

Financial Statements

31 March 2020

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



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Board Members, Executive Management Team, Bankers and legal advisors

<p>Torus62 Limited Board Graham Burgess – Chair Paul Burns – Vice Chair Ian Clayton (To 26th September 2019) Bob Hepworth Duncan Craig Christine Fallon Andrew Gray Greg Gottig Paula McGrath Sarah Jane Saunders Gordon Hood Steve Coffey</p> <p>Torus62 Developments Board Bob Hepworth - Chair Gordon Hood Christine Fallon Peter Fieldsend Steve Coffey</p> <p>Housing Maintenance Solutions Limited Board Wayne Hughes – Chair (To 24th July 2020) Ian Clayton (To September 26th 2019) Ralph Middlemore Paula McGrath – Chair (From 24th July 2020) Peter Fieldsend Paul Worthington Cath Murray Howard (From 7th October 2019)</p> <p>Torus Foundation Board Sarah Jane Saunders – Chair Peter Morton Colleen Martin Elaine Stewart Phil Garrigan Peter Brennan (To 20th June 2019) Liz Haworth (To 28th June 2019) Cath Murray Howard (From 7th October 2019) Jeanie Bell (From 28th January 2020) Tom Jennings (From 14th July 2020)</p> <p>Torus Commercial Services Limited Board Wayne Hughes – Chair (To 24th July 2020) Ian Clayton (To September 26th 2019) Ralph Middlemore Paula McGrath Peter Fieldsend Paul Worthington Cath Murray Howard (From 7th October 2019)</p>	<p>Torus Living Board Bob Hepworth - Chair Gordon Hood Christine Fallon Peter Fieldsend Steve Coffey</p> <p>Torus Development Committee Bob Hepworth - Chair Gordon Hood Christine Fallon Peter Fieldsend Steve Coffey Cath Murray Howard (From 7th October 2019)</p> <p>Group Remuneration & Nominations Committee Paul Burns - Chair Christine McLoughlin Graham Burgess Greg Gottig</p> <p>Group Audit & Risk Committee Duncan Craig - Chair Andrew Gray Greg Gottig Paula McGrath Neil Garnham Alistair Hollows</p> <p>Landlord Operations Committee Andrew Gray – Chair Bob Hepworth Liz Haworth (To 28th June 2019) Cath Murray Howard (From 7th October 2019) Sarah Jane Saunders Teri Wilson Sharon Shaw Ray Jones Ken Bason (To 22nd January 2020) Alice Bennett (To 2nd May 2019) Sharon Connor Debra Ergen (From 10th September 2019) Pamela Woodward (From 16th May 2019) Michelle Davis (From 10th September 2019) Shaune Sieley (From 10th September 2019) Jan Davidson (From 28th January 2020) Richard McCauley (From 14th July 2020)</p>
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Executive Officers:

Group Chief Executive
Steve Coffey

Chief Financial Officer
Peter Fieldsend

Chief Operating Officer
Cath Murray Howard (From 7th October 2019)

Company Secretary and Registered Office:

Peter Fieldsend (To 31st March 2020)
Helena Central
4 Corporation St
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Ronnie Clawson (From 1st April 2020)
Helena Central
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External Auditors:

BDO LLP
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Internal Auditors:

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Solicitors:

Catherine Fearon - Torus62 Limited

Brabners
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Bankers:

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Funders:

Royal Bank of Scotland Plc
Santander UK Plc
Nationwide Building Society
Barclays Bank Plc
Warrington Borough Council
The Housing Finance Corporation

Introduction from our Chair and Chief Executive

Since its creation in January 2019, Torus has been busy building upon the strengths of its legacy organisations, Torus and LMH Group, to fulfil the new Group's mission of '*growing stronger communities*'. This report details the Group's performance, outcomes and impacts achieved in the 2019/20 financial year - a period of growth, transformation, ambition and enhanced impacts across our heartlands and beyond.

Having in the region of 40,000 homes, Torus is not only the largest stock holding provider of affordable homes in the North West but is also one of the region's largest third sector employers and a strategic regeneration partner for public bodies at local, regional and national levels.

At the year end, Torus Group had a total of 1,427 staff operating out of three key offices and additional bases across our heartlands of Liverpool, St Helens and Warrington and achieved a combined turnover of £195m for the year.

It was apparent ahead of amalgamation that bringing two organisations of this size together would present challenges, but it was also recognised that more could be done as a single entity through enhanced resilience and influence, and a strengthened focus on intelligence and investment. These four characteristics are key to our mission. They also provide a solid foundation from which to achieve our ambitions of changing lives and strengthening communities, even in times of challenge.

The unprecedented Coronavirus Pandemic has sent shockwaves through the sector and the country as a whole. Whilst the full effects of the crisis may take years to resolve, we are committed to maintaining our business model and providing the services that our tenants, customers and communities need. Torus will remain a key partner for communities and local authorities for the long run. Despite all of these challenges, financial performance remains strong with surplus in 2019/20 across the group amounting to £48m and profit from commercial entities being £4m.

Sector leader

Even prior to the Coronavirus Pandemic the affordable housing sector had faced unprecedented challenges in recent times. We have seen two General Elections in 18 months, uncertainty surrounding Brexit and the financial implications of leaving the EU, significant cuts to grant funding and sporadic infrastructure spending across the Liverpool City Region, Cheshire and the wider North West. We have also seen the vulnerabilities across the housing, construction and contracting sectors.

These effects have been significantly compounded by the pandemic and the economic contraction that is following.

With all of this in mind, we not only have to ensure financial sustainability for the business, but we also must continue to attract and retain high quality staff so that we are able to approach challenges with innovation and adaptability.

We are already beginning to see the benefits of our internal transformation programme - with more aligned teams in place and a more efficient corporate function (referred to internally as our 'Corporate Core'). This Corporate Core supports our operational staff in achieving our strategic objectives and, most importantly, allows us to be a housing, growth and regeneration Group that supports our tenants and helps them to become more resilient and to thrive.

We are also taking an increasingly influential role in sector initiatives across the North West and are working as a Strategic Partner for Homes England to deliver over 5,300 new homes by 2024, together with a longer-term sustainable pipeline to tackle the housing crisis. Our Development Programme, centred on placemaking opportunities and a total investment in infrastructure of £2.5bn by 2030, emphasises the scale of our regional ambitions.

Growing Stronger Communities

Torus Group is not simply a homebuilder and landlord (although these operations remain at the heart of our work). We believe that housing providers and landlords, particularly those committed to affordable housing provision, are uniquely positioned to deliver inclusive growth and sustainable regeneration. Through targeted investment, and the provision of new high quality homes, Torus will help to empower people, support people to overcome obstacles to success and, in the process, build stronger communities.

We are pleased to note that, over the last 12 months, Torus has built a strong internal structure and a solid financial platform that will allow the Group to grow as a sector influence and deliver even greater impact for communities in its heartlands and across the North West. The need for such interventions is greater than ever in the new Post-Coronavirus reality. Our work will continue to be centre around people, places and partnerships, both internally and externally.

Operating as a socially responsible growth and regeneration company with a sustainable business-model led by intelligence, resilience, influence and investment, Torus is well positioned to support social and economic recovery and growth across communities for the long term.

Finally, we would like to thank the Board, Executive Team and all Torus Group staff for their contributions over the last 12 months as we work collectively towards our Group Mission of growing stronger communities.



Graham Burgess
Chair, Torus Group Board



Steve Coffey.
Group Chief Executive

Strategic Report

Who we are and what we do

Torus is a growth and regeneration group. We are committed to delivering impactful people and place-based change and working in partnership to help people living in the communities within which we operate to become stronger, more resilient and - through the work of our charitable arm, the Torus Foundation - help people living in and around our homes to become more resilient and to thrive.

Our mission is 'growing stronger communities'. As set out within our Corporate Plan 2019/20 – 2023/24, we are committed to working with a range of partners across the sector and beyond to deliver new homes and support local growth and regeneration priorities. Working alongside local authorities, businesses and other partners we are committed to sustainable regeneration and the delivery of better outcomes for families.

As a landlord with some 39,000 homes, our 'Landlord Plus' commitment means that we go the extra mile for our customers and tenants - ensuring peace of mind in the homes within which they live. We support vulnerable tenants and engage with young people whilst also offering advice and support towards gaining employment and, through our repairs and maintenance arm, HMS, providing a highly-efficient maintenance and repairs service.

Our commercial contractor, HMS, delivers above target repairs and maintenance for all of our 39,000 tenants and will continue to provide these services with the commitment to resolve repairs on time and the care to respect people's homes at all times.

The safety and welfare of our tenants and staff is our top priority, and we will continue to provide an excellent standard of home service care to complement the work of the Torus Foundation. With tenants as a core focus, we will work as a Group to be the best landlord we can be and build stronger communities.

Through the work of our charitable arm, Torus Foundation, we offer communities across our heartlands of St. Helens, Liverpool and Warrington support, training and advice on benefits and welfare, as well as providing employment training to help people get back into work, to grow stronger and to thrive.

The work of our Foundation is centred on empowering people to achieve their full potential. Through targeted training and intervention, we helped over 400 people back into work during 2019/20.

Where we operate

The majority of our 39,000 homes are concentrated across Liverpool, St Helens and Warrington. We provide a range of tenure types, including Rent to Buy, supported living, other specialist and affordable rent. The work of our charitable arm, the Torus Foundation, is focused around those areas where our stock is most densely concentrated, also known as our 'Heartlands'. Since the completion of the

amalgamation in 2019, Torus has expanded its stock holding into neighbouring areas such as Cheshire East and Lancashire.

Although we have stock right across the North West, our heartlands remain St Helens, Liverpool and Warrington.

In the year under review, the work of our new-build arm, Torus Developments, and contracting arm, HMS, has seen Torus' footprint expand into neighbouring geographies across the North West. In 2019/20 we invested £101m, with the 649 new homes being delivered by the Group, including 343 for Social and Affordable Rent, 182 for Shared Ownership, 24 for Rent to Buy, and 100 specialist homes for people with additional care needs.

Group Structure

Torus' business model reflects the Group's core focus on people and places. It comprises four core entities – landlord, property developer, commercial contractor and community based charity – and means we can invest more in homes and social initiatives.

Each year, profits generated by HMS and Torus Developments are gift aided to the Torus Foundation to reinvest in social impact activities. In 2019/20 £2.0m was 'gift aided' to the Foundation for example.

Over the last 12 months, Torus Foundation has been busy working with partners across the charitable sector and exploring additional external sources of funding to deliver even more impactful change for communities, helping people to thrive and providing tailored support and training to prepare people for employment. It is only because of the structure we have as a Group that this vital work is possible.

In addition, we constantly look to improve services so as to better meet the changing needs of our tenants, leaseholders and other customer types, and make a bigger, more significant contribution to the regeneration of our heartlands, and further afield across the North West.

2019 Corporate Plan

The Torus Group Corporate Plan 2019/20 – 2023/24 sets out clear priorities for the business. These are divided into five pillars - Great Homes, Ambitious Developments, Strong Communities, Commercial Contracting and Corporate Core.

Each of the pillars represents a distinct strand of the business and identifies specific means for achieving our Mission of 'growing stronger communities'. Each strand also has a number of independent Key Performance Indicators against which we measure our performance and impact.

The long term impact of the Coronavirus Pandemic is impossible to predict. Torus will, however, continue to work closely with a range of partners to understand and mitigate these impacts. Part of this process may be a 'Recovery Phase' Plan, where priorities reflect the new economic and regional challenges of living through a Global Pandemic.

Great Homes

Our 2019 Corporate Plan says: "High quality, well-maintained homes and landlord services for our Liverpool, St. Helens and Warrington heartlands will always be at the forefront of what we do".

As a socially responsible landlord, we are continuing to develop our role within communities to help spur regeneration across the North West. We are supporting our partners across the sector together with local and regional authorities with their growth and regeneration ambitions. In terms of homes, we now hold a total of 38,904 homes with a range of tenure types, as outlined in the table below:

Tenure	Units
General Needs	33,197
Housing for Older People and Supported housing	3,748
Shared Ownership	806
Leaseholder	1,156
Total	38,907

Our homes help to strengthen economic and social sustainability, as well as helping people live safely and comfortably within thriving communities. We have been working closely with local authorities across our heartlands, and beyond, to ensure we provide the right affordable homes types in the right places, matched to local demand. These demands will be even greater in a Post-Coronavirus environment and expectations will be changed.

Landlord services are a crucial part of our Great Homes offer. Launched during the year, our Tenant Voice Strategy established a spectrum of ways in which tenants and leaseholders can help to shape service delivery. This menu of options included potential to join the Landlord Operations Committee (LOC) together with contributing to tenant panels and responding with views to online consultations. LOC members played a particularly pivotal role during the year and inspired the move to implement a single freephone telephone service across Torus geographies.

As set out in the Corporate Plan, we promised to continue to invest in high quality homes and we've put our money firmly where our mouth is. In the year under review, we invested £17.1m in modernising and upgrading our existing homes.

For the next financial year, we have set aside a further £27.5m for modernising and retrofitting as we seek to create a universal standard of Great Homes across our stock holding. This will be complemented with an investment of over £800m in over 5,000 new homes across the North West by 2025.

Torus' construction, maintenance and repairs contractor, HMS, provides an efficient routine and emergency repairs service and, in the last 12 months has achieved over 99.5% of all repairs resolved on time. Overall customer satisfaction with our Great Homes service remains high and above target with the Torus repairs and maintenance service remaining above 95%.

We have also focused on making enhancements through our maintenance programmes. We are making additional investments in terms of void works specification, compliance and extra resources for regeneration activities, with some major projects over the next few years including low carbon initiatives and major refurbishment and regeneration schemes.

Carbon neutrality, energy efficiency and the wider Green agenda have been identified as a key issue for Torus and further work will be undertaken in 2020/21 to explore our strategies and ambitions in these areas.

We are continuing to explore funding options for updating boilers and installing sustainable technologies in our homes. We are working closely with Homes England, the Liverpool City Region Combined Authority and a range of partners, both inside and outside the housing sector, to ensure that resources are used efficiently and that our tenants remain the priority throughout the next financial year.

Key KPIs include

- £27.5million set aside for modernising and retrofitting 2020/21
- £17.1million invested modernising and refurbishing existing stock 2019/20
- 99.5% of emergency repairs resolved on time
- Customer Satisfaction with repairs +95%

Ambitious Developments

Our Corporate Plan 2019/20 – 2023/24 says: "Our new build strategy will deliver new homes across all tenures - to meet the needs of a growing and multi-generational population. We'll build properties for people that addresses specific local need, both now and in the future".

Over the last 12 months, we have been working closely with a range of external partners to ensure that we deliver the right homes in the right places for people to live in and to thrive, with a total investment/spend of £101m. We have committed to exploring a wider range of tenure types to meet changing demand and tackle the housing crisis at a local and regional level - seeing particular demand in Rent to Buy (RtB) since the scheme was first launched. To match this increased demand, last year our Group development activity delivered 20 new RtB homes.

Our strategic partnership with Homes England is helping to unlock new homes that help address the housing crisis and the £19.63m allocated from Homes England under its WAVE2 programme, enabled us to deliver additional homes on top of those we had already sought permission to build. This partnership is therefore integral to our developments work, releasing many more much-needed homes and providing a further level of financial security within an uncertain and challenging economic environment.

As a Group we delivered 649 new Torus homes during the last 12 months, 413 of those homes were delivered through our Developments Company, Torus Developments. Our strategically-aligned way of working and strong focus on partnerships is helping to unlock new homes and facilitate growth and regeneration in communities across the North West and we will look to extend these partnerships to

continue to deliver high quality homes in support of our mutual objectives. At the same time as those completions we also started work on 924 new units, another increase in output. Demand generally remains high for properties with 98.21% properties occupied at year end even though we had just begun to see the beginnings of the Coronavirus Pandemic.

This kind of collaboration is central to how Torus is delivering for its communities. It unlocks even greater potential and, because of the unique business model, allows us to use home-building as a platform for delivering sustainable and inclusive growth and regeneration for our communities. We have committed to allocating the profits generated via our commercial activity to fund the work of our charitable arm, Torus Foundation. Our new homes, and the partnerships formed in delivering our development activity lay the foundations for growth and regeneration - providing vital homes for people to live in and helping families and households to live happily and to thrive.

Torus Developments' turnover for 2019/20 was £59.453m with a profit of £1.181m which is available for gift aid and reinvested back into communities via Torus Foundation. In light of the challenges faced by the sector given the Coronavirus Pandemic, and uncertainty generated by significant economic contraction, our business model provides sufficient financial security to allow us to continue the delivery of vital new homes.

Over the next 12 months we hope to deliver over 800 new homes and plan to spend £109m funded from a range of sources (cash reserves, sales and Homes England funding) to deliver those new homes. Our objective is to continue to build on our successes during 2019/20, while enhancing our reputation further and playing a key role in collaboration across the sector.

We are strategically, and financially, well positioned to be able to deliver the right homes in the right places for people to live in. In doing this we will look to tackle the regional housing shortage and deliver ambitious developments in partnership with developers and partners from across affordable and commercial sectors.

As we seek to become a land-led developer, we will look to explore new tender types, new partnerships, additional funding streams and potentially homes for outright sale. This will provide an additional level of resource as the sector responds to the effects of the Coronavirus Pandemic.

Key performance highlights were

- 649 new homes (413 Torus62 Developments Limited) we delivered in 2019/20, the tenure split being:
 - Social and affordable Rent 343
 - Shared ownership 182
 - Supported Living 100
 - Rent to Buy 24
- Grant awards claimed 2019/20 were:
 - SOAHP (Shared Ownership Affordable Homes Programme) = £8,728,453
 - Wave 2 (Strategic Partnership) = £19,630,000

- 924 new units started in 2019/20
- Total spend on new homes of £101m
- Torus Developments' turnover for 2019/20 was £59.453m with a profit of £1.181m

Case study – The Maples

The Maples on Westhead Avenue, Kirkby, is a block of 100 apartments for people aged 55 and over and was shortlisted in the RICS Social Impact Awards 2020 earlier this year.

Providing much needed Extra Care and supported living options, as well as state-of-the-art facilities such as a Bistro and Salon, The Maples is a community hub everyone can enjoy, resident or not, and is central to our work in growing stronger communities.

In addition to the Extra Care homes, 16 supported housing units and 54 new homes, available via Affordable Rent and Rent to Buy have also been built.

Our effective partnership with Knowsley Council funded the inclusion of assistive technology at the development, including a door entry and video call system, enabling residents to video call each other and connect with care staff on-site when required. The equipment also enables video conferencing with GPs and other external health providers, ensuring resident's health can be monitored without them having to leave their home.

