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Shropshire Housing Treasury Ltd

**2016/17**



**South  
Shropshire  
Treasury Ltd**

**Financial  
Statements**

**Company registration number: 8875047**

**SHROPSHIRE HOUSING TREASURY LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2017**

<b>CONTENTS</b>	<b>PAGE</b>
Company Information	1
Report of the Directors	2
Independent Auditor's Report	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

## **COMPANY INFORMATION**

### **Directors**

Directors as at 31<sup>st</sup> March 2017:

Tim Ralphs  
Stephen Donkersley (retired 8<sup>th</sup> September 2016)  
Jake Berriman  
James Williamson  
Sue Harrison (appointed 8<sup>th</sup> September 2016)

### **Secretary**

Jen Hayball

### **Auditor**

Mazars LLP  
45 Church Street  
Birmingham  
B3 2RT

### **Funders**

Canada Life  
1-6 Lombard Street  
London  
EC3V 9JU

Lloyds  
25 Gresham Street  
London  
EC2V 7HN

RBS Syndicate  
250 Bishopsgate  
London  
EC2M 4AA

### **Bankers**

RBS  
5<sup>th</sup> Floor  
2 St Philips Place  
Birmingham  
B3 2RB

**Company number: 8875047**

### **Registered office:**

The Gateway  
The Auction Yard  
Craven Arms  
Shropshire  
SY7 9BW

### REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for Shropshire Housing Treasury Limited (“the Company”) for the year ended 31<sup>st</sup> March 2017. The Company is a member of Shropshire Housing Group.

### OVERVIEW AND PRINCIPAL ACTIVITY

The Company was incorporated on 4<sup>th</sup> February 2014 and is a wholly owned subsidiary of Shropshire Housing Limited (SHL). Its objective is to source funding on behalf of SHL directly from the capital markets and on-lend the proceeds to asset-owning subsidiaries of SHL.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Company on-lends all of its proceeds from capital market transactions to asset owning subsidiaries of SHL, under a guarantee and security trust basis. Where capital market funding has been on-lent, the underlying assets of the issuance belong to the relevant asset owning subsidiary of SHL – being Meres and Mosses Housing Association (MMHA) and South Shropshire Housing Association (SSHA), through a Security Trust arrangement with the Prudential Trustee Company Limited.

As the Company is not obliged to provide incremental funding to other Group asset owning subsidiaries, it is not at risk if it cannot obtain further funding for SHL. All of Shropshire Housing Treasury Limited’s costs relating to providing funding services are billed to the relevant asset-owning subsidiary of Shropshire Housing Group.

### BUSINESS REVIEW

The Company has on lent £89 million of a £119 million facility at 31<sup>st</sup> March 2017, £71m to SSHA and £18m to MMHA.

### FINANCIAL RISK MANAGEMENT

#### Risk Management Objectives and Policies

SHL’s Finance function is responsible for the treasury management activities and control of associated risks. Its activities are governed by the Treasury Management Strategy, approved by the Group’s Board, which is ultimately responsible for treasury issues in all of Shropshire Housing Group’s legal entities, which include the Company. The Group finance function does not operate as a profit centre.

The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance costs.

#### Interest Rate Risk/Hedging

The Company currently borrows funds on a fixed rate basis from the capital markets and then on-lends these funds to asset-owning subsidiaries within Shropshire Housing Group on a similar fixed rate basis. As such, the Company does not bear any exposure to interest rate risk on a net basis. The Company does not undertake any hedging activities and it does not have any derivatives.

## REPORT OF THE DIRECTORS (Continued)

### Liquidity Risk

The Company mitigates its liquidity risk in relation to principal repayments and coupon payments by lending proceeds of capital market issues on similar repayment terms to the finance instrument issued.

### Credit Risk

All of the Company's capital markets financing proceeds are immediately on-lent to the relevant SHL subsidiary, which represents the only credit risk to the Company. This credit risk is mitigated through a number of factors, including the housing asset security which stands behind the loan, the overall Homes and Communities Agency assessment of the Group's financial viability and the contractual protection of the loan agreement between the Company and the relevant Shropshire Housing Group subsidiary itself.

The Company is not obliged to source further funding from the capital markets for on-lending to Shropshire Housing Group's subsidiaries.

### Directors

The Directors who served from 1<sup>st</sup> April 2016 to the date of this report are as follows:

Jacob Berriman

Tim Ralphs

Stephen Donkersley (retired 8<sup>th</sup> September 2016)

James Williamson

Sue Harrison (appointed 8<sup>th</sup> September 2016)

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**REPORT OF THE DIRECTORS (Continued)**

**STATEMENTS AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR**

The directors who held office at the date of approval of this Director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**AUDITOR**

Mazars LLP is auditor to the Company and its parent, SHL.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

**BY ORDER OF THE BOARD**

**Approved by the board on 20<sup>th</sup> July 2017  
and signed on its behalf by**



Tim Ralphs  
Director

# SHROPSHIRE HOUSING TREASURY LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE HOUSING TREASURY LIMITED

We have audited the financial statements of Shropshire Housing Treasury Limited for the year ended 31<sup>st</sup> March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

### Respective responsibilities of directors and the auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion 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 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.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Lee Cartwright  
(Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Address 45 CHURCH ST, BIRMINGHAM, B3 2RT

Date

07 August 2017



## SHROPSHIRE HOUSING TREASURY LIMITED

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### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Finance income	5	-	-
Interest and financing costs	6	-	-
		<hr/>	<hr/>
<b>Profit before taxation</b>		-	-
Tax on profit on ordinary activities		-	-
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<hr/> <hr/>	<hr/> <hr/>


