



Quality affordable housing

We are proud to be working to mitigate the housing affordability crisis in the UK

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Find out more online
www.sagehousing.co.uk



In this report 'Sage' or the 'Company' refers to Sage Housing Limited registered at Companies House Number 5489096, Regulator of Social Housing ("RSH") Number 4636. 'Group' refers to members of the Sage Housing Group of companies, as per note 26 in the financial statements.

Our purpose

Our purpose is to deliver high-quality, well managed and customer-focussed affordable housing. We are proud to be working to mitigate the housing affordability crisis in the UK. We are bringing meaningful, stable capital to the sector, enabling more certain development of high-quality affordable housing for the people who need it most.



Our vision

To be the premier registered provider in terms of the volume of new affordable homes and our reputation for delivery, customer service and relationships with the public sector. To be the housebuilders' affordable housing partner of choice.



Our values

- > Customers can RELY on Sage to put their interests first and provide a great home and service.
- > Local authorities can RELY on Sage to honour their planning requirements and housing objectives.
- > Housebuilders can RELY on Sage to reach agreement quickly and to be easy to do business with.
- > Regulators can RELY on Sage to deliver the spirit and the letter of their requirements.
- > Sage people can RELY on it to treat them with respect and to value their contribution.
- > Everyone that engages with Sage can RELY on it to do the right thing, in the right way and to do it well.

2020 highlights

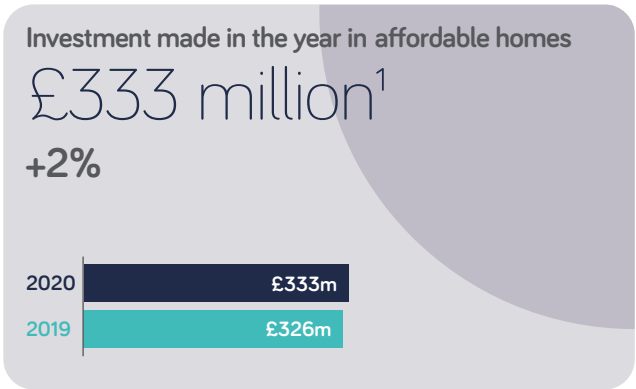
Our record-setting delivery of newly-built, high-quality energy efficient affordable homes is enabling more residents than ever to experience Sage’s customer service excellence.

Through the dedication of our team and the significant capital commitment of our investors we are helping to ease the UK’s housing crisis. By the end of 2020 we had delivered 4,007 new affordable homes since inception across the Sage Group.

Financial highlights

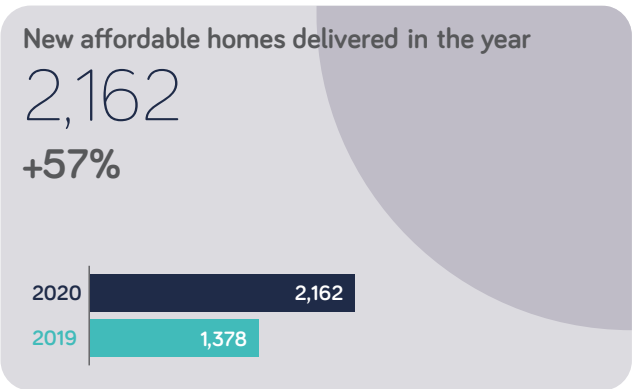


Delivering high rates of new affordable home have resulted in growth in both rental revenue base and shared ownership sales.

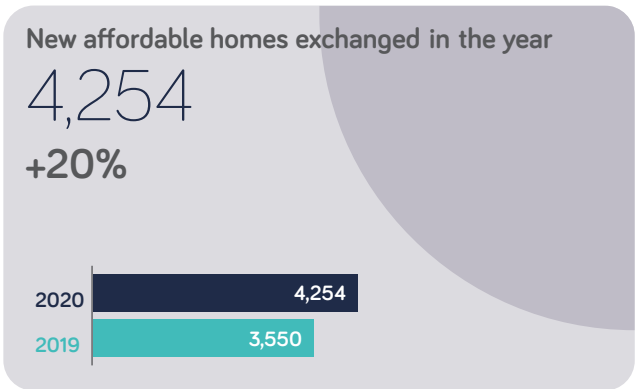


1. Includes investment in homes subsequently sold to sister companies.
Continued growth in annual investment made into new affordable homes.

Operational highlights



Despite COVID-19 disruptions a Company record of 2,162 new affordable homes were delivered.



Continued sector leading levels of commitment to delivering new affordable homes, with 2020 exceeding £720 million across 4,254 homes.



Hannah – Rental customer

Sage resident, Hannah, found herself homeless and sofa surfing after she suffered some mental health issues and relationship breakdowns. As COVID-19 hit she found it difficult to find anywhere to stay as hotels and B&Bs were only taking people on exemption lists.

Hannah went onto the housing list with South Norfolk Council.

Hannah said: “I saw on my council login that a property had appeared. I called the council and they told me I had been selected for a home in Wymondham. They asked me if I wanted to have a look at it and I couldn’t wait. I then had a call from Sage who went through my checks. I was told that if I liked the home, I could have the keys there and then. I couldn’t believe it.”

“I can’t believe how lucky I am, it’s truly amazing, I just couldn’t ask for anything more. I’ve got a garden, a brand-new shed, washing line, compost bin, water butt and even a patio. The whole house is carpeted, I’ve even got coat hooks in the downstairs cupboard, every detail has been thought of.”

“I went over before I got the keys and looked through the windows and I was completely overwhelmed, it’s so lovely.”

COVID-19 helped mend the relationship breakdowns and brought Hannah and her family closer together. Getting a home of her own and being closer to her family again, Hannah now feels as though she has a new start.

“The Sage team throughout the process have been brilliant. If I didn’t understand something, it would be explained. If I had any questions, they would be answered. Nothing was ever too much.”

“Everyone at Sage was a pleasure to talk to and took time to listen to me. I really can’t fault anything.”

With COVID-19 and lots of other things happening in Hannah’s life it meant she had a really tough year and having a home has given her a new focus.

“I just don’t know where I’d be without the help of Sage getting me my home. Even the online portal is easy – you can do everything online, pay your rent, report any repairs, it’s brilliant. Everything is such a high standard. I couldn’t be happier.”



Sage has given me a home, a base and I can start afresh. It’s a complete new start for me.”

Key 2020 highlights

- > Welcoming 914 new rental residents.
- > Helping 758 individuals and families reach their dream of home ownership.
- > Committed in the year to deliver a further 4,254 affordable homes.
- > Sold 1,609 homes to sister company which facilitated the first social housing commercial mortgage-backed securities (“CMBS”)-style issuance.
- > Taking delivery of 2,162 affordable homes during the year, 1,171 for rent and 991 for shared ownership sale.
- > Selling or renting out just under 75% of our affordable homes, including homes sold to sister companies.
- > Achieving 82% resident satisfaction – in a year disrupted by COVID-19.

Sage Group at year end

- > Delivered 4,007 affordable homes, 2,354 for rent and 1,653 for shared ownership.
- > Committed in total to deliver a further 8,656 homes.

Our business model

Opening access to high-quality homes

Our values and relationships 	
Reliability defines Sage's relationships...	...and is at the heart of how we do business
<p>For customers </p> <p>Customers can RELY on Sage to put their interests first and provide a great home and service.</p>	<p>Our customers rely on an experienced and dedicated team that understands their local area and needs. We are committed to continual investment in our stock to ensure that our high standards apply throughout the lifetime of a home.</p>
<p>For local authorities </p> <p>Local authorities can RELY on Sage to honour their planning requirements and housing objectives.</p>	<p>We work with local authorities in a way specific to each area. We develop thoughtful, flexible and innovative solutions, based on strong, long-term relationships.</p>
<p>For housebuilders </p> <p>Housebuilders can RELY on Sage to reach agreement quickly and to be easy to do business with.</p>	<p>We offer speed and certainty. Sage has a single-stage approval process, and our Acquisitions Committee meets every week, meaning offers made are fully approved.</p>
<p>For regulators </p> <p>Regulators can RELY on Sage to deliver the spirit and the letter of their requirements.</p>	<p>As a Registered Provider we comply with the stringent governance provisions overseen by the RSH. We aim for the highest levels of compliance with the Regulator's standards.</p>
<p>For our people </p> <p>Sage people can RELY on it to treat them with respect and to value their contribution.</p>	<p>We reward, recognise and motivate our people with fairness and clarity, to align everyone with our culture, our values and our success.</p>
<p>For everyone </p> <p>Everyone that engages with Sage can RELY on it to do the right thing, in the right way, and to do it well.</p>	<p>We continue to extend our reputation for quality, good service and fair dealing, and strive for higher levels in the future.</p>

What makes us different



Customer-first approach

We only acquire new build properties and ensure that the homes delivered by the housebuilders we work with are of a high-quality, before they are handed to our customers. We have oversight over construction and will only take delivery of new homes if they meet our standards.

We strive to deliver the highest level of service to our customers and have engaged with Places for People ("PfP"), a leading manager of affordable housing, to manage our rental homes. In addition to traditional routes, all our rented customers have access to a digital portal which they can use to make payments, log repairs or contact a member of the Sage team. The same digital service is also provided to our shared ownership customers.

Strong governance and funding

We have a majority independent Board with strong sector experience as well as a robust risk management and control framework. We aim for the highest levels of compliance with the RSH's standards and have voluntarily adopted the FRC UK Corporate Governance Code for our governance framework.

Our commitment to the best environmental, social and governance ("ESG") practice is at the heart of how Sage is working now and what we aspire to do in the future.

Our investors are able to deliver meaningful, stable capital which traditional Registered Providers lack and which provides a secure and supportive capital base. This funding is complemented by committed credit facilities from banking partners.

Focussed on delivering affordable housing

Our portfolio is wholly focussed on affordable rental and shared ownership properties.

All our rented homes are let to people on local authority housing registers, who have been identified as being in housing need. Our shared ownership homes offer our customers a stake in their properties and a first step on the home ownership ladder.

Key outcomes and the value we create

High-quality homes

Sage was established to create a long-term affordable housing platform. We continue to work to ensure our housing stock is of high-quality, long-lasting quality for our customers.

Value for money

We focus on achieving economy, efficiency and effectiveness across all areas of activity. Delivering our services in a way to make the most of the rental, lease and first tranche income we receive. We are committed to increasing the number of high-quality affordable homes in the UK and to providing the highest level of service to our residents.

Adding more affordable homes

Our affordable homes add vital capacity as the UK struggles to keep pace with demand. We help housebuilders see the value of quality homes designed specially for the affordable sector.

Bringing new capital into the sector

We attract fresh, high-quality and much-needed capital into affordable housing. Our success improves our residents' lives and provides growth for our investors. It also encourages investment from private capital in socially responsible property.

Our strategy

Our strategic pillars

Stakeholders

Sage's relationships are built on transparency and trust and all our stakeholders help us shape what we do and how we do it.

Culture and people

Sage is an inclusive employer, and we make sure all our teams feel valued.



Our customers

Residents are at the heart of our business and why we do what we do.



Health, safety and compliance

Sage goes beyond merely following the rules. We respect the spirit of what is required to value the health, safety and wellbeing of our employees and residents.

Finance and risk

Sage is committed to delivering value for money. Managing risk is central to our corporate governance, our operations, and our long-term approach.

Notable actions in 2020



Stakeholders

- A perceptions survey to understand our relationships and identify where to make improvements.
- Regular meetings to keep everyone informed and active within the decision-making process.

Culture and people

- A Wellbeing Committee and a Diversity and Inclusion Committee, to ensure our staff are happy and looked after.
- Regular staff surveys to keep track and receive feedback on where we can improve.

Our customers

- A new customer experience team for a better customer journey.
- A redesigned corporate website for easier access.
- The launch of a website for shared ownership customers.
- Regular surveys allow us to monitor how we are doing and what we need to improve.
- Commitment to ESG improvements.

Health, safety and compliance

- Regular mapping and monitoring of our customer journey to keep delivering excellent service.
- A continuous review of policies and procedures to help exceed our targets.
- Adherence to the “Building a Safer Future agenda”.

Finance and risk

- Increased our Revolving Credit Facility capacity to £580 million increasing our liquidity.
- Increased interest rate hedging, by £242.5 million, improving risk management.
- Sold homes to our sister company that raised £220 million via a CMBS-style financing.
- Recruited an experienced expert to be our Head of Internal Audit and Risk and initiated a programme of detailed internal audits.

Environmental, Social and Governance report

Our ESG commitment

Environmental, social and governance issues are already at the heart of what we do and they define our aspirations. We are proud of our contribution to our communities and we want to do even more, working closely with our investors in the future, leveraging their expertise to maximise our community impact.

Sage's ESG ambitions	What we'll do
<ul style="list-style-type: none">> To increase the scale at which we help people without access to the open housing market and improve the quality of homes and the resident experience.> To invest in our communities and our people. As well as our core activities, we will support community initiatives by encouraging staff volunteering.> To set high environmental standards, covering waste, pollution, energy use, conservation, water consumption, and travel.> To be transparent and ethical in all that we do, with the highest governance standards in the sector and partners and suppliers who share our values.	<ul style="list-style-type: none">> Grow our portfolio to 20,000 homes over the next two years alongside a new resident engagement strategy and a leadership programme in sustainability.> Establish charity partnerships that support our residents including an annual community day for staff voluntary work.> Help young people from our communities find work experience in our industry and seek other innovative forms of support from our network of business partners.> Set up an ESG steering group overseeing reductions in energy consumption and our carbon footprint.> Join an organisation that will support our ESG plans.> Support our staff with training and development, flexible working and wellbeing programmes as a diverse and inclusive 'employer of choice'.



Tom – Shared ownership customer

Shared ownership resident, Tom, moved into his new home in Derby after two and a half years of renting.

Keen to get on the property ladder and wanting a high-quality home in a good area for his young daughter, Tom looked into the Sage shared ownership properties.

Tom said: “The shared ownership scheme was perfect for me. It meant I could get a foot on the property ladder and start the journey of having a mortgage.”

“It also means I have been able to get a great home, in a great location.”

“The Sage team have been great throughout the process and beyond, really helpful and responsive and if there has been an issue it’s been dealt with really quickly.”

“I can’t say we’ve had many issues, but in the early days there were a few areas that needed touching up in the house and the Sage team dealt with it really quickly. If I had any questions, these were answered.”

“

Shared ownership has meant that I have a lovely home for my daughter and dog. I would still be renting now if it wasn’t for this scheme.”

Key performance indicators

Managing performance

We track a series of deliverables and metrics that indicate the progress we are making against our strategic objectives.

Our performance metrics for the year:

1. 20,000 new homes by 2022

Commitment to deliver or contract 20,000 new homes by 2022, making Sage the largest contributor to new affordable housing in the UK.

Priorities for 2020

- > Increase the number of local authorities with which we work, to spread our strong reputation.
- > Expand our stock of housing faster using grants.
- > Grow our teams to provide efficient construction management and delivery of high-quality new affordable homes in high numbers.

Progress in 2020

- > Delivered 2,162 new homes and signed with developers to deliver a further 4,254. We have now committed to deliver over 12,000 new homes.
- > At the end of the 2020 we had a further 3,135 new homes under heads of terms and are well on track to achieve our target of 20,000 in 2022.
- > Laid the groundwork to becoming a restricted investment partner with the Greater London Authority ("GLA"), which was achieved in February 2021.
- > Discussions held in the year allowed Sage to achieve a development agreement with Barnet Council in March of 2021 to fund affordable homes and regenerate areas within the borough.

2. Place our residents at the centre of what we do

Deliver a great experience and support our residents by placing them at the centre of what we do.

Priorities for 2020

- > Minimise COVID-19 impact on the quality of service provided to our residents.
- > Plan and start a sector-leading resident-centric service team.
- > Ensure Sage remains compliant with all regulatory requirements.

Progress in 2020

- > Maintained a high-quality of service for our residents via successful remote working.
- > Enhanced our customer team structure including the appointment of a Chief Customer Officer in early 2021.

3. Broaden our sources of capital to partner with investor equity

Expand our sources of debt financing to help reach targets and provide significant additional investment for new affordable homes.

Priorities for 2020

- > Expand revolving credit facility ("RCF") by adding additional lenders.
- > Execute on new sources of debt financing.

Progress in 2020

- > Our RCF capacity grew from £380m to £580m with two new lenders joining.
- > Structured an agreement whereby Sage has been the beneficiary by selling select homes to our sister company, Sage Rented Limited, the financing of which was facilitated by the first social housing CMBS-style issuance in Europe.

4. Operate at scale to become a significant provider

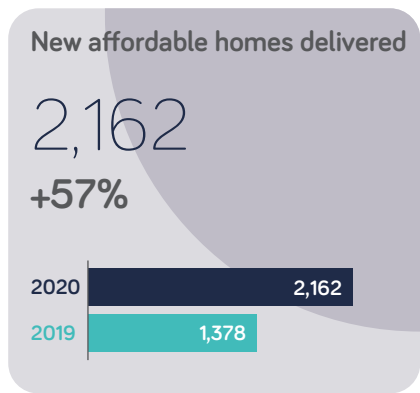
Building our strong and stable team by adding high-quality and diverse talent. Design and deploy new processes and IT systems to enhance efficiency and resiliency as Sage grows.

