

Sage Housing Limited

Annual Report and Financial Statements

For the Year Ended

31 December 2018

Registration Number: 05489096

Sage Housing Limited

Annual Report and Financial Statements for the year ended 31 December 2018

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Sage Housing Limited

Officers and Professional Advisers

Board of Management

John Brace – Independent Director (Appointed 20 April 2018)
Joseph Cook (Resigned 26 April 2019)
Gemma Katakya (Appointed 20 April 2018)
Sir Michael Lyons – Independent Director (Appointed 19 September 2018, resigned 30 April 2019)
Richard Reynolds (Resigned 21 February 2018)
Angela Roberts – Independent Director (Appointed 19 March 2018)
Sydney Taylor
Alison Thain OBE – Independent Director and Chair (Appointed 6 March 2018)

Company Secretary

Bridget Frisby (Appointed 17 July 2018)

Executive Officers

Roderick Cahill	(Chief Executive Officer - Interim)
Michael Pearson	(Chief Financial Officer)
Devin Peterson	(Chief Operating Officer)

Registered office

4th Floor
Manning House
22 Carlisle Place
Westminster
SW1P 1JA

Principal Solicitors

Devonshires Solicitors
London
30 Finsbury Circus
London
EC2M 7DT

Winckworth Sherwood LLP
Minerva House
5 Montague House
London
SE1 9BB

Bankers

Barclays Bank Plc	Deutsche Bank AG
Piccadilly	Winchester House
Leicester	1 Great Winchester Street
Leicestershire,	London
LE87 2BB	EC2N 2DB

Auditor

Deloitte LLP
Park House
Crawley Business Quarter
Manor Royal
Crawley
RH10 9AD
United Kingdom

Registrations

Homes and Communities Agency number 4636

Sage Housing Limited

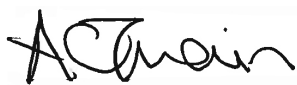
Statement of Financial Position at 31 December 2018

	Note	As at 2018 £	As at 2017 £
Tangible fixed assets			
Housing properties	4	138,502,831	8,954,113
Other fixed assets	5	382,104	70,205
Total fixed assets		<u>138,884,935</u>	<u>9,024,318</u>
Current assets			
Stocks	6	27,242,390	2,398,244
Debtors	7	3,951,449	346,259
Cash at bank and in hand	8	11,599,198	17,821,273
		<u>42,793,037</u>	<u>20,565,776</u>
Creditors: amounts falling due within one year	9	<u>(14,785,217)</u>	<u>(2,705,302)</u>
Net current assets		<u>28,007,820</u>	<u>17,860,474</u>
Total assets less current liabilities		<u>166,892,755</u>	<u>26,884,792</u>
Creditors: amounts falling due after more than one year	10	<u>(143,081,118)</u>	<u>-</u>
Net assets		<u><u>23,811,637</u></u>	<u><u>26,884,792</u></u>
Capital and reserves			
Called-up share capital	11	35,496,940	29,800,560
Profit and loss account		<u>(11,685,303)</u>	<u>(2,915,768)</u>
Total Shareholders' funds		<u><u>23,811,637</u></u>	<u><u>26,884,792</u></u>

The financial statements have been prepared in accordance with the provisions applicable to small companies entitled to the small companies' regime.

The financial statements of Sage Housing Limited (registered number: 05489096) were approved by the Board of Directors and authorised for issue on 27 June 2019.

They were signed on its behalf by



Alison Thain OBE
Director

27 June 2019

The notes on pages 6 to 15 form part of these financial statements.

The profit and loss account and directors' report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to the small companies regime. These accounts have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

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Statement of Changes in Equity for the year ended 31 December 2018

	Share Capital £	Retained Earnings £	Total £
Total as at 1 July 2016	8	(7,347)	(7,339)
Issue of Ordinary Share Capital	29,800,552	-	29,800,552
Total comprehensive income for the 18 months to 31 December 2017	-	(2,908,421)	(2,908,421)
Total as at 31 December 2017	29,800,560	(2,915,768)	26,884,792
Issue of Ordinary Share Capital	5,696,380	-	5,696,380
Total comprehensive income for the year to 31 December 2018	-	(8,769,535)	(8,769,535)
Total as at 31 December 2018	<u>35,496,940</u>	<u>(11,685,303)</u>	<u>23,811,637</u>

The notes on pages 6 to 15 form part of these financial statements.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

Note 1

Accounting policies

The Company (the “Company”) is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company is a registered housing provider. The address of the Company is provided on page 3.

