

**AVENUE SERVICES (NW) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

**Company Number: 08002607**

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

**Directors**

Keith Board  
Gordon Cairns  
Yvonne Davies  
Colleen Eccles  
William Hogg  
Sheila Little  
Patricia Richards  
Peter Williams

**Company Secretary**

Nicole Seymour

**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

**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

**Registered office**

Sanctuary House  
Chamber Court  
Castle Street  
Worcester  
WR1 3ZQ

**Registration number**

Company Number: 08002607

## **Directors' Report for the year ended 31 March 2019**

The Board of Directors (the Board) submit their Annual Report and the audited financial statements for the year ended 31 March 2019.

### **Principal activities**

Avenue Services (NW) Limited (the Company) was registered on 22 March 2012 under the Companies Act 2006 number 08002607, with the purpose of being a major facilitator of social and economic change by means of providing regeneration projects and a wide range of services and social facilities to the residents of Blacon and the wider borough of Cheshire West and Chester.

The Company is set up as a private company limited by guarantee without share capital; any surplus funds are used for the benefit of Blacon and its residents.

The Company was originally established with two members, Chester and District Housing Trust Limited (the Trust) and Cheshire West and Chester Council (the Council). Sanctuary Housing Association (the Association) replaced the Trust as a member following a transfer of engagements of the Trust to the Association on 31 March 2015.

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

### **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.

### **Review of business and future developments**

The Company has continued to build on the successes of recent years in its aim of ensuring the delivery of quality local services and community projects that actively engage local people, in Blacon and the Chester wider area.

The Company continues to achieve high satisfaction ratings for the grounds maintenance services it provides to Blacon and across the Chester District helping the community to be shown at its best at all times. The caretaking and cleaning team also continue to meet high service standards, which include compliance testing as well as office and window cleaning to a number of Group properties.

The second phase of improvements to the Blacon Adventure Playground was carried out in the early part of the year, which included new high quality flooring in the activity centre to allow a greater range of activities to be undertaken by the local community. The Company, in collaboration with the Cheshire West and Chester Council and local residents, also oversaw the refurbishment programme of a number of play areas across Blacon.

The Company and the Council also consulted Blacon residents regarding future uses of the former library site in Western Avenue. Following this exercise the site is now likely to be developed into an alternative food retail outlet to the benefit of all the local residents.

The Parade Enterprise Centre continues to be a valuable and well used facility for the local community. As well as the library and retail unit, the Parade Enterprise Centre provides meeting space for local groups and businesses as well as housing eight start-up businesses in the incubation units at the Centre. These new businesses benefit from the support and advice offered by the Avenue Services team and have provided valuable employment opportunities for local people.

The Company has once again been active through its community investment programme, re-investing £85,000 generated by the Company back into the community to support local organisations through its rolling Community Investment Programme, channelling the operating income back into the local community. Further operating efficiencies and additional surplus made by the company has also allowed over £17,000 to

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## **Directors' Report for the year ended 31 March 2019 continued**

### **Review of business and future developments continued**

be invested in further equipment and improvements to the Blacon Adventure Playground during the year.

A £90,000 community investment programme is planned for 2019/2020, targeted at the areas of employment, education, skills, training, health and wellbeing, community safety, environment and financial inclusion.

During the year, four local people were employed for nine months on the alternative employment programme, a joint programme with the Council to provide paid employment and training opportunities for up to four local people per year, over a four year period.

The Board continues to assess how best to utilise the resources and assets at the Company's disposal in order to benefit the local community. When considering the future use of these assets in particular, the Board will ensure all decisions meet the Company's aims of:

- combining and harnessing local assets to generate future income streams to support services designed to meet the needs of local residents; and
- ensuring local people are actively engaged in the management and decisions regarding any change in the future use of local assets.

### **Results**

The results of the Company for the year ended 31 March 2019 are set out on page 10. They are in line with expectations.

### **Key performance indicators**

The Company is part of the Group and is therefore subject to Group financial management and monitoring of performance.