Priorities for 2020

- > Bring new people into Sage's senior and middle management level.
- > Continue our growth despite COVID-19 restrictions.
- > Build ESG into everything Sage does.
- > Leverage the skill and experience of PfP to provide a scaleable housing service capability.

Progress for 2020

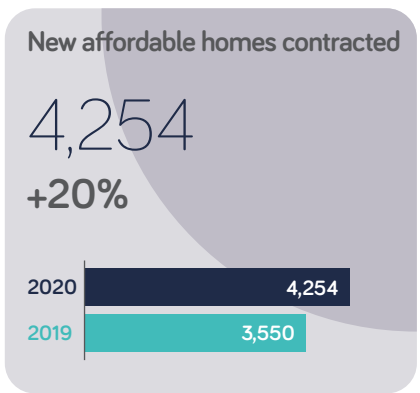
- > Sage's 67 new joiners in 2020 exhibited high levels of diversity reflecting the residents we serve.
- > New senior management appointments to provide the capabilities required to continue to scale the business at pace.
- > Introduction of a workforce advisory panel, 'Sage Together', as part of the commitment to creating a collaborative and inclusive culture.
- > Delivered significant IT improvements such as a new sales customer relationship management system, the development of a new shared ownership website which went live in January 2021, and an automated data integration and storage framework.



1

Description
Delivering new affordable homes to families and individuals is a key measure of our performance.

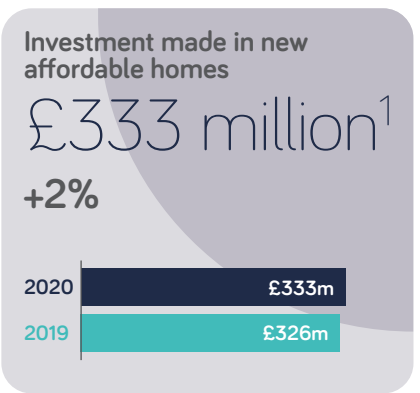
Performance
Sage continued on the performance of the previous year and delivered a further 2,162 new affordable homes in the year. This is just under six homes delivered each day.



1

Description
Building a pipeline of future deliveries of new affordable housing is key to us reaching 20,000 homes delivered or contracted by 2022.

Performance
2020 saw a further 4,254 affordable homes enter our pipeline of new homes under development, increasing our total new commitment to 12,663 by the end of the year.

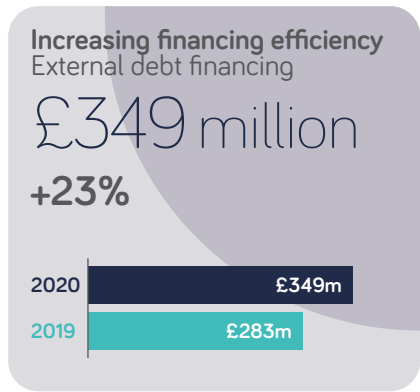


1 3

Description
Building our portfolio of new homes requires significant investment of capital.

Performance
Continued growth in commitment to deliver more new homes, but COVID-19 impacted construction pace during the year.

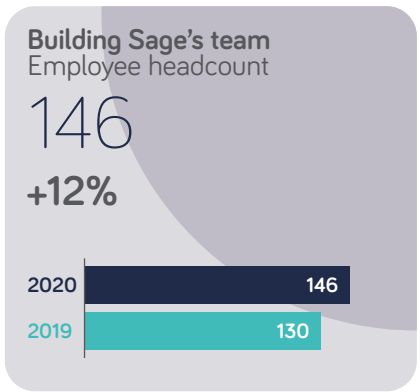
1. Includes investment in homes subsequently sold to sister companies.



1 3 4

Description
Using appropriate debt financing allows us to increase the scale of our investors' commitment to delivering new affordable housing.

Performance
2020 saw us increase the RCF size from £380 million to £580 million of which we utilised £349 million by year end, compared to £283 million at the end of 2019.



1 2 3 4

Description
To enable our growth and to achieve our strategy and goals, we expanded our human capital base significantly.

Performance
During 2020 we increased our headcount by 16, adding high calibre expertise across our business from a diverse background.

- ### Link to performance metrics
- 1** 20,000 new homes by 2022
 - 2** Place our residents at the centre of what we do
 - 3** Broaden our sources of capital to partner with investor equity
 - 4** Operate at scale to become a significant provider

Chair's statement

Sustained progress against a backdrop of challenges



In 2020, Sage strengthened its position as one of the UK's fastest growing Registered Providers of affordable housing. We made sustained progress against a challenging backdrop, delivering 2,162 new affordable homes, up 57% from 2019.

One could not have foreseen the widespread and devastating impact that COVID-19 would have on our society and our communities in 2020. I am immensely proud of how Sage adapted whilst continuing to provide excellent service to our residents by truly putting them at the centre of what we do. I would like to take this opportunity to thank all our employees who operated with extraordinary levels of commitment and professionalism which enabled this.

Sage's core and only business is the provision of modern, high-quality and efficient affordable homes. At the forefront of this is monitoring and improving our environmental and social impact. An ESG programme was developed to ensure that this remains a vital thread through all our work.

We are passionate about delivering the best quality homes to our residents and do so by working closely with our delivery partners. Having oversight of all aspects of construction and taking delivery of new homes only when they meet our high standards.

Our operations are continuously reviewed to ensure that an excellent service is being provided to residents. Our partnership with PFP provides high-quality management and maintenance to our rented homes across the country, providing our residents with the support of an experienced and dedicated team that understands their local area and needs.

Innovation

To fund the new homes needed by our residents, we are bringing new sources of capital to the task of tackling the country's need for affordable housing and I am immensely proud of the contribution we are making. All our rented homes are let to people on local authority housing registers, who have been identified as being in housing need, and our shared ownership homes offer a realistic route to home ownership. 2020 saw Sage take the next step in this when we sold 1,609 new build rented homes to our sister company, Sage Rented Limited, which were subsequently used as security to facilitate a £220 million Social Housing Rental Secured Notes offering. This was a first public offering for the Sage Group, and the first social bond CMBS-style offering in European social housing.

“

We are passionate about delivering the best quality homes and service to our residents.”

Alison Thain OBE
Chair

We welcomed Mark Sater as our new CEO in August. Mark was CEO of AccuMED Technologies, a USA based, FDA registered, contract manufacturer of class 2 medical devices, overseeing its growth to 2,000 staff spread over four countries. Mark has also chaired or led a series of consumer businesses across Europe, the Far East and the USA, including the Velcro Corporation's international consumer business.

I would like to take this opportunity to thank our outgoing CEO, Rod Cahill, for his contribution to Sage and the commitment with which he led the Company through a period of growth and change. In other movements, Stephen Trusler has stepped down from his non-executive position on the Board and has been a valued colleague with great knowledge of housing and construction. We will be replacing Stephen and increasing the Board as we expect to welcome three new Independent Non-Executive Directors to the Board in 2021. I would like to thank all the Board members for their continued efforts in helping us realise the potential of Sage.

The Future

Sage remains focused on delivering high-quality, energy efficient affordable homes and will continue to engage our communities to provide the homes our residents appreciate. We intend to further increase our delivery of additional affordable homes through working closely with our delivery partners, local authorities, Homes England, and the GLA. We also look forward to continuing to work closely with Barnet Council as we fund the delivery of 142 much-needed affordable homes on the exciting regeneration of Upper and Lower Fosters.

Thanks

I would like to thank our staff, delivery partners, local authorities, investors, and stakeholders, for their continued support which has enabled us to provide affordable homes and change the lives of our many residents. The backing we have received allows us to undertake projects of any size, to ensure that the affordable homes we provide go to people with the greatest need.

Alison Thain OBE
Chair
18 June 2021

A year of sustained growth and putting residents at the core of everything we do



In a year that no one could have imagined, Sage focussed on placing residents at the core of all our efforts. Through the hard work and dedication of our staff and partners we continued to ensure our residents remained safe in their homes and received the services they needed despite the disruption of the COVID-19 pandemic. Inevitably certain aspects of Sage's business were impacted, especially in the first half of 2020, although this was followed by a strong recovery in the second half of the year, seeing Sage deliver a further 2,162 new affordable homes across the UK bettering our 2019 performance by 794. Sage has now partnered with 126 local authorities in delivering these properties.

Our highlights include:

- ▶ committing to deliver over 12,000 units since inception, across 305 sites, with an investment value of over £2.0 billion.
- ▶ surpassing over 1,000 Shared Ownership sales, including over 700 within 2020, more than doubling the total since the end of 2019.
- ▶ selling 1,609 units to our sister company, Sage Rented Limited, which financed the purchase through an agreement which was facilitated by the first social housing CMBS-style issuance in Europe.
- ▶ expanding our RCF capacity three times, increasing it from £380 million to £580 million, and welcoming two new lenders into the facility.
- ▶ delivering significant IT systems and improvements such as a new customer relationship management system, new shared ownership website and an automated data integration and storage framework.
- ▶ increasing the Sage team adding a net 16 highly skilled staff members as we continue to grow the Company and foster a staff culture of service.

The COVID-19 pandemic impacted all sectors and housing was no exception. Restrictions implemented in the first lockdown, slowed the pace of construction, delivery, lettings, and sales, although the overall impact was limited compared with other parts of the economy. The majority of our partners construction sites were closed during the first lockdown and we implemented new operating procedures to enable safe working. As a result, we saw a slowdown in the delivery of homes in the first half of 2020, but a good recovery in the final quarter. This success can only be put down to the extremely hard

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Placing residents at the centre of what we do is driving Sage's growth and ability to deliver sector-leading levels of resident experience.”

Mark Sater
Chief Executive Officer

work of our fantastic staff and delivery partners, their efforts can't receive enough thanks.

Our residents

We have become a truly resident-centric organisation putting residents at the heart of everything we do, striving to deliver and maintain the best homes possible. Providing energy efficient homes allows us to enable our residents to keep their bills low but also helps us to care for our environment. Sage is a leader in providing energy efficient homes, most are built with low energy lighting as standard and over 96% of our homes having an EPC rating of B or better.

Most of our homes have access to either green communal spaces or playing fields that allow our residents to enjoy their free time. It is our continuing aspiration to improve the homes and local environments of our residents.

Our people

It has been an extremely challenging year for our staff as they adapted to working remotely, managing with home schooling, shielding, unusual working conditions all whilst still delivering on promises made by Sage to provide our residents with the best service possible. In the summer of 2020, Sage introduced 'Sage Together', a workforce advisory panel as part of Sage's commitment to creating a collaborative and inclusive culture, their focus will be on wellbeing, diversity, and inclusion. Our rapid growth has meant sourcing the finest talents and skills across the sector, and beyond, to ensure we are best placed to continue our growth.

Poised for growth

Sage enters 2021 poised for further growth. We look forward to exploring new opportunities with our partners and delivering excellent resident services. We are specifically excited about now being an investment partner with Homes England, achieving restricted investment partner status, with the GLA in February 2021, and signing a development agreement with Barnet Council in March 2021. Enhancing our ESG goals, corporate culture, diversity and inclusion will also be our main aspirations in 2021 as we continue building Sage as a leading large-scale provider of high-quality, energy-efficient affordable homes.

Mark Sater
Chief Executive Officer
18 June 2021

Principal risks and uncertainties

COVID-19

Emerging in late 2019, COVID-19 spread globally to the extent that it was classified as a Public Health Emergency of International Concern by the World Health Organization. Many governments, including in the UK, have taken unprecedented actions to slow infection rates, including significant population-wide social restrictions. Sage has evolved its business and operations in response to this ongoing crisis.

Inevitably, high levels of social restrictions led to certain impacts on Sage’s business as developers furloughed staff, shuttered building sites and reduced new site finding and planning activities. In addition, at the height of social restrictions, in-person viewings for sales and lettings became impossible, although virtual tours continued, and despite initial expectations of very low activity levels, muted sales and lettings activity continued, and have increased in a positive way as social restrictions have eased. With the easing of restrictions many construction sites have reopened and appropriately modified in-person sales and letting visits restarting. The company has not suffered significant negative financial impact as a result of COVID-19 to date.

The principal risks and uncertainties facing the business are continuously monitored by the management of Sage and discussed

regularly with Sage’s Board, and investors. Monitoring covers all operational performance indicators in addition to financial metrics. These results are compared to the various short and long-term plans and forecasts of Sage to inform its investors as to performance levels. As required, modifications to Sage’s operations and plans are made in response to both normal business evolution, as well as COVID-19 related impacts upon Sage’s business.

Sage has considerable access to additional equity capital and debt funding through its investors and credit facilities respectively. Sage also has significant flexibility to modify its future capital requirements to ensure its operations can continue. Sage continually reviews financing options and seeks to expand its financing base where commercially appropriate.

The Board has reviewed current operational expectations, financial forecasts, plans and capital availability and does not expect there to be a material impact to Sage and its operations.

Further discussion regarding COVID-19 may be found in the Going concern and Viability statements in the Directors’ report on pages 38 and 39.

Sage Housing – Risk Management

The effective management of risk is fundamental to the achievement of Sage’s strategic objectives. Responsibility for risk rests with the Sage Board with oversight provided by the Audit and Risk Committee and the Risk Management Group.

Risks to the achievement of Sage’s strategic objectives are recorded on the strategic risk register which is maintained by the Head of Internal Audit and Risk. The register is reviewed and updated by the Sage Risk Management Group before the key risks are reported to, and reviewed by the Audit and Risk Committee and the Board.

Sage’s risk management system continued to evolve and mature throughout 2020. The impact of the pandemic has highlighted the importance of managing risk in an uncertain environment. The following actions helped to further develop the framework for managing risk:

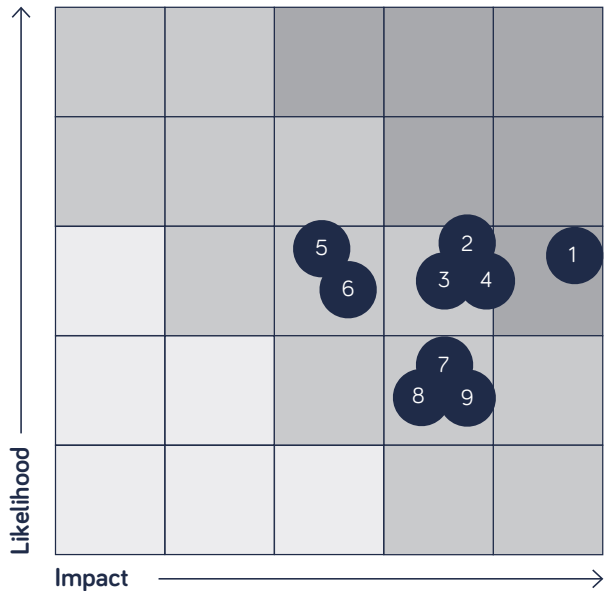
- > Implementation of the Risk Management Group (RMG) that provides a forum for management’s review and discussion of risk;
- > Enhancements to the risk management reporting to the RMG, Audit and Risk Committee and Board;
- > Further development and automation of the risk register, for example, to allow modelling of changes to risk appetite; and
- > Commencement of the project to introduce departmental risk registers throughout the organisation.

We have since further developed the risk management framework in 2021, this will include a refresh of the strategic risk register and the risk appetite for each of the component business areas. There is the intention to procure and implement a leading risk management system solution that will replace the existing Excel based registers; this should further improve the risk reporting within the organisation. In addition, the departmental risk registers should all be in place before the end of 2021.

Key risks heat map

Sage utilises a programmatic scoring of risks to map its mitigated risks. A “heat map” showing some of Sage’s key risks is shown below. This is reported to the Risk Management Group and Audit and Risk Committee on a quarterly basis.

