12 to 20 form part of these financial statements.

The financial statements have been authorised and approved by the Board of Directors on 17 December 2019 and signed on its behalf by:

James Whitmore
Director

Statement of Changes in Equity for the year ended 31 March 2019

	Share capital £'000	Profit and Loss Account £'000	Total £'000
At 1 July 2017	-	(1,500)	(1,500)
Loss for the financial period	-	(237)	(237)
At 31 March 2018	**-**	**(1,737)**	**(1,737)**
At 1 April 2018	-	(1,737)	(1,737)
Adjustment on initial application of IFRS 9 (note 14)	-	(10)	(10)
Adjustment on initial application of IFRS 15 (note 14)	-	(13)	(13)
Restated balance at 1 April 2018	**-**	**(1,760)**	**(1,760)**
Loss for the financial year	-	(331)	(331)
At 31 March 2019	**-**	**(2,091)**	**(2,091)**

The notes on pages 12 to 20 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2019

1. Principal accounting policies

General information

Sanctuary Care (Kler) 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.

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 has adopted IFRS 15 Revenue from Contracts with Customers (IFRS 15) and IFRS 9 *Financial Instruments (IFRS 9) from 1 April 2018, when they became effective. An explanation of how the* transition has affected the Company's financial position and financial performance is set out in the separate transition note (note 14).

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 of the Group;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- certain disclosures required by IFRS15

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 break up basis.

Notes to the financial statements for the year ended 31 March 2019 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 Directors intend to perform a legal entity restructure of the former Embrace entities (of which the Company is one) within the Group to simplify its structure. The underlying trade and assets of the Company will be transferred to another entity in the Group in the forthcoming financial year, pending regulatory approval. As a result of this restructure the Company itself is not a going concern.

The Sanctuary Group will continue the activities of the Company, and these will be undertaken through an alternative Group entity.

Revenue

Under IFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The application of the revenue constraint principles of IFRS 15, based on the customary practice of offering price concessions to certain customers by giving credits, rather than being a reflection of risk of customer default by virtue of credit risk (which would be reflected in an expected credit loss provision under IFRS 9) have been applied. Further details are contained in note 14.

The Company recognises revenue when it transfers control over a product or service to a customer, which, as per the Standard, is either over time or at a point in time. Revenue represents fees receivable for care services. Customers consume the benefits of performance simultaneously with the Company performing and so all revenue is recognised over time.

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

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Company's financial assets are measured at amortised cost.

Notes to the financial statements for the year ended 31 March 2019 continued

1. Principal accounting policies continued

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities not classified as FVPL are measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

All of the Company's financial liabilities are measured at amortised cost.

Expected Credit Losses on trade receivables

Loss allowances for trade receivables are measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of the receivable.

When estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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.

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 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

The Directors have not been required to make any judgements which have a significant impact upon the financial statements, nor have they been required to make any significant estimates or assumptions which could result in a significant risk of material adjustments in future periods.

Notes to the financial statements for the year ended 31 March 2019 continued

1. Principal accounting policies continued

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. 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.

Assets classified as held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale rather than through its continuing use, it is available for immediate sale and sale is highly probable within one year. On initial classification as held for sale, assets are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to the profit and loss account.

2. Operating loss

The operating loss is arrived at after charging:

	Year ended 31 March 2019 £'000	9 month period ended 31 March 2018 £'000
Depreciation of tangible fixed assets	26	8
Auditor's remuneration – audit services	4	4

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

Notes to the financial statements for the year ended 31 March 2019 continued

3. Employee information

Employee costs, charged during the year amounted to:

	Year ended 31 March 2019 £'000	9 month period ended 31 March 2018 £'000
Wages and salaries	1,826	1,273
Social security costs	222	88
Pension costs	22	20
	2,070	**1,381**

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

	2019 Number	2018 Number
Management	2	2
Care home staff	76	75
	78	**77**

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 emoluments and expenses are negligible.

