

Financial Statements

31 March 2019

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Torus62 Limited
Community Benefit Society 7973
Regulator of Social Housing registration 5065



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1. Board Members, Executive Management Team, Bankers and legal advisors

<p>Torus62 Limited Board (from 1 January 2019) Graham Burgess – Chair Paul Burns – Vice Chair Ian Clayton Robert Hepworth MBE Duncan Craig Christine Fallon Andrew Gray Greg Gottig Paula McGrath Sarah Jane Saunders Gordon Hood Steve Coffey</p> <p>Housing Maintenance Solutions Limited Board Wayne Hughes - Chair Ian Clayton Ralph Middlemore Paula McGrath Peter Fieldsend Paul Worthington</p> <p>Torus62 Commercial Services Limited Board Ian Clayton - Chair Wayne Hughes Ralph Middlemore Paula McGrath Peter Fieldsend Paul Worthington</p> <p>Torus62 Developments Limited Board Robert Hepworth - Chair Gordon Hood Christine Fallon Peter Fieldsend Steve Coffey</p> <p>Torus Living Board Robert Hepworth - Chair Christine Fallon Gordon Hood Peter Fieldsend Steve Coffey</p>	<p>Torus Foundation Board Sarah Jane Saunders – Chair Peter Morton Colleen Martin Elaine Stewart Phil Garrigan Peter Brennan (Stepped down 20 June 2019) Liz Haworth (Stepped down 28 June 2019)</p> <p>Group Remuneration and Nomination Committee Paul Burns - Chair Graham Burgess Greg Gottig Christine McLoughlin</p> <p>Group Audit and Risk Committee Duncan Craig - Chair Andrew Gray Greg Gottig Ian Clayton Paula McGrath Neil Garnham Alistair Hollows</p> <p>Landlord Operations Committee Andrew Gray – Chair Robert Hepworth Liz Haworth (Stepped down 28 June 2019) Sarah Jane Saunders Teri Wilson Sharon Shaw Ray Jones Ken Bason Sharon Connor Alice Bennett</p>
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<p>Executive Officers: Group Chief Executive Steve Coffey</p> <p>Chief Financial and Commercial Officer Peter Fieldsend</p> <p>Chief Operations and Transformation Officer Liz Haworth (stepped down 28 June 2019)</p> <p>Company Secretary and Registered Office: Peter Fieldsend Helena Central 4 Corporation St St Helens Merseyside WA9 1LD</p>	<p>Solicitors: Brabners Horton House Exchange Flags Liverpool L2 3YL</p> <p>External Auditors: Grant Thornton UK LLP Chartered Accountants and Registered Auditors 4 Hardman Square Spinningfields Manchester M3 3EB</p> <p>Internal Auditors: RSM UK Limited 3 Hardman St Manchester M3 3HF</p> <p>Bankers: National Westminster Bank Plc 5 Ormskirk Street St Helens WA10 1DR</p> <p>Barclays Bank plc Liverpool Lord Street Branch 48b & 50 Lord Street Liverpool, L2 1TD</p> <p>Funders: Royal Bank of Scotland Plc Santander UK Plc Nationwide Building Society Barclays Bank Plc Warrington Borough Council The Housing Finance Company</p>
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Legacy Torus62 Limited (to 1 January 2019)

<p>Torus62 Limited Board (ceased as a board 31 December 2018) Graham Burgess – Chair Roy Smith – Vice Chair (stepped down 1 January 2019) Ian Clayton Phil Pemberton (stepped down 1 January 2019) John Fulham (stepped down 1 January 2019) Robert Hepworth MBE Duncan Craig Christine Fallon Tony Williams (stepped down 1 January 2019) Rob Young (stepped down 1 January 2019) Sasha Wayne (Co-optee) (stepped down 1 January 2019)</p> <p>Helena Partnerships Limited Board (ceased as a board 1 January 2019) Graham Burgess – Chair Roy Smith – Vice Chair Robert Hepworth MBE Duncan Craig Ian Clayton Phil Pemberton John Fulham Christine Fallon Tony Williams Rob Young Sasha Wayne (Co-optee)</p> <p>Golden Gates Housing Trust Limited Board (ceased as a board 1 January 2019) Graham Burgess – Chair Roy Smith – Vice Chair Robert Hepworth MBE Duncan Craig Ian Clayton Phil Pemberton John Fulham Christine Fallon Tony Williams Rob Young Sasha Wayne (Co-optee)</p>	<p>Group Nomination and Remuneration Committee (renamed as Group Remuneration & Nomination Committee from 1 January 2019) Christine McLoughlin – Chair (stepped down as Chair 1 January 2019 but remained as a member) Graham Burgess Roy Smith (stepped down 1 January 2019) Tony Williams (stepped down 1 January 2019) John Fulham (stepped down 1 January 2019)</p> <p>Torus62 Commercial Services Limited Board Ian Clayton - Chair Paul McGarry (stepped down 1 January 2019) Ralph Middlemore Rob Young (stepped down 1 January 2019) Howard Roberts (stepped down 1 January 2019) Martin Hilton (Co-optee) (stepped down 1 January 2019)</p> <p>Torus62 Development Company Board (known as Torus Living from 12 April 2019) Ian Clayton – Chair (stepped down 1 January 2019) Paul McGarry (stepped down 1 January 2019) Ralph Middlemore (stepped down 1 January 2019) Rob Young (stepped down 1 January 2019) Howard Roberts (stepped down 1 January 2019) Martin Hilton (Co-optee) (stepped down 1 January 2019)</p> <p>Group Audit and Risk Committee Phil Pemberton – Chair (stepped down 1 January 2019) Duncan Craig Christine Fallon (stepped down 1 January 2019) Robert Hepworth MBE (stepped down 1 January 2019) Alistair Hollows Steve Richardson (stepped down 1 January 2019)</p>
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<p>Executive Officers: Group Chief Executive Rob Young (stepped down 1 January 2019)</p> <p>Group Director Finance and Investment Howard Roberts (stepped down 1 January 2019)</p> <p>Group Director Business Support Allen Barber (changed job title 1 January 2019)</p> <p>Group Director Delivery and Transformation Liz Haworth (changed job title 1 January 2019)</p> <p>Company Secretary (until 1 January 2019) and Registered Office: Allen Barber Helena Central 4 Corporation St St Helens Merseyside WA9 1LD</p>	<p>Solicitors: Catherine Phillips Torus62 Limited</p> <p>Brabners Horton House Exchange Flags Liverpool L2 3YL</p> <p>Anthony Collins 134 Edmund Street Birmingham B2 2ES</p> <p>External Auditors: KPMG LLP 1 St Peter's Square Manchester M2 3AE</p> <p>Internal Auditors: RSM UK Limited 3 Hardman St Manchester M3 3HF</p> <p>Bankers: National Westminster Bank Plc 5 Ormskirk Street St Helens WA10 1DR</p> <p>Funders: Royal Bank of Scotland Plc Santander UK Plc Nationwide Building Society Warrington BC</p>
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Legacy Liverpool Mutual Homes Limited (to 1 January 2019)

<p>Liverpool Mutual Homes Limited Board (ceased as a Board 1 January 2019) Paul Burns – Chair Andrew Gray Greg Gottig Paula McGrath Sarah Jane Saunders Gordon Hood Steve Coffey Ray Jones (stepped down 1 January 2019)</p> <p>Housing Maintenance Solutions Limited Board Wayne Hughes - Chair Peter Fieldsend Gordon Hood (stepped down 1 January 2019) Paula McGrath Paul Worthington</p> <p>ComMutual (known as Torus Foundation from 12 April 2019) Peter Morton - Chair (stepped down as Chair 1 January 2019) Stephanie Donaldson (stepped down 31 October 2018) Phil Garrigan Colleen Martin Elaine Stewart Peter Brennan Angela Forshaw (stepped down 1 January 2019)</p> <p>LMH Developments Limited (known as Torus62 Developments from 12 April 2019) Gordon Hood – Chair Steve Coffey Andrew Gray Peter Fieldsend</p>	<p>Group Audit & Risk Committee Paula McGrath - Chair Andrew Gray Greg Gottig Wayne Hughes (stepped down 1 January 2019) Stephanie Donaldson (stepped down 31 October 2018) Neil Garnham (co-optee)</p> <p>Group Remuneration and Nomination Committee Greg Gottig - Chair Paul Burns Gordon Hood (stepped down 1 January 2019) Wayne Hughes (stepped down 1 January 2019) Ray Jones (stepped down 1 January 2019) Paula McGrath (stepped down 1 January 2019)</p> <p>LMH Development Panel (ceased 1 January 2019) Gordon Hood – Chair Steve Coffey Andrew Gray Peter Fieldsend</p> <p>Social Landlord Operations Committee (ceased 1 January 2019) Ray Jones - Chair Sarah Jane Saunders Angela Forshaw Cllr Sharon Connor Cllr Leon Tootle (stepped down 18th July 2018) Ken Bason Olive Edmondson (stepped down 31st July 2018) Sharon Shaw Ruth Mount (stepped down 30th June 2018) Teri Wilson (appointed from 6th September 2018) Alice Bennett (appointed from 6th September 2018)</p>
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<p>Executive Officers: Group Chief Executive Steve Coffey</p> <p>Executive Director (Resources) Peter Fieldsend (changed job title 1 January 2019)</p> <p>Executive Director (Operations) Angela Forshaw (stepped down 1 January 2019)</p> <p>Company Secretary and Registered Office: Peter Fieldsend 1 Old Haymarket Liverpool Merseyside L1 9RA</p>	<p>Solicitors: Brabners Horton House Exchange Flags Liverpool L2 3YL</p> <p>External Auditors: Grant Thornton UK LLP Chartered Accountants and Registered Auditors 4 Hardman Square Spinningfields Manchester M3 3EB</p> <p>Internal Auditors: TIAA Artillery House Fort Fareham Newgate Lane Fareham PO14 1AH</p> <p>Bankers: Barclays Bank plc Liverpool Lord Street Branch 48b & 50 Lord Street Liverpool, L2 1TD</p> <p>Funders Royal Bank of Scotland Plc Barclays Bank Plc The Housing Finance Company</p>
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1. Strategic Report

Business Objectives and Governance

Nature of the Business

Torus62 Limited (“Torus” or the “Association”) was formed on 1 January 2019 when the former Torus62 Limited, its subsidiaries Helena Partnerships Limited (HP) and Golden Gates Housing Trust Limited (GGHT), and Liverpool Mutual Homes Limited (LMH) amalgamated in accordance with the Co-operative and Community Benefit Society Act 2014. It is incorporated as a Community Benefit Society registered with the Financial Conduct Authority (Number 7973) and is registered with the Regulator of Social Housing under the Housing Act (Number 5065). It is also affiliated to the National Housing Federation. The company is an unregistered charity.

Prior to amalgamation, the former Torus62 Limited, Helena Partnerships Limited and Golden Gates Housing Trust Limited converted from companies limited by guarantee to Community Benefit Societies, registered with the Financial Conduct Authority. This conversion took place on 13 August 2018.

As at 31 March 2019, Torus62 Limited had five subsidiary companies. These were Housing Maintenance Solutions Limited (HMS), Torus62 Developments Limited (formerly LMH Developments Limited), Torus Living Limited (formerly Torus62 Development Company Limited), Torus Commercial Services Limited and Torus Foundation (formerly ComMutual), which is also a registered charity. On 9 May 2019 Torus Commercial Services Limited became a subsidiary of Housing Maintenance Solutions limited.

Torus is a public benefit entity. The Group’s charitable entities primarily benefit people in the following ways:

- Provision of housing at below market rent for those in housing need.
- Promoting public safety, crime prevention and tackling anti-social behaviour.
- Environmental initiatives to reduce the impact in our area and increase fuel efficiency for our customers.
- Activities to improve life chances within our heartland communities in respect of:
 - Employment
 - Digital Inclusion
 - Health and Wellbeing
 - Financial Inclusion

Both the former Torus62 and Liverpool Mutual Homes Boards had been in discussions since September 2017, exploring the benefits of amalgamation driven by their shared aspirations to look for greater capacity to build more homes and to generate the widest impact in their areas of operation.

Before amalgamation both Boards approved a final business case which set out the rationale for the amalgamation. The business case sets out the objectives and benefits of the amalgamation:

- Regional Influence through Scale
- Investment in place for the long term
- Resilience through self determination
- Developing an intelligent organisation which looks ahead

Outcomes include:

- Increase in development activity with 5,300 new homes built in the first five years after amalgamation
- Increasing surplus from commercial activities to £5m per annum for investment in communities via the Torus charitable subsidiary Torus Foundation
- A larger, stronger, more resilient organisation better able to withstand risk

The process was backed up by robust due diligence exercises on each organisation looking at legal, financial and operational activities. These did not highlight any issues which would prevent the amalgamation taking place but did highlight areas for improvement and these have been built into a due diligence action plan.

Funders consent to the amalgamation was obtained and existing loan facilities were transferred to Torus62 Limited. As a result of the amalgamation Torus62 Ltd is the sole borrower and is obliged to undertake all obligations included in the respective loan agreements.

A new financial plan was agreed by the Boards which targets £14.2m of efficiencies by 2021/22. This in turn sees an improvement in key financial indicators (Cost per Unit, Operating Margin etc) when compared to the legacy organisations.

It was deemed that the amalgamation met the criteria for merger accounting and the accounts have been produced under merger accounting principles, whereby the new combined Association and Group are treated from a financial reporting perspective, as if they had always been constituted the way they are post amalgamation.

Pension scheme arrangements and impact of amalgamation:

- Liverpool Mutual Homes Limited (LMH):
 - Pre- amalgamation LMH had admitted body status to the defined benefit Merseyside Pension Scheme. The scheme was closed to new entrants. Subsidiary companies HMS, Torus Foundation and Torus62 Developments Limited were not members of the scheme. A small number of staff were members of the defined benefit Cheshire Pension Scheme with whom there was also admitted body status. A group-wide money purchase scheme with Aviva was also in place.
- Helena Partnerships Limited (HP):
 - Pre-amalgamation HP had admitted body status with the defined benefit Merseyside Pension Fund. The scheme was closed to new entrants.
- Golden Gates Housing Trust (GG):
 - Pre-amalgamation GG had admitted body status with the defined benefit Cheshire Pension Scheme. The scheme was closed to new entrants.
- A group wide money purchase scheme with Peoples Pension was also in place for HP and GG.
- At amalgamation new admitted body status was put in place for the new Torus62 Limited and Torus Foundation. Under the TUPE process existing defined benefit pension members from LMH, HP and GG transferred into Torus62 Limited and continued their defined benefit scheme membership. Existing staff from HP and GG who were due to transfer to HMS and Torus62 Developments Limited were offered secondments to preserve their defined benefit scheme benefits. One new group wide money purchase scheme was put in place for all staff not in the defined benefit schemes, including new employees.

In 2018/19 the Associations turnover was £187.7m (2018: £187.7m) with a surplus for the year of £35.4m (2018: £45.1m).

Properties in Management

Torus, as the Association, is the asset owning entity and its housing stock is largely concentrated in areas of deprivation within its heartland areas of the City of Liverpool, St Helens and Warrington. A small proportion of the stock is in other local authority areas, due to the new build development programmes in legacy organisations. Future development activity will be across heartland areas, the remainder of the Liverpool City Region, West Lancashire and Cheshire.

The Association has the following mix of Housing Stock:

Properties (as at 31 March)	2019	2018
Social Housing General Needs Properties	33,052	33,016
Social Housing Supported Housing / Housing for Older People	3,641	3,642
Social Housing Properties managed on behalf of others	115	116
Properties leased to Bamboo Estates LLP	82	29
Shared Ownership Properties	638	536
Non-Social Housing Properties	33	10
Total Properties	37,561	37,349

As at 31 March 2019, the figures above include 2,745 properties let at Affordable Rents and 74 properties at intermediate rents (80% of market levels). Properties leased to Bamboo Estates LLP are subsequently let at market rent levels.

In addition, there are 1,134 leasehold properties managed by the Group.

During the course of the year 267 properties were disposed of. These comprised 181 through the Right to Buy, 29 through the Right to Acquire, 8 property sales on the open market, and 13 shared ownership staircasing sales. In addition, 10 properties held as shared ownership properties at 1 April 2018 are now being marketed for outright sale. Further losses include 30 units demolished in the year and 6 units through property conversions.

A total of 451 new properties were developed during the year, 125 built for shared ownership, 308 for social / affordable rent and 18 Market rent units. Other gains during 2018/19 include 7 acquisitions, 8 gains through property conversion and the acquisition of 24 market rent properties. There was also 1 movement from low cost home ownership to affordable rent.

Overall there was an increase of 212 properties under management as at 31 March 2019, of which 137 were social/affordable housing (35 rental homes and 102 shared ownership).

Torus Group

Torus Group (or the Group) comprises Torus and five subsidiary undertakings alongside an investment in a jointly controlled entity:

Housing Maintenance Solution Limited (HMS): A registered company (number 7237932) which began trading on 4 July 2011 as a subsidiary of LMH and provides construction, repair and maintenance operations for Torus and external clients.

Services have expanded since its formation into large scale construction and 2018/19 saw the first completions of new build properties for Torus62 Developments Limited.

Following amalgamation in January 2019, HMS began to provide repair and maintenance services to Torus stock in St Helens and Warrington.

Turnover in 2018/19 was £34.1m (2018: £32.0m) and profit was £1.2m (2018: £2.4m). HMS financial performance reduced due to losses incurred on development activities.

Torus62 Developments Limited (Torus Developments): A registered company (number 9687200) incorporated on 15 July 2015 as a subsidiary of LMH and commenced trading in 2016/17 as the Group's new build development company.

Torus Developments supports the Group's new build strategy, which targets the completion of at least 5,300 new homes by 2024, primarily across the Liverpool City Region, West Lancashire and Cheshire.

A total of 191 properties were developed in 2018/19. Turnover in 2018/19 was £33.4m (2018: £22.4m) and profit was £0.8m (2018: £0.5m).

Torus Foundation: A charitable venture registered with the Charity Commission (number 1152903) and also a registered company (8444912). It was established in January 2017 to provide support to LMH tenants and communities across Liverpool City Region, incorporating the existing charity Toxteth FireFit Hub.

Following amalgamation, former Torus community activities were transferred into Torus Foundation which now provides services across the entire Group and specifically it's Heartlands. This included the "New Leaf" contract which is a significant grant funded programme providing employment support and advice across the whole of Cheshire.

In 2018/19, the charity received income of £2.8m (2018: £2.5m). This included £2.0m received as Gift Aid from the Group's commercial contracting arm HMS (2018: £2.0m). Total expenditure on providing services was £2.9m (2018: £2.1m).

Torus Commercial Services Limited (TCS): A registered company (number 5270846) which was incorporated on 27 October 2004 as a subsidiary of HP. It provides construction, repair and maintenance operations for external clients.

In 2018/19 Turnover was £3.1m (2018: £3.6m), with losses of £0.9m (2018: £0.1m loss). Losses are contractual following a dispute with the client.

