



ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2019

Sevenside Housing  
Brassey Road, Old Potts Way, Shrewsbury, SY3 7FA

Registration No. 8084

*A member of The Housing Plus Group*

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**BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS**

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**Registered Office**                      Sevenside Housing,  
Brassey Road, Old Potts Way,  
Shrewsbury,  
Shropshire  
SY3 7FA

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**Sevenside Housing**                      Registered Community Benefit Society No: 8084  
Registered by the Regulator of Social Housing  
No: LH4325

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**Internal Auditors**                      **Mazars LLP,**  
45 Church Street,  
Birmingham, B3 2RT

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**External Independent Auditors**                      **BDO LLP,**  
Chartered Accountants and Statutory Auditors,  
Two Snowhill,  
Birmingham, B4 6GA

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**Legal Advisors**                      **Anthony Collins,**  
134 Edmund Street,  
Birmingham, B3 2ES

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**Trowers & Hamlins LLP**  
55 Princess Street  
Manchester, M2 4EW

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**Funders**                      **Nationwide Building Society,**  
Kings Park Road, Moulton Park,  
Northampton, NN3 6NW

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**Canada Life Investments,**  
1-6 Lombard Street,  
London, EC3V 9JU

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**Shropshire Council,**  
The Shirehall, Abbey Foregate  
Shrewsbury, SY2 6ND

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**Bankers**                      **National Westminster Bank PLC,**  
8 Mardol Head,  
Shrewsbury, SY1 1HE

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**BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS  
(continued)**

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**Board of Management**

Mr Peter Phillips (Chair)  
Mr Malcolm Price  
Mr Rory O'Byrne (Vice Chair)  
Mr Tony Pate  
Mr Philip Ingle  
Mrs Catherine Dass  
Mr Steven Jennings  
Mr Lionel Haynes (appointed 1 November 2018)

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**Chief Executive**

Mrs Sarah Boden

**Executive Directors**

Finance Director and Deputy Chief  
Executive  
Property Director  
Neighbourhoods Director  
Care and Support Director  
Commercial Director  
People & Transformation  
Director  
Company Secretary

Mr Philip Ingle  
  
Mr Stephen Collins  
Mrs Jan Goode  
Mr Les Clarke  
Mr Peter Donovan – (left 30 September 2018)  
Mrs Louise Wagstaff  
  
Mrs Irene Molyneux

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## REPORT OF THE BOARD

Sevenside Housing ('Sevenside' 'the company') is a company limited by guarantee which was established to receive a transfer of social housing properties from Shrewsbury and Atcham Borough Council in October 2001. Its principal activities are the management and development of affordable housing. Sevenside has converted from a company to a registered society with effect from 28<sup>th</sup> March 2019, this was approved by the Regulator of Social Housing on 4<sup>th</sup> April 2019.

Sevenside merged with Housing Plus on the 1<sup>st</sup> October 2016. Housing Plus, (the Group) Sevenside's ultimate controlling party, is a non-housing asset holding company which provides the central services for Sevenside and the other subsidiaries in the Group such as finance, human resources, information technology, development, legal and governance, health and safety and corporate publicity.

Sevenside owns the entire issued share capital of Severn Homes Limited which develops properties for outright sale, and Sevenside Community Association, which undertakes charitable activities within social housing.

Housing Plus has prepared a Group Strategic Report to accompany the consolidated financial statements. In line with the Statement of Recommended Practice for registered social housing providers 2018 update, Sevenside has taken a decision to use the exemption not to provide a full strategic report within its own financial statements. The Statement of Compliance with regulatory policies is available in the Group Strategic Report.

### **Board Members and Executive Officers**

Sevenside is governed by a Board of Management composed of six non-executive members and one executive member. Sevenside is managed by a senior management team headed by the Chief Executive and supported by a Finance Director and Deputy Chief Executive, Property Director, Neighbourhoods Director, the Care and Support Director and the People and Transformation Director. The Executive Management Team attends Board meetings.

The Group has purchased Directors' and Officers' Liability Insurance for the Board Members, Executive Officers and staff of the Group and Sevenside Housing. Members of the Board receive remuneration. The remuneration of the Board, the Chief Executive and the other Executive Officers is determined by the Housing Plus Board. External professional advice is sought as necessary to ensure that regard is taken of remuneration levels in similar companies and the market place.

### **Governance**

Sevenside Housing complies with the Homes and Communities Agency's (HCA) Governance and Financial Viability Standard. In April 2015 The Housing Plus Group adopted the National Housing Federation (NHF) Excellence in Governance Code as its approved Code of Governance. Sevenside Housing complies with this Code.

## REPORT OF THE BOARD (continued)

### Statement of compliance

The Board confirms that Sevenside Housing has complied with all relevant regulatory and legal requirements. The Board evidences this for the Group and its subsidiaries through appropriate policies and procedures and a strong control framework (described in the Group Statement of Internal Controls). The Board also reviews the effectiveness of the control framework and the assurance received from it including receiving external reviews from the Internal Auditor.

### Statement of the Board's Responsibilities

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation require the Board to prepare financial statements for each financial year 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 surplus or deficit of the company for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 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 association will continue in business.

The Board is 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 it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018 update.



## REPORT OF THE BOARD (continued)

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Provision of information to auditors

The Association Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that Association auditors are aware of that information.

### Independent auditors

A resolution to appoint External Auditors will be proposed at the next Annual General Meeting.