Mitigated risk scores



Schedule of key risks and mitigations

Sage's Directors can confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency, or liquidity. The principal risks facing the Company have been identified as follows:

Risk	Mitigating actions
1 Health and Safety: Failure to meet statutory requirements in relation to fire, legionella, asbestos, gas and electricity.	<p>Oversight is with the Health and Safety Committee reporting to the Board. Annual review of H&S by Internal Audit to provide assurance. In 2021 Sage has hired a Director of Safety, Health, Environment and Quality. External consultants advise on best practice. Rigorous property compliance policies and procedures in place. Regular reports received from PfP, the service provider, on compliance with H&S.</p>
2 Market: Structural slowdown in the housing market, potentially combined with legislative changes linked to a change in government, impacts Sage's ability to realise acceptable profit and sell shared ownership properties in a down market.	<p>Utilisation of leading sales techniques and partners to sell properties off-plan and after completion.</p> <p>Leveraging of strong third-party agent relationships and networks to closely monitor activity indicators in the housing market, such as enquiry levels, sales rates, house pricing and affordability dynamics.</p> <p>Maintaining a rigorous approach to acquisitions with robust in-depth market research to test sales market confidence.</p> <p>Enhanced reporting system to closely measure and report on a variety of metrics to give early warning of changes in market confidence or sales volumes. Identify early warnings of underperforming sites and selected use of sales incentives to facilitate the selling process.</p> <p>Mitigation of sales risk by selectively switching tenure to rented.</p>
3 Buying: Market and structural pricing changes have a negative impact on competitiveness.	<p>Sage has developed partnerships with housebuilders which focus on the delivery of s106 and grant supported additionality.</p> <p>Sage can quickly reshape its organisation as required to reflect changes. The organisation is constantly evaluating changing market dynamics.</p>
4 Management: Outsourced provider fails to deliver on contractual obligations resulting in a poor service to Sage and its customers, negatively impacting on Sage's reputation in the market.	<p>Ongoing monitoring of provider's management of Sage's residents. Regular communication with the provider team is maintained to identify and track issues. Sage can change to an alternative provider, if required.</p> <p>Advance notice will be provided by PfP if it will not take on a new site, allowing Sage sufficient time to make alternative arrangements.</p>
5 Welfare Reform: Failure to mitigate the risks to rental income caused by welfare reform, particularly Universal Credit.	<p>Robust pre-tenancy affordability checks undertaken for new residents. PfP income and arrears management team to work closely with residents to support income management.</p>
6 Inflationary Effects: Increased costs of acquisition as a result of labour supply shortages and higher materials costs caused by a number of factors, including Brexit and COVID-19. The increased acquisition costs result in a reduction in scheme viability and a lower rate of growth.	<p>Monitoring of economic position enabling early action in the event of any unexpected consequences.</p> <p>Business modelling assumptions are prudent, stress-tested and consider the likely impact of Brexit.</p> <p>Fixed price contracts reduce the impact in the short to medium term.</p>
7 Quality: Poor quality of new housing delivered to Sage by developers resulting higher defects rectification costs and reduced customer satisfaction.	<p>Employment of experienced project managers, employer's agent ("EA")s and clerk of works to evaluate and certify build quality during the construction process. Completion to Sage requirements verified prior to acceptance of units.</p>
8 Regulation: Non-compliance results in measures of intervention, loss of status and ultimately prohibits Sage from bidding and acquiring s106 sites.	<p>Effective Board and governance structure in place and reviewed. Ongoing compliance monitoring and self-assessment. Independent compliance assurance provided by external consultants.</p>
9 Cyber Security: Cyber security attack resulting in alteration, disablement, destruction, physical loss or loss of access or control of Sage's computer systems.	<p>Managed Service Provision that includes Managed Detection and Response (MDR) Services. These include endpoint device security (antivirus), endpoint detection and monitoring using systems.</p> <p>Access control is provided by Microsoft Active Directory, including two factor authentication (2FA).</p> <p>Disaster Recovery service using Microsoft Office 365 backup and Azure parallel DR environments.</p>

Continued sector leading commitment to develop and deliver new affordable homes



Review and highlights of 2020

Despite the unprecedented challenges of 2020, Sage retained its focus on providing excellence in resident service and delivering high numbers of completed new affordable homes. During the year we invested £333 million in development and delivered a further 2,162 new homes. 2020 also saw a continuation of our commitment to deliver, with Sage contracting with partners to build a further 4,254 homes. By year end, Sage had committed to invest a little over £2 billion in 12,663 new affordable homes.

As deliveries from Sage's development program have accelerated, so have our revenues. By redefining our processes, 'going digital' and working closely with our partners, despite a lock-down induced slowdown in March and April of 2020, we were still able to initially let 914 new rental homes and completed the sale of 758 shared ownership homes. In total in 2020 we generated £11.3 million of total rental income (+160% over 2019), and £82.6 million of income from first tranche sales (+171% over 2019). In June of 2020 Sage became profitable at the operating income level and remained so for the rest of the year.

Working remotely for most of 2020 did not overly disrupt Sage's own operations including the hiring of new colleagues to support our increasing number of residents, estate of new affordable homes and delivery pace. Having started the year with 130 employees, we ended the year with 146. Hiring was focussed in the impact areas of resident services, new home delivery, IT and finance. We continue to invest

Continued large-scale investment into new affordable homes:

- > 2,162 new affordable homes delivered.
- > 4,254 new affordable homes committed to.
- > £200 million RCF expansion.
- > Initial sale and long-term refinancing of completed homes within the Sage Group.

“

2020 saw Sage build upon its solid operational and financial foundations and further expand its funding base.”

John Goodey

Chief Financial Officer

heavily in our IT systems to drive efficiencies and service quality across our company. Consequently, our overall overhead costs increased to £29.1 million (+15% over 2019).

2020 was an active year for Sage in raising new financing. In addition to increased investor investment, Sage increased its RCF capacity by £200 million to £580 million. 2020 also saw Sage enact its plan of selling selected portfolios of completed homes to its sister registered providers to enable long-term financing. In the fourth quarter of 2020 Sage Housing Limited sold 1,609 rental tenure homes to Sage Rented Limited. These homes were used as security for a £220 million loan facilitated by the first CMBS-style offering for a European social housing company. As Sage grew its assets and borrowings through 2020, our interest payment costs increased from £14.1 million in 2019 to £24.8 million in 2020.

Driven by the above elements our overall loss after tax for 2020 was £25.9 million, being in line with our expectations, and an improvement of £1.9 million over the £27.8 million loss recorded in 2019.

In conclusion, Sage's focus on our residents, commitment to deliver new affordable homes and expansion of our funding base enabled us to perform well in a challenging year, and positions Sage well for the future.

John Goodey

Chief Financial Officer

18 June 2021

Value for money

Introduction

Sage understands the importance of striving for value for money and delivering its services in an efficient and effective way to make the most of the rental and first tranche income as well as grants and s106 planning gains it receives. As part of our compliance with the Value for Money Standard, we focus on achieving economy, efficiency and effectiveness across all areas of activity. We are committed to increasing the number of high-quality affordable homes in the UK and to providing the highest level of service to our residents, and this is central to our application of value for money strategies.

Sage commenced activity in its current form in 2017 and has delivered 4,007 units since inception. Following sales of 1,620 homes to other Registered Providers in the Sage Group, we had 2,387 properties in management at its financial year end on 31 December 2020. As Sage continues to scale rapidly, its performance against the RSH's Value for Money metrics will display significant variance from more mature providers in the sector. As Sage matures further, performance in future years is expected to become more directly comparable with sector peers.

Our strategy and ambition are to become a sizeable provider of affordable housing. Sage envisages it will continue to deliver significant numbers of new affordable homes before selling stabilised portfolios to other Registered Providers in the Sage Group. This will enable the group to broaden its sources of debt financing, reduce its cost of capital and continue to provide sizeable additional investment capability for new affordable homes. Given the long-term plan for Sage, the Board has chosen to compare our performance to a peer group consisting of all Registered Providers in the UK with between 5,000 and 10,000 homes.

Sage's Board has set targets for 2021 covering both the RSH VFM metrics and its own VFM metrics (Key Performance Indicators). These targets are set assuming Sage does not sell further mature homes to other Registered Providers within the Sage Group. As Sage evolves such sales may occur, depending upon operational and financing requirements; these changes to our structure may result in our targets needing to be revised accordingly. Most of the metrics, especially related to operations, show significant expected improvements as Sage's portfolio grows and operational efficiency increases.

Overview

The RSH defines VFM metrics for Registered Providers to disclose.

Metrics 1 to 3 focus around investment and show our investment in new and improving existing affordable homes, whilst ensuring our borrowing is kept at prudent levels. This helps show our levels of efficiency and effectiveness.

Metrics 4 to 7 focus on our operational efficiency in managing our portfolio, as expressed through our financial performance, the return on the capital we utilise and our liquidity and investment capacity.

Core Value for Money Metrics	2019 Actual	2020 Actual	2020 Peers	2021 Target
1 Reinvestment %	67%	58%	8.8%	48%
2A New supply delivered % (social housing)	75%	91%	2.0%	59%
2B New supply delivered % (non-social housing)	n/a	n/a	n/a	n/a
3 Gearing %	111%	117%	47%	82%
4 EBITDA MRI – interest cover %	(89)%	4.4%	193%	23%
5 Headline social housing cost per unit	£7,165	£6,267	£3,632	£3,441
6A Operating margin (social housing lettings only)	(232)%	(52)%	28%	(30)%
6B Operating margin (overall)	(39)%	(1.2)%	26%	3.3%
7 Return on capital employed (ROCE)	(2.7)%	(0.2)%	4.2%	0.3%

Metric 1 – Reinvestment (%)

This metric measures the fixed asset investment in properties (existing as well as new supply) as a percentage of the value of total properties held. At the end of 2020 we had invested £523.3 million compared to £417.6 million at the start of the year; this was net of transfers of housing assets with a net book value of £196.5 million to sister Registered Providers within the Sage Group. Sage continues to invest material sums of capital into new affordable homes and whilst the 2021 target reflects a reduction in this metric compared to 2020, this is driven by the growing fixed asset base as opposed to a reduction in new development spend.

Metric 2 – New supply delivered (%)

This metric considers the number of new housing units developed in the year as a proportion of the total units owned at year end.

Social housing units: At the end of 2020 we owned 2,387 affordable homes compared to 1,845 at the start of the year which represents a net increase of 542 homes. The net increase in the year of 542 homes is comprised of 2,162 new affordable homes developed or acquired in the year and 1,620 sold to sister Registered Providers within the Sage Group. Our target for 2021 is 59% which represents the delivery of 3,494 new affordable homes. Sage has a goal to have delivered or contracted, 20,000 newly-built, high-quality affordable homes by the end of 2022. We believe that in 2020 and 2021, Sage has been and will be one of the largest contributors to new affordable homes in the UK.

Value for money report continued

Overview continued

Metric 2 – New supply delivered (%) continued

Non-social housing units: Our sole focus is on delivering affordable homes. We have not acquired or developed any non-social housing units in 2020 and do not hold any non-social housing units at year end.

Our strong performance on reinvestment and new supply metrics reflects continued success against our key target, which is to deliver new capital to the affordable housing sector and have a meaningful and positive impact on the supply of new affordable housing in the UK.

Metric 3 – Gearing %

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. Sage's gearing in 2020 was higher than our peer group as a result of the continued high level of investment required to scale Sage rapidly. Debt was provided by the Sage's investors and a group of lenders as part of our revolving credit facility. Our target is to reduce our gearing for 2021 to 82%, mainly driven by improvements in our operational cashflows.

Sage ensures its debt and gearing levels are appropriate to protect our financial viability and ensures we balance the benefits of debt in reducing our overall cost of capital (allowing us to undertake more investment in affordable housing) and ensuring the levels, interest costs and covenant requirements of such debt do not put the business at excessive financial viability risk.

Metric 4 – EBITDA MRI – interest cover (%)

The measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a Registered Provider generates compared to interest payable. Sage became EBITDA profitable in 2020, as revenues grew quickly through the year. Sage continues to scale its operations, investing in its operational capabilities in advance of its expected continued growth of newly delivered affordable homes. Our target for 2021 of 23% represents an improvement driven by continued growth in our EBITDA when compared to our interest cost expectations.

Metric 5 – Headline social housing cost per unit (£)

Sage aims to rapidly deliver high numbers of newly-built, high-quality homes to the affordable housing sector and has seen significant success against this target. In line with this, Sage is investing in the capabilities to provide high levels of customer experience. Doing so leads to high overhead levels when compared to currently delivered homes. In 2020, Sage's yearly cost per unit was £6,267 (2019: £7,165) compared to a peer median of £3,632. As previously noted, we sold 1,620 units to sister Registered Providers in the Sage Group, and as a result these homes are not included in the number of homes owned by us at the year end, further increasing the 2020 cost per unit. This metric, when calculated on an aggregate basis across all three of Sage's Registered Providers, gives a yearly cost per unit of £4,055. For Sage, our target for 2021 is a reduction in cost per unit to £3,441. This is possible as we leverage the investments made in operating infrastructure across increased numbers of delivered affordable homes.

Metric 6A – Operating margin – social housing lettings (%)

Sage is scaling rapidly and has built a platform to support this growth, therefore this figure is not reflective of the true value and efficiency of our operations. At the end of the year Sage owned 2,387 units (2019: 1,845); however, Sage had delivered 4,007 homes before sales of 1,620 homes to sister Register Providers within the Sage Group. Our target for 2021 is a negative margin of 30% and reflects further improvement on 2020. Our margin is expected to improve as new affordable home deliveries increase our revenue and we deliver increased operational leverage.

Metric 6B – Operating margin – overall (%)

As above, our negative operating margin in 2020 reflects the investment we are making in our operational capabilities in advance of an increase in the number of homes we plan to deliver. Our target for operating margin overall in 2021 is a positive margin of 3.3%, as 2021 sees revenue from newly delivered homes progress Sage into operational profitability.

Metric 7 – Return on capital employed (%)

This metric compares the operating deficit to total assets less current liabilities and is a common measure used in the commercial sector to assess the efficient investment of capital resources.

Although our current core metrics for social housing cost/unit, operating margin and ROCE are outside sector norms, this is solely a result of our completed portfolio's level of maturity and size and its current focus on acquiring and developing new affordable homes in the UK. Sage currently has acquisition and project delivery teams scaled for its target of having delivered or contracted, 20,000 new affordable homes by the end of 2022, compared to 4,007 completed homes at the year end, of which 2,387 were owned by Sage (2019: 1,845 units).

This commitment, and our investment in operational capabilities in advance of new home deliveries, affects many of our Value for Money metrics. The Board believes this is the appropriate strategy to ensure the acquisition and delivery programme is managed and delivered successfully, and that all our residents receive consistently high standards of service during this high-growth stage. The Board further believes Sage is on track to deliver sector-leading numbers of new affordable homes, and will thereafter see Sage's operating margins and cost per social unit match or better its peers, as its development programme matures into completed and occupied units.

Key Performance Indicators

The following key performance indicators are in addition to the core Value for Money metrics. These metrics and targets are defined and set by Sage's Board to measure key areas of our strategic and operational performance. They are selected to give a rounded picture of Sage's VFM performance, alongside the RSH metrics. They are especially related to how well we serve our customers, how we are progressing against our goal of committing to and delivering sector-leading numbers of high-quality, newly-built affordable homes, and our efficiency in bringing these homes into occupancy and managing them.

Key Performance Indicator	2019 Actual	2020 Actual	2020 Peers	2021 Target
Customer Experience				
Customer satisfaction with the service	85%	82%	86%	85%
Complaints responded to within target time	91%	78%	83%	95%
Delivering New Affordable Homes				
New affordable homes committed to (no. of homes)	3,550	4,254	n/a	4,000
New affordable homes delivered (no. of homes)	1,378	2,162	362	3,494
Rental homes let within 60 days of practical completion	94%	95%	n/a	98%
Share Ownership homes 1st tranche reserved or sold within 8 weeks of practical completion	75%	93%	n/a	85%
Shared Ownership 1st tranche sale gross profit margin	24%	21%	n/a	19%
Operational Efficiency				
Headline cost per unit – adjusted (per annum)	£4,931	£5,357	n/a	£2,436
Rent collected as % of rent due	93%	95%	100%	96%
Current tenant arrears as % of annual rent due	4.3%	3.0%	2.6%	3%
Sage's People				
Staff satisfaction	n/a	n/a	79%	80%

Customer Experience

Customer satisfaction with the service considers the number of customers who have stated they are fairly or very satisfied with their interaction with Sage as a percentage of respondents. During 2020 we defined a new customer experience team to ensure our customer remains at the heart of everything we do, in the present, and in the future, as we continue to deliver leading numbers of new affordable homes to help meet this significant need. Our customer satisfaction target for 2021 is 85% or better. Sage has hired a new customer experience team, including a Chief Customer Officer, and is actively working, including with partners, to deliver service excellence to our residents.

When things do not go correctly, Sage and our partners are committed to making it right first time and quickly. If our customers do need to raise a complaint, we are committed to responding within target times. Sage has invested during the year in both people and processes to ensure the standard of service we deliver to our customers is of the highest level. As restrictions necessitated by the COVID-19 pandemic are expected to ease, Sage will refocus its efforts on improving customer experience, as such our targets for 2021 reflect a significant expected improvement on those delivered in 2020.

Delivering New Affordable Homes

Sage's goal is to have delivered or contracted, 20,000 newly-built, high-quality affordable homes by the end of 2022. Delivery in 2020 was impacted by COVID-19 as housebuilders' operations were disrupted, but our target for 2021 is set above 2020 at 3,494 homes. It is also important that Sage brings these homes into occupancy efficiently by renting our affordable homes, and selling the first tranche of shared ownership homes, expeditiously.

Sage is committing to sector-leading numbers of new affordable homes. Whilst maintaining financial discipline we have continued to commit at high levels. Sage's 2021 commitment target is a further 4,000 homes adding to the 4,254 committed to in 2020.

2020 also impacted the number of homes housebuilders could deliver to us during the year. Despite this, Sage took delivery of 2,162 affordable homes in 2020, being 57% more than in 2019. Our target for 2021 is dependent on our housebuilder partners' delivery of new homes, but we plan for a further significant increase to nearly 3,500 deliveries in 2021.

Despite the COVID-19 disruption in 2020, working closely with local authorities we let 94% of all new rental properties within 60 days of the building being handed over to us by the housebuilders. With 2021 normalising, we expect to be at 98%.