Commenting on the development, Councillor Sean Donnelly, Cabinet Member for Health and Social Care, said: "The Maples is a fantastic addition to Extra Care facilities available across the borough. It provides modern, secure and bespoke living options in Kirkby. The new development provides greater choice for our residents as well helping them to live independently. The council's investment in the in-built intercom system provides invaluable reassurance for residents and their families too, knowing that help is there when needed. The Maples is a home for life.

"The Maples also promotes physical and mental wellbeing by offering residents opportunities to socialise, access to group activities, a beautifully landscaped courtyard and amenities such as a Bistro and Salon to connect with friends."

As an organization dedicated to building great homes and strong communities, Torus invests heavily in developing schemes which also look after people's wider physical, emotional and mental wellbeing. Discussing this, Chief Executive, Steve Coffey, said: "One of our driving priorities as a group is to invest into our heartlands – financially and emotionally.

"We want all our tenants to feel safe, comfortable and happy in our homes which is why we invest in more than just bricks and mortar. We support many community projects and initiatives with the people who live in our homes to create sustainable support in the local area that residents can access whenever they need it.

"We want to contribute positively to an area and can already see that The Maples will be a vital asset for the residents who live there and in the wider community itself."

Strong Communities

Our 2019 Corporate Plan 2019/20 – 2023/24 says: "We are committed to unlocking the potential within our communities. Our charitable arm, Torus Foundation, will work to address deprivation, promote inclusion and support customers and communities to thrive and be the best they can be".

Operationally, Torus Foundation works alongside partners in social care, other charitable organisations and community groups to deliver impactful change for communities that helps people to become more resilient and achieve their full potential.

We provide bespoke employment training, together with digital and financial skills training and support for families in managing household finances. Through partnerships with other local community organisations, such as the L6 Centre, Torus Foundation helps to deliver food, household goods and sanitary products to vulnerable people and families within the communities in which we operate. This work has been an increasingly important lifeline for many communities during the Coronavirus Pandemic.

The work of Torus Foundation is supported by our business model. The 'Gift Aid' model enables us to reinvest a proportion of money generated by our Group commercial activities for reinvestment into Torus Foundation to carry out its vital work within the community, supporting families and public services. Torus Foundation has formed successful partnerships with local neighbourhood policing teams, charities, other housing associations and local authorities across the North West. These partnerships provide a significant contribution to delivery of our Group Mission of 'growing stronger communities'.

During the 12 months under review, Torus Foundation used funds received from the Group and from external sources, such as grant funding, to create and either directly deliver or partner on projects that strengthen communities and change lives. A full breakdown of projects is available in the Torus Foundation Social Impact Report 2019/20 and is set out across Torus Foundation's five focus areas: Employment, Digital Inclusion, Financial Inclusion, Health & Wellbeing and Youth.

The work of Torus Foundation remains at the heart of everything we do as a Group. We have worked closely with Communities that Work, Everton in the Community, the National Lottery and other local charities such as Warrington Speak Up, M and H Academy and Raise. In the last 12 months we have provided 622 employment training courses, digital skills training courses and, through the pioneering work such as the New Leaf project in Warrington, provided employment to 1,096 people. In total during the 12 months of 2019/20, we supported 425 people into employment.

Similarly, we had nearly double the annual attendance at our digital hubs in 2019 compared to the previous year; up from 486 to 844 as part of our continued focus on tackling digital exclusion.

With significant uncertainty across the sector in recent years, Torus Foundation has achieved growth despite significant cuts to grant funding, uncertainty surrounding Brexit and the uncertainty around the European Social Fund (ESF). Notwithstanding further difficulties as a consequence of the

Coronavirus Pandemic, we hope to build on the existing strengths of the Foundation and extend our corporate fundraising potential to build on the £3,345,336 secured in grant funding in 2019/20. This growth will continue to extend our influence and the outcomes that we deliver.

Our model protects the key work of Torus Foundation and continues to allow us to deliver impactful change, inclusive growth, vital new homes and specific local training that provides a platform from which families and communities are able to build strength, independence and resilience.

Key Performance highlights in 2019/20:

- £3,345,336 secured in grant funding
- 844 attendees at digital hubs
- 622 employment training courses
- 425 people supported into employment
- £2m received in Gift Aid 2019/20

Commercial Contracting

Our 2019/20 – 2023/24 Corporate Plan says: "Our commercial arm HMS will manage responsible and planned repairs and maintenance for the entire Torus portfolio and deliver a range of public and private sector contracts and projects for external clients". It also enshrined our commitment to provide 100% of profits generated by commercial activity to our charitable foundation via "Gift Aid".

Our commercial activity, home-building and the work of our Foundation within the community are all therefore intrinsically bound by impact, outcomes and funding. We are committed to providing a minimum of £5m to Torus Foundation to support its work within the community and support our Group Mission of 'growing stronger communities'.

Our Group Commercial Contracting arm, HMS, currently employs 641 staff operating out of its offices in North Liverpool and St Helens. This includes tradesmen and women, administrative staff and apprentices.

As a Group subsidiary, HMS delivered and will continue to deliver all repairs and maintenance services for our 40,000 tenants across the North West. This service is integral to supporting our Great Homes offer and we continue to achieve above target (98%) on customer satisfaction with repairs.

Likewise, notwithstanding the impacts of the Coronavirus Pandemic, we continue to achieve above target on emergency repairs - consistently above 99.5% for on-time completion. With over 176,088 repairs (17000 emergency) performed 2019/20 our business model allows Torus Group to achieve a volume of repairs and customer satisfaction levels above and beyond our competitors and supports a commercial, socially-responsible contractor that attracts and retains the most capable and talented trades people.

Key Outputs included

- | | |
|---------------------------|--------|
| • Torus emergency repairs | 17,638 |
| • Torus routine repairs | 77,251 |
| • Torus gas safety checks | 3,026 |

Operating our own construction and maintenance contractor has insulated the business from many of the external uncertainties facing the sector over the 12 month from March 2019 - March 2020 and, thankfully, we have been able to achieve growth in comparison to several sector peers who have unfortunately faced financial challenges. This has had a particular impact during the Coronavirus Pandemic and, whilst it has been challenging, it has enabled the Group to prioritise the needs of tenants during lockdown as we emerge into recovery.

During the last financial year, HMS' turnover increased to £61.3m (2019: £34.1m). The increase in turnover was due to greater business activity following the Torus merger, with this being the first full year of turnover in support of Torus' combined housing stock. Gross operating profits increased to £3.4m (2019: £1.0m) due to increased turnover and improved productivity.

HMS completed the refurbishment and new build of over 45 flats and housing units during the financial year, including the Grade II listed Ogden's Development. Work has already begun on Torus developments (led by HMS) at sites across the Liverpool City Region including Billinge, Hemsby and Garston Old Road. That work that complements the completion of The Maples, a 100+ apartment complex with supported living, dementia-care and community facilities. Becoming a land-led developer with an even greater housing stock (and therefore assets) ensures that we are doing our bit to tackle the national housing crisis, whilst simultaneously providing a level of security during an uncertain time for the economy and the sector.

Delivering developments via HMS, in partnership with a range of public and potentially private commercial contractors will ensure we are able to continue to grow as a Group while meeting the expectations of Local Authorities across our areas of operation. In 2019/20, HMS created 45 new homes on behalf of Torus Developments. Longer term, our ambition is for around 20% of the stepped-up home building programme to be delivered from within the Group, by HMS. This is under regular review in-light of sector uncertainty and wider economic challenges, particularly following the onset of the Coronavirus Pandemic.

The construction sector faces some unique challenges, not least uncertainties around funding and a sector-wide skills' shortage. We have been pro-actively exploring new funding streams in support of our work and have, through our own internal transformation programme, begun streamlining our corporate 'core' services to support the objectives of our commercial contractor, HMS.

As of March 2020, we have already begun a comprehensive sector and competitor analysis based on existing and potential skills gaps, a key component of which is our apprenticeship programme. We currently have 20 apprentices learning a variety of trades as we are our bit towards addressing the skills' gap and building the workforce of the future.

We are continuing to develop our understanding of exactly where our resources should be allocated to ensure that we are able to rise to challenges where they arise. As we utilise resources even more effectively, we can undertake more ambitious developments, provide an even more efficient landlord service and have an event greater impact on those communities we serve via our Torus Foundation. For context, HMS donated £1m in Gift Aid to the Torus Foundation 2019/20.

HMS repair and maintenance work included

- 1135 metres of fencing 2019/20
- 563 bathrooms 2019/20
- 573 kitchens 2019/20
- 656 boilers 2019/20
- 3159 smoke and heat alarms 2019/20

- HMS' turnover increased to £61.3m (2019: £34.1m).
- HMS operating margin of 5.5% compared to a target of 3.6%
- HMS donated £1.0million in Gift Aid to the Torus Foundation 2019/20
- HMS delivered 45 new homes 2019/20

Corporate Core Services

The Corporate Core service at Torus exists as an enabling function to facilitate the rest of the business to deliver its operational targets. Internal teams also support the delivery of Group strategies and ensure we maintain strong governance, financial viability and compliance with legal and regulatory duties.

Over the last 12 months we have embarked on a significant internal transformation project as part of our plans to modernise and seek to become a growth and transformation company that innovates and excels at the same time as working alongside local authorities.

Torus' internal transformation programme commenced in the year under review, with an initial ambition to deliver total savings of £14.2million by March 2022, including a focus on integration of systems, processes and people from the two legacy organisations, getting better value for money, training (and where appropriate re-training) staff and using available data more effectively.

Transformation supports our external objectives because, once completed, we will be able to use our intelligence and our strategic function to aid delivery. Our public affairs activity, modern I.T infrastructure, efficient procurement processes and the array of other corporate services will directly assist with the effective delivery of homes, support the more efficient operation of our construction arm HMS, facilitate partnerships at a delivery level across the Group and to unlock money through grants, strategic partnerships and cost savings. These resources will be ploughed back to support our Vision of 'growing stronger communities'.

By March 2020 efficiencies across the Group of £2.1m were achieved. Most efficiencies are backended and due to be delivered when integration takes place in 2021/22. The Board have agreed to invest more resources into regeneration and improvements to existing properties and efficiency targets have been revised to £9.0m.

Investment in transformation in 2019/20 includes an initial outlay on a suite of new technologies to support the transformation, the recruitment of a new Public Affairs and Strategy Team to support our Group objectives and an initial outlay to support the relocation of our staff across our three main office sites.

All these activities are undertaken to ensure Torus is an agile, efficient and responsive organisation that is able to withstand uncertain times and to evolve, in line with the changing needs of our customers and communities. We feel that this will make the biggest possible difference across Torus neighbourhoods and the wider North West. The welfare, wellbeing and futures of our people; our customers, tenants and staff will always be our priority.

Transformation Programme highlights 2019/20:

- A Programme Office has been established and a Programme Governance Framework put in place. The Programme Board, chaired by the Chief Financial Officer, meets monthly to monitor progress
- The new Group Head of ICT also joined the group in mid-June 2019. A review of the Tetrus Future State Analysis has been completed with representatives from the Group and Tetrus. The potential for Tetrus to perform an audit of the existing enterprise networks and to provide enterprise architecture guidance as a service is being explored
- Our Contact Centre integrated and moved location in December 2019 as part of Group efficiencies – improving experience and service for both customer and staff
- A Target Operating Model (TOM) was developed and implemented to set out future ways of working for the Group to support wider transformation and enable the implementation of a further suite of future transformation and growth.
- March 2019 - March 2020 efficiencies across the Group of £2.1million were achieved.

Torus Board

The Board is responsible for setting the strategic direction of the Group, and establishing the Group's Vision, Values, Corporate Plan and Business Plan.

It is made up of ten Non-Executive Directors and one Executive Director which is the Group Chief Executive.

Board members are appointed based on their skills and experience to ensure that the Board is effective and sufficiently skilled to carry out its key governance roles. Board and Committee members are appraised annually in order to identify any skill gaps and a training and development programme is in place to address any training needs.

Torus Group

Torus Group (or the Group) comprises Torus and three 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.

HMS' operational base grew in 2018/19 following the amalgamation of Torus and Liverpool Mutual Homes (LMH) Group. In 2019/20, HMS grew further by the acquisition of Torus Commercial Services Ltd, which has been combined into the HMS' day to day operations. HMS has a combined contract with Torus to provide repair and maintenance support to Torus homes across the North West, operating predominately in the 3 heartland areas of Liverpool, Warrington and St Helens. In addition to this, HMS carries out similar maintenance and adaptation contracts for other regional providers in the North West and also supports the Torus Group ongoing investment programme in its existing housing stock as well as supporting the Groups' development of new homes across the region.

Turnover in 2019/20 was £61.3m (2019: £34.1m) and profit was £2.9m (2019: £1.2m).

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 413 properties were developed in 2019/20. Turnover in 2019/20 was £59.4m (2019: £33.4m) and profit was £1.1m (2019: £0.8m).

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 its 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 2019/20, the charity received income of £4.2m (2019: £2.8m). This included £2.0m received as Gift Aid from the Group's commercial contracting companies HMS and Torus Developments (2019: £2.0m). Total expenditure on providing services was £4.1m (2019: £2.9m).

Torus Commercial Services Limited (TCS): A registered company (number 5270846) which was incorporated on 27 October 2004 as a subsidiary of Helena Partnerships (HP). It provided construction, repair and maintenance operations for external clients. Ownership of TCS was transferred to HMS in May 2019 and a business transfer agreement was put in place on 1 July 2019, transferring all assets and liabilities to HMS.

In 2019/20 turnover was £1.0m (2019: £3.1m) and profit was £0.1m (2019: £0.9m loss)

Torus Living Limited: A registered company (number 9471503) established in 2016/17 as a subsidiary of Golden Gates Housing Trust (GGHT) and provided new build development activities for HP and GGHT. It began trading in 2017/18. Torus Living ceased trading in 2019/20 and will be held as a dormant company.

Turnover in 2019/20 was £6k (2019: £21.5m) and profit was £1k (2019: £0.3m)

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 2019/20 was £0.3m (2019: £0.1m).

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

Group Audit and Risk Committee – Responsible for ensuring that the Group complies with Regulatory requirements and meets and discharges all its Statutory duties, requirements, and responsibilities.

Group Remuneration and Nominations Committee – Responsible, on behalf of Torus Group Board for ensuring that the Group is well governed. It provides a formal and transparent mechanism for developing the payments and remuneration policy for the Group Executive Team and Board Members together with overseeing the appointment/removal of Board Members across the Group and members of the Group Executive Team.

Landlord Operations Committee (LOC) – Responsible for overseeing operational matters with a focus on local customer service standards and wide ranging performance matters. LOC considers and acts on recommendations from customer scrutiny, focussing on quality outcomes. It establishes a clear accountability link between local concerns and performance monitoring.

Torus Development Committee – Responsible as a decision making panel, to advance the delivery of the development and sales programme in line with the Group’s Corporate Plan and development strategy, by making decisions and recommendations within the parameters set by the Group’s Development Strategy and the Group Scheme of Delegation agreed by the Torus (Group) Board.

All Committees review their Terms of Reference annually and provide a report to Group Board on their effectiveness.

The Board and Executive Officers

Graham Burgess **Chair of Torus (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 and Greater Manchester.

Paul Burns **Vice Chair of Torus (Group) Board** **Chair of the Remuneration and Nomination 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, are a major asset at Board level.

Paul holds the highest available independent rankings in his areas of specialism with The Legal 500 2020 and Chambers UK 2020, 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.

Duncan Craig
Member of Torus (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.

Bob Hepworth
Member of Torus (Group) Board
Chair of Torus62 Developments Board
Chair of Torus Development Committee

A retired Chartered Surveyor Bob was Director of Urban Regeneration and Housing and Deputy Chief Executive at St Helens Council between 1989 and 2014 where he led the strategy for regenerating large areas of the Borough and promoting St. Helens as a private housing growth area. He led the Housing Stock Transfer which resulted in the establishment of Helena Housing, one of the Housing Groups which merged to form Torus.

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

Christine Fallon
Member of Torus (Group) Board

Christine has worked in Housing for over 30 years, starting out in Development 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 Homes England, she set up Affordable Homes Consultancy, which provides specialist development consultancy services to affordable housing providers, local authorities and housing developers. Christine also advises local authorities on developing new homes for rent and sale.

Andrew Gray
Member of the Torus (Group) Board
Chair of the Landlord Operations Committee

Andrew has 30 years' experience in the Social Housing sector, and is currently member relationships manager at procurement and social value organisation Fusion21. He previously worked as a consultant to social housing organisations across the UK.

A former Director of RDHS, Managing Director of Consult CIH and President of the Chartered of Housing. Andrew specialised in customer insight and has significant experience within housing association boards and committees.

Greg Gottig
Member of Torus (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 facilities management business operating across the North West.

Professional qualifications include a Masters Degree in Leadership and he is a Companion of the Chartered Management Institute. Greg has served on the boards at Liverpool Community Health NHS Trust, The Roy Castle Lung Cancer Foundation and St George's Hall Charitable Trust.

Paula McGrath
Member of Torus (Group) Board and Chair of HMS

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 a number of significant deals, leading the Integrated Corporate Finance Approach with Brabners Legal Team.

Sarah-Jane Saunders
Member of Torus (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 Torus (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
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 a number of senior executive positions within the North West Social Housing sector in a career spanning over 20 years.

Chief Financial Officer
Peter Fieldsend

Peter oversees Torus' financial and commercial core with a focus on Business Assurance, Finance, Organisational Development, IT and Development 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 Operating Officer
Catherine Murray Howard

Cath, as Chief Operating Officer at Torus, is responsible for the Housing division, including Assets, the Commercial Contractor (HMS), and the charitable arm Torus Foundation.

Cath has a strong track record of leadership, operational delivery, transformation and cultural development. Before joining Torus, Cath held numerous high-profile positions including as Deputy CEO at Community Integrated Care, a large, UK wide charity delivering care and support to older people and people with learning disabilities.

Risk Management

Torus Group recognises that in all areas of activity there are “risks”, which can be defined as:

‘The threat that an event, action or issue will adversely affect an organisation’s ability to meet its business objectives and execute its strategies successfully.’

Torus is committed to the active management of risk, recognising it as an integral part of good governance and management practice to mitigate risks where possible. Successful risk management is about ensuring that the appropriate level of control is in place to provide sufficient protection from risk, without compromising service improvement, organisational growth and development. The Risk Assurance Frame sets out the Group’s approach to risk and is aligned to the delivery of its key strategic objectives in the Corporate Plan 2019-2024. The risk management process is outlined in the table below and is based on the ISO 31000 Standard, developing the risk management process through a series of key stages.