Basis of accounting

The financial statements are prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Housing SORP 2014 Statement of Recommended Practice for registered social housing providers (Housing SORP 2014) and comply with the Accounting Direction for Private Registered Providers of Social Housing from April 2015 (the Accounting Direction 2015).

The Company does not meet the definition of a qualifying entity set out in FRS 102 and has not taken advantage of the disclosure exemptions available to such entities.

The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

The financial statements have been prepared under the historical cost convention.

Going Concern

The financial statements have been prepared using the going concern basis of accounting. The directors reached this conclusion by reviewing forecast performance, cash requirements and available financial resources of the Company. This provides the directors with a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed.

Turnover

Turnover represents rental and service charge income receivable (net of void losses) and the proceeds from first tranche sales of Shared Ownership properties.

Rent and service charge income is recognised on an “accruals” basis from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales is recognised at the point of legal completion of the sale. The first tranche sales are calculated as the proportion of the property sold, multiplied by the market value determined at the time.

Value Added Tax

Value Added Tax (VAT) is charged on some income and therefore part of the VAT incurred on expenditure is recoverable. Turnover is shown net of any VAT charged. The financial statements include VAT on expenditure to the extent that it is not recoverable from HMRC. Recoverable VAT is credited to the Statement of Comprehensive Income.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

Cost of sales

Cost of sales represents those costs incurred during the course of development of those properties and marketing and other incidental costs incurred during the course of sale of those properties. At the date a sale is recognised all costs are taken to cost of sales.

Leased assets

The total rental payable under operating leases is recognised on a straight-line basis over the lease term. The Company has not entered into any Finance Leases.

Housing Properties and depreciation

Housing Properties are classified as either “in the course of construction”, “rented” or “shared ownership”.

Housing properties in the course of construction are stated at cost. Cost includes the cost of acquiring land and buildings and development costs incurred during the development period. Where a development consists of both “rented” and “shared ownership” properties the development costs are split in accordance with the developers cost allocation. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Housing properties classified as rented are disaggregated into land, structure and a specific set of major components that require periodic replacement. Each component is recognised on the basis of materiality and if the useful economic life is substantially different from the rest of the structure. Depreciation of housing property components is charged so as to write down the cost of the components to their estimated residual value (the assumption is they are of no residual value), on a straight-line basis, over their estimated useful economic lives.

Component	Years
Housing Structure	100
Roof	50
Windows & Doors	25
Electrical & Heating	25
Bathrooms	25
Kitchens	20
Boilers	10

Freehold land is not depreciated.

Under shared ownership arrangements, the Company disposes of a long lease equal to between 25% and 75% of the value of shared ownership housing units to the occupying leaseholders. The leaseholder has the right to purchase further proportions up to 100% at the then-current valuation. Shared ownership properties are split between current and fixed assets on initial recognition.

Shared ownership properties for sale, held as Stock in Current Assets, are stated at the lower of cost or estimated sale proceeds less selling costs and remaining construction costs. The proceeds from the sale of the current asset element (‘first tranche’) are included in turnover and the proportionate cost of the related asset expensed through the profit and loss statement as a cost of sale. The unsold portion of the property (‘staircasing element’) is accounted for as a fixed asset and any subsequent tranche sale treated as a part disposal of a fixed asset.

Shared ownership social housing properties are not broken down into components as their tenants are liable for any repairs, and they are not depreciated due to their high residual value.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

Other Fixed assets and depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on the following asset categories on a straight-line basis, to write down the cost less estimated residual values over the expected useful economic lives of the assets, as follows:

Asset Category	Years
Computer Equipment & Software	3
Furniture, Fixtures & Fittings	4
Leasehold Office Properties & Improvements – over the period of the lease	

Impairment of tangible fixed assets

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified a detailed assessment is then undertaken to determine the assets or Cash Generating Units (CGUs) recoverable amount. The recoverable amount will be the higher of fair value less costs to sell or Existing Use Valuation for Social Housing (EUV-SH), or Value in Use (in respect of assets held for their service potential) (VIU-SP). As allowed by Housing SORP 2014 the Company uses Depreciated Replacement Cost (DRC) as a reasonable estimate of VIU-SP.

Where the carrying amount of an asset or CGU is deemed to exceed its recoverable amount, the resulting impairment loss is recognised in Other Comprehensive Income.

The Company defines CGU's as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger CGUs.