By Order of the Board  
23 July 2019



Peter Phillips  
Chair



Philip Ingle  
Director



Irene Molyneux  
Company Secretary

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

### Opinion

We have audited the financial statements of Sevenside Housing ("the Association") for the year ended 31 March 2019 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

### 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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge



obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the association,
- a satisfactory system of control has not been maintained over transactions,
- the association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the board**

As explained more fully in the board members responsibilities statement set out on page 6, the board is 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 board members 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 board are responsible for assessing the Association'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 board either intend to liquidate the Association 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



### Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP  
Statutory Auditor  
Two Snowhill  
Birmingham  
B4 6GA

Date 7 August 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
		£'000	£'000
Turnover	3	28,243	30,094
Cost of sales	3	(438)	(1,408)
Operating expenditure	3	(18,656)	(17,432)
Surplus on disposal of housing properties	4	1,140	1,260
<b>Operating surplus</b>		<b>10,289</b>	<b>12,514</b>
Interest receivable and similar income	5	15	32
Interest payable and financing costs	6	(7,562)	(7,364)
Movement in fair value of investment properties	12c	(516)	(121)
Gift aid received from subsidiary		975	-
<b>Surplus before taxation</b>	7	<b>3,201</b>	<b>5,061</b>
Taxation	8	-	(25)
<b>Surplus for the financial year</b>		<b>3,201</b>	<b>5,036</b>
Actuarial gain/(loss) in respect of pension schemes	19	(1,557)	1,751
<b>Total comprehensive income for the year</b>		<b>1,644</b>	<b>6,787</b>

The accompanying notes form part of these financial statements.

All the turnover and surplus disclosed above are derived from continuing activities.

STATEMENT OF CHANGES IN RESERVES

	Year ended 31 March 2019		
	Income and Expenditure Reserve	Restricted Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 1 April 2018	9,882	2,796	12,678
Total surplus from Statement of Comprehensive Income	2,438	763	3,201
Actuarial gains on defined benefit pension scheme	(1,557)	-	(1,557)
Total comprehensive income for the year	(1,557)	-	(1,557)
Transfer	-	-	-
Capital spend in the year	-	(272)	(272)
<b>Balance at 31 March 2019</b>	<b>10,763</b>	<b>3,287</b>	<b>14,050</b>

	Year ended 31 March 2018		
	Income and Expenditure Reserve	Restricted Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 1 April 2017	4,222	1,775	5,997
Total surplus from Statement of Comprehensive Income	3,913	1,123	5,036
Actuarial (losses) on defined benefit pension scheme	1,751	-	1,751
Total comprehensive income for the year	5,664	1,123	6,787
Transfer	(4)	58	54
Capital spend in the year	-	(160)	(160)
<b>Balance at 31 March 2018</b>	<b>9,882</b>	<b>2,796</b>	<b>12,678</b>



STATEMENT OF FINANCIAL POSITION  
As at 31 March 2019

	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
		£'000	£'000
<b>Fixed assets</b>			
Intangible assets and goodwill	11	-	-
<b>Tangible fixed assets</b>	12		
Housing properties		167,205	153,938
Other tangible fixed assets		2,689	2,784
Investment properties		14,162	14,821
		<b>184,056</b>	<b>171,543</b>
<b>Current assets</b>			
Stocks	12d	682	304
Debtors	13	5,636	7,813
Investments		200	200
Cash and cash equivalents		995	3,830
Less: Creditors: Amounts falling due within one year	14	(6,674)	(7,653)
<b>Net current assets</b>		<b>839</b>	<b>4,494</b>
<b>Total assets less current liabilities</b>		<b>184,895</b>	<b>176,037</b>
<b>Creditors: Amounts falling due after more than one year</b>	15	<b>(157,170)</b>	<b>(151,608)</b>
Pension liability	20	(13,675)	(11,751)
<b>Total net assets</b>		<b>14,050</b>	<b>12,678</b>
<b>Reserves</b>			
Income and expenditure reserve		10,763	9,882
Restricted reserve		3,287	2,796
<b>Total reserves</b>		<b>14,050</b>	<b>12,678</b>

The financial statements were approved by the Board and authorised for issue and signed on its behalf on 23 July 2019 by:

Peter Phillips  
Chair



Philip Ingle  
Director



Irene Molyneux  
Company Secretary

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Legal status

Sevenside Housing is an exempt charity, registered as a company limited by guarantee and the Regulator of Social Housing (LH4325), under the Housing Association Act 1985, as a social landlord. Sevenside Housing is a public benefit entity as described by FRS102. Sevenside has converted from a company to a registered society, this was approved by the Regulator of Social Housing on 4<sup>th</sup> April 2019.

### 2. Accounting policies

#### a. Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (FRS102), and the Statement of Recommended Practice for registered social housing providers update 2018 update (early adoption). The financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The financial statements have been prepared under the historic cost convention except for investment properties which are stated at their fair value.

The Directors have prepared trading and cash flow forecasts for the company and based on this, appropriate sensitivities, current trading and available facilities have a reasonable expectation that the company has adequate resources to continue trading for at least one year from the date of signing these financial statements. The company has therefore prepared its financial statements on the basis of continuing as going concern.

#### b. Basis of consolidation

The company is a wholly owned subsidiary and is exempt from the requirement to prepare consolidated financial statements. In preparing separate financial statements the company has taken advantage of the disclosure exemption in FRS 102 and has not prepared a cash flow statement.

A summary of the key accounting policies, which have been applied consistently across all entities, is set out below with intercompany transactions and balances being eliminated in full.

#### c. Turnover

Turnover represents rental and service charge income receivable net of voids, sales of first tranche shared ownership properties, grant amortisation and care services income for the year. Turnover (representing those items listed above) in the financial statements notes are analysed to identify General Needs, Supported Housing, Care Housing and Shared Ownership properties.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from Low Cost Home Ownership sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Service charges, Supporting People Income and care services are recognised when the service has been performed and expenditure incurred.

### **d. Value Added Tax (VAT)**

Sevenside's main income stream, being rent, is exempt for value added tax (VAT) purposes. The majority of expenditure is subject to VAT, which the Group and subsidiaries are unable to reclaim – this expenditure is therefore shown inclusive of VAT.

VAT can be reclaimed under the partial exemption method for certain other activities.

The balance of VAT payable to or recoverable at the year end is included in the financial statements as a current liability or asset.

### **e. Interest and financial costs**

Interest and financial costs represent the cost of financing the purchase of those properties transferred and property acquisitions as well as new development. Loans are secured on the majority of the company's housing assets.

Interest and financial costs are charged to the Statement of Comprehensive Income in the year in which it is incurred.