Risk Management Framework	
Stage 1 - Understanding the context – the operating environment & business objectives	To effectively assess risk, it is important to identify the risk source and understand the operating environment as well as recognise both internal and external factors can be a source of risk and impact on the Group achieving its objectives.
Stage 2 – Identifying the risk	Risk identification is the process of finding, recognising and describing risk. It is beneficial to isolate the risk (an event) from its cause and impact. <ul style="list-style-type: none"> • Cause – what could happen? • Risk – what is the risk/the event • Impact – what are the consequences?
Stage 3 – Risk Analysis	Risks are assessed by the likelihood of occurrence and the impact this would have on the Group or subsidiaries. They are assessed using both pre (inherent) controls and post (residual) controls to determine the effectiveness of the controls.
Stage 4 – Risk Evaluation	Risk evaluation is the process by which risks are scored and ranked, from which decisions can be made as to the extent of risk exposure and this then supports the prioritisation of risk controls. Controls could help to reduce the likelihood of the risk and/or the impact that the risk may have.
Stage 5 – Risk Treatment	The appropriate risk management treatment will be determined by the risk appetite and

	whether the treatment will support Torus to achieve its objective. Torus uses the 4T's as a response to risk: Transfer, Terminate, Tolerate, Treat.
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Managing risk is a continuous process which is embedded into the Group's systems to aid decision making, accountability and improvement. A risk register is maintained which identifies all strategic and operational risks including all internal controls and pending risk actions. The risk registers are managed and monitored in the Group's Performance Management software (Pentana). A nominated Risk Owner is assigned to each risk to ensure its review and management. Quarterly risk updates are provided to the Group Audit and Risk Committee, together with the relevant internal controls and/or further mitigating actions which will strengthen our response to certain risks. The Group has adopted a 3 Line Defence approach in ensuring the internal controls are effective and appropriate and provide assurance that risk is being managed.

The Group has set out the Risk Appetite for the organisation and sets the Group's tolerance threshold and the level of exposure the Group can deal with. The Board has also determined its Golden Rules which are the key business parameters which must be adhered to.

CORPORATE CORE

The Corporate Core is the support service to the business. It is responsible for providing efficient, cost effective 'back-office' services to enable the delivery of the Group's Strategic Objectives in Great Homes, Ambitious Developments, Commercial Contracting and Strong Communities. The Corporate Core includes Finance, Organisational Development, ICT and Transformation, and Business Assurance (Health & Safety, Governance, Procurement, Legal, Performance & Risk).

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Fail to establish an agile, commercially minded and motivated workforce.	<ul style="list-style-type: none"> • Lack of corporate knowledge • Damage to organisation's reputation as an Employer of choice • Increased Financial cost of recruitment • Unable to meet Corporate Objectives 	<ul style="list-style-type: none"> • Succession Planning • IIP Accreditation • Torus Values and Behaviours • Organisational Development Programme • Mental Health First Aiders • Mandatory training matrix
Inability to adapt to changing external environment.	<ul style="list-style-type: none"> • Uncertainty damaging staff moral and the retention of talent • Strategic priorities change • Current services deemed no longer financially viable • Loss of customer trust and confidence 	<ul style="list-style-type: none"> • Financial Golden Rules • Stress Testing Methodology • Group Business Plan • Transformation Programme • Group Business Continuity Plan

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
	<ul style="list-style-type: none"> • Lack of expectations for Growth & Develop • Regulatory intervention or downgrade • Catastrophic financial loss due to inability to collect income 	<ul style="list-style-type: none"> • Strategy and Public Affairs team in place
<p>Ineffective Governance arrangements are in place across the Group.</p>	<ul style="list-style-type: none"> • Regulatory downgrade and potential RSH intervention • Total loss in Customer Trust and satisfaction • Loss of stakeholder/partner confidence so that partners unwilling to work with Torus • Catastrophic financial loss due to mismanagement/lack of Risk Management/controls • Inability to meet strategic objectives 	<ul style="list-style-type: none"> • Board & Committee skills matrix • Board annual appraisal • Board Away Days • Board induction process and training plan • Board recruitment • Board Timetable and meetings • Self-assessment against NHF Code of Governance • Self-assessment against RSH Regulatory Standards • Sector Scorecard
<p>Failure to re-shape the business & implement new intelligent operating model.</p>	<ul style="list-style-type: none"> • Unable to attract and retain talent • Corporate objectives not met • Customers feel disengaged and lose trust in us as a Landlord • Moral of staff is reduced • Unable to maintain quality of service delivery • Unable to respond to changing external environment • Financial loss due to inadequate decision-making • Unable to provide a single version of the truth, single platform for business to operate on. 	<ul style="list-style-type: none"> • QL 2020 Project Plan • Project Management Framework • ICT Transformation Programme • ICT policies compliant with ISO 27001 • Group Corporate Plan • Group Business Plan • Business case process

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Ineffective identification & management of Safety & Compliance obligations	<ul style="list-style-type: none"> • Death or catastrophic injury • Financial loss due to fines/costs • Regulatory Intervention/Legal action from HSE • Criminal Charges against organisation and individuals • Regulatory Intervention from RSH • Media interest locally and potentially nationally • Reduced staff morale potentially impacting retention of staff • Loss of customer trust and confidence in us as a landlord 	<ul style="list-style-type: none"> • Asset Compliance Policies which include Gas, Fire, Electrical, Asbestos, Legionella and Lift Safety are in place • Compliance Dashboard in place for performance monitoring • Decent Homes monitoring • Health & Safety Training • Lone working devices • Internal Audits
Fail to be recognised by key stakeholders as a Regional Influencer	<ul style="list-style-type: none"> • Unable to impact local/regional housing policy • Unable to regenerate neighbourhoods and communities • Fail to deliver services needed by customers and residents • Fail to be seen as a partner of choice • Loss of trust/confidence from local community • Expectations for growth & development not met 	<ul style="list-style-type: none"> • Strategy and Public Affairs Department • Group Risk Appetite • Key partner with Local Authorities and Developers • Trade Union Engagement Framework
KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Fail to manage our Long-term Financial Resilience Impacts include:	<ul style="list-style-type: none"> • Reduced ability to deliver planned services • Regulatory intervention and downgrade from RSH • Loss of stakeholder trust in the organisation as a Landlord • Fail to deliver VFM • Inability to raise further funding 	<ul style="list-style-type: none"> • Robust Financial Planning and Stress Testing in place • Banking covenants • Fraud reporting procedures and training • Business Continuity Plan • Funding Strategy and Securitisation

	<ul style="list-style-type: none"> • Fail to deliver social objectives through Torus Foundation • Business Plan targets missed • Unable to complete development programme 	<ul style="list-style-type: none"> • Value for Money Strategy • Financial Golden Rules
Failure to safeguard and manage the integrity of Torus data	<ul style="list-style-type: none"> • Major reputational damage to Brand • Potential investigation by ICO and catastrophic fines • Regulatory downgrade or intervention by RSH • Catastrophic financial losses due to costs to recover data 	<ul style="list-style-type: none"> • Data Protection Policies and procedures • Segregation of duties built into ICT permissions • Group Transformation Plan • Data Protection Advisor role in place • Mandatory Data Protection Training

GREAT HOMES

Torus aims to become the leader in providing good, affordable homes and excellent Landlord services across the North West. The homes we provide will be good quality and well maintained and we aim to put the customer at the heart of everything we do; shaping the services we provide and enhancing the communities in which they live. Great Homes supports the delivery of Ambitious Development and Stronger Communities.

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Fail to maintain the confidence, satisfaction & trust of customers & other stakeholders	<ul style="list-style-type: none"> • Regulatory Intervention/Downgrade • Increase in complaints and levels of dissatisfaction • Reduce appetite for partners to engage in collaborative initiatives • Lack of customer support for future plans • Poor relationship with public hindering delivery of new projects • Catastrophic H&S Failings • Increased costs of delivering projects/services 	<ul style="list-style-type: none"> • Torus Talk and Tenants Voice Strategy • Landlord Operations Committee • NHF Tenants Charter • Business Continuity and Disaster Recovery • Customer Satisfaction programme • Customer Complaints Policy • Decent Homes Standard • Minimum Void Standard

	<ul style="list-style-type: none"> • Reactive services instead of proactive impacting service delivery • Customers disengage from services due to loss of trust • Catastrophic financial loss due to legal costs/fines • Legal proceedings or criminal charges 	<ul style="list-style-type: none"> • Tenant Scrutiny Panel, Tenant Inspectors and Mystery Shoppers
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AMBITIOUS DEVELOPMENTS

Torus will become a leading house builder and provider of landlord services in the North West. With a strategic focus on driving growth and regeneration across Liverpool, St. Helens, Warrington and neighbouring areas of significant potential, we will build the right homes for the right people in the right places to create better places to live and to support economic growth and regeneration.

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Failure to deliver the Development Programme	<ul style="list-style-type: none"> • Financial loss outside of tolerance • Impact on landlord and community services provided to residents • Regulatory Intervention/Downgrade • Legal action from buyers • Financial loss due to fines/costs • Loss of key staff to competitors • Reputation damage with partners and contractors • Loss of trust from customers and local communities • HSE Prosecution or Investigation 	<ul style="list-style-type: none"> • Annual Development Programme • Development Committee • Progress against targets is monitored and reported at appropriate levels. • Strategic delivery partner for Homes England • Skilled development team

COMMERCIAL CONTRACTING

Torus will build on the existing strengths of our contracting arm to deliver quality, efficient and cost-effective construction and repair activities, ensuring we create and maintain great homes in the North West. With a strategic focus on driving growth and regeneration across Liverpool, St. Helens,

Warrington and neighbouring areas of significant potential. A target is grow the business and deliver surpluses in excess of £5m per annum for gift aid to Torus Foundation.

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Failure to diversify and grow in line with the Group Business Plan	<ul style="list-style-type: none"> • Financial milestones and targets not met • Increased reliance on social housing income • Regulatory intervention or downgrade from RSH • Retention of staff • HMS unable to gift aid to Torus Foundation 	<ul style="list-style-type: none"> • Growth plans in place along with Asset Management and Development Strategies • Procurement and Performance Frameworks • Tolerated exposure limits • ISO Integrated Management System Accreditation • Customer Satisfaction • HMS Board

STRONG COMMUNITIES

Torus will become a leading growth and regeneration group for the North West. Our charitable organisation, the Torus Foundation, will become a sector-leader in supporting communities to grow stronger and to thrive, providing targeted services to support tenants, customers and communities most in need. With a strategic focus on Liverpool, St. Helens and Warrington, as well as key neighbouring areas, we will create better places to live and supporting sustained economic growth and regeneration.

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Unable to deliver our Social Impact ambitions	<ul style="list-style-type: none"> • Corporate objectives not delivered • Service delivery and negative impact on customers/local communities • Loss of customer trust from not delivering objectives • Impact on staff retention and morale • Reduced ability to win further funding and contracts • Financial penalties for breach of contract/grant conditions 	<ul style="list-style-type: none"> • Grant Conditions tracker • Fundraising Strategy • HACT Insight Tool • Heartlands partnership working • Partnership agreements with providers • Social impact evidence via CSR

Value for Money

Introduction

Torus is committed to providing services that deliver Value for Money (VfM) for our customers and stakeholders. The Torus (Group) Value for Money Strategy 2019/20 – 2023/24 has been developed as an operational strategy of the Corporate Core Strategy, which has “Maximising value for money across all parts of the organisation” as a core commitment.

The strategy sets out the approach to be adopted in order to delivery VfM across all areas of the business. Seven principles have been developed that reflect Torus values and support its ambitions and commitment to sustainable social purpose. The principles aim to embed the philosophy of “value for money at all times” across the business and support business planning and ensure we have the resources to support delivery of the Groups vision. The principles are

- Maximise economy, efficiency and effectiveness across all aspects of service delivery
- Make best use of assets and resources
- Maximise social value
- Robust focus on performance, service quality and satisfaction
- Use insight and data intelligence to inform strategic business decisions
- Maintain regulatory compliance and long term financial viability
- Enhance customer involvement, scrutiny and accountability structures

Outcomes and actions to achieve each principle are set out in the strategy. VfM performance will be measured via the Torus performance management framework and reported on a quarterly basis. Benchmarking will be undertaken against other housing associations through the sector scorecard and Regulatory VfM metrics.

2019/20 Performance

Maximise economy, efficiency and effectiveness across all aspects of service delivery

Torus has established a Transformation programme to support the integration following amalgamation in January 2019 and deliver efficiencies and outcomes in line with the amalgamation business case. Key activities include implementation of single ICT systems and ways of working, restructuring and integration of teams and use of procurement to deliver efficiencies. Key achievements included delivery of an accommodation review to co locate teams on single sites, integration of teams including the customer services hub and progress on the implementation of the Aareon QL ICT system. To date efficiencies of £2.1m (£1.65m in the association) have been achieved.

Efficiency targets were originally £14.2m by the end of the Transformation programme in 2021/22. During 2019/20, a review of maintenance and investment requirements was undertaken, taking into account the views of the Landlord Operations Committee. As a result additional funding of approx. £5m per annum has been made available in the business plan in the next 5-10 years for increased investment in compliance activities, void works and regeneration activities. Total capital and revenue repairs and investment expenditure average £73m per annum for the five years from 2020/21. The original efficiency target of £5.2m on maintenance and investment activities by 2021/22 has therefore been taken out of targets. Savings targets are still anticipated throughout the life of the business plan. The current business plan is targeting a further £7.4m of efficiencies by 2021/22.

Make Best use of assets and resources

Operating margins improved in 2019/20 to 26.6%, exceeding the target of 24.8%. Rent collection is a focus for Torus and achieved a collection rate of 99.67%, against the business plan target of 96%. Management costs were lower than budgeted, however repair and maintenance costs exceeded budgets.

Torus is a strategic partner with Homes England and delivered 649 completions in 2019/20 with a further 924 starts on site. These attracted grant income of £26.4m. Completions and starts were lower than anticipated due to a number of issues including planning delays, contractor performance issues and schemes not proceeding as expected due to VFM issues. However, these figures still represent an increase in activity from previous financial years. At 31 March 2019 there were 1,844 units under construction across 35 sites. A robust investment appraisal process is in place and the cumulative internal rate of return on committed schemes is 5.23%, compared to a target of 4.5%.

Demand generally remains high for properties with 98.21% properties occupied at year end. However there are demand issues in small locations and 249 properties were vacant and unavailable for letting. During 2019-20 investment appraisal options were considered and additional funding has been provided in future years for the regeneration of these estates in order that optimal use of assets is maintained to meet financial and customer requirements.

Maximise Social Value

In 2019/20, commercial entities, HMS and Torus Developments, made gift aid donations to the Torus Foundation totalling £2m. Surplus in 2019/20 from commercial entities was £4m, which will be available for distribution in 2020/21.

In addition to gift aid, Torus Foundation generated £2.2m from external sources and continued its investment in communities across Torus heartlands to support its five pillars of financial inclusion, digital inclusion, employment support, health and wellbeing and youth.

Robust focus on performance, service quality and satisfaction

Satisfaction with services in 2019/20 was 87.8% above the target of 85%. Satisfaction data is analysed to understand reasons for dissatisfaction and identify key actions to improve performance.

During 2019/20 a Great Homes Strategy was developed, which will focus activities on delivery of high quality services and customer satisfaction. This included a commitment to a safety plus approach to asset compliance.

New values and behaviours were developed in conjunction with staff in 2019/20. The values of “We own, We Care and We Deliver” are clearly aligned to promoting a culture of accountability and driving forward improvements in performance and service quality. The investors in people framework is being used as the mechanism to measure and drive forward improvements in people management and performance.

Use insight and data intelligence to inform strategic business decisions

A review of performance reporting systems was undertaken in 2019/20 with performance and risk now reported through a single system and is supported by robust processes to monitor performance on a monthly basis.

Business Analysts are available in the performance team to support operational teams and work has been undertaken during the year on voids, repairs and income reporting.

The rentsense system has been rolled out across Torus in 2019/20 and this provides insight and intelligence on arrears trends and has supported the improved performance in collection rates.

Maintain regulatory compliance and long term financial viability

Governance processes are in place to monitor compliance and in 2019/20 Torus was fully compliant with its regulatory requirements.

A robust business planning process is in place that demonstrates that Torus remains viable in the longer term. A new treasury strategy was developed in 2019/20, to ensure we have funding in place to meet our development and investment requirements. A new £30m revolving credit facility was put in place and significant progress has also been made on raising a further £100m from capital markets at competitive rates.

Enhance customer involvement, scrutiny and accountability structures

A Landlord Operations Committee has been established, which includes representatives from tenants and local authority representatives from the three heartland areas. These regularly scrutinise performance and their activities are reported to the Torus (Group) Board.

A Tenant Voice strategy has been established along with actions to enhance engagement and consultation mechanisms with tenants and leaseholders.

2019/20 VFM Metrics

Torus has adopted the sector scorecard as a mechanism for measuring and comparing VFM Performance. This scorecard has been developed by the social housing sector to measure, benchmark and demonstrate VFM using a range of metrics that allow like for like comparison. They cover a range of areas to give an assessment of value across the activities undertaken across the social housing sector.

The Regulator of Social Housing has identified seven metrics that measure VFM and there is an expectation that housing providers will measure and report their performance against these metrics, alongside other measures specific to each provider that link to its corporate objectives. The seven VFM metrics identified by the Regulator form part of the sector scorecard.

In order to provide transparency on performance, comparisons of the 2019/20 performance have been made against targets and 2018/19 performance. External comparisons have been made against the sector median and a specific peer group of providers with similar characteristics to Torus. This group is comprised of large providers in the North of England and Midlands with more than 25,000 units in management, of which a large proportion was originally from a Large Scale Voluntary Transfer from local authorities.

Performance against metrics is set out below and subdivided into five areas, business health, development, outcomes delivered, effective asset management and operating efficiencies. The regulators prescribed VFM indicators are marked with an *. Comparator information for the Regulators indicators are obtained from the Regulators data set, whereas comparative data for other indicators is obtained from the sector scorecard benchmarking exercise.

Business Health

Metric	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual	2018-19 Sector Median	2018-19 Peer Group Median
Operating Margin (Overall)*	Corporate Core	26.6%	24.83%	24.7%	25.84%	21.73%
Operating Margin (Social Housing)*	Corporate Core	30.5%	27.3%	28.8%	29.21%	25.05%
Earnings before Interest, Tax and Amortisation Major Repairs Included (as a % of interest)*	Corporate Core	345%	289%	329%	184%	185%

Operating Margins demonstrates the profitability of operating assets. Performance in 2019/20 compares favourably to target and 2018/19 performance. Performance also stands up in comparison to sector and peer group medians from 2018/19.