### **Principal risks**

The Company operates a risk mapping process as part of its annual business planning cycle. This process identifies a number of external factors which may affect the Company. The Board reviews and approves the risk map at its quarterly meetings.

The principal risks for the Company covered by the risk map and considered by the Board during 2018/2019 are:

- Delivering the outputs required at the standard required for the service specifications;
- Customer satisfaction and engagement with the community of Blacon;
- Management of the transferred assets, ensuring compliance with all regulatory requirements as well as maximising returns;
- Financial management and the delivery of value for money; and
- Ensuring compliance with Health and Safety regulations.

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**Directors' Report for the year ended 31 March 2019 continued**

**Directors and their interests**

The Board of Directors includes community members, which ensures that the needs of the community are met by the Company.

Directors who have served during the year and to the date of the financial statements being approved were:

**Keith Board**

Gordon Cairns	(community member)
Yvonne Davies	(community member)
Colleen Eccles	
Carol Gahan	(resigned 12/06/2019)
William Hogg	(Chairman)
Anthony King	(resigned 26/09/2018)
Sheila Little	(appointed 12/06/2019)
Ben Powell	(resigned 16/05/2019)
Patricia Richards	(appointed 12/06/2019)
Peter Williams	(appointed 26/09/2018)

**Company Secretary**

Craig Moule	(resigned 23/05/2018)
Nicole Seymour	(appointed 23/05/2018)

**Directors' Report for the year ended 31 March 2019 continued**

**Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements**

The Directors are responsible for preparing 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:

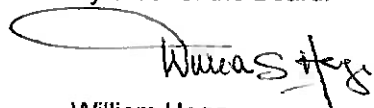
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's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

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

By order of the Board.



William Hogg  
Chairman

5 September 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENUE SERVICES (NW) LIMITED**

### **Opinion**

We have audited the financial statements of Avenue Services (NW) Limited (the Company) 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 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.

### **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 the Company and this is particularly the case in relation to Brexit.

### **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, including the impact of Brexit, 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVENUE SERVICES (NW) LIMITED**

### **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 AVENUE SERVICES (NW) LIMITED**

### **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](http://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: 8 October 2019

**Profit and Loss Account for the year ended 31 March 2019**

	Notes	2019 £'000	2018 £'000
Revenue	2	2,197	2,159
Cost of sales		(1,979)	(1,935)
<b>Gross profit</b>		<u>218</u>	<u>224</u>
Operating expenses		(214)	(217)
<b>Operating profit</b>	3	<u>4</u>	<u>7</u>
Interest receivable		3	-
<b>Profit before taxation</b>		<u>7</u>	<u>7</u>
Tax on profit on ordinary activities	6	(1)	(3)
<b>Profit for the financial year</b>		<u>6</u>	<u>4</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 separate Statement of Other Comprehensive Income has been presented.

The notes on pages 13 to 21 form part of these financial statements.

**Balance Sheet as at 31 March 2019**

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets	7	475	489
		475	489
<b>Current assets</b>			
Debtors	8	21	180
Cash at bank and in hand		750	635
		771	815
Creditors: amounts falling due within one year	9	(249)	(352)
<b>Net current assets</b>		<b>522</b>	<b>463</b>
<b>Total assets less current liabilities</b>		<b>997</b>	<b>952</b>
Creditors: amounts falling due after more than one year	10	(447)	(451)
Provisions	11	(253)	(210)
<b>Net assets</b>		<b>297</b>	<b>291</b>
Capital and reserves			
Profit and loss account		297	291
<b>Total members' funds</b>		<b>297</b>	<b>291</b>

The financial statements were approved and authorised by the Board of Directors on 5 September 2019 and signed on its behalf by:

William Hogg  
Chairman

The notes on pages 13 to 21 form part of these financial statements.