Stock

Stock represents Shared Ownership work-in-progress and completed properties. Stock is stated at the lower of cost and net realisable value. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs. The value of Shared Ownership work-in-progress and Shared Ownership un-sold completed properties is split between Fixed Assets and Stock in the ratio 60:40.

Financial assets

Basic financial assets, including tenant debtors and other receivables, cash and bank balances, are initially recognised at the transaction price unless the arrangement constitutes a financing transaction, in which case then the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, in which case the instrument is measured at the present value of the future payments discounted at a market rate of interest. These instruments are subsequently carried at amortised cost, using the effective interest rate method.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Interest payable and financing costs

Interest payable is recognised over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Taxation

The tax charge represents the sum of current tax and deferred tax.

The current tax is based on taxable loss for the year. Taxable loss differs from net loss as reported in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Note 2

Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

Critical judgements in applying the Company's accounting policies

The preparation of financial statements in conformity with FRS 102 requires management to exercise its judgement in the process of applying the Company's accounting policies. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the significant management judgements made in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Determining whether an impairment review is required

Determining whether there are indicators of impairment of the Company's housing properties, including those held as Tangible Fixed Assets and Current Assets, requires judgement. The following are considered to be indicators of impairment, but other events may indicate that an impairment review is required:

- Any issue that was not identified as part of a developments appraisal which results in a material increase in the cost of the development;
- A change in government policy, regulation or legislation;
- A reduction in demand for a property (either by type or location, possibly evidenced by increased voids);
- A reduction in the market value of shared ownership properties; and
- Obsolescence of a property (i.e. it is planned to regenerate the property by demolishing it).

As a result of the impairment reviews conducted for year-end no indicators of impairment have been identified and no provisions have been required. Refer to note 4 for details of the housing properties balance subject to impairment review.

Estimation uncertainty

The key judgements and estimates applied in respect of housing properties are disclosed in note 1 and include:

- the useful economic life of housing structure at 100 years; and
- that properties have no residual values at the end their useful life.

These are conservative assumptions that have been aligned with the general practice followed by registered housing providers.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Employees' information

	2018 Number	2017 Number
The average monthly number of employees (incl. directors) expressed in full-time equivalents during the year was:	44	4

4 Tangible fixed assets – Housing properties

	Affordable Rent £	Shared Ownership £	Completed housing properties for letting £	Housing properties in the course of construction £	Total £
Cost:					
At 1 January 2018	296,052	-	296,052	8,658,061	8,954,113
Construction of properties	-	-	-	129,617,449	129,617,449
Completed Construction	31,549,975	18,759,887	50,013,812	(50,013,812)	-
At 31 December 2018	31,846,027	18,759,887	50,309,864	88,261,698	138,571,562
Depreciation:	£	£	£	£	£
At 1 January 2018	-	-	-	-	-
Depreciation charge for the year	(68,731)	-	(68,731)	-	(68,731)
At 31 December 2018	(68,731)	-	(68,731)	-	(68,731)
Net book value:					
At 31 December 2018	31,772,296	18,759,887	50,241,133	88,261,698	138,502,831
At 31 December 2017	296,052	-	296,052	8,658,061	8,954,113

	2018 £	2017 £
The net book value of completed housing properties which excludes work-in-progress and land banked		
Comprises:		
Freeholds	47,474,444	296,052

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Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Tangible fixed assets – other fixed assets

	Leasehold property improvements £	Furniture, Fixtures & Fittings £	Computer equipment £	Software £	Total £
Cost					
At 1 January 2018	-	-	40,985	44,520	85,505
Additions	182,151	103,895	160,596	5,253	451,895
At 31 December 2018	182,151	103,895	201,581	49,773	537,400
Depreciation					
At 1 January 2018	-	-	7,334	7,966	15,300
Charge for the year	45,538	25,974	59,860	8,624	139,996
At 31 December 2018	45,538	25,974	67,194	16,590	155,296
Net Book Value					
At 31 December 2018	136,613	77,921	134,387	33,183	382,104
At 31 December 2017	-	-	33,651	36,554	70,205

6 Stock

	Under Construction 2018 £	Completed Properties 2018 £	Total 2018 £	Total 2017 £
Shared Ownership				
At 1 January 2018	2,398,244	-	2,398,244	-
Additions	27,530,085	-	27,530,085	2,398,244
Properties completed	(12,327,216)	12,327,216	-	-
Cost of 1 st Tranche Shared Ownership properties sold	-	(2,685,939)	(2,685,939)	-
At 31 December 2018	17,601,113	9,641,277	27,242,390	2,398,244