EBITDA MRI (% of interest) is a key indicator of liquidity and investment capacity. Torus performs well on this metric in comparison to others and demonstrates that existing assets generate cash surpluses after covering interest for investment in new or existing stock.

Performance on these metrics is expected to decline in the next financial year, mainly as a result of increased investment in maintenance and investment activities. As efficiencies are realised in 2021/22 overall margins are expected to increase to 32% with margins on social housing at 35%. It is anticipated that EBITDA MRI will decline in 2020/21 to 226% as a result of increased investment in existing stock before increasing to 360% in 2021-22.

Development (Capacity and Supply)

Metric	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual	2018-19 Sector Median	2018-19 Peer Group Median
New Supply Delivered Absolute Numbers	Ambitious Development					
- Social Housing		649	824	433	93	360
- Non Social Housing		0	58	18	0	25
New Supply Delivered %*	Ambitious Development					
- Social Housing		1.70%	2.4%	1.13%	1.49%	1.12%
- Non Social Housing		0.0%	0.07%	0.05%	0.0%	0.14%
Gearing *	Ambitious Development	23.9%	30%	23.7%	43.4%	45.6%

New supply metrics demonstrates performance in terms of developing new units which is a key objective of housing providers and creates social value to communities. Whilst development numbers were below target in 2019/20, there is still an upward trend in development activity across years. Performance also compares favourably to the sector and peers.

No non-social housing was developed in 2019/20. Targets were not achieved due to delays in completion of a development of apartments for private rent. This scheme will be completed in 2020/21. In future years, the numbers of non-social housing developed will be relatively low. The strategic partnership with Homes England has resulted in an increased focus on social housing development.

Gearing assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It can indicate a provider's appetite for growth. Gearing is very low in comparison to the sector and peers. This low level is attributable to legacy organisations strong financial performance in previous years with little development activity as organisations priority was related to existing property investment after stock transfers from local authorities.

Torus is well placed to increase activity in future years, it has strategic partner status with Homes England securing grant funding of £68m under the WAVE2 Programme, and is well placed to secure further funding should that become available. There is also a strong pipeline in place with 1,844 units on site at year end and another 1,728 units with the necessary approvals or land acquisition in place. This increased activity will require additional borrowing with the current business plan forecasting an increase in borrowing from £267m to £547m by 2025/26. As a result gearing will increase steadily over the next few years to 32% in 2024/25.

Outcomes Delivered

Metric	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual	2018-19 Sector Median	2018-19 Peer Group Median
Customer Satisfaction	Great Homes	87.8%	85%	85.7%	85.7%	85.7%
Reinvestment % *	Ambitious Development / Great Homes	13.5%	16.58%	13.5%	6.24%%	5.78%
Investment in Communities	Strong Communities	£4.084m	£4.672m	£3.662m	£0.712m	£0.862m

Customer satisfaction is derived from the STAR survey of tenants and measures the proportion of tenants who are very or fairly satisfied with their landlord's service overall. Satisfaction in 2019/20 was 87.8%, above the target, and an increase when compared to 2018/19. This is also above the sector and peer comparators. The great homes strategy was developed in 2019/20 and has targeted an increase in satisfaction to 90%.

Reinvestment measures the investment in properties (existing and new supply) as a percentage of the value of total properties. Reinvestment compares well against peers and is attributable to the increase in development activity. Actual performance was below target due to delays in development schemes impacting on the level of investment. Over the next few years the increased development programme

and regeneration activities will see reinvestment increase to 18% in 2021/22 before falling back to around 12% - 13% per annum in years 2022/23 to 2024/25.

Investment in communities quantifies the expenditure on activities that go beyond activities as a landlord or housing developer, and demonstrates the positive contribution made to communities. The Torus model of reinvesting surpluses from commercial activities to the Torus Foundation, ensures performance compares well. Gift aid is forecast to increase to £5m per annum by 2021/22 and this will ensure Torus continues to invest in communities and generate social value across its heartlands. The COVID-19 pandemic creates risks around gift aid receipts and Torus is committed to commission services from the foundation to ensure that investment in communities is maintained.

Effective Asset Management

Metric	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual	2018-19 Sector Median	2018-19 Peer Group Median
Return on Capital Employed *	Corporate Core	5.6%	5.97%	5.5%	3.76%	3.46%
Occupancy – General Needs only	Great Homes	99.06%	98.7%	99.23%	99.4%	98.89%
Ratio of Responsive Repairs to Planned Maintenance	Great Homes	0.58	0.5	0.61	0.61	0.72

Return on Capital Employed measures operating surplus against fixed and net current assets and is used to assess the efficient investment of capital resources. Torus compares well to its peers and demonstrates that it is effective in making best use of its existing assets. Strong performance in future years will ensure return remains at 5%-6% in future.

Occupancy measures the effectiveness in letting and maintaining sustainable properties. Torus compares well and demonstrates that there is strong demand for properties and lettings processes are effective, minimising lost income through voids. Increases in specifications for void works in the St Helens and Warrington heartlands, will help maintain high demand levels. Significant handovers of new properties for letting represents a challenge and there is a risk that this metric may be impacted negatively. Work is ongoing between development and lettings teams to put in place effective processes that minimise under occupancy at handover.

Ratio of responsiveness to planned maintenance measures the efficient use of resources in the maintenance of properties. In 2019/20, there was an increase in costs and volumes of responsive works, and an increase in the cost of void works. As a result performance is not in line with target or performance in 2018/19. Performance compares favourably to the sector and peer median. Additional planned maintenance and investment works should see improved performance in future years.

Operating Efficiencies

Metric	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual	2018-19 Sector Median	2018-19 Peer Group Median
Headline Social Housing Cost per Unit *	Corporate Core / Great Homes	£2,908	£3,127	£3,040	£3,695	£3,347
Rent Collected	Great Homes	99.67%	97.8%	99.3%	99.9%	99.72%
Overheads as a % of adjusted turnover	Corporate Core	7.81%	12%	10.3%	12.03%	10.0%

Headline social housing cost per unit measures efficiency in terms of the management of social housing and includes costs of management, housing services, repairs and maintenance and capital investment in existing stock. Torus compares well to the sector and its peers, demonstrating efficiency in its housing management operations. An increase in cost per unit to £3,305 is forecast in 2020/21 due to increased investment in stock, particularly a number of regeneration schemes that are due to take place in 2020/21. However as efficiencies are achieved it is anticipated that the cost per unit will fall to around £2,900 per unit by 2022/23.

Rent collection in 2019/20 was 99.67% which represents an improvement in performance compared to previous years and above the target set for the year. Performance is now comparable with the sector and peer group, albeit performance is slightly below comparators. It is forecast that the COVID-19 pandemic will create an economic downturn impacting on Torus tenants and will influence collection rates in 2020/21 and 2021/22.

Overheads as a % of turnover represent the efficiency in delivering corporate services. Performance in 2019/20 indicates that corporate services remain low in comparison to peers.

Performance Framework

In addition to the above metrics the Corporate Plan and its related strategies measure performance in order to demonstrate that Torus is delivering services in line with the Corporate Plan and where services are not in line with plans identify actions required to address performance.

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.

Performance in 2019/20 against a range of indicators was:

Indicator	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual
Average Working days lost due to sickness	Corporate Core	10.06 days	7 days	N/A
Voluntary Staff Turnover	Corporate Core	5.63%	8%	N/A
RIDDOR accident frequency rates	Corporate Core	0.32	1.8	N/A

Definitions of average working days lost, voluntary staff turnover and RIDDOR accident frequency rates were changed following amalgamation in January 2019, hence no comparator information being available in 2018/19.

Average working days lost at 10.06 days is higher than target and will be a focus for management attention in the forthcoming year. Processes have been reviewed and new arrangements put in place.

Voluntary staff turnover compares favourably to target at 5.63%.

Health and Safety of staff remains a key priority and the focus in this area is reflected in good performance with a low accident frequency rate. During 2019/20 9 RIDDOR reportable accidents occurred.

Indicator	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual
Development Starts on site	Ambitious Developments	924	1,467	746
Number of Sales	Ambitious Developments	159	207	104
Sales Exposure	Ambitious Developments	£12.4 million	£21.7 million	£11.8 million

Development starts in 2019/20 were 924 which was below the original target of 1,467. Issues such as planning consents, viability and agreeing contractual issues, caused a number of schemes starts to slip in 2021/22. The number of starts does show that activity has increased in comparison to 2018/19.

Delays in handovers has impacted on the number of shared ownership sales with 159 completed in comparison to the target of 207. It was also impacted by a number of units originally intended for shared ownership being switched to affordable rent. However, sales still represent an increase in comparison to 2018/19.

Sales exposure represents the value of unsold units. At year end there were 101 unsold units.

Indicator	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual
Occupancy across all properties	Great Homes	98.21%	98.70%	98.75%
% of properties with valid Gas Safety certificate	Great Homes	99.97%	100%	99.98%
Fire Risk Assessments completed within target	Great Homes	100%	100%	100%

At year end 98.21% of units were occupied. A total of 683 units were unoccupied, of which 434 units were management voids available or being made ready for letting, with 249 units being non management voids and not available for letting, pending demolition or major refurbishment. The year end position was also impacted on a large extra care scheme being handed over with 114 units to be let. In 2020/21 there will be a focus on undertaking major refurbishment projects to reduce the level of non-management voids although these schemes have been delayed somewhat due to the impact of the Coronavirus pandemic.

Compliance is a priority for Torus. A small number of gas certificates were outstanding, with all cases in the legal stage to gain access. 100% of Fire Risk Assessments were completed in 2019/20. A full suite of compliance indicators is provided to the Landlord Operations Committee and Torus Board for scrutiny.

Indicator	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual
HMS Turnover	Commercial Contracting	£61.341m	£66.071m	£34.043m
HMS Operating Margin	Commercial Contracting	5.5%	3.6%	3%
HMS Repairs completed within time	Commercial Contracting	95.68%	95%	99.63%

HMS Turnover increased significantly in 2019/20 to £61.341m following completion of the amalgamation in January 2019, with HMS being awarded the contract for repairs and maintenance of properties in Warrington and St Helens. Turnover was below target, largely due to lower than anticipated activity on development construction works.

HMS continues to be profitable with an operating margin of 5.5% compared to a target of 3.6%. Profits of £3.4m were generated in 2019/20 and will be available for gift aid in line with the Torus business model.

Repairs targets were reset to reflect the amalgamation and differences in operating model for the legacy Torus repairs and maintenance teams. New consistent working practices have been implemented with 95.68% of repairs completed within timescales, an improvement on the target of 95%.

Indicator	Link to Corporate Plan	2019-20 Actual	2019-20 Target	2018-19 Actual
Number of people supported into employment	Strong Communities	425	400	206
Value of grants and monies obtained for Torus Customers	Strong Communities	£4.917m	£3.000m	£3.926m
Grant Income	Strong Communities	£3.345m	£0.150m	£1.482m

Torus continues to invest in its communities through its charitable arm, the Torus Foundation. Performance remains strong with 425 people supported into employment compared to a target of 400. Its debt and benefits advice service ensured that a total of £4.917m was secured on behalf of customers.

£3.345m of grant expenditure was secured for reinvestment into community activities. The bulk of this relates to a successful bid to extend the New Leaf project which provides employment support and advice across the Cheshire area.

Future VFM activities

In future years Torus will seek to complete its transformation programme during 2020/21, in order that a further £7.4m of efficiencies can be delivered in 2021/22. The new VFM strategy and its principles act as the framework to drive forward VFM.

Specific activities that will take place in 2020/21 and support VFM include

- Delivery of the Aareon QL ICT systems
- Completion of integration and restructures across Torus
- Review of procurement cost and activity to provide a baseline and platform for the targeting of £1m of procurement savings
- Procurement of construction partners for Torus land led development schemes
- Completion of the Torus accommodation review targeted at generating efficiencies of £0.25m per annum
- Delivery of the development programme of 854 units in 2020-21
- Agreement with partners on key strategic development sites at the former Pilkingtons site in St Helens and Stonebridge Cross in Liverpool.
- Continue to work with HMS to expand delivery of development activity within the group
- Delivery and progress on key strategic regeneration projects in 2020-21
- Delivery of commercial surplus' in line with subsidiary business plans, maximising gift aid and reinvestment in communities via the Torus Foundation
- Raising of £100m of funding through capital markets at competitive rates.

Financial Performance

In 2019/20 the group delivered a net surplus before taxation of £48.6m. This represents an increase of £15.2m compared to previous year's performance. This is despite rents on social and affordable properties being reduced by 1% on 1 April 2019 in accordance with the Regulator of Social Housing Rent Standard and the welfare reform and work act 2016.

Turnover increased marginally to £195.5m in 2019-20 (2019: £193.7m).

Operating costs fell in 2019/20 to £134.6m (2019: £136.2m). This is due to reductions in management costs, including a reduction in FRS102 pension charges as a one off charge of £2.2m was levied in 2018/19 in respect of past service costs in connection with the "McCloud Judgement" on age discrimination within public sector pension schemes.

An impairment charge of £2.2m (2019: £0.3m) is recognised in operating costs. This relates to a series of regeneration schemes and reflects the write down of carrying value of properties due for demolition.

Interest payable has fallen significantly to £11.1m (2019: £20.3m), however it should be noted that restructuring of debts took place in 2018/19 resulting in fair value adjustments and included a finance charge of £6.9m. Other savings are due to the increased development programme and an increase in capitalised interest charges to £5.6m (2019: £2.8m).

Statement of Comprehensive Income	2020 £000	2019 £000
Turnover	195,494	193,672
Operating Costs	(134,586)	(136,198)
Cost of Sales	(8,826)	(9,594)
Gain on disposal of Assets	5,813	5,091
Operating Surplus	57,895	53,005
Share of surplus /(deficit) in JV	278	96
Interest Receivable	525	588
Interest payable and financing costs	(11,066)	(20,337)
Movement in fair value of investment properties	955	30
Net surplus before taxation	48,587	33,382

The Groups Statement of Financial position shows that net assets have grown by £73m, with growth largely as a result of the investment in new properties. This investment has been funded from within existing resources with no requirement to drawdown any new debt during the year.

Cash Balances remain healthy at £76.2m (2019: £102.7m). This represents a reduction of £26m over the course of the year and largely represents the reinvestment of funds into new housing development.

The pensions liability represents the liabilities accruing due to participation in the Merseyside and Cheshire Pension Funds, defined benefit schemes. The net liability has fallen by £21.5m during the

year and currently stands at £21.9m (2019: £43.4m). The reduction reflects changes in underlying assumptions having a positive impact on the value of scheme liabilities.

Statement of Financial Position	2020 £000	2019 £000
Housing Properties, Net of depreciation	915,084	821,312
Other Fixed Assets	28,614	28,076
Fixed Assets net of Depreciation	943,698	849,388
Net Current Assets	86,441	106,800
Total Assets less current liabilities	1,030,139	956,188
Creditors, amounts falling due after more than one year	(405,210)	(382,438)
Pensions Liability	(21,852)	(43,436)
Provision for Liabilities	(350)	(629)
Total Net Assets	602,727	529,685
Revenue Reserve	602,692	529,661
Restricted Reserve	35	24
Total Reserves	602,727	529,685

Treasury Management

Treasury Policy

Torus has a formal Treasury Policy approved by the Board. The purpose of the policy is to ensure Treasury Management activities are controlled effectively, ensuring there are processes in place for identification, monitoring and control of risk. The treasury policy addresses funding and liquidity risk, interest rate management, together with reporting and management arrangements.

The Group has not entered into any standalone derivatives. The policy allows Torus to enter such arrangements but they would be sourced, when required, from creditworthy counterparties under advice from our treasury and legal advisers, and will be entered into only after a full assessment of the costs, benefits and any risks has been presented to the Board.

Surplus Funds can only be invested with bank, building societies and money market funds that are authorized by the Bank of England. Deposits can only be made for a maximum 12 months and no more than £25m can be invested with a single institution.

The Group has adopted an interest policy of maintaining a minimum of 60% of its total drawn funds at fixed rates or otherwise hedged against the effect of interest rate increases. At present 100% of drawn funds are at fixed rates.

Debt Structure

All loan facilities are held by the Group parent Torus62 Limited. The Group has six borrowers: Warrington Borough Council, Royal Bank of Scotland, Nationwide, Santander, Barclays and The Housing Finance Corporation.

During 2019/20 new revolving credit facilities were put in place totalling £30m, £20m through Royal Bank of Scotland and £10m from Santander.

A summary of loans and bonds, as at 31 March 2020 is shown below:

Provider	Total Facility (£m)	Undrawn Facility (£m)	Drawn Facilities (£m)
Warrington Borough Council	112.5	98.0	14.5
Royal Bank of Scotland	110.2	40.0	70.2
Nationwide	21.3	0.0	21.3
Santander	120.5	55.0	65.5
Barclays	65.0	10.0	55.0
The Housing Finance Corporation	38.0	0.0	38.0
Total	467.5	203.0	264.5
Bond Premia			13.5
Fair Value adjustment			18.9
Issue Costs			(2.0)
Net Debt (Note 27)			294.9

All drawn facilities are at fixed rates with terms ranging from 1 to 23 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 included an issue premium which is written off over the life of the loan. The balance at year end was £13.5m.

The statement of Financial Position includes £18.9m in respect of fair value adjustments of loans. These have arisen due to categorisation of a cancellable loan as non basic, in accordance with FRS102, requiring it to be held at fair value. In addition, the refinancing of loans relating to former Liverpool Mutual Homes in 2017-18 and former Golden Gates Housing Trust in 2018/19 were treated as a derecognition event, 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.

Loan covenants are predominantly based on interest cover and gearing ratios. These were comfortably met throughout the year.

Current Liquidity

The Group currently holds cash balances amounting to £76m. This represents a fall in balances of £26m over the course of 2019/20. This has been due to utilising cash balances to fund investment activities, with no draw down of debt taking place in 2019/20.

It is the Group's normal policy not to hold significant cash balances but to ensure that loan facilities are in place to fund future liquidity requirements. Cash balances have been built up over recent years

due to strong financial performance and delays in development programme activity. However development activity is now increasing and cash balances are expected to fall in subsequent years and loan facilities would be utilised to fund development requirements.