It is the intention that all commercial trading activity be transferred to HMS and TCS will cease trading in 2019/20.

Torus Living Limited: A registered company (number 9471503) established in 2016/17 as a subsidiary of GGHT and provided new build development activities for HP and GGHT. It began trading in 2017/18.

Torus Developments will provide new build activities for the Group and existing Torus Living contracts have been novated to Torus Developments. Torus Living will cease trading in 2019/20.

A total of 88 properties were developed in 2018/19. Turnover in 2018/19 was £21.5m (2018: £14.6m) and profit was £0.3m (2018: £0.2m)

Bamboo Estates LLP: Trading as Bamboo Lettings, this is a Joint Venture (registered company number OC413454), 50% owned by Torus and 50% by Magenta Living. It was established in 2016/17 and manages a small number of properties leased to it from Torus. These properties are let at market rent by Torus.

The share of profit in 2018/19 was £0.1m (2018: £0.1m loss).

In addition, the Torus Board has established four Committees to support the work of the Boards. These Committees are

- Group Audit and Risk Committee;
- Group Remuneration and Nominations Committee;
- Landlord Operations Committee; and
- Development Committee

HMS and TCS have a common purpose Board membership with the same Board members, albeit with a different chair. A similar arrangement is in place for Torus Developments and Torus Living who have the same Board membership.

Boards and Committee memberships were reviewed prior to amalgamation. The process was supported by external advisors Campbell Tickell and was based on ensuring Boards and Committees were populated with members having the appropriate skills and competencies, based on an agreed skills matrix for the attributes required for the Board.

The Torus Group Board comprises 12 members made up eleven independent members and the Group Chief Executive. Appointments of the independent members were made following a review of skills against the matrix and a thorough interview process.

In addition, a revised executive structure was established following a comprehensive consultation and recruitment process. This structure comprises a Group Executive Management Team of Group Chief Executive, Chief Financial Officer and Chief Operating Officer, together with a Group Leadership Team of ten Group Directors and Managing Directors each with responsibility for a functional area of the Torus Group.

The Board and Executive Officers**Graham Burgess****Chair of the Group Board**

As Chair of the Board, Graham oversees and ensures high standards of governance, and provides appropriate levels of challenge and support to the Executive Team.

He has over 40 years of Local Government service and has served at National and Regional level with the National Association of Local Government Officers. Graham was Chief Executive of Wirral Council between 2012 and 2015 and Chief Executive of Blackburn with Darwen Unitary Council for six years.

He chairs several health organisations across Lancashire.

Paul Burns**Vice Chair of the Group Board****Chair of the Remuneration and Nominations Committee**

Paul is an experienced barrister and leader in Local Government and Social Housing law. His knowledge of Housing Management, Property Law and Human Rights, together with his extensive board experience and clear focus on governance, is a major asset at Board level.

Paul holds the highest available independent rankings in his areas of specialism with The Legal 500 2019 and Chambers UK 2019, is Head of Local Government & Social Housing at Exchange Chambers (Liverpool, Manchester and Leeds) and is one of the Attorney General's Counsel appointed to advise and represent Government departments.

Ian Clayton**Member of the Group Board**

Ian's early career included 14 years with the Alvis group of companies in board level positions focused on financial and general management. Since 2002, he has worked for a range of not-for-profit organisations involved in Social Housing, Health, Education and Training.

A Fellow of the Chartered Institute of Certified Accountants, Member of the Institute of Leadership & Management and a Common Purpose graduate, Ian is the Finance Director of a healthcare organisation and sits on several boards and committees.

Duncan Craig**Member of the Group Board****Chair of the Group Audit and Risk Committee**

A Professional Mechanical/ Electrical Engineer, Duncan retired from Westinghouse Electric Company in 2012 after 35 years in the nuclear industry.

Roles at Vice President level included global process re-engineering and manufacturing operations improvement. He previously worked for BNFL (British Nuclear Fuels) and was Site Director of the Springfields nuclear facility in Lancashire.

Robert Hepworth MBE
Member of the Group Board
Chair of Torus Developments

A retired Chartered Surveyor (FRICS), Robert was an Executive Director at St Helens Council between 1989 and 2014 where he led the strategy that regenerated large areas of the Borough, including the Housing Stock Transfer.

He is experienced in complex HR and Financial management, having been responsible for a multi-million-pound budget for over 25 years. Robert has also been actively involved in four Merseyside Regional Development Programmes, which have helped to transform Liverpool City Region.

Christine Fallon
Member of the Group Board

Christine has worked in Housing for over 30 years, starting out in Developments at a number of large London-based affordable housing providers and later specialising in retirement housing for sale and rent at Housing 21.

After a period of time at the HCA, she set up Affordable Homes Consultancy, which provides specialist development consultancy services to affordable housing providers, local authorities and housing developers. Christine is currently Director of Housing, Growth and Development at Bury Council.

Andrew Gray
Member of the Group Board
Chair of the Landlord Operations Committee

Andrew has 30 years' experience in the Social Housing sector, working as a consultant to housing organisations across England, Scotland and Wales.

A former Director of RDHS, Managing Director of Consult CIH and President of the Chartered Institute of Housing, he became Managing Director of the North West consultancy Hillcroft Partners in 2009 and Business Development Manager of Fusion21 in April 2017. Andrew specialises in customer insight and has significant experience within housing association boards and committees.

Greg Gottig
Member of the Group Board

Greg has over 20 years' experience in hospitality, managing hotels with Best Western Hotels GB. He is currently Chief Executive of Facilco, a growing facilities management business with 70 members of staff and over 1,000 customers operating across the North West.

He holds a Masters Degree in Leadership from the University of South Wales and is Chartered Manager and Companion of the Chartered Management Institute and Fellow of the Institute of Financial Accountants.

Greg has historically served on the boards at Liverpool Community Health NHS Trust, Roy Castle Lung Cancer Foundation and St George's Hall Charitable Trust.

Paula McGrath
Member of the Group Board

Paula is a qualified accountant and has worked in Corporate Finance for more than 20 years. She is a member of the CF Faculty of the ICAEW and has gained the industry's Corporate Finance accreditation.

She has considerable private equity experience and has led a variety of major North West transactions, including acting as financial advisor to the Board of Liverpool Football Club on the £174m disposal to Gillett and Hicks and the secondary buy-out of Secured Group. Since joining Brabners Corporate Finance in 2011 to head up their Deal Advisory team she has acted on several significant deals, leading the Integrated Corporate Finance Approach with Brabners Legal Team.

Sarah-Jane Saunders
Member of the Group Board
Chair of Torus Foundation

Sarah Jane has 20 years' experience in Social Housing, having begun her career as a Graduate Housing Management trainee with Wirral Council, before moving to Regenda Homes, One Vision Housing and a Housing Association in the Republic of Ireland.

She has wide ranging expertise in Housing Management and Regeneration, having worked in roles ranging from Housing Officer, Project Manager and latterly Operational Director – Customers & Neighbourhoods. Sarah Jane has a Postgraduate Diploma in Housing Management and is a member of the Chartered Institute of Housing.

Gordon Hood
Member of the Group Board

Gordon has over 35 years' experience in planning, urban regeneration, economic development, housing, public sector funding and project management, working in central and local government and in the private sector.

A planner by training, he developed strategic planning policy for Merseyside with the Department of the Environment and was Director of Development at Central Manchester Development Corporation. Gordon established the Regeneration Consultancy Department at King Sturge LLP (now Jones Lang LaSalle) and ran his own regeneration consultancy before retiring in 2012.

Group Chief Executive
Member of the Group Board
Steve Coffey

A passionate advocate for high-quality affordable housing in the North West, Steve is responsible for Torus' overall strategic direction, performance and development.

Before joining Torus, he led LMH from the 2008 stock transfer and spearheaded the creation of a strong, diversified and award-winning housing group with a distinct social purpose during his 10 years as LMH Group Chief Executive. Steve has held several senior executive positions within the North West Social Housing sector in a career spanning over 20 years.

**Chief Financial and Commercial Officer
Peter Fieldsend**

Peter oversees Torus' financial and commercial core with a focus on Business Assurance, Finance, Commercial Contracting and Developments operations.

Previously Executive Director (Resources) at LMH since 2008, he works to ensure the group has the right resources, approach and values to deliver consistent service excellence across all business areas. Peter is a qualified Chartered Management Accountant with significant Finance Director experience across a range of private sector businesses.

**Chief Operations and Transformation Officer
Liz Haworth**

Liz is responsible for the group's operations and transformational activities, including Housing, Assets, Organisational Development, Business Transformation, ICT and Social Investment.

She joined Helena in 2002 and became Group Director for Delivery and Transformation when Torus was created in 2015. Liz led the ambitious integration and transformation programme that delivered £7 million in efficiencies, integrated Torus' ICT systems and introduced innovative digital customer platforms. She is a board member of St Helens Chamber.

Liz left Torus in June 2019 to take up the Chief Executive role at Halton Housing Trust.

Performance during the Year

A performance management framework is in place whereby performance is scrutinised by officers and Boards. A suite of key performance indicators (KPIs) has been agreed which is reported to the Torus Board together with explanations of adverse performance and actions being taken to address any issues. This covers all aspects of activities across Torus.

Operating Surplus in 2018/19 amounted to £53m, a reduction of £16.6m when compared to the previous year. This Operating Surplus for the year was affected by the 'one off' treatment of several matters in accordance with the merger accounting approach, together with changes regarding the valuation of final salary pensions. There continues to be an underlying decline in Torus's rental income, with reductions in social and affordable rents of 1% applied in April 2018, in accordance with Welfare Reform and Work Act 2016. Turnover from social housing activities fell by £0.9m in the year. A further reduction of 1% has been applied in April 2019, however, the government's new rent policy will allow rent increases of CPI +1% from April 2020.

Operating expenditure increased by £20.9m during the year to £140.7m. Increased costs include:

- £2m costs incurred in relation to the amalgamation set up included in management costs within note 3, £1m increase in service costs, £1m additional depreciation and increased property repair and investment requirements of £5.0m;
- Pension costs of £2.2m increased due to the impact of the McCloud Judgement on past service costs (refer to note 31); and
- Other costs related to growth in shared ownership sales of £2.6m, £1m increased spend on other social housing activity and growth in non-social activities of £4.5m.

There was restructuring of a loan during the year with four fixed term loans previously held by GGHT, totalling £35m, being consolidated into a single fixed term loan. This represents a substantial modification of the loan. A finance charge of £6.9m has been recognised in the accounts in respect of a fair value adjustment on the restructure of the loan.

Total net assets stand at £529.7m, an increase of £28.6m over the course of the year. The increased focus on development has led to the value of fixed assets held by the Group increasing by £82.3m to £849.4m. Properties held for sale have also increased from £12.4m to £24.0m. This activity has directly impacted on the £26.1m reduction in cash balances, although they remain at a healthy £102.7m.

The pension liability has increased from £33.2m in 2018 to £43.4m in 2019 due to changes in underlying assumptions, principally reduction in discount rates used to measure liabilities and impact of the 'McCloud Judgement'.

The main focus during the year was the preparation for and undertaking of the amalgamation to create Torus on 1 January 2019. Other activities and achievements included:

- Increased development activity across the Group with 451 units completed in 2018/19, including the first Rent to Buy tenure properties for the Group. There were also over 1,500 units under development at year end;

- Torus successfully secured and signed a Strategic Partnership with Homes England via its WAVE 2 Programme unlocking a further £66m of grant funding to support the Group's development ambitions. The grant funding is for an additional 1,757 units within Torus' development programme and represents a 29% uplift on the baseline programme over five years;
- A total of £15.2m was reinvested on improvements to existing stock;
- Rent collection performance of 99.3% continued to outperform business plan targets of 97.25%, despite challenges through the roll out of Universal Credit;
- Tenancy turnover was 7.93% in 2018/19, with 1,799 properties re-let during the course of the year (target 9.4%). Occupancy levels were 98.75% (target 99%), all of which indicate demand for homes remains high;
- The majority of tenants are satisfied with services provided with satisfaction levels at 87.5% compare to a target of 87.1%, which is the weighted average based on targets of 90% for legacy LMH and 85% for legacy Torus;
- Tenant safety is a priority and Torus was fully compliant with asset and safety legislation throughout 2018/19;
- Commercial contracting entities have faced a challenging year with a lower than anticipated surplus achieved in HMS and a loss incurred by TCS. This was attributable to HMS loss incurred on development activities and TCS losses on a specific contract following a dispute with the client. However, there was a growth in turnover including construction works on behalf of Torus Developments, with the first handovers taking place during 2018/19;
- The Torus Foundation continued the expansion of its investment in heartlands and achieved a social impact ratio of £8.6 for every £1 invested (source: HACT Valuation statement); and
- A comprehensive package of communications and engagement with staff has been established including the Torus Connected group for the organisation's leaders, monthly "in the Know" briefings, a renewed staff appraisal process "Talking Performance" and an IIP staff survey undertaken as part of Torus seeking Investors in People Gold accreditation.

Group Corporate Plan

Following completion of the amalgamation, a Group Corporate Plan for Torus was developed based around the final business case.

Its mission is **Growing Stronger Communities** with the vision to support the development of economically vibrant communities and independent lives.

A Transformation Project has been established to transform the Group to a single operating model with clear design principles around Customer first, integrated IT, lean and efficient processes, intelligent data, digitally minded and investment in our people.

The objectives and outcomes Torus is seeking to achieve are:

- **Great Homes:** High quality, well maintained homes and landlord services for our Liverpool, St Helens and Warrington heartlands will always be at the heart of what we do. We will deliver “landlord plus” services that represent value for money, support the most vulnerable and maximise our social impact to create vibrant neighbourhoods;
- **Strong Communities:** We are committed to unlocking the potential that exists across communities and empowering the people who live in them. Our charitable arm, the Torus Foundation will work to address deprivation, promote inclusion and support customers and communities to thrive and be the best they can be. This vision reflects our central focus on supporting local people and neighbourhoods to build, maintain and develop strength and ultimately be resilient;
- **Ambitious Developments:** The deep roots that make us one of the North West’s largest registered providers mean we are committed to putting the needs of people living in our key geographic areas first by delivering a development programme that addresses those needs now and in the future. Our new build strategy will deliver new homes across all tenures – to help meet the needs of a growing and multi-generational resident population. We’ll build some properties for outright sale and private rent, but at least 70% will always be affordable in nature;
- **Commercial Contracting:** Our commercial arm, HMS will manage responsive and planned repair and maintenance works for the entire Torus portfolio and deliver a range of public and private contracts and projects for external clients. 100% of the profits generated by HMS will be gift aided to the Torus Foundation to fund initiatives that make a positive difference to our communities and the lives of the people who live in them; and
- **Our People:** We recognise that our staff are vital in helping us deliver this plan and will work to support an agile, commercially minded workforce motivated by delivering social outcomes through exemplary people engagement.

Principal Risks and uncertainties

Torus’s aim is to mitigate and avoid risk which would have an adverse effect on our strategic objectives. A Strategic risk review has taken place during 2018/19 ensuring risks are effectively managed and assurance is provided based on the level of risk exposure. The Group maintains a strategic risk register and a suite of operational risk registers which identify the key risks to the business and the strategic aims. Risks and assurance are monitored by the Group Audit and Risk Committee.

Torus explores its internal and external environment when considering the risks which may have an impact on the Group. 12 Strategic Risks have been identified:

Risk	Mitigations
<p>Ineffective identification and management of Safety & Compliance obligations</p> <p>Impacts include death or catastrophic injury, regulatory intervention and legal action, loss of reputation and customer trust</p>	<p>A Safety, Health & Environmental Policy for the Group sets out the approach to HSE supported by procedures and a training matrix to embed an effective safety management culture.</p> <p>Asset Compliance Policies which include Gas, Fire, Electrical, Asbestos, Legionella and Lift Safety are in place that support the robust framework for compliance monitoring and assurance.</p> <p>A Performance Management Framework and accompanying performance and compliance dashboards for all aspects of Health and Safety are tracked and monitored to ensure that Torus meets its obligations as a landlord and employer. 3rd line of defence audits have been conducted to provide additional assurance.</p>
<p>Failure to maintain the Confidence, Satisfaction and Trust of customers and stakeholders</p> <p>Impacts include regulatory intervention, reputational damage, increased complaints and dissatisfaction, lack of engagement with customers and stakeholders</p>	<p>Our core commitments define our purpose and we endeavour to operate with integrity and adhere to legal and regulatory requirements. Business Continuity and Disaster Recovery arrangements are in place to ensure we are able to maintain stakeholder trust and respond to incidents that could affect the services we deliver including any Cyber Security issues.</p> <p>Torus seeks to maximise engagement with stakeholders through our formal and informal processes. Our Landlord Operations Committee (LOC) and digital Torus Talk seek to maximise tenant engagement. Adopting the NHF Tenants Charter Torus seeks to strengthen the relationship with tenants and to give them confidence that Torus is committed to being accountable.</p>

Risk	Mitigations
<p>Failure to establish an agile, commercially minded and motivated workforce</p> <p>Impacts include loss of staff and ability to recruit staff, staff dissatisfaction, poor service delivery, loss of corporate knowledge and key skills</p>	<p>Torus recognises that our employees and Board members, along with prospective employees are key to our operations. Our OD Plan, Leaders ASK programme and learning, and development offer seek to support employee development.</p> <p>Commercial growth targets have been agreed with HMS Board</p>
<p>Failure to be recognised by key stakeholders as a regional influencer</p> <p>Impact included inability impact and influence local/regional policies, lack of partnership working and inability to regenerate communities</p>	<p>The organisation is structured to support innovation. Collaboration is a corporate behaviour that extends to external partnerships.</p> <p>Torus is working closely as a key partner to local authorities and developers to unlock new opportunity and create 5,300 homes by 2024 in line with our development strategy to become a regional place-shaper.</p>
<p>Failure to reshape the business and implement the new operating model</p> <p>Impacts include failure to deliver objectives and efficiencies, reduction in service quality and dissatisfaction, lack of intelligence and poor decision making</p>	<p>A 2-year transformation programme underpinned by project management methodology will ensure that Torus has employees with a business ethos are to deliver services in an efficient manner. Organisational structures reflect the service needs and treasury arrangements ensure adequate resources.</p>
<p>Unable to deliver the Corporate Strategy</p> <p>Impacts include, corporate objectives not met, reputational damage, efficiencies not delivered, staff morale, customer dissatisfaction</p>	<p>Our Business Planning processes alongside stress testing and horizon scanning supports the development of an effective strategy.</p> <p>An Operational Plan has been put into place to enable delivery of the Corporate Plan at an operational level, with clear owners and timescales for delivery.</p>

