

# Financial Statements

For the year ended March 2020

Company Name: Shropshire Housing Treasury Limited  
Company Number: 08875047



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## Directors and Advisors

**Company  
Registration  
Number**

08875047

Registered as a Company Limited by Guarantee

**Current  
Directors**

Richard Woolley (Appointed December 2018)  
Andrew Taylor (Appointed September 2019)  
John Barker (Appointed September 2019)  
Andrew Cooke (Appointed October 2019)

**Directors  
resigned in year**

Hilary Gardner (Appointed December 2018, Resigned September 2019)  
Ruth Cooke (Appointed July 2017, Resigned September 2019)  
Duncan Forbes (Appointed September 2018, Resigned April 2019)

**Secretary**

Nicola Griffiths (Appointed March 2019)

**Registered  
office**

Shropshire Housing Treasury Limited,  
C/O Connexus Housing Limited  
The Gateway  
The Auction Yard  
Craven Arms  
Shropshire  
United Kingdom  
SY7 9BW

**Auditors**

KPMG LLP  
One Snow Hill  
Snow Hill Queensway  
Birmingham  
B4 6GH

Internal Auditors:  
Beever & Struthers  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

**Solicitors**

Anthony Collins  
134 Edmund Street  
Birmingham  
B3 2ES

## **Report of the Directors**

The directors present their report together with the audited financial statements for the year ended 31 March 2020.

### **Principal activities**

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

### **Political and other donations**

No political or other donations were made during the year.

### **Dividends**

No payment of dividends is proposed for the first financial period.

### **Parent Company**

Connexus Housing Limited is registered with the Cooperative and Community Benefit Societies Act 2014. It is also registered with the Regulator of Social Housing as a social housing Registered Provider. Connexus Housing Limited has charitable objectives and is a charity for tax purposes.

### **Directors and Directors' Indemnities**

The Connexus Housing Group operates with coterminous boards, where board members act for and on behalf of the Group. Membership of the Shropshire Housing Treasury Limited Board is drawn from members of the Group Board.

The directors of the Company who were in office during the year and up to the date of signing the financial statements are set out on page three. As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. The Group also purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

### **Employees**

The Company has no employees. All employee services are provided by the parent, Connexus Housing Limited, or subsidiaries within the Group and costs recharged to the Company as a corporate recharge.

### **Going concern**

After making enquiries the Board has a reasonable expectation that the Company has adequate resources to continue its operational activities for the foreseeable future, being a period of twelve months after the date on which the report and financial statements were signed. The Company's going concern position is discussed in note 2(c) to the financial statements (page 12).

### **Annual General Meeting**

The annual general meeting will be held on 15 September 2020 at the registered office, The Gateway, The Auction Yard, Craven Arms.

**Report of the Directors (continued)**

**Independent Auditors**

KPMG LLP were appointed in November 2017.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The report of the director's was approved by the Board on 15 September 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'John Barker', is written over a faint, illegible printed name.

**John Barker**

**Board Member**  
15 September 2020

## **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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Statement as to disclosure of information to auditor**

The directors who held office at the date of approval of these financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware. 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 auditors are aware of that information.

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

**For the year ended 31 March 2020**

## **Opinion**

We have audited the financial statements of Shropshire Housing Treasury Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

## **Basis for opinion**

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

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## **Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that reports for the financial year is consistent with the financial statements; and
- in our opinion that reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

## **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Harry Mears (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
KPMG LLP  
One Snowhill, Snow Hill Queensway  
Birmingham B4 6GH

24 September 2020



Shropshire Housing Treasury Limited  
Report and financial statements for the year ended 31 March 2020

**Statement of Comprehensive Income**

For the period ended 31 March 2020

|   | Notes    | 2020<br>£'000 | 2019<br>£'000 |
|---|----------|---------------|---------------|
| Turnover  |          | 274           | 115           |
| Operating expenditure   |          | (9)           | (8)           |
| <b>Operating profit / (loss) on ordinary activities before taxation</b> | <b>3</b> | <b>265</b>    | <b>107</b>    |
| Interest receivable   | 7        | 4,477         | 4,868         |
| Interest and financing costs  | 8        | (4,742)       | (4,975)       |
| <b>Total profit / (loss) for the year before taxation</b>               |          | <b>-</b>      | <b>-</b>      |
| Tax on profit on ordinary activities                                    | 4        | -             | -             |
| <b>Total comprehensive income for the year</b>                          |          | <b>-</b>      | <b>-</b>      |

There is no material difference between the result/profit on ordinary activities before taxation and the result/profit for the financial year stated above and their historical costs equivalent.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.

The results for the period are in respect of continuing operations.