### **f. Pensions**

Sevenside participates in one funded multi-employer defined benefit scheme and one defined contribution scheme - the Sevenside Housing Defined Contribution Scheme (provided by Scottish Widows) and the Shropshire County Council Local Government Pension Scheme (Shropshire LGPS). The assets of the funds are kept separately from those of the company being invested in independently managed superannuation funds.

### **g. Holiday pay accrual**

A current liability is recognised for any unused holiday pay entitlement which has accrued at the Statement of Financial Position date. This is measured at the undiscounted salary cost of the future holiday entitlement at the Statement of Financial Position date.

### **h. Housing properties**

Housing properties are principally properties available for rent. Completed housing properties for lettings are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes costs of acquiring land and buildings, development costs incurred during the development period and other directly attributable costs. Housing properties under construction are stated at cost less accumulated impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Completed housing properties are split between their land and structure costs. Freehold land is not depreciated. Housing properties are depreciated on a straight line basis over the useful economic life of the assets. The depreciable amount is arrived at on the basis of original cost.

Sevenside's housing assets are depreciated as follows:

- Depreciation is charged from the date of acquisition or practical completion of works.
- Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.
- Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

○ Structure	50-120 years
○ Roof	60 years
○ Kitchens	20 years
○ Bathrooms	30 years
○ Heating System/Boilers	15 years
○ Wiring System	30 years
○ Lifts	30 years
○ UPVC External Doors	30 years
○ UPVC Windows	30 years
○ Porches	30 years
○ Solar Panels	30 years

### i. Capitalisation

Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised as improvements.

Major improvements and renovation of housing properties which extend the life of the asset, increase the rent or considerably reduce the future routine maintenance are capitalised and depreciated over the useful economic life of the asset.

Staff and other costs that are directly attributable to bringing housing properties to practical completion are capitalised. Development costs not capitalised are shown as other activities in the Statement of Comprehensive Income for the year.

Interest costs relating to new development are capitalised. The interest charged reflects the net interest paid over the period of the developments.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### **j. Accounting for grants**

Sevenside receives Social Housing Grant and grants from Local Authorities. Any grants provided to reduce the capital cost of housing properties held at cost or specific components of housing properties, are recognised by Sevenside using the accrual model. It means that grants are released to the Statement of Comprehensive Income, on a systematic basis over the expected useful life of the housing property structure or if a Disabled Facilities Grant over the expected useful life of the bathroom.

If an asset (housing property or its component) is disposed of, for which grant was received, and there is no obligation to repay the grant, any grant remaining within liabilities on the Statement of Financial Position is released to the Statement of Comprehensive Income. If the grant is available to be recycled it is credited to a Recycled Capital Grant Fund and included as a liability in the Statement of Financial Position.

Any grants received in respect of revenue expenditure are recognised in the Statement of Comprehensive Income as they become receivable.

Donations of land or other tangible assets acquired below market value from a government source are treated as a non-monetary grant. The difference between the fair value of the tangible asset donated or acquired and the consideration paid is recognised as a liability in the Statement of Financial Position. Once the terms of the donation have been met it is released to the Statement of Comprehensive Income.

### **k. Sale of housing property**

Under shared ownership arrangements, Sevenside sells a long term leasehold interest of Shared Ownership housing units to persons who occupy them at a lease premium equal to between 25% and 100% of open Market Value. Proceeds of sale of first tranches are accounted for as turnover in the Statement of Comprehensive Income. The total property cost is apportioned between the shared ownership element and the element remaining in SSHA's ownership based on the percentage tranche sold or estimated to be sold. The estimated first tranche value of properties that are developed for sale and are either unsold or work in progress are included in current assets. Subsequent tranches ('Staircasing') are accounted for as disposals. The remaining unsold element remains on the Statement of Financial Position as a fixed asset and is subject to an annual impairment review.

Under Right to Buy and Right to Acquire arrangements Sevenside sells properties to qualifying tenants. Receipts from Right to Acquire sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipt less eligible expenses are held in a disposal proceeds fund, which is held in creditors (either current or long term dependent on when it is anticipated to be used).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### **l. Intangible assets**

Intangible assets are identifiable non-monetary assets without physical substance. These are stated at cost less accumulated amortisation and any accumulated impairment losses. The cost includes cost of asset purchase and other directly attributable costs.

Intangible assets are amortised on a straight line basis over the useful economic life of the assets as follows:

- Software Warranties & Licences 4 years

### **m. Other tangible fixed assets**

Other tangible assets are depreciated on a straight-line basis over the useful economic life of the asset as follows:

- Office Structure 60 years
- Vehicles 4 years
- Furniture & Equipment 5 years
- IT Software 4 years
- Photocopiers 3 years
- IT Hardware 2 years

The threshold for capitalisation is £500 for a single asset or group of assets.

### **n. Impairment**

Sevenside carries out an annual impairment review of individual tangible fixed assets and cash generating units. The review takes into account internal and external indicators of impairment including obsolescence, physical damage, expected cashflows, replacement values, market factors and government policy. Sevenside considers cash generating units to be schemes or geographical areas depending on size.

Where an indicator of impairment exists an impairment assessment is performed where the carrying amount is compared to the recoverable amount. If the carrying amount of an asset or cash generating unit exceeds the recoverable amount then the loss is charged to the Statement of Comprehensive Income as expenditure and as a separate line within operating expenditure where it is considered to be material.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### **o. Leased assets**

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

### **p. Stocks**

Stocks are stated at the lower of cost and the estimated sales price less costs to complete and sell.

### **q. Debtors and creditors**

Debtors and creditors receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenditure.

### **r. Financial instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Group accounts for its financial instruments using sections 11 'Basic Financial Instruments' and 12 'Other Financial Instruments Issues' of FRS102.

Sevenside's financial instruments are all currently classified as basic and include rent receivable, trade creditors, cash and loans.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

Basic financial instruments are initially recognised at transaction price and in subsequent years at amortised cost. Financial assets are derecognised when the rights to the cash flows from the asset expire or are settled. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired. Any difference between the consideration paid or received and the amounts derecognised are recognised in the Statement of Comprehensive Income.

