

**TWO SAINTS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

## TWO SAINTS LIMITED

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## TWO SAINTS LIMITED

### PARTICULARS OF THE BOARD OF MANAGEMENT, OFFICERS AND ADVISORS

Board of management	Senior management team
Mr J Carter, Chair – Audit & Risk Committee	Steve Benson, Chief Executive
Mr A Cobb, Chair	Charlotte Buckingham, Regional Director
Mr N Cross	Janice Hughes, Finance Director
Ms B Harvey	James McDermott, Regional Director
Ms D Jamieson	Sharon Smith, Human Resources Director
Mrs H Keats	
Ms J Vaux, Deputy Chair	
Mr K Williamson	
Mr M Woosey	

#### Secretary

Mr S Benson

Registered office	Solicitors	Auditors	Banks
35 Waterside Gardens Fareham Hampshire PO16 8SD	Capsticks Staple House Staple Gardens Winchester SO23 8SR	Nexia Smith & Williamson Cumberland House 15-17 Cumberland Place Southampton SO15 2BG	Lloyds Bank plc 3 Town Quay Southampton SO14 2AQ

#### Registration details

Two Saints Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014 no. 26511R and is registered with the Regulator of Social Housing no. LH3904.

**Two Saints is an exempt charity** – Her Majesty's Revenue & Customs registered number XR56079

## TWO SAINTS LIMITED

### BOARD REPORT

The board presents its report and financial statements for the year ended 31 March 2018.

#### **Statement of the board's responsibilities in respect of the accounts**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the organisation and of its income and expenditure for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 any time the financial position of the organisation 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 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the organisation and to prevent and detect fraud and other irregularities.

#### **Statement on Two Saints' system of internal control**

The board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the organisation's assets and interests.

In meeting its responsibilities, the board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the organisation is exposed.

The process adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

- **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of our activities. The senior management team regularly considers and receives reports on significant risks facing the organisation and the chief executive is responsible for reporting to the board any significant changes affecting key risks.

- **Overall control procedures**

The board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

- **Information and financial reporting systems**

Financial reporting procedures include budgets for the year ahead, management accounts produced monthly and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the



## TWO SAINTS LIMITED

### BOARD REPORT

senior management team and are considered and approved by the board who also regularly review key performance indicators to assess progress towards the achievement of business objectives, targets and outcomes.

- **Monitoring and corrective action**

A process of regular management reporting on control issues provides assurance to senior management and to the board. This includes a rigorous procedure for ensuring corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

The internal control framework and the risk management process are subject to regular review by TIAA Limited, our internal auditors, who advise the senior management team and report to the audit & risk committee who consider internal control and risk at each of its meetings. During the year reviews were carried out on health and safety management, maintenance, lettings, key financial controls, two regulatory reviews at services and a follow up of audit recommendations from the previous year.

The audit & risk committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control processes. The audit & risk committee makes an annual report to the board. The board has received this report.

The board confirms that there is an ongoing process for identifying and managing significant risks faced by the organisation. This process has been in place throughout the year under review, up to the date of the annual report and accounts, and is regularly reviewed by the board.

Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which our auditors are unaware; and each board member has taken all the steps that they ought to have taken as a board member to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **Governance**

We have an objective to ensure that we comply with regulatory and statutory codes and standards for good governance. We believe that strong governance is at the heart of our ability to provide high quality, efficient services in an open and accountable way. Our remuneration and nominations committee reports directly to the board.

In addition to attending these committees, board members attend working groups to consider matters such as pensions, the budget or our long term financial plan and can then lead subsequent discussions at board meetings.

Board members are elected for a three year term at the annual general meeting, one third retiring by rotation each year. The board reviews its operation and performance annually. It identifies the skills it requires in order to fulfil its responsibilities and recruits new members with the requisite skills and experience.

Two members will be retiring at the forthcoming annual general meeting and it is proposed to appoint three new members at that meeting taking the number on the board to 10.

The board is confident that its governance arrangements continue to be strengthened through the work of the remuneration and nominations committee and board, throughout the year. The board's standing orders have been reviewed. This review included the code of conduct for board members, the role of the chairs of the board and committees and of board members, and the terms of reference of the senior management team.