Shropshire Housing Treasury Limited  
Report and financial statements for the year ended 31 March 2020

**Statement of Financial Position**  
As at the 31 March 2020

|   | Notes | 2020<br>£'000  | 2019<br>£'000 |
|---|-------|----------------|---------------|
| <b>Current assets</b>                                   |       |                |               |
| Trade and other debtors                                 | 10    | 118,392        | 93,318        |
| Short term investments                                  |       | -              | -             |
| Cash and cash equivalents                               |       | -              | -             |
|   |       | <b>118,392</b> | <b>93,318</b> |
| Creditors: amounts falling due within one year          | 11    | (6,602)        | (572)         |
| <b>Net current assets</b>                               |       | <b>111,790</b> | <b>92,746</b> |
| Creditors: amounts falling due after more than one year | 12    | (111,790)      | (92,746)      |
| <b>Total current assets / (liabilities)</b>             |       | <b>-</b>       | <b>-</b>      |
| <b>Capital and reserves</b>                             |       |                |               |
| Called-up share capital                                 | 15    | -              | -             |
| Income and expenditure account                          |       | -              | -             |
| <b>Shareholders' funds</b>                              | 16    | <b>-</b>       | <b>-</b>      |

Company No 08875047

The financial statements on pages 10 to 17 were approved by the Board of Directors and were signed on its behalf by:



**Richard Woolley**  
Director  
15 September 2020



**Nicola Griffiths**  
Secretary

Notes to the Financial Statements (continued)

**Notes to the Financial Statements**

**1. Legal status**

Shropshire Housing Treasury Limited is a private company limited by guarantee without shares, incorporated under the Companies Act 2006. The Company was incorporated on 4<sup>th</sup> February 2014. The Company is a wholly owned subsidiary of Connexus Housing Limited.

**2. Accounting policies**

The following accounting policies have been adopted as being appropriate to the Company's circumstances with regard to giving a true and fair view and have been applied consistently in dealing with items which are considered to be material in relation to the Company's financial statements.

**a. Cash flow**

The Company is exempt from producing a cash flow statement in accordance with FRS102.

**b. Basis of Accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Companies Act 2006. The financial statements have been prepared in accordance with the historical cost convention, on an accruals and going concern basis.

**c. Going concern**

The Company is expected to continue to generate positive cashflows on its own account for the foreseeable future being a period of . The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Directors, having assessed the responses of the directors of the Company's parent, Connexus Housing Limited to their enquiries and have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Shropshire funding Group to continue as a going concern or its ability to continue with the current banking arrangements for the following reason.

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The board, after reviewing the group and company budgets for 2020/21 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for a period of 12 months from the date of approval of these financial statements (the going concern assessment period). In order to reach this conclusion, the Board have considered:

Shropshire Housing Treasury Limited  
Report and financial statements for the year ended 31 March 2020

Notes to the Financial Statements (continued)

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of shared ownership property sales, reductions in shared ownership sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – SHTL is the treasury vehicle for Connexus Housing One Limited and Connexus Housing Three Limited. Significant liquidity exists within the two entities as a result of a revolving RCF facility, this facility was fully drawn at the year end as a Covid19 risk mitigation however Cash and Cash equivalents and Short term investments within Connexus Housing One & Three Limited were £21.983m at the year end.

Both entities have viable business plans in their own rights. There are also unencumbered assets of £68.3m (EUV-SH) in the two entities as at 31/3/2020 per the Savills valuations undertaken at this time.

- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

The board believe the group and company has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and Shropshire Housing Treasury Limited will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Connexus Housing Limited and the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**d. Turnover**

The Company did not generate any income during the period. It received interest from other Group entities.

**e. Operating expenditure**

Operating expenditure includes arrangement fees due to external bodies, audit fees and loan amortisation charges incurred in providing services on behalf of the group.

**f. Reserves**

Shropshire Housing Treasury Limited has a general reserve that is unrestricted and can be applied freely, at the discretion of the Company (within its powers). The Company has not earmarked any of this reserve, as a designated reserve, at this point in time.

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Report and financial statements for the year ended 31 March 2020

Notes to the Financial Statements (continued)

**g. Bad and doubtful debts**

As substantially all debts are owed by the Group no provision has been made.

**h. Taxation**

The Company is liable to corporation tax on profits. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results, as stated in the financial statements. The recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

**i. Value Added Tax**

Shropshire Housing Treasury Limited is not registered for VAT.

**3. Operating profit**

|  | 2020  | 2019  |
|--|-------|-------|
|  | £'000 | £'000 |
| Operating profit is arrived after charging:                        |       |       |
| Auditor's remuneration for external audit services (excluding VAT) | 6     | 5     |

**4. Tax on result/profit on ordinary activities**

|   | 2020     | 2019     |
|---|----------|----------|
|   | £'000    | £'000    |
| Profit on ordinary activities before tax  | -        | -        |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (19% 2019) | -        | -        |
| <b>Total tax expense included in profit or loss</b>   | <b>-</b> | <b>-</b> |

**5. Employees**

The Company employed no staff and incurred no employee costs during the year.