5. Taxation on loss

(a) Analysis of tax credit for the period

	Year ended 31 March 2019 £'000	9 month period ended 31 March 2018 £'000
Current tax:		
Tax on loss for the year	-	-
Adjustments to prior year	-	-
Deferred tax:		
Current year (note 8)	(43)	(56)
	(43)	(56)
Total tax credit	**(43)**	**(56)**

Notes to the financial statements for the year ended 31 March 2019 continued

5. *Taxation on loss continued*

(b) Factors affecting the tax credit for the year

	Year ended 31 March 2019 £'000	9 month period ended 31 March 2018 £'000
Loss before taxation	(374)	(293)
Loss before taxation multiplied by the main rate of corporation tax in the UK 19% (2018: 19%)	(71)	(56)
Effects of:		
Tax effect of expenses that are not deductible/(income that is not chargeable) in determining taxable profit	-	2
Surrender to Group relief	75	54
Recognition of previously unrecognised tax losses	(47)	(56)
Total tax credit for the year	**(43)**	**(56)**

(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.

6. Tangible fixed assets

	Land and buildings leasehold £'000	Fixtures, fittings, and equipment £'000	Total £'000
Cost			
Balance at 1 April 2018	8	85	93
Additions	455	77	532
Transfer to assets held for sale (note 9)	(463)	(162)	(625)
Balance at 31 March 2019	-	-	-
Depreciation and impairment			
Balance at 1 April 2018	-	19	19
Depreciation charge for the period	12	14	26
Transfer to assets held for sale (note 9)	(12)	(33)	(45)
Balance at 31 March 2019	-	-	-
Net book value			
31 March 2019	-	-	-
31 March 2018	**8**	**66**	**74**

Notes to the financial statements for the year ended 31 March 2019 continued

7. Debtors

	2019 £'000	2018 £'000
Trade debtors	186	226
Amounts owed by parent and fellow subsidiary undertakings	26	-
Prepayments and accrued income	93	124
	305	**350**

Trade debtors are stated net of provision for doubtful debts of £32,000 (2018: £14,000).

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

8. Deferred tax

	£'000
As at 1 July 2017	-
Credit to Profit and Loss Account	56
As at 31 March 2018	**56**
As at 1 April 2018	56
Credit to Profit and Loss Account	43
As at 31 March 2019	**99**

The balance at 31 March 2019 relates to:

	£'000
Temporary difference arising on trading losses	99
	99

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.

A deferred tax asset has not been recognised in respect of the following balances due to the uncertainty over the ability to utilise the losses against future taxable profits; these are also shown at the substantively enacted tax rate of 17 per cent.

	2019 £'000	2018 £'000
Trading losses	12	56
Non- trading losses	-	-
	12	**56**

Notes to the financial statements for the year ended 31 March 2019 continued

9. Assets held for sale

	£'000
Balance at 1 April 2018	-
Transfer from tangible fixed assets (note 6)	580
Balance at 31 March 2019	**580**

Assets held for sale have been transferred from tangible fixed assets with a cost of £625,000 and accumulated amortisation of £45,000. As a result of post year end approval from HMRC for the restructure disclosed in note 1, the transfer of assets is highly probable within the next 12 months pending final regulatory approval.

10. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	14	21
Amounts owed to parent and fellow subsidiary undertakings	2,742	1,976
Other creditors	38	29
Accruals and deferred income	281	191
	3,075	**2,217**

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

11. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid:		
1 ordinary share of £1 each	1	1

12. Operating leases

At 31 March 2019, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Operating leases which expire:		
Within one year	468	468
Between two and five	1,872	1,872
In more than five years	8,295	8,763
	10,635	**11,103**

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements were £468,000 (2018: £351,000).

Notes to the financial statements for the period ended 31 March 2019 continued

13. Ultimate parent undertaking and controlling party

The immediate parent company is Sanctuary Care (North) 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 Regulatory of Social Housing (Number L0247).

14. Initial application of IFRS 9 and IFRS 15

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard at the date of initial application, being 1 April 2018, with changes recognised in retained earnings. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are also recognised in retained earnings as at 1 April 2018.

The following table summarises the impact of the transitions on reserves at 1 April 2018:

	£'000
Brought forward 1 April 2018	(1,737)
Recognition of expected credit losses under IFRS 9 (a)	(10)
Revenue constraint under IFRS 15 (b)	(13)
Restated at 1 April 2018	(1,760)

(a) IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model; application of this new model resulted in an increase of £10,000 to opening trade receivables provisions.

(b) Credit note provisions of £13,000 have been recognised at 1 April 2018 in respect of trade receivables. This adjustment is an application of the revenue constraint principles of IFRS 15 based on an assessment of the customary practice of offering price concessions to certain customers by giving credits, rather than being a reflection of risk of customer default by virtue of credit risk, which would be reflected in an ECL provision under IFRS 9.