Risk	Mitigations
<p>Ineffective Governance arrangement across the Group</p> <p>Impacts include regulatory downgrade and intervention, reputational damage, failure to meet compliance requirements, poor leadership and failure to deliver objectives and VFM</p>	<p>During the year the new General Data Protection Regulations (GDPR) came into force. Across the organisation action plans have been developed to work towards compliance. An internal audit was undertaken across the group with actions identified. Performance indicators have been established to monitor breaches and subject access requests. A review of our training arrangements has identified a gap which we are in the process of addressing thereby ensuring that all staff have received the necessary training</p> <p>Our Corporate Plan is underpinned by several plans and strategies. A performance and risk framework are in place to ensure monitoring is robust.</p> <p>The NHF Code of Governance has been adopted across the Group with a Board skills matrix and appointments based on skills and competencies</p>
<p>Failure to diversify and grow in line with the Group Business Plan</p> <p>Impacts include financial benefits not realised, corporate objectives not met, inability to provide gift aid for charitable purposes</p>	<p>Our Growth plans along with our Asset Management and Development Strategies alongside our appraisal models, tolerated exposure limits and flexible products aim to ensure future growth is achieved.</p> <p>Our ambition is to deliver outstanding contracting and commercial services. To deliver this ambition contract management, procurement and performance frameworks have been established to track achievements.</p>
<p>Failure to deliver the development programme</p> <p>Impact includes loss of trust with customers, reputational damage, detrimental financial impact on business plan, poor VFM</p>	<p>Funding has been secured for the next phase of developments. The Board has approved an Annual Development Programme. Progress against targets is monitored and reported at appropriate levels and frequencies.</p> <p>A Development Committee has been established to closely monitor the ambitious plans.</p> <p>Torus is a Strategic delivery partner for Homes England to support the delivery of new homes.</p>

Risk	Mitigations
<p>Failure to manage our long-term financial resilience</p> <p>Impact includes viability of business, regulatory intervention, poor VFM, insufficient resources to delivery corporate objectives, inability to raise finance</p>	<p>The roll out of Universal Credit across the Group could have a financial impact on the Group if we are unable to collect rental income. Performance is closely monitored across all three heartlands along with support from Torus Foundation to provide opportunities for residents to access training and employment.</p> <p>Torus has robust financial planning and stress testing in place. Our Board undertake a review of the financial plan ensuring that there are adequate resources available. Our Growth aspirations seek to ensure that our long-term future is sustainable through approved Golden Rules.</p> <p>Torus has engaged with treasury advisors and reviews debt requirements on at least an annual basis with a treasury strategy presented to the Board. Long term funding is in place for at least two years, with fixed term loans in place to manage interest rate risk. This provides a mitigation against Brexit or any sudden changes in the operating environment. A treasury management policy is in place approved by the board.</p> <p>The defined benefit pension scheme is no longer open to new entrants and additional resources of £1.9m per annum are built into the business plan from 2020-21 to fund increased contributions/deficit payments. A review of pension arrangements will be undertaken in 2019-20 when the results of the triennial valuation of defined benefit pension schemes are released.</p>
<p>Inability to adapt to the changing external environment</p> <p>Impacts include failure to deliver financial targets and efficiencies, failure to deliver corporate plan, missed opportunities, decline in service standards</p>	<p>Our Business Planning processes alongside horizon scanning and stress testing methodology seek to ensure that Torus can respond to Government changes including welfare reform and the potential impacts of Brexit.</p> <p>Torus has considered 5 areas which the National Housing Federation (NHF) identified including; liquidity, development costs & revenue, care support & staff shortages, political and fiscal policy changes and impact on tenants. Stresses and scenarios were modelled against the 5 areas with mitigation strategies identified.</p> <p>Torus is a member of relevant trade bodies and staff attend meetings and briefings to horizon scan and keep up with upcoming developments in the sector. Where significant these are reported to Board and Audit & Risk Committee along with mitigating actions.</p>

Risk	Mitigations
<p>Unable to deliver our social impact ambitions</p> <p>Impacts include failure to achieve corporate objectives, poor service delivery and negative impact on customers and local communities with loss of trust and confidence in Torus.</p>	<p>The Torus Foundation is the charitable arm of the Group structured to address deprivation, promote inclusion and support customers and communities across the 3 heartlands.</p> <p>Income generated by the commercial contracting arm of the Group is gift aided to the Torus Foundation to support the Group's commitment to the local communities and people.</p>

The Board has considered the potential impact of Brexit on its business. This review was considered against five key areas: liquidity, development costs & revenue, care support & staff shortages, political and fiscal policy changes and impact on tenants. Torus is mitigated against many of the risks as it has long term funding in place, significant cash balances and loans are at fixed interest rates. There remains, however, exposure to inflation, house price reductions, supply chain risks and the impact that a 'no deal' Brexit may have on tenants. Mitigations have been identified and situations are monitored as part of its risk management processes.

The amalgamation created challenges in terms of integrating two organisations, systems and processes. This poses a risk to the delivery of Torus objectives outlined in the corporate plan. A transformation programme has been established with robust governance and project management arrangements in place including regular reports to Boards on progress. Policies and strategies for the group will be reviewed to ensure they are aligned with Torus objectives and delivery of the corporate plan. There is also a specific focus on our staff across the group, including the involvement of staff to establish an appropriate culture with shared values and behaviours, and providing opportunities to develop skills and capabilities.

The Group has liabilities in connection with defined benefit pension schemes under the Local Government Pension Scheme. Torus and Torus Foundation are admitted bodies with both Merseyside Pension Fund and Cheshire Pension Fund. These pose a long-term financial risk to the Group in terms of increasing contribution levels and ultimate termination debt payment. Long term exposure has been mitigated by closing the schemes to new entrants and providing additional provision in the financial plan from 2020/21 to fund potential increased contributions or deficit reduction payments. Results from the latest triennial valuation are due in 2019/20 when further risk management options will be considered.

The delivery of the development programme is a significant risk with over £1bn being invested in new build properties by 2024. A number of controls have been established to ensure the programme can be delivered in line with corporate objectives. The development and finance teams have established a range of policies and procedures including investment appraisal, contract management and compliance. These processes will be subject to regular audit in order to provide appropriate assurance. Governance processes have been reviewed to ensure the programme is regularly monitored at scheme and overall programme level. This includes a specific development committee. The programme is built into our long-term financial plan and we work closely with our Treasury advisors to ensure that funding is available for the programme and the financial plan remains suitably strong to meet financial targets, golden rules and funders covenants. As part of the monitoring processes, the impact of development programme changes on the financial plan will be reviewed. Torus is a

Strategic Partner for Homes England and this provides greater certainty in terms of long-term grant availability to support the programme ambitions.

Torus's work inevitably involves working with children and vulnerable adults. Torus is clear on its legal responsibilities and has established Safeguarding Policies and processes for Children and Adults, linkages are in place with Safeguarding Boards in heartland areas, staff training is undertaken based on an approach of "every contact counts" with staff encouraged to look for and report any incidents or risks that are identified. All staff working in posts working with children or vulnerable adults have Disclosure Barring Service checks undertaken at regular intervals.

The safety of tenants in their homes is of paramount importance to Torus. Fire safety and other compliance activities has always taken a high priority and has been subject to further scrutiny following events at Grenfell Tower. In 2017/18 LMH completed the refitting of cladding to Marwood Towers. The cladding passed the Government "whole system" test which meant that it met with the necessary fire safety standards and achieved Building Regulations compliance, as confirmed by Liverpool City Council. Up to date and valid Fire Risk Assessments are in place for all other buildings requiring them. Following assessment, any actions are logged and programmes put in place to complete actions in line with target timescales. There are currently no outstanding high-risk actions.

VFM Report

Introduction

Torus, including its legacy organisations, are committed to providing services that deliver Value For Money (VFM) for our customers and stakeholders. The Group Corporate Plan gives a commitment to use existing resources efficiently and to generate additional income each year. The Group will always use these resources to invest in new and existing homes together with wider services that people and communities need.

Torus has set targets to deliver efficiencies of £14.2m per annum by 2021/22.

2018/19 VFM Performance

Both legacy organisations signed up to the Sector Scorecard. This is a project established by the social housing sector to measure, benchmark and demonstrate VFM using a range of indicators. This provides a basis for accountability to customers and stakeholders and provides a mechanism for Boards to assess VFM performance and identify where any actions should be focussed.

The 15 measures identified in the Sector Scorecard include the 7 VFM standard metrics identified by the Regulator of Social Housing, that providers are required to report against.

Performance is shown against previous years' performance plus previous years' median performance for the sector as a whole and for providers in the North of England with over 10,000 units in management. This group has been chosen as it more closely aligns to the characteristics of Torus and its legacy organisations.

The VFM performance in 2018/19 is as follows:

KPI	2018/19	2018/19 targets	2017-18	LMH 2017-18	Torus 2017-18	Sector 2017-18 Median	North of England providers (over 10,000 units) 2017-18 Median
Operating Margin (overall)	24.70%	26.90%	33.80%	33.70%	34.20%	28.90%	24.70%
Operating Margin (Social Housing)	28.80%	28.60%	36.30%	35.20%	37.50%	32.10%	26.26%
EBITDA MRI (% of Interest)	329%	339%	383%	142%	533%	206%	171%
New Supply Delivered (social Housing)	433	587	372	240	132	259	136
New Supply delivered (non-social housing)	18	18	10	0	10	10	0
New Supply % (social housing)	1.13%	1.59%	1.05%	1.50%	0.60%	1.20%	0.83%
New Supply % (non-social housing)	0.05%	0.05%	0.02%	0.00%	0.04%	0.00%	0.04%

KPI	2018/19	2018/19 targets	2017-18	LMH 2017-18	Torus 2017-18	Sector 2017-18 Median	North of England providers (over 10,000 units) 2017-18 Median
Gearing	23.70%	27.00%	22.00%	18.40%	22.50%	42.90%	36.50%
Customer Satisfaction	87.50%	87.10%	87.02%	92.80%	82.90%	84.60%	85.55%
Reinvestment	13.50%	14.60%	11.60%	10.90%	12.20%	6.00%	7.34%
Investment in Communities	£3,661,706	£4,679,542	£2,402,000	0*	£2,402,000	£712,000	£861,912
Return on Capital Employed	5.50%	5.40%	7.70%	5.30%	10.40%	4.10%	4.16%
Occupancy	98.75%	99.00%	99.27%	99.29%	99.26%	99.40%	99.29%
Ratio Responsive to Planned maintenance	0.61	0.74	0.62	0.80	0.69	0.69	0.70
Headline Social Housing Cost per unit	£3,040	£3,050	£2,750	£2,710	£2,685	£3,396	£3,257
Rent Collected	99.30%	97.25%	99.01%	100.12%	98.24%	99.70%	99.41%
Overheads as a % of adjusted turnover	10.30%	n/a	8.86%	9.00%	8.77%	11.05%	11.00%

*The 2017/18 submission reflected landlord spend only and excluded Torus Foundation spend

2017/18 figures based on restated accounts whereas 2017/18 figures for LMH and Torus reflect submitted figures based on 2017/18 accounts.

Analysis of Metrics

Operating Margin (overall): The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are considered. Increasing margins are one way to improve the financial efficiency of a business.

Operating Margin (social housing): This represents the margin from the letting of social housing properties only.

Torus has seen margins reduce in 2018/19 due to one off costs in relation to amalgamation set up of £2m, and increased management and a £5m increase in repairs and investment in stock when compared to 2017/18. Levels of margin are comparable with sector and peer group median levels. The transformation programme and planned efficiencies will have a positive impact with the overall Operating Margin forecast to increase to 31.8% by 2021/22.

Earnings before Interest, Taxation, Depreciation and Amortisation, major repairs included (as a % of interest): The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge. Torus generates strong surpluses from its operating activities and when combined with lower levels of debt, it has a higher level of EBITDA MRI than comparators.

New Supply Delivered (social housing): The absolute number of social housing units developed or acquired during the year. This includes social rent, affordable rent, shared ownership and rent to buy products. Torus has seen its development completions increase in 2018/19 to 433 units, compared to 372 in 2017/18. This compares favourably to our peers. It is anticipated that this will increase in future years to over 1,000 units per annum as the ambitious development programme is delivered.

New Supply Delivered (non-social housing): The absolute number of non-social housing units developed or acquired during the year. This includes private rented or outright sales products. A total of 18 Units were developed in 2018/19 for the private rented market.

New Supply Delivered (social housing): The number of social housing units developed or acquired during the year as a percentage of total social housing units owned. Performance of 1.13% is in line with the sector median and higher than our peer group of providers in the North with over 10,000 units.

New Supply Delivered (non-social housing): The absolute number of non-social housing units developed or acquired during the year as a percentage of total units owned. Performance is in line with comparators.

Gearing: This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a registered provider's appetite for growth. Torus has relatively low levels of debt, due to its history of legacy organisations being Stock Transfer providers, and has a gearing level of 23.7%, below that of our comparators. There is therefore scope and capacity in our plans for increased investment to meet customer needs.

Customer Satisfaction: Percentage of respondents very or fairly satisfied with their landlord's services overall. Satisfaction in 2018/19 was 87.5%, above the median levels of the comparator groups.

Reinvestment (%): This metric looks at the investment in properties (existing stock as well as New Supply) as a percentage of the value of total properties held. Torus performs well when compared to others with reinvestment of 13.5%, reflecting the levels of investment in both new housing and improvements to existing stock.

Investment in Communities: This measure should quantify expenditure on activities that go beyond being a landlord or housing developer. Community investment includes community and neighbourhood activities (e.g. employment skills training, money advice, community groups etc.) and shows that providers are making a positive contribution to the communities where they own and manage stock.

Return on capital employed: This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. Return of 5.5% compares well to others.

Occupancy: This metric measures the level of occupancy against total properties available for letting. This has fallen to 98.75% in 2018/19 due to a number of homes in St Helens and Warrington undergoing an asset management review. This is below the median levels of comparator groups and long-term aspirations. However, performance is in line with targets and void loss budgets. Void processes are being reviewed to ensure there is a consistent approach across the group in order to speed up re-let times and improve occupancy levels.

Ratio of responsive to planned maintenance: This metric measures asset management effectiveness through the proportion of responsive works undertaken compared to planned maintenance and capital investment. In 2018/19 the ratio was 0.61 indicating improved performance compared to the previous year and against comparators.

Headline Social Housing Cost per Unit: The unit cost metric assesses the headline social housing cost per unit as defined by the regulator. Cost per unit increased to £3,040 in 2018/19, reflecting an increase in management and repairs expenditure. However, this still below both the sector median and median of peer group providers. The efficiency targets of £14.2m savings per annum and the growth in stock numbers from development, will both have a positive impact on costs per unit. Whilst costs may initially increase in the short term during the 2 year transformation period, it is expected that they will fall to £2,600 per unit by 2021/22

Rent Collected (%): This metric sets out the rent collected as a percentage of rent due. Performance in 2018/19 was 99.3%. This is in line with peer group median levels and is in excess of performance and budgetary targets. The continued roll out of Universal Credit is a challenge and may have a detrimental impact on this metric in future years. Torus will continue to support tenants through this process, and review collection processes to ensure a high collection rate is maintained.

Overheads as a percentage of adjusted turnover: This metric measures the cost of central overheads as a percentage of turnover. Overheads have increased to 10.3% reflecting costs of setting up Torus. Performance is favourable when compared to peer organisations. The Transformation Project should have a positive impact on overhead costs, in particular integration of ICT systems and review of accommodation requirements.

The Torus business model is based on profits from commercial activities being retained by the Group to support and fund community activities via gift aid to Torus Foundation. This enables social benefits to be created through efficient commercial contracting businesses.

Both HMS and Torus Developments have a focus on delivering VFM through establishment of efficient processes and procurement, plus the growth of commercial activities generating increased surplus for the Group. HMS has a growth target of £5m surplus by 2021/22.

Torus Developments also support the commercial surplus through the development of market rent and outright sale properties for the Group. The Group has established an investment policy setting parameters and targets for investments that generate returns to support charitable activities. The investment in Bamboo Estates is utilised as a mechanism to maximise rental income from small number of properties, which are let at a market rent.

Future VFM activities

Targets have been set to achieve £14.2m of annual savings by 2021/22.

In order to achieve these savings a Transformation Project has been initiated. Projects are in place across all business areas and include:

- Integration onto single ICT systems creating efficiencies and single ways of working;
- Implementation of digital self-service systems and new technologies to drive improvements and efficiencies;
- Integration of teams in line with a single operating model across the Group;
- Procurement of goods and services, utilising single suppliers and increased buying power of Torus;
- Review of asset specifications and lifecycles;

- Review of accommodation requirements, taking advantage of agile and flexible working;
- Commercial growth through HMS and Torus Developments, generating increased surplus for reinvestment in community activities; and
- Increased insourcing of landlord services generating VAT saving.

Financial Review

On 1 January 2019, Torus62 Limited, Golden Gates Housing Trust Limited, Helena Partnerships Limited and Liverpool Mutual Homes Limited combined via statutory amalgamation to form a new Community Benefit Society taking the name Torus62 Limited (Torus). It was deemed that the amalgamation met the criteria for merger accounting and the accounts have been produced under merger accounting principles, whereby the new combined Association and Group are treated from a financial reporting perspective, as if they had always been constituted the way it is post amalgamation.

The rationale for adopting merger accounting is:

- The amalgamation was one of equals, as both organisations were of broadly the same size and influence. Torus had approximately 21,700 units predominantly based in the towns of St Helens and Warrington and turnover of £112m whereas LMH has approximately 15,500 units predominantly based in the core city of Liverpool and with a turnover of £78m;
- The beneficiaries and purpose of the amalgamated entity were in line with those of the legacy organisations;
- The new board arrangements were representative of the legacy organisations with five members from Torus and seven from LMH;
- A governance structure was developed for the new Group by the respective Chief Executives and Group Chairs, with external consultancy support;
- Role specifications for each Board or Committee were developed with supporting skills matrices. Existing members from both organisations were invited to apply for places on the new Torus Board, Subsidiary Boards and Committees; and
- Formal selection processes were utilised prior to appointment.

Accounting Policies

The Group's principal accounting policies are set out on pages 52-63 of the financial statements. The policies that are most critical to these financial statements relate to accounting for accounting for Housing Properties, inclusive of the cost of properties, capitalisation of improvement works and depreciation.

Following amalgamation accounting Policies were reviewed to ensure a consistency of approach across the Group. As a result, an adjustment was made in the Statement of Financial Position capitalising interest on developments undertaken in respect of former Helena Partnerships and Golden Gates Housing Trust schemes where the interest costs had previously been expensed. The value of fixed assets was increased by £4.0m as a result of this adjustment.

Financial Performance

For 2018/19, rents were set in accordance with the Regulator of Social Housing Rent Standard and the Welfare Reform and Work Act 2016. Rents on social and affordable properties were reduced by 1% on 1 April 2018 in line those requirements.

Development activity was less than originally anticipated and income from shared ownership sales was lower than expected, although this is offset by reduced expenditure on development.

Operating Costs were in line with the Group's initial Business Plan, with the Association achieving a Surplus of £54.7m compared to forecast of £52.0m. Appropriate assumptions were made in relation to bad debts and good performance in terms of rent collection has generated savings in operating costs.

