

AVENUE SERVICES (NW) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Company Number: 08002607

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Directors and advisors

Directors

Hugh Evans
Reginald Jones
Judith Stainthorp
Anthony King
Carol Gahan
Keith Board
Yvonne Davies

Company Secretary

Sophie Atkinson

Bankers

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

Legal advisors

Gowling WLG (UK) LLP
2 Snow Hill
Birmingham
B4 6WR

Independent auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditor

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Registered office

Sanctuary House
Chamber Court
Castle Street
Worcester
WR1 3ZQ

Registration number

Company Number: 08002607

Directors' Report for the year ended 31 March 2016

The Board of Directors (the Board) submit their Annual Report and the audited financial statements for the year ended 31 March 2016.

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 providing a wide range of services and social facilities to the residents of Blacon and the wider borough of Cheshire West and Chester.

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

Going Concern

The Directors confirm that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in its financial statements.

Review of business and future developments

The Company was created for the benefit of the residents of Blacon and was originally established with two members, namely Chester & 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 engagement of the Trust to the Association on 31 March 2015.

The Company's aims of ensuring that local people are actively engaged in the delivery of quality local services has been enhanced this year with the opening of the Parade Enterprise Centre, which the Company will manage. As well as providing a new office for the business, the centre will accommodate up to eight new local business start ups as well as providing a valuable new facility for local people.

Through its community investment programme the Company has provided support to local organisations including the local high school and a donation towards the installation of a 3G football pitch in the area. All surpluses generated by the Company are reinvested back into the community, with a further £75,000 community investment programme planned for 2016/2017. This will include a review of Blacon youth services as well as an alternative employment programme with the Council to provide paid employment and training to four local people per year over a four year period.

During the year negotiations have continued between the Company and the Council regarding potential Council asset transfers into the Company. These negotiations are near completion and the transfers are expected to occur during the summer of 2016/2017. The asset transfers and a service level agreement will enable the Company to achieve its 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 of local assets.

Results

The results of the Company for the year ended 31 March 2016 are set out on page 7.

Key performance indicators

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

Directors' Report for the year ended 31 March 2016 continued

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 affect the Company. The Board reviews and approves the risk map.

The principal risks for the Company covered by the risk map considered by the Board during 2015/2016 are:

- Delivering the outputs required for the service specifications;
- Customer satisfaction and engagement with the community of Blacon;
- Preparing for the transfer of assets and further service transfers; and
- Demonstrating value for money and value added services within Blacon

Directors and their interests

The Board of Directors includes community members to ensure 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:

Hugh Evans	(Chair)
Raymond Shaw	(Vice Chair, community member, resigned as Vice Chair 19/11/15, resigned 13/03/16)
Brendan Doyle	(community member, resigned 19/11/15)
Reginald Jones	(appointed Vice Chair 19/11/15)
Judith Stainthorp	
Lynda Jones	(resigned 11/06/15)
Anthony King	
David Soothill	(resigned 21/08/15)
Adrian Walmsley	(resigned 11/06/15)
Carol Gahan	(appointed 08/07/15)
Keith Board	(appointed 11/06/15)
Yvonne Davies	(appointed 19/11/15, community member)

Company Secretary

Sophie Atkinson

Directors' Report for the year ended 31 March 2016 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.

United Kingdom 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

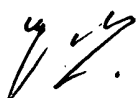
(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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.



Hugh Evans
Chairman
14 July 2016

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

We have audited the financial statements of Avenue Services (NW) Limited for the year ended 31 March 2016 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

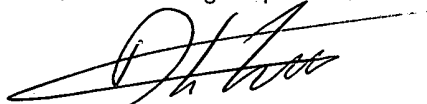
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Darren Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
14 July 2016

Profit and Loss Account for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	2	2,086	2,086
Cost of sales		(1,741)	(1,722)
Gross profit		<u>345</u>	<u>364</u>
Operating expenses		(346)	(225)
Operating (loss)/profit	3	<u>(1)</u>	<u>139</u>
Interest receivable		2	-
Profit on ordinary activities before taxation		<u>1</u>	<u>139</u>
Tax on profit on ordinary activities	6	-	(29)
Profit for the financial year		<u><u>1</u></u>	<u><u>110</u></u>

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

There is no material difference between the profit on ordinary activities 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 10 to 19 form part of these financial statements.

