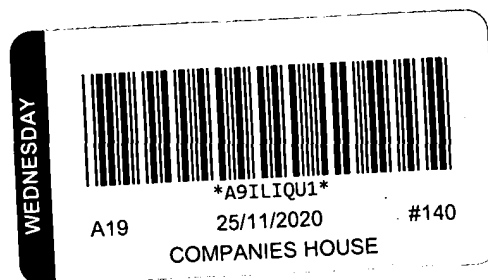


SANCTUARY MAINTENANCE CONTRACTORS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Company Number: 6822831



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

Directors

Simon Clark
Ed Lunt
Craig Moule (Chair)
James Whitmore

Company Secretary

Nicole Seymour

Registered office

Chamber Court
Castle Street
Worcester
WR1 3ZQ

Independent statutory auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditor

PricewaterhouseCoopers LLP
One Chamberlain Square
Birmingham
B3 3AX

Legal advisor

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

Banker

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

Registered number

Company Number: 6822831

Strategic Report for the year ended 31 March 2020

Review of the business and future developments

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

The Company provides a wide range of property and facilities maintenance services to an extensive portfolio of properties owned by other businesses within the Group, as well as providing services to external clients. Services include responsive repairs, planned maintenance, estate services, gas servicing and repair, and reinvestment works.

The Company has seen improving customer satisfaction levels during the year whilst increasing the utilisation of the internal maintenance team to 82 per cent (2019: 81 per cent), assisted by the continued roll-out of the 'Sanctuary Way', designed to enhance customer service while ensuring the protection of the Group's assets. The maintenance service has been further expanded with the in-house fire services team, which provides fire safety, servicing and routine repairs, and more recently saw the roll out of security services further reducing our reliance on external contractors.

The Company will aim to deliver 99 per cent of all gas servicing and repair needs in house in 2020/2021, thus providing a high quality, sustainable service which will support the future growth aspirations of the Group. During the year, work has been underway to scope the internalisation of additional services which are currently provided by external contractors, in order to deliver greater customer benefits and efficiencies. Our continued investment in technology will support operational improvements and efficiency through increased customer self-service and integrated materials management.

Results and financial position

The Company achieved a profit before taxation for the financial year of £698,000 (2019: £522,000). The profit relates entirely to the provision of external services during the year; no profit is made on the provision of services to the Group.

At the year end the Company had a profit and loss account of £nil (2019: £nil).

Key performance indicators

	2020	2019
Percentage of repairs carried out by own operatives	82%	81%
Urgent and routine jobs completed on time	88%	93%
Maintenance first time fix	81%	82%
Repairs satisfaction	94%	93%
Average cost per responsive repair	£122	£119
Average cost per responsive repair (internally delivered works)	£110	£101
Responsive jobs completed	227,000	226,000

Strategic Report for the year ended 31 March 2020 continued

Principal risks

The Group operates a comprehensive risk mapping process as part of its annual business planning cycle. This process identifies a number of factors which affect both the Group and the Company. These factors include the Group's ability to increase the fees charged to customers due to the restrictions of inflation; this has a consequent impact on future income levels. Other risks highlighted and mitigated include the delivery of compliance activities, meeting contractual obligations and compliance with health and safety procedures.

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.

Statement by the Directors in performance of their statutory duties in accordance was s172(1) Companies Act 2006

The Board consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year.

In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company

Detailed below is how the Board has maintained its commitment to promoting the success of the Company.

Consequences of decisions

The Board promotes a strong culture of governance within the Company, and continually monitors performance through the use of KPIs. As described on page 3 in the review of business. The maintenance service has been further expanded with the in-house fire services team, which provides fire safety, servicing and routine repairs, and more recently saw the roll out of security services further reducing our reliance on external contractors.

The long-term strategy of the Company is embedded in the strategy of the Group; detail of the Group's Corporate Strategy 2020-2023 can be found on the Sanctuary Group website at <https://www.sanctuary-group.co.uk/about-us/our-corporate-strategy>

Employees

Our employee satisfaction is monitored through employee engagement surveys, and employees are involved in matters affecting their functions. Please refer to page 6 for additional details.

Business relationships

The Company is continually improving its use of technology and investing in systems to drive efficiencies and improve the quality of service and the strength of the supply chain.

