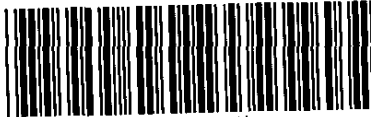


**AVENUE SERVICES (NW) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**Company Number: 08002607**

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**Avenue Services (NW) Limited**

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**Avenue Services (NW) Limited**

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

**Directors**

Keith Board  
Gordon Cairns  
Colleen Eccles  
William Hogg  
Sarah Kirkup  
Sheila Little  
Patricia Richards  
Peter Williams

**Company Secretary**

Nicole Seymour

**Banker**

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

**Legal advisor**

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  
One Chamberlain Square  
Birmingham  
B3 3AT

**Registered office**

Sanctuary House  
Chamber Court  
Castle Street  
Worcester  
WR1 3ZQ

**Registration number**

Company Number: 08002607

## **Avenue Services (NW) Limited**

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### **Directors' Report for the year ended 31 March 2020**

The Board of Directors (the Board) submit their Annual Report and the audited financial statements for the year ended 31 March 2020.

#### **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. The Company also has the continued support of its ultimate parent, Sanctuary Housing Association, who has provided a letter of support to the Directors of the Company to confirm that it intends to provide financial and other support to the Company 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.

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

Despite the impact of the Covid-19 pandemic, which resulted in the temporary closure of the Blacon Adventure Playground and Parade Enterprise Centre in response to Government guidelines, 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.

Following a consultation with Blacon residents regarding future uses of the former library site in Western Avenue, the sale of the property was agreed with Cheshire West and Chester Council. Avenue Services agreed to relinquish its leasehold to enable the Council to sell the site whilst securing "best value" under Section 123 of the Local Government Act 1972. A sale was subsequently agreed, and the purchaser submitted a planning application in May 2020 to transform the site into new retail units, including a 419 square metre convenience store and up to three further units.

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.

## Avenue Services (NW) Limited

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### Directors' Report for the year ended 31 March 2020 continued

#### Review of business and future developments continued

The Company has once again been active through its community investment programme, re-investing £83,000 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.

A £90,000 community investment programme is planned for 2020/2021, targeted at the areas of employment, education, skills, training, health and wellbeing, community safety, environment and financial inclusion.

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 2020 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 2019/2020 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.

**Avenue Services (NW) Limited**

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**Directors' Report for the year ended 31 March 2020 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	(resigned 5 September 2019)
Colleen Eccles	
Carol Gahan	(resigned 12 June 2019)
William Hogg	(Chairman)
Sarah Kirkup	(community member, appointed 5 September 2019)
Sheila Little	(Vice Chair, appointed 12 June 2019)
Ben Powell	(resigned 16 May 2019)
Patricia Richards	(appointed 12 June 2019)
Peter Williams	

**Company Secretary**

Nicole Seymour

**Avenue Services (NW) Limited**

**Directors' Report for the year ended 31 March 2020 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:

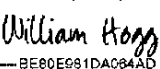
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's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

DocuSigned by:  
 6.09.2020  
BE80E981DA084AD  
viiiiiii + iuyg  
Chairman

3 September 2020

## **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 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 year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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.



## **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: 02 October 2020

**Avenue Services (NW) Limited**
**Profit and Loss Account for the year ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
Revenue	2	2,241	2,197
Cost of sales		(2,060)	(1,979)
<b>Gross profit</b>		<u>181</u>	<u>218</u>
Operating expenses		(181)	(214)
<b>Operating (loss)/profit</b>	3	<u>-</u>	<u>4</u>
Interest payable		(5)	-
Interest receivable		4	3
<b>(Loss)/profit before taxation</b>		<u>(1)</u>	<u>7</u>
Tax on profit on ordinary activities	6	-	(1)
<b>(Loss)/profit for the financial year</b>		<u>(1)</u>	<u>6</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.

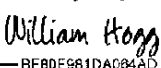
The notes on pages 13 to 24 form part of these financial statements.