We are committed to upholding the National Housing Federation's Excellence in Standards of Conduct and maintaining high standards of business probity. All board members and senior management team sign a declaration of interest form annually.

The board confirms that they comply with the principles and guidelines in the National Housing Federation's 2015 Code of Governance.

The board confirms that they comply with the Regulator of Social Housing governance and financial viability standard.

In 2017/18 the board held two away days to consider the future strategic direction of the organisation.

## TWO SAINTS LIMITED

### BOARD REPORT

The board remains non-executive in its function and is responsible for the organisation's overall direction and strategy. Board members are listed on page 3. They have no beneficial interests in the organisation's share capital.

Operational responsibility is delegated to the chief executive who also advises the board on strategic issues. The chief executive has no beneficial interests in the organisation's share capital.

Members of committees are selected from the board. The audit & risk committee is responsible for internal and external audit issues and risk management. The board is responsible for determining the terms of reference for all committees, succession planning and skills audit. The remuneration and nominations committee is responsible for the remuneration of the chief executive.

Accountability to clients is important for us and work has taken place during the year to ensure the continuing involvement of clients in the quality and development of services, as well as the development and review of policies and procedures.

In practise:

- clients run an independent client quality assessment panel (known as the client scrutiny and involvement team) and managers are charged with implementing service improvement recommendations arising from their reports.
- The client scrutiny and involvement team review the quality of our accommodation and contribute to our future strategy.

In addition the client scrutiny and involvement team reports directly to the board and to fellow clients in our services. Clients who meet regularly to assess service provision receive a performance report from these teams and from the chief executive at the annual clients' Big Get Together.

#### **Fraud**

There are anti-fraud and anti-bribery policies in place. Fraud is an item on each audit & risk committee meeting agenda and any instances of fraud or theft are reported to the board.

#### **Auditors**

Nexia Smith & Williamson are deemed to be re-appointed as auditors.

#### **Principal activities**

We provide high quality housing, support and learning services for people who are homeless, or at risk of homelessness, and require help to enable them to live as independent and fulfilling lives as possible. We provide this help to our tenants, residents and clients through the provision of direct access hostel accommodation, resettlement services, floating support services and specialist substance misuse, ex-offender and education and training services. We also provide training in a workshop environment for clients.

#### **Review of the business**

The board has seen many challenges including the retendering of some of our services in response to local authority re-commissioning and the government's public sector spending cutbacks. The board and senior management team have focussed attention on financial viability, sustainability and service quality.

The provision of employment, education and training activities for clients continues at our services and at our workshop in Southampton where spaces are let to social businesses who involve clients in their activities, and provide maintenance services at the workshop.

Our private leasing service, which secures leases from private landlords and lets the accommodation as 'move on' for our clients, is being wound down as the model was not economically viable for us or the tenants housed in the scheme. At the



## TWO SAINTS LIMITED

### BOARD REPORT

end of the year there were 12 (2017: 43) leases in management and the remaining properties will be handed back during 2018/19.

The board has no concerns in maintaining the requirements of the government's rent policy and decent homes standard.

#### Results for the year

The financial results show an operating surplus for the year of £586k (2017: £728k). Turnover (income) for the year increased to £9.8 million (2017: £9.1 million) of which £3.9 million came from supported housing letting activities and £5.5 million from the provision of support. The balance of income was from non-social housing activities including the lease of some of our buildings to other providers of support.

Despite the financial pressures on the work we do, and together with the need to stay competitive and efficient, our finances remain fundamentally strong, with a healthy balance sheet able to support our activities.

We recognise a pension liability each year measured as the present value of the agreed deficit contributions payable to the social housing pension scheme (SHPS) that arise from a deficit recovery agreement. A credit arising from a decrease in this liability was shown in the income and expenditure account as £27k (2017: charge of £65k).

As a not-for-profit organisation, our primary business objective is to provide homes and services to people in need. We seek to generate sufficient income to meet our ongoing operating costs, to maintain all of our properties in good condition, and to contribute to our reserves, in order to reinvest in the business. We are committed to setting rents and charges at affordable levels and contract prices that offer value for money to service commissioners.

