AVENUE SERVICES (NW) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Company Number: 08002607

Contents

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

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Barclays Corporate
Social Housing Team
Level 27
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E14 5HP

Legal advisor
Gowling WLG (UK) LLP
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Independent statutory auditor
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Internal auditor
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Registered office
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Registration number
Company Number: 08002607

Directors' Report for the year ended 31 March 2021

The Board of Directors (the Board) submit their Annual Report and the audited financial statements for the year ended 31 March 2021.

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. In January 2021 the sale was completed and a new low cost food retail outlet was opened in May 2021.

The Parade Enterprise Centre is 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. However, during the pandemic the community space and meeting rooms have been closed to the public, but these facilities are now reopening from September 2021.

Directors’ Report for the year ended 31 March 2021 continued

Review of business and future developments continued

The Company has once again been active through its community investment programme, re-investing £84,000 (2020: £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.

The pandemic and resulting reduction in the Company’s income has impacted on the available surplus that supports the Company’s community investment via its Neighbourhood Plan. In 2021/2022 it is planned to invest £38,000, 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. The reopening of Blacon Adventure Playground and the Parade Enterprise Centre will increase revenue into the business during 2021/2022 and it is expected that this will enable additional investment in the community and community projects. The business is also focussing resources on bidding for new contracts and additional funding streams to attract further investment into the Blacon community.

Results

The results of the Company for the year ended 31 March 2021 are set out on page 11. 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 2020/2021 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.

Directors' Report for the year ended 31 March 2021 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)
Colleen Eccles	
William Hogg	(Chairman)
Sarah Kirkup	(community member)
Sheila Little	(Vice Chair)
Patricia Richards	
Peter Williams	

Company Secretary

Nicole Seymour

Directors' Report for the year ended 31 March 2021 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 themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

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

9 September 2021

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 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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").

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.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company does not operate in an industry that would create an inherent revenue risk, the revenue transactions do not contain estimates, there is no history of significant or a high number of audit misstatements in relation to revenue and management is not incentivised on revenue directly.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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 CONTINUED

Directors' responsibilities

As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Sarah Tannock-Kitchen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date:

Profit and Loss Account for the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Revenue	2	2,204	2,241
Cost of sales		(2,012)	(2,060)
Gross profit		**192**	**181**
Operating expenses		(192)	(181)
Operating result	3	**-**	**-**
Interest payable		(5)	(5)
Interest receivable		1	4
Loss before taxation		**(4)**	**(1)**
Tax on loss	6	-	-
Loss for the financial year		**(4)**	**(1)**

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

There is no material difference between the profit before taxation and the loss 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 14 to 24 form part of these financial statements.

Balance Sheet as at 31 March 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	7	441	512
		441	512
Current assets			
Debtors	8	18	14
Cash at bank and in hand		908	857
		926	871
Creditors: amounts falling due within one year	9	(489)	(320)
Net current assets		**437**	**551**
Total assets less current liabilities		**878**	**1,063**
Creditors: amounts falling due after more than one year	10	(365)	(561)
Provisions	11	(195)	(180)
Net assets		**318**	**322**
Capital and reserves			
Profit and loss account		318	322
Total members' funds		**318**	**322**

The financial statements were approved and authorised by the Board of Directors on 9 September 2021 and signed on its behalf by:

William Hogg
Chairman

The notes on pages 14 to 24 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2021

	Profit and loss account £'000	Total members' funds £'000
At 1 April 2019	297	297
Adjustment on initial application of IFRS 16	26	26
Restated balance at 1 April 2020	323	323
Loss for the year	(1)	(1)
Total comprehensive income	**(1)**	**(1)**
At 31 March 2020	**322**	**322**
At 1 April 2020	322	322
Loss for the year	(4)	(4)
Total comprehensive income	**(4)**	**(4)**
At 31 March 2021	**318**	**318**

The notes on pages 14 to 24 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2021

1. Principal accounting policies

General information

Avenue Services (NW) Limited (the Company) is a company incorporated and domiciled in the UK.

The financial statements are presented in pounds sterling, which is the Company's functional currency. Unless otherwise stated, amounts are denominated in thousands (£'000) rounded to the nearest thousand.

Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of applicable law (IFRS), 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.

Notes to the Financial Statements for the year ended 31 March 2021 continued

1. Principal accounting policies (continued)

Going concern

The Company's principal activities, together with factors likely to affects 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 - £269,000 at 31 March 2021), 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

In the view of the Directors there are no critical estimates, judgements and assumptions for the Company**.**

Other estimates

The Directors have established a lifecycle maintenance provision. The 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 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.

Notes to the Financial Statements for the year ended 31 March 2021 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
Vehicles	4 to 7 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.

Notes to the Financial Statements for the year ended 31 March 2021 continued

1. Principal accounting policies (continued)

Leases

At inception of a contract, the Company 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 Company 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 Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is uses is predetermined, the Company has the right to direct the use of the asset if either;
    - the Company has the right to operate the asset; or
    - the Company 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 Company 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 Company 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 Company 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 Company 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the Financial Statements for the year ended 31 March 2021 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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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 Company 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 Company has elected not to recognise right-of-use assets and lease liabilities for short-term and low value assets. The Company 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 Company acts as a lessor, it determines as lease inception whether each leases is a finance lease or an operating lease.

To classify each lease, the Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company 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 Company 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 Company applies IFRS 15 to allocate the consideration in the contract.