Facilities are sufficient to meet the Groups requirements until 2023/24. New facilities will be required after this date and the Group has been working with its Treasury advisors on a Treasury Strategy to address its long term funding requirements. This was presented to the Torus (Group) Board in November 2019 and contains two key actions:

1. To raise £100m from capital markets via a bond aggregator. This is expected to take place in 2020/21.
2. Work will also proceed during 2020/21 on preparations for an own name bond to provide sufficient long term facilities to meet the requirements of our ambitious development programme. The exact quantum of funding will be determined during 2020/21.

Future Prospects

Notwithstanding the impacts of the Coronavirus Pandemic, 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. These are complemented by a series of strategies setting out how it will achieve corporate plan objectives. These are themed around Great Homes, Strong Communities, Ambitious Developments and Commercial Contracting. These are then supported by enabling strategies within the Corporate Core.

A Transformation Programme is underway to put in place a single operating model, which is forecast to generate efficiencies of £9.0m 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 new Government rent policy has been introduced giving greater certainty for social and affordable rents. Rents can be increased by CPI + 1% per annum for five years from April 2020, with Torus applying this increase from 2020/21. Torus also chose to apply rent flexibilities and set rents for void properties in Liverpool at the government formula rent plus 5% for General needs properties and plus 10% for sheltered properties. This ensures a consistent policy is applied across all three heartland areas. The application of rent flexibilities will be reviewed across areas and tenures taking into account affordability and demand. This will feed into the rent setting process for 2021/22.

It is vital that Torus provides homes that meet tenant requirements and demand remains high. Component lifecycles and specifications have been reviewed with additional funding put in place to deliver revised requirements. Funding has also been put in place for regeneration and remodelling on a number of sites in St Helens and Warrington to ensure properties remain fit for purpose and meet tenant aspirations.

Torus has strategic partner status with Homes England and this provides £68m of grant under the WAVE2 programme to support the delivery of its development targets of 5,300 new properties by 2024, and business plan target of 8,200 new properties between 2018 and 2028. This status also provides opportunities for influence across the region and the ability to lead on large scale development schemes. Discussions are ongoing with public and private sector on strategic sites in St Helens and Liverpool. Partner status and availability of grant has seen a shift in emphasis toward

affordable rent and shared ownership products which make up 94% of the overall programme. The exposure to market rent products is therefore limited.

A prudent financial plan is in place which has been updated to take account of the COVID-19 pandemic impacts. The plan has been stress tested and indicates that it can withstand financial losses of up to £30m per annum. Assumptions include

- rent increases in line with government policy for five years, followed by CPI only increases
- Void Loss increases in 2020/21 (2.76%) and 2021/22 (2%) to reflect COVID-19 impact with a long term assumption at 1.55% per annum
- Costs increasing by CPI plus 0.5%
- Rent collection assumptions at a prudent 91% in 2020/21, 96% in 2021/22 and a long term assumption of 97% per annum.
- Additional pension contributions of £1.9m per annum from 2023/24 to address funding deficits
- Interest rates gradually increasing up to 4.5% by 2026/27
- Shared ownership sales at 40% share
- Net cost of new development at £107k per unit after grant with cost of named schemes in line with development appraisal.

The plan indicates that surpluses will be generated throughout its 30 year timeframe and funders covenants complied with at all times.

Borrowing of £547m is required to fund the business plan. Facilities of £468m are in place, of which £203m is undrawn. These will be used alongside grant and sales proceeds to meet the capital commitments of £422m as set out in note 36. The Group has put in place a treasury strategy and has made good progress on preparations to raise a further £100m of funding via capital markets in 2020/21.

The Coronavirus Pandemic will inevitably affect Torus and the wider economy. It is anticipated that the main impact will be on rent collection and it is expected that collection rates and arrears will increase sharply in the short term before gradually improving. It is also expected that a longer term recession may impact on customers affecting rental income and demand for Shared Ownership products. There is therefore a medium term risk to income. Social distancing requirements are also expected to impact on timing and deliverability of development, together with planned and improvement works on existing stock.

These impacts may lead to short term cashflow benefits, but create potential backlog of works that will need to be addressed. Subsidiaries do not hold substantial cash balances and Torus is committed to supporting these in the short to medium term to meet any cashflow issues they may encounter. Torus has the inherent financial strength to meet these challenges and continue to deliver high quality services to its customers. As Torus recovers from the impact of the pandemic, it will review and adjust its Corporate Plan, operating model and business plan as appropriate.

Accounting Policies

The Groups principal accounting policies are set out on pages 68-116 of the financial statements. The policies most critical to these financial statements relate to accounting for housing properties, capitalisation of improvement works and depreciation.

Material judgements and estimates are set out in the policies.

Impairment reviews have been undertaken and have determined that only properties identified for demolition as part of regeneration schemes should be impaired at a cost of £2.2m.

A review of useful lives has been undertaken with the lifecycles of boilers and distribution systems increased from 15 and 30 years to 18 and 36 years respectively.

In line with changes in FRS102, Torus has chosen to reclassify depots rented by Torus to its subsidiary HMS as Property, Plant and Equipment assets rather than an investment property within the association accounts. Depots are therefore held at historic cost less depreciation rather than fair value.

A review of restricted reserves with Torus Foundation has been undertaken and the bulk of reserves have been reclassified as general reserves.

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 (2018 update).



Graham Burgess

Chair

Date: 1 September 2020

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 the 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.

Business Changes

Ownership of Torus62 Commercial Services Limited was transferred from Torus62 Limited to Housing Maintenance Solutions Limited on 9 May 2019. Subsequently a business transfer agreement was put in place on 1 July 2019 to transfer assets, liabilities and activities of Torus62 Commercial Services Limited to Housing Maintenance Solutions Limited. Torus62 Commercial Services Limited will be struck off during 2020/21.

Business Review

Details of the Group's performance for the year and its future activities are set out in the strategic Report.

Financial Performance and Reserves

The Group achieved a net surplus before tax of £48.6m (2019: £33.4m), with total reserves at year end amounting to £602.7m (2019: £529.7m). Further details of performance are set out in the Strategic Report and Financial Statements.

Post Balance Sheet Events

The Coronavirus pandemic that struck in March 2020, has had a significant impact on service delivery, particularly in quarter 1 of 2020/21. This has increased financial risk, with budgets and business plans being revised to reflect the impact of the pandemic.

There are no other events since the year end that have a significant impact on Torus' financial position.

Donations

No charitable donations were made during the year (2019: £nil)

Employees

The Group's employees are its greatest asset and it is only through their contribution and commitment that The Group can achieve its Corporate plan objectives.

The Group engages with its employees via a variety of means utilising face to face meetings with senior management, employee focus groups through to social media messages.

The Group recognises Trade Unions and regular meetings take place at Torus and subsidiary levels between senior management and trade union representatives on matters affecting employees.

Torus is committed to continuous development of its employees and has put in place a people strategy to drive forward learning and development. The Group has adopted the Investors in People to measure progress. The Group is currently assessed at the “Silver Standard”.

Qualifying Third party indemnity provision

Torus provides Directors and Officers liability insurance to cover against claims made against individuals acting in their capacity as directors or officers. No claims were made in 2019-20.

Equality, Diversity and Inclusion

The Group is committed to equal opportunities with regard to its employees and its operations. An equality, diversity and inclusion strategy and action plan is in place to ensure the Group complies with its duties and provides services that meet the requirements of all staff and customers.

The Group seeks to ensure there is equality in treatment and pay of men and women. In November 2019, Torus published its mean gender pay gap figure: 14.9%. A range of actions are underway to ensure the gender pay gaps are closed further.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. Regular reports on performance are presented to Boards and the Group Audit and Risk Committee

The Group operates an employee Health and Safety Committee which is responsible for monitoring all health and safety activities and reporting on these.

The Group has also prepared detailed health and safety policies and provides training and education on health and safety matters.

Resident Involvement

The Group is committed to resident involvement in its activities and the governance structure includes a Landlord Operations Committee which includes tenants within its membership.

Torus has signed up to the National Housing Federation Together with Tenants Charter and developed a tenant voice strategy to ensure tenants have greater involvement and influence over our services and activities.

Complaints

The Group has put in place a clear complaints policy and process and is designed to make it easy for customers to provide feedback on its services. Listening to feedback and taking appropriate action will help Torus continually improve services.

Internal Controls Assurance

The internal controls in place across the Torus Group form an integral part of the Group’s Risk and Assurance Framework. A Group Strategic Risk Register is reported to Group 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 all 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 system of internal controls was reported to Group Audit and Risk Committee on 16 July 2020.

The Group Board confirms that the processes for identifying, evaluating and managing the significant risks facing 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 2019/20.

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 the key internal controls which are set out below:

Source	Internal Control Operating	Evidence
Governance and Management Structures	Torus has a documented and formally constituted Board and Committee Structure.	Governance Documentation - Group Standing Orders, Terms of Reference and Board minutes
	The reporting lines from subsidiaries to Torus (Group) Board are delivered through subsidiary reports to the Torus (Group) Board and a Board escalation procedure. Group Board also has membership on each Subsidiary Board.	
	All subsidiaries have their own internal control procedures.	
	Landlord and subsidiaries operate in accordance with a formal Intra-Group Agreement which sets out the operating and reporting arrangements between the entities within the Group.	Intra-Group Agreement, reports and minutes
	An audit of the operation of the Group’s governance arrangements was undertaken in 2019/20 by the Group’s internal auditors and provided <i>substantial assurance</i> on the operation of these arrangements.	Audit report and Group Audit and Risk Committee minutes
	The Group has adopted the NHF Code of Governance and each Subsidiary Board and Committee of the Group Board has formal	Board minutes and reports.

Source	Internal Control Operating	Evidence
	<p>Articles or Terms of Reference in place to support arrangements.</p> <p>The Group undertakes annual self- assessments of compliance with the NHF Code, the Merger Code and Regulatory Standards which are reported to Torus (Group) Board.</p>	
	<p>Torus Board and committee members have been appointed on the basis of their skills and are supported by a comprehensive appraisal and training process to ensure any gaps are identified and training needs are met.</p>	<p>Group Board and Remuneration and Nominations Committee minutes and documentation.</p>
	<p>Corporate Plan (2018/19 – 2023/24) agreed and approved by the Torus (Group) Board.</p> <p>Annual Operational Plans prepared by the Group Executive Management Team and approved by the Torus (Group) Board.</p> <p>Responsibility allocated to lead officers for each task. Supported and driven by performance management software, (Pentana).</p>	<p>Board minutes, Corporate Plan and supporting documents.</p>
	<p>Group Standing Orders, Financial Regulations and Scheme of Delegation in place, providing accountability and decision making structure. These are subject to annual review.</p>	<p>Board minutes, reports and supporting documents.</p>
	<p>Additional formal procedures have been developed and mapped onto SharePoint for ease of access and use.</p>	<p>Policy Framework and Board reports and minutes.</p>
	<p>Communication of policies and procedures to staff, (also available via SharePoint).</p>	<p>Copies of communications minutes, e-mails.</p>
	<p>Multi-disciplinary Group Executive Management Team (GEMT) and Group Leadership Teams operate to promote and deliver the required culture, continuous improvement and effective risk management.</p>	<p>Meeting agendas, minutes and reports.</p>
<p>Performance Reporting</p>	<p>There is a Group Performance management framework in place to monitor the Operational Plans 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.</p>	<p>Board, Committee & GEMT minutes and performance reports.</p>

Source	Internal Control Operating	Evidence
	This includes Monthly performance reports to the Group Executive Management Team and Group Leadership Team (GLT). Quarterly reports are submitted to the Torus (Group) Board, Subsidiary Boards and Committees, identifying performance against annual targets.	
	Bespoke reports to the Board, recommending action required to address areas of poor performance should the need require.	Board minutes.
	Responsibility for Performance KPIs is allocated to lead officers. This is supported by integrated performance management software, (Pentana).	Identified within performance reports.
Risk Management	A Risk and Assurance Framework has been approved by Torus (Group) Board setting out the Group approach to risk and assurance. Strategic and operational risks are monitored by Group Audit and Risk Committee and Subsidiary Boards and reviewed annually by Group Board.	Board and Group Audit and Risk Committee minutes. Risk Management Policy.
	Group Audit and Risk Committee monitors risk management processes including near misses and crystallised risks at each meeting to ensure that business takes appropriate action to ensure lessons are learned and controls are effective.	Group Audit and Risk Committee minutes.
	Internal and external audit services both tendered in 2019/20. RSM appointed as internal auditors and BDO appointed as external auditors.	Group Board minutes.
	Strategic audit plan based on strategic risks and corporate plan agreed and overseen by Group Audit and Risk Committee.	Group Audit and Risk Committee minutes.
	Completion of Internal audit actions monitored by Group Leadership Team and reported to Group Audit and Risk Committee	Group Audit and Risk Committee minutes and Group Leadership Team reports.
	Annual external audit reviews and reports on the effectiveness of existing internal controls in annual audit management letter.	Audit management letter.
	Health and Safety Management, a quarterly report is considered by the Group Audit and Risk Committee. Health and Safety Committees meet quarterly within each Group entity to review health and safety issues.	Committee minutes.

Source	Internal Control Operating	Evidence
	An annual review is completed on the suitability of insurance arrangements, ensuring that our insurance provides adequate cover for the Group.	Group Board minutes.
	Torus is registered with the Information Commissioner's Office.	Group Audit and Risk Committee minutes and Policy.
	The Data Protection Policy was reviewed in February 2020 and approved by the Group Audit and Risk Committee and is in accordance with GDPR requirements.	
Internal Audit	RSM appointed as Torus Group's Internal Auditor for the period 2019/20 – 2022/23 to provide an independent opinion on the effectiveness of Torus' control assurance and risk management frameworks.	Board minutes and appointment letter.
	2019/20 Internal Audit reports from RSM considered by the Group Audit and Risk Committee.	Committee Minutes and reports.
	An Internal Audit recommendation tracker system is in place with performance reported to the Group Audit and Risk Committee on a quarterly basis. RSM also separately provide evidence that all audit recommendations have been implemented.	Committee Minutes and reports.
	2019/20 Annual Internal Audit report from RSM provides assurance on the effectiveness and adequacy of Torus's risk management, internal control and governance arrangements.	Committee minutes and reports.
	Internal Audit Programme is based on a combined assurance framework, and is prioritised with reference to the Risk Register.	Committee minutes and reports.
External Audit	BDO appointed as Torus Group's external auditor following formal tender in 2019/20 to provide assurance on the accuracy of Torus annual statement of accounts and the internal systems that support the accounts.	Board minutes and appointment letter.
	BDO report to the Board, via their Audit Findings Report, which comments on the accuracy of Torus Group's 2019/20 Statement of Accounts.	Appointment letter. Notes of meetings. BDO's audit report.
Financial Reporting & Control	Board considers an Annual review of Financial Regulations and Scheme of Delegation which identifies the financial framework under which	Board minutes and documentation.

Source	Internal Control Operating	Evidence
	expenditure may be incurred and income should be recovered.	
	Board scrutiny of financial papers – Board members include qualified accountants and members with significant financial experience and expertise in senior management positions.	Board member CVs and Board and Committee skills matrix.
	Annual Business Plans approved by the Torus (Group) Board include comprehensive stress testing to provide assurance on financial strength. Annual budgets also approved by Torus (Group) Board. Subsidiary business plans, associated stress tests and budgets are approved by the subsidiary boards.	Board minutes and reports.
	Financial Review Reports are considered monthly by Torus Group Executive Management Team and quarterly by Torus (Group) Board. These reports identify financial performance against budget and financial covenants.	Group Executive Management Team and Board papers and minutes
	Group Treasury Management Strategy approved by Torus (Group) Board and reviewed annually.	Board minutes and reports.
	Property Investment Plan (PIP) subject to regular review throughout the year, identifying annual investment requirement for individual properties, (over a 30 year period).	Property Investment Plan, Board minutes and reports.
	Regulatory	Regulatory compliance evidenced via self-assessment against the Regulator for Social Housing’s Regulatory Standards.
Adoption of the National Housing Federation’s Code of Excellence in Governance. Compliance with the code is reviewed via an annual self-assessment.		Self-Assessment Report and Board minutes
Regular financial returns submitted to The Regulator of Social Housing (annual FVA, annual FFR and quarterly loan financing returns). FVA and FFR cover annual accounts and business plan respectively.		Copy of returns made to The Regulator of Social Housing and the Annual Viability report.

Source	Internal Control Operating	Evidence
Anti-Fraud Measures	Anti-Fraud Policy in place and regular reporting to Group Audit and Risk Committee.	Board and Committee minutes and reports.
	Probity, Anti-Bribery and Whistle-Blowing Policies and Board and Employee Codes of Conducts in place.	Policies.
	Hospitality and declarations of interest register and procedures in place.	Registers and procedures.
Business Continuity	Business Continuity Plan and ICT Disaster Recovery Plan are in place. Business Continuity Plan reviewed and approved by group Audit and Risk Committee in 2019/20. Plan invoked in March 2020 to manage the impact of the COVID-19 pandemic with enhanced reporting to Torus Group Board, Subsidiary Boards and Committees to provide effective oversight of the organisational response to the crisis.	Business Continuity Plan and Board briefing reports on the organisational response to COVID-19.

The list of controls set out in the table above is not exhaustive, but represents the key elements of the system of internal controls in place across the Group.

The Strategic Risk Register identifies the strategic risks which may affect the Group. In the current year there are two key external factors affecting the UK economy, housing sector and Torus worthy of particular comment. These are the Coronavirus Pandemic and the withdrawal of the UK from the European Union and introduction of new rules in January 2021 following the ratification of The European Union (Withdrawal Agreement) Act 2020 in January of this year.

Group Audit and Risk Committee reviewed and approved the Group’s updated Business Continuity Plan in January 2020. The Business Continuity Plan was subsequently invoked in March 2020 in respect of the Coronavirus Pandemic and management of the Group’s response was co-ordinated by the Business Continuity Gold Team which introduced immediate measures to ensure the Health and Safety of employees and tenants, whilst maintaining delivery of essential services.

Regular and comprehensive reporting arrangements to Torus (Group) Board and Committee members were put in place to provide assurance on the Group’s management of service delivery as we moved through the response, resilience and recovery stages of our plan. The Group continues with the recovery stage and is currently planning for the “new normal” in how we delivery services and retain the benefits of the acceleration of our transformation programme as it relates to future ways of working. Weekly reporting to Board members by the Chief Executive has continued throughout and has been supplemented with regular updates to our customers, the Regulator and other key stakeholders. A revised budget and business plan which takes account of the impact of the Coronavirus Pandemic is being prepared for presentation to Torus Group Board in August 2020 following dedicated AwayDay sessions for the Torus (Group) Board and each subsidiary Board where the revised assumptions were considered.