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

	<b>Profit and loss account</b>	<b>Total members' funds</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2017	287	287
Profit for the year	4	4
<b>Total comprehensive income</b>	<u>4</u>	<u>4</u>
<b>At 31 March 2018</b>	<u><b>291</b></u>	<u><b>291</b></u>
At 1 April 2018	291	291
Profit for the year	6	6
<b>Total comprehensive income</b>	<u>6</u>	<u>6</u>
<b>At 31 March 2019</b>	<u><b>297</b></u>	<u><b>297</b></u>

The notes on pages 13 to 21 form part of these financial statements.

## Notes to the Financial Statements for the year ended 31 March 2019

### 1. Principal accounting policies

#### General information

Avenue Services (NW) 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.

#### 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.

Under IFRS 15 revenue is recognised when an entity transfers control of a product or service to a customer, which is either at a point in time or over time. All of the Company's revenue continues to be recognised over time and so no changes have arisen as a result of applying new standard.

IFRS 9 requires an entity to assess whether financial assets are credit impaired and recognise a loss allowance, which for trade receivables is an amount equal to lifetime expected credit losses (ECLs). Due to the nature of the Company's customers, application of the new standard has not resulted in the recognition of any ECLs in its financial statements.

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, 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;
- The effects of new but not yet effective IFRSs;
- Comparative period reconciliation for property, plant and equipment;
- 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.

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**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 Directors' Report on page 3.

The Directors confirm 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 preparing its Financial Statements.

**Critical accounting estimates, judgements and assumptions**

The Directors have established an onerous lease provision and a lifecycle maintenance provision. The onerous lease provision reflects the discounted present value of the net obligation over the life of the lease and is being unwound over the remaining lease term to August 2056. The lifecycle maintenance provision reflects obligations of the Company with regards to the Parade Enterprise Centre which it manages on behalf of Sanctuary Housing Association; the provision is increased by £45,000 each year to reflect the additional maintenance obligations accrued.

The Directors have not been required to make any other 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.

**Revenue**

Revenue represents income received for services and the provision of facilities for the Council, Association and the residents of Blacon. Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer. As customers consume benefits of performance simultaneously with the Company performing all revenue is recognised over time.

**Costs**

Costs directly relating to the provision of services are shown as cost of sales whilst general overheads are shown as operating expenses.

**Value Added Tax (VAT)**

The majority of the Company's turnover is intra-Group; however certain activities are subject to VAT and give rise to VAT recovery. Where appropriate, costs are stated including irrecoverable VAT.

**Taxation**

Tax on the profit or loss for the year comprises current tax 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 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.

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.

**Notes to the Financial Statements for the year ended 31 March 2019 continued****1. Principal accounting policies (continued)****Operating leases**

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

**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.

**Property, plant and equipment**

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, which is charged on a straight-line basis to write off assets over their expected economic useful lives as follows:

Leasehold land and buildings	Over the period of the lease
Plant and equipment	4 to 10 years

**Government grants**

Where a grant is received from government bodies as a contribution towards the capital cost of assets, it is recognised as income using the performance model. Prior to satisfying the performance conditions, such grants are held as deferred income on the Balance Sheet. Once the conditions are satisfied the grant is recognised as income on a systematic basis.

Where assets are transferred from government bodies without payment of consideration, they are treated as a government grant of non-monetary assets and both an asset and a deferred grant liability are recognised at the fair value of the non-monetary asset transferred. Subsequently the asset is depreciated and grant amortised in accordance with the policies detailed above.

**Impairment testing – property**

When an impairment indicator is identified, an impairment review is performed at an individual property level and compared against its recoverable amount, which is defined as the higher of:

- the fair value less selling costs of the property, or
- its value in use (VIU).

Should the net book value of the property exceed the higher of these measures, it is impaired to this value, with the movement going through the Statement of Comprehensive Income.

Fair value is deemed to be the market value of the property based on its existing use.

VIU is calculated using an assessment of future discounted cash flows over a period of up to 30 years.