**6. Directors' emoluments**

The directors are also directors of the parent Connexus Housing Limited. Their emoluments are paid by the parent company which makes no recharge to Shropshire Housing Treasury Limited. Their roles to the Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company.

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Report and financial statements for the year ended 31 March 2020

Notes to the Financial Statements (continued)

**7. Interest Receivable**

Interest receivable is derived from the interest payable by Connexus Housing One Limited and Connexus Housing Three Limited for the funding it has received from Shropshire Housing Treasury.

**8. Interest Payable**

Interest payable is derived from the amount payable in respect of the funding received in respect of loans as detailed in note 11.

**9. Debtors**

|                                      | 2020<br>£'000  | 2019<br>£'000 |
|--------------------------------------|----------------|---------------|
| <b>Due within one year:</b>          |                |               |
| Trade and other debtors              | -              | -             |
| Amounts owed by Group undertakings   | 6647           | 617           |
| less: Deferred loan arrangement fees | (45)           | (45)          |
|                                      | 6602           | 572           |
| <b>Due after one year:</b>           |                |               |
| Amounts owed by Group undertakings   | 113,000        | 94,000        |
| less: Deferred loan arrangement fees | (1,210)        | (1,254)       |
|                                      | 111,790        | 92,746        |
|                                      | <b>118,392</b> | <b>93,318</b> |

**10. Creditors: amounts falling due within one year**

|                                      | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------------------|---------------|---------------|
| <b>Due within one year:</b>          |               |               |
| Accruals and deferred income         | 647           | 617           |
| less: Deferred loan arrangement fees | (45)          | (45)          |
| Amounts owed to group companies      | 6000          | -             |
|                                      | <b>6602</b>   | <b>572</b>    |

Shropshire Housing Treasury Limited  
Report and financial statements for the year ended 31 March 2020

Notes to the Financial Statements (continued)

**11. Creditors: amounts falling due after more than one year**

|                                      | <b>2020</b>    | <b>2019</b>   |
|--------------------------------------|----------------|---------------|
|                                      | <b>£'000</b>   | <b>£'000</b>  |
| Loans                                | 113,000        | 94,000        |
| less: Deferred loan arrangement fees | (1,210)        | (1,254)       |
| Amounts owed to group companies      | -              | -             |
|                                      | <b>111,790</b> | <b>92,746</b> |

**11. Creditors: amounts falling due after more than one year continued.**

The debt is repayable as follows

|               | <b>2020</b>    | <b>2019</b>   |
|---------------|----------------|---------------|
|               | <b>£'000</b>   | <b>£'000</b>  |
| RBS / Natwest | 40,000         | 46,000        |
| RBS Revolver  | 40,000         | 15,000        |
| Lloyds        | 8,000          | 8,000         |
| Canada Life   | 25,000         | 25,000        |
|               | <b>113,000</b> | <b>94,000</b> |

**12. Called up share capital**

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| Note                                      | Number      | Number      |
| Ordinary shares of £1 each                | 2           | 2           |
| Returned shares                           | -           | -           |
| Shares issued during the financial period | -           | -           |
| <b>Number of shares at 31 March</b>       | <b>2</b>    | <b>2</b>    |

**13. Reconciliation of movements in shareholders' funds**

|  | <b>2020</b>  | <b>2019</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Share capital at the beginning and end of the year   | -            | -            |
| Profit for the financial period                      | -            | -            |
| Distribution to shareholders in the form of Gift Aid | -            | -            |
| Tax credit on gift aid                               | -            | -            |
| <b>Closing shareholders' funds</b>                   | <b>-</b>     | <b>-</b>     |

Notes to the Financial Statements (continued)

**14. Related party transactions**

The directors of the Company are either employees or Board Members of the parent, Connexus Housing Limited. As the Company is a wholly owned subsidiary, it has taken advantage of the exemption under FRS8 not to disclose in full intra-group transactions.

**15. Post balance sheet events**

There are no significant post balance sheet events requiring adjustment to, or disclosure in, the financial statements.

**16. Ultimate parent undertaking and controlling party**

The Company is a wholly owned subsidiary of Connexus Housing Limited, and has taken advantage of the following exemptions:

- Exemption from producing a cash flow statement in accordance with FRS102
- Exemption from disclosing transactions or balances with entities which form part of the Group.

The Company's parent undertaking, which is also the Company's ultimate parent undertaking, is Connexus Housing Limited, a company incorporated in Great Britain.

The consolidated financial statements of Connexus Housing Limited are available from the Company Secretary, The Auction Yard, Craven Arms, Shropshire, SY7 9BW.