It is anticipated that both the withdrawal of the UK from the European Union and introduction of a new relationship with the EU in January 2021 and the Coronavirus Pandemic may affect the following key areas for the Housing sector:

- Economic outlook - manifesting in changes to unemployment levels, inflation, interest rates, welfare reform and availability of grant;
- Political change - changes in policy on development and regeneration, grant availability and policy, welfare reform, rent policy, housing strategy;
- Funding - costs of finance, interest rate instability and risk, credit rating;
- Cost and Income stability - changes in inflation, labour availability, cost of imported materials and labour; and
- Property prices - fluctuation in property pricing may need to be factored into new scheme appraisals, particularly schemes with affordable rent, shared ownership or resale options.

These potential impacts are reflected in a number of the strategic risks identified in the Group's Strategic Risk Framework including the following:

- Inability to adapt to a changing external environment
- Failure to manage our long term financial resilience
- Ineffective identification and management of safety and compliance obligations
- Fail to deliver the Development programme that addresses the needs of those living in our key geographical areas

Each of these strategic risks is monitored and reviewed by the Group Audit and Risk Committee on a regular basis and reported to the Torus Board where any additional controls are warranted. On an annual basis, the Torus Group produces a 30 year business plan based on a range of key economic factors and assumptions approved by Board. This prudent plan is stress tested to review the impact of changes in these economic factors such as fluctuations in inflation or interest rates. To ensure business continuity and flexibility, Torus has mitigation plans for any scenarios which adversely affect the plan.

To allow the Torus Board to fully assess these internal controls they receive an Annual Internal Audit Report, an Annual Report from the Group Audit and Risk Committee and the report of the External Auditors on the accuracy of Torus Annual Statement of Accounts and the internal systems that support the accounts.

The Torus Board is satisfied with the adequacy of the internal controls in place for the year ending March 2020, and for the period to date of signing the financial statements.

Going Concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out in the Strategic Report.

The Group continues to be affected by the uncertainty from the Coronavirus Pandemic that began affecting operations in March 2020. The Group has responded positively to this crisis, initially concentrating on services to support vulnerable customers. The Group is currently in the recovery stage and slowly returning services to normal, whilst ensuring Government guidelines are followed and employee and customer health and safety is not compromised.

The crisis, along with other changes linked to Brexit, create future uncertainty impacting in the regulatory environment, government policy and the economy. Uncertainties include the future of rent policy, inflationary pressures, property values, together with the impact on tenants which creates

risks around rental income. The business plan has been reviewed in light of these uncertainties and it is anticipated that services and incomes will be affected in the short to medium term before a slow recovery in performance takes place. It is anticipated that surpluses in 2020/21 may fall, but recover in later years. As Business Plan and financial forecasts change, so too may our Corporate Plan priorities. These will be reviewed internally following during the “recovery phase”.

The Business Plan indicates that the Group has cash balances and long term debt facilities (including £203m of undrawn facilities) which provide adequate resources to address pressures and enable it to continue to finance committed property refurbishment and improvement programmes, and new developments along with the Group’s day to day operations. The plan also shows that it can service debt facilities and can continue to comply with lender covenants.

Cross default clauses exist for all entities in the Group and the greatest risk lies with subsidiaries who do not hold significant cash balances, as surpluses are gift aided in line with the Torus operating model. Subsidiaries inherently remain sound and successful businesses and Torus has put in place measures to support its subsidiaries through provision of loan facilities, payment holidays where required. Government support through the job retention scheme has also been utilised.

Gift aid from subsidiaries to Torus Foundation will be impacted and it is forecast that HMS will be unable to provide any gift aid in 2020/21 and 2021/22. The Torus Board has provided a commitment to support and enhance community activities within the Torus Foundation, and has agreed to provide funding to ensure it has income in line with the original business case for amalgamation.

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 Statements.

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) - 2018 Update 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 2019). 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.

Annual General Meeting

Torus' Annual General Meeting will take place on Thursday 24 September 2020.

External Auditors

BDO LLP were appointed external auditors for 2019-20 on 8 February 2020. A resolution to re-appoint them for the coming year is proposed at the Annual General Meeting.

Approval

The report of the Board was approved by the Board on 1 September 2020 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Graham Burgess', written in a cursive style.

Graham Burgess

Chair

Date: 1 September 2020

Independent Auditors Report to the members of Torus62 Limited

Opinion

We have audited the financial statements of Torus62 Limited (“the Association”) and its subsidiaries (“the Group”) for the year ended 31 March 2020 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated statement of cash flows 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 of the Association’s affairs as at 31 March 2020 and of the Group’s and the Association’s surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

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

Responsibilities of the board

As explained more fully in the Statement of the Responsibilities of the Board for the Report and Financial Statements set out on page 56, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP
Statutory Auditor
Liverpool, UK

Date: 10 September 2020

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

Consolidated Statement of Comprehensive Income

	Note	2020 £'000	Represented 2019 £'000
Turnover	3	195,494	193,672
Operating expenditure	3	(134,586)	(136,198)
Cost of sales	3	(8,826)	(9,594)
Surplus on disposal of housing properties	6	5,813	5,091
Other income	3	-	34
Operating surplus	3, 5	<u>57,895</u>	<u>53,005</u>
Share of operating surplus / (deficit) in JV or Associate	20-21	278	96
Interest receivable	7	525	588
Interest payable and financing costs	8	(11,066)	(20,337)
Movement in fair value of investment properties	16	<u>955</u>	<u>30</u>
Surplus before taxation		<u>48,587</u>	<u>33,382</u>
Taxation	13	<u>(471)</u>	<u>369</u>
Surplus for the year		<u>48,116</u>	<u>33,751</u>
Actuarial gain/(loss) in respect to pension schemes	31	<u>24,926</u>	<u>(5,181)</u>
Total comprehensive income for the year		<u><u>73,042</u></u>	<u><u>28,570</u></u>

All amounts relate to continuing activities.

2019 balances have been represented to present cost of sales and surplus on disposal of housing properties as separate line items. Operating surplus is not changed as a result of these amendments.

The notes on pages 68 to 116 form part of these financial statements.

The financial statements were authorised and approved by the Board on 1 September 2020.



Graham Burgess
Chair



Paul Burns
Vice Chair



Ronnie Clawson
Company Secretary

Consolidated Statement of Financial Position

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets-housing properties	14	915,084	821,312
Other tangible assets	15	22,126	22,879
Investment properties	16	6,096	4,756
HomeBuy loans receivable	17	248	297
Other investments	18	54	54
Investment in jointly controlled entities	20	90	90
Investment in associates	21	-	-
		<u>943,698</u>	<u>849,388</u>
Current assets			
Stock	23	844	694
Properties held for sale	22	30,479	24,040
Debtors - receivable within one year	24	13,150	13,910
Debtors - receivable after one year	24	2,197	2,361
Cash and cash equivalents		76,224	102,658
		<u>122,894</u>	<u>143,663</u>
Creditors: amounts falling due within one year	25	<u>(36,453)</u>	<u>(36,863)</u>
Net current assets		<u>86,441</u>	<u>106,800</u>
Total assets less current liabilities		<u>1,030,139</u>	<u>956,188</u>
Creditors: amounts falling due after more than one year			
Defined benefit pension liability	31	(21,852)	(43,436)
Provisions for liabilities	32	(350)	(629)
Total net assets		<u>602,727</u>	<u>529,685</u>
Reserves			
Revenue reserve		602,692	527,751
Restricted reserve		35	1,934
Total reserves		<u>602,727</u>	<u>529,685</u>

The notes on pages 68 to 116 form part of these financial statements.

These financial statements were approved by the Board on 1 September 2020 and were signed on its behalf by:



Graham Burgess
Chair



Paul Burns
Vice Chair



Ronnie Clawson
Company Secretary

Consolidated Statement of Changes in Reserves

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31st March 2018	498,823	2,292	501,115
Surplus for the year	34,109	(358)	33,751
Actuarial losses on defined benefit pension scheme (note 31)	(5,181)	-	(5,181)
Total comprehensive income	<u>28,928</u>	<u>(358)</u>	<u>28,570</u>
Balance at 31st March 2019	527,751	1,934	529,685
Surplus for the year	48,105	11	48,116
Actuarial gains on defined benefit pension scheme (note 31)	24,926	-	24,926
Reserves transfer - reallocation of reserves	1,910	(1,910)	-
Total comprehensive income	<u>74,941</u>	<u>(1,899)</u>	<u>73,042</u>
Balance at 31st March 2020	<u>602,692</u>	<u>35</u>	<u>602,727</u>

The notes on pages 68 to 116 form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	35	77,236	72,596
Cash flow from investing activities			
Purchase of tangible fixed asset properties		(121,452)	(106,861)
Purchase of other tangible fixed assets		(1,768)	(8,536)
Proceeds from sale of tangible fixed assets		9,588	10,098
Grants received		25,428	23,725
Interest received		575	571
HomeBuy loans received		49	25
		<u>(87,580)</u>	<u>(80,978)</u>
Cash flow from financing activities			
Interest paid		(15,624)	(17,228)
Repayments of borrowings		(466)	(541)
		<u>(16,090)</u>	<u>(17,769)</u>
Net change in cash and cash equivalents		<u>(26,434)</u>	<u>(26,151)</u>
Cash and cash equivalents at beginning of the year		<u>102,658</u>	<u>128,809</u>
Cash and cash equivalents at end of the year	41	<u><u>76,224</u></u>	<u><u>102,658</u></u>

The notes on pages 68 to 116 form part of these financial statements.

Association Statement of Comprehensive Income

	Note	2020 £'000	Represented 2019 £'000
Turnover	3	184,711	186,944
Operating expenditure	3	(125,173)	(128,527)
Cost of sales	3	(8,826)	(9,594)
Surplus on disposal of housing properties	6	5,813	5,091
Other income	3	-	34
Gift aid	9	222	772
Operating surplus	3, 5	<u>56,747</u>	<u>54,720</u>
Share of operating surplus/(deficit) in JV or Associate	20-21	278	109
Interest receivable	7	1,037	917
Interest payable and financing costs	8	(11,075)	(20,334)
Movement in fair value of investment properties	16	<u>955</u>	<u>30</u>
Surplus before taxation		47,942	35,442
Taxation	13	<u>-</u>	<u>-</u>
Surplus for the year		47,942	35,442
Actuarial gain/(loss) in respect to pension schemes	31	<u>24,966</u>	<u>(4,872)</u>
Total comprehensive income for the year		<u><u>72,908</u></u>	<u><u>30,570</u></u>

2019 balances have been represented to show gift aid separately from turnover and to present cost of sales and surplus on disposal of housing properties as separate line items. Operating surplus is not changed as a result of these amendments.

All amounts relate to continuing activities.

The notes on pages 68 to 116 form part of these financial statements.

The financial statements were authorised and approved by the Board on 1 September 2020.



Graham Burgess
Chair



Paul Burns
Vice Chair



Ronnie Clawson
Company Secretary

Association Statement of Financial Position

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets-housing properties	14	917,332	821,312
Other tangible assets	15	21,832	19,889
Investment properties	16	6,096	7,420
HomeBuy loans receivable	17	248	297
Other investments	18	54	54
Investment in subsidiary	19	3,050	3,050
Investment in jointly controlled entities	20	90	90
		<u>948,702</u>	<u>852,112</u>
Current assets			
Stock	23	44	21
Properties held for sale	22	21,507	16,243
Debtors - receivable within one year	24	13,486	11,420
Debtors - receivable after one year	24	12,967	12,081
Cash and cash equivalents		71,904	95,812
		<u>119,908</u>	<u>135,577</u>
Creditors: amounts falling due within one year	25	<u>(41,184)</u>	<u>(34,086)</u>
Net current assets		<u>78,724</u>	<u>101,491</u>
Total assets less current liabilities		<u>1,027,426</u>	<u>953,603</u>
Creditors: amounts falling due after more than one year	26	<u>(405,210)</u>	<u>(382,438)</u>
Defined benefit pension liability	31	(21,373)	(43,074)
Provisions for liabilities	32	(350)	(506)
Total net assets		<u>600,493</u>	<u>527,585</u>
Reserves			
Revenue reserve		600,493	527,585
Restricted reserve		-	-
Total reserves		<u>600,493</u>	<u>527,585</u>

The notes on pages 68 to 116 form part of these financial statements.

These financial statements were approved by the Board on 1 September 2020 and were signed on its behalf by:



Graham Burgess
Chair



Paul Burns
Vice Chair



Ronnie Clawson
Company Secretary

Association Statement of Changes in Reserves

	Revenue reserve £'000
Balance at 31st March 2018	497,015
Surplus for the year	35,442
Actuarial losses on defined benefit pension scheme (note 31)	<u>(4,872)</u>
Total comprehensive income	30,570
Balance at 31st March 2019	527,585
Surplus for the year	47,942
Actuarial gains on defined benefit pension scheme (note 31)	<u>24,966</u>
Total comprehensive income	72,908
Balance at 31st March 2020	<u><u>600,493</u></u>

The notes on pages 68 to 116 form part of these financial statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Legal status

Torus62 Limited is registered under the Co-operative and Community Benefit Societies Act 2014 as a Community Benefit Society, registered with the Financial Conduct Authority. It has charitable status.

On 1 January 2019, the following entities amalgamated to form the society Torus62 Limited, registered under the Co-operative and Community Benefit Societies Act 2014:

- The former Torus62 Limited
- Liverpool Mutual Homes Limited
- Helena Partnerships Limited
- 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. Torus 62 Developments Ltd and Torus Living Ltd provide construction services. Torus Living Ltd has now ceased trading. Torus Foundation is a registered charity providing support to its communities and Torus tenants. Torus62 Commercial Services Ltd provides specialised construction services to external clients. In July 2019 Housing Maintenance Solutions purchased Torus62 Commercial Services Limited and amalgamated ongoing service contracts with external customers, together with any existing assets and liabilities.

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 2018: Statement of Recommended Practice for Registered Social Housing Providers (2018 Update) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Going concern

The Group continues to be affected by the uncertainty from the Coronavirus Pandemic that began affecting operations in March 2020. The Group has responded positively to this crisis, initially concentrating on services to support vulnerable customers. The Group is currently in the recovery stage and slowly returning services to normal, whilst ensuring Government guidelines are followed and employee and customer health and safety is not compromised.

The crisis, along with other changes linked to Brexit, create future uncertainty impacting in the regulatory environment, government policy and the economy. Uncertainties include the future of rent policy, inflationary pressures, property values, together with the impact on tenants which creates risks around rental income. The business plan has been reviewed in light of these uncertainties and it is anticipated that services and incomes will be affected in the short to medium term before a slow recovery in performance takes place. It is anticipated that surpluses in 2020/21 may fall, but recover in later years. As Business Plan and financial forecasts change, so too may our Corporate Plan priorities. These will be reviewed internally following during the “recovery phase”.

The Business Plan indicates that the Group has cash balances and long term debt facilities (including £203m of undrawn facilities) which provide adequate resources to address pressures and enable it to continue to finance committed property refurbishment and improvement programmes, and new developments along with the Group’s day to day operations. The plan also shows that it can service debt facilities and can continue to comply with lender 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.

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.

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 2020

- 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 less than the carrying amount, an impairment is taken to reduce the carrying amount to the DRC.

- 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.

- 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 are applied to significantly modified loans following loan restructures.

Fair value measurements are applied to investment properties in the year.

- 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Management apply a consistent set of assumptions with the exception of mortality rates, which are in line with those provided by Pensions Funds.

- Arrears provision

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

The group provide for all current rent arrears more than or equal to 60 days. 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 therefore they are held at fair value.

- 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.

- 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.

Based on the guidance provided in FRS102, depots owned by Torus62 Limited and leased to Housing Maintenance Solutions Limited are deemed to be Tangible Fixed Assets in both association and 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 2020

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.

Gift aid

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 2020

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

actual capitalised costs since transfer is 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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. 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

Provisions 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, Torus62 Commercial Services Limited, Torus Living Limited and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Torus62 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.

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 an 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.