The disruption was more pronounced in shared ownership 1st tranche reservations and sales, as social distancing closed estate agents and restricted physical viewing at some points in the year; this led to homes taking longer to reserve and sell. With a higher number of homes to sell in 2021 compared to 2019 and 2020, we are targeting 85% of homes being 1st tranche reserved or sold within 8 weeks of handover from the housebuilders. The gross margin we earn is also important to Sage. The margin is a factor of the cost to build the home, and the selling price. Our margin may vary over time based on what format of homes we sell, in which locations and when building contracts were signed, and naturally the backdrop of the housing market at the time of sale. Based on these factors we are targeting a slightly reduced margin in 2021 compared to 2020.

Value for money report continued

Operational Efficiency

Sage continues to build its infrastructure to enable it to acquire and deliver high volumes of new affordable homes, as well as rent and sell them at the required heightened levels. In addition, we are investing in customer experience capabilities in advance of the further growth of its portfolio. As such, Sage is currently incurring exceptional levels of costs which will normalise as the pace of delivery of new affordable homes falls more closely in line with peer norms. Sage's Board and management team therefore monitor an adjusted headline social housing cost per unit which removes all non-recurring expenditure unrelated to its normalised lettings operations to understand our efficiency excluding these costs. As can be seen, this measure rose slightly in 2020, but is now targeted to reduce significantly as Sage's portfolio scales and we benefit from operational efficiencies.

Sage's People

Sage has a people-focussed inclusive culture where our teams are valued. In 2021 Sage is planning to launch its inaugural comprehensive staff satisfaction survey to gather valuable feedback to inform what Sage does next to deliver enhancements to this culture. To this point engagement with Sage's people has been targeted on gathering feedback on specific areas; for example, in 2020 the Sage Together team surveyed staff specifically around wellbeing and feedback from this survey is being used to drive new initiatives to achieve improved levels of happiness and wellbeing amongst Sage's teams. As Sage will be undertaking this survey for the first time there is no internal benchmark to inform a target; however, the Board has agreed an aspirational target in this area to ensure the value it places on its people permeates throughout Sage.

Conclusion

The Board is satisfied that, having considered all the requirements, Sage is compliant with the VFM Standard.

2,162 homes delivered

Sage delivered 2,162 new affordable homes in 2020 and targets delivery of a further 3,494 homes in 2021.

4,254 homes committed to

Sage's 2021 commitment target is a further 4,000 homes adding to the 4,254 committed to in 2020.

Our engagement with our stakeholders

The Directors are pleased to explain how they have had regard to the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 when performing their duty to promote the success of the Company under that section of the Act.

Sage's values are the foundation to how we do business and those focus on ensuring sound relationships with our stakeholders (see page 4).

(A) The likely consequences of any decision in the long term.

In addition to preparing a five year corporate plan and related budget, we also prepare a 30-year long-term strategy which is stress-tested against severe but plausible scenarios to ensure that it is robust. Underlying that is the work of the Board in ensuring strong, long-term relationships with our customers and other stakeholders, based upon the quality of our properties and the reliability of the services we provide.

(B) The interests of employees

We value the contribution of our people and know their individual actions and behaviours help build a successful business. During the year, the Board ensured remuneration frameworks were established to ensure executives and other members of the workforce were properly rewarded for their contribution. In addition, a workforce advisory panel was set up and the chair of the panel will regularly attend Board meetings to ensure the workforce's viewpoint is understood and considered by the Board in its decision making process.

(C) The need to foster business relationships with suppliers, customers and others

Sage puts its customers at the heart of its business, and we work hard to ensure that residents and shared ownership purchasers receive the best possible customer experience. Customer satisfaction is a recurring theme throughout Board discussions. Our relationship with PfP is crucial and we maintain a strong partnership with them, the development of this relationship is a key component of Board discussions. During the year, the Board put in place a supplier code of conduct in order to align our suppliers' values with those of Sage. Sage maintains a strong business relationship with housebuilders, local authorities and other key stakeholders such as Homes England.

(D) The impact of the Company's operations on the community and environment.

Our ESG strategy was a key focus in 2020 and remains so. We have developed an ESG programme that will help us demonstrate the positive impact we have in our communities. The Board considers ESG matters in all its decision making and further details of our ESG strategy may be found on page 8.

(E) The desirability of the Company maintaining a reputation for high standards of business conduct.

The Board periodically reviews and approves policies, such as the Sage Code of Conduct, anti-fraud and anti-money-laundering policies, and Sage's Modern Slavery Statement, to ensure that its high standards are maintained both within the organisation and in our business relationships. We ensure workforce training on these matters is kept up to date. The Board monitors the Company's culture to make sure our values are fully embedded into organisational behaviours.

(F) The need to act fairly as between members of the Company

Sage is a single member company and our investors have appointed Directors who participate in Board meetings.

The Board bears the requirements of S172 into account in all its decision making and the key matters it considered are set out on pages 27 and 28.

In January 2020, the Board was presented with a report to highlight to the Directors their duties under S172 of the Companies Act and to assist them in understanding how they should carefully consider all of the company's stakeholders, among other pertinent factors, when deciding the course of action which will best lead to the success of the company.

We followed this up in May 2020 when the Board identified, analysed and prioritised Sage's stakeholders. Based on that, the Board undertook an exercise to review our engagement mechanisms with those stakeholders in order to ensure the correct approach was applied and to develop engagement where necessary.

The Strategic report

This Strategic Report was approved by the Board of Directors on 18 June 2021 and signed on its behalf by:

Bridget Frisby

Company Secretary
Sage Housing Limited

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Committed to the highest standards of corporate governance



“

The Board remains mindful of the need to ensure Sage's governance keeps pace with the growth and increasing complexity of the organisation and its operations.”

Alison Thain OBE
Chair

> **Continued progress:**

- Complied with the UK Corporate Governance Code and Regulatory standards
- Governance structures and processes in place as Sage grows

Sage was established to create a long-term affordable housing platform, capable of delivering meaningful numbers of newly-built, high-quality efficient affordable homes, and provide excellence service to our residents.

The Company believes that it acts as a force for good by helping to mitigate the housing affordability crisis and because the achievement of the organisation's commercial aims will help encourage further private funds into the provision of affordable housing.

Sage's values set out how all of its stakeholders and everyone who engages with Sage can rely on it to do the right thing, in the right way, and to do it well. Consistent with the Company's purpose and those values, Sage is committed to the highest standards of corporate governance.

Ultimate accountability for the governance of Sage lies with the Board of Directors which liaises closely with the Company's parent and investors. The Board consists of individuals of recognised stature with abundant business experience and knowledge of the housing sector, at least half of whom are independent as defined by the FRC UK Corporate Governance Code 2018 (the “Code”).

The Board is supported by formal Audit and Risk and Remuneration and Nomination Committees and underpinning the governance framework are the Company's robust internal controls and risk management processes.

Sage is a Registered Provider and must comply with the stringent governance provisions overseen by the RSH. We aim for the highest level of compliance with the Regulator's Standards. In addition, as Sage is a for-profit organisation, it has also decided to adopt, wherever practical for a private company, the Code, which is the highest standard of corporate governance in the UK, as it is intended primarily for Premium London Stock Exchange listed companies. In adopting the Code Sage has established internal governance processes which reflect best practice in business today.

In 2020 we continued to strengthen our corporate governance framework in accordance with the Code. In particular, we put in place measures to monitor and address culture, developed new approaches to stakeholder engagement and implemented a succession planning process.

The Board remains mindful of the need to ensure Sage's governance keeps pace with the growth and increasing complexity of the organisation and its operations. We will continue to develop governance structures and processes and to embed a focus on good governance into our culture as a reflection of our values.

Alison Thain OBE
Chair
18 June 2021

The Board

An experienced team

Directors



Alison Thain OBE
Chair

Alison Thain OBE, was CEO of the largest Housing Association in North East England until her retirement in 2016. An experienced Non-Executive Director, she is currently also Director of a Trust Port and a University Governor. Her previous positions have included Directorship of a Regional Building Society, Local Enterprise Partnership and Regional Development Agency. She chaired a housing market renewal pathfinder when she was awarded the OBE for services to housing.



John Brace
Independent Non-Executive Director
Senior Independent Director (from February 2021)

John Brace is an experienced Non-Executive Director with 25 years' experience in the social housing sector. He is a Chartered Accountant and former Finance Director with a wide ranging commercial background in both executive and non-executive roles and with extensive social housing sector experience. His former roles include Chair of Cottsway Housing and Group Resources Director of Aster Group.



David Godden
Independent Non-Executive Director

David Godden is a Non-Executive Director of NHS Property Services, where he chairs the facilities management committee. He is also a member of the remuneration, customer and the assets and investment committees. David sits on the Estates Advisory Committee of the Imperial War Museum and is a Trustee Director of Power to Change. He previously held senior executive roles in property management and customer services with Telereal Trillium, Land Securities and BAE Systems.



Gemma Katakya
Non-Executive Director

Gemma Katakya was involved in the inception of Sage Housing and joined the Sage Board as a Non-Executive Director in April 2018. Gemma has over 15 years' experience in private equity and is currently a Managing Director at Blackstone within the European real estate group, focussing on UK investments across a number of sectors. Gemma has expertise in finance, asset management and real estate and also sits on the board of The Office Group, The Arch Company and iQ Student Housing.



Sydney Taylor
Non-Executive Director

Sydney Taylor has over 30 years' experience in real estate, private equity, banking and fund management. He has worked within a variety of blue chip listed, private and start-up organisations both in the UK and globally. Former employments at director level include ING Real Estate, Land Securities, Trillium, Goldman Sachs, Alpha Real Capital and Great Portland Estates. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and serves as a Non-Executive Director on the boards of the three Brockton Capital Real Estate Funds.



Committee Key

- Audit and Risk
- Remuneration and Nomination
- Acquisitions
- Committee Chair

Company Secretary

Bridget Frisby

Company Secretary

Bridget Frisby worked as a corporate and governance lawyer for ten years in large city practices prior to joining Sage. She advised real estate companies, including Registered Providers, on a diverse range of governance and corporate issues, including mergers and acquisitions. Bridget had acted for Sage since 2016 while she was in private practice and joined Sage permanently as Head of Legal and Company Secretary in January 2018.

Executives

Mark Sater

Chief Executive Officer

Mark Sater joined Sage as interim Chief Executive Officer in August 2020, having previously been an adviser to Regis Group, and was appointed on a permanent basis on 1 March 2021. Mark has led organisational transformation and growth across a range of sectors and geographies. His career includes two decades in consumer goods and retail and a decade in regulated medical devices. A Chartered Accountant by qualification, his significant management and board level experience has included roles as President, Global Consumer Group, Velcro Group of Companies, Chief Executive Officer, AccuMED Corp LLC, Chairman of Amoena Medizin-Orthopädie-Technik GmbH and Managing Director of Overland Group Ltd.

John Goodey

Chief Financial Officer

John Goodey joined Sage as Chief Financial Officer in September 2019. Prior to joining Sage, John was CFO of Welltower Inc, the world's largest healthcare REIT. Prior to becoming its CFO, John led Welltower's international operations, doubling the size of its business to over \$6 billion in value during his tenure. Prior to Welltower, John spent 18 years as an investment banker at Deutsche Bank and Barclays Capital, holding senior level roles in healthcare investment banking and M&A advisory.

Devin Peterson

Chief Operating Officer

Devin Peterson joined Sage on 1 June 2018 as Chief Operating Officer. Devin was previously with Blackstone, which he joined in 2011, where he helped create its U.S. single-family housing platform, Invitation Homes. He previously worked at Rockwood Capital and Morgan Stanley Real Estate.

Lucian Smithers

Chief Customer Officer

Lucian Smithers joined Sage in April 2021 in a new role dedicated to enhancing customer engagement, created in line with Sage's commitment to having customers at the heart of its business. Lucian joined Sage from affordable housing provider Pocket Living where he was part of the management team and built award-winning marketing and digital platforms across sales and customer care. Prior to that, Lucian was a Director of Sales and Marketing in the content division at BSkyB, where he was responsible for brand management and the digital customer experience.

Corporate governance report

Governance framework

The Board of Sage understands that good corporate governance is of fundamental importance in achieving the Company's corporate purpose. A sound corporate governance framework provides the structure to enable the Board and the Company to operate in an effective and entrepreneurial way for the benefit of its investors and other stakeholders.

FRC UK Corporate Governance Code 2018

Sage has adopted the FRC UK Corporate Governance Code 2018 (the "Code") which operates on a 'comply or explain' basis. Certain provisions of the Code are designed to apply to companies with a listed shareholder base and during 2020 Sage did not comply with those provisions:

- > Provision 4 – Actions to be taken regarding votes cast against AGM resolutions. > This provision is not applicable as Sage is a private company with one shareholder and AGMs are not held.
- > Provision 12 – Appointment of a Senior Independent Director. > No Senior Independent Director was deemed necessary due to the relatively small size of the Board but, in line with the recommendations of Board and Committee evaluation in 2020, it was agreed that a Senior Independent Director should be appointed and John Brace took on that role in February 2021.
- > Provision 18 – All directors should be subject to annual re-election. > This is not appropriate for a single-member private company. Sage's parent retains the ability to appoint or remove any Director.
- > Provision 24 – The Audit Committee should consist of Independent Non-Executive Directors. > Sydney Taylor, a representative of the investors and not considered an independent Director under the Code, is a member of the Audit and Risk Committee as it is considered that his financial skills and business knowledge are beneficial.
- > Provision 36 – Director share schemes. > This is not applicable to Sage as a single-member private company.

Subject to those explanations, Sage was compliant with the Code during 2020.

RSH standards

The Company conducted a detailed self-assessment of its compliance with the RSH standards which apply to the Company. After reviewing this assessment, the Board can confirm that the Company has complied with the Governance and Viability Standard.

The Board has also concluded that the Company has complied with all other relevant standards as set out by the RSH during the 2020 financial year.

Board leadership and Company purpose

An effective Board

The Company is led by an effective and entrepreneurial board of directors with significant experience of the sector who understand how value is created over time. The Board provides leadership to the Company within a framework of prudent and effective controls that enable risk to be assessed and managed. Based upon the business model, a strategic plan for the forthcoming five years was determined at a separate strategy day in conjunction with the Executive Management Team with a budget that was set for the forthcoming year to support that. A 30-year long-term strategy was also agreed in accordance with sector requirements and stress-tested against various scenarios.

Monitoring culture

Sage's values set out the critical importance of reliability in the behaviour of all those in the Company and this represents the keystone of the Company's culture.

The size of the Company had meant that management had been able to monitor the culture of the Company directly with the workforce, due to the close working relationship, and indirectly, through assessments from management reporting on leavers, internal promotions, and ethnic and gender monitoring. With most employees working from home in 2020, further information was gathered through an employee survey. Culture and people are pillars of strategic focus and a structured approach to monitoring and assessing culture has been implemented by developing existing methods and implementing new initiatives that deliver both quantitative and qualitative data. The insight gained into Sage's culture helps to develop and identify areas that require focus or further action, ensuring Sage's culture aligns with its purpose, vision and values.

In 2020, as part of Sage's commitment to creating a collaborative and inclusive culture, a workforce advisory panel was established with Sage's culture a primary focus. The panel has direct access to the Board and will help the Board monitor and assess progress being made in this area.

Decision making

A clear division of responsibilities is in place at the head of the organisation with balanced controls. The Chair is responsible for the smooth running of the Board and the Chief Executive Officer is responsible for the day to day management of the business and the building of an effective Executive Management Team. The Board operates within a schedule of matters reserved for its decision. The Board has delegated certain activities to formal Committees which operate within defined terms of reference. The Board and its Committees have a timetable of work to ensure all these matters are considered as well as additional issues that arise during the year. The Board is provided with good quality papers as a base for sound decision making and undertakes a robust discussion and challenge of matters brought to it for decision. Detailed minutes record the debate and the decisions made at each meeting. The Board has established procedures to identify and avoid actual or potential conflicts of interest.

Relations with stakeholders

The importance of Sage's stakeholders is understood and clearly reflected in the Company's values and activities.

Shareholder and investors

Sage is committed to engaging and communicating with its parent shareholder and investors in respect of strategy, key decisions and business and operational performance. To this end the investors have nominated Directors appointed to the Board. There is a regular dialogue with the parent and the investors which enables the Board to have a clear understanding of their views. By mutual consent, the Board and parent have decided to waive the need to hold an Annual General Meeting.

Other key stakeholders

Sage has a set of values which specifically describe the high standard that Sage's stakeholders, whether they be customers, local authorities, housebuilders, regulators, its people or anyone else that engages with Sage, can expect. As a Registered Provider, the Company has a duty to engage with its customers and is satisfied that engagement processes are in place so that the views and concerns of customers receive sufficient attention and action from the Board and the Executive Management Team.

During 2020 a formal exercise was undertaken to identify and prioritise the Company's stakeholders and review its engagement mechanisms with them. This analysis was used to inform Sage's strategic priorities and in particular its focus on the pillars of customer, culture and people, and other stakeholders, including a renewed focus on environmental, social and governance matters.

Workforce

The Board is responsible for ensuring that workforce policies and practices are in line with the Company's purpose and values. The Remuneration and Nomination Committee (pages 33 to 36) supports the Board, seeking the advice of remuneration consultants

when appropriate. A Whistleblowing Policy is in place setting out how members of the workforce may raise concerns, anonymously if they wish.