### s. Cash and cash equivalents

Cash and cash equivalents consists of cash at bank, cash in hand, deposits and short term investments with an original maturity of three months or less.

### t. Taxation

Severnside is an exempt charity for corporation tax.

### u. Provisions

The company only provides for when:

- there is a present legal or constructive obligation, resulting from a past event, at the Statement of Financial Position date;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date.

Severnside sets a provision against rent arrears of current and former tenants based upon historic trends relating to write offs. All other receivables including trade receivables are provided for on a case by case basis.

### v. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

The company does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent liability exists on grant repayment which is dependent on the disposal of the related property.

### w. Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### x. Key estimates and judgements

The preparation of the financial statements requires the use of certain accounting estimates and judgements concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### *i). Impairment of assets*

The company assesses whether there is any indicator of impairment. Where an indication of impairment exists then an estimate must be made of the recoverable amount of the cash generating unit (CGU). This can require estimation of future cash flows from the CGU or costs of constructing/replacing the CGU if it is not held solely for its cash flows but for its service potential. Estimations are also made in relation to the selection of appropriate discount rates in order to calculate the net present value of those cash flows or costs.

At the reporting date, the Association holds £14.2m of investment properties, of which £13.1m relates to market rent properties valued by Jones Lang LaSalle IP, Inc. (JLL).

The most significant assumptions made for the properties valued by JLL are:

- Vacant possession values: a 10% fall in these would reduce the value of these properties by £1.1m.
- Market rents: a 10% fall in these would reduce the value of these properties by £0.2m.
- Discount rates: the rate applied to rental income is 6.75% whilst the rate applied to capital receipts is 8.00%. An increase of 0.5% in these rates would reduce the value of these properties by £0.2m.

At the reporting date, the Association holds £2.4m of commercial land and buildings. These were valued by JLL during the financial year.

The most significant assumptions made for the properties valued by JLL are:

- Capital value per sq. ft.: a 10% fall in this value would reduce the value of these properties by £0.2m.

#### *ii). Defined benefit pension scheme*

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, asset valuations and the discount rate on corporate bonds. Management relies on the estimates made by actuaries and the pension fund in these areas.

During the year ended 31 March 2019, the range of assumptions used by the individual schemes of which the Group is a member are shown in Note 19 of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### *iii). Classification of Financial Instruments*

The company must make judgements over the classification of Financial Instruments as either basic or other. The implication of this is that if treated as 'other', the loan would have to be shown at fair value with any movements in fair value reflected in the Statement of Comprehensive Income. All of these adjustments are non-cash and would have no impact on the company's loan covenants.

The company's financial instruments are all currently classified as basic and measured at amortised cost.



NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

	Note	Year Ended 31 March 2019			Year Ended 31 March 2018				
		Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000
<b>Social housing lettings</b>									
Income and expenditure from social housing lettings	3a	26,164	-	(14,514)	11,650	26,843	-	(13,776)	13,067
<b>Other social housing activities</b>									
1 <sup>st</sup> Tranche LCHO sales		665	(438)	(23)	204	1,926	(1,408)	-	518
Leaseholders		18	-	(94)	(76)	5	-	(78)	(73)
Tenant garages		125	-	-	125	125	-	-	125
Charges for support services		-	-	(3,897)	(3,897)	-	-	(3,466)	(3,466)
Other activities		69	-	-	69	-	-	-	-
		877	(438)	(4,014)	(3,575)	2,056	(1,408)	(3,544)	(2,896)
<b>Activities other than social housing activities</b>									
Shops		44	-	-	44	42	-	-	42
Private garages		199	-	-	199	219	-	1	220
Market and commercial rent		959	-	(128)	831	934	-	(108)	826
Market sales		-	-	-	-	-	-	(5)	(5)
		1,202	-	(128)	1,074	1,195	-	(112)	1,083
<b>Total</b>		<b>28,243</b>	<b>(438)</b>	<b>(18,656)</b>	<b>9,149</b>	<b>30,094</b>	<b>(1,408)</b>	<b>(17,432)</b>	<b>11,254</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

3a. Income and expenditure from social housing activities

	Year Ended 31 March 2019				Year Ended 31 March 2018
	General Housing £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Care Housing £'000	
Rent receivable net of identifiable service charges	19,854	2,433	300	2,860	25,447
Service charges income	162	229	30	31	452
Amortised government grants	155	-	9	9	173
Other Income	87	5	-	-	92
<b>Turnover from social housing lettings</b>	<b>20,258</b>	<b>2,667</b>	<b>339</b>	<b>2,900</b>	<b>26,164</b>
Management	(2,331)	(335)	(103)	(333)	(3,102)
Service charge costs	(85)	(168)	-	(3)	(256)
Routine maintenance	(1,485)	(7)	-	(57)	(1,549)
Planned maintenance	(4,689)	(419)	-	(271)	(5,379)
Bad debts	(111)	(3)	-	(5)	(119)
Depreciation of housing properties	(3,688)	(358)	(63)	-	(4,109)
<b>Operating expenditure on social housing lettings</b>	<b>(12,389)</b>	<b>(1,290)</b>	<b>(166)</b>	<b>(669)</b>	<b>(14,514)</b>
<b>Operating surplus on social housing lettings</b>	<b>7,869</b>	<b>1,377</b>	<b>173</b>	<b>2,231</b>	<b>11,650</b>
Void losses	(135)	(35)	-	(14)	(184)
					(153)



NOTES TO THE FINANCIAL STATEMENTS (continued)

3b. Classes of accommodation in management and development

	Year Ended 31 March 2019	Year Ended 31 March 2018
	Units	Units
General housing		
- Social rent	4,492	4,451
- Affordable rent	487	447
Supported housing and housing for older people	573	572
Low cost home ownership	134	115
<b>Total social housing units</b>	<b>5,686</b>	<b>5,585</b>
Market rent	122	123
Other	1	1
Leasehold	188	188
<b>Total social housing owned</b>	<b>5,997</b>	<b>5,897</b>
Non Social Leasehold	21	21
<b>Total owned and managed</b>	<b>6,018</b>	<b>5,918</b>
Accommodation in development at the year end	164	164