Balance Sheet as at 31 March 2016

	Notes	2016 £'000	2015 £'000
Current assets			
Debtors	7	320	801
Cash at bank and in hand		354	87
		<u>674</u>	<u>888</u>
Creditors: amounts falling due within one year	8	(288)	(589)
		<u></u>	<u></u>
Net current assets		386	299
Provisions	9	(86)	-
		<u></u>	<u></u>
Net assets		<u>300</u>	<u>299</u>
Capital and reserves			
Profit and loss account		300	299
		<u></u>	<u></u>
Total members' funds		<u>300</u>	<u>299</u>

The financial statements were approved and authorised by the Board of Directors on 14 July 2016 and signed on its behalf by:

Hugh Evans
 Chairman



The notes on pages 10 to 19 form part of these financial statements.

Statement of Changes in Equity 31 March 2016

	Profit and loss account	Total members' funds
	£'000	£'000
At 1 April 2014	189	189
Profit for the year	110	110
Total comprehensive income	<u>110</u>	<u>110</u>
At 31 March 2015	<u>299</u>	<u>299</u>
At 1 April 2015	299	299
Profit for the year	1	1
Total comprehensive income	<u>1</u>	<u>1</u>
At 31 March 2016	<u>300</u>	<u>300</u>

The notes on pages 10 to 19 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2016

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). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

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.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 15.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period; none of these exemptions are applicable for the Company.

The Company's parent undertaking, Sanctuary Housing Association, includes the Company in its consolidated financial statements. The consolidated financial statements of Sanctuary Housing Association are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester WR1 3ZQ.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel.

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.

Going concern

The Board confirms that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company also has the continued support of its parent, Sanctuary Housing Association. Accordingly the Company continues to adopt the going concern basis in its financial statements.

Notes to the Financial Statements for the year ended 31 March 2016

1. Principle accounting policies (continued)

Critical accounting estimates, judgements and assumptions

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

Turnover

Turnover represents income received for services completed and the provision of facilities for the Council, Association and the residents of Blacon. Turnover is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes. Where charges are billed in advance these are recorded as deferred income.

Costs

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

Value Added Tax (VAT)

The majority of the Company's turnover is exempt from VAT; however certain activities are subject to VAT and give rise to a small amount of VAT recovery. Where appropriate costs are stated including irrecoverable VAT.

Corporation tax

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Operating leases

Annual rentals in respect of operating leases are charged to the Profit and Loss Account over the period of the lease.

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.

Notes to the Financial Statements for the year ended 31 March 2016 continued

2. Turnover

	2016 £'000	2015 £'000
Revenue from the rendering of services	1,963	2,078
Grant income	123	8
	<u>2,086</u>	<u>2,086</u>

3. Profit for the financial year

	2016 £'000	2015 £'000
Profit for the financial year is stated after charging:		
Operating lease rentals – land and buildings	6	6
Operating lease rentals – vehicles	95	32
Provision for onerous lease	86	-
Auditors' remuneration for audit services	<u>2</u>	<u>3</u>

4. Directors' emoluments

The Directors (including the Chair and Vice Chair) received compensation for attending Board meetings and completing other business related activities as follows:

	2016 £'000	2015 £'000
Emoluments	<u>8</u>	<u>9</u>

5. Employee information

There were no employees of the Company in the year. Employees of the Association performed services on behalf of the Company and the relevant costs were recharged to the Company. These costs include any social security and pension costs incurred for the staff used by the Company. In the prior year these costs were recharged by Chester and District Housing Trust Limited, which was the Company's parent undertaking prior to the transfer of engagements on 31 March 2015.