Gathering the views of the workforce

As the Company has grown, management has been able to monitor the views of the workforce directly. During the year, in order to enhance engagement, the Company set up a workforce engagement panel called Sage Together. Sage Together is formed of 17 members of the workforce from across the business with a wide scope of representation including departmental, BAME and gender. Sage Together has two sub-panels which focus on topics important to Sage – wellbeing, and diversity and inclusion. Sage Together is helping to provide a platform for ongoing Board and workforce engagement and plays a key role in helping the Board understand and shape Sage’s culture.

Division of responsibilities

The Chair

Alison Thain OBE is Chair of the Board and was independent upon appointment. She has demonstrated responsibility for leadership of the Board and in ensuring its effectiveness in a culture of openness and accountability. Her role has included setting relevant agendas and making sure timely, accurate, high-quality and clear information has been provided to the Board. She has also ensured that there has been rigorous debate at meetings, with contributions from all Directors, followed by effective decision making.

The Board

In 2020 the Board comprised Alison Thain OBE, Chair; John Brace, Independent Non-Executive Director; David Godden, Independent Non-Executive Director; Gemma Katakya, Non-Executive Director; Sydney Taylor, Non-Executive Director; and Steve Trusler, Independent Non-Executive Director (resigned 31 December 2020).

Accordingly, at least half the Board, excluding the Chair, have been Non-Executive Directors whom the Board considers independent. The biographical details of the Directors of the Company are shown on page 24.

There were nine full meetings of the Board in 2020 and details of the attendance of the Directors at these meetings are shown below. In addition, there were five ad hoc Board meetings held to consider specific subjects and a strategy day with the Executive Management Team where the Strategic Plan was discussed and agreed. Each director attended all of the meetings.

From April 2020 all meetings were held by videoconferencing due to the COVID-19 pandemic. At its meetings, the Board scrutinises the performance of the Company and its management. The Board has set clear agreed goals and objectives and through strategic and operational reporting effectively monitors the performance and the delivery of these goals as well as risks, uncertainties and future prospects.

In addition to regular updates and formal items, matters considered by the Board during 2020 included:

January

- > Approval of updated Audit and Risk and Remuneration and Nominations Committees’ terms of reference
- > Agreement of the 30-year Long Term Strategy and consideration of KPIs and tolerance setting
- > Received a report on s172 and stakeholder engagement
- > Discussion with PfP leadership regarding service management
- > Approval of the 2020 budget

February

- > Approval of the Procurement Policy and the Supplier Code of Conduct
- > Discussion on workforce engagement and approval of an engagement panel approach
- > Approval of the Sage Five Year Corporate Plan 2020 to 2024
- > Consideration of latest MHCLG Advice for Owners of Multi-Storey and Multi-Occupied Residential Buildings
- > Corporate structure review
- > Approval of the accession of Wells Fargo to the revolving credit facility

April

- > Review of compliance with the UK Corporate Governance Code and RSH standards
- > Results of resident consultation
- > Consideration of service management provision
- > Discussions regarding the implications of COVID-19

May

- > Discussion on the return to work plan
- > Approval of the updated Conflicts of Interest Policy
- > Agreement of Chair and CEO’s division of responsibilities
- > Approval of Company whistleblowing arrangements
- > Approval of the accession of Heral to the revolving credit facility
- > Considered stakeholder prioritisation and engagement

Board meeting attendance

	Jan	Feb	Apr	May	Jun	Sep	Nov	Dec	Dec
John Brace	●	●	●	●	●	●	●	●	●
David Godden	●	●	●	●	●	●	●	●	●
Gemma Katakya	●	●	●	●	●	●	●	●	●
Sydney Taylor	●	●	●	●	●	●	●	●	●
Alison Thain	●	●	●	●	●	●	●	●	●
Stephen Trusler	●	●	●	●	●	●	●	●	●

Attended ●

Note: Two full meetings were held in December 2020.

Corporate governance report continued

Division of responsibilities continued

The Board continued

July

- > Discussion on the results of the Board and Committee evaluations
- > Approval of the updated Housing Services Policy
- > Approval of new bank accounts and mandates
- > Shared ownership sales update
- > Consideration of debt financing approaches
- > Consideration of Environmental, Social and Governance Policy and initiatives

September

- > Agreement to proceed with the CMBS bond
- > Approval of the Fraud Policy and the Rent Policy
- > Agreement of the Directors' training plan
- > Approval of the updated Allocations and Lettings Policy
- > Consideration of the implications of Building Safety Bill
- > The Voice of the Customer (resident survey)

December (two meetings)

- > Consideration of Consumer Code Complaints Self-Assessment
- > Approval of 2021 bonus plan framework
- > Consideration of the Board and Committee evaluation report from Independent Audit
- > Discussion with the investors
- > Consideration of the Housing Ombudsman new Consumer Code
- > Approval of the 2021 budget and Five Year Corporate Plan 2021 to 2025
- > Agreement of the 30-year Long Term Strategy and consideration of KPIs and tolerance setting

Board Committees

The Board has delegated certain of its activities to standing Committees. These Committees operate within defined terms of reference which are reviewed annually. During 2020 the Committees were:

- > Audit and Risk Committee (pages 30 to 32)
- > Remuneration and Nomination Committee (See pages 33 to 36)
- > Acquisitions Committee

The Audit and Risk Committee and the Remuneration and Nomination Committee are formal governance Committees as required by the Code and reports from these Committees may be found on the pages shown. The Acquisitions Committee has been established under the Standing Orders and Financial Regulations to review and approve property acquisitions within its authority. Its members are Gemma Katakya and Sydney Taylor, as well as a representative from the investors, and it generally meets each week.

Executive Management Team

Day-to-day execution of the strategic plan through their operation of the Company's business is the responsibility of the Executive Management Team whose authorities are delegated from the Board and set out in the Standing Orders and Financial Regulations.

Board evaluation, training and support

Evaluation

An evaluation process is carried out annually to support continuing improvement in Board, Committee and individual Director effectiveness. In May 2020, an internal evaluation was conducted by the Company Secretary, by circulating questionnaires, and by the Chair, who met each Director individually to discuss their contribution to the Board. The evaluation of the Board and its Committees concluded that the Board was operating effectively with a high standard of performance throughout the year. The areas identified and addressed in 2020 were continuing development of the Board's understanding of emerging trends and risks in the sector; better understanding of the Sage business/financial model and its drivers; and engaging further with Environmental, Social and Governance issues.

The intention is to have a process led by an external facilitator at three year intervals at least. In 2020, following a tender process, the Board appointed Independent Audit Limited ("Independent Audit"), which has no other connection with the Company or individual Directors, to carry out a comprehensive external review of the Board and Committees. This included in-depth interviews with all Board Directors, with members of senior management and with the external auditor and remuneration consultant. In addition, the observation of a Board and two Committee meetings was carried out, as well as a review of meeting materials.

The aim of the evaluation was to identify the Board's strengths, so they can be preserved, and suggest areas for improvement. In December 2020, Independent Audit's review was presented to the Board and was considered and discussed by it. Independent Audit provided a number of recommendations and noted that those did not detract from the many strengths of the Board they identified, which included positive meeting dynamics, a strong alignment of purpose, well-chaired Board and Committee meetings, inclusive discussions and an open and transparent atmosphere with good assurance being provided by the internal audit function. The Board agreed to all of Independent Audit recommendations which are being implemented. Independent Audit's key recommendations included:

- > focusing the Board discussions around key pillars of the strategy;
- > building on the strong interaction between the Board and the Executive Management Team;
- > developing new approaches to hearing the customer and workforce voices;
- > improving Board agendas and supporting materials;
- > the appointment of a Senior Independent Director; and
- > further strengthening the risk and assurance framework, building on the significant progress already made in this area.

The external evaluation of the Board and its Committees has helped inform Board composition including the appointment of John Brace as Senior Independent Director in February 2021.

Training

Training in matters relevant to their role on the Board is available to all Directors. When appointed, new Directors are provided with a full and tailored induction in order to introduce them to the business and management of the Company. The Chair and Company Secretary agree what Board-wide training or development may be appropriate. Board meetings are generally preceded by a training session.

Support

The Board is supported by the Company Secretary who is available to give ongoing advice to all Directors on Board procedures and corporate governance. Directors are also entitled to seek independent advice in relation to the performance of their duties at the Company's expense, subject to having first notified the Chair and Company Secretary.

Internal control

The Board has overall responsibility for establishing and maintaining the entire system of internal control for the Company and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives.

The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Company's assets and interests.

In meeting its responsibilities, the Board has utilised a risk-based approach to internal controls that is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with principles set out in the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes the items listed below.

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Company's activities. The Executive Management Team regularly considers and receives reports on significant risks facing the Company and is responsible for reporting to the Board any significant changes affecting key risks.

Monitoring and corrective action

A process of control, self-assessment and regular management reporting on control issues provides assurance to management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of the Company's services. Sage has its own Internal Auditor who is supported by Ernst & Young, which carries out additional internal audit reviews on the Company's behalf.

Control environment and control procedures

The Board retains responsibility for a defined range of matters covering strategic, operational, financial and compliance issues, including treasury strategy and large new investment projects. This is supported by a framework of policies and procedures with which employees must comply.

The Company has clear administrative, management and supervisory systems of control, agreed and set out by the Board, in its Standing Orders and Financial Regulations. These Standing Orders set out the governance structure of the Company and the delegated authorities given by the Board to allow for the operation of the Company and are adhered to strictly. From time to time, as operational requirements have required, these Standing Orders have been updated after careful review by the Board.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year and management accounts produced monthly. These are reviewed in various levels of detail by the Executive Management Team and are reported to each Board meeting. The Board also regularly reviews progress towards the achievement of key business objectives, targets and outcomes.

Fraud

The Board has a policy on fraud covering prevention, detection and reporting of fraud. A register is maintained of any fraud or potential fraud. The Audit and Risk Committee regularly reviews the fraud register.

Anti-bribery policy statement

The Company seeks to maintain the highest standards of ethics and integrity in the way it conducts its business with relevant policies adopted by the Board and implemented in the Company.

Audit and Risk Committee report

Maintaining effective internal controls and risk management



“

During the year the Committee maintained its focus on the integrity of the Company’s reporting by maintaining its strong oversight over the adequacy and effectiveness of its internal control and risk management mechanisms.”

John Brace
Chair of the Audit and Risk Committee

- > **Continued progress:**
- Strengthened role of in-house internal auditor
 - New internal audit charter, annual work plan and long-term strategy
 - Updated the Company’s risk policy and strategy

Introduction

As required by the Code, the Audit and Risk Committee (the ‘Committee’), is responsible to the Board for discharging governance responsibilities in respect of audit, risk and internal control.

In addition, a key requirement of the RSH’s Governance and Financial Viability standard is that organisations must have an effective risk management and internal controls assurance framework and the Committee undertakes a crucial role in ensuring that is in place.

During the year the Committee maintained its focus on the integrity of the Company’s reporting by maintaining its strong oversight over the adequacy and effectiveness of its internal control and risk management mechanisms.

In 2019 the Group employed its first in-house internal auditor, who also heads the risk function. During 2020 the Committee approved a new internal audit charter, annual work plan and long-term strategy, as well as reviewing risk management processes to ensure they remained fit for purpose.

The Committee monitors the work of the internal audit function to ensure that issues are detected by applying necessary investigatory rigour and then are properly addressed with lessons learned for the future. The internal audit function does essential work in making sure that, as the organisation grows, its internal controls keep pace.

The Committee spearheads the Company’s focus on risk and, during 2020 it updated the Company’s risk policy and strategy. The Committee works to ensure that effective procedures exist to identify emerging risks and include them in the risk management process and that all risks are appropriately mitigated in accordance with the Company’s risk appetite as determined by the Board. In 2020 a special review was carried out on the risk of the COVID-19 pandemic to the organisation.

The Committee oversees the work of the external auditor, Deloitte LLP, and is responsible for assessing the effectiveness of the external audit process. Prior to the 2020 audit, the Committee discussed its nature and scope with the external auditor. The Committee is responsible for the quality, expertise, judgement and independence of the external auditor.

While the Committee operates to a pattern of work around the Company’s annual reporting cycle, it also regularly considers matters in areas that could create risk such as reviewing the whistleblowing process, anti-bribery measures and anti-fraud protection activity as well as other areas of financial compliance.

For the forthcoming year, as the Company continues on its growth trajectory, the Committee will ensure its internal control mechanism keeps pace and will further strengthen its focus on risk in the organisation.

John Brace
Chair of the Audit and Risk Committee
18 June 2021

The Audit and Risk Committee

The Committee is established by the Board under terms of reference that are reviewed regularly and were most recently updated in January 2021. A copy of the terms of reference is available on the Company's website.

Membership

During the year the Committee comprised:

- John Brace (Chair)
- David Godden
- Sydney Taylor

The Committee met five times during the year.

Audit and Risk Committee attendance

	Feb	May	Jun	Sep	Nov
John Brace	●	●	●	●	●
David Godden	●	●	●	●	●
Sydney Taylor	●	●	●	●	●

Attended ●

John Brace and Sydney Taylor are Chartered Accountants and have recent and relevant financial experience; both have extensive experience in the housing sector. David Godden has extensive experience in the housing and real estate sectors. The Committee as a whole has competence relevant to the sector in which the Company operates.

Under the Code, an Audit Committee should consist of Independent Non-Executive Directors, however, as Sydney Taylor is a representative of the investors, he is not considered an independent Director under the Code. Nevertheless, he is a member of the Audit and Risk Committee so that it may benefit from his financial skills and business knowledge.

When appropriate, the Chief Executive Officer and Chief Financial Officer along with the internal auditor and external auditor are invited by the Committee to attend its meetings. The Committee is able to consider items of business without other parties being present.

Key responsibilities of the Committee

These include:

- monitoring the integrity of the financial statements of the Company and reviewing significant financial reporting judgements contained in them;
- providing advice to the board on whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- approving the Company's Value for Money, Going concern and Viability statements, to be included in the Company's annual report and financial statements;
- reviewing the Company's internal financial controls and internal control and risk management systems;
- making recommendations to the Board about the appointment of the external auditor;

- determining the fee payable to the external auditor so that an effective, high-quality audit can be conducted for it;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- advising the Board on the Company's overall risk appetite, tolerance and strategy;
- keeping under review the Company's risk assessment processes that inform the Board's decision making;
- reviewing the Company's capability to identify and manage risks; and
- reporting to the Board on how it has discharged its responsibilities.

Activities

Activities of the Committee

During the year, in addition to fulfilling the responsibilities set out above, the Committee, among other matters:

- was updated by the CFO on the Company's actual and expected financial performance;
- received updates from the external auditor on changes and expected changes to the Company's legal and regulatory financial environment;
- agreed the 2020 audit plan with the external auditor and agreed areas of focus with it;
- approved the Company's Risk Policy and risk management strategy;
- agreed the internal audit charter, 2020, plan and long term strategy;
- considered the internal audit reports, looked at the findings from each and reviewed and discussed with the Head of Internal Audit and Risk how and when issues were addressed and closed;
- invited members of management to discuss internal audit findings regarding their areas of responsibility;
- on behalf of the Board considered the Company's risk appetite;
- received and considered risk management reports and reviewed the strategic risk register; and
- reviewed formal reports from the Compliance Officer regarding the Company's compliance with data protection and anti-money laundering legislation, and with any instances of whistleblowing and fraud.

Significant areas of risk

Areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2020 were:

- cost allocation of housing properties; and
- management override of controls.

The Committee addressed these areas by applying a rigorous review of each and confirming with the external auditor that there were no matters of concern.

On behalf of the Board, the Committee maintained oversight over critical accounting judgements and estimates and discussed with the external auditor, where appropriate, the proper application of accounting rules and compliance with disclosure requirements.

Audit and Risk Committee report continued

The Audit and Risk Committee continued

Internal audit

The Committee is responsible for the remit of the internal audit function and for monitoring the effectiveness of its work. The importance of the internal audit function in maintaining an effective control environment, particularly in light of the increasing size and complexity of the organisation, is well understood by the Company.

In support of the Company's in-house internal audit function, Ernst & Young LLP ("EY") undertook a number of independent audit reviews on specified areas of the Company's business during the year ended 31 December 2020.

The results of internal audit reviews, including the independent reviews by EY, were presented to the Committee with the actions recommended followed up and closed.

Risk

The Company has in place a risk management and internal control system. At each meeting the Committee reviews the strategic risk register. The Board has determined the extent of its appetite for risks it is willing to take in achieving its strategic objectives.

During the year the Committee monitored existing and potential risks faced by the Company and maintained sound risk management and internal control systems in line with the risk appetite set by the Board.

The Committee oversaw the formation of the Risk Management Group, which is a management risk forum, meeting regularly to consider existing and potential risks to the organisation. The Committee also instigated the establishment of departmental risk registers which will be introduced in 2021 and which will further embed a risk focus through the business.

The principal risks and uncertainties facing the business are detailed on pages 14 and 15.