However, Operating Surplus was £16.6m lower than the surplus in 2017/18 (Group) and £15.2m (Association). Whilst income at the Group level increased by £4.25m, income from social housing lettings reduced by £0.9m as a result of the rent reduction applied in April 2018. Income from non-social housing activities reduced during the year and there was an increase on operating costs in relation to one off costs attributable to the setup of Torus of over £2m and an additional £2.3m past service pension costs.

Increased investment in existing stock resulted in planned maintenance and major repairs expenditure increasing by £3.8m. The increase in development activity starting in 2017/18 resulted in an increase in share ownership properties available for sale. Income from first tranche sales increased by £3.4m to £11.2m, generating a surplus of £1.6m.

Interest and financing charges have fallen by £5m during the year due to unwinding of discount on NPV and amortisation of loan premiums in 2018/19 following refinancing and finance charges incurred in 2017/18, together with one off debt issue costs incurred in 2017/18. Increased capitalised interest, as a result of increased development activity and change in accounting policy on amalgamation, has also had a positive impact on interest charges.

A restructuring of loan fixes took place in May 2018, replacing four individual term loans totalling £35m with one new consolidated term loan of £35m. A fair value adjustment has been applied to the new fixed loan, with a finance charge of £6.9m included in 2018/19. When financing costs in 2018/19 are compared to 2017/18, it should be noted that a fair value adjustment of £10m was applied in 2017/18 following a refinancing exercise undertaken in that year.

Taking the above factors into account, surplus before tax was £33.4m for the Group (2018: £44.7m) and £35.4m for the Association (2018: £45m)

Following amalgamation in January 2019, loan agreements were amended, and new covenants based on the new Group finances were agreed with funders. The financial performance in 2018/19 satisfied all funders covenants in respect of interest cover, Net Debt per unit, Net Debt to Housing Properties at Cost.

The Group maintained a high level of cash during the year. Operating activities generated cash surpluses of £72.6m, of which £81m was reinvested in new homes and improvements to existing homes (after grant receipts). At year end the cash balance stood at £102.7m.

The Group's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cashflows are summarised below:

	2019	2018
	(£'000)	(£'000)
Statement of Comprehensive Income		
Total Turnover	193,672	189,421
Operating Costs	(140,667)	(119,839)
Interest, Financing and Other Costs	(19,623)	(24,889)
Surplus for Financial Year (before tax)	33,382	44,693

	2019	2018
	(£'000)	(£'000)
Statement of Financial Position		
Housing Properties, net of depreciation	821,312	744,697
Other Fixed Assets	28,076	22,427
Fixed Assets net of Depreciation	849,388	767,124
Net Current Assets	106,800	130,679
Total Assets less current liabilities	956,188	897,803
Creditors, amounts falling due after more than one year	382,438	362,915
Pensions liability	43,436	33,175
Provision for liabilities	629	598
Total net assets	529,685	501,115
Revenue Reserve	527,751	498,823
Restricted Reserve	1,934	2,292
Total Reserves	529,685	501,115

	2019	2018
	(£'000)	(£'000)
Statement of Cashflows		
Net cashflow from operating activities	72,596	94,445
Cashflow from investing activities	(80,978)	(69,893)
Cashflow from financing activities	(17,769)	13,427
Net change in cash and cash equivalents	(26,151)	37,979

Treasury and Loan Structure

At amalgamation, the existing loan agreements in Liverpool Mutual Homes Limited, Helena Partnerships Limited and Golden Gates Housing Trust Limited were transferred to Torus. Loan terms remained broadly the same. Prior to amalgamation, the Golden Gates Housing Trust Limited loan agreement with Santander was restructured, consolidating four fixed term loans totalling £35m into a single fixed term loan and switching £30m of undrawn term facility to a revolving credit facility.

The changes were made as more flexible facilities are required as shared ownership and outright sales activity are an increasing proportion of the development programme.

A summary of loans and bonds, as at 31 March 2019 is shown below:

Provider	Drawn Facilities Value (£m) *	Undrawn Facilities Value (£m)	Total Facilities Value (£m)
Warrington Borough Council	15.0	105.0	120.0
Royal Bank of Scotland	70.2	20.0	90.2
Nationwide	21.3	0.0	21.3
Santander	65.5	45.0	110.5
Barclays	55.0	10.0	65.0
The Housing Finance Company (Bond) incl premium	51.8	0.0	51.8
TOTAL	278.8	180.0	458.8

* Pre fair value adjustments and debt issue costs.

All drawn facilities are at fixed rates with terms ranging from 2 to 24 years, with final instalments due to be repaid between 2021 and 2043. Interest Rates range from 4.95% to 7.47%.

Loans are fully secured by fixed charges on individual properties.

Warrington Borough Council facilities are annuity payments whereas all other loans are bullet repayments.

THFC proceeds include an issue premium of £13.8m which will be written-off over the life of the loan

Facilities are sufficient to meet the Group's requirements until 2021/22. New facilities will be required after this date and the Group is working with its Treasury advisors on a Treasury Strategy to address its long-term funding requirements

The Statement of Financial Position includes £20.3m in respect of fair value adjustments of loans. These have arisen due to the categorisation of a cancellable loan as non-basic, in accordance with FRS102, requiring it to be held at fair value and refinancing of loans relating to former LMH in 2017-18 and former GGHT in 2018/19 which were treated as derecognition events requiring the revised loans to be revalued to their fair value. These fair value costs were initially charged as finance charges in the statement of comprehensive income. They will subsequently be amortised over the term of the loans in order that interest and financing charges reflect the market rates for these loans.

Future Prospects

The future prospects for Torus remain positive. A skilled and experienced Board is in place following amalgamation and a five-year corporate plan has been established setting out the aims, objectives and targets for the business.

A Transformation Programme has been established to put in place a single operating model, which is forecast to generate efficiencies of £14.2m for the group.

Governance and risk management processes are in place ensuring Torus complies with its legal and regulatory duties and can deliver its objectives.

A prudent financial plan has been agreed which has been stress tested, indicating that it can withstand financial losses of up to £25m per annum. The plan indicates that surpluses will be generated throughout its 30-year time frame.

The Group has further funding available with agreed facilities of £458.8m, of which £180m is undrawn. This will be used along with grant and sales proceeds to meet the capital commitments of £219m as set out in note 36. The Group is currently working on a strategy to ensure sufficient funding is in place to meet the long-term requirements of the Group.

The new government rent policy gives rent certainty with social and affordable rents set to increase by CPI +1% per annum for five years from April 2020. The WAVE2 partnership with Homes England provides both certainty over social housing grant and increased flexibility supporting the delivery of its development targets of 5,300 new properties by 2024.

Going Concern

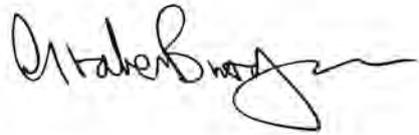
The Group's business activities, its current financial position and factors likely to affect its future development are set out within this Strategic Report. The Group continues to be affected by uncertainty from the regulatory environment, government policy and economic factors. These include a reduction in social rents of 1% per annum between 2016/17 and 2019/20, a direct and indirect impact from Brexit, potential inflationary pressures and potential reduction in demand for some of the Group's stock. The Group has in place long term debt facilities (including £180m of undrawn facilities) which provide adequate resources to finance committed property refurbishment and improvement programmes, and new developments, along with the Groups day to day operations.

A long-term Business Plan is in place which shows that it can service these debt facilities whilst continuing to comply with lenders covenants. The plan has been stress tested and this indicates that the plan can withstand adverse financial variations of up to £25m per annum.

After making appropriate enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the preparation of the financial statements. In this context reference should be made to the Strategic Report and Financial Statement.

Statement of Compliance

In preparing this Strategic Report and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers 2014.



Graham Burgess
Chair

Date: 10 September 2019

2. Report of the Board

Principal Activities

The Group's principal activities are the development, maintenance and management of affordable housing.

Charitable status

Torus62 Limited became an exempt charity on 1 January 2019, following amalgamation between the former Torus62 Limited, Golden Gates Housing Trust Limited, Helena Partnerships Limited and Liverpool Mutual Homes Limited. The Co-operative and Community Benefit Society registration number is 7973.

Post Balance Sheet Events

Ownership of Torus62 Commercial Services Limited was transferred from Torus62 Limited to Housing Maintenance Solutions Limited on 9 May 2019. An agreement is in place to transfer assets, liabilities and activities of Torus62 Commercial Services Limited to Housing Maintenance Solutions Limited, after which Torus62 Commercial Services Limited will cease trading.

Torus Living Limited has ceased trading and all development activities are now undertaken through Torus62 Developments Limited.

Internal Controls

The internal controls across the Group form an integral part of the robust Risk and Assurance Framework. A Group Strategic Risk Register has been developed following amalgamation which is reported to Board and Committees for scrutiny and review. The Board acknowledges its role and responsibility for ensuring that the group has an effective system of internal controls and for reviewing its effectiveness.

Whilst every effort has been made to ensure that these controls manage key business risks, it should be noted that risks cannot always be eliminated. Consequently, whilst the Board is satisfied that the existing internal controls provide a substantial level of assurance, such assurance is not absolute. The annual review of the effectiveness of the systems on internal controls was reported to Group Audit and Risk Committee on 18 July 2019.

The Board confirm that the processes for identifying, evaluating and managing the significant risks faced by the group are ongoing, and have been implemented throughout the year.

Regular assurances on the adequacy and implementation of these processes have been provided by the Group Audit and Risk Committee throughout 2018/19.

The Board's approach is to minimise risk through a suitable system of controls, such that the residual risk after any mitigating actions can be borne without serious damage to the group.

The assurance framework has been developed to give assurance on the effectiveness of controls:

Source of Internal Control	Key Element
Governance and Management Structures	<ul style="list-style-type: none"> • There is a formally constituted Board and Committee Structure which is supported by Terms of Reference and a Code of Governance. • A Group Audit and Risk Committee with delegated powers • A Board approved Corporate Plan from 2019 – 2021 • A framework of organisational policies and procedures are in place • Approved Standing Orders, Financial Regulations and Scheme of Delegation for accountability and decision making • Landlord Operations Committee to challenge, review and improve the services to customers • Torus has a Probity Policy, an Anti-Bribery Policy and a Code of Conduct for Board members and employees of the group. • An Anti-Fraud Policy and Fraud Response Plan describe the group’s approach to fraud and is supplemented by a Whistleblowing Policy. All frauds are reported to the Group Audit and Risk Committee. • A Data Protection Policy which sets out how personal data is handled responsibly and with integrity.
Performance Reporting	<ul style="list-style-type: none"> • There is a Performance Management framework operating with regular reporting to the Group Board, Committees and Executive team. • Responsibility for key performance indicators is allocated to lead officers • Regular performance reviews with staff to support delivery of the corporate objectives
Risk Management	<ul style="list-style-type: none"> • There is a Risk and Assurance Framework with regular reporting to the Group Audit and Risk Committee. • Strategic and Operational Risk Registers capture cause and effect of risks along with identified controls to manage and/or mitigate the risk. • Comprehensive Insurance provision which provides cover, inclusive of housing properties and public liability.
Internal Audit	<ul style="list-style-type: none"> • The 2018/19 Internal Audit Programme has been delivered by TIAA and RSM. • Internal audit reports are presented to Group Audit & Risk Committee for scrutiny • The internal audit plan is based on the risks to the operational plan • The annual report providing the annual opinion of RSM provided adequate assurance and TIAA reported that Torus has reasonable and effective processes in place.

Source of Internal Control	Key Element
Financial Reporting and Control	<ul style="list-style-type: none"> • Financial Reporting and Controls include: • Procedures, including Financial Regulations and Treasury Management Practices which have been approved by the Board • Annual Business Plan to support the delivery of the Corporate Plan approved by the Board and lenders. • Annual Budget approved by the Board. • Regular financial performance reports (including loan covenant compliance to the Board and Leadership team) • Stress Testing methodology and golden rules
Regulatory	<ul style="list-style-type: none"> • Self-assessment against Regulator of Social Housing (RSH) maps compliance • Regulatory financial returns submitted to RSH allowing them to analyse and report on the group's financial viability including the Financial Forecast Return, Annual Account Return and Quarterly Financial Risk Surveys • Adoption of the National Housing Federation's Code of Governance: Promoting Board Excellence which is reviewed via an annual self-assessment. • Adoption of the National Housing Federation's Code on Merger's, Partnerships and Group Structures

Internal Controls Statement

The Board has completed an Annual Review of Internal Controls, the main elements of which are summarised below:

- Torus has a documented formally constituted Board and Committee Structure, which has adopted the NHF Code of Governance and has Terms of Reference in place to support;
- There is a Probity Policy, Anti-Bribery Policy and Code of Conduct for Board and Employees;
- Torus Board and Committee members have been appointed on a skills basis. There is a comprehensive training and appraisal process in place to ensure that any gaps are identified, and training is provided to Board Members to ensure their skills and expertise meet the needs of the business;
- There is a Group Anti-Fraud Policy which describes the Group's approach to fraud prevention, detection and investigation. This is supported by the Whistleblowing Policy. All fraudulent activity is reported to Group Audit and Risk Committee and to the Regulator of Social Housing;
- Annual review completed of the suitability of insurance arrangements in place, ensuring that it provides adequate cover for the Group;
- The Data Protection Policy is reviewed on a regular basis and is in accordance with GDPR requirements. Torus is registered with the Information Commissioners Office. Controls are in place across the Group and reviewed regularly by an internal Data Management Group with assurance provided to Group Audit and Risk Committee of the adequacy of these controls;

- A revised Risk and Assurance Framework has been implemented across the Group which is monitored by the Group Audit and Risk Committee and has been approved by Board. This sets out the Group approach to risk and assurance, monitoring and reporting of risk & assurance. This provides an increased focus on control effectiveness and ensuring that Board and the Group Audit and Risk Committee are receiving the appropriate assurance that risks and internal controls are managed effectively;
- The Group Audit and Risk Committee monitor risk management processes including near misses and crystallised risks at each committee meeting to ensure that the business takes appropriate action to ensure lessons are learned and controls are effective;
- Internal Audit for the Group is provided by RSM, there is a strategic audit plan based on the strategic risks and corporate plan overseen by the Group Audit and Risk Committee. Internal Audit actions are monitored by the Business Assurance Team and RSM to ensure implementation;
- Financial Regulations and a Scheme of Delegation is in place as a control to ensure financial risks are managed and the risk of fraud is minimised. This was revised this year due to the Group amalgamation;
- Annual budget and approved financial strategy are produced for the Group, performance is reviewed on a regular basis and comprehensively reported through the Group Performance Framework at all levels of the Group including Board and Committees;
- All business activities are managed through comprehensive policies and procedures which are communicated and available to staff; and
- There is a Group Performance Management Framework in place to monitor the Operation Plan to deliver the Corporate Strategy. All performance and resulting actions are monitored at the appropriate level through the Group's Performance Management System and reported at all levels.

This list is not exhaustive, but the above list represents the key elements of the system of internal controls in place across the Group. To allow Board to fully assess these internal controls they receive an Annual Internal Audit Report and an Annual Report from the Chief Executive which includes representations from managers on the effectiveness of control systems. The Board are satisfied with the adequacy of the internal controls in place for the year ending March 2019, and for the period to date of signing the financial statements.

Donations

No charitable donations were made during the year (2018: £2k).

Annual General Meeting

Torus' Annual General Meeting will take place on Thursday 26 September 2019.

External Auditors

Grant Thornton UK LLP act as auditors for Torus62 Limited and all Group entities.

Regulatory Compliance

Torus fully complies with the Governance and Viability Standard published by the Regulator of Social Housing and there are no areas of non-compliance.

Torus complies with all elements of the Regulatory Standards (Economic and Consumer Standards) and a self-assessment is presented to the Torus Board on an annual basis.

Following amalgamation, the Regulator issued a G1/V1 status of Torus in its Regulatory Judgement published on 30 January 2019. This is in line with the status of the legacy organisations prior to amalgamation.

As part of its compliance with the Governance and Viability Standard, Torus has adopted the NHF 2015 Code of Governance. Torus complies with all elements of the Code. A Self-assessment the NHF Code of Governance take place on an annual basis.

In addition, Torus has adopted the NHF Code on Mergers, Partnerships and Group Structures which supports the Code of Governance to ensure that Torus operates effectively, efficiently and economically.

Statement of the Responsibilities of the Board for the Report and Financial Statements

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group 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 accounting estimates that are reasonable and appropriate;
- state whether applicable UK standards and the Statement of Recommended Practice (SORP): Accounting by Registered 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 proper accounting records which disclose with reasonable accuracy at the time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approval

The report of the Board was approved by the Board on 10 September 2019 and signed on its behalf by



Graham Burgess

Chair

Date: 10 September 2019

3. Independent Auditors Report to the members of Torus62 Limited

Opinion

We have audited the financial statements of Torus62 Limited (the “parent association”) and its subsidiaries (“the group”) for the year ended 31 March 2019, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in reserves, the consolidated statement of cashflows, the association statement of comprehensive income, the association statement of financial position, the association statement of changes in reserves, 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 group’s and parent association’s affairs as at 31 March 2019 and the group’s and parent association’s income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for Opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under this Act. 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’s use of going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or parent 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 is responsible for the other information. The other information comprises the information included in the financial statements, set out on pages 1 to 41 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained; or
- The parent association has not kept proper accounting records; or
- The financial statements are not in agreement with the books of account; or
- We have not received all the information and explanations we need for our audit.

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 40, 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 determines 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 is responsible for assessing the group's and parent 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 group or parent 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 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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the association's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: 11 September 2019

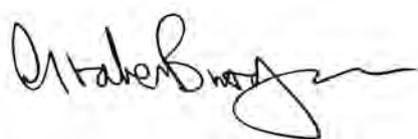
Consolidated Statement of Comprehensive Income

	Note	2019 £'000	2018 combined £'000
Turnover	3	193,672	189,421
Operating expenditure	3	(140,701)	(119,839)
Other income	3	34	-
Operating surplus	3	<u>53,005</u>	<u>69,582</u>
Share of operating surplus / (deficit) in JV or Associate	20-21	96	(85)
Interest receivable	7	588	253
Interest payable and financing costs	8	(20,337)	(25,057)
Movement in fair value of investment properties	16	30	-
Surplus before taxation		<u>33,382</u>	<u>44,693</u>
Taxation	13	369	180
Surplus for the year		<u>33,751</u>	<u>44,873</u>
Actuarial (loss)/gain in respect to pension schemes	31	(5,181)	9,341
Total comprehensive income for the year		<u><u>28,570</u></u>	<u><u>54,214</u></u>

All amounts relate to continuing activities.

The notes on pages 52 to 104 form part of these financial statements.