Community & environment

The impact of the Company's operations on the community is inherent in the activities of the Company and the Sanctuary Group of entities. The Sanctuary Group is a strong investor in communities, investing over a million pounds in cash, time and resources each year. Further details on our environment and sustainability activities are included on page 7.

Strategic Report for the year ended 31 March 2020 continued

High standard of conduct

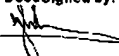
The Company meets the standards of its internal and external customers through continuous internal and external monitoring of services and performance, whilst ensuring regulatory standards are met. The services provided by the company are also scrutinised and shaped by customers through the National Resident Scrutiny panel.

Act fairly between members

The Company's sole member is its parent undertaking Sanctuary Housing Association. Members of the Group Executive team spend time each month with staff on the frontline, so they have a complete understanding of our operations. We encourage honest conversations between staff and managers at all levels, and through these conversations we work together even more effectively.

By order of the Board of Directors.

Craig Moule
Chair

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13.11.2020

Directors' Report for the year ended 31 March 2020

The Directors present the Annual Report and financial statements of the Company for the year ended 31 March 2020.

Principal activities

The Company was registered on 18 February 2009 under the Companies Act 2006 number 6822831, with the purpose of providing a wide range of property and facilities maintenance services. Further details of activities are included within the Strategic Report on page 3.

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

Going Concern

The Directors confirm it has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company also has the continued support of its ultimate parent, Sanctuary Housing Association, who has provided a letter of support to the Company to confirm that it intends to provide financial and other support as required for a period of at least 12 months from the date of these financial statements. Accordingly the Company continues to adopt the going concern basis in its financial statements. Further details are given in note 1.

Gift aid payments

The Directors approve a Gift Aid payment of £698,000 (2019: £698,000) to the Company's parent undertaking, Sanctuary Housing Association.

Employee involvement

It is Group and Company policy to involve all employees in matters affecting their functions. At a formal level this takes place through the Staff Council where management consult with elected staff representatives. At an operational level a team briefing system is in place to keep all employees updated on core Group business issues.

Ethical business

The Group and Company are committed to conducting their business in an ethical and responsible manner. This involves making decisions which take into account not only economic considerations but social and environmental impacts too. It also means running our operations efficiently, supporting the communities where we work, providing training and employment opportunities and ensuring that the homes we own and operate are energy efficient. We understand that the work we do affects people's lives and we are working hard to ensure that the difference we make is a positive one.

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 our commitment to ensuring that our services meet the needs of all our diverse customers. It ensures that equality, diversity and human rights are integrated into the way we plan, develop and deliver our services, covering our internal functions as an employer and our external operations as a provider of housing, care and facilities maintenance services.

Health and safety

It is the clear intention of the Group and the Company to ensure, as far as reasonably practicable, the health, safety and welfare at work of all its employees. The Group and Company 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 2020 continued

Investment in technology

The Group and Company are committed that everyone has the necessary tools and technology to do their job to the best of their ability and will invest in systems to drive efficiencies in both back office work and transactional processes. Focus will be placed on standardising and streamlining ways of working to deliver Value for Money and better working practices.

Environment and Sustainability

We recognise that the climate emergency is one of the key issues of our era. We also accept that as a maintenance company, we have a significant impact on the environment. It is important that we act in an environmentally responsible manner, helping to navigate to a sustainable, low-carbon economy. The Company has a responsibility to all its stakeholders to deliver environmental good practice, energy and waste reduction and assist the UK Government to meet its target of net zero carbon emissions by 2050. We are on a journey and we don't have all the solutions at this stage; however, environment and sustainability are key priorities so that we can make a material change and play our part in contributing to society and the environment.

The following tables show the Company's energy usage for the year, together with associated greenhouse gas emissions, as well as the target for 2021.