#### Future developments

There continues to be considerable pressure on commissioners' budgets in all of our operating areas. During the year we were successful in bids for both new and existing work, through successful tenders and by negotiation with commissioners.

Some of our existing contracts were tendered during 2016/17 and we were able to successfully bid for new contracts which began in 2017/18. We will continue to offer competitively priced bids for our services, based on efficiency, value for money and well constructed service models. We are seeking opportunities to develop our business, where possible reducing our dependence upon housing support contract funding.

#### Surpluses and reserves

The generation of modest surpluses is a key element of our financial strategy, in order to demonstrate our financial stability and to cover unforeseen events.

Reserves are internally generated resources invested in our assets, in particular our housing stock. Movements in reserves are set out in a note to the financial statements.

#### Employees

At the year-end we had a complement of 198 staff (2017: 173 staff). We are committed to the principles and practice of diversity and seek to give equality of opportunity to all staff in all matters of recruitment and employment. The effective training and development of all staff is a key objective.

# TWO SAINTS LIMITED

## BOARD REPORT

### Value for money

In accordance with the Regulator of Social Housing 2018 value for money standard, we've recorded our performance for the year against the published value for money metrics (Table 1). In addition, we've developed a set of targets to demonstrate performance in key areas of our business. (Table 2).

**Table 1. Performance against sector value for money metrics**

Metric	Explanation	2017/18	2016/17	2015/16
1. Reinvestment %	Investment in properties as a percentage of total properties	6.1	1.7	10.0
2. New supply delivered	The number of new social and non-social housing units as a percentage of all owned units			
Social housing %		7.6	0.0	20.9
Non-social housing %		0.0	0.0	0.0
3. Gearing %	Percentage of assets made up of debt finance (lower the better)	(25.7)	(27.6)	(23.8)
4. Interest cover % (Earnings before interest, tax, depreciation, amortisation with major repairs included)	Measure of surplus compared to interest payments (higher the better)	692.9	1676.0	1851.5
5. Social housing cost per unit £		9,194	8,844	6,885
6. Operating margin %	Surplus divided by turnover for both social housing and overall			
Social housing lettings only		5.4	8.5	3.1
Overall		5.3	7.5	4.8
7. Return on capital employed %	Investment return on capital resources	4.7	6.0	3.3







These metrics are prescribed for all housing associations in order to provide comparison regardless of size or specialism and this is the first year of implementation.

Metric 1 relates to the amount we have spent on developing and acquiring new property as well as the amount we have invested in existing housing stock. There was limited development activity in 2016/17 which has resulted in the fluctuating result. An exception for Two Saints is we have no borrowing so we're reporting a negative gearing percentage at metric 3, which is measured as borrowing less cash reserves. It's widely accepted that operating margins in specialised housing are lower than in general needs housing providers, which is seen in metric 6 where our operating margins are 20-25% lower than the sector norm.

Social housing cost per unit at metric 5 will be consistently higher than the sector norm because, even after adjusting for support activity, we have a much higher staff to client ratio and also provide fully catered and furnished accommodation. The costs of providing these services has been the main reason for the increase in the year on year costs per unit which have been affected by rising fuel and food prices as well as our higher quality standards for furnishing and cleaning.

We have an annual plan that includes a range of objectives designed to meet our strategic commitments and a suite of key performance indicators to demonstrate our performance. These are summarised in the table below.

**Table 2. Key performance indicators**

	Target 2017-18	2017-18	2016-17	2015-16	Performance against target
Property utilisation	99%	98%	97.6%	96.1%	
Current personal rent arrears	2%	2.0%	1.0%	1.6%	
Former client rent arrears	3%	2.5%	2.3%	2.7%	
Gas servicing compliance	100%	99.7%	99.9%	99.8%	
Repairs completed in target time	95%	99.7%	99.7%	100%	
Staff turnover	20%	27.5%	31.4%	27.8%	



## TWO SAINTS LIMITED

### BOARD REPORT

#### ***Our quality and performance – client satisfaction***

As part of our drive to continually improve services we seek feedback from clients through our annual client questionnaire. Clients' responses help to inform us as to where we need to make changes in our services. The outcomes from the client questionnaire carried out in January 2018 show the following:

- 95% (2017 - 92%) of clients feel that their support plan reflects their goals and they receive support to achieve them
- 89% (2017 - 84%) of clients say that their support worker has discussed move on and support options for the future
- 91% (2017 - 83%) of clients feel the support they receive has helped them become a positive and independent person

#### ***Strategic targets***

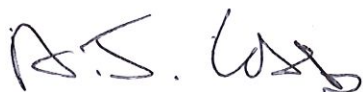
Our business strategy is updated every year and covers a rolling three year period. There are three strategic commitments which are to:

- Provide high quality accommodation and support for homeless and vulnerable people
- Develop our people
- Develop our organisation

We have a 5 and 30 year financial plan which demonstrates our ability to meet the strategic commitments. The plan indicates capacity to grow and sets our medium and long term financial targets. It includes our commitment to:

- Invest £1,694k in our buildings over the next 5 years
- Acquire or develop 36 units of accommodation either in buildings we already operate in or to replace leased buildings with owned assets
- Maintain cash reserves above £2m
- Generate overall surplus of £1,881k over the next 5 years which is 3.5% of turnover to be used to achieve investment and acquisition targets and maintain financial health

By order of the board



Andrew Cobb

Chair

Date: 21.8.18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TWO SAINTS LIMITED

## Nexia Smith & Williamson

### Opinion

We have audited the financial statements of Two Saints Limited (the 'association') for the year ended 31 March 2018 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, Statement of Cashflows and the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2018 and of its income and expenditure 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 Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

### Basis for opinion

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

### Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

## TWO SAINTS LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TWO SAINTS LIMITED

#### Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 4, 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 controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

*Nexia Smith & Williamson*  
**Nexia Smith & Williamson**

Statutory Auditor  
Chartered Accountants

Cumberland House  
15-17 Cumberland Place  
Southampton  
SO15 2BG

Date *29/8/18*



**TWO SAINTS LIMITED**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £'000s	2017 £'000s
<b>Turnover</b>	2	9,785	9,112
<b>Operating costs</b>		<u>(9,199)</u>	<u>(8,384)</u>
<b>Operating surplus</b>	3	586	728
Pension scheme re-measurement	13	27	(65)
Interest receivable and similar income		16	23
Interest payable and similar charges		<u>(28)</u>	<u>(46)</u>
<b>Surplus on ordinary activities for the year</b>		<u>601</u>	<u>640</u>
Retained earnings at the beginning of the year		3,167	2,527
Surplus for the year		<u>601</u>	<u>640</u>
<b>Retained earnings at the end of the year</b>		<u>3,768</u>	<u>3,167</u>

All of the above results derive from the continuing operations of the association. There are no recognised surpluses or deficits other than those included above.

**TWO SAINTS LIMITED**

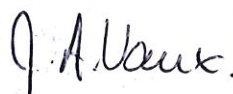
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018**

	Notes	2018 £'000s	2017 £'000s
<b>Fixed assets</b>			
Housing properties	4	10,193	9,725
Other fixed assets	4	69	74
		<hr/>	<hr/>
		10,262	9,799
<b>Current assets</b>			
Debtors	5	708	776
Cash at bank and in hand		3,203	3,270
		<hr/>	<hr/>
		3,911	4,046
<b>Creditors</b>			
Amounts falling due within one year	6	(1,761)	(1,714)
		<hr/>	<hr/>
<b>Net current assets</b>		2,150	2,332
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		12,412	12,131
<b>Creditors: amount falling due after one year</b>	7	(8,506)	(8,797)
<b>Provision for liabilities and charges</b>	8	(138)	(167)
		<hr/>	<hr/>
<b>Net assets</b>		3,768	3,167
		<hr/>	<hr/>
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Non-equity share capital	9	-	-
Revenue reserve		3,768	3,167
		<hr/>	<hr/>
		3,768	3,167
		<hr/>	<hr/>

The financial statements on pages 12 - 28 were approved and authorised by the board on 21 August 2018 and were signed on its behalf by:



**Andrew Cobb**  
Chair



**Jenny Vaux**  
Vice chair



**Steve Benson**  
Secretary

TWO SAINTS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000s	2017 £'000s
<b>Net cash generated from operating activities</b>	I	515	733
<b>Cash flow from investing activities</b>			
Acquisition, construction and works to housing properties		(760)	(205)
Grants received		200	-
Purchase of other assets		(25)	(30)
Interest received		16	23
Proceeds from sale of properties		1	-
<b>Net cash (used) in investing activities</b>		<u>(568)</u>	<u>(212)</u>
<b>Cash flow from financing activities</b>			
Repayment of HP/finance debt		(14)	(14)
<b>Net cash (used) in financing activities</b>		<u>(14)</u>	<u>(14)</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>		(67)	507
Cash and cash equivalents at beginning of year	I	3,270	2,763
Cash and cash equivalents at end of year		<u>3,203</u>	<u>3,270</u>



TWO SAINTS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	2018 £'000s	2017 £'000s
<b>I : Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus for the year	586	728
Depreciation	251	254
Amortisation of government grants	(85)	(83)
Decrease/(Increase) in debtors	(32)	(73)
(Decrease) in creditors	(245)	(175)
Loss on the sale of fixed assets	70	41
(Decrease)/Increase in provisions	(30)	41
<b>Net cash generated from operating activities</b>	<b>515</b>	<b>733</b>
 <b>Cash and cash equivalents</b>	 2018 £'000s	 2017 £'000s
Cash at bank and in hand	<u>3,203</u>	<u>3,270</u>

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### I. PRINCIPAL ACCOUNTING POLICIES

Two Saints Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014 no. 26511R and is registered with the Regulator of Social Housing no. LH3904. The registered office is 35 Waterside Gardens, Fareham, Hampshire, PO16 8SD.

##### **Basis of accounting**

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

The association meets the definition of a public benefit entity under FRS 102.

These financial statements exclude the results of the wholly owned subsidiary, The Society of St Dismas Limited, on the grounds of immateriality.

The principal accounting policies of the association are set out below.

##### **Significant judgements and estimates**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period.

##### **Significant management judgements and estimation uncertainty**

###### ***Arrears and other debtor recoverability***

The rent arrears balances of £346k recorded in the association's statement of financial position comprise a relatively large number of small balances. A full line by line review of rent arrears is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Because of the nature of the clients we house, most of the rent debts are settled directly by Housing Benefit and thus do not incur problem debts. In relation to debt due directly from tenants, we review the debtors ledger each month for any debt we might consider doubtful. Because of the supported housing nature of our business, we have a good knowledge of each and every client and can make judgements concerning the likelihood or otherwise of collecting any non-current debt. We identify any specific problem rent debts and categorise them as high risk, in which case we provide 100% of the debt. Former tenant debts are included in this category as experience tells us these are very difficult to recover. Specific provision is made for clients in our private leasing scheme. No provision is made for the balance of current tenant rent debtors as they are deemed recoverable.

###### ***Tangible fixed assets***

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

###### ***Turnover***

Turnover represents rental and service charges income in respect of the year net of rent and service charge losses from voids, housing support contract income in respect of the year, revenue grants from local authorities and Homes England in respect of the year, grants received for housing properties recognised in income on a systematic basis and other income.

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### **Operating surplus**

Operating surplus is the surplus generated from our operations and excludes interest and pension remeasurement.

#### **Contracts for housing support**

Income and expenditure relating to housing support contracts at our services is accounted for on an accruals basis, matching income and expenditure, and disclosures are made in accordance with the relevant standards and legislation.

#### **Fixed assets and depreciation**

##### **Housing properties**

Housing properties are principally properties available for rent.

The cost of properties is their purchase price and construction costs together with capitalised repairs and incidental costs of acquisition and construction directly attributable to property, including interest payable during the period of construction.

Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed.

Expenditure on schemes that are subsequently aborted is written off in the year in which it is recognised that the scheme will not be completed.

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement.

Refurbishment or replacement of such a component is capitalised and then depreciated over the estimated useful life of the component as follows:

Structure	100 years	Boilers	15 years
Kitchen – domestic	10 years	Heating system (excluding boiler)	30 years
Kitchen – commercial	15 years	Windows and door	20 years
Bathrooms	15 years	Roofs	40 years
		Electrical systems	40 years

Improvements are works to existing properties which result in an increase in the net rental income, including a reduction in maintenance costs, or result in a significant extension of the useful economic life of the property.