	2016 £'000	2015 £'000
Employee costs recharged by parent	<u>1,443</u>	<u>1,351</u>

Notes to the Financial Statements for the year ended 31 March 2016 continued

6. Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax on profits of the year	-	29
	<u>-</u>	<u>29</u>

b) Factors affecting the tax charge in the year

The current tax charge for the year is at the main rate of corporation tax in the UK of 20% (2015: 21%):

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	1	139
Profit on ordinary activities multiplied by main company rate of corporation tax in the UK of 20% (2015: 21%)	-	29
Expenditure not tax deductible	-	-
Adjustments in respect of prior period	-	-
Current tax charge for the year	<u>-</u>	<u>29</u>

(c) Factors affecting future tax charge

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly.

7. Debtors

	2016 £'000	2015 £'000
Trade debtors	309	801
Amounts owed by fellow group undertakings	5	-
Other debtors	6	-
	<u>320</u>	<u>801</u>

Trade debtors include a provision for bad and doubtful debts to the sum of £nil (2015: £171,476).

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

Notes to the Financial Statements for the year ended 31 March 2016 continued

8. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	31	18
Amounts owed to parent undertaking	6	83
Amounts owed to fellow group undertakings	-	3
Corporation tax	-	29
Other taxation and social security	-	164
Other creditors	-	1
Accruals and deferred income	251	291
	<u>288</u>	<u>589</u>

Amounts owed to parent undertaking and fellow subsidiaries are trading in nature and do not bear interest.

9. Provisions

	2016 £'000	2015 £'000
1 April	-	-
Provided in the year	86	-
31 March	<u>86</u>	<u>-</u>

The provision is being unwound over the remaining term of the lease and will be fully utilised by August 2056.

10. Operating lease rentals

Non-cancellable operating lease rentals are payable as follows:

	2016 £'000	2015 £'000
Land and buildings:		
Under one year	6	6
In the second to fifth year inclusive	23	23
In more than five years	197	203
	<u>226</u>	<u>232</u>
Vehicles:		
Under one year	93	38
In the second to fifth year inclusive	231	131
	<u>324</u>	<u>169</u>
Total:		
Under one year	99	44
In the second to fifth year inclusive	254	154
In more than five years	197	203
	<u>550</u>	<u>401</u>

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

Notes to the Financial Statements for the year ended 31 March 2016 continued

11. 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.

12. Related party transactions

On 31 March 2015, Sanctuary Housing Association (the Association) replaced Chester & District Housing Trust Limited (the Trust) as a member, following a transfer of engagement; the Trust was subsequently wound up. Consequently there were no transactions with the Trust during the current year. In the prior year, the Company invoiced the Trust a total of £1,251,550 and was recharged costs by the Trust totalling £1,727,892; these recharges included £1,350,886 of staff costs. At the end of the prior year outstanding liabilities were transferred from the Trust to the Association.

During the year the Company provided services to Sanctuary Housing Association (the Association) to the value of £1,397,702 (2015: £nil) and was recharged costs by the Association totalling £1,612,273 (£2015: £37,271); these recharges included £1,442,542 of staff costs (2015: £nil). At the year end the Company owed £5,606 to the Association (2015: the Company owed £83,133 to the Association; this included a liability of £48,527 which was transferred from the Trust to the Association on transfer of engagement).

During the year Sanctuary Maintenance Contractors Limited, a fellow member of the Sanctuary Group, provided services to the Company to the value of £8,179 (2015: £7,162). At the year end the Company was owed £1,454 by Sanctuary Maintenance Contractors Limited due to a purchase invoice credit (2015: the Company Owed £3,429 to Sanctuary Maintenance Contractors Limited).

During the year the Company provided services to Sanctuary Housing Services Limited, a fellow member of the Sanctuary Group to the value of £3,780 (2015: £nil). At the year end the Company was owed £3,780 by Sanctuary Housing Services Limited (2015: £nil).