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

Notes to the Financial Statements for the year ended 31 March 2021 continued

1. Principal accounting policies (continued)

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

	2021 £'000	2020 £'000
Revenue from the rendering of services	2,200	2,236
Grant income/amortisation	4	5
	2,204	2,241

3. Operating result

Operating result is stated after charging:	2021 £'000	2020 £'000
Lifecycle maintenance provision	15	44
Depreciation	35	52
Auditor's remuneration for audit services	2	2

4. Directors' emoluments

Colleen Eccles and Peter Williams receive salaries in their capacity as employees of Sanctuary Housing Association, and their costs were not recharged 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.

Notes to the Financial Statements for the year ended 31 March 2021 continued

5. Employee information

Employees of the Company:	2021 £'000	2020 £'000
Wages and salaries	125	193
Social security costs	10	15
Other pension costs	25	40
	160	248

The average monthly number of persons employed during the year expressed in full-time equivalents was:	2021 Number	2020 Number
Site based staff	4	6
Office based staff	1	1
	5	7

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:	2021 £'000	2020 £'000
Employee costs recharged	1,502	1,415

Notes to the Financial Statements for the year ended 31 March 2021 continued

6. Tax on loss

(a) Analysis of tax charge for the year

	2021 £'000	2020 £'000
Current tax:		
Tax on loss for the year	-	1
Total of current tax	-	1
Deferred tax:		
Increase in tax rate	-	(1)
Total of deferred tax	-	(1)
Total tax charge for the year	**-**	**-**

(b) Factors affecting the tax charge in the year

The tax charge for the year is higher than (2020: the same as) the main rate of corporation tax in the UK of 19% (2020: 19%):

	2021 £'000	2020 £'000
Loss before tax	(4)	(1)
Loss before tax multiplied by main company rate of corporation tax in the UK of 19% (2020: 19%)	(1)	-
Non-deductible expenses	2	2
Allowances	(1)	(1)
Impact of tax rate changes	-	(1)
Total tax charge for the year	**-**	**-**

(c) Factors affecting future tax charge

The Finance Act 2021 was substantively enacted on 24 May 2021. Following enactment, the rate of corporation tax will remain at 19 per cent for 2021/2022 and 2022/2023 but will increase to a main rate of 25 per cent for profits over £250,000 from April 2023. Companies with profits below £50,000 will be subject to a small profits rate of 19 per cent, while profits between £50,000 and £250,000 will be subject to corporation tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

Notes to the Financial Statements for the year ended 31 March 2021 continued

7. Tangible assets

	Land and buildings £'000	Plant and equipment £'000	Vehicles £'000	Total £'000
Cost:				
At 1 April 2020	463	39	89	591
Additions	141	-	-	141
Disposal	(177)	-	-	(177)
At 31 March 2021	427	39	89	555
Depreciation				
At 1 April 2020	16	24	39	79
Charge for the year	5	7	23	35
At 31 March 2021	21	31	62	114
Net book value				
At 31 March 2021	406	8	27	441
At 31 March 2020	447	15	50	512

The disposal of £177,000 relates to the former library, which was returned to the council (see review of business and future developments on page 3). The consideration took the form of returning the grant of £177,000.

Management's judgement is to adopt the net presentation of the profit and items, on the basis that offsetting reflects the substance of the transaction.

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 2021 no properties (2020: nil) were identified as having indicators of potential impairment and so no further tests were carried out for these assets.

Consequently, no impairment was recognised within the Company during the year (2020: £nil).

Assets pledged as security

No assets have been pledged to secure borrowings.

Notes to the Financial Statements for the year ended 31 March 2021 continued

8. Debtors

	2021 £'000	2020 £'000
Trade debtors	3	6
Other debtors	8	1
Deferred tax asset	7	7
	18	**14**

9. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	96	12
Amounts owed to parent undertaking	267	179
Amounts owed to fellow group undertakings	2	3
Other taxation, social security, and other creditors	4	12
Accruals	81	86
Deferred income	21	-
Deferred grant	3	5
Lease liability	15	23
	489	**320**

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

	2021 £'000	2020 £'000
Deferred grant	262	442
Lease liability	97	113
Deferred tax liability	6	6
	365	**561**

11. Provisions

	2021 £'000	2020 £'000
1 April	180	253
IFRS 16 transition adjustment	-	(117)
Provided in the year	15	44
31 March	**195**	**180**

Provisions at 31 March 2021 comprise a £195,000 (2020: £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 and is expected to be settled within 35 years.

Notes to the Financial Statements for the year ended 31 March 2021 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 £1,517,271 (2020: £1,488,608) and was recharged costs by the Association totalling £1,629,178 (2020: £1,548,693); these recharges included £1,501,940 of staff costs (2020: £1,414,602). At the year end the Company owed £267,341 to the Association (2020: £178,905).

During the year Sanctuary Maintenance Contractors Limited (SMCL), a fellow member of the Sanctuary Group, provided services to the Company to the value of £21,061 (2020: £87,440). At the year end the Company owed £1,305 to SMCL (2020: £1,960).

During the year the Company provided services to the Council to the value of £692,761 (2020: £736,557). At the year end, the Council owed the Company Nil (2020: Nil). The Company was invoiced a total of £13,320 (2020: £40,438) by the Council during the year, relating to rent, rates and other costs. At the year end the Company owed the Council £6,000 (2020: 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).