**Avenue Services (NW) Limited**

**Balance Sheet as at 31 March 2020**

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible assets	7	512	475
		<u>512</u>	<u>475</u>
<b>Current assets</b>			
Debtors	8	14	21
Cash at bank and in hand		857	750
		<u>871</u>	<u>771</u>
Creditors: amounts falling due within one year	9	(320)	(249)
<b>Net current assets</b>		<u>551</u>	<u>522</u>
<b>Total assets less current liabilities</b>		<u>1,063</u>	<u>997</u>
Creditors: amounts falling due after more than one year	10	(561)	(447)
Provisions	11	(180)	(253)
<b>Net assets</b>		<u>322</u>	<u>297</u>
<b>Capital and reserves</b>			
Profit and loss account		322	297
<b>Total members' funds</b>		<u>322</u>	<u>297</u>

The financial statements were approved and authorised by the Board of Directors on 3 September 2020 and signed on its behalf by:

DocuSigned by:  
 16.09.2020  
 BEB0E981DA084AD.  
 William Hogg  
 Chairman

The notes on pages 13 to 24 form part of these financial statements.

**Avenue Services (NW) Limited**

**Statement of Changes in Equity for the year ended 31 March 2020**

	<b>Profit and loss account</b>	<b>Total members' funds</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2018	291	291
Profit for the year	6	6
<b>Total comprehensive income</b>	<b>6</b>	<b>6</b>
<b>At 31 March 2019</b>	<b>297</b>	<b>297</b>
At 1 April 2019	297	297
Adjustment on initial application of IFRS 16	26	26
Restated balance at 1 April 2019	323	323
Loss for the year	(1)	(1)
<b>Total comprehensive income</b>	<b>(1)</b>	<b>(1)</b>
<b>At 31 March 2020</b>	<b>322</b>	<b>322</b>

The notes on pages 13 to 24 form part of these financial statements.

**Avenue Services (NW) Limited**

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**Notes to the Financial Statements for the year ended 31 March 2020****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'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 and IFRS 16.

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.

**Changes to accounting policies**

The Company has adopted IFRS 16 Leases from 1 April 2019, when it became effective. A number of other new standards are also effective from this period, but they do not have a material effect on the Association's Financial Statements.

Due to the transition methods chosen by the Association in applying this standard, comparative information throughout these Financial Statements has not been restated and continues to be reported under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. Additionally, the disclosure requirements have not been generally applied to comparative information.

An explanation of how the transition has affected the Association's financial position and financial performance is set out in the separate transition note (note 16).

## Avenue Services (NW) Limited

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### 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 on pages 3 and 4.

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 9 - £182,000 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 company 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 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. This provision was removed in the current year as part of the IFRS 16 transition. 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.

**Avenue Services (NW) Limited**


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**Notes to the Financial Statements for the year ended 31 March 2020 continued**
**1. Principal accounting policies (continued)**
**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.

**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.



## Avenue Services (NW) Limited

### Notes to the Financial Statements for the year ended 31 March 2020 continued

#### 1. Principal accounting policies (continued)

##### Leases

At inception of a contract, the Association assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of identified asset, the Association assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Association has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Association has the right to direct the use of the asset. The Association has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. If the decision-making rights are predetermined, the Association has the right to direct the use of the asset if either:
  - the Association has the right to operate the asset; or
  - the Association designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component the Association allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Association has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

##### As a Lessee

The Association recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the initial rate implicit in the lease. The Association uses a single discount rate for each portfolio of leases with reasonably similar characteristics.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Association is reasonably certain to exercise, lease payments in an optional renewal period if the Association is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Association is reasonably certain not to terminate early.

## Avenue Services (NW) Limited

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### Notes to the Financial Statements for the year ended 31 March 2020 continued

#### 1. Principal accounting policies (continued)

##### Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Association's estimate of the amount expected to be payable under a residual value guarantee, or if the Association changes its assessment or whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Association presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the Statement of Financial Position.

##### **Short-term leases and leases of low-value assets**

The Association has elected not to recognise right-of-use assets and lease liabilities for short-term and low value assets. The Association recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

##### **As a Lessor**

When the Association acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Association makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Association considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Association is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the underlying asset. If a head lease is a short-term lease to which the Association applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains a lease and non-lease components, the Association applies IFRS 15 to allocate the consideration in the contract.

The Association recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

The accounting policies applicable to the Association as a lessor in the comparative period were not different from IFRS 16. However, when the Association was an intermediate lessor the sub-lease were classified with reference to the underlying asset.