4. Surplus on disposal of housing properties

	Year Ended 31 March 2019				Year Ended 31 March 2018
	LCHO £'000	Other £'000	RTB £'000	Total £'000	£'000
Disposal proceeds	-	861	788	1,649	1,856
Cost of sales	-	(241)	(246)	(487)	(576)
Selling costs	-	(12)	(10)	(22)	(20)
<b>Net surplus on disposal of housing properties</b>	<b>-</b>	<b>608</b>	<b>532</b>	<b>1,140</b>	<b>1,260</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Interest receivable and similar income

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
Interest received from current asset investments	13	32
Interest received from group undertakings	2	-
<b>Interest receivable and similar income</b>	<b>15</b>	<b>32</b>

6. Interest payable and financing costs

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
Bank loans	(7,146)	(6,996)
Loan commission and commitment fees	(76)	(110)
Renegotiation fees	(46)	(24)
Capitalised Interest	-	91
Net interest on pension liability	(294)	(325)
<b>Interest and financing costs</b>	<b>(7,562)</b>	<b>(7,364)</b>

7. Surplus on ordinary activities before taxation

	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
		£'000	£'000
<b>Depreciation:</b>			
Housing assets		4,109	3,874
Other fixed assets		185	234
<b>Amortisation:</b>			
Grant		173	150
(Surplus) on disposal: housing properties	4	(1,140)	(1,240)
Operating lease rentals		12	140
Revaluation loss		516	121
External auditors' remuneration (incl. expenses):			
Fees for the audit of the financial statements		14	17
Fees for other services		5	4



NOTES TO THE FINANCIAL STATEMENTS (continued)

**8. Tax on surplus on ordinary activities**

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to surplus before tax is as follows:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
<b>Surplus on ordinary activities before tax</b>	<b>2,716</b>	<b>5,061</b>
Tax on surplus on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	516	1,012
Effects of:		
Income not taxable in determining taxable surplus	(516)	(1,012)
Adjustments to tax charge in respect of previous periods	-	25
<b>Total</b>	<b>-</b>	<b>25</b>

**9. Employees**

The average number of persons employed during the financial year expressed as full-time equivalents (37 hours) was:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	Number	Number
Administration & management	99	123
Property services	45	52
Housing support and care	1	2
<b>Total</b>	<b>145</b>	<b>177</b>

Employees' costs:

	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
		£'000	£'000
Wages and salaries		4,406	4,786
Social security costs		401	436
Other pension costs	19	511	516
<b>Total</b>		<b>5,318</b>	<b>5,738</b>

Of the total employee cost above, £1,004k was recharged to Housing Plus; £2,151k was recharged to Property Plus; £96k was recharged to SSHA and £577k was recharged to Care Plus.



NOTES TO THE FINANCIAL STATEMENTS (continued)

**10. Directors' emoluments**

The Directors of the company are its Board Members. Board Members are not members of any Sevenside pension scheme.

Following the merger the Board members of Sevenside became part of a co-terminus Homes Board with South Staffordshire Housing Association. The Board members of the two landlords were paid from The Housing Plus Board from 1 November 2016 and are disclosed in the accounts of that entity.

The Executive Directors did not receive any emoluments in respect of their services to the Association (2018: £nil) and none (2018: none) of the Executive Directors were a member of the Association's pension schemes. The Executive Directors are all employed and remunerated through the ultimate controlling party, The Housing Plus Group Limited.

There were no members of staff (2018: nil) who received remuneration (including benefits in kind) in excess of £60k.

**11. Intangible assets - goodwill**

	As at 31 March 2019	As at 31 March 2018
	Total £'000	Total £000
<b>Cost</b>		
At 1 April and 31 March	350	350
<b>Accumulated amortisation</b>		
At 1 April and 31 March	(350)	(350)
<b>Net book value</b>		
At 31 March	-	-
At 1 April	-	-

NOTES TO THE FINANCIAL STATEMENTS

12. Housing properties at cost

	As at 31 March 2019				Total £'000
	Houses for Letting Complete for Letting £'000	Under Construction £'000	Low Cost Home Ownership Complete for Letting £'000	Under Construction £'000	
<b>COST</b>					
At 1 April	176,195	3,515	6,834	109	186,653
Reclassification					
Additions	3,425	11,468	-	3,661	18,554
Disposals	(1,368)	-	-	-	(1,368)
Transfers (note 12a)	11,846	(11,846)	1,572	(2,404)	(832)
<b>At 31 March</b>	<b>190,098</b>	<b>3,137</b>	<b>8,406</b>	<b>1,366</b>	<b>203,007</b>
<b>LESS ACCUMULATED DEPRECIATION</b>					
At 1 April	(32,485)	-	(230)	-	(32,715)
Depreciation charge for year	(3,813)	-	(117)	-	(3,930)
Eliminated in respect of disposals	843	-	-	-	843
<b>At 31 March</b>	<b>(35,455)</b>	<b>-</b>	<b>(347)</b>	<b>-</b>	<b>(35,802)</b>
<b>Net book value</b>					
At 31 March	154,643	3,137	8,059	1,366	167,205
At 1 April	143,710	3,515	6,604	109	153,938

Note: Included within 'Eliminated in respect of disposals' is accelerated depreciation of £177k (2018: £162k). Of the total additions, £3,425k relate to component replacements (2018: £3,139k).