The financial statements were authorised and approved by the Board on 10 September 2019 and signed on its behalf by:



Graham Burgess
Chair



Paul Burns
Vice Chair



Peter Fieldsend
Company Secretary

Consolidated Statement of Financial Position

	Note	2019 £'000	2018 combined £'000
Fixed assets			
Tangible fixed assets-housing properties	14	821,312	744,697
Other tangible assets	15	22,879	18,059
Investment properties	16	4,756	3,856
HomeBuy loans receivable	17	297	322
Other investments	18	54	-
Investment in jointly controlled entities	20	90	90
Investment in associates	21	-	100
		<u>849,388</u>	<u>767,124</u>
Current assets			
Stock	23	694	676
Properties held for sale	22	24,040	12,391
Trade and other debtors	24	16,271	24,236
Cash and cash equivalents		102,658	128,809
		<u>143,663</u>	<u>166,112</u>
Creditors: amounts falling due within one year	25	<u>(36,863)</u>	<u>(35,433)</u>
Net current assets		<u>106,800</u>	<u>130,679</u>
Total assets less current liabilities		<u>956,188</u>	<u>897,803</u>
Creditors: amounts falling due after more than one year			
Defined benefit pension liability	31	43,436	33,175
Provisions for liabilities	32	629	598
Total net assets		<u>529,685</u>	<u>501,115</u>
Reserves			
Revenue reserve		527,751	498,823
Restricted reserve		1,934	2,292
Total reserves		<u>529,685</u>	<u>501,115</u>

The notes on pages 52 to 104 form part of these financial statements. These financial statements were authorised and approved by the Board on 10 September 2019 and were signed on its behalf by:



Graham Burgess
Chair



Paul Burns
Vice Chair



Peter Fieldsend
Company Secretary

Consolidated Statement of Changes in Reserves

	Revenue reserve	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1st April 2017 (as previously stated)	440,157	1,911	1,700	443,768
Effect of restatement - change in accounting policy (note 41)	4,833	-	(1,700)	3,133
Balance at 1st April 2017 (as restated)	444,990	1,911	-	446,901
Surplus for the year (as previously stated)	44,201	381	-	44,582
Effect of restatement - change in accounting policy (note 41)	291			291
Surplus for the year (as restated)	44,492	381	-	44,873
Other comprehensive income	9,341			9,341
Total comprehensive income (as restated)	53,833	381	-	54,214
Balance at 31st March 2018 combined	498,823	2,292	-	501,115
Surplus for the year	34,109	(358)	-	33,751
Other comprehensive costs	(5,181)	-	-	(5,181)
Total comprehensive income	28,928	(358)	-	28,570
Balance at 31st March 2019	527,751	1,934	-	529,685

The revenue reserve has been restated as at 1 April 2017 by £1,700k. This relates to the re-categorisation of the prior period investment properties and reversal of revaluation gain of £1,700k.

The balance at 1 April 2017 has been restated by £3,133k to reflect the alignment of the accounting policy relating to capitalisation of interest.

The prior year surplus has also been restated for capitalised interest by £903k and an investment property fair value adjustment of £612k. All adjustments are net of depreciation. (refer to note 41).

The notes on pages 52 to 104 form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	2019 £'000	2018 combined £'000
Net cash generated from operating activities	35	72,596	94,445
Cash flow from investing activities			
Purchase of tangible fixed asset properties		(106,861)	(96,546)
Purchase of other tangible fixed assets		(8,536)	(7,009)
Proceeds from sale of tangible fixed assets		10,098	16,878
Grants received		23,725	16,532
Interest received		571	252
HomeBuy loans received		25	-
		<u>(80,978)</u>	<u>(69,893)</u>
Cash flow from financing activities			
Interest paid		(17,228)	(15,384)
New secured loans		-	52,215
Repayments of borrowings		(541)	(23,404)
		<u>(17,769)</u>	<u>13,427</u>
Net change in cash and cash equivalents		<u>(26,151)</u>	<u>37,979</u>
Cash and cash equivalents at beginning of the year		<u>128,809</u>	<u>90,830</u>
Cash and cash equivalents at end of the year		<u><u>102,658</u></u>	<u><u>128,809</u></u>

The notes on pages 52 to 104 form part of these financial statements.

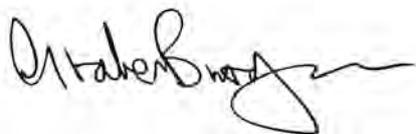
Association Statement of Comprehensive Income

	Note	2019 £'000	2018 combined £'000
Turnover	3	187,716	187,711
Operating expenditure	3	(133,030)	(117,809)
Other Income	3	34	-
Operating surplus	3	<u>54,720</u>	<u>69,902</u>
Income from jointly controlled entities	20/21	109	(90)
Interest receivable	7	917	304
Interest payable and financing costs	8	(20,334)	(25,057)
Movement in fair value of investment properties	16	30	-
Surplus before taxation		<u>35,442</u>	<u>45,059</u>
Taxation	13	-	5
Surplus for the year		<u>35,442</u>	<u>45,064</u>
Actuarial (loss)/gain in respect to pension schemes	31	(4,872)	9,341
Total comprehensive income for the year		<u><u>30,570</u></u>	<u><u>54,405</u></u>

All amounts relate to continuing activities.

The notes on pages 52 to 104 form part of these financial statements

The financial statements were authorised and approved by the Board on 10 September 2019 and were signed on its behalf by:



Graham Burgess
Chair



Paul Burns
Vice Chair



Peter Fieldsend
Company Secretary

Association Statement of Financial Position

	Note	2019 £'000	2018 combined £'000
Fixed assets			
Tangible fixed assets-housing properties	14	821,312	744,697
Other tangible assets	15	19,889	18,027
Investment properties	16	7,420	3,856
HomeBuy loans receivable	17	297	322
Other investments	18	54	-
Investment in subsidiary	19	3,050	3,050
Investment in jointly controlled entities	20	90	90
		<u>852,112</u>	<u>770,042</u>
Current assets			
Stock	23	21	357
Properties held for sale	22	16,243	11,910
Trade and other debtors	24	23,501	24,728
Cash and cash equivalents		95,812	125,323
		<u>135,577</u>	<u>162,318</u>
Creditors: amounts falling due within one year	25	<u>(34,086)</u>	<u>(38,995)</u>
Net current assets		<u>101,491</u>	<u>123,323</u>
Total assets less current liabilities		<u>953,603</u>	<u>893,365</u>
Creditors: amounts falling due after more than one year	26	382,438	362,915
Defined benefit pension liability	31	43,074	33,175
Provisions for liabilities	32	506	260
Total net assets		<u>527,585</u>	<u>497,015</u>
Reserves			
Revenue reserve		<u>527,585</u>	<u>497,015</u>
Total reserves		<u>527,585</u>	<u>497,015</u>

The notes on pages 52 to 104 form part of these financial statements. These financial statements were authorised and approved by the Board on 10 September 2019 and were signed on its behalf by:



Graham Burgess
Chair



Paul Burns
Vice Chair



Peter Fieldsend
Company Secretary

Association Statement of Changes in Reserves

	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1st April 2017 (as previously stated)	437,777	1,700	439,477
Effect of restatement - change in accounting policy (note 41)	4,833	(1,700)	3,133
Balance at 1st April 2017 (as restated)	442,610	-	442,610
Surplus for the year (as previously stated)	44,773	-	44,773
Effect of restatement - change in accounting policy (note 41)	291	-	291
Surplus for the year (as restated)	45,064	-	45,064
Other comprehensive income	9,341	-	9,341
Total comprehensive income (as restated)	54,405	-	54,405
Balance at 31st March 2018 combined	497,015	-	497,015
Surplus for the year	35,442	-	35,442
Other comprehensive costs	(4,872)	-	(4,872)
Total comprehensive income	30,570	-	30,570
Balance at 31st March 2019	527,585	-	527,585

The revenue reserve has been restated as at 1 April 2017 by £1,700k. This relates to the re-categorisation of the prior period investment properties and reversal of revaluation gain of £1,700k.

The balance at 1 April 2017 has been restated by £3,133k to reflect the alignment of the accounting policy relating to capitalisation of interest.

The prior year surplus has also been restated for capitalised interest by £903k and an investment property fair value adjustment of £612k. All adjustments are net of depreciation. (refer to note 41)

The notes on pages 52 to 104 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2019**1. Legal status**

Torus62 Limited was registered under the Co-operative and Community Benefit Societies Act 2014 as a Community Benefit Society, registered with the Financial Conduct Authority. It is an unregistered charity.

On 1 January 2019, the following entities amalgamated to form the society Torus 62 Limited, registered under the Co-operative and Community Benefit Societies Act 2014:

- The former Torus62 Limited;
- Liverpool Mutual Homes Limited;
- Helena Partnerships Limited; and
- Golden Gates Housing Trust Limited

Torus62 Limited has 5 subsidiaries all incorporated in England and Wales. Housing Maintenance Solutions Limited provides repairs and maintenance services. Torus62 Developments Ltd (Formerly LMH Developments Ltd) and Torus Living Ltd (Formerly Torus62 Development Company Ltd) provide construction services. Torus Foundation (Formerly ComMutual) is a registered charity providing support to its communities and Torus tenants. Torus 62 Commercial Services Ltd provides specialised construction services to external clients.

2. Accounting policies**Basis of accounting**

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Torus62 Limited is a public benefit entity in accordance with FRS 102.

The financial statements are prepared on an historical cost basis of accounting as modified by the revaluation of housing properties and financial instruments and are presented in £ sterling.

On 1 January 2019, the former Torus62 Limited, Helena Partnerships Limited, Golden Gates Housing Trust Limited and Liverpool Mutual Homes Limited amalgamated to form Torus62 Limited. In accordance with the provision of FRS 102 merger accounting has been applied to the combination in the financial statements of both the Association and the Group. The results, assets and liabilities have been presented as though the combined Association and Group has always been in existence throughout the current and comparative periods. Further details of the results of the amalgamated entities and Group are recorded in note 41.

Notes to the Financial Statements for the year ended 31 March 2019**Disclosure exemptions**

Individual accounts of the Association have adopted the following disclosure exemptions per FRS 102:

- The requirement to present a statement of cash flows and related notes.
- Financial instrument disclosures, including:
 - Categories of financial instruments,
 - Items of income, expense, gains or losses relating to financial instruments,
 - Exposure to and management of financial risks.

Going concern

The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants. On this basis, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements (refer to page 34 for more detail).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the association and entities (including special purpose entities) controlled by the group (and its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

It was deemed that the amalgamation met the criteria for merger accounting and the consolidated financial statements have been produced under merger accounting principles, whereby the new combined Association and Group are treated from a financial reporting perspective, as if they had always been constituted the way it is post amalgamation.

Significant management judgements and estimation uncertainty

The preparation of the financial statements may require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates are relevant in the statements:

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Notes to the Financial Statements for the year ended 31 March 2019

Impairment

Impairment assessments are prepared annually, which consider whether there have been any indications of impairment. If an impairment trigger is identified a full impairment review is conducted, considering whether the recoverable value is higher than the carrying value.

As part of the group's continuous review of the performance of their assets, management identify any homes, or schemes, that have increasing void losses, are impacted by policy changes or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment. Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating surpluses. As a result, we estimated the recoverable amount of the housing properties as follows:

- (a) Determined the level at which the recoverable amount is to be assessed (i.e., the asset level or cash-generating unit (CGU) level). The CGU level was determined to be an individual scheme
- (b) Estimated the recoverable amount of the cash-generating unit
- (c) Calculated the carrying amount of the cash-generating unit and
- (d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme to be the recoverable amount, using appropriate construction costs and land prices. Where the DRC is greater than the carrying amount, an impairment is taken to reduce the carrying amount to the DRC. Impairment during the year amounted to £266k (2018 £179k)

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets including any components. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain IT equipment and changes to decent homes standards which may require more frequent replacement of key components. The depreciation charge in the year was £24,869k (2018 £23,929k). Accumulated depreciation of housing properties as at 31 March 2019 was £185,870k. The carrying amount of the housing properties was £1,007,182k at 31 March 2019.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets including investment properties. This involves developing estimates and assumptions consistent with how market participants would price the instrument or asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Fair value measurements were applied to significantly modified loans following loan restructures. The total value of these instruments was £160,702k at 31 March 2019 (refer to note 27 for more detail).

Fair value measurements were applied to investment properties in the year (refer to note 16 for more detail).

Notes to the Financial Statements for the year ended 31 March 2019**Defined benefit obligation**

Management's estimate of the defined benefit obligation is based on several critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 31). The net defined benefit pension liability reflects the impact of the McCloud judgement. At 31 March 2019 the liability was £43,436k (2018: £33,175k).

Management have revisited assumptions provided by Pension Funds and applied a consistent set of assumptions with the exception of mortality rates, which are in line with those provided by Pensions Funds (refer to note 31 for more detail).

Arrears provision

Rental arrears are provided for based on the age of debt, as this is considered to indicate recoverability (refer to note 24).

At amalgamation the group bad debt methodology was aligned for consistency. As a result, the group estimate was reassessed to provide for all current rent arrears less than or equal to 60 days. The impact in the current year was a reduction of £957k. Former tenant arrears are provided at 100%.

Judgements**Classification of loans**

Torus62 has two cancellable loans, which are cancellable quarterly at the option of the banks. If the banks exercise their option to cancel these loans would revert to LIBOR rate loans. Judgement has been made by management to classify the loans as non-basic and are held at fair value. The total value of these instruments is £6,383k at 31 March 2019 (2018: £6,242k).

Torus62 has a number of loans which have a 'two-way break clause' which is applicable where the loan is repaid early and could result in a break cost or a break gain. The loans in question are fixed rate loans. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only. Management have considered the terms of the loan agreements and concluded that they do meet the definition of a basic financial instrument, therefore such instruments are held at amortised cost.

Merger accounting

Management judgement has been applied in the application of merger accounting. In accordance with the provision of FRS 102 merger accounting has been applied to the combination in the financial statements of both the Association and the Group. It was deemed that the amalgamation met the criteria for merger accounting and the accounts have been produced under merger accounting principles, whereby the new combined Association and Group are treated from a financial reporting perspective, as if they had always been constituted the way it is post amalgamation.

Notes to the Financial Statements for the year ended 31 March 2019

The rationale for adopting merger accounting is:

- The amalgamation was one of equals, as both organisations were of broadly the same size and influence (Torus with c.21,700 units and turnover of £112m, LMH with 15,500 units and turnover of £78m);
- The beneficiaries and purpose of the amalgamated entity were in line with those of the legacy organisations.
- The new board arrangements were representative of the legacy organisation with five members from Torus and seven from LMH.
- A governance structure was developed for the new group by the CEOs and Group Chairs, with external consultancy support.
- Role specifications for each board or committee were developed with skills matrices. Existing members from both organisations were invited to apply for places on the new Torus Board, subsidiary boards and committees.
- Formal selection processes were utilised for Board and Executive prior to appointment.

Supporting people

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering the income to be recognised. £280k of supporting people income was recognised in the year.

Investment properties

Based on the guidance provided in FRS102 the properties leased to Bamboo Estates LLP are treated as properties held for social housing rather than investment properties. Although they are currently let at market rent, this is a short-term arrangement. We consider the properties to be held primarily for social benefit over the life of the asset and have therefore reflected this in the accounting treatment and are holding the properties at historic cost.

Transfers to investment properties relate to properties where the intention is to let them at market rent in the long-term. They have therefore been classed as investment properties.

Depots owned by Torus62 Limited and leased to Housing Maintenance Solutions Limited are deemed to be investments in the association accounts and tangible fixed assets in the group accounts.

Turnover

Turnover represents rental and service charge income, income from shared ownership first tranche sales, revenue-based grants receivable (except where such grants are reimbursement or part reimbursement of specific items of expenditure) and other income.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Notes to the Financial Statements for the year ended 31 March 2019

Other social income is recognised according to the level of social investment activity undertaken and commission earned for collection of water rates, based on actual charges levied.

Other non-social income is recognised based upon the practical completion of works from external contracts for the Cheshire West and Chester Council adaptations contract, Housing Maintenance Solutions Limited and Torus Commercial Services Limited.

Gift aid

The Association received charitable donations from its wholly owned subsidiaries of £772k (2018 £1,637k). This has been accounted for as income in the Association's Statement of Comprehensive Income for the year. Gift aid is recognised at the earlier of the point there is a legal obligation or when paid. Amounts recognised in the current and prior financial period have been recognised on payment.

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Housing properties

Housing properties are reflected on the Statement of Financial Position at historic cost less depreciation. Former LMH properties were initially recognised at deemed cost on transition to FRS 102.

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties held for rent. Costs includes the cost of acquiring the land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing housing properties

Provision for major repairs is only made where a contractual liability exists for work undertaken. Due to the establishment of regular programmes of repair and maintenance, the Group does not make provision for cyclical repairs, but charges actual cost incurred to the Statement of Comprehensive Income.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. When an existing component is replaced the component is disposed of and the new component is added.

Notes to the Financial Statements for the year ended 31 March 2019**Investment property**

Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition and subsequently at fair value at the reporting date. Fair value is determined periodically by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in the statement of comprehensive income.

Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

Sales of housing properties

Sales of housing properties, including Right to Buy and Right to Acquire sales, are taken into account on completion of contracts. Due to the nature of the transfer agreements with Liverpool City Council, St Helens Metropolitan Borough Council and Warrington Borough Council (the "Councils"), it is not possible to identify separately the original cost of each property sold. Instead, an average cost plus actual capitalised costs since transfer is

Notes to the Financial Statements for the year ended 31 March 2019

eliminated from housing properties and is charged to the Statement of Comprehensive Income.

As part of the transfer agreement with the Councils, the Group agreed to retain a proportion of the Right to Buy proceeds with the balance being due to the relevant Council.

Depreciation of housing properties

Freehold land is not depreciated. The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life. The group depreciates the major components of its housing properties at the following annual rates:

Structure	60 – 100 years
Non-traditional construction	30 years
Bathrooms	30 years
Kitchens	20 years
Windows and doors	30 years
Electrical systems	30 years
Roofs	60 – 75 years
Heating – Boilers	15 – 18 years
Heating - Distribution system	30 – 36 years
Lifts	40 years
Wall ties & repointing	40 years
Building envelope render systems	40 years
Environmental and communal works	20 years

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis over the expected useful economic lives of the asset over the following periods.

Freehold Property	40 years
Leasehold Properties	Over life of lease
Computers and office equipment	3 – 5 years
Furniture, Fixtures and Fittings	3 – 10 years
Motor Vehicles	3 – 10 years

Useful economic lives of all tangible fixed assets are reviewed annually.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases 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, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

Notes to the Financial Statements for the year ended 31 March 2019

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

First tranche shared ownership sales

Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion. First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover. The proportion of the asset remaining in the Group's ownership is accounted for as a fixed asset and included in housing properties at cost less any provisions for depreciation or impairment, so that any subsequent sale is treated as a part disposal of a fixed asset.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads.

Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group 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 consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate.