##### **Under IAS 17 (comparative period)**

In the comparative period, as a lessee the Association classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the lease assets were measured initially at an amount equal to the lower of fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

## Avenue Services (NW) Limited

### Notes to the Financial Statements for the year ended 31 March 2020 continued

#### 1. Principal accounting policies (continued)

##### Leases (continued)

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Association's Statement of Financial Position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

##### Impairment testing – property

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

- Fair value less selling costs, or
- Value in use (VIU).

Should the net book value of the CGU 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. VIU is calculated using an assessment of future discounted cash flows.

#### 2. Revenue

	2020 £'000	2019 £'000
Revenue from the rendering of services	2,236	2,192
Grant income/amortisation	5	5
	<u>2,241</u>	<u>2,197</u>

#### 3. Operating (loss)/profit

	2020 £'000	2019 £'000
Operating (loss)/profit is stated after charging/(crediting):		
Onerous lease provision	-	(2)
Lifecycle maintenance provision	45	45
Depreciation	52	12
Auditor's remuneration for audit services	<u>2</u>	<u>2</u>

#### 4. Directors' emoluments

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.

**Avenue Services (NW) Limited**

**Notes to the Financial Statements for the year ended 31 March 2020 continued**

**5. Employee information**

Employees of the Company:	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	193	199
Social security costs	15	16
Other pension costs	40	41
	<u>248</u>	<u>256</u>

The average monthly number of persons employed during the year expressed in full-time equivalents was:	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Site based staff	6	6
Office based staff	1	2
	<u>7</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>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Employee costs recharged	<u>1,415</u>	<u>1,376</u>

**Avenue Services (NW) Limited**
**Notes to the Financial Statements for the year ended 31 March 2020 continued**
**6. Tax on (loss)/profit on ordinary activities**

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

	2020 £'000	2019 £'000
Current tax:		
Tax on (loss)/profit for the year	1	1
Total of current tax	<u>1</u>	<u>1</u>
Deferred tax:		
Increase in tax rate	(1)	-
Total of deferred tax	<u>(1)</u>	<u>-</u>
<b>Total tax charge for the year</b>	<u><u>-</u></u>	<u><u>1</u></u>

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

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

	2020 £'000	2019 £'000
(Loss)/profit before tax	<u>(1)</u>	<u>7</u>
(Loss)/profit before tax multiplied by main company rate of corporation tax in the UK of 19% (2019: 19%)	-	1
Non-deductible expenses	2	2
Allowances	(1)	(1)
Utilisation of losses	-	(1)
Impact of tax rate changes	(1)	-
<b>Total tax charge for the year</b>	<u><u>-</u></u>	<u><u>1</u></u>

## (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. When passed into law, the Finance Act 2020 will override previous legislation that enacted a reduction in the rate to 17% from April 2020.

**Avenue Services (NW) Limited**
**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>Vehicles £'000</b>	<b>Total £'000</b>
<b>Cost:</b>				
At 1 April 2019	463	39	-	502
IFRS 16 transition	-	-	89	89
Disposal during the year	-	-	-	-
At 31 March 2020	<u>463</u>	<u>39</u>	<u>89</u>	<u>591</u>
<b>Depreciation</b>				
At 1 April 2019	11	16	-	27
Charge for the year	<u>5</u>	<u>8</u>	<u>39</u>	<u>52</u>
At 31 March 2020	<u>16</u>	<u>24</u>	<u>39</u>	<u>79</u>
<b>Net book value</b>				
At 31 March 2020	<u>447</u>	<u>15</u>	<u>50</u>	<u>512</u>
At 31 March 2019	<u>452</u>	<u>23</u>	<u>-</u>	<u>475</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 2020 (2019: 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 (2019: £nil).

**Assets pledged as security**

No assets have been pledged to secure borrowings.

**Avenue Services (NW) Limited**
**Notes to the Financial Statements for the year ended 31 March 2020 continued**
**8. Debtors**

	2020 £'000	2019 £'000
Trade debtors	6	5
Other debtors	1	10
Deferred tax asset	7	6
	<u>14</u>	<u>21</u>

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

	2020 £'000	2019 £'000
Trade creditors	12	8
Amounts owed to parent undertaking	179	101
Amounts owed to fellow group undertakings	3	2
Other taxation and social security	4	4
Other creditors	8	20
Accruals and deferred income	86	109
Deferred grant	5	5
Lease liability	23	-
	<u>320</u>	<u>249</u>

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

The Company applied IFRS 16 Leases from 1 April 2019, replacing the previous leasing standard, IAS 17 Leases. Full details of the transition can be found in note 16.