**Notes to the Financial Statements for the year ended 31 March 2019 continued**
**2. Revenue**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Revenue from the rendering of services	2,192	2,154
Grant income/amortisation	5	5
	<u>2,197</u>	<u>2,159</u>

**3. Operating profit**

Operating profit is stated after charging/(crediting):	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Operating lease rentals – land and buildings	6	6
Operating lease rentals – vehicles	39	44
Utilisation of onerous lease provision	(2)	(2)
Lifecycle maintenance provision	45	45
Depreciation	12	13
Auditor's remuneration for audit services	2	2
	<u>2</u>	<u>2</u>

**4. Directors' emoluments**

Anthony King, Colleen Eccles and Peter Williams receive salaries in their capacity as employees of Sanctuary Housing Association, and their costs were not recharge as they were incidental to their services provided to other Sanctuary Group Companies. Expenses borne by Sanctuary Housing Association were negligible. No other directors of the Company are remunerated by the Company or its parent, Sanctuary Housing Association.

**5. Employee information**

Employees of the Company:	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	199	197
Social security costs	16	16
Other pension costs	41	40
	<u>256</u>	<u>253</u>

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

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Site based staff	6	7
Office based staff	2	1
	<u>8</u>	<u>8</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.

Additionally, employees of the Sanctuary Housing Association performed services on behalf of the Company and the relevant costs, including any social security and pension costs, were recharged to the Company.

Employee costs recharged to the Company by the Association:	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Employee costs recharged	<u>1,376</u>	<u>1,337</u>

**Notes to the Financial Statements for the year ended 31 March 2019 continued**
**6. Tax on profit on ordinary activities**

## (a) Analysis of tax charge for the year

	2019 £'000	2018 £'000
Current tax:		
Tax on profit for the year	1	-
Adjustments in respect of prior periods	-	-
Total of current tax	<u>1</u>	<u>-</u>
Deferred tax:		
Temporary timing differences	-	3
Total of deferred tax	<u>-</u>	<u>3</u>
<b>Total tax charge for the year</b>	<b><u>1</u></b>	<b><u>3</u></b>

## b) Factors affecting the tax charge in the year

The tax charge for the year is the same as (2018: higher than) at the main rate of corporation tax in the UK of 19% (2018: 19%):

	2019 £'000	2018 £'000
Profit before tax	<u>7</u>	<u>7</u>
Profit before tax multiplied by main company rate of corporation tax in the UK of 19% (2018: 19%)	1	1
Non-deductible expenses	2	2
Allowances	(1)	-
Utilisation of losses	(1)	(3)
Deferred tax	-	3
Adjustments in respect of prior periods	-	-
<b>Total tax charge for the year</b>	<b><u>1</u></b>	<b><u>3</u></b>

## (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.

**Notes to the Financial Statements for the year ended 31 March 2019 continued**
**7. Tangible assets**

	<b>Land and buildings £'000</b>	<b>Plant and equipment £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 1 April 2018	465	39	504
Disposal during the year	(2)	-	(2)
At 31 March 2019	<u>463</u>	<u>39</u>	<u>502</u>
<b>Depreciation</b>			
At 1 April 2018	7	8	15
Charge for the year	4	8	12
At 31 March 2019	<u>11</u>	<u>16</u>	<u>27</u>
<b>Net book value</b>			
<b>At 31 March 2019</b>	<u>452</u>	<u>23</u>	<u>475</u>
<b>At 31 March 2018</b>	<u>458</u>	<u>31</u>	<u>489</u>

**Impairment**

The Company annually reviews properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further impairment tests using the methods described in note 1 and below. The Company has determined that for the purposes of impairment testing, each property is a cash-generating unit.

Properties are considered to have indicators of impairment when there has been a significant decline in performance, if there has been a significant decline in market value; or if significant reinvestment works are required.

Impairment is recognised when the carrying amount exceeds the recoverable amount. Recoverable amounts are the higher of fair value less costs of disposal, and value-in-use.

For the year ended 31 March 2019 (2018: nil) no properties were identified as having indicators of potential impairment and so no further tests were carried out for these assets.