External audit

Effectiveness

The Committee addresses the effectiveness of the external audit process by measures including:

- assessing the external auditor to ensure it has the necessary expertise, experience and understanding of the business, as well as having the time and resources to carry out its audit effectively;
- discussing with the external auditor the key controls it relies on to address identified risks to audit quality; and
- regularly reviewing, and feeding back to the external auditor, an assessment of its performance.

Independence

The Committee safeguards the external auditor's objectivity by reviewing its report where it details the measures it takes to maintain its independence and manage any potential conflicts of interest. No non-audit work was undertaken by the auditor.

Appointment

Deloitte LLP has been the Company's external auditor since 2018 when the Company first reached sufficient size to be audited. There are no contractual obligations restricting the Company's choice of auditor. The Committee considers that the relationship with the external auditor continues to work well, remains satisfied with its effectiveness and has no current intention of re-tendering the external audit services contract. The Committee has recommended to the Board that Deloitte LLP be reappointed as the Company's auditor.

Remuneration to attract, retain and motivate



“

The Committee recognises that the quality of the Company's leadership and workforce is a key element in the achievement of Sage's strategy.”

David Godden

Chair of the Remuneration and Nomination Committee

> Continued progress:

- New senior executive remuneration framework put in place
- Determined 2020 bonus measures and targets against the background of the COVID-19 pandemic
- New CEO appointed

Introduction

I was appointed interim Chair of the Remuneration and Nomination Committee (the 'Committee') when Stephen Trusler left the Board of Sage at the end of 2020. His contribution as Chair of the Committee has been invaluable and under his leadership the Committee made important progress.

The Committee is a Committee of the Board of this Company and other entities in the Group. While the workforce is employed elsewhere in the Group, the Directors, executives and other employees provide services to the Company and as required by the Code, the Committee has delegated responsibility from the Board to decide the remuneration of the Chair of the Company, the Chief Executive Officer and other designated senior executives. The Committee takes into account the need to recruit and retain executives while paying no more than is necessary. The Committee also reviews employee remuneration and pay-related policies. It is responsible for Board and senior management recruitment and conducts a continued and proactive process, taking into account the Company's strategic priorities.

The Committee recognises that the quality of the Company's leadership and workforce is a key element in the achievement of Sage's strategy and understands the need to attract, retain and motivate individuals who will drive growth and financial performance in line with the Company's purpose and its values. Value for money is at the heart of our decision making and that means investing in the pay of the right people doing the right things.

In 2020, the Committee put in place a senior executive remuneration framework and oversaw the establishment of a set of pay principles. From a remuneration perspective this gives us a basis on which to make decisions. In addition, among other matters, the Committee considered the remuneration packages of key executive management and determined bonus measures and targets for the year ahead against the background of the COVID-19 pandemic. It also oversaw the recruitment process for the Chief Executive Officer role, recommending the appointment and remuneration of Mark Sater, and considered Board and executive succession planning and matters affecting the whole workforce, such as diversity and inclusion.

During the forthcoming year, the Committee will ensure realistic but challenging targets for performance-related pay in order to dovetail with post-pandemic planning and to maintain focus on achieving the pillars of Company strategy. The Committee will also continue to develop succession plans for the Board and senior executive management, will oversee the establishment of a competency and performance framework for the workforce, and will continue to drive the embedding of diversity and inclusion in the business.

David Godden

Chair of the Remuneration and Nomination Committee
18 June 2021

Remuneration and Nomination Committee report continued

The Remuneration and Nomination Committee

The Committee is established by the Board under terms of reference that are reviewed regularly and were most recently updated in February 2021. A copy of the terms of reference is available on the Company's website.

Membership

During the year the Committee comprised:

- > Alison Thain
- > Stephen Trusler

Remuneration and Nomination Committee attendance

	Jan	Feb	May	Jul	Aug	Sept	Nov	Nov	Dec
Stephen Trusler	●	●	●	●	●	●	●	●	●
Alison Thain	●	●	●	●	●	●	●	●	●

Attended ●

Note: Two meetings in November.

Stephen Trusler stepped down from the Committee and as its Chair when he left the Board on 31 December 2020. David Godden was appointed interim Chair of the Committee on 1 January 2021 and has the previous experience on remuneration committees deemed by the Code as necessary for the role.

Support to the Committee

By invitation of the Committee, meetings are attended, when appropriate, by the Chief Executive Officer and the Head of Human Resources, who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. Advice or information may also be sought directly from other employees where the Committee feels that such additional contributions will assist the decision making process.

The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers. During the year, the Committee was assisted in its work by FIT Remuneration Consultants LLP ("FIT"). FIT provided independent advice on remuneration matters to the Committee. Redgrave Partners provided recruitment services to the Company in its search for a Chief Executive Officer. Neither FIT nor Redgrave Partners has any other connection with Sage.

The parent and investors are kept updated with the deliberations of the Committee and their views are taken into account on proposals put to the Board. The investor Directors are usually invited to attend Remuneration Committee meetings.

Key responsibilities of the Committee

These include:

- > recommending to the Board the remuneration of the Chair of the Company, the Chief Executive Officer and other designated senior executives (members of the Executive Management Team);
- > considering and recommending to the Board a policy on senior executive remuneration;
- > reviewing workforce remuneration and related policies and the alignment of rewards with culture;
- > being responsible for selecting, appointing and dismissing remuneration consultants;
- > approving, and making recommendations to the Board regarding any termination or severance payments to Executive Directors and other designated senior executives;
- > reviewing the structure, size and composition of the Board and making recommendations to the Board;
- > agreeing the appointment and reappointment of any Non-Executive Directors; and
- > formulating plans for succession for both senior executives and Non-Executive Directors.

The fees of the Non-Executive Directors are determined by the Chair (whose own fee is determined by the Committee in consultation with Sage's shareholder).

No individual is involved in considerations or decision making on their own remuneration.

Remuneration

Activities

During the year the Committee, among other things:

- > determined levels of pay for the Company's executives, including the level of salary increase to be applied for 2020;
- > reviewed and confirmed the 2019 bonus awards for Executives and employees within the business;
- > determined realistic but challenging 2020 bonus targets in light of the implications of the COVID-19 pandemic;
- > developed and approved a senior executive remuneration framework to provide a stable and transparent platform for operating pay arrangements going forward (the key principles of which are summarised in the paragraph below);
- > determined the remuneration of the new Chief Executive Officer;
- > agreed the establishment and revision of key employment policies including redundancy and pay in lieu of notice;
- > determined and approved a set of workforce pay principles;
- > reviewed the organisation's gender pay gap and the measures being taken to address it;
- > reviewed workforce benefits policies and agreed some changes (including the implementation of enhanced family leave arrangements); and
- > reviewed and agreed the Committee report to feature in the Company's 2019 annual report.

Senior executive remuneration framework – key principles

- The Company's pay arrangements are designed to take account of its commercial culture and to attract and retain executives with the right sense of purpose and the skills for delivering against stretching targets which contribute to Sage Housing as a force for good.
- The Company seeks to pay cost effectively and fairly. Its unique position as a high-growth, entrepreneurial, commercial provider of affordable housing is recognised, and value is seen in the consideration of a range of external benchmarks. Benchmarking should be used primarily as a means of informing debate by the Committee rather than used to provide an answer.
- As a starting point, the Committee will consider median data for the most appropriate benchmarks.
- The other drivers of pay will include internal relativities; differentials (such as the relationship between the CEO's pay and average or the lowest pay in the organisation); the complexity and impact of roles; the skills, experience, performance and franchise value of incumbents; and equal opportunities and diversity and inclusion.
- Internal comparability and external competitiveness are both equally important and each need to be considered as inputs for a rounded decision applying judgement. In applying such judgement, the Company strives for the support of all its stakeholders for the approach to pay that is taken.
- Sustainability, affordability and value for money are key to both the Company's business model and its approach to pay.
- The Company's approach to pay is aligned with its values.
- The Company takes account of the views of its investors.
- The Company takes account of the guidance of the UK Corporate Governance Code and considers the alignment of executive pay and all-employee pay.

Pay elements

- Base salary assumes an acceptable level of performance and is set at a level which rewards fairly the individual's responsibility and performance. It is reviewed annually, and consideration is given to remuneration in comparable organisations.
- Annual bonus is determined by a defined bonus framework. Bonuses are payable on individual performance measured against pre-determined personal KPIs and the achievement of relevant business goals. The purpose of bonuses is to reward achievement against stretching target levels and they require over-achievement for the delivery of maximum amounts. All bonuses are capped at a level depending on the role of the individual and no individual is able to receive more than 100% of their basic salary as a bonus.
- Modest benefits are provided, i.e. employer pension contributions at the minimum statutory level for all employees and insured life and long-term disability cover. The insured benefits provide some financial protection against death and illness.
- Terms and conditions are determined by reference to comparable companies and entitle staff to fixed pay only on severance for the balance of any notice period (plus redundancy if relevant).

Key factors

In developing the senior executive remuneration framework during the course of 2020, and in planning for its implementation, the Code has been an important touchstone and the Committee has been careful to take full account of the remuneration-related provisions in its considerations. Sage has considered the six factors outlined in Provision 40 of the Code as follows:

- **Clarity** – The remuneration framework is structured to support financial delivery and the achievement of strategic objectives, aligning the interests of senior executives with those of the parent and other key stakeholders. Sage ensures that the remuneration framework is clear, and that it is well-communicated to senior executives and all members of the workforce.
- **Simplicity** – The remuneration framework is straightforward to communicate and operate. It avoids complexity and focuses on specific pay elements, with any performance measures and targets clearly defined.
- **Risk** – When setting executive pay the Committee seeks to balance a range of risks: reputational, behavioural, operational, talent, strategic and governance. The remuneration framework has been structured to ensure that it is aligned with the Board's system of risk management and risk appetite. Inappropriate risk taking is mitigated through, for example, the operation of arrangements that provide an appropriate balance of fixed pay to variable pay and through the use of multiple annual bonus performance measures based on a blend of financial, non-financial and strategic targets.
- **Predictability** – The annual bonus is subject to individual caps and the Committee has full discretion to alter the pay-out level to ensure payments are appropriately aligned with the underlying performance of the Company. Personal KPIs and business goals for bonus awards are clearly set out and agreed with each individual.
- **Proportionality** – Executives are able to see how their performance in growing the supply of affordable housing and improving the Company's financial position will lead to performance-related pay awards. Executives are aware that rewards are based on achievement rather than effort. Formulaic bonus outcomes are reviewed by the Committee and may be adjusted having consideration to overall Group performance.
- **Alignment with culture** – Sage is a rapidly growing, entrepreneurial company with significant ambitions which operates in a socially responsible, regulated sector of the economy. Sage's culture reflects all those elements. The personal KPIs and business goals that underlie Sage's remuneration strategy work to maintain that culture as the organisation matures while ensuring that the behaviour of individuals supports the Company's purpose, values and strategy.

All-employee remuneration

As for senior executives, general practice across the Company is to recruit employees at competitive market levels of remuneration, to attract, motivate and retain employees. When considering salary increases for senior executives, the Committee will take into account salary increases and pay and employment conditions across the wider workforce. All employees receive the same benefits comprising statutory minimum employer pension contributions and insured life and disability cover and, to support the organisation's strategy, a potential annual bonus is provided for all employees which is awarded for the achievement of performance targets. All bonuses are capped at a level depending on the role of the individual.

Remuneration and Nomination Committee report continued

Nomination

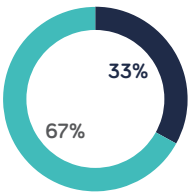
Activities

During the year the Committee, among other things:

- > with the end of Roderick Cahill's interim contract in mind, commenced a search for a new Chief Executive Officer;
- > retained Mark Sater as interim Chief Executive Officer while the search was underway;
- > following a review of candidates, and in view of his performance in the role as interim, recommended the appointment of Mark Sater as Chief Executive Officer;
- > undertook a detailed succession planning review of the Board and for senior executives, looking at short term contingency planning as well as the longer-term succession to roles based on a talent mapping exercise;
- > reviewed the Board's balance of skills to ensure there were no gaps in key Board skills and knowledge;
- > agreed a training program for Director development; and
- > oversaw the introduction of an updated and strengthened Diversity and Inclusion Policy and a plan for its implementation in the organisation.

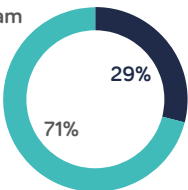
Board

- Female: 2
- Male: 4



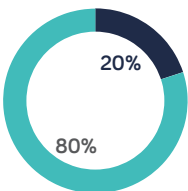
Executive Management Team

- Female: 2
- Male: 5



Senior management

- Female: 4
- Male: 16



At the end of 2020 there were 76 male employees (52%) and 70 female employees (48%) in the Group.

Recruitment process

The process adopted is that the Committee agrees a description of the role and of the capabilities required and a recruitment consultant is then engaged to seek appropriate candidates based on merit against the objective criteria set out in a role description. A shortlist is drawn up by the recruitment consultants for each role and suitable candidates are considered in detail and interviewed by members of the Committee so that a final selection can be recommended by the Committee for appointment to the Board, parent, and investors. Mark Sater was recruited as Chief Executive Officer in accordance with this process.

Succession planning

The Committee monitors and evaluates the balance of skills, experience, independence, and knowledge required on the Board and oversees recruitment for Board and senior executive appointments on a proactive basis as well in response to vacancies.

Diversity and inclusion

All Board appointments are based on the objective criteria set out in a role description and, in accordance with the Company Diversity and Inclusion Policy, paying particular attention to the merits of diversity on the Board. The Board takes the issues of diversity and inclusion seriously and follows the Policy to build the strong team it requires to deliver the strategy for the business.

The gender balance of the Board, those in the leadership team and their senior management direct reports is set out below.

Notice periods

No Director or executive has contractual rights for compensation beyond payment of the contractual notice period which for the executives is no more than six months' salary. The Non-Executive Directors, including the Chair, have letters of engagement and are appointed for a period of three years.

	Role	Date of appointment
Alison Thain OBE	Chair	6 March 2018 reappointed 6 March 2021
John Brace	Independent Non-Executive Director	20 April 2018 reappointed 20 April 2021
David Godden	Independent Non-Executive Director	9 July 2019
Gemma Katakya	Non-Executive Director	20 April 2018 reappointed 20 April 2021
Sydney Taylor	Non-Executive Director	4 May 2017 reappointed 4 May 2020

As agreed with its parent, no Annual General Meetings are held. Directors are not subject to annual re-election. However, the Company's parent retains the ability to appoint or remove any Director from time to time.

The Chair will not serve more than nine years in post as set out in the Chair's letter of engagement.

Directors' report

The Directors submit their report and audited financial statements for Sage Housing Limited for the year ended 31 December 2020.

It is the Directors' responsibility to prepare the annual report and financial statements and they consider that the Sage Housing Limited Annual report and financial statements 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Directors' report disclosures

The Chair's statement and the Strategic report, including the Chief Executive Officer's review, and Financial review, form part of this report and include:

- > disclosure of the key performance indicators used to manage the business; and
- > likely future developments.

Corporate governance

The Corporate governance report is set out on pages 26 to 29.

The Board

The members of the Board are listed on page 24 and all held office throughout the year.

The Directors were as follows:

John Brace
David Godden
Gemma Katakya
Sydney Taylor
Alison Thain
Stephen Trusler (retired 31 December 2020)

The Company Secretary is Bridget Frisby.

The Articles give the Directors the power to appoint additional or replacement Directors within the limits set out. The Directors may exercise all of their powers of the Company subject to statute, relevant regulation, the Articles and the Company's Standing Orders and Financial Regulations. Directors are not subject to annual re-election. However, the Company's parent retains the ability to appoint or remove any Director from time to time.

Annual General Meeting

By mutual consent, the Board and parent have decided to waive the need to hold an AGM and to approve the annual report, financial statements and the appointment of the auditor by written resolution.

Independent auditor

The Company's auditor for the year ended 31 December 2020 was Deloitte LLP. Deloitte LLP has been reappointed auditor for 2021.

Directors' and officers' liability

The Company has maintained, throughout the year and to the date of this report, Directors' and officers' liability insurance cover in respect of the acts or omissions of its Directors and executives and continues to do so. Details of the policy are provided to new Directors on appointment. In common with other companies, the Company has made qualifying third-party indemnity provisions for the benefit of its Directors against liabilities incurred in the execution of their duties.

Employees

The Company communicates and consults with its workforce on a wide range of subjects, including those that directly affect them, using email, websites, intranet, and meetings. The employees of the Company are instrumental in its success and the organisation works hard to maintain good relationships with its employees through continual communications.

Equality and diversity

The Company takes the issues of equality and diversity seriously. By using the talent and skills available the organisation is able to build the strong team it requires to deliver the strategy for its business. The Company uses job-related objective criteria in the selection of candidates and when considering development opportunities. The Company is committed to providing a work environment free from harassment and discrimination. The organisation accepts its obligations to people with disabilities and endeavours to treat them fairly in relation to job applications, training, promotion and career development. If employees become disabled while employed, every effort is made to enable them to continue working either in their original job or some suitable alternative.

Principal risks and uncertainties

The principal risks and uncertainties facing the business are detailed on pages 14 and 15.

Financial instruments

Details of the use and materiality of financial instruments are provided in note 1 to the financial statements.