	2020
UK energy use	
Electricity (kWh)	67,018
Gas (kWh)	40,613
Transport (kWh)	26,859,704
Associated greenhouse gas emissions (GHG)	
Electricity (Tonnes of CO ₂ e)	19
Gas (Tonnes of CO ₂ e)	7
Transport (Tonnes of CO ₂ e)	6,570
Intensity ratios	
Tonnes of CO ₂ e per £m of revenue	44.4
	2021 - Target
Tonnes of CO ₂ e per £m of revenue	43.5

Directors' Report for the year ended 31 March 2020 continued

Environment and Sustainability continued

Utility energy consumption has been captured using Sigma energy management software. Transport energy consumption has been captured using SAP Housing Management and Key2 Fleet Management software. Greenhouse gas emissions have been calculated based on conversion factors published by the Department for Business, Energy & Industrial Strategy. Implementation of energy-efficient measures have both economic and environmental benefits, cutting costs and at the same time reducing carbon emissions.

We aim to continually improve the sustainability of our business by considering environmental factors in decision-making processes, ensuring adverse impacts on the environment are avoided or minimised through design and planning.

Political and charitable donations

The Company made no donations to political or charitable organisations (2019: none).

The Directors, who have served during the year and to the date of the financial statements being approved, unless otherwise stated, were:

Simon Clark	
Ed Lunt	(appointed 22 May 2019)
Craig Moule (Chair)	
James Whitmore	

Company Secretary

Nicole Seymour

Directors' Report for the year ended 31 March 2020 continued

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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


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

(b) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent 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 of Directors.

DocuSigned by:

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Craig Moule
Chair

13.11.2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY MAINTENANCE CONTRACTORS LIMITED

Opinion

We have audited the financial statements of Sanctuary Maintenance Contractors Limited ("the Company") for the year ended 31 March 2020 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 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

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 MAINTENANCE CONTRACTORS 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 9, 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: 19 November 2020

Profit and Loss Account for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Revenue			
Group revenue		145,371	140,279
External revenue		<u>3,324</u>	<u>3,650</u>
		148,695	143,929
 Cost of sales		 <u>(143,748)</u>	 <u>(138,829)</u>
Gross profit		4,947	5,100
 Operating expenses		 <u>(4,282)</u>	 <u>(4,588)</u>
Operating profit		665	512
 Interest receivable	3	 33	 15
Interest payable	4	-	(5)
		<u> </u>	<u> </u>
Profit before taxation		698	522
 Taxation	7	 <u>(133)</u>	 <u>(99)</u>
Profit for the financial year	2	565	423
		<u> </u>	<u> </u>

The profit for the current and prior years relates wholly to continuing activities.

There is no material difference between the profit before taxation and the profit for the financial year 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, and therefore no Statement of Other Comprehensive Income has been presented.

The notes on pages 15 to 22 form part of these financial statements.

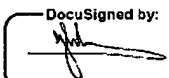
Balance Sheet as at 31 March 2020

	Notes	2020 £'000	2019 £'000
Current assets			
Stocks	8	1,567	1,390
Debtors	9	6,637	8,993
Cash at bank and in hand		5,500	8,562
		<u>13,704</u>	<u>18,945</u>
Creditors: amounts falling due within one year	10	<u>(13,422)</u>	<u>(18,663)</u>
Net current assets		<u>282</u>	<u>282</u>
Net assets		<u>282</u>	<u>282</u>
Capital and reserves			
Called up share capital	11	282	282
Profit and loss account		-	-
Total shareholders' funds		<u>282</u>	<u>282</u>

The notes on pages 15 to 22 form part of these financial statements.

The financial statements were approved by the Board of Directors on 24 September 2020 and signed on its behalf by:

Craig Moule
Chair

DocuSigned by:

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Statement of Changes in Equity 31 March 2020

	Share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 April 2018	282	176	458
Comprehensive income			
Profit for the year	-	423	423
Total comprehensive income	-	423	423
Transactions with owners			
Gift aid	-	(698)	(698)
Tax credit on gift aid	-	99	99
Total transactions with owners	-	(599)	(599)
At 31 March 2019	282	-	282
At 1 April 2019	282	-	282
Comprehensive income			
Profit for the year	-	565	565
Total comprehensive income	-	565	565
Transactions with owners			
Gift aid	-	(698)	(698)
Tax credit on gift aid	-	133	133
Total transactions with owners	-	(565)	(565)
At 31 March 2020	282	-	282

The notes on pages 15 to 22 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2020

1. Principal accounting policies

General information

The Company is 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.