The group recognises a provision for annual leave accrued by employees as a result of service rendered in the current period, and which employees are entitled to carry forward and use within the next financial year. The provision is measured at the salary cost payable for the period of absence.

Bad and doubtful debts

Provision is made on an aged basis against rent arrears and other debts to the extent that they are considered potentially irrecoverable.

Corporation Tax

HM Revenue and Customs has accepted that the Association is a charity for tax purposes and therefore its charitable activities are not subject to Corporation Tax. The Association's subsidiaries, Housing Maintenance Solutions Limited, Torus Commercial Services Limited, Torus Living Limited and Torus 62 Developments Limited, have no such exemption and their activities are chargeable to Corporation Tax. Torus Foundation is a registered charity and its activities are not subject to Corporation Tax.

Notes to the Financial Statements for the year ended 31 March 2019**Deferred taxation**

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed. Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax is measured on a undiscounted basis. With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in income and expenditure, other comprehensive income or reserves depending on the transaction that resulted in the tax expense (income). Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Movements in actuarial assumptions can lead to the recognition of gains and losses in respect of these assumptions on pension liabilities and assets. These movements are non-cash movements and as such can create timing differences in respect of tax which would be reflected through deferred tax.

Value Added Tax (VAT)

The Group is partially exempt in relation to Value Added Tax (VAT), and accordingly is able to recover from HM Revenue & Customs part of the VAT incurred on expenditure. At the year-end VAT recoverable or payable is included in the statement of financial position. Irrecoverable VAT is accounted for in the statement of comprehensive income.

Investments

Investments are stated at historic cost less accumulated impairment losses.

Notes to the Financial Statements for the year ended 31 March 2019**Interest Payable**

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of the development if it represents either:

- a) Interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or
- b) A fair amount of interest on borrowings of the Group as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged in the statement of comprehensive income in the year.

HomeBuy loans

HomeBuy loans are treated as concessionary loans. They are initially recognised as a loan at the amount paid to the purchaser and are subsequently updated to reflect accrued interest and any impairment loss is recognised in income and expenditure to the extent that it cannot be offset against the HomeBuy grant. The associated HomeBuy grant is recognised as deferred income until the loan is redeemed.

Stocks

Stocks are stated at the lower of cost or net realisable value.

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model. Management has reviewed the Group's loan agreements and has deemed the majority to be basic financial instruments, with the exception of two non-basic loans, which will be fair valued each period in accordance with FRS 102, with the movements posted to interest payable and financing costs within the Statement of Comprehensive income.

Where a loan agreement is subject to a substantial modification per FRS 102, the group will fair value the loan via a Net Present Value calculation, discounted by an agreed Treasury market rate. Any discrepancies between the loan amount and the fair values are recognised within interest payable and financing costs within the Statement of Comprehensive income.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at transaction price and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at transaction price and are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements for the year ended 31 March 2019**Retirement benefits**

The surpluses or deficits of the pension schemes are recognised in full. The movements in the scheme's surpluses/deficits are included in the Statement of Comprehensive Income and shown in the Statement of Changes in Reserves - under the heading actuarial gains and losses.

Pension Cost

The Group participates in the Merseyside Pension Fund and the Cheshire Pension Fund, part of the Local Government Pension Scheme, a multi-employer defined benefit scheme.

The difference between the realisable value of the assets held in the Group's defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's Statement of Financial Position as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Changes in the defined benefit pension schemes asset or liability arising from factors other than cash contribution by the Group are charged to the Statement of Comprehensive Income in accordance with FRS 102.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

The Group also provides a Group Pension Scheme supplied by AVIVA, which is a defined contribution scheme. The income and expenditure charge represent the employer contribution payable to the scheme for the accounting period.

Reserves

The group establishes restricted reserves for specific purposes where their use is subject to external restrictions.

Revenue reserve

Revenue reserves relate to historic surpluses and deficits from group activities.

Restricted reserve

Restricted reserves represent funds earmarked for a specific use. Reserves are restricted on receipt of specific donations to the Group's charity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

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

Group	2019		2018 combined	
	Turnover £'000	Operating costs £'000	Turnover £'000	Operating Costs £'000
				Operating (deficit)/surplus £'000
Social Housing Activities				
Income and expenditure from lettings	169,755	(120,868)	170,606	(108,658)
Other Social Housing Activity				
Supporting People Contract Income and expenditure	280	(308)	411	(279)
First tranche low cost home ownership sales	11,192	(9,594)	7,772	(6,957)
Gain/(loss) on disposal of fixed assets	-	5,091	-	5,566
Other Income & expenditure	3,230	(5,338)	2,754	(4,355)
	14,702	(10,149)	10,937	(6,025)
Non-Social Housing Activities				
Lettings income and expenditure	765	(382)	517	(160)
Other income and expenditure	8,451	(9,302)	7,361	(4,996)
	9,216	(9,684)	7,878	(5,156)
Net total	193,672	(140,701)	189,421	(119,839)
Other investment income	34	-	-	-
Operating surplus	193,706	(140,701)	189,421	(119,839)
				69,582

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Turnover, operating costs and operating surplus (continued)

Association	2019		2018 combined	
	Turnover £'000	Operating costs £'000	Turnover £'000	Operating Costs £'000
Social Housing Activities				
Income and expenditure from lettings	169,755	(122,589)	171,625	(110,205)
Other Social Housing Activity				
Supporting People Contract Income and expenditure	280	(308)	411	(279)
First tranche low cost home ownership sales	11,192	(9,594)	7,773	(6,957)
Gain/(loss) on disposal of fixed assets	-	5,091	-	5,566
Other Income & expenditure	2,408	(2,761)	2,290	(2,511)
	13,880	(7,572)	10,474	(4,181)
Non-Social Housing Activities				
Lettings income and expenditure	765	(382)	517	(160)
Gift aid	772	-	1,637	-
Other income and expenditure	2,544	(2,487)	3,458	(3,263)
	4,081	(2,869)	5,612	(3,423)
Net total	187,716	(133,030)	187,711	(117,809)
Other investment income	34	-	-	-
Operating surplus	187,750	(133,030)	187,711	(117,809)
				61,420
				69,902

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Particulars of income and expenditure from social housing lettings

Group	2019					2018 combined	
	General Needs Housing £'000	Temporary Social Housing £'000	Supported & Housing for Older People £'000	LCHO £'000	Outright Sale £'000	Total £'000	Total £'000
Income							
Rent receivable net of identifiable service charges	145,031	188	14,457	857	-	160,533	161,661
Charges for support services	-	-	436	34	5	475	575
Service charge income	2,637	1,058	3,307	393	28	7,423	7,063
Net rents receivable	147,668	1,246	18,200	1,284	33	168,431	169,299
Amortised government grants	535	-	-	22	-	557	489
Management fee in respect of unsustainable stock	24	-	-	-	-	24	23
Other income	732	-	11	-	-	743	795
Turnover from Social Housing Lettings	148,959	1,246	18,211	1,306	33	169,755	170,606
Expenditure							
Management	40,023	121	1,979	3	-	42,126	37,179
Services	5,528	793	3,348	46	-	9,715	8,682
Support services	33	-	400	(14)	-	419	622
Routine maintenance	20,063	54	610	2	-	20,729	19,553
Planned maintenance	10,651	28	109	-	-	10,788	8,702
Major repairs expenditure	7,802	152	305	2	-	8,261	6,475
Bad debts	2,447	45	161	63	-	2,716	2,312
Depreciation on housing properties	22,204	25	2,301	340	-	24,870	23,938
Impairment of investments / housing properties	266	-	-	-	-	266	-
Other costs	978	-	-	-	-	978	1,195
Operating expenditure on Social Housing Lettings	109,995	1,218	9,213	442	-	120,868	108,658
Operating surplus on Social Housing Lettings	38,964	28	8,998	864	33	48,887	61,948
Void losses	(1,557)	(45)	(577)	(4)	-	(2,183)	(2,372)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
4. Accommodation in management and development

All accommodation is managed and developed by the parent. At the end of the year accommodation in management for each class of accommodation was as follows:

		Association	
		2019	2018 combined
		No	No
Social housing			
General housing:	Social rent	30,233	30,493
	Affordable rent	2,819	2,523
	Supported housing	3,641	3,642
	Shared ownership	638	536
Non-social housing			
	General housing	33	10
Total owned		<u>37,364</u>	<u>37,204</u>
Accommodation managed on behalf of others		115	116
Total managed		<u>37,479</u>	<u>37,320</u>
Non-social housing			
Accommodation managed by others (Bamboo Estates LLP)		82	29
Total owned and managed		<u>37,561</u>	<u>37,349</u>
Accommodation in development at the year end		<u>1,548</u>	<u>1,360</u>

5. Operating Surplus

The operating surplus is arrived at after charging/(crediting):

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Depreciation	27,514	25,867	27,469	25,849
Impairment	278	-	278	-
Operating lease rentals (as lessee)	1,063	1,348	520	819
Operating lease rentals (as lessor)	(100)	(106)	(696)	(106)
Auditors remuneration (excluding VAT):				
Fees payable to the Association's auditors for the audit of the parent and Group financial statements	66	22	66	22
Fees payable to the Association's auditors for the audit of the accounts of subsidiaries	32	15	-	-
Fees payable to the Association's auditors for non-audit services:				
- Tax compliance services	11	16	9	16
- Tax advisory services	66	57	66	57
- All other assurance services	70	-	70	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
6. Surplus on disposal of fixed assets- housing properties

Group and Association	2019			2018 combined
	Proceeds	Costs	Surplus	Surplus
	£'000	£'000	£'000	£'000
Right to Buy	7,156	(2,562)	4,594	6,000
Right to Acquire	2,405	(252)	2,153	2,344
Staircasing	519	(283)	236	30
Other property sales	589	(87)	502	1,106
Other fixed assets sales	328	(263)	65	22
	<u>10,997</u>	<u>(3,447)</u>	<u>7,550</u>	<u>9,502</u>
Less share of proceeds due to Local Authorities/Homes England	(2,343)	-	(2,343)	(3,922)
Group share of proceeds	8,654	(3,447)	5,207	5,580
Less transfer to Recycled Capital Grant Fund	-	(116)	(116)	(14)
Surplus on disposal of fixed assets	<u>8,654</u>	<u>(3,563)</u>	<u>5,091</u>	<u>5,566</u>

7. Interest receivable and other income

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Bank interest receivable	588	253	570	251
Inter-company interest	-	-	347	53
	<u>588</u>	<u>253</u>	<u>917</u>	<u>304</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
8. Interest payable and financing costs

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Loans and bank overdraft	16,682	15,731	16,682	15,731
Amortisation of loan premiums	(372)	-	(372)	-
Defined benefit pension charge	913	1,047	912	1,047
Non-utilisation fees	885	390	885	390
Other Fees	203	239	201	239
Unwinding of discount on NPV	(1,992)	(383)	(1,992)	(383)
Write off debt issue costs	-	1,753	-	1,753
Fair value adjustments on refinance	6,859	8,279	6,859	8,279
Interest on RCGF/DPF	7	29	7	29
	<u>23,185</u>	<u>27,085</u>	<u>23,182</u>	<u>27,085</u>
Capitalised interest on housing properties under construction	(2,848)	(2,028)	(2,848)	(2,028)
	<u>20,337</u>	<u>25,057</u>	<u>20,334</u>	<u>25,057</u>
	%	%	%	%
Capitalisation rates	6.2-6.3	5-6.3	6.2-6.3	5-6.3

Rates are based upon weighted average cost of funds

9. Gift aid

	Association	
	2019	2018 combined
	£'000	£'000
Gift aid received from Housing Maintenance Solutions Limited	123	1,097
Gift aid received from Torus62 Developments Limited	649	314
Gift aid received from Torus Living Limited	-	226
	<u>772</u>	<u>1,637</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
10. Employees

The Torus group was formed on 1 January 2019 following the amalgamation of Torus62 and LMH. Following amalgamation, a number of employees transferred to different legal entities within the new group structure. Employees previously employed by Torus62 Limited were transferred to Housing Maintenance Solutions Limited and Torus Foundation.

Full Time Equivalents	Group		Association	
	2019	2018 combined	2019	2018 combined
	Average Number	Average Number	Average Number	Average Number
Administration	286	275	234	255
Assets, development and maintenance	717	775	345	474
Housing, support and care	484	420	445	415
	<u>1,487</u>	<u>1,470</u>	<u>1,024</u>	<u>1,144</u>

Employee costs	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Wages and salaries	42,114	41,765	31,218	33,194
Social security costs	4,135	4,031	3,076	3,224
Other pension costs	6,616	6,829	6,007	6,577
	<u>52,865</u>	<u>52,625</u>	<u>40,301</u>	<u>42,995</u>

The association's and subsidiaries employees are members of the Merseyside Pension Fund (MPF), Cheshire Pension Fund (CPF) or Aviva Defined Contribution Scheme. Further information on each scheme is given in note 31.

The full-time equivalent number of staff who received remuneration (excluding directors):	Group	
	2019	2018 combined
	£'000	£'000
£60,001 to £70,000	15	11
£70,001 to £80,000	6	8
£80,000 to £90,000	3	2
£90,000 to £100,000	2	5
£100,000 to £110,000	2	5
£110,000 to £120,000	2	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

11. Board members and Executive Directors

Torus62 Ltd was formed on 1 January 2019. Senior Executive members previously resided in former Torus62 Ltd or Liverpool Mutual Homes. After amalgamation Senior Executives transferred to Torus62 Limited to provide services across the group, with the exception of three executives who left the organisation. Directors' emoluments in respect of all these executives (together with board member expenses) are reported in these group accounts.

The remuneration paid to the Directors of the company (the Board and Executive Directors, including the Chief Executive) for the year was:

	2019				2018
	Basic	BIK	Pension	Total	combined
	£'000	£'000	£'000	£'000	£'000
Chief Executive					
Steve Coffey	189	14	36	239	219
Rob Young	383	6	-	389	203
Executive Directors					
Peter Fieldsend	135	10	26	171	154
Angela Forshaw	162	13	84	259	138
Howard Roberts	213	5	19	237	167
Liz Haworth	131	7	24	162	148
Chair of the Board					
Graham Burgess	20	-	-	20	19
Paul Burns	17	-	-	17	17
Board Members (non-executive)					
Roy Smith	8	-	-	8	11
Ian Clayton	11	-	-	11	12
Phil Pemberton	10	-	-	10	13
Steve Richardson	2	-	-	2	4
Christine McLoughlin	5	-	-	5	6
Alastair Hollows	3	-	-	3	3
Duncan Craig	10	-	-	10	10
Robert Hepworth	10	-	-	10	10
Dr Robert Barr	2	-	-	2	2
Christine Fallon	9	-	-	9	10
Sasha Wayne	5	-	-	5	7
Tony Williams	7	-	-	7	5
John Fulham	4	-	-	4	-
Paula McGrath	9.5	-	-	10	9
Gordon Hood	9	-	-	9	9
Greg Gottig	9	-	-	9	9
Andrew Gray	7	-	-	7	6
Sarah Jane Saunders	7	-	-	7	6
Raymond Jones	7	-	-	7	9
Neil Garnham	1	-	-	1	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Basic remuneration includes redundancy settlements as a result of the amalgamation.

The aggregate remuneration of the executive officers was £1,457,000 (2018: £1,086,000).

Following the amalgamation of Liverpool Mutual Homes, (former) Torus62, Helena Partnerships and Golden Gates Housing Trust, compensation for loss of office, in the sum of £484,304, was paid in relation to three executive directors. No further payments are due to these executive directors.

The remuneration of the highest paid Director, the Chief Executive of the former Torus62, excluding pension contributions, was £388,823 (2018: £203,075) No pension contributions were paid. Emoluments include compensation for loss of office.

Pension costs are shown as contributions paid on the executive officer's behalf. The current Chief Executive is a member of Merseyside Pension Fund. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to any individual pension arrangement for the Chief Executive.

12. Key Management Personnel

The aggregate remuneration for key management personnel, which includes the Group Executive Management team and the Group Leadership Team, charged in the year is:

	Group	
	2019	2018 combined
	£'000	£'000
Basic salary	1,918	1,459
Benefits in kind	98	97
Employers NIC	233	199
Pension contributions	292	238
	2,541	1,993

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

13. Tax on surplus on ordinary activities

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Analysis of charge in the period				
Current Tax:				
UK corporation tax on surplus for the year	423	506	-	5
Adjustments in respect of prior years	(570)	(676)		
Deferred Tax:				
Origination and reversal of timing differences				
- current year	(222)	-	-	-
- other	-	(10)	-	-
Tax on surplus on ordinary activities	<u>(369)</u>	<u>(180)</u>	<u>-</u>	<u>5</u>

Factors affecting Tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK 19% (19% 2018). The differences are explained below:

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before tax	33,382	44,693	35,442	45,059
Theoretical tax at the standard rate of corporation tax in the UK of 19% (19% 2018)	6,316	8,436	7,162	8,506
Effects of:				
Charitable exemption for 31st March 2018 to 31st March 2019	(6,115)	(6,890)	(7,162)	(8,506)
Fixed asset differences	-	(4)	-	-
Income not taxable	-	(1,040)	-	-
Adjust deferred tax to average rate	-	(1)	-	-
Prior year movement of current tax for gift aid	(570)	(676)	-	-
Adjustments to tax in respect of prior periods	-	(5)	-	5
Total tax credit	<u>(369)</u>	<u>(180)</u>	<u>-</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

14. Tangible Fixed Assets – Housing Properties Group

	Social housing		Low cost home ownership		Total
	Held for letting	Under Construction	Completed	Under construction	
	£'000	£'000	£'000	£'000	
Cost					
At 1st April 2018 combined	827,097	43,293	31,291	6,019	907,700
Works to existing properties	15,191	-	-	-	15,191
Additions	-	75,787	-	16,907	92,694
Interest capitalised	-	2,596	-	252	2,848
Movement (to)/from current assets	-	(1,543)	(756)	(776)	(3,075)
Schemes Completed	42,213	(42,213)	11,828	(11,828)	-
Transfer to investment properties	(1,785)	-	-	-	(1,785)
Disposals	(5,940)	-	(451)	-	(6,391)
At 31 March 2019	876,776	77,920	41,912	10,574	1,007,182
Depreciation and impairment					
At 1st April 2018 combined	161,775	-	1,228	-	163,003
Depreciation	24,601	-	268	-	24,869
Impairments	278	-	(12)	-	266
Transfer to investment properties	-	-	-	-	-
Disposals	(2,249)	-	(19)	-	(2,268)
At 31 March 2019	184,405	-	1,465	-	185,870
Net book value at 31 March 2019	692,371	77,920	40,447	10,574	821,312
At 31 March 2018 combined	665,322	43,293	30,063	6,019	744,697

Transfers to investment properties relates to properties where the intention is to let them at market rent in the long-term. They have therefore been classed as investment properties.