NOTES TO THE FINANCIAL STATEMENTS

12a Housing properties at cost (continued)

Transfers	As at					As at 31 March 2018
	31 March 2019		Low Cost Home Ownership		Total	
	Houses for Letting		Complete	Under		
Complete for Letting	Under Construction	for Letting	Construction	£'000	Total	
	£'000	£'000	£'000	£'000	£'000	£'000
Complete properties	11,846	(11,846)	1,639	(1,639)	-	-
Write-off to income & expenditure (aborted schemes)	-					-
Transfer to current assets	-		(67)	(765)	(832)	(400)
Transfer to investment properties	-					(2,109)
<b>Transfers</b>	<b>11,846</b>	<b>(11,846)</b>	<b>1,572</b>	<b>(2,404)</b>	<b>(832)</b>	<b>(2,509)</b>

Charges against properties

	As at 31 March 2019	As at 31 March 2018
Number of properties on which there is a fixed charge	4,854	4,696
Number of properties not charged	832	889
<b>Total number of properties</b>	<b>5,686</b>	<b>5,585</b>

Capitalised interest

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Interest capitalised during the year	-	91
Interest capitalised to date	408	317
<b>Total interest capitalised</b>	<b>408</b>	<b>408</b>
<b>Rate used for capitalisation</b>	<b>5%</b>	<b>5%</b>



NOTES TO THE FINANCIAL STATEMENTS

12a Housing properties at cost (continued)

Social Housing Grant and other grants

The company has received government grants in order to acquire and develop its housing properties. Grants are amortised through the Statement of Comprehensive Income over the useful economic life of the structure of the property. Any unamortised grant is held as deferred income. A breakdown of this grant is shown below:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
Deferred capital grant at 1 April	15,649	14,477
Grants received during the year	634	1,162
Grants recycled from/(to) the disposal proceeds fund	40	-
Transfers from reserves	272	160
Released to income during the year	(173)	(150)
<b>Deferred capital grant at 31 March</b>	<b>16,422</b>	<b>15,649</b>

Housing properties book value, net of depreciation

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Freehold land and buildings	167,205	153,938
Long leasehold land and buildings	-	-
<b>Total</b>	<b>167,205</b>	<b>153,938</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

12b Other tangible fixed assets

	31 March 2019					Total £000
	Furniture & Equipment £000	Fixtures, Fittings, Tools & Equipment Computer Equipment & Telephones £000	Vehicles £000	Land & Buildings £000		
<b>COST</b>						
At 1 April	762	2,649	42	2,870		6,323
Reclassification	105	(105)	-	-		-
Additions	57	16	17	-		90
<b>At 31 March</b>	<b>924</b>	<b>2,560</b>	<b>59</b>	<b>2,870</b>		<b>6,413</b>
<b>Accumulated depreciation &amp; impairment</b>						
Depreciation at 1 April	(715)	(2,356)	(42)	(426)		(3,539)
Depreciation charge for year	(48)	(91)	(1)	(45)		(185)
<b>At 31 March</b>	<b>(763)</b>	<b>(2,447)</b>	<b>(43)</b>	<b>(471)</b>		<b>(3,945)</b>
<b>Net book value</b>						
At 31 March	161	113	16	2,399		2,689
At 1 April	47	293	-	2,444		2,784

There is no charge on any of these assets. All land held for other property, plant and equipment is owned freehold.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12c. Investment properties

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Balance at 1 April	14,821	12,953
Additions	-	2,109
Transfers to other tenures	-	-
Disposals	(143)	(120)
Net (loss) from fair value adjustments	(516)	(121)
<b>Balance at 31 March</b>	<b>14,162</b>	<b>14,821</b>
<b>Historical net book value</b>	<b>15,495</b>	<b>15,788</b>

All investment properties were valued as at 31<sup>st</sup> March 2019 using the valuation methodology – market value subject to tenancies (MV-STT). The valuations were performed by independent valuers with recognised and relevant qualifications (Jones Lang LaSalle). There are no restrictions on the investment property and there are no contractual obligations to purchase, construct or develop investment property.

12d. Investment in group undertakings

The company has investments in the following subsidiary undertakings, both incorporated in England and Wales, which principally affected the surpluses or net assets of the company.

	Principal activity	Holding	%	Profit/(loss) for the year ended 31 March 2019	Capital and reserves at 31 March 2019
				£'000	£'000
Severn Homes Ltd	Developing and selling properties for outright sale	Equity shares	100%	(52)	(49)
Sevenside Community Association Ltd	Supporting charitable activities relating to housing	Non-equity shares	100%	(4)	57



NOTES TO THE FINANCIAL STATEMENTS (continued)

12d. Stocks

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
LCHO completed properties	352	181
LCHO properties under construction	330	123
<b>Total low cost home ownership</b>	<b>682</b>	<b>304</b>
Other stock	-	-
<b>Total stock</b>	<b>682</b>	<b>304</b>

Stock is held at the lower of actual cost and estimated selling price less costs to complete and sell. There have been no impairments in the year (2018: none).

13. Trade and other debtors

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
<b>Due within one year</b>		
Rent receivable	565	519
Less: Provision for bad and doubtful debts	(101)	(85)
	464	434
Amounts due from group undertakings	2,809	2,935
Other debtors	409	324
Less: Provision for bad and doubtful debts	(10)	(45)
	3,672	3,648
Prepayments & accrued income	114	105
Pension bond receivable	-	4,060
<b>Total due within one year</b>	<b>3,786</b>	<b>7,813</b>
Due after more than one year	1,850	-
<b>Total debtors</b>	<b>5,636</b>	<b>7,813</b>

**Pension bond**

At transfer, Sevenside entered into a Pension Guarantee Bond Agreement with Shropshire County Pension Fund and Nationwide Building Society, whereby Shropshire County Pension Fund could, if Sevenside Housing failed to make appropriate pension scheme payments, seek recovery from Nationwide Building Society. In October 2017 this was replaced by a Guarantee Bond between Sevenside, Shropshire Council and Clydesdale Bank plc for £4,060,000. The bond amount was initially deposited in cash with Clydesdale Bank plc, being repaid in full on 16 April 2018 after being substituted with charged properties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: Amounts falling due within one year

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Loans and borrowings	1,308	800
Trade creditors	36	18
Rents and service charges received in advance	1,153	962
Amounts owed to group undertakings	1,269	1,417
Taxation and social security	98	148
Other creditors	65	64
Deferred grant income	758	1,733
Accruals and deferred income	856	1,376
Accrued loan interest	1,066	1,056
Employees	65	79
<b>Total Creditors: Amounts falling due within one year</b>	<b>6,674</b>	<b>7,653</b>