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

	2020 £'000	2019 £'000
Deferred grant	442	447
Lease liability	113	-
Deferred tax liability	6	-
	<u>561</u>	<u>447</u>

A deferred tax liability of £6,000 was recognised on transition to IFRS 16.

**11. Provisions**

	2020 £'000	2019 £'000
1 April	253	210
IFRS 16 transition adjustment	(117)	-
Provided in the year	44	45
Utilised in the year	-	(2)
31 March	<u>180</u>	<u>253</u>

Provisions at 31 March 2020 comprise a £180,000 lifecycle maintenance provision. 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.

**Avenue Services (NW) Limited**

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**Notes to the Financial Statements for the year ended 31 March 2020 continued****12. 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.

**13. Related party transactions**

During the year the Company provided services to the Association to the value of £1,488,608 (2019: £1,484,486) and was recharged costs by the Association totalling £1,548,693 (2019: £1,484,054); these recharges included £1,414,602 of staff costs (2019: £1,375,601). At the year end the Company owed £178,905 to the Association (2019: £101,000).

During the year Sanctuary Maintenance Contractors Limited (SMCL), a fellow member of the Sanctuary Group, provided services to the Company to the value of £87,440 (2019: £31,855). At the year end the Company owed £1,960 to SMCL (2018: £1,084).

During the year the Company provided services to Sanctuary Housing Services Limited (SHSL), a fellow member of the Sanctuary Group, to the value of £490 (2019: £nil). At the year end SHSL owed £490 to the Company (2019: £nil).

During the year the Company provided services to the Council to the value of £736,557 (2019: £449,920). At the year end, the Council owed the Company £nil (2019: £nil). The Company was invoiced a total of £40,438 (2019: £23,403) by the Council during the year, relating to rent, rates and other costs. At the year end the Company owed the Council £nil (2019: £nil).

**14. Post balance sheet events**

There are no post balance sheet events to report.

**15. 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 Regulator of Social Housing (Number L0247).



**Avenue Services (NW) Limited**

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**Notes to the Financial Statements for the year ended 31 March 2020 continued****16. Initial application of IFRS 16 Leases**

The Association adopted IFRS 16 Leases on 1 April 2019. Accordingly, the Leases accounting policy set out in note 1 has been applied in preparing the Financial Statements for the year ended 31 March 2020. This change in accounting policy is made in accordance with IFRS 16's transitional provisions.

The change in accounting policy results in all lease arrangements (where the Association is the lessee) being recorded within assets as right-of-use assets and within liabilities as lease liabilities. The right-of-use assets are depreciated, and the lease liability is reduced by the lease payments while attracting an interest charge. This treatment applied to all arrangements that meet IFRS 16's definition of a lease, irrespective of whether they were previously classified as finance or operating leases under the previous standard, International Accounting Standard 17 Leases (IAS 17).

In the case of lease arrangements where the Association is lessor, the classifications of finance and operating leases continue to be used, with finance lease recognised on the Statement of Financial Position and the rents on operating leases being recognised as income in the Statement of Comprehensive Income.

The transitional provisions adopted are as follows;

- the Association is applying the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of the initial application.
- the lease liabilities are based on the remaining terms of each lease and are calculated using the Association's incremental borrowing rate. This is calculated with reference to property investment yields and applied on a portfolio basis by location and property type.
- the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, and using the Association's incremental borrowing rate.
- an impairment review has been carried out on the resultant balances and this review will be performed annually in line with IAS 36 Impairment.
- where extension clauses exist in lease contracts, these have not been included in the calculation of the lease liabilities due to uncertainty over whether these extension options will be exercised.

The practical expedients that have been adopted are as follows:

- the standard has now been applied to contracts that were not previously identified as containing a lease when applying IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease.
- a single discount rate has been applied to certain portfolios of leases with similar characteristics.
- initial direct costs have been excluded.
- the standard has not been applied to leases that are short-term or of low value.

These transitional arrangements and practical expedients are not expected to have any significant impacts on future periods.

The Association has taken the decision to apply the modified retrospective approach with the cumulative effect of initially applying the standard recognised at the date of initial application.

- implicit interest rates would require calculation for each lease;
- all historic rent changes would require identification;
- the direct costs of arranging every lease would be necessary.

Note 10 contains quantitative information showing how leases have been accounted for in the year ended 31 March 2020, along with comparative information where applicable.