Based on the guidance provided in FRS102, the properties leased to Bamboo Estates LLP are treated in the Group statements as properties held for social housing rather than investment properties. Although they are currently let at market rent, as this is a short-term arrangement we consider the properties to be held primarily for social benefit over the life of the asset and have therefore reflected this in the accounting treatment and are holding the properties at historic cost. This is an accounting policy adjustment in the year (refer to note 41 for further details).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
**Tangible Fixed Assets – Housing Properties (Continued)
Association**

	Social housing		Low cost home ownership		Total
	Held for letting	Under Construction	Completed	Under construction	
	£'000	£'000	£'000	£'000	
Cost					
At 1st April 2018 combined	827,097	43,293	31,291	6,019	907,700
Works to existing properties	15,191	-	-	-	15,191
Additions	-	75,787	-	16,907	92,694
Interest capitalised	-	2,596	-	252	2,848
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Schemes Completed	42,213	(42,213)	11,828	(11,828)	-
Transfer to investment properties	(1,785)	-	-	-	(1,785)
Disposals	(5,940)	-	(451)	-	(6,391)
At 31 March 2019	876,776	77,920	41,912	10,574	1,007,182
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Transfer to investment properties	-	-	-	-	-
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At 31 March 2019	184,405	-	1,465	-	185,870
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

The carrying value of Housing Properties that would have been included had the assets been held at historical cost

	Group and Association	
	2019	2018 combined
	£'000	£'000
Housing properties at historical cost	982,065	892,184
Accumulated depreciation	(176,627)	(153,498)
	<u>805,438</u>	<u>738,686</u>

Housing properties in relation to former Liverpool Mutual Homes Limited are stated at deemed cost as the Association elected to take transitional relief when it adopted FRS 102.

Expenditure on works to existing properties

	Group and Association	
	2019	2018 combined
	£'000	£'000
Amounts charged to revenue	39,778	34,730
Amounts capitalised	15,191	16,188
	<u>54,969</u>	<u>50,918</u>

Finance costs

	Group and Association	
	2019	2018 combined
	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	9,877	7,029

Social housing assistance

	Group and Association	
	2019	2018 combined
	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income	138,687	138,129
Held as deferred income	85,010	66,536

Amounts recognised in the SoCI includes a deemed cost release relating to stock transfer properties held in the historical Liverpool Mutual Homes Limited organisation.

Impairment

The group considers individual schemes to be separate cash generating units when assessing impairment in accordance with FRS102 requirements. The impairment in year relates to 30 low demand units that have been demolished.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
15. Tangible Fixed Assets - Other
Group

	Freehold Buildings	Leasehold properties	Computers & office equipment	Furniture, fixtures & fittings	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1st April 2018 combined	8,329	4,612	8,627	6,165	6,281	34,014
Additions	741	3,663	1,067	627	1,325	7,423
Transfer to/from investment properties	925	-	-	-	-	925
Disposals	(1,796)	-	(1,599)	(64)	(1,380)	(4,839)
At 31st March 2019	8,199	8,275	8,095	6,728	6,226	37,523
Depreciation						
At 1st April 2018 combined	2,734	422	6,012	4,919	1,868	15,955
Charge for the year	335	82	1,222	490	515	2,644
Disposals	(1,046)	-	(1,599)	(64)	(1,246)	(3,955)
At 31st March 2019	2,023	504	5,635	5,345	1,137	14,644
Net book value at 31st March 2019	6,176	7,771	2,460	1,383	5,089	22,879
At 31st March 2018 combined	5,595	4,190	2,615	1,246	4,413	18,059

Transfer from investment properties reflects reclassification of Stonebridge Depot as freehold building in Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Tangible Fixed Assets – Other (Continued)

Association

	Freehold Buildings	Leasehold properties	Computers & office equipment	Furniture, fixtures & fittings	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1st April 2018 combined	8,356	4,612	7,707	5,730	6,281	32,686
Additions	700	3,663	921	476	1,325	7,085
Transfer to investments properties	(2,503)	-	-	-	-	(2,503)
Disposals	(1,796)	-	(1,599)	(64)	(1,380)	(4,839)
At 31st March 2019	4,757	8,275	7,029	6,142	6,226	32,429
Depreciation						
At 1st April 2018 combined	2,720	422	5,165	4,484	1,868	14,659
Charge for the year	335	82	1,183	485	515	2,600
Transfer to investments properties	(764)	-	-	-	-	(764)
Disposals	(1,046)	-	(1,599)	(64)	(1,246)	(3,955)
At 31st March 2019	1,245	504	4,749	4,905	1,137	12,540
Net book value at 31st March 2019	3,512	7,771	2,280	1,237	5,089	19,889
At 31st March 2018 combined	5,636	4,190	2,542	1,246	4,413	18,027

Transfer to investment properties reflects reclassification of Sutton Fold Depot as investment property in Association.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
16. Investment properties held for letting

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
At 1st April 2018	3,855	3,472	3,855	3,472
Additions	11	-	11	-
Transfer from housing properties	1,785	384	1,785	384
Transfer from tangible fixed assets: other	-	-	1,739	-
Increase in fair value	30	-	30	-
Re-classification to fixed assets	(925)	-	-	-
At 31st March 2019	4,756	3,856	7,420	3,856

Acquired properties have been assessed for fair value based on prior year external valuations performed by Savills. Developed properties have been assessed for fair value taken on a direct valuation based on current market yields and shop rental units have been assessed for fair value based on a current year valuation.

Transfers from housing properties relates to properties where the intention is to let them at market rent in the long-term. They have therefore been classed as investment properties.

Stonebridge Depot is reclassified to fixed assets as a freehold building in Group. In the Association this property is treated as an investment property.

17. HomeBuy loans

Twelve shared equity loans have been issued to date originally by Helena Partnerships Limited.

Group and Association	2019	2018 combined
	£'000	£'000
At 1st April 2018	322	389
Redeemed in year	(25)	(67)
At 31st March 2019	297	322

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

18. Other investments

Group & Association	2019	2018 combined
	£'000	£'000
Other	54	-

Other represents a shareholding in MORHomes Limited, a funding vehicle established by a number of social housing providers.

19. Investment in subsidiaries

The financial statements consolidated the results of Housing Maintenance Solutions Ltd (HMS), Torus62 Developments Ltd (Torus Developments), Torus Living Ltd (Torus Living), Torus62 Commercial Services Ltd (TCS) and Torus Foundation. At the year end the association owned 100% of issued share capital in HMS, Torus Developments, Torus Living and TCS. The association controls Torus Foundation and it's right to appoint and remove Trustees.

As part of the amalgamation all investments have transferred to the new Torus62 entity.

Housing Maintenance Solutions Limited provides repairs and maintenance services. It is incorporated in England and Wales.

Torus 62 Developments Limited (Formerly LMH Developments Ltd) and Torus Living Ltd (Formerly Torus62 Development Company Ltd) provide construction services. They are incorporated in England and Wales.

Torus Foundation (Formerly ComMutual) is a registered charity providing support to its communities and Torus tenants. It is incorporated in England and Wales.

Torus 62 Commercial Services Limited provides specialised construction services to external clients. It is incorporated in England and Wales.

	Investment in subsidiaries	
	2019 £'000	2018 £'000
Cost and net book amount		
At 1 April	3,050	3,050
Additions	-	-
At 31 March	<u>3,050</u>	<u>3,050</u>

Association investment in subsidiaries relates to £2.8m for HMS and £250k for Torus Developments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Investment in subsidiaries (continued):

During the year the association had recharged the following amounts to subsidiaries:

	2019	2018
	£'000	£'000
Amounts recharged to HMS Ltd		
Management services (% of payroll costs)	1,497	828
Recharge of rent on property (lease agreement)	106	72
Vehicles (lease agreement)	140	-
	<u>1,743</u>	<u>900</u>
Amounts recharged to Torus 62 Developments Ltd		
Management services (% of payroll costs)	346	223
Amounts recharged to Torus Foundation		
Management services (% of payroll costs)	280	242
Amounts recharged to Torus 62 Commercial Services Ltd		
Management services (% of payroll costs)	31	27
Amounts recharged to Torus Living Ltd		
Management services (% of payroll costs)	410	708

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

20. Investment in jointly controlled entities

The Association holds a £90k (2018:£90k) investment in Bamboo Estates LLP (representing a 50% share) a company registered in England and Wales.

	Group and Association	
	2019	2018
	£'000	£'000
Share of turnover in joint venture	524	
Share of (loss) before taxation	109	(90)
Taxation	-	
Share of profit/ (loss) after taxation	109	(90)
 Share of assets		
Share of fixed assets	-	
Share of current assets	214	83
Share of liabilities		
Liabilities due within one year or less	(22)	(17)
Liabilities due after more than one year	-	-
Share of net assets	192	66

21. Investment in associates

Torus 62 Commercial Services Limited invested £100k in Caribou Green Warmth LLP (40% share). This investment was written down to £Nil in 2019.

	2019	2018
	£'000	£'000
At 1 April	100	100
Return on investment	(80)	-
Impairment on investment	(20)	-
At 31 March	-	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Apportioned financial information for the year is shown below:

	Group	
	2019	2018
	£'000	£'000
Share of turnover in associate	74	460
Share of profit/ (loss) before taxation	7	4
Taxation	(20)	
Share of (loss)/profit after taxation	(13)	4
Share of assets		
Share of fixed assets	-	-
Share of current assets	9	270
Share of liabilities		
Liabilities due within one year or less	(2)	-
Liabilities due after more than one year	-	(150)
Share of net assets	7	120

22. Properties held for sale

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Completed properties	5,732	6,865	5,732	6,865
Work in progress	18,308	5,171	10,511	4,690
Properties developed for outright sale	-	355	-	355
	<u>24,040</u>	<u>12,391</u>	<u>16,243</u>	<u>11,910</u>

23. Stock

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Raw materials	673	655	-	336
Consumables	21	21	21	21
	<u>694</u>	<u>676</u>	<u>21</u>	<u>357</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
24. Debtors

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	13,496	12,693	13,496	12,693
Less: Provision for bad and doubtful debts	(11,921)	(11,462)	(11,921)	(11,462)
	<u>1,575</u>	<u>1,231</u>	<u>1,575</u>	<u>1,231</u>
Other debtors	7,669	8,695	5,608	6,286
Prepayments and accrued income	4,535	11,730	3,153	11,558
Investment income / Interest receivable debtor	131	102	124	98
Amounts owed by group undertakings	-	-	960	1,227
	<u>13,910</u>	<u>21,758</u>	<u>11,420</u>	<u>20,400</u>
Due after more than one year				
Inter-company revolving loan facility	-	-	9,720	1,850
Leaseholder sinking fund arrears	2,361	2,478	2,361	2,478
	<u>16,271</u>	<u>24,236</u>	<u>23,501</u>	<u>24,728</u>

The Inter-company revolving loan facility relates to two loans. A £2m loan facility from Torus62 Limited to Torus Commercial Services Limited. The interest rate applicable is 3.65% and is for a term of 5 years expiring in 2021. A £12m loan facility from Torus62 Limited to Torus62 Developments Limited. At 31 March 2019 £7.72m was drawn against this facility. The interest rate applicable was 5.4% and is for a term of 5 years expiring in 2023.

25. Creditors: Amounts falling due within one year

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Trade creditors	2,353	4,131	746	1,485
Rent and service charges received in advance	3,886	3,413	3,886	3,413
Amounts owed to Group undertakings	-	-	8,893	10,236
Other tax and social security	1,749	2,178	1,429	1,886
Local Government Pension Scheme	351	454	351	454
Other creditors	680	538	371	414
Deferred capital grants (Note 28)	595	511	595	511
Debt - Housing loan (Note 27)	395	423	395	423
Accruals and deferred income	26,432	23,257	17,421	20,174
Corporation tax	422	528	-	-
	<u>36,863</u>	<u>35,433</u>	<u>34,087</u>	<u>38,996</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

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

	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Leaseholder sinking fund *	617	506	617	506
Debt - Housing loan (Note 27)	296,544	292,562	296,544	292,562
Deferred capital grants (Note 28)	84,415	66,025	84,415	66,025
Recycled capital grant (Note 29)	189	1,548	189	1,548
Disposal proceeds fund (Note 30)	673	2,274	673	2,274
	<u>382,438</u>	<u>362,915</u>	<u>382,438</u>	<u>362,915</u>

*A sinking fund for repairs has been established for shared ownership leaseholders and reflects contributions from residents in relation to their future commitments.

27. Debt Analysis

Security

Local authority and other loans are secured by fixed charges on individual properties. The bank loans are secured by a floating charge over the assets of the association and by fixed charges on individual properties.

Borrowings

	Group	
	2019	2018 combined
	£'000	£'000
Due within one year		
Bank loans	443	423
Less issue costs	(48)	-
	<u>395</u>	<u>423</u>
Due after more than one year		
Bank loans	226,534	226,977
Bond	38,000	38,000
Premium on bond issue	13,843	14,215
Fair value adjustment	20,265	15,397
Less issue costs	(2,098)	(2,027)
	<u>296,544</u>	<u>292,562</u>
Total borrowings	<u>296,939</u>	<u>292,985</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019
Terms of repayment and interest rates

	Group and Association	
	2019	2018 combined
	£'000	£'000
Within one year or on demand	443	423
One year or more but less than two years	470	443
Two years or more but less than five years	41,559	51,469
Five years or more	222,505	213,065
	<u>264,977</u>	<u>265,400</u>
Premium on bond issue	13,843	14,215
FRS 102 restatement (Fair value plus amortised cost)	20,265	15,397
Less issue costs	(2,146)	(2,027)
	<u>296,939</u>	<u>292,985</u>

The bank and other loans are at fixed rates of interest ranging from 4.69% to 7.87%. The instalments are to be repaid in the period 2022 to 2033.

Terms of repayment and interest rates (continued)

The fair value adjustments are in respect of the following:

	2019	2018
	£'000	£'000
Financial Liabilities measured at fair value through surplus or deficit	1,809	1,668
Restatement of loans held at amortised cost	15,701	10,722
Adjustment to recognise loans at amortised cost and reflect an effective interest rate	2,755	3,007
	<u>20,265</u>	<u>15,397</u>

The fair value adjustments have been accounted for in compliance with FRS 102. The adjustments relate to refinancing of loans by Santander, Barclays and RBS. The refinanced loans constituted derecognition events per FRS 102 which therefore required the loans to be fair valued. This resulted in an adjustment of £6.5m in relation to the restatement of loans with a principal amount of £35m with Santander in May 2018, resulting in a carrying amount of £41.5m. An adjustment of £9.2m has also been recognised in relation to the restatement of loans with a principal amount of £110m with Barclays and RBS in July 2017, resulting in a

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

carrying value of £119.2m. In addition, a fair value adjustment of £1.8m relates to the valuation of non-basic financial instruments measured at fair value through surplus or deficit, as referenced in the accounting policy, which have an outstanding principal amount of £4.6m and a carrying amount of £6.4m. The balance of £2.8m relates to an adjustment to recognise basic loans with a principal amount of £10m and a carrying amount of £12.8m and reflect an effective rate of interest.

The bond loan amount of £38m has a maturity date of October 2034 with an interest rate of 5.2%. It carries an effective interest rate of 3.07% which has resulted in a premium on bond issue of £13.8m.

28. Deferred Capital Grant

	Group and Association	
	2019	2018 combined
	£'000	£'000
At 1 April	66,536	38,294
Grant received in year	19,031	28,731
Released to income	(557)	(489)
At 31 March	85,010	66,536
Amounts to be released within one year	595	511
Amounts to be released in more than one year	84,415	66,025
	85,010	66,536

29. Recycled Capital Grant Fund (RCGF)

	Group and Association	
	2019	2018
	£'000	£'000
At 1 April	1,548	5,936
Grants recycled	116	37
Withdrawals	(1,475)	(4,425)
	189	1,548
Repayment of grant	-	-
At 31 March	189	1,548
Amount of grant due for repayment	-	-

Withdrawals from the recycled capital grant fund have been used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

30. Disposals Proceeds Fund (DPF)

	Group and Association	
	2019	2018 combined
	£'000	£'000
At 1 April	2,274	2,964
Withdrawals	(1,608)	(696)
Notional interest charged	7	6
At 31 March	<u>673</u>	<u>2,274</u>
Amount of grant due for repayment	<u>-</u>	<u>-</u>

Withdrawals from the disposal proceeds fund were used for the purchase and development of new housing schemes for letting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019**31. Pensions**

The group participates in the Local Government Pension Schemes administered by Wirral Metropolitan Borough Council as the Merseyside Pension Scheme (MPF), and Cheshire West and Chester Council as the Cheshire Pension Fund (CPF). Both funds are multi-employer schemes administered under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The pension schemes within the group were restructured during the year as part of the amalgamation process. Prior to amalgamation admission agreements were in place as follows

Employer	Pension fund	Employer contribution rate
Liverpool Mutual Homes	MPF	18.8%
Liverpool Mutual Homes	CPF	22.8%
Helena Partnerships	MPF	18.3%
Golden Gates Housing Trust	CPF	23.1%

At amalgamation Liverpool Mutual Homes and Helena Partnerships schemes with MPF were merged together with assets and liabilities combined. Due to a number of Helena Partnerships staff transferring to Torus Foundation, separate admission agreements were created for Torus62 and Torus Foundation. The Golden Gates Housing Trust scheme with CPF was split into two admission agreements for Torus62 and Torus Foundation due to a number of Golden Gates Housing Trust employees transferring to Torus Foundation. The Liverpool Mutual Homes Scheme with CPF was unchanged. Actuarial valuations were undertaken in respect of the new admission agreements and employer contributions agreed with funds. From 1 January 2019 the admission agreements in place were:

Employer	Pension fund	Employer contribution rate
Torus62	MPF	18.4%
Torus62	CPF	23.1%
Torus62 (former LMH)	CPF	22.8%
Torus Foundation	MPF	19.7%
Torus Foundation	CPF	23.1%

On establishment of admission £222k of liabilities were transferred from Torus62 Limited to Torus Foundation. This was accounted for as a gain in Torus62 Limited accounts and a loss in Torus Foundation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

The next valuations will take place in line with the triennial actuarial valuation for the respective funds which takes place on 31 March 2019.

Total employer contributions were £4.204m (2018 £5.138m)

In June 2019 the government lost a legal challenge, “the McCloud Judgement”. The Court ruled that transitional protections afforded to older members, when public service pension schemes were amended, constituted unlawful age discrimination. Actuaries have assessed the potential impact within the valuations. A charge of £2.221m (Association £2.119m) has been made against past service costs and therefore recognised in operating costs.