SHROPSHIRE HOUSING TREASURY LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Current Assets</b>			
Debtors due within one year	7	-	-
Debtors due after one year	7	89,000	85,000
Cash and cash equivalents		<u>89,000</u>	<u>85,000</u>
		89,000	85,000
<b>Creditors: Amounts falling due within one year</b>			
	8	<u>(-)</u>	<u>(-)</u>
		89,000	85,000
<b>Net Current Assets</b>			
<b>Creditors: Amounts falling due after more than one year</b>			
	9	(89,000)	(85,000)
<b>Net assets</b>			
		<u>-</u>	<u>-</u>
<b>Share Capital and Reserves</b>			
Called up share capital	10	-	-
Revenue reserve		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

These financial statements were approved by the Board of Directors on 20<sup>th</sup> July 2017 and signed on its behalf by:

  
 Tim Ralphs  
 Director

  
 Jake Berriman  
 Director

## STATEMENT OF CASH FLOWS

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	(a)				
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Finance income		-		-	
Interest payable and financing costs		-		-	
Housing loans repaid		-		-	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition, construction and improvement of housing properties		-		-	
Proceeds from sale of Right To Buy properties & miscellaneous land		-		-	
Capital grants received		-		-	
Purchase of other property, plant & equipment		-		-	
Purchase of intangible assets		-		-	
<b>TAXATION</b>					
<b>Net change in cash and cash equivalents</b>					
<b>Cash and cash equivalents at the beginning of the year</b>					
<b>Cash and cash equivalents at the end of the year</b>					

**(a) NET CASH GENERATED FROM OPERATING ACTIVITIES**

	2017 £'000	2016 £'000
Operating surplus		-
Depreciation and impairment		-
Decrease/(increase) in debtors	(4,000)	(7,000)
Decrease/(increase) shared ownership cost of sales	-	-
Increase in creditors	4,000	7,000
Movement in provisions	-	-
Joint venture waiver	-	-
Amortised grant	-	-
<b>Net cash inflow from operating activities</b>		-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**1 ACCOUNTING POLICIES**

At the date of these financial statements the Directors have carried out a detailed and comprehensive review of the business and its future prospects. In the opinion of the Directors, the Company is expected to be able to continue trading within the current arrangements and consequently the financial statements are presented on the going concern basis.

A summary of the more important accounting policies, which have been consistently applied, are set out below:

**(a) Basis of preparation**

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

**Statement of compliance**

Shropshire Housing Treasury Limited has prepared financial statements in accordance with FRS 102.

**Financial Instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

***Financial assets carried at amortised cost***

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

***Financial liabilities carried at amortised cost***

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

**Significant management judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**(a) Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

**(b) Bond issue costs**

All of the Company's costs related to providing funding services are billed to the asset-owner to whom the proceeds of a capital markets issue have been on-lent.

**2 STATEMENT OF COMPREHENSIVE INCOME**

During the period, interest paid on loans is borne by the asset-owning borrower to whom the proceeds of the capital markets issue were on-lent. Consequently during the period the Company made neither a profit nor a loss.

Audit fees for the Company are paid for by the parent company, SHL and disclosed within its consolidated accounts.

**3 EMPLOYEES**

The Company does not have any employees. All employees acting on behalf of the Company are employed by SHL or one of its asset-owning subsidiaries, whose costs are disclosed in those financial statements.

**4 BOARD OF DIRECTORS' REMUNERATION**

The directors of the Company are employed and remunerated by SHL or one of its asset-owning subsidiaries. Full accounting disclosures on Directors' remuneration are therefore included within the respective Group member's financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
<b>5 FINANCE INCOME</b>		
Interest receivable from Group undertakings	-	-
	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>6 INTEREST AND FINANCING COSTS</b>		
Interest payable to bond holders	-	-
	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>7 DEBTORS</b>		
<u>Due within one year</u>		
Interest from Group undertakings	-	-
	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<b>2017 £'000</b>	<b>2016 £'000</b>
<u>Due after one year</u>		
Loans to Group undertakings	89,000	85,000
	<u>89,000</u>	<u>85,000</u>
	<u>89,000</u>	<u>85,000</u>

The carrying amount of debtors is a reasonable approximation to fair value.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
<b>8 CREDITORS: amounts falling due within one year</b>		
Interest to bondholders	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

	2017 £'000	2016 £'000
<b>9 CREDITORS: amounts falling due in more than one year</b>		
Loans to group undertakings	89,000	85,000
	<u>89,000</u>	<u>85,000</u>
	<u>89,000</u>	<u>85,000</u>

The long term loans and capital market funding is represented by:

Funder	£,000	Terms of repayment
RBS/Natwest	46,000	From 3 years to 25 years
RBS Revolver	10,000	3 years
Lloyds	8,000	21 years
Canada Life	25,000	30 years
Total	<u>89,000</u>	

The above housing loans attract interest rates between 2.75% and 6.495%. This funding has been on lent to the Group's asset owning subsidiaries, South Shropshire Housing Association and Meres and Mosses Housing Association.

	2017 £	2016 £
<b>10 ORDINARY SHARE CAPITAL</b>		
<b>Authorised share capital</b>		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>
<b>Issued share capital:</b>		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**11 LEGISLATIVE PROVISIONS**

The company is incorporated as a private limited company under Companies Act 2006, Registered No. 8875047.

The ultimate parent undertaking is Shropshire Housing Limited, registered under the Co operative and Community Benefit Societies Act 2014 and regulated by the Homes and Communities Agency. Consolidated financial statements of which Total Response Limited are part are available from the registered office address; The Gateway, The Auction Yard, Craven Arms, Shropshire, SY7 9BW.