Consequently, impairment of £nil was recognised for within the Company during the year (2018: £nil).

**Assets pledged as security**

No assets have been pledged to secure borrowings.

**Notes to the Financial Statements for the year ended 31 March 2019 continued**
**8. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	5	174
Amounts owed by fellow group undertakings	-	-
Other debtors	10	-
Deferred tax asset	6	6
	<u>21</u>	<u>180</u>

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

**9. Creditors: amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	8	2
Amounts owed to parent undertaking	101	140
Amounts owed to fellow group undertakings	2	11
Other taxation and social security	4	4
Other creditors	20	4
Accruals and deferred income	109	186
Deferred grant	5	5
	<u>249</u>	<u>352</u>

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

**10. Creditors: amounts falling due after more than one year**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Deferred grant	447	451
	<u>447</u>	<u>451</u>

**11. Provisions**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
1 April	210	122
Reclassified from other creditors	-	45
Provided in the year	45	45
Utilised in the year	(2)	(2)
31 March	<u>253</u>	<u>210</u>

Provisions at 31 March 2019 comprise a £118,000 onerous lease provision and a £135,000 lifecycle maintenance provision. The onerous lease provision is being unwound over the remaining term of the lease and will be fully utilised by August 2056. The lifecycle maintenance provision reflects obligations of the Company with regards to the Parade Enterprise Centre which it manages on behalf of Sanctuary Housing Association.

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 Notes to the Financial Statements for the year ended 31 March 2019 continued
**12. Operating lease rentals**

Non-cancellable operating lease rentals are payable as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Land and buildings:</b>		
Under one year	6	6
In the second to fifth year inclusive	23	23
In more than five years	181	186
	<u>210</u>	<u>215</u>
<b>Vehicles:</b>		
Under one year	41	37
In the second to fifth year inclusive	79	79
In more than five years	12	-
	<u>132</u>	<u>116</u>
<b>Total:</b>		
Under one year	47	43
In the second to fifth year inclusive	102	102
In more than five years	193	186
	<u>342</u>	<u>331</u>

Minimum lease payments are presented on an undiscounted basis and do not include discretionary rent reviews.

**13. Share capital**

The Company is limited by guarantee and has no share capital. The Members of the Company guarantee to contribute £1 in the event of winding up.

**Notes to the Financial Statements for the year ended 31 March 2019 continued**

**14. Related party transactions**

During the year the Company provided services to the Association to the value of £1,484,486 (2018: £1,453,609) and was recharged costs by the Association totalling £1,484,054 (2018: £1,455,885); these recharges included £1,375,601 of staff costs (2018: £1,336,933). At the year end the Company owed £101,000 to the Association (2018: £140,401).

During the year Sanctuary Maintenance Contractors Limited (SMCL), a fellow member of the Sanctuary Group, provided services to the Company to the value of £31,855 (2018: £24,592). At the year end the Company owed £1,084 to SMCL (2018: £10,867).

During the year the Company provided services to Sanctuary Affordable Housing Limited (SAHL), a fellow member of the Sanctuary Group, to the value of £640 (2018: £nil). At the year end the Company owed £640 to SAHL (2018: £nil).

During the year the Company provided services to the Council to the value of £449,920 (2018: £618,041). At the year end, the Council owed the Company £nil (2018: £171,025). The Company was invoiced a total of £23,403 (2018: £45,678) by the Council during the year, relating to rent, rates and other costs. At the year end the Company owed the Council £nil (2018: £nil).

**15. Post balance sheet events**

There are no post balance sheet events to report.

**16. Ultimate controlling party**

The Company has two members: Sanctuary Housing Association (the Association) and Cheshire West and Chester Council (the Council).

On any resolution in general meeting 100 votes shall be available of which:

- (a) The Council shall be entitled to cast 49 votes
- (b) The Association shall be entitled to cast 51 votes

The Company is therefore deemed to be under the control of the Association.

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 Homes and Communities Agency (Number L0247).