7 Debtors: all within one year

	2018 £	2017 £
Current tenant arrears	20,787	437
Amount owed by Group Undertakings	314,796	-
Prepayments	992,152	345,822
Deposits	2,135,994	-
Other Debtors	487,720	-
	3,951,449	346,259

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Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Cash at bank and in hand

	2018 £	2017 £
Cash at bank and in hand	<u>11,599,198</u>	<u>17,821,273</u>

9 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	7,218,194	222,190
Other taxes and social security costs	32,550	60,741
Other creditors	2,674	94,006
Accruals	7,531,799	2,328,365
	<u>14,785,217</u>	<u>2,705,302</u>

10 Creditors: amounts falling due after more than one year

Amounts owed to Group Undertakings – unsecured	<u>143,081,118</u>	<u>-</u>
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The Company's weighted average interest rate for Amounts owed to Group Undertakings is 3% (2017: n/a). The intercompany loans were originally for a term of 11 months but have subsequently been amended for a ten-year term. These loans are not secured on the assets of the Company.

11 Share capital

	2018 £	2017 £
Shares of £1.00 each issued and fully paid		
At the beginning of the year/period	29,800,560	8
Issued during the year/period	5,696,380	29,800,552
At the end of the year/period	<u>35,496,940</u>	<u>29,800,560</u>

The Company has one class of ordinary shares which carry no right to fixed income. On the 24 April 2018 the Company issued 5,696,380 ordinary shares at £1.00 each.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Capital Commitments

	2018 £	2017 £
Expenditure contracted for but not provided for in the financial statements	539,643,347	36,816,338
Expenditure authorised by the Board but not contracted for	483,400,000	453,300,000

Capital commitments will be financed from equity and debt facilities and the proceeds of property sales.

13 Commitments under operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
- within one year	281,398	-
- between one and five years	680,045	-
- after five years	-	-
	961,443	-

14 Related Party Transactions and Balances

Sage Investments Sàrl is the Company's immediate parent undertaking. Sage Investments Sàrl provided the Company with an unsecured loan, the maximum value of which at any time was £143,081,116. The outstanding balance at the year-end was £143,081,116. Interest is charged on an arms-length basis at 3%. This balance is classified as Amounts owed to Group Undertakings in note 10 Creditors: amounts falling due after more than one year.

Sage Housing Partnerships Limited is a 100% subsidiary of the Company's immediate parent undertaking, Sage Investments Sàrl. During 2018, the Company provided Sage Housing Partnerships Limited with an interest-free loan, the maximum value of which at any time was £314,796. The outstanding balance at the year end was £314,796. This balance is classified as Amounts owed by Group Undertakings in note 7 Debtors: all within one year.

The Regis Group is a related party due to its minority shareholding in the Company's parent, Sage Investments Sàrl. During the period, May 2016 to December 2017, Regis Group Holdings Limited was the ultimate parent undertaking and controlling party of the Company. Tax relief of £377,254 arising during this period, to the Company, was surrendered to the Regis Group for consideration of £188,627.

15 Ultimate parent company and control

The Company's immediate parent undertaking is Sage Investments Sàrl, a company incorporated and registered in Luxembourg. At 31 December 2018, the Company's ultimate parent company and controlling party was Blackstone Real Estate Partners Europe V – NQ L.P.

As at 31 December 2018, Regis Group Holdings Limited has a 10% shareholding in Sage Investments Sàrl – the immediate parent undertaking of the Company, with the remainder being owned by Blackstone Real Estate Partners Europe V – NQ L.P.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Group entities

The ultimate parent undertaking is Blackstone Real Estate Partners Europe V – NQ L.P. The following undertakings are subsidiaries of the ultimate parent undertaking by virtue of the ownership of their share capital.

Name of undertaking	Regulator of Social Housing	Shares held	Registered in	Principal activity
Sage Housing Limited	4636	100%	England	Ownership and Management of housing for social lettings and Housing development for shared ownership sales
Sage Housing Partnerships Limited	-	100%	England	Property development
Sage Investments 1 Limited	-	100%	England	Intermediate holding company
Sage Investments 2 Limited	-	100%	England	Intermediate holding company
Sage Housing Group Limited	-	100%	England	Dormant
Sage Shared Ownership Limited	-	100%	England	Dormant
Sage Rented Limited	-	100%	England	Dormant
Sage Investments S.A.R.L.	-	100%	Luxembourg	Intermediate holding company

17 Audit Report

The auditor's report was unqualified. The name of the auditor was Deloitte LLP, United Kingdom. James Wright signed the auditor's report as senior statutory auditor.