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 2020

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:

Interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or

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 2020

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 2020

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

Group	2020				2019			
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating (Deficit)/ Surplus £'000	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating (Deficit)/ Surplus £'000
Social Housing Activities								
Income and expenditure from lettings	169,186	-	(117,578)	51,608	169,755	-	(120,868)	48,887
Other Social Housing Activity								
Supporting people contract income and expenditure	281	-	-	281	280	-	(308)	(28)
First tranche low cost home ownership sales	10,234	(8,826)	-	1,408	11,192	(9,594)	-	1,598
Other income & expenditure	3,426	-	(5,833)	(2,407)	3,230	-	(5,338)	(2,108)
	<u>13,941</u>	<u>(8,826)</u>	<u>(5,833)</u>	<u>(718)</u>	<u>14,702</u>	<u>(9,594)</u>	<u>(5,646)</u>	<u>(538)</u>
Non-Social Housing Activities								
Market sales	622	-	(506)	116	-	-	-	-
Lettings income and expenditure	1,658	-	(1,068)	590	765	-	(382)	383
Other income and expenditure	10,087	-	(9,601)	486	8,450	-	(9,302)	(852)
	<u>12,367</u>	<u>-</u>	<u>(11,175)</u>	<u>1,192</u>	<u>9,215</u>	<u>-</u>	<u>(9,684)</u>	<u>(469)</u>
Net total	195,494	(8,826)	(134,586)	52,082	193,672	(9,594)	(136,198)	47,880
Gain on disposal of fixed assets (Note 6)				5,813				5,091
Other investment income				-				34
Operating surplus				57,895				53,005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

Association	2020				2019			
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating (Deficit)/ Surplus £'000	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating (Deficit)/ Surplus £'000
Social Housing Activities								
Income and expenditure from lettings	169,186	-	(120,447)	48,739	169,755	-	(122,589)	47,166
Other Social Housing Activity								
Supporting people contract income and expenditure	281	-	-	281	280	-	(308)	(28)
First tranche low cost home ownership sales	10,234	(8,826)	-	1,408	11,192	(9,594)	-	1,598
Other income & expenditure	1,967	-	(2,399)	(432)	2,408	-	(2,761)	(353)
	12,482	(8,826)	(2,399)	1,257	13,880	(9,594)	(3,069)	1,217
Non-Social Housing Activities								
Market sales	622	-	(506)	116	-	-	-	-
Lettings income and expenditure	1,658	-	(1,068)	590	765	-	(382)	383
Other income and expenditure	763	-	(753)	10	2,544	-	(2,487)	57
	3,043	-	(2,327)	716	3,309	-	(2,869)	440
Net total	184,711	(8,826)	(125,173)	50,712	186,944	(9,594)	(128,527)	48,823
Gain on disposal of fixed assets (Note 6)				5,813				5,091
Gift Aid (Note 9)				222				772
Other investment income				-				34
Operating surplus				56,747				54,720

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Income and Expenditure from Social Housing Lettings (continued)

Association	2020					2019
	General Needs Housing	Temporary Social Housing	Supported & Housing for Older People	LCHO Outright Sale	Total	
Income	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	144,637	258	14,091	1,174	160,160	160,533
Charges for support services	54	-	323	14	398	475
Service charge income	2,780	1,114	3,584	258	7,973	7,423
Net rents receivable	147,471	1,372	17,998	1,446	168,531	168,431
Amortised government grants	630	-	25	-	655	557
Management fee in respect of unsustainable stock	-	-	-	-	-	24
Other income	-	-	-	-	-	743
Turnover from Social Housing Lettings	148,101	1,372	18,023	1,446	169,186	169,755
Expenditure						
Management	34,221	81	1,701	18	36,021	41,824
Services	5,897	870	3,706	155	10,629	9,715
Support services	86	-	184	-	270	419
Routine maintenance	20,921	66	1,616	9	22,618	21,543
Planned maintenance	10,011	21	896	11	10,904	10,788
Major repairs expenditure	8,189	2	615	5	8,813	8,261
Bad debts	2,888	(1)	36	-	2,923	2,716
Depreciation on housing properties	24,386	27	789	105	25,307	24,870
Impairment of investments / housing properties	2,176	-	-	-	2,176	266
Other costs	786	-	-	-	786	2,187
Operating expenditure on Social Housing Lettings	109,561	1,066	9,543	303	120,447	122,589
Operating surplus on Social Housing Lettings	38,540	306	8,480	1,143	48,739	47,166
Void losses	1,535	49	662	17	2,263	(2,183)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

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				Period end
	At start of period	Units developed or newly built units acquired	Units sold / demolished	Other movements	
Social housing units owned					
Social rent general needs housing	30,233	60	(215)	(18)	30,060
Affordable rent general needs housing	2,745	283	(2)	(1)	3,025
Intermediate rent general needs housing	74	24	-	14	112
Social rent supported housing	869	-	-	9	878
Affordable rent supported housing	-	100	-	-	100
Social rent housing for older people	2,772	-	(1)	(1)	2,770
Affordable rent housing for older people	-	-	-	-	-
Low Cost Home Ownership	638	182	(10)	(4)	806
Total social housing units owned	37,331	649	(228)	(1)	37,751
Social housing units managed					
Total social housing units managed but not owned	115	-	-	-	115
Total social housing units owned and managed	37,446	649	(228)	(1)	37,866
Non-social rental housing units owned					
Non-social rental housing units owned	33	-	-	(5)	28
Total non-social housing units owned	33	-	-	(5)	28
Non-social rental housing units managed					
Total non-social rental housing units managed by others	82	1	-	12	95
Total non-social rental housing units managed	82	1	-	12	95
Leasehold units					
Leasehold units owned	1,134	0	0	22	1,156
Total leasehold units owned	1,134	-	-	22	1,156

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

5. Operating surplus

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

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Depreciation	27,362	27,514	27,261	27,469
Impairment	2,194	278	2,194	278
Operating lease rentals (as lessee):				
- Land and buildings	647	486	561	486
- Other	1,079	577	21	34
Operating lease rentals (as lessor)	(740)	(100)	(740)	(696)
Auditors remuneration (excluding VAT):				
Fees payable to the Association's auditors for the audit of the parent and Group financial statements	64	66	64	66
Fees payable to the Association's auditors for the audit of the accounts of subsidiaries	30	32	-	-
Fees payable to the Association's auditors for non-audit services:				
- Tax compliance services	-	11	-	9
- Tax advisory services	-	66	-	66
- All other assurance services	8	70	4	70

6. Surplus on disposal of fixed assets - housing properties

Group and Association	2020			2019
	Proceeds	Costs	Surplus	Surplus
	£'000	£'000	£'000	£'000
Right to buy	8,156	(2,350)	5,806	4,594
Right to acquire	3,358	(639)	2,719	2,153
Staircasing	402	(152)	250	236
Other property sales	209	(88)	121	502
Other fixed assets sales	16	(23)	(7)	65
	12,141	(3,252)	8,889	7,550
Less share of proceeds due to Local Authorities/Homes England	(2,985)	-	(2,985)	(2,343)
Group share of proceeds	9,156	(3,252)	5,904	5,207
Less transfer to Recycled Capital Grant Fund	-	(91)	(91)	(116)
Surplus on disposal of fixed assets	9,156	(3,343)	5,813	5,091

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

7. Interest receivable and other income

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank interest receivable	525	588	510	570
Inter-company interest	-	-	527	347
	<u>525</u>	<u>588</u>	<u>1,037</u>	<u>917</u>

8. Interest payable and financing costs

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loans and bank overdraft	16,607	16,682	16,623	16,682
Amortisation of loan premiums	(385)	(372)	(385)	(372)
Defined benefit pension charge	1,056	913	1,049	912
Non-utilisation fees	417	885	417	885
Other fees	329	203	329	201
Unwinding of discount on NPV	(1,346)	(1,992)	(1,346)	(1,992)
Fair value adjustments on refinance	-	6,859	-	6,859
Interest on RCGF/DPF	2	7	2	7
	<u>16,680</u>	<u>23,185</u>	<u>16,689</u>	<u>23,182</u>
Capitalised interest on housing properties under construction	<u>(5,614)</u>	<u>(2,848)</u>	<u>(5,614)</u>	<u>(2,848)</u>
	<u>11,066</u>	<u>20,337</u>	<u>11,075</u>	<u>20,334</u>
	%	%	%	%
Capitalisation rates	5.82	6.2-6.3	5.82	6.2-6.3

Rates are based upon weighted average cost of funds.

9. Gift aid

	Association	
	2020	2019
	£'000	£'000
Gift aid received from Housing Maintenance Solutions Limited	-	123
Gift aid received from Torus62 Developments Limited	-	649
Gift aid received from Torus Living Limited	222	-
	<u>222</u>	<u>772</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

10. Employees

Full Time Equivalents	Group		Association	
	2020	2019	2020	2019
	Average Number	Average Number	Average Number	Average Number
Administration	248	286	179	234
Assets, development and maintenance	720	717	87	345
Housing, support and care	459	484	393	445
	<u>1,427</u>	<u>1,487</u>	<u>659</u>	<u>1,024</u>

Employee costs	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Wages and salaries	44,844	42,114	23,010	31,218
Social security costs	4,323	4,135	2,161	3,076
Other pension costs	5,133	6,616	3,097	6,007
	<u>54,300</u>	<u>52,865</u>	<u>28,268</u>	<u>40,301</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	
	2020	2019
	£'000	£'000
£60,001 to £70,000	32	15
£70,001 to £80,000	7	6
£80,000 to £90,000	6	3
£90,000 to £100,000	4	2
£100,000 to £110,000	1	2
£110,000 to £120,000	4	2
£120,000 to £130,000	1	-
£130,000 to £140,000	2	-
£140,000 to £150,000	1	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

11. Board members and Executive Directors

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

Directors and Board

	2020			2019	
	Basic £'000	BIK £'000	Pension £'000	Total £'000	Total £'000
Chief Executive					
Steve Coffey	215	16	40	271	239
Rob Young	-	-	-	-	389
Executive Directors					
Peter Fieldsend	157	11	29	197	171
Angela Forshaw	-	-	-	-	259
Catherine Murray-Howard	73	6	4	83	-
Howard Roberts	-	-	-	-	237
Liz Haworth	35	3	7	45	162
Chair of the Board					
Graham Burgess	25	-	-	25	20
Paul Burns	19	-	-	19	17
Board Members (non-executive)					
Roy Smith	-	-	-	-	8
Ian Clayton	6	-	-	6	11
Phil Pemberton	-	-	-	-	10
Steve Richardson	-	-	-	-	2
Christine McLoughlin	4	-	-	4	5
Alastair Hollows	4	-	-	4	3
Duncan Craig	13	-	-	13	10
Robert Hepworth	11	-	-	11	10
Dr Robert Barr	-	-	-	-	2
Christine Fallon	9	-	-	9	9
Sasha Wayne	-	-	-	-	5
Tony Williams	-	-	-	-	7
John Fulham	-	-	-	-	4
Paula McGrath	11	-	-	11	10
Gordon Hood	9	-	-	9	9
Greg Gottig	9	-	-	9	9
Andrew Gray	11	-	-	11	7
Sarah Jane Saunders	11	-	-	11	7
Raymond Jones	-	-	-	-	7
Neil Garnham	4	-	-	4	1

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

The aggregate remuneration of the executive officers was £594,701 (2019: £1,457,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

The remuneration of the highest paid Director, the Chief Executive of Torus62, excluding pension contributions, was £231,125 (2019: £388,823 as Chief Executive Officer of Torus, prior to the amalgamation on 1 January 2019 to form Torus62 Limited, and including a severance payment.) Pension contributions of £39,560 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	
	2020	2019
	£'000	£'000
Basic salary	1,385	1,918
Benefits in kind	91	98
Employers NIC	185	233
Pension contributions	186	292
	<u>1,847</u>	<u>2,541</u>

13. Tax on surplus on ordinary activities

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Analysis of charge/(credit) in the period				
Current Tax:				
UK corporation tax on surplus for the year	663	423	-	-
Adjustments in respect of prior years	(192)	(570)	-	-
Deferred Tax:				
Origination and reversal of timing differences				
- current year	-	(222)	-	-
Tax on surplus on ordinary activities	<u>471</u>	<u>(369)</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Factors affecting tax charge/(credit) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (19% 2019). The differences are explained below:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Surplus on ordinary activities before tax	48,457	33,382	47,942	35,442
Theoretical tax at the standard rate of corporation tax in the UK of 19% (19% 2019)	9,207	6,343	9,109	7,162
Effects of:				
Charitable exemption for 31st March 2019 to 31st March 2020	(8,511)	(6,115)	(9,109)	(7,162)
Income not taxable	5	(27)	-	-
Prior year movement of current tax for gift aid	(230)	(570)	-	-
Total tax charge/(credit)	471	(369)	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

14. Tangible Fixed Assets – Housing Properties

	Group				2020 Total £'000
	Social Housing		Low Cost Home Ownership		
	Held for Letting £'000	Under Construction £'000	Completed £'000	Under Construction £'000	
Cost					
At 1st April 2019	876,776	77,920	41,912	10,574	1,007,182
Works to existing properties	17,046	82	(338)	338	17,128
Additions	-	81,026	-	20,002	101,028
Interest capitalised	-	4,749	-	865	5,614
Movement (to)/from current assets	3,207	479	(3,348)	374	712
Schemes completed	59,337	(59,337)	18,076	(18,076)	-
Disposals	(5,563)	-	(255)	-	(5,818)
At 31 March 2020	950,803	104,919	56,047	14,077	1,125,846
Depreciation and impairment					
At 1st April 2019	184,405	-	1,465	-	185,870
Depreciation	24,419	-	346	-	24,765
Impairments	2,194	-	-	-	2,194
Disposals	(2,055)	-	(12)	-	(2,067)
At 31 March 2020	208,963	-	1,799	-	210,762
Net book value at 31 March 2020	741,840	104,919	54,248	14,077	915,084
At 31 March 2019	692,371	77,920	40,447	10,574	821,312

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Tangible Fixed Assets – Housing Properties (Continued)
Association

	Social Housing		Low Cost Home Ownership		2020 Total £'000
	Held for Letting £'000	Under Construction £'000	Completed £'000	Under Construction £'000	
Cost					
At 1st April 2019	876,776	77,920	41,912	10,574	1,007,182
Works to existing properties	17,654	82	(338)	338	17,736
Additions	-	82,213	-	20,002	102,215
Interest capitalised	-	4,749	-	865	5,614
Movement (to)/from current assets	3,207	932	(3,348)	374	1,165
Schemes completed	59,337	(59,337)	18,076	(18,076)	-
Disposals	(5,563)	-	(255)	-	(5,818)
At 31 March 2020	951,411	106,559	56,047	14,077	1,128,094
Depreciation and impairment					
At 1st April 2019	184,405	-	1,465	-	185,870
Depreciation	24,419	-	346	-	24,765
Impairments	2,194	-	-	-	2,194
Disposals	(2,055)	-	(12)	-	(2,067)
At 31 March 2020	208,963	-	1,799	-	210,762
Net book value at 31 March 2020	742,448	106,559	54,248	14,077	917,332
At 31 March 2019	692,371	77,920	40,447	10,574	821,312

Based on the guidance provided in FRS102, the properties leased to Bamboo Estates LLP are treated in the Association 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

The net book value of housing properties may be further analysed as:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Freehold	762,343	701,005	762,951	701,005
Long Leasehold	33,745	31,813	33,745	31,813
	<u>796,088</u>	<u>732,818</u>	<u>796,696</u>	<u>732,818</u>

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

	Group and Association	
	2020	2019
	£'000	£'000
Housing properties at historical cost	1,098,730	982,065
Accumulated depreciation	(201,519)	(176,627)
	<u>897,211</u>	<u>805,438</u>

Expenditure on works to existing properties

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts charged to revenue	39,648	39,778	42,336	39,778
Amounts capitalised	17,128	15,191	17,736	15,191
	<u>56,777</u>	<u>54,969</u>	<u>60,073</u>	<u>54,969</u>

Finance costs

	Group and Association	
	2020	2019
	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	<u>15,491</u>	<u>9,877</u>
Rate used for capitalisation	<u>5.82%</u>	<u>6.20%</u>

Social housing assistance

	Group and Association	
	2020	2019
	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income	139,439	138,687
Held as deferred income	110,727	85,010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

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 225 low demand units and 29 garages that have been demolished or approved for demolition.

15. Tangible Fixed Assets - Other

	Group					
	Freehold Buildings	Leasehold Properties	Computers & Office Equipment	Furniture, Fixtures & Fittings	Vehicles	2020 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1st April 2019	8,199	8,275	8,095	6,728	6,226	37,523
Additions	320	-	893	654	-	1,867
Disposals	-	-	-	(3)	(24)	(27)
At 31st March 2020	8,519	8,275	8,988	7,379	6,202	39,363
Depreciation						
At 1st April 2019	2,023	504	5,635	5,345	1,137	14,644
Charge for the year	191	105	1,203	535	562	2,596
Disposals	-	-	-	-	(3)	(3)
At 31st March 2020	2,214	609	6,838	5,880	1,696	17,237
Net book value at 31st March 2020	6,305	7,666	2,150	1,499	4,506	22,126
At 31st March 2019	6,176	7,771	2,460	1,383	5,089	22,879

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Tangible Fixed Assets – Other (Continued)

	Association					2020 Total £'000
	Freehold Buildings £'000	Leasehold Properties £'000	Computers & Office Equipment £'000	Furniture, Fixtures & Fittings £'000	Vehicles £'000	
Cost						
At 1st April 2019	4,757	8,275	7,029	6,142	6,226	32,429
Additions	320	-	850	627	-	1,797
Transfer to/from investment properties	2,503	925	-	-	-	3,428
Disposals	-	-	-	-	(26)	(26)
At 31st March 2020	7,580	9,200	7,879	6,769	6,200	37,628
Depreciation						
At 1st April 2019	1,245	504	4,749	4,905	1,137	12,540
Charge for the year	191	105	1,168	469	562	2,495
Transfer to/from investment properties	764	-	-	-	-	764
Disposals	-	-	-	-	(3)	(3)
At 31st March 2020	2,200	609	5,917	5,374	1,696	15,796
Net book value at 31st March 2020	5,380	8,591	1,962	1,395	4,504	21,832
At 31st March 2019	3,512	7,771	2,280	1,237	5,089	19,889

The group had no assets held under finance leases at either year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

16. Investment properties held for letting

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1st April 2019	4,756	3,855	7,420	3,855
Additions	385	11	385	11
Transfer from housing properties	-	1,785	-	1,785
Transfer from tangible fixed assets: other	-	-	(2,664)	1,739
Increase in fair value	955	30	955	30
Re-classification to fixed assets	-	(925)	-	-
At 31st March 2020	6,096	4,756	6,096	7,420

Acquired properties have been assessed for fair value based on external valuations performed by Savills. The valuation report included the following clause:

“The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.”

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.

If investment properties had been accounted for under the historical cost accounting rules the properties would have been measured as follows:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Historical cost	5,140	4,755	5,140	4,755
Accumulated depreciation	(215)	(137)	(215)	(137)
Impairment	-	-	-	-
	4,925	4,618	4,925	4,618

Stonebridge and Sutton Fold Depots are classified as a freehold building in both the Group and the Association.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

17. HomeBuy loans

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

Group and Association	2020	2019
	£'000	£'000
At 1st April 2019	297	322
Redeemed in year	(49)	(25)
At 31st March 2020	248	297

18. Other investments

Group & Association	2020	2019
	£'000	£'000
Other	54	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 (TD), Torus Living Ltd (TL), Torus62 Commercial Services Ltd (TCS) and Torus Foundation. At the year end the association owned 100% of issued share capital in HMS, TD, TL and TCS. The association controls Torus Foundation and it's right to appoint and remove Trustees.

Housing Maintenance Solutions Limited provides repairs and maintenance services. Torus62 Commercial Services Limited provides specialised construction services to external clients. In July 2019 Housing Maintenance Solutions Limited purchased Torus62 Commercial Services Limited and amalgamated ongoing service contracts with external customers, together with any existing assets and liabilities. They are incorporated in England and Wales.

Torus62 Developments Limited and Torus Living Ltd provide construction services. Torus62 Developments Limited now acts as the development company for the group and contracts held by Torus Living Limited have been novated to Torus62 Developments Limited. Torus Living Limited has therefore ceased to trade. They are incorporated in England and Wales.

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

The registered office of the subsidiaries is the same as that of Torus62 Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Investment in subsidiaries (continued):

	Investment in subsidiaries	
	2020	2019
	£'000	£'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.

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

	2020	2019
	£'000	£'000
Amounts recharged to HMS Ltd		
Management services	2,689	1,497
Recharge of rent on property (lease agreement)	72	106
Vehicles (lease agreement)	549	140
	<u>3,310</u>	<u>1,743</u>
Amounts recharged to Torus 62 Developments Ltd		
Management services	422	346
Amounts recharged to Torus Foundation		
Management services	256	280
Amounts recharged to Torus 62 Commercial Services Ltd		
Management services	-	31
Amounts recharged to Torus Living Ltd		
Management services	-	410

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

20. Investment in jointly controlled entities

The Association holds a £90k (2019: £90k) investment in Bamboo Estates LLP (representing a 50% share) a company registered in England and Wales.