15. Creditors: Amounts falling due after more than one year

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Loans and borrowings	141,350	137,659
Capitalised loan arrangement fees	(134)	(134)
Deferred capital grants	15,678	13,935
Other designated funds	276	148
<b>Total Creditors: Amounts falling due after one year</b>	<b>157,170</b>	<b>151,608</b>



NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors: Amounts falling due after more than one year (continued)

Maturity of debt

	Bank Loans 2019	Other Loans 2019	Total 2019
	£'000	£'000	£'000
In one year or less	1,000	308	1,308
In more than one year but not more than two years	2,000	317	2,317
In more than one year but not more than five years	16,500	1,003	17,503
In more than five years	114,000	7,530	121,530
	<b>133,500</b>	<b>9,158</b>	<b>142,658</b>

	Bank Loans 2018	Other Loans 2018	Total 2018
	£'000	£'000	£'000
In one year or less	500	300	800
In more than one year but not more than two years	1,000	308	1,308
In more than one year but not more than five years	11,500	976	12,476
In more than five years	116,000	7,873	123,873
	<b>129,000</b>	<b>9,457</b>	<b>138,457</b>

**Security, terms of repayment and interest rates**

The Nationwide Syndications loan is secured by the properties that Sevenside owns. During the loan period decisions are made to fix the rate of interest for periods within the overall loan period. The fixed rates of interest range between 4.58% and 6.57%.

The Canada Life loan is secured against properties that Sevenside owns. It has a fixed interest rate of 4.54%. The Shropshire Council loans are secured against properties that Sevenside owns. The interest rates are fixed at 4.32% and 2.3%.

The weighted average interest rate for the year was 5.15% (2018: 5.12%). At 31 March 2019 Sevenside had undrawn loan facilities of £5.5million (2018: £10.5million).



NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments

	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
		£'000	£'000
<b>Financial assets that are debt instruments measured at amortised cost</b>			
Rent & service charges receivable	13	464	434
Amounts owed to group undertakings	13	2,809	2,935
Pension bond receivable	13	-	4,060
Other debtors	13	409	324
Investments		-	200
Cash and cash equivalents		-	3,830
<b>TOTAL FINANCIAL ASSETS</b>		<b>3,682</b>	<b>11,783</b>
<b>Financial liabilities measured at amortised cost</b>			
Loans	15	(142,658)	(138,459)
Trade creditors	14	(36)	(18)
Amounts due to group undertakings		(1,269)	-
Accruals	14	(856)	(1,376)
Other creditors	14	(1,294)	(1,348)
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(146,113)</b>	<b>(141,201)</b>

Sevenside's financial instruments are all currently classified as basic and measured at amortised cost.

17. Capital commitments

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Expenditure contracted but not provided in the financial statements	21,726	14,145
Expenditure authorised by the Board but not contracted	28,303	28,695
<b>Total capital commitments</b>	<b>50,029</b>	<b>42,840</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Capital commitments (continued)

The following amounts describe the way Sevenside funds development:

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Operating surpluses	37,379	29,298
SHG	4,657	3,847
Other grant funding	-	1,020
Forecast sales	7,993	8,675
<b>Total gross expenditure</b>	<b>50,029</b>	<b>42,840</b>

18. Leases

Operating leases

The Association held vehicles and lone working safety devices on cancellable operating leases. At 31 March 2019 the total of future minimum lease payments under non cancellable operating leases for each of the following periods:

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
<b>Leases for equipment:</b>		
Not later than one year	12	24
Later than one year and not later than five years	19	33
Later than five years	-	-
<b>Leases for vehicles:</b>		
Not later than one year	-	116
Later than one year and not later than five years	-	116
Later than five years		
<b>Total</b>	<b>31</b>	<b>289</b>

The expenditure charged in the Statement of Comprehensive Income during the year in relation to operating lease payments was £12k (2018: £134k).



NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension

**Shropshire County Council Scheme**

Sevenside participates in the Local Government Pension Scheme which is a multi employer defined benefit Scheme, is funded and is contracted out of the state scheme.

The disclosures necessary in respect of FRS102 are shown in various tables below. The actuary has estimated that the net pension asset/liability as at 31 March 2019 is a liability of £13,675,000 (2018: £11,751,000).

Assumptions as at	31 Mar 2019 %p.a.	31 Mar 2018 %p.a.
Salary increases	3.8%	3.6%
Pension increases	2.3%	2.2%
Discount Rate	2.4%	2.6%

The life expectancy is based on the Fund's VitaCurves and based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	23.2 years	26.4 years
Future Pensioners*	25.4 years	28.7 years

\* Figures assume members aged 45 as at the last formal valuation date.

Categories of plan assets as a % of total plan assets	Assets at 31 Mar 2019 %	Assets at 31 Mar 2018 %
Equities	51	53
Bonds	16	23
Property	5	5
Alternatives	22	17
Cash	6	2

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension (continued)

Net pension liability as at	31 Mar 2019	31 Mar 2018
	£'000	£'000
Fair value of employer assets	38,288	36,791
Present value of funded obligations	(51,676)	(48,263)
Net (under)funding in funded plans	(13,388)	(11,472)
Present value of unfunded liabilities	(287)	(279)
<b>Net pension (liability)</b>	<b>(13,675)</b>	<b>(11,751)</b>

	Year to 31 Mar 2019	Year to 31 Mar 2018
	£'000	£'000
<b>Amount charged to operating surplus</b>		
Current service cost	(710)	(816)
Past service cost	(214)	-
Administration expense	(14)	(15)
<b>Total operating charge</b>	<b>(938)</b>	<b>(831)</b>
<b>Amount charged to financing costs</b>		
Interest income on plan assets	949	912
Interest cost on defined benefit obligation	(1,243)	(1,229)
Losses on curtailments and settlements	-	(8)
<b>Total net interest</b>	<b>(294)</b>	<b>(325)</b>
<b>Total defined benefit cost recognised in surplus for the year</b>	<b>(1,232)</b>	<b>(1,156)</b>