During the year the Company provided services to Cheshire West and Chester Council (the Council) to the value of £513,732 (2015: £822,622). At the year end, the Council owed the Company £302,905 (2015: £987,146), offset by a bad and doubtful debt provision of £nil, (2015: £171,476). The Company was invoiced a total of £23,232 (2015: £8,183) by the Council during the year, relating to rent, rates and a £15,000 donation to Blacon High School. At the year end the Company owed the Council £15,000 (2015: £24).

13. Post balance sheet events

There are no post balance sheet events to report.

Notes to the Financial Statements for the year ended 31 March 2016 continued

14. Ultimate controlling party

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

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

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

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

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

15. Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 Balance Sheet at 1 April 2014 (the Company's date of transition).

In preparing its opening FRS 101 Balance Sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes to the Financial Statements for the year ended 31 March 2016 continued

15. Explanation of transition to FRS 101 (continued)

Reconciliation of equity

			31 March 2015	
	Notes	UK GAAP £'000	Effect of transition to FRS 101 £'000	FRS 101 £'000
Current assets				
Debtors		801	-	801
Cash at bank and in hand		87	-	87
		<u>888</u>	<u>-</u>	<u>888</u>
Creditors: amounts falling due within one year	a	(565)	(24)	(589)
		<u>323</u>	<u>(24)</u>	<u>299</u>
Net current assets				
Provisions		-	-	-
		<u>323</u>	<u>(24)</u>	<u>299</u>
Net assets				
Capital and reserves				
Profit and loss account	a	323	(24)	299
		<u>323</u>	<u>(24)</u>	<u>299</u>
Total funds				
		<u>323</u>	<u>(24)</u>	<u>299</u>

a) Creditors falling due within one year

Holiday pay accruals for the Group were not previously recorded within individual entities. Under FRS 101 these amounts are now recognised on the individual entity Balance Sheets; this has resulted in the recognition of holiday pay accruals in the Company of £4,000 and £30,000 for 2014 and 2015 respectively, leading to an increase in creditors falling due within one year.

The tax liability at 31 March 2015 has reduced by £6,000 as a result of changes to the taxable profits on conversion, as detailed in note c.

Creditors falling due within one year

	2015 £'000
UK GAAP	(565)
Recognise holiday pay accrual for the year ended 31 March 2014	(4)
Movement on holiday pay accrual for the year ended 31 March 2015	(26)
Adjust tax charge	6
Total adjustment	<u>(24)</u>
FRS 101	<u>(589)</u>

Notes to the Financial Statements for the year ended 31 March 2016 continued

15. Explanation of transition to FRS 101 (continued)

Reconciliation profit and loss

			31 March 2015	
	Notes	UK GAAP £'000	Effect of transition to FRS 101 £'000	FRS 101 £'000
Turnover		2,086	-	2,086
Cost of sales	b	(1,696)	(26)	(1,722)
Gross profit		390	(26)	364
Operating expenses		(225)	-	(225)
Operating profit		165	(26)	139
Interest receivable		-	-	-
Profit on ordinary activities before taxation		165	(26)	139
Tax on profit on ordinary activities	c	(35)	6	(29)
Profit for the financial year		130	(20)	110

b) Cost of sales

Holiday pay accruals for the Group were not previously recorded within individual entities. Under FRS 101 these amounts are now recognised on the individual entity Balance Sheets; this has resulted in the recognition of holiday pay accruals in the Company of £4,000 and £30,000 for 2014 and 2015 respectively and a charge to profit and loss of £26,000 for the year ended 31 March 2015 (being the movement on the above balances).

Cost of Sales

	2015 £'000
UK GAAP	(1,696)
Movement on holiday pay accrual for the year ended 31 March 2015	(26)
Total adjustment	(26)
FRS 101	(1,722)

Notes to the Financial Statements for the year ended 31 March 2016 continued

15. Explanation of transition to FRS 101 (continued)

c) Taxation

Tax on profit on ordinary activities	Profit before		Taxation	
	tax		2015	
	2015		2015	
	£'000		£'000	
UK GAAP	165	Tax at 21 %	(35)	
Adjustments on conversion to FRS 101	(26)		6	
Total adjustment	(26)		6	
FRS 101	139	Tax at 21%	(29)	