	Group and Association	
	2020	2019
	£'000	£'000
Share of turnover in joint venture	589	524
Share of profit before taxation	278	109
Taxation	-	-
Share of profit after taxation	<u>278</u>	<u>109</u>
Share of assets		
Share of fixed assets	-	-
Share of current assets	468	214
Share of liabilities		
Liabilities due within one year or less	(79)	(22)
Liabilities due after more than one year	-	-
Share of net assets	<u>389</u>	<u>192</u>

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.

	2020	2019
	£'000	£'000
At 1 April	-	100
Return on investment	-	(80)
Impairment on investment	-	(20)
At 31 March	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Apportioned financial information for the year is shown below:

	2020 £'000	2019 £'000
Share of turnover in associate	-	74
Share of profit before taxation	-	7
Taxation	-	(20)
Share of (loss)/profit after taxation	<u>-</u>	<u>(13)</u>
Share of assets		
Share of fixed assets	-	-
Share of current assets	-	9
Share of liabilities		
Liabilities due within one year or less	-	(2)
Liabilities due after more than one year	-	-
	<u>-</u>	<u>7</u>

22. Properties held for sale

Shared Ownership	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Completed properties	5,878	5,732	5,878	5,732
Under construction	12,006	18,308	12,006	10,511
	<u>17,884</u>	<u>24,040</u>	<u>17,884</u>	<u>16,243</u>

Properties developed for outright sale	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Completed properties	-	-	-	-
Under construction	12,595	-	3,623	-
	<u>12,595</u>	<u>-</u>	<u>3,623</u>	<u>-</u>
Total properties held for sale	<u>30,479</u>	<u>24,040</u>	<u>21,507</u>	<u>16,243</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

23. Stock

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Raw materials	800	673	-	-
Consumables	44	21	44	21
	<u>844</u>	<u>694</u>	<u>44</u>	<u>21</u>

24. Debtors

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	13,654	13,496	13,654	13,496
Less: Provision for bad and doubtful debts	(13,133)	(11,921)	(13,133)	(11,921)
	<u>521</u>	<u>1,575</u>	<u>521</u>	<u>1,575</u>
Other debtors	4,638	7,669	4,069	5,608
Prepayments and accrued income	7,991	4,535	3,312	3,153
Investment income / Interest receivable debtor	-	131	-	124
Amounts owed by Group undertakings	-	-	5,584	960
	<u>13,150</u>	<u>13,910</u>	<u>13,486</u>	<u>11,420</u>
Due after more than one year				
Inter-company revolving loan facility	-	-	10,770	9,720
Leaseholder sinking fund arrears	2,197	2,361	2,197	2,361
	<u>2,197</u>	<u>2,361</u>	<u>12,967</u>	<u>12,081</u>
Total Debtors	<u>15,347</u>	<u>16,271</u>	<u>26,453</u>	<u>23,501</u>

The Inter-company revolving loan facility relates to two loans. A £2m loan facility from Torus62 Limited to HMS 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 2020 £8.77m was drawn against this facility. The interest rate applicable was 5.4%, for a term of 5 years expiring in 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

25. Creditors: Amounts falling due within one year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	5,525	2,353	954	746
Rent and service charges received in advance	3,940	3,886	3,940	3,886
Amounts owed to Group undertakings	-	-	20,035	8,893
Other tax and social security	1,337	1,749	1,283	1,429
Local Government Pension Scheme	383	351	383	351
Other creditors	1,750	680	431	370
Deferred capital grants (Note 28)	683	595	683	595
Debt - Housing loan (Note 27)	417	395	417	395
Accruals and deferred income	21,529	26,432	13,058	17,421
Corporation tax	889	422	-	-
	<u>36,453</u>	<u>36,863</u>	<u>41,184</u>	<u>34,086</u>

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

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Leaseholder sinking fund *	655	617	655	617
Debt - housing loan (Note 27)	294,454	296,544	294,454	296,544
Deferred capital grants (Note 28)	110,044	84,415	110,044	84,415
Recycled capital grant (Note 29)	-	189	-	189
Disposal proceeds fund (Note 30)	-	673	-	673
Other creditors	57	-	57	-
	<u>405,210</u>	<u>382,438</u>	<u>405,210</u>	<u>382,438</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

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.

	Group and Association	
	2020	2019
	£'000	£'000
Due within one year		
Bank loans	465	443
Less issue costs	(48)	(48)
	<u>417</u>	<u>395</u>
Due after more than one year		
Bank loans	226,068	226,534
Bond	38,000	38,000
Premium on bond issue	13,458	13,843
Fair value adjustment	18,919	20,265
Less issue costs	(1,991)	(2,098)
	<u>294,454</u>	<u>296,544</u>
Total borrowings	<u>294,871</u>	<u>296,939</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

	Group and Association	
	2020	2019
	£'000	£'000
Within one year or on demand	465	443
One year or more but less than two years	489	470
Two years or more but less than five years	41,620	41,559
Five years or more	221,959	222,505
	<u>264,533</u>	<u>264,977</u>
Premium on bond issue	13,458	13,843
Fair value adjustments	18,919	20,265
Less issue costs	(2,039)	(2,146)
	<u>294,871</u>	<u>296,939</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

The fair value adjustments are in respect of the following:

	2020	2019
	£'000	£'000
Financial liabilities measured at fair value through surplus or deficit	2,046	1,809
Restatement of loans held at amortised cost	14,357	15,701
Adjustment to recognise loans at amortised cost and reflect an effective interest rate	2,516	2,755
	<u>18,919</u>	<u>20,265</u>

The fair value adjustments have been accounted for in compliance with FRS 102. A fair value adjustment of £2.0m 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 £6.6m. The balance of £2.5m relates to an adjustment to recognise basic loans with a principal amount of £10m at carrying amount of £12.5m 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 £13.5m.

28. Deferred capital grant

	Group and Association	
	2020	2019
	£'000	£'000
At 1 April	85,010	66,536
Grant received in year	26,378	19,031
Released to income	(661)	(557)
At 31 March	<u>110,727</u>	<u>85,010</u>
Amounts to be released within one year	683	595
Amounts to be released in more than one year	110,044	84,415
	<u>110,727</u>	<u>85,010</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

29. Recycled capital grant fund (RCGF)

	Group and Association	
	2020 £'000	2019 £'000
At 1 April	189	1,548
Grants recycled	138	116
New build	(327)	(1,475)
	-	189
Repayment of grant	-	-
At 31 March	-	189
Amount of grant due for repayment	-	-
Amounts three years or older where repayment may be required	-	-

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.

30. Disposals proceeds fund (DPF)

	Group and Association	
	2020 £'000	2019 £'000
At 1 April	673	2,274
New build	(675)	(1,608)
Notional interest charged	2	7
At 31 March	-	673
Amount of grant due for repayment	-	-
Amounts three years or older where repayment may be required	-	-

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 2020

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.

Admission agreements in place are:

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%

The next valuations will take place in line with the triennial actuarial valuation for the respective funds which takes place on 31 March 2022.

Total employer contributions were £4.215m (2019: £4.204m)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Principal actuarial assumptions: Financial assumptions

	2020				2019	
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Torus Foundation Cheshire	Torus Foundation Merseyside	Prior year range
	%	%	%	%	%	%
Discount rate	2.4	2.4	2.4	2.4	2.4	2.5
Future salary increases	2.8	2.8	2.8	2.8	2.8	3.2
Future pension increases	1.9	1.9	1.9	1.9	1.9	2.2
Inflation assumption	1.9	1.9	1.9	1.9	1.9	2.2

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2020 and March 2019 are based on the PA92 series. The assumed life expectations on retirement at age 65 are:

	2020				2019	
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Torus Foundation Cheshire	Torus Foundation Merseyside	Prior year range
	No of years	No of years	No of years	No of years	No of years	No of years
Retiring today:						
Males	21.2	21.2	20.9	21.2	20.9	22.2 - 22.3
Females	23.6	23.6	24.0	23.6	24.0	24.5 - 25
Retiring in 20 years:						
Males	21.9	21.9	22.5	21.9	22.5	23.9 - 25.2
Females	25.0	25.0	25.9	25.0	25.9	26.5 - 27.9

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Analysis of amounts recognised in operating costs

	2020						2019
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Association Total	Torus Foundation Cheshire	Torus Foundation Merseyside	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current service cost	(25)	(1,787)	(3,907)	(5,719)	(99)	(73)	(5,977)
Past service (costs)/gains	-	(64)	-	(64)	-	-	(2,328)
Administration costs	-	-	(60)	(60)	-	(1)	(66)
Curtailments	-	-	(485)	(485)	-	-	(485)
Net operating loss	(25)	(1,851)	(4,452)	(6,328)	(99)	(74)	(8,371)

Analysis of amounts recognised in other finance costs

	2020						2019
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Association Total	Torus Foundation Cheshire	Torus Foundation Merseyside	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expected return on pension scheme assets	19	1,189	4,270	5,478	38	16	5,793
Interest on pension scheme liabilities	(19)	(1,306)	(5,202)	(6,527)	(41)	(20)	(6,706)
Net finance cost	-	(117)	(932)	(1,049)	(3)	(4)	(913)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Reconciliation of defined benefit obligation

	2020						2019
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Association Total	Torus Foundation Cheshire	Torus Foundation Merseyside	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening defined benefit obligation	(753)	(51,343)	(210,370)	(262,466)	(1,593)	(825)	(243,907)
Current service cost	(25)	(1,787)	(3,907)	(5,719)	(99)	(73)	(5,977)
Past service cost	-	(64)	-	(64)	-	-	(2,328)
Interest cost	(19)	(1,306)	(5,202)	(6,527)	(41)	(20)	(6,706)
Contributions by members	(4)	(335)	(819)	(1,158)	(19)	(14)	(1,300)
Benefits paid	10	623	5,339	5,972	-	(8)	5,093
Actuarial gains/(losses)	63	5,170	22,694	27,927	526	(924)	(9,759)
Curtailments	-	-	(485)	(485)	-	-	-
Closing defined benefit obligation	(728)	(49,042)	(192,750)	(242,520)	(1,226)	(1,864)	(264,884)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

Reconciliation of the fair value of plan assets

	2020						2019	
	Torus 62 Cheshire (LMH) £'000	Torus 62 Cheshire £'000	Torus 62 Merseyside £'000	Association Total £'000	Torus Foundation Cheshire £'000	Torus Foundation Merseyside £'000	Group Total £'000	Total £'000
Opening fair value of plan assets	740	46,876	171,776	219,392	1,463	593	221,448	210,732
Interest income	19	1,189	4,270	5,478	38	16	5,532	5,793
Administration cost	-	-	(60)	(60)	-	(1)	(61)	(66)
Contributions by employee	4	335	819	1,158	19	14	1,191	1,300
Contributions by employer	18	1,495	2,599	4,112	64	39	4,215	4,204
Benefits paid	(10)	(623)	(5,339)	(5,972)	-	8	(5,964)	(5,093)
Actuarial gains/(losses)	(23)	(937)	(2,001)	(2,961)	(526)	884	(2,603)	4,578
Closing fair value of plan assets	748	48,335	172,064	221,147	1,058	1,553	223,758	221,448

Net pension liability

	2020						2019	
	Torus 62 Cheshire (LMH) £'000	Torus 62 Cheshire £'000	Torus 62 Merseyside £'000	Association Total £'000	Torus Foundation Cheshire £'000	Torus Foundation Merseyside £'000	Group Total £'000	Total £'000
Defined benefit obligation net of plan assets	20	(707)	(20,686)	(21,373)	(168)	(311)	(21,852)	(43,436)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

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

	2020						2019	
	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
Actuarial (losses)/gains on assets	(23)	(937)	(2,001)	(2,961)	(526)	884	(2,603)	4,578
Actuarial gains/(losses) arising on the scheme liabilities	63	5,170	22,694	27,927	526	(924)	27,529	(9,759)
Actuarial gain/(loss) recognised	40	4,233	20,693	24,966	-	(40)	24,926	(5,181)

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

	2020						2019	
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Torus 62 Merseyside	Torus Foundation Cheshire	Torus Foundation Merseyside	Range	
	%	%	%	%	%	%	%	%
Equities	38	35	39	39	35	39	41-49	
Gilts/bonds	46	47	30	30	47	30	16-47	
Properties	8	8	8	8	8	8	8-9	
Cash	8	10	3	3	10	3	2-4	
Other	-	-	20	20	-	20	0-23	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

32. Provisions for liabilities – Other

Group

	Dilapidations	Insurance claims	Other	2020 Total
	£'000	£'000	£'000	£'000
At 1st April 2019	227	402	-	629
Additions	-	-	-	-
Utilised	(123)	-	-	(123)
Reversals	(79)	(77)	-	(156)
At 31st March 2020	25	325	-	350

Association

	Dilapidations	Insurance claims	Other	Total
	£'000	£'000	£'000	£'000
At 1st April 2019	104	402	-	506
Additions	-	-	-	-
Utilised	-	-	-	-
Reversals	(79)	(77)	-	(156)
At 31st March 2020	25	325	-	350

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

33. Deferred tax asset

	Group	
	2020	2019
	£'000	£'000
At 1 April 2019	261	39
Adjustment in respect of prior years	-	-
Charge/(credit) for the year	-	222
At 31 March 2020	261	261
Accelerated capital allowance	-	-
Short term timing differences	261	261
At 31 March 2020	261	261

The deferred tax asset of £261k is included in other current debtors. (2019: £261k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

34. Non-Equity Share Capital

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 31 March 2020 there were 45 tenant shareholders.

35. Cash Flow from Operating Activities

	Group	
	2020	2019
	£'000	£'000
Surplus for the year	48,116	33,751
<i>Cash flows from operating activities:</i>		
Depreciation of housing properties	24,765	24,870
Depreciation of other fixed assets	2,596	2,644
Amortised government grants	(661)	(557)
Impairment charge	2,194	266
Movement in fair value of investment properties	(955)	(30)
Write down of investment	-	100
Decrease in trade and other debtors	874	575
Increase in trade and other creditors	2,478	1,179
Increase in properties held for resale	(7,151)	(8,574)
(Decrease)/increase in provisions	(279)	31
Increase in stock	(150)	(18)
Pension costs less contributions payable	1,056	4,167
Taxation charge/(credit)	471	(369)
<i>Adjustments for investing or other financing activities:</i>		
Net gain on sale of fixed assets	(5,813)	(5,091)
Fair value adjustment/refinancing	(1,624)	6,361
Interest payable	12,122	13,975
Interest received	(525)	(588)
Jointly controlled entity	(278)	(96)
Net cash generated from operating activities	<u><u>77,236</u></u>	<u><u>72,596</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

36. Capital commitments

	Group and Association	
	2020	2019
	£'000	£'000
Capital expenditure:		
Expenditure contracted for but not provided in the accounts	195,188	144,685
Expenditure authorised by the Board, but not contracted	226,829	74,424
	<u>422,017</u>	<u>219,109</u>
Financed by:		
Social housing grant	77,960	39,025
Proceeds from sale of properties	61,990	42,828
Committed loan facilities and cash	282,067	137,256
	<u>422,017</u>	<u>219,109</u>

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

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 2020 were £31.5m in respect of the Merseyside Pension Fund and £13.9m in respect of the Cheshire Pension fund.

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Less than one year	812	100	740	798
Between one and five years	888	355	528	721
More than five years	155	-	155	375
	<u>1,855</u>	<u>455</u>	<u>1,423</u>	<u>1,894</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

As lessee

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Less than one year	976	941	576	524
Between one and five years	2,548	1,968	1,943	1,678
More than five years	904	899	904	899
	<u>4,428</u>	<u>3,808</u>	<u>3,423</u>	<u>3,101</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 Torus 62 Developments Limited, a wholly owned subsidiary of Torus62 Limited, who develops new build properties for Torus62.

Torus62 made £278k profit from its Bamboo Estates LLP joint venture in the year (2019: £109k). During the year to 31 March 2019 the investment in the associate Caribou Green Warmth LLP was written down to £nil following dissolution of the company. The share of the profit in 2020 was £nil (2019: loss of £13k). The table below details sales and purchases with Bamboo Estates LLP and Caribou Green warmth LLP:

	Bamboo		Caribou	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Association				
Purchase ledger	1	3	-	-
Sales ledger	211	92	-	-
Group				
Purchase ledger	1	3	-	-
Sales ledger	270	144	-	-

The Association had no tenant Board members as at 31 March 2020 (2019: none). At the 31 March 2020 £nil (2019: £nil) amounts were outstanding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

40. Financial assets & liabilities

	Group and Association	
	2020 £'000	2019 £'000
Categories of financial assets and financial liabilities		
Financial assets that are measured at amortised cost	83,552	114,396
Financial liabilities measured at fair value through surplus or deficit - debt instruments	6,620	(6,383)
Financial liabilities measured at amortised cost - debt instruments	(301,491)	(290,556)
Total debt instruments	(294,871)	(296,939)
Other liabilities measured at amortised cost	(30,520)	(32,447)
Financial liabilities measured at fair value through surplus or deficit		
The amount of change during the period attributable to changes in the credit risk between the financial liability's carrying amount and the amount the entity would be contractually obliged to pay at maturity	-	-
The difference	(2,046)	(1,809)
Financial assets		
Cash at bank	76,224	102,658
Financial assets on which no interest is earned	7,328	11,738
	83,552	114,396
Financial liabilities excluding trade creditors – interest rate risk profile		
Fixed rate	264,533	264,977
Floating rate	-	-
Total borrowings	264,533	264,977
Borrowing facility		
Expiring in more than two years	264,533	264,977

The group has undrawn committed borrowing facilities. The facilities available at 31 March 2020 in respect of which all conditions precedent had been met are above.

As at 31 March 2020, 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 2020, 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 2020

Cash at bank and in hand includes £2m held in relation to loan security, £100k held for leaseholder sinking fund and £1.1m external funding, all of which can only be used for the reasons specified.

41. Net debt reconciliation

	Cash at Bank and In Hand £'000	Bank Loans (including issue costs) £'000	Fair Value £'000	Net Debt £'000
1st April 2019	102,658	(276,674)	(20,265)	(194,281)
Cash flows	(26,434)	722	-	(25,712)
Other non-cash changes	-	-	1,346	1,346
31st March 2020	76,224	(275,952)	(18,919)	(218,647)



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