Re-measurements recognised in other comprehensive income	Year to 31 Mar 2019	Year to 31 Mar 2018
	£'000	£'000
Change in financial assumptions	(2,669)	2,025
Change in demographic assumptions	-	-
Other experience	-	-
Return on assets (excluding amounts included in net interest)	1,112	(274)
<b>Total re-measurements recognised in other comprehensive income</b>	<b>(1,557)</b>	<b>1,751</b>



NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension (continued)

Reconciliation of defined benefit obligation	Year to 31 Mar 2019	Year to 31 Mar 2018
	£'000	£'000
Opening defined benefit obligation	48,542	49,841
Current service cost	710	816
Interest cost	1,243	1,229
Contributions from members	149	158
Past service cost	214	-
Actuarial (gains)/losses	2,669	(2,025)
Result on curtailments	0	8
Estimated benefits paid	(1,564)	(1,485)
Closing defined benefit obligation	51,963	48,542

Reconciliation of fair value of employer assets	Year to 31 Mar 2019	Year to 31 Mar 2018
	£'000	£'000
Opening fair value of employer assets	36,791	36,774
Expected return on assets	1,112	(274)
Interest income on plan assets	949	912
Contributions from members	149	158
Contributions from employer	865	721
Administration expenses	(14)	(15)
Benefits paid	(1,564)	(1,485)
Closing fair value of employer assets	38,288	36,791

History of gains and losses	Year to 31/03/19	Year to 31/03/18
	£'000	£'000
Fair value of employer assets	38,288	36,791
Present value of defined benefit obligations	(51,963)	(48,542)
Deficit	(13,675)	(11,751)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension liability

The company had the following liabilities during the year:

	Long term employee benefits - LGPS
	£'000
At 1 April 2018	(11,751)
Additions dealt within surplus	(938)
(Reductions) dealt within other comprehensive income	(1,557)
Employer contributions	865
Interest costs	(294)
<b>At 31 March 2019</b>	<b>(13,675)</b>

**Pension liability – LGPS**

The LGPS pension scheme is a multi employer defined benefit scheme. Each year the actuary values the assets and liabilities of the scheme using a set of assumptions. Changes in assumptions and performance of the assets/liabilities in the year means that the present value of the defined benefit obligation is subject to uncertainty.

The Association acknowledges that a ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (eg McCloud) and firefighter pensions (eg Sergeant) which had previously been considered by employment tribunals. The rulings have implications for the LGPS, Police and Fire schemes since similar reforms were implemented.

The final situation in terms of employer pension liabilities and financial impact is not clear, since the government may appeal and any remediation process, including cost cap considerations, may affect the resolution and financial impact for entities. Timescales for the resolution of this matter may be lengthy.

The Association has sought advice from the scheme actuary to assess the potential impact the judgement could have upon the scheme should the ruling apply to the scheme. The calculations provided by the actuary indicate that the estimated impact of the recent McCloud ruling would be £435k in respect of past service costs. As this figure is not deemed to be material to the financial statements, no adjustment has been made.

**21. Restricted reserves**

Restricted reserves constitute surpluses accruing from sales of LSVT units under the Right to Buy. The receipts are to be used solely for the provision of new housing, subject to approval by the relevant local authority.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Related party transactions

There are no Board members that are also Tenants (2017: nil).

The Board has no (2018 nil) members who are also councillors. The total compensation for the Board of Sevenside in 2019 was £nil as all members are now paid by Housing Plus (2018: £nil).

During the financial year Sevenside purchased services in the ordinary course of business from Housing Plus, an ultimate Parent, at a total cost of £8,476,415 (2018: £4,139,425) and provided services at a cost of £1,150,436 (2018: £1,724,150). At the year end Sevenside owed £200,687 (2018: £30,164) and was owed £648,013 (2018: £391,301) by Housing Plus.

Sevenside purchased services in the ordinary course of business from South Staffordshire Housing Association, at a cost of £388,471 (2018: £733,063), and provided services at a cost of £190,909 (2018: £2,098). At the year end Sevenside owed SSHA £343,558 (2018: £11,242) and was owed £5,605 (2018: £618,712).

Sevenside provided services in the ordinary course of business to Property Plus (Midlands) Limited at a cost of £2,324,128 (2018: £3,937,337), and purchased services in the ordinary course of business at a cost of £7,870,949 (2018: £8,561,328). At the year end Sevenside owed £724,904 (2018: £1,333,973) and was owed £83,756 (2018: £1,667,783) by Property Plus.

Sevenside purchased services from Severn Homes at a cost of £11,655 (2018: £42,117) and provided services at a cost of £262,828 (2018: £259,462). On 26 March 2019 Sevenside granted a loan of £3,850,000 to Severn Homes. Interest was received on the loan at LIBOR plus a margin of 3%, totalling £2,427. At the year end Sevenside was owed £3,876,268 (2018: £257,922) by Severn Homes and owed £nil (2018: £42,117).

Sevenside provided services to Care Plus at a cost of £624,124 during the year (2018: £255) and purchased services in the ordinary course of business at a cost of £830,907 (2018: £nil). At the year end Sevenside was owed £45,420 at the year end (2018: £135) and owed £nil (2018: £nil).

Sevenside provided services to Sevenside Community Association during the year at a cost of £100 (2018: £1,845). An investment of £200,000 was outstanding at the year end (2018: £200,000).

All related part transactions within the group are provided on an arms length basis. Amounts owed by and to the company are disclosed in notes 13, 14 and 15. These amounts are related to intragroup balances both in payables and receivables.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. Group companies

The ultimate parent undertaking and controlling party is the Housing Plus Group Limited, a registered social landlord (Registered Community Benefit Society No. 30224R). The consolidated financial statements of the Housing Plus Group Limited are available from the Company Secretary, Housing Plus Group Limited, Acton Court, Acton Gate, Stafford, ST18 9AP. The Group exercises control over Sevenside and other subsidiaries through regular Board meetings. The Group Board members include the Chair of each of the subsidiary Boards.