A number of standards have become effective from 01 April 2019. This transition has had no material impact to the financial position and financial performance of the Company. The Company is party to an arrangement with Sanctuary Housing Association for the rental of vehicles and land and buildings. These arrangements are not deemed to contain a lease under IFRS 16 Leases as the Company does not obtain economic benefits from the use of the assets and the risk of services remains with Sanctuary Housing Association. As a result, no lease liabilities or right-of-use assets have been recognised in respect of these arrangements.

The Company's 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;
- 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;
- certain disclosures required by IFRS 15.

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 have been prepared on the historical cost basis.

Notes to the financial statements for the year ended 31 March 2020 continued

1. Principal accounting policies continued

Going concern

The Company's principal activities, together with factors likely to affect its future performance, are set out on page 3.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared a going concern assessment, based on consideration of cash flow forecasts, for a period of at least 12 months from the date of approval of these financial statements (the going concern assessment period), taking account of severe but plausible downside scenarios that take into consideration the current economic environment due to Covid-19. In forming their view the Directors have taken into consideration that Sanctuary Housing Association, the Company's ultimate parent, has provided a letter of support to the Directors of the Company to confirm that it intends, should the need arise, to provide financial and/or other support to the Company, including, if required, not seeking repayment of amounts currently made available (note 10 - £157,000 at 31 March 2020), for the period covered by the forecasts. Based on these considerations it has been concluded that the Company will have sufficient funds to meet its liabilities as they fall due for the period of assessment.

As with any entity placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

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.

Group revenue

Group revenue comprises amounts charged to Group undertakings for maintenance and reinvestment services as well as the provision of management staff and a consultancy function. Group charges are not subject to value added tax (VAT) due to VAT grouping arrangements. Turnover is measured at the fair value of the consideration received or receivable, net of discounts. Where charges are billed in advance these are recorded as deferred income.

External revenue

External revenue comprises third party fees receivable for maintenance services as well as the provision of call centre services and management staff. Turnover is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes. Where charges are billed in advance these are recorded as deferred income.

Cost of sales and operating expenses

Costs directly relating to the provision of services are shown as cost of sales; these include raw materials, direct staff costs, subcontractor costs and commercial vehicle running costs. General overheads and indirect staff costs are shown as operating expenses.

Notes to the financial statements for the year ended 31 March 2020 continued

1. Principal accounting policies continued

Value Added Tax

The majority of the Company's turnover is not subject to VAT. However, certain activities are subject to VAT and give rise to VAT recovery on related input costs. Where appropriate, costs are stated including irrecoverable 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.

Gift Aid

Where Gift Aid payments are made to the Company's parent undertaking, Sanctuary Housing Association, these are treated as a distribution of reserves.

Stocks

Stock is valued at the lower of cost and net realisable value and comprises consumables used in maintenance operations. Net realisable value represents estimated selling price less any anticipated selling costs.

Retirement benefits

The Company participates in defined contribution schemes and a defined benefit scheme.

Defined benefit scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The underlying assets and liabilities of the defined benefit scheme operated by the Company are not separately identifiable. Therefore, under the provisions of International Accounting Standard 19 – Employee Benefits, the scheme is accounted for as a defined contribution scheme.

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

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

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

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

Note 12 contains further information.

Defined contribution schemes

For the defined contribution arrangements, the cost charged to the Profit and Loss Account represents the Company's accrued contributions to the scheme in the period in which they fall due.

Notes to the financial statements for the year ended 31 March 2020 continued

2. Profit for the financial year

	2020 £'000	2019 £'000
Profit for the financial year is stated after charging:		
Land and buildings rent charges	50	385
Vehicles rent charges	4,288	3,289
Auditor's remuneration for audit services	23	23
	<u>23</u>	<u>23</u>

No non-audit services were provided in the current or prior year.

3. Interest receivable

	2020 £'000	2019 £'000
Bank interest receivable	<u>33</u>	<u>15</u>

4. Interest payable

	2020 £'000	2019 £'000
Interest on intercompany loans	<u>-</u>	<u>5</u>

No intercompany loans were provided to the Company during the year. In the prior year, Sanctuary Housing Association provided short-term working capital loans to the Company on which interest was charged at a rate of 3.73 per cent.