Principal actuarial assumptions: Financial assumptions

	2019				2018 combined	
	Torus 62 Cheshire (LMH) %	Torus 62 Cheshire %	Torus 62 Merseyside %	Torus Foundation Cheshire %	Torus Foundation Merseyside %	Prior year range %
Discount rate	2.5	2.5	2.5	2.5	2.5	2.7
Future salary increases	3.2	3.2	3.2	3.2	3.2	2.6 – 3.6
Future pension increases	2.2	2.2	2.2	2.2	2.2	2.2 – 2.4
Inflation assumption	2.2	2.2	2.2	2.2	2.2	2.1 – 2.4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2019 and March 2018 are based on the PA92 series. The assumed life expectations on retirement at age 65 are:

	2019		2018 combined	
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Torus Foundation Merseyside
	No of years	No of years	No of years	No of years
Retiring today:				
Males	22.3	22.3	22.2	22.2
Females	24.5	24.5	25.0	25.0
Retiring in 20 years:				
Males	23.9	23.9	25.2	25.2
Females	26.5	26.5	27.9	27.9
				Prior year range
				22 - 22.3
				24.5 – 24.8
				23.9 – 25
				26.5 – 27.8

	2019			2018 combined		
	Torus 62 Cheshire (£'000)	Torus 62 Merseyside (£'000)	Association Total (£'000)	Torus Foundation Cheshire (£'000)	Torus Foundation Merseyside (£'000)	Total (£'000)
<i>Analysis of amounts recognised in operating costs</i>						
Current service cost	(25)	(3,900)	(5,900)	(23)	(54)	(6,610)
Past service (costs) /gains	(2)	(2,043)	(2,306)	(5)	(17)	(112)
Administration costs	-	(65)	(65)	-	(1)	(18)
Contributions by employer	17	2,518	4,156	16	32	5,138
Curtailments	-	-	-	-	-	(227)
Net operating cost	(10)	(3,490)	(4,115)	(12)	(40)	(1,829)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Analysis of amounts recognised in other finance costs

	2019				2018 combined			
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Association Total	Torus Foundation Cheshire	Torus Foundation Merseyside	Group Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expected return on pension scheme assets	19	1,242	4,518	5,779	10	4	5,793	5,375
Administration costs	-	-	-	-	-	-	-	(50)
Interest on pension scheme liabilities	(20)	(1,338)	(5,333)	(6,691)	(10)	(5)	(6,706)	(6,372)
Net (loss) / gain	(1)	(96)	(815)	(912)	-	(1)	(913)	(1,047)

Reconciliation of defined benefit obligation

	2019				2018 combined			
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Association Total	Torus Foundation Cheshire	Torus Foundation Merseyside	Group Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening defined benefit obligation	(755)	(49,176)	(193,976)	(243,907)	-	-	(243,907)	(243,541)
Current service cost	(25)	(1,975)	(3,900)	(5,900)	(23)	(54)	(5,977)	(6,610)
Past service cost	(2)	(261)	(2,043)	(2,306)	(5)	(17)	(2,328)	(112)
Interest cost	(20)	(1,338)	(5,333)	(6,691)	(10)	(5)	(6,706)	(6,372)
Contributions by members	(4)	(372)	(908)	(1,284)	(5)	(11)	(1,300)	(1,358)
Benefits paid	4	388	4,701	5,093	-	-	5,093	4,110
Actuarial gains / (losses)	49	(18)	(9,621)	(9,590)	(141)	(28)	(9,759)	10,203
Curtailments	-	-	-	-	-	-	-	(227)
Transfer of members to Torus Foundation	-	1,409	710	2,119	(1,409)	(710)	-	-
Closing defined benefit obligation	(753)	(51,343)	(210,370)	(262,466)	(1,593)	(825)	(264,884)	(243,907)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Reconciliation of the fair value of plan assets

	2019				2018 combined			
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Association Total	Torus Foundation Cheshire	Torus Foundation Merseyside	Group Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of plan assets	685	45,544	164,503	210,732	-	-	210,732	203,901
Interest income	19	1,242	4,518	5,779	10	4	5,793	5,375
Administration cost	-	-	(65)	(65)	-	(1)	(66)	(68)
Contributions by employee	4	372	908	1,284	5	11	1,300	1,358
Contributions by employer	17	1,621	2,518	4,156	16	32	4,204	5,138
Benefits paid	(4)	(388)	(4,701)	(5,093)	-	-	(5,093)	(4,110)
Actuarial gains / (losses)	19	(141)	4,618	4,496	58	24	4,578	(862)
Transfer of members to Torus Foundation	-	(1,374)	(523)	(1,897)	1,374	523	-	-
Closing fair value of plan assets	740	46,876	171,776	219,392	1,463	593	221,448	210,732

Net pension liability

	2019				2018 combined			
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Association Total	Torus Foundation Cheshire	Torus Foundation Merseyside	Group Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation net of plan assets	(13)	(4,467)	(38,594)	(43,074)	(130)	(232)	(43,436)	(33,175)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Analysis of amounts recognised in actuarial (loss)/gain relating to pension schemes

	2019				2018 combined		
	Torus62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Association Total	Torus Foundation Cheshire	Torus Foundation Merseyside	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Actuarial (losses) / gains on assets	19	(141)	4,618	4,496	58	24	4,578
Actuarial gains / (losses) arising on the scheme liabilities	49	(18)	(9,621)	(9,590)	(141)	(28)	(9,759)
Transfer of members obligations to Torus Foundation	-	1,409	710	2,119	(1,409)	(710)	-
Transfer of members assets to Torus Foundation	-	(1,374)	(523)	(1,897)	1,374	523	-
Actuarial gain / (loss) recognised	68	(124)	(4,816)	(4,872)	(118)	(191)	(5,181)

Major categories of plan assets as a percentage of total plan assets

	2019				2018 combined	
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Torus Foundation Cheshire	Torus Foundation Merseyside	Range
	%	%	%	%	%	%
Equities	45	41	49	41	49	42-46
Gifts / bonds	45	47	16	47	16	7-42
Properties	8	8	9	8	9	7-8
Cash	2	4	3	4	3	4-5
Other	-	-	23	-	23	15.7

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

32. Provisions for liabilities – Other

Group	Dilapidations	Insurance claims	Other	Total
	£'000	£'000	£'000	£'000
	At 1st April 2018	148	208	242
Additions	79	402	-	481
Utilised	-	-	-	-
Reversals	-	(208)	(242)	(450)
At 31st March 2019	227	402	-	629

Association	Dilapidations	Insurance claims	Other	Total
	£'000	£'000	£'000	£'000
	At 1st April 2018	49	208	3
Additions	55	402	-	457
Utilised	-	-	-	-
Reversals	-	(208)	(3)	(211)
At 31st March 2019	104	402	-	506

Insurance claims relate to property and personal injury claims on-going.

33. Deferred tax asset

	Group	
	2019	2018 combined
	£'000	£'000
At 1 April 2018	39	29
Adjustment in respect of prior years	-	-
Charge/(credit) for the year	222	10
At 31 March 2019	261	39
Accelerated capital allowance	-	6
Short term timing differences	261	33
At 31 March 2019	261	39

The deferred tax asset of £261k is included in other current debtors. (2018: £39k)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

34. Non-Equity Share Capital

At amalgamation, shareholder rules were agreed whereby there are two classes of shareholders: Tenant Shareholders and Independent Shareholders. Each share has the nominal value of one pound which shall carry no right to interest, dividend or bonus. The independent shareholders are the independent Board members. Tenants are eligible to become shareholders, which provides them with the right to vote at general meetings. Tenant shareholders have 51% of total votes available at general meetings. At point of amalgamation tenant shareholders of Liverpool Mutual Homes, Helena Partnerships and Golden Gates Housing Trust became Torus tenant shareholders. At 31 March 2019 there were 61 tenant shareholders.

35. Cash Flow from Operating Activities

	Group	
	2019	2018
	£'000	£'000
Surplus for the year	33,751	44,873
<i>Cash flows from operating activities:</i>		
Depreciation of housing properties	24,870	23,939
Depreciation of other fixed assets	2,644	1,939
Amortised government grants	(557)	(489)
Impairment charge	266	-
Movement in fair value of investment properties	(30)	-
Write down of investment	100	-
Decrease in trade and other debtors	575	3,574
Increase in trade and other creditors	1,179	2,295
(Increase) in properties held for sale	(8,574)	(5,063)
Increase/(decrease) in provisions	31	(20)
(Increase)/decrease in stock	(18)	2,425
Pension costs less contributions payable	4,167	1,829
Taxation charge	(369)	(180)
<i>Adjustments for investing or other financing activities:</i>		
Net gain on sale of fixed assets	(5,091)	(5,566)
Fair value adjustment/refinancing	6,361	10,032
Interest payable	13,975	15,026
Interest received	(588)	(254)
Jointly controlled entity	(96)	85
Net cash generated from operating activities	72,596	94,445

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

36. Capital commitments

The above figures include the full cost of shared ownership properties contracted for.

	Group and Association	
	2019	2018 combined
	£'000	£'000
Capital expenditure:		
Expenditure contracted for but not provided in the accounts	144,685	150,638
Expenditure authorised by the Board, but not contracted	74,424	172,877
	<u>219,109</u>	<u>323,515</u>
Financed by:		
Social housing grant	39,025	19,159
Proceeds from sale of properties	42,828	27,566
Committed loan facilities and cash	137,256	276,790
	<u>219,109</u>	<u>323,515</u>

37. Contingent Liabilities

The admission agreements with Merseyside and Cheshire Pensions Fund require Torus to provide bonds to cover any potential risks on the pension funds. Bonds in place at 31 March 2019 were £31.5m in respect of the Merseyside Pension Fund and £3.4m in respect of the Cheshire Pension fund. On 1 April 2019, the Bond in respect of the Cheshire Pension Fund was increased to £13.9m.

As part of the establishment of pension arrangements at 1 January 2019, Torus62 Limited has provided guarantees to Merseyside and Cheshire Pension Funds that it will meet any liabilities in connection with Torus Foundation pension obligations should Torus Foundation be unable to meet them.

38. Leasing commitments**Operating Leases**

The Group leases out some of its other land and buildings. The future minimum lease payments under non-cancellable leases are as follows:

As lessor	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Less than one year	100	106	798	106
Between one and five years	355	355	721	355
More than five years	-	-	375	-
	<u>455</u>	<u>461</u>	<u>1,894</u>	<u>461</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

The Group is committed to a number of leases in relation to other land and buildings, vehicles and office equipment.

As lessee	Group		Association	
	2019	2018 combined	2019	2018 combined
	£'000	£'000	£'000	£'000
Less than one year	941	1,317	524	824
Between one and five years	1,968	3,828	1,678	3,124
More than five years	899	1,560	899	1,560
	<u>3,808</u>	<u>6,705</u>	<u>3,101</u>	<u>5,508</u>

39. Related Parties

Torus62 Limited as the parent provides group services to subsidiaries under an Intra Group Agreement. The recharge methodology reflects appropriate allocations of costs to each subsidiary. The value of charges is set out in note 19.

Torus62 trades with Housing Maintenance Solutions Limited, a wholly owned subsidiary of Torus62, who provide repairs and maintenance, planned environmental works and development projects on Torus62 properties. Torus62 also trades with Torus62 Developments Limited and Torus Living Limited, wholly owned subsidiaries of Torus62 Limited, who develop new build properties for Torus62.

Torus62 made £109k profit from its Bamboo Estates LLP joint venture in the year. (2018: £90k loss). During the year the investment in the associate Caribou Green Warmth LLP was written down to £nil following dissolution of the company. The share of the loss in 2019 was £(13)k (2018: £4k profit). The table below details sales and purchases with Bamboo Estates LLP and Caribou Green warmth LLP:

	Bamboo		Caribou	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Association				
Purchase ledger	3	11	-	-
Sales ledger	92	26	-	24
Group				
Purchase ledger	3	11	-	-
Sales ledger	144	67	-	24

The Association had no tenant Board members as at 31 March 2019 (2018: 1). At the 31 March 2019 £nil (2018: £nil) amounts were outstanding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

40. Financial assets and liabilities

	Group and Association	
	2019	2018 combined
	£'000	£'000
<i>Categories of financial assets and financial liabilities</i>		
Financial assets that are measured at amortised cost	114,396	141,315
Financial liabilities measured at fair value through surplus or deficit debt instruments	(6,383)	(6,245)
Financial liabilities measured at amortised cost – debt instruments	(290,556)	(294,589)
Debt instruments	<u>(296,939)</u>	<u>(300,834)</u>
Other liabilities measured at amortised cost	(32,447)	(31,086)
<i>Financial liabilities measured at fair value through surplus or deficit</i>		
The amount of change during the period attributable to changes in the credit risk	-	-
The difference between the financial liability's carrying amount and the amount the entity would be contractually obliged to pay at maturity	(1,809)	(1,668)
<i>Financial assets</i>		
Cash at bank	102,658	128,809
Financial assets on which no interest is earned	11,738	12,506
	<u>114,396</u>	<u>141,315</u>
<i>Financial liabilities excluding trade creditors – interest rate risk profile</i>		
Fixed rate	264,977	265,400
Floating rate	-	-
Total borrowings	<u>264,977</u>	<u>265,400</u>
<i>Borrowing facility</i>		
Expiring in more than two years	264,977	265,400

The group has undrawn committed borrowing facilities. The facilities available at 31 March 2019 in respect of which all conditions precedent had been met are above.

As at 31 March 2019, The Group had £4.6m of cancellable fixed rate loans provided by Nationwide Building Society and the Royal Bank of Scotland. Under these arrangements, the lenders have the option to cancel the fixes every 3 months. If these options were exercised, the loans would revert to a variable rate basis, which would increase the level of interest rate risk. These loans are managed in accordance with the Group's Treasury Policy, which requires that at least 60% of drawn funds be on fixed interest rates or otherwise hedged against the effects of interest rate increases. The position is considered annually when the Board sets the annual treasury strategy. The Group takes independent advice on treasury management and considers that the probability of these options being exercised is currently very small. As at 31 March 2019, 100% of the Group's drawn loans were on fixed rates of interest. If these cancellable loans had been converted to variable rates, the percentage fixed would have been 98%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

41. Merger

Torus62 Limited (“Torus” or the “Association”) was formed on 1 January 2019 when the former Torus 62, its subsidiaries Helena Partnerships (HP) and Golden Gates Housing Trust (GGHT), and Liverpool Mutual Homes (LMH) amalgamated in accordance with the Co-operative and Community Benefit Society Act 2014.

This amalgamation has been accounted for under merger accounting in the financial statements of both the Group and the Association. Therefore, these financial statements have been presented as if the Torus Housing Group had existed in its current form since the beginning of the previous reporting period.

As part of this, the accounting policies of the two merging parties have been aligned and any costs relating to the merger have been expensed. Any transactions between the two parties prior to the merger are now required to be eliminated as part of consolidation, no such material amounts were identified.

The following disclosures provide an analysis of the numbers reported in these financial statements between these two parties prior to the merger and of the combined party post-merger.

Group

Year ended 31 March 2019

	Pre-amalgamation as at 31 December 2018			Accounting policy adjustments	Post amalgamation	
	Torus 62 Limited	Liverpool Mutual Homes	Total		3 months to 31 March 2019	Total year ended 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	85,677	60,767	146,444	-	47,228	193,672
Operating surplus	24,894	15,045	39,939	-	13,066	53,005
Surplus for the year	14,419	11,617	26,036	1,240	6,475	33,751
Total comprehensive income	13,961	11,366	25,327	1,240	2,003	28,570
Net assets as at 31 December 2018	229,361	292,859	522,220			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Year ended 31 March 2018

	Torus 62 Limited	Liverpool Mutual Homes	Total	Accounting policy adjustments	Year ended 31st March 2018
	£'000	£'000	£'000	£'000	£'000
Turnover	112,386	77,035	189,421	-	189,421
Operating surplus	41,903	27,688	69,591	(9)	69,582
Surplus for the year	36,144	8,429	44,573	300	44,873
Total comprehensive income	43,060	10,863	53,923	291	54,214

Parent

Year ended 31 March 2019

	Pre amalgamation as at 31 December 2018				Post amalgamation			Total year ended 31 March 2019
	Helena Partnership	Golden Gate	Torus 62	Liverpool Mutual Homes	Total	Accounting policy adjustments	3 months to 31 March 2019	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	53,340	29,391	9	58,313	141,053	-	46,663	187,716
Operating surplus	16,875	8,255	(110)	15,352	40,372	-	14,348	54,720
Surplus for the year	14,917	(181)	(200)	12,583	27,119	1,240	7,083	35,442
Total comprehensive income	12,982	1,297	(200)	12,332	26,411	1,240	2,919	30,570
Net assets as at 31 December 2018	143,213	85,285	761	290,238	519,497			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

Year ended 31 March 2018

	Helena Partnership	Golden Gates	Torus 62	Liverpool Mutual Homes	Total	Accounting policy adjustments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	70,946	38,061	5	78,698	187,710	-	187,710
Operating surplus	28,961	12,924	106	27,919	69,910	(9)	69,901
Surplus for the year	25,475	10,762	18	8,508	44,763	300	45,063
Total comprehensive income	31,105	12,048	18	10,942	54,113	291	54,404

The following material changes in accounting policy have been made as a result of the merger (Group values):

1. Capitalised interest adjustment of £4,036k (net of depreciation). This has been split £903k in 2018 restatement and £3,133k for prior years.

Additionally, the following immaterial changes in accounting policy have been made as a result of the merger and are being applied prospectively:

1. Capitalised interest in the current year under audit 31 March 2019, to the value of £1,654k. (net of depreciation). This has been split 70/30 in the financial year to reflect pre and post amalgamation. Therefore £1,240k as an accounting policy adjustment.
2. The group bad debt methodology was aligned for consistency. As a result, the group estimate was reassessed. The impact on the current year was a reduction of £957k.

A further prior year accounting policy adjustment of £612k relating to 2017/18 has been made relating to a revaluation gain of investment properties, which was reversed to housing properties. The net book value reversed to housing properties in 2017/18 was £375k. The properties are leased to Bamboo Estates LLP.

Based on the guidance provided in FRS102 the properties leased to Bamboo Estates LLP have been reclassified as properties held for social housing rather than investment properties. Although they are currently let at market rent, as this is a short-term arrangement, we consider the properties to be held primarily for social benefit over the life of the asset and have therefore reflected this in the accounting treatment and are holding the properties at historic cost.

As a result of the adjustment, the £612k revaluation gain recognised in 2017/18 has been reversed, which has reduced the surplus for the year ended 31 March 2019 and net assets as at 31 March 2018 by £612k. The net book value of the properties transferred back to housing properties from investment properties is £375k.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

The revaluation reserve as at 1 April 2017 was restated by £1.7m relating to the prior revaluation of commercial shops and reclassified to revenue reserves in line with FRS102.

Furthermore, the gain on disposal of fixed assets of £5,206k and gift aid income from subsidiaries of £1,637k (Association only) have been reclassified to be presented as part of operating surplus (refer to note 3). These have been evolving areas of disclosure and the amended treatment is considered to be in line with the latest requirements and guidance. There has been no impact on the overall surplus for the year ended 31 March 2018 as a result of these reclassification.



www.torus.co.uk

Head Office
The Observatory
1 Old Haymarket
Liverpool
L1 6RA

hello@torus.co.uk

Registered Office
4 Corporation Street
St Helens
Merseyside
WA9 1LD