Directors' interests

Apart from service contracts or Non-Executive Directors' letters of engagement, no contract subsisted during or at the end of the financial year in which a Director is or was materially interested and which is or was significant in relation to the Company's business during the period under review. No Director has any beneficial interest in the Company.

Dividends

No dividend was recommended or paid in the year or in the prior year.

Streamlined Energy and Carbon Reporting (SECR)

The Group is required to report under the Streamlined Energy and Carbon Reporting (SECR) framework, under the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon report) Regulations 2018.

Sage has begun to quantify its environmental impact and define medium and long-term carbon emissions targets, to place us on a course for reaching a zero-carbon future.

All emissions reported are from activities over which Sage has financial and operational control and are classified as follows:

Scope 1 – Direct emissions:	Emissions from combustion in owned or controlled boilers or vehicles
Scope 2 – Energy indirect:	Emissions that are a consequence of our activities which occur at sources we do not own
Scope 3 – Other indirect:	Emissions from business travel by means not owned by the Company

In addition to Sage's own corporate activities which are generally administrative in nature, Sage utilises partners to manage its delivered affordable homes and continues to significantly invest and deliver a high number of new affordable homes through our construction partnerships. We aim to engage with our supply chain to encourage them to report on their key environmental impacts for the Company to make informed procurement decisions.

Sage seeks to ensure its newly-built affordable homes are energy efficient and accredited with the highest levels of energy efficiency and will focus on reducing our own emissions throughout 2021 and beyond.

With the growth that Sage is currently experiencing setting a base year for comparison and a realistic carbon reduction target are impractical until we have reached a phase of stability. As this is the first year of emissions reporting no comparative years are provided.

Directors’ report continued

Streamlined Energy and Carbon Reporting (SECR) continued

In line with SECR requirements, the quantity of emissions in tonnes of carbon dioxide equivalent (tCO₂e) resulting from UK energy use relating to gas, electricity and transport fuel within the Company has been calculated for the year ended as follows:

- > Gas and electricity used in our offices.
- > Temporary gas and electricity supplies to void homes in our affordable housing portfolio.
- > Electricity and gas supplies to common building areas where Sage is the owner and manages the utilities.
- > Fuel used for business purposes by all employees.

Energy Use and Carbon Emissions for 2020:

Total energy consumption	kWh
Mains gas	2,201,994
Mains electricity	570,687
Transport fuel – business travel in employee-owned vehicles	109,419
	2,882,100
Total gross emissions	tCO ₂ e
Combustion of gas (scope 1)	450
Purchased electricity (scope 2)	146
Combustion of fuel for transport (scope 3)	25
	621

Intensity ratios

Our intensity ratios are based on three different drivers, average number of employees across the year, completed homes at year end and homes in development at year end.

Carbon emissions intensity (tCO ₂ e per employee)	4.60
Carbon emissions intensity (tCO ₂ e per completed home)	0.15
Carbon emissions intensity (tCO ₂ e per home in development)	0.07

Exclusions:

All mandatory fuels have been included with no exclusions.

The consumption used by our partnerships which include most of our supply chain, our house builders, residents and property management services, fall out of the scope of our financial and operational control boundaries and for this reason have been excluded from the above calculations.

Methodology:

As Sage occupies space within an office building without separate metering, all electricity and gas consumption figures used in our offices have been estimated based on average office costs per square foot. For temporary gas and electricity supplies to our void homes in our affordable housing portfolio we have calculated this based on the number of weeks the home is void and the Typical Domestic Consumption Values. The same calculation for communal areas is used where it is estimated this use is around 1% of a single home. The amount of transport fuel used by employees for business purposes, i.e. grey fleet, has been estimated using consolidated mileage claims data and the GHG Conversion Factors for average passenger vehicles have been applied.

Post-balance sheet events

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue.

Going concern

The Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors can report that there are no material uncertainties to the Company's ability to continue over a period of at least twelve months from the date of approval of the financial statements. This conclusion has been reached following a full review and scrutiny of the financial position of the Company, review and assessment of the risks facing the Company, and discussions with Sage's shareholder and investors who have confirmed their intentions to continue to support the Company in line with the current business plan.

To support this process the Board has put in place a risk management and internal control system. The Board has determined the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board and the management of the Company have maintained sound risk management and internal control systems.

The Directors can report that the Company has a considered and well-developed business model to preserve and increase the value of the Company's assets and to deliver the objectives of the Company in the short and long term.

The Board keeps liquidity under constant review, a process that involves assessing short and long-term cash flow projections, as well as review of Sage's business plan. In doing so the Board can identify possible funding requirements and plan for these with Sage's management, its shareholder and investors. Key assumptions underpinning the projections are regularly reviewed and updated and are subject to stress testing and sensitivity analysis including a review of the impact of reductions in income from shared ownership sales, future letting occupancy, the impact of COVID-19 and constraints to future increases in debt funding availability.

As referenced in the Viability statement and their assessment of the impact of the current uncertainty caused by COVID-19 on Sage's operations and funding requirements, the Directors have assessed the Company's access to additional shareholder funding as well as debt financing, and have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the approval date of these financial statements.

Viability statement

The Directors have assessed the ongoing viability of the Company.

Each year, on a rolling basis, the Directors draw up a strategic plan for the business. In 2020, the Directors drew up the strategic five year plan for the Company until the end of 2025. The Directors have determined five years to be appropriate as this fits well with the growth cycle that the Company is currently in and ensures the plan is aligned with Sage's thirty-year financial forecasts. The assumptions of the financial forecasts are regularly reviewed.

While the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have tested the assumptions and sensitivities identified, and stress tested the financial forecasts in the context of solvency or liquidity by considering severe but plausible changes, singular and compounding, to the plan's assumptions.

In addition to the usual assessments of the Directors pertaining to the ability of Sage to continue as a going concern, the Directors have also assessed the potential impacts and uncertainties created by the ongoing COVID-19 crisis.

Statement of Directors' responsibilities in respect of the financial statements

Areas of investigations have included, but were not limited to how Sage works with its partners to ensure tenants receive appropriate services, how to sell and let affordable homes in a socially distanced environment, how to work with developers to continue to deliver completed affordable homes to Sage, and how to continue to acquire new affordable homes in alignment with Sage's growth strategy.

Although impacted by the COVID-19 crisis, Sage has modified its operational protocols in alignment with government and independent expert advice. As such, modified tenant services have been put in place, Sage has continued selling and letting new affordable homes, and developers are now returning to site and building once again, albeit that activity levels remain below pre-crisis benchmarks.

As part of its assessments, the Directors have reviewed the short and long-term financial plans of Sage and resulting capital needs, and additional analysis prepared as to possible future scenarios where operations remain disrupted by the COVID-19 epidemic throughout 2021. Directors have also assessed Sage's ability to modify its plans and capital needs in response. In alignment to these reviews, the Directors have assessed Sage's existing credit facility. Facility covenants only relate to future drawdowns, with no maintenance covenants, and the Directors noted a reasonable level of headroom to these. Finally, the Directors have discussed with Sage's shareholder and investors their capital availability to fund Sage's business plan and have affirmed with them their intention to do so.

Following their assessment of the above, and discussions with Sage's shareholder and investors who have confirmed their intentions to continue to support the Company in line with the current business plan, the Directors have a reasonable expectation that the Company has access to adequate liquidity to continue in operational existence for the foreseeable future.

The Directors' Report was approved by the Board on 18 June 2021.

By order of the Board.

Bridget Frisby
Company Secretary
Sage Housing Limited

The Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. The Companies Act 2006 and registered social housing legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the private Registered Provider and of the profit or loss for that period. The Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 Registered Provider will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose with reasonable accuracy at any time the financial position of the Registered Provider and to enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from January 2019.

The Board has general responsibility for taking reasonable steps to safeguard the assets of the Registered Provider and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with the disclosure of the principal risks and uncertainties it faces.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholder to assess the Company's position, performance, business model and strategy. Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Statement of Directors' responsibilities was approved by the Board on 18 June 2021.

By order of the Board.

Bridget Frisby
Company Secretary
Sage Housing Limited

Independent auditor’s report

to the members of Sage Housing Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sage Housing Limited (the ‘company’):

- > give a true and fair view of the state of the company’s affairs as at 31 December 2020 and of its income and expenditure for the year then ended;
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; and
- > have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements which comprise:

- > the statement of comprehensive income;
- > the statement of financial position;
- > the statement of changes in equity;
- > the cash flow statement; and
- > the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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 an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Extent to which the audit was considered capable of detecting irregularities, including fraud continued

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Allocation of costs between shared ownership and affordable rent properties on acquisition. To address this risk we:

- obtained an understanding of the relevant controls over cost allocation;
- obtained management workings for a sample of schemes for which we challenged the rationale for cost allocations and assessed for potential indicators of impairment;
- selected a sample of sales for shared ownership units and recalculated the revenue and costs incurred;
- assessed initial bid appraisal calculations against valuations performed by third party; and
- assessed margin on first tranche sales sample selected against prior years and that of competitors.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

James Wright FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor
London
United Kingdom

18 June 2021

Statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	94,025	34,836
Cost of sales	3	(66,029)	(23,159)
		27,996	11,677
Operating costs	3	(29,090)	(25,360)
Operating loss	7	(1,094)	(13,683)
Interest payable and similar charges	8	(24,808)	(14,082)
Loss before tax		(25,902)	(27,765)
Tax on loss	9	—	—
Loss for the year		(25,902)	(27,765)

The results for the current year and prior year derive from continuing operations.

The notes on pages 46 to 56 form part of these financial statements.

Statement of financial position

at 31 December 2020

	Note	2020 £'000	2019 £'000
Tangible fixed assets			
Housing properties	10	523,290	417,642
Other fixed assets	11	178	353
Total fixed assets		523,468	417,995
Current assets			
Stocks	12	103,689	74,207
Debtors: amounts falling due within one year	13	19,905	12,960
Cash at bank and in hand	14	52,677	34,948
		176,271	122,115
Creditors: amounts falling due within one year	15	(39,013)	(36,868)
Net current assets		137,258	85,247
Total assets less current liabilities		660,726	503,242
Creditors: amounts falling due after more than one year	16	(656,860)	(497,196)
Net assets		3,866	6,046
Capital and reserves			
Called-up share capital	17	69,219	45,497
Profit and loss account		(65,353)	(39,451)
Total shareholders' funds		3,866	6,046

The financial statements of the Company (registered number: 05489096) were approved by the Board of Directors and authorised for issue on 18 June 2021.

They were signed on its behalf by:

Alison Thain OBE
Chair

The notes on pages 46 to 56 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2020

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2019	35,497	(11,686)	23,811
Issue of ordinary share capital	10,000	—	10,000
Total comprehensive loss for the financial year	—	(27,765)	(27,765)
At 31 December 2019	45,497	(39,451)	6,046
Issue of ordinary share capital	23,722	—	23,722
Total comprehensive loss for the financial year	—	(25,902)	(25,902)
At 31 December 2020	69,219	(65,353)	3,866

The notes on pages 46 to 56 form part of these financial statements.

Cash flow statement

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities	18	(22,377)	(49,024)
Cash flow from investing activities			
Purchase of housing properties		(396,966)	(281,121)
Disposal of housing properties		279,200	—
Purchase of other fixed assets		(25)	(153)
Disposal of other fixed assets		6	—
Grants received		13,111	—
Net cash outflow from investing activities		(104,674)	(281,274)
Cash flow from financing activities			
New share issue		23,722	10,000
Loans received		138,768	357,343
Interest paid		(17,710)	(13,696)
Net cash inflow from financing activities		144,780	353,647
Net increase in cash and cash equivalents		17,729	23,349
Cash and cash equivalents at the beginning of the year		34,948	11,599
Cash and cash equivalents at the end of the year		52,677	34,948
Cash and cash equivalents consist of:			
Cash at bank and in hand		52,677	34,948
Total cash at bank and in hand		52,677	34,948

The notes on pages 46 to 56 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2020

1 Accounting policies

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 in the Professional advisers and registrations' section, on page the IBC.

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 Statement of Recommended Practice 2018 for registered social housing providers ("Housing SORP 2018") and comply with the Accounting Direction for Private Registered Providers of social housing from January 2019 (the "Accounting Direction 2019").

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 (£) and are rounded to the nearest thousand pounds (£'000).

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

Going concern

The Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors can report that there are no material uncertainties as to the Company's ability to continue over a period of at least twelve months from the date of approval of the financial statements. This conclusion has been reached following a full review and scrutiny of the financial position of the Company, and review and assessment of the risks facing the Company.

As referenced in the Viability statement, Director's report, and their assessment of the impact of the current uncertainty caused by COVID-19 on Sage's operations and funding requirements, the Directors have assessed the Company's access to additional shareholder funding as well as debt financing, and have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the approval date of these financial statements.

Turnover

Turnover represents rental and service charge income receivable (net of void losses), proceeds from first tranche sales of shared ownership properties and amortisation of social housing grants in accordance with Housing SORP 2018.

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 value is calculated as the proportion of the property sold, multiplied by the market value determined at the time.

Social housing property grant income is recognised under the accrual model and is amortised over 100 years, starting from when the property is completed, in line with the Company's depreciation policy for the structure of rental-only social housing properties, and as required by Housing SORP 2018. This 100-year period also applies to grants relating to shared ownership properties, even though these properties are not depreciated.

Value added tax

Value added tax ("VAT") is charged on income, which forms a taxable supply for VAT purposes and therefore the VAT incurred on related expenditure is recoverable. VAT is not recoverable on exempt supplies. 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.

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 "under 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 developer's 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.

1 Accounting policies continued

Housing properties and depreciation continued

Component	Years
Housing structure	100
Roof	50
Windows and doors	25
Electrical and 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.

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:

Asset category	Years
Computer equipment and software	3
Furniture, fixtures and fittings	4
Leasehold office properties and 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 asset's or cash-generating unit's (CGU's) recoverable amount. The recoverable amount will be the higher of fair value less costs to sell, existing use valuation for Social Housing ("EU-V-SH"), or value in use (in respect of assets held for their service potential) ("VIU-SP"). As allowed by Housing SORP 2018, 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. Cost includes the cost of acquiring land and buildings and development costs incurred during the development period. 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 unsold completed properties is split between fixed assets and stock in the ratio 60:40.

Financial assets

Basic financial assets, including tenant debtors, other receivables, cash and bank balances are initially recognised at the transaction price unless the arrangement constitutes a financing transaction, in which case 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.

Social housing property grant

These grants, which have been provided by central and local government to part-fund the construction of the Company's social housing properties, are recognised using the accrual model as required by Housing SORP 2018. These are treated as deferred income and amortised as detailed in the Turnover policy. The amount due to be amortised in the following year is included in creditors due within one year. The original amount granted may become repayable if the conditions of the grant are not complied with.

Notes to the financial statements continued

for the year ended 31 December 2020

1 Accounting policies continued

Recycled Capital Grant Fund ("RCGF")

The Company has the option to recycle social housing property grants, which would otherwise be repayable to Homes England or the GLA, to the RCGF. If the amounts set aside in this manner are not used to fund the development of new social housing within a three-year period, they again become repayable, with interest, unless a time extension or waiver is received.

The amounts held within the RCGF which are not anticipated to be recycled or become repayable within one year are included under 'creditors due after more than one year'. The remainder is included under 'creditors due within one year'.

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.

Financial assets and liabilities are only offset in the statement of financial position 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. Interest payable on loans is recognised in the statement of comprehensive income and not capitalised to housing properties. Finance costs are amortised across the length of the loan.

Taxation

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

The current tax is based on the taxable result for the year. Taxable result differs from net result 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's 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.

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.

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 development's 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);

2 Critical accounting judgements and key sources of estimation uncertainty continued

Determining whether an impairment review is required continued

- > 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 consideration conducted at the year-end, no indicators of impairment have been identified and no provisions have been required. Refer to note 10 for details of the housing properties balance subject to impairment review.

Estimation uncertainty

The key estimates applied in respect of housing properties are disclosed in note 1 and include the useful economic life of the housing structure and other housing components, and that properties have no residual values at the end of their useful life.

These are conservative assumptions that have been aligned with the general practice followed by Registered Housing Providers.

There are no further key estimates.

3 Turnover, cost of sales, operating costs and operating loss

	2020				2019			
	Turnover £'000	Costs of sales £'000	Operating costs £'000	Operating loss £'000	Turnover £'000	Costs of sales £'000	Operating costs £'000	Operating loss £'000
Social housing activities								
Social housing lettings	11,278	—	(17,176)	(5,898)	4,322	—	(14,338)	(10,016)
Other social housing activities								
Shared ownership first tranche sales	82,649	(65,977)	—	16,672	30,458	(23,124)	—	7,334
Charges for support services	—	—	(11,914)	(11,914)	—	—	(11,022)	(11,022)
	93,927	(65,977)	(29,090)	(1,140)	34,780	(23,124)	(25,360)	(13,704)
Non-social housing activities								
Other activities	2	—	—	2	5	—	—	5
	93,929	(65,977)	(29,090)	(1,138)	34,785	(23,124)	(25,360)	(13,699)
Surplus on staircasing	96	(52)	—	44	51	(35)	—	16
	94,025	(66,029)	(29,090)	(1,094)	34,836	(23,159)	(25,360)	(13,683)

Of the total turnover above, £nil (2019: £nil) was derived from outside the UK.