5. Directors' emoluments

All of the Directors receive salaries in their capacity as employees of the ultimate parent undertaking, Sanctuary Housing Association. Any salary payable in respect of services to the Company is negligible. Expenses payable are also borne by the ultimate parent undertaking as they are incidental to their services provided to other Sanctuary Group companies. Expenses borne by the ultimate parent undertaking in respect of the Directors are negligible.

Notes to the financial statements for the year ended 31 March 2020 continued

6. Employee information

Employee costs charged during the year amounted to:

	2020 £'000	2019 £'000
Wages and salaries	44,183	41,007
Social security costs	4,129	3,870
Other pension costs	1,313	900
	<u>49,625</u>	<u>45,777</u>

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

	2020 Number	2019 Number
Maintenance staff	1,282	1,212
Office based staff	226	210
	<u>1,508</u>	<u>1,422</u>

Full-time equivalents have been calculated based on hours worked compared to the standard level of working hours per week for an equivalent employee in the same business area.

7. Taxation

a) Analysis of tax charge in the year

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax charge on profits	133	99
Tax on profit	<u>133</u>	<u>99</u>

b) Factors affecting the tax charge in the year.

The current tax charge for the year is at the main rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £'000	2019 £'000
Profit before tax	<u>698</u>	<u>522</u>
Profit before tax multiplied by main rate of corporation tax in the UK of 19% (2018: 19%)	133	99
Tax charge for the year	<u>133</u>	<u>99</u>

Due to the charitable allowance of gift aid the overall expectant tax charge payable to HMRC will be £nil.

Notes to the financial statements for the year ended 31 March 2020 continued

7. Taxation continued

(c) Factors affecting future tax charge

Following the introduction of the Finance Bill 2020, the rate of corporation tax is set to remain at 19% for 2020/2021. The Finance Act 2020 was passed in to law in April 2020 which overrode previous legislation that enacted a reduction in the rate to 17%.

8. Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	1,567	1,390
	<u>1,567</u>	<u>1,390</u>

9. Debtors

	2020 £'000	2019 £'000
Trade debtors	384	579
Amounts due from parent undertaking	345	-
Amounts due from fellow group undertakings	2,469	2,757
Other debtors	32	24
Prepayments and accrued income	3,407	5,633
	<u>6,637</u>	<u>8,993</u>

Amounts disclosed as due from parent undertaking and due from fellow group undertakings are trading in nature, repayable on demand and do not bear interest.

10. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	1,827	2,692
Amounts owed to parent undertaking	-	250
Amounts owed to fellow group undertakings	157	332
Other taxation and social security	1,043	1,543
Other creditors	586	435
Deferred Income	-	956
Accruals	9,809	12,455
	<u>13,422</u>	<u>18,663</u>

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

No intercompany loans were provided to the Company during the year. In the prior year, Sanctuary Housing Association provided short-term working capital loans to the Company on which interest was charged at a rate of 3.73 per cent.

Notes to the financial statements for the year ended 31 March 2020 continued

11. Called up share capital

All shares are owned by the parent undertaking.

	2020 £'000	2019 £'000
Authorised, allotted, issued and fully paid:		
282,001 (2019: 282,001) ordinary shares of £1 each		
At 1 April	282	282
At 31 March	<u>282</u>	<u>282</u>

12. Retirement benefits

Defined benefit schemes

During the year, the Company made contributions to the Cheshire County Council Pension Fund, a local government pension scheme; these included payments in relation to maintenance staff employed by Sanctuary Housing Association, but recharged to the Company. Contributions made by the Company during the year totalled £637,000 (2019: £667,000). Sanctuary Housing Association is solely responsible for any surplus or deficit on the scheme. The deficit on the scheme at 31 March 2020 attributed to Sanctuary Group as a whole, and disclosed as such in its financial statements, is £57,000 (2019: £7,800,000).

Defined contribution schemes

The Company also participates in a defined contribution scheme for members of staff. Contributions made by the Company to the defined contribution scheme during the year amounted to £1,216,000 (2019: £802,000). At 31 March 2020, there were £101,000 (2019: £69,000) of accrued contributions due for payment after the year end.

13. Post balance sheet events

There are no post balance sheet events to report.

14. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Sanctuary Housing Association being the smallest and largest group to consolidate these financial statements, registered in England as a Registered Society (Number 19059R) and with the Regulator of Social Housing (Number L0247).