4 Income and expenditure from social housing lettings

	2020 £'000			2019 £'000		
	General needs	Shared ownership		General needs	Shared ownership	
Turnover from social housing lettings						
Rents receivable net of identifiable service charges	8,294	2,569	10,863	3,642	643	4,285
Service charge income	45	348	393	3	34	37
Amortised government grants	1	21	22	—	—	—
	8,340	2,938	11,278	3,645	677	4,322
Expenditure on social housing lettings						
Management costs	(8,666)	(5,607)	(14,273)	(10,627)	(2,447)	(13,074)
Maintenance and repairs	(483)	(160)	(643)	(91)	(32)	(123)
Bad debts	(4)	—	(4)	(2)	—	(2)
Depreciation on housing properties	(2,166)	(51)	(2,217)	(1,089)	(29)	(1,118)
Other costs	(15)	(24)	(39)	(11)	(10)	(21)
Operating expenditure on social housing lettings	(11,334)	(5,842)	(17,176)	(11,820)	(2,518)	(14,338)
Operating loss on social housing letting activities	(2,994)	(2,904)	(5,898)	(8,175)	(1,841)	(10,016)
Void losses	1,305	1,983	3,288	890	678	1,568

Notes to the financial statements continued

for the year ended 31 December 2020

5 Key management personnel

The key management personnel are defined as members of the Board, and any other person who is a member of the Executive Team. Their emoluments are summarised below.

	2020 £'000	2019 £'000
Non-Executive Directors' remuneration		
Emoluments	135	97
Compensation for loss of office	—	—
Total Non-Executive Directors' remuneration	135	97
Executive Management Team remuneration		
Emoluments	2,376	2,728
Defined contribution pension contributions	31	28
Total Executive Management Team remuneration	2,407	2,756

During the year, defined contribution pension contributions were made for six (2019: seven) key management personnel, totalling £31,000 (2019: £28,000). No pension contributions were paid in the current year to the Company defined contribution pension scheme for the former Chief Executive Officer, an ordinary member of the pension scheme (no enhanced or special terms apply) (2019: £7,000 to former Chief Executive Officer). Neither the former Chief Executive Officer nor the current Chief Executive Officer had individual pension arrangements (including a personal pension) to which the Company or any of its Group Companies made a contribution.

The former Chief Executive Officer stepped down from the Board and left employment on 29 April 2019. He participated in an uncapped annual bonus arrangement which was agreed when he joined the Company at its inception in December 2017. The Company no longer has any uncapped bonus arrangements.

The average number of full-time equivalent directors during the year ended 31 December 2020 was 4 (2019: 3).

	2020 £'000	2019 £'000
Remuneration of the highest-paid Director		
Emoluments (excluding pension contributions)	441	931
Pension contributions	9	7
	450	938

6 Employees' information

The average monthly number of employees (incl. Directors) expressed in full-time equivalents during the year was:

	2020 Number	2019 Number
Non-Executive Directors	6	5
Senior managers and executives	7	3
Office staff	122	95
	135	103
Staff costs (for the above persons)		
	2020 £'000	2019 £'000
Wages and salaries	10,754	9,154
Social security costs	1,330	1,278
Defined contribution pension	210	145
	12,294	10,577

6 Employees' information continued

The number of employees, including Executive Directors, whose total remuneration exceeds £60,000 in the year (including salaries, performance-related pay, compensation for loss of office and pension contributions paid by the employer) is set out hereunder.

	2020 Number	2019 Number
£60,001 - £70,000	16	3
£70,001 - £80,000	13	11
£80,001 - £90,000	3	7
£90,001 - £100,000	3	6
£100,001 - £110,000	4	1
£110,001 - £120,000	4	—
£120,001 - £130,000	—	2
£130,001 - £140,000	1	2
£140,001 - £150,000	—	2
£160,001 - £170,000	—	2
£170,001 - £180,000	4	1
£180,001 - £190,000	1	—
£200,001 - £210,000	2	2
£210,001 - £220,000	1	1
£220,001 - £230,000	1	1
£230,001 - £240,000	1	—
£250,001 - £260,000	—	1
£310,001 - £320,000	1	—
£340,001 - £350,000	1	—
£420,001 - £430,000	1	—
£450,001 - £460,000	1	—
£930,001 - £940,000	—	1
	58	43

7 Operating loss

	2020 £'000	2019 £'000
Operating loss is stated after charging the following:		
Depreciation of housing properties	2,023	936
Depreciation of other tangible fixed assets	194	182
	2,217	1,118
Operating lease rentals	1,502	1,159
Auditor remuneration (exclusive of VAT)		
In its capacity as auditor of the company (no other services were provided)	97	74

8 Interest payable and similar charges

	2020 £'000	2019 £'000
Interest expense on loans repayable	17,625	9,314
Interest expense on amounts owed to group undertakings	7,183	4,768
	24,808	14,082

Notes to the financial statements continued

for the year ended 31 December 2020

9 Tax on loss

There was no tax charge in the year due to the losses (2019: £nil). The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2020 £'000	2019 £'000
Loss before tax	(25,902)	(27,765)
Tax on loss at standard UK corporation tax rate of 19%	(4,921)	(5,275)
Effects of:		
– Fixed asset differences	403	192
– Expenses not deductible for tax purposes	379	104
– Corporate interest restriction	3,500	1,901
– Anti-hybrid adjustment	1,389	768
– Deferred tax not recognised	(750)	2,310
Total tax credit for the year	—	—

The UK corporation tax rate for the year was 19% (2019: 19%).

Although the reversal of tax losses in the future may decrease the future corporation tax charge to the Company, the deferred tax asset has not been recognised due to likely changes in the Group structure which may make the realisation of the asset uncertain.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. This change has no impact on the Company as no deferred tax has been recognised.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate had not been substantively enacted at the balance sheet date.

	2020 £'000	2019 £'000
Deferred tax asset not recognised		
Fixed asset timing differences	142	71
Short term timing differences	8	11
Losses	2,841	3,281
Total deferred tax credit for the year	2,991	3,363

10 Tangible fixed assets – housing properties

	Completed housing properties for letting			Housing properties under construction £'000	Total £'000
	Affordable rent £'000	Shared ownership £'000	Total £'000		
Cost:					
At 1 January 2020	132,898	75,379	208,277	210,369	418,646
Under construction	—	—	—	304,178	304,178
Completed	162,348	108,919	271,267	(271,267)	—
Disposals	(198,478)	(750)	(199,228)	—	(199,228)
At 31 December 2020	96,768	183,548	280,316	243,280	523,596
Depreciation:					
At 1 January 2020	(1,004)	—	(1,004)	—	(1,004)
Charge for the year	(2,023)	—	(2,023)	—	(2,023)
Disposals	2,721	—	2,721	—	2,721
At 31 December 2020	(306)	—	(306)	—	(306)
Net book value:					
At 31 December 2020	96,462	183,548	280,010	243,280	523,290
At 31 December 2019	131,894	75,379	207,273	210,369	417,642

10 Tangible fixed assets – housing properties continued

	2020 £'000	2019 £'000
The net book value of completed housing properties which excludes work in progress and land banked comprises:		
Freeholds	251,272	196,746

In the last quarter of 2020, the Company sold 1,609 rented housing units to sister company, Sage Rented Limited and 11 shared ownership units to sister company, Sage Shared Ownership Limited. These units were disposed of at the book value (£195,757,000 and £699,000 respectively), no profit or loss on disposal was realised.

11 Tangible fixed assets – other fixed assets

	Leasehold property improvements £'000	Furniture, fixtures and fittings £'000	Computer equipment £'000	Software £'000	Total £'000
Cost					
At 1 January 2020	182	146	313	50	691
Additions	—	—	25	—	25
Disposals	—	(6)	—	—	(6)
At 31 December 2020	182	140	338	50	710
Depreciation					
At 1 January 2020	(96)	(55)	(154)	(33)	(338)
Charge for the year	(46)	(26)	(108)	(14)	(194)
At 31 December 2020	(142)	(81)	(262)	(47)	(532)
Net book value					
At 31 December 2020	40	59	76	3	178
At 31 December 2019	86	91	159	17	353

12 Stock

	Under construction £'000	Completed properties £'000	Total 2020 £'000	Total 2019 £'000
Shared ownership				
At 1 January 2020	47,809	26,398	74,207	27,242
Additions	92,788	—	92,788	69,201
Properties completed	(79,248)	79,248	—	—
Cost of first tranche shared ownership properties sold	—	(63,306)	(63,306)	(22,236)
At 31 December 2020	61,349	42,340	103,689	74,207

13 Debtors: amounts falling due within one year

	2020 £'000	2019 £'000
Current tenant arrears	55	284
Amount owed by group undertakings (note 24)	11	1,819
Prepayments	2,340	2,484
Deposits	9,510	7,131
Other debtors	7,989	1,242
	19,905	12,960

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

14 Cash at bank and in hand

	2020 £'000	2019 £'000
Cash at bank and in hand	52,677	34,948

Notes to the financial statements continued

for the year ended 31 December 2020

15 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	4,748	22,774
Amount owed to group undertakings (note 24)	6,057	—
Deferred government grant (note 20)	64	—
Other taxes and social security costs	461	238
Accruals	27,600	13,856
Other creditors	83	—
	39,013	36,868

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans	348,685	282,974
Amounts owed to group undertakings (note 24)	293,514	214,222
Deferred government grant (note 20)	14,661	—
	656,860	497,196
	2020 £'000	2019 £'000
– between one and five years	348,940	282,974
– after five years	307,920	214,222
	656,860	497,196

The Company's Bank loans are supplied on the basis of a five-year revolving credit facility entered into on 15 January 2019. As at the year-end, the facility had a maximum facility size of £580m (2019: £380m). The bank loans are secured by way of first fixed charge over the housing properties. The facility does not have maintenance covenants, only for additional drawings from the facility. These covenants are asset cover tests based on the ratio of the value of the properties secured to the outstanding balance of the loan and are tested at each new draw upon the facility. The facility's interest rate is LIBOR plus 3.0%. Unamortised loan transaction costs of £4,257,000 have been netted off against the bank loan (2019: £3,228,000).

The Company's weighted average interest rate for amounts owed to group undertakings is 3% (2019: 3%). These intercompany loans are for a ten-year term. These loans are not secured on the assets of the Company.

17 Share capital

	2020 £'000	2019 £'000
Shares of £1.00 each issued and fully paid		
At the beginning of the year	45,497	35,497
Issued during the year	23,722	10,000
At the end of the year	69,219	45,497

The Company has one class of ordinary shares which carry no right to fixed income. On 1 July 2020 and 18 December 2020, the Company issued 8,721,961 and 15,000,000 ordinary shares respectively at £1.00 each.

18 Notes to the cash flow statement

	2020 £'000	2019 £'000
Total comprehensive expense for the year	(25,902)	(27,765)
Depreciation	2,217	1,118
Interest payable and similar charges	24,808	14,082
Increase in debtors	(7,230)	(9,009)
Increase in stocks	(29,482)	(46,965)
Increase in creditors	13,212	19,515
Net cash outflow from operating activities	(22,377)	(49,024)

19 Housing units

	2020 Number	2019 Number
Units owned and managed		
General needs rented housing - affordable	661	1,011
General needs rented housing - social	84	157
Shared ownership	1,642	677
Total units owned and managed by the Company	2,387	1,845

20 Capital grants

	2020 £'000	2019 £'000
Social housing property grants		
At 1 January	—	—
New grant recognised	14,747	—
Amortisation	(22)	—
At 31 December	14,725	—
Amounts falling due within one year (note 15)	64	—
Amounts falling due after more than one year (note 16)	14,661	—

21 Capital commitments

	2020 £'000	2019 £'000
Expenditure contracted for but not provided for in the financial statements	1,190,441	835,937
Expenditure authorised by the Board but not contracted for	528,515	463,000

Capital commitments will be financed from rental income, the proceeds of property sales, equity and debt facilities and grants received.

22 Commitments under operating leases

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

	2020 £'000	2019 £'000
– Within one year	609	1,583
– Between one and five years	—	609
	609	2,192

23. Contingent liabilities

The original amount of social housing property grants that may become repayable. In addition to the amounts disclosed in creditors in note 15 and 16. £22,000 of grant has been credited to statement of comprehensive income to date through amortisation. The timing of any future repayment is uncertain.

24 Related party transactions and balances

Sage Investments Sàrl is the Company's parent undertaking. Sage Investments Sàrl provided the Company with an unsecured loan, the maximum value of which at any time was £270,022,000 (2019: £214,222,000). The outstanding balance at the year end was £243,514,000 (2019: £214,222,000). Interest is charged on an arm's length basis at 3% and is capitalised on the loan. This balance is classified as amounts owed to group undertakings in note 16. Sage Investments Sàrl provided the Company with an additional single interest-free, unsecured cash advance, which is repayable on demand. The maximum value of which at any time was £4,778,000 (2019: £nil). The outstanding balance at the year end was £4,778,000 (2019: £nil). This balance is classified as amounts owed to group undertakings in note 15.

Sage Rented Limited and Sage Shared Ownership Limited are subsidiary undertakings of the Company's parent undertaking, Sage Investments Sàrl.

In the last quarter of 2020, the Company sold 1,609 rented housing units to sister company, Sage Rented Limited and 11 shared ownership units to sister company, Sage Shared Ownership Limited. These units and the arrears associated with them were disposed of at the book value, no profit or loss on disposal was realised.

During 2020, Sage Rented Limited provided the Company with an interest bearing facility. As at the year-end the facility had a maximum facility size of £56,000,000. The facility is unsecured and bears interest at 3%. The maximum value of the facility at any time was £50,000,000. The outstanding balance at the year end was £50,000,000. This balance is classified as amounts owed to group undertakings in note 16.

Sage Rented Limited provided the Company with an additional interest-free loan, which is repayable on demand, the maximum value of which at any time was £7,185,000 (2019: £nil). The outstanding balance at the year end was £1,279,000 (2019: £nil). This balance is classified as amounts owed to group undertakings in note 15.

Notes to the financial statements continued

for the year ended 31 December 2020

24 Related party transactions and balances continued

The Company provided the Sage Rented Limited with a interest-free loan, which is repayable on demand, the maximum value of which at any time was £4,035,000 (2019: £4,035,000). The outstanding balance at the year end was £nil (2019: £1,504,000). This balance is classified as amounts owed by group undertakings in note 13.

The cost of the annual return fee and miscellaneous sundry bank charges was borne by Sage Housing Limited without any right of reimbursement.

Sage Housing Partnerships Limited is a 100% owned subsidiary of the Company's immediate parent undertaking, Sage Investments Sàrl. During 2020, the Company provided Sage Housing Partnerships Limited with an interest-free loan, which is repayable on demand, the maximum value of which at any time was £353,000 (2019: £315,000). The outstanding balance at the year end was £nil (2019: £315,000). This balance is classified as amounts owed by group undertakings in note 13.

Sage Housing Group Limited is a 100% owned subsidiary of the Company's immediate parent undertaking, Sage Investments Sàrl. During 2020, the Company provided Sage Housing Group Limited with an interest-free loan, which is repayable on demand, the maximum value of which at any time was £10,000 (2019: £nil). The outstanding balance at the year end was £8,000 (2019: £nil). This balance is classified as amounts owed by group undertakings in note 13.

During 2020, the Company provided Sage Shared Ownership Limited with an interest-free loan, which is repayable on demand, the maximum value of which at any time was £3,000 (2019: £nil). The outstanding balance at the year end was £3,000 (2019: £nil). This balance is classified as amounts owed by group undertakings in note 13. The cost of the annual return fee and miscellaneous sundry bank charges was borne by Sage Housing Limited without any right of reimbursement.

The Regis Group Holdings Limited is a related party due to its minority shareholding in the Company's parent, Sage Investments Sàrl.

25 Ultimate parent company and control

The Company's parent undertaking is Sage Investments Sàrl, a company registered in Luxembourg. This forms the smallest group and takes advantage of the small group exemption to not prepare group accounts. At 31 December 2020, the Company's ultimate parent undertaking and controlling party was The Blackstone Group International Inc, which is the largest group for which group accounts are drawn up.

As at 31 December 2020, Regis Group Holdings Limited had a 10% shareholding in Sage Investments Sàrl, with the remainder being owned by Rosemary Holdco Sàrl, a subsidiary of The Blackstone Group International Inc.

26 Group entities

The following undertakings are subsidiaries of the Company's parent undertaking by virtue of the ownership of their share capital and are related parties of the Company.

Name of undertaking	RSH number	Shares held	Registered in	Principal activity
Sage Borrower AR1 Limited	—	100%	England	Financing company
Sage Housing Group Limited	—	100%	England	Management company
Sage Housing Partnerships Limited	—	100%	England	Dormant
Sage Investments 1 Limited	—	100%	England	Intermediate holding company
Sage Investments 2 Limited	—	100%	England	Intermediate holding company
Sage Rented Limited	5083	100%	England	Ownership and management of housing for affordable lettings
Sage Shared Ownership Limited	5082	100%	England	Ownership and management of housing for shared ownership

27 Post year end events

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue.

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