Leasehold offices, land and buildings are amortised over the period of the leases. Freehold land is not depreciated.

Other tangible assets are stated at cost. Depreciation is charged on a straight-line basis over the expected useful economic lives of the assets as follows:

Office and computer equipment	3 years
Infrastructure information technology equipment	5 years
Motor vehicles	5 years

The useful economic lives of all tangible fixed assets are reviewed annually.

Our policy is not to capitalise assets with a value of less than £1,000.

#### **Impairment**

Reviews for impairment of housing properties are carried out when an indicator of impairment arises and any impairment in an income generating unit is recognised by a charge to the Statement of Income and Retained Earnings. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. An income generating unit could be a single property, but it is normally a group of properties whose income and expenditure can be separately identified.



## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### **Donated land**

Donated land and buildings which are unconnected with any intended development are measured at current value on the date received.

#### **Social housing grant**

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 on a pro rata basis under the accrual model. The unamortised element of the government grant is recognised as deferred capital grant in creditors.

Social housing grant received for items of cost written off in the Income Statement are matched against those costs as part of turnover.

Social housing grant can be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the grant can be used for projects approved by Homes England. However, grant may have to be repaid if certain conditions are not met.

In certain circumstances, grant may be repayable, and, in that event, is a subordinated unsecured repayable debt.

#### **Dilapidations**

Provision is made for all dilapidations on leasehold properties where Two Saints Limited has a contractual obligation to bear these costs. Movement on the provision is included in the expense headings to which the provision relates.

#### **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 association. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

#### **Retirement benefits**

Two Saints Limited participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 102 (Section 28) represents the employer contribution payable.

Contributions payable from the association under the terms of its funding agreement for past deficits are recognised as a liability in the Statement of Financial Position.

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the association becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the association will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the association's cash management.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit.

**TWO SAINTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

**2. SOCIAL HOUSING INCOME AND EXPENDITURE**

	2018 £000s	2017 £000s
Rents receivable net of identifiable service charges	1,968	2,020
Service charge income	1,939	1,621
Revenue, capital grants, contract and other income	5,228	4,891
	<hr/>	<hr/>
Total income from lettings	9,135	8,532
Social housing activities expenditure	(8,641)	(7,804)
	<hr/>	<hr/>
Operating surplus from social housing activities	494	728
	<hr/>	<hr/>
Rent losses from voids	94	101

**3. SURPLUS FOR THE YEAR**

	2018 £000s	2017 £000s
Surplus for the year is stated after charging/(crediting):		
Auditor's remuneration including expenses, (excluding VAT)		
• in their capacity as auditors	12	12
• for other work	-	-
Depreciation of housing properties	221	211
Depreciation of other fixed assets	30	43
Loss on disposal of fixed assets	69	41
Operating lease rentals	473	512



TWO SAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

4. TANGIBLE FIXED ASSETS

	Housing properties under construction £000s	Housing properties for letting completed £000s	Non-social housing properties £000s	Housing properties sub total £000s	Computer and other equipment £000s	Motor vehicles £000s	Other fixed assets sub total £000s	Total £000s
<b>Cost</b>								
Cost at start of the year	95	11,136	648	11,879	737	6	743	12,622
Additions	-	757	3	760	19	6	25	785
Transfer to completed housing properties	(95)	95	-	-	-	-	-	-
Disposals	-	(182)	(4)	(186)	(291)	(6)	(297)	(483)
At end of year	-	11,806	647	12,453	465	6	471	12,924
<b>Depreciation</b>								
Depreciation at start of the year	-	2,053	101	2,154	664	5	669	2,823
Charge for the year	-	206	15	221	29	1	30	251
Disposals	-	(114)	(1)	(115)	(291)	(6)	(297)	(412)
At end of year	-	2,145	115	2,260	402	-	402	2,662
<b>Net book value at end of the year</b>								
Net book value at start of the year	-	9,661	532	10,193	63	6	69	10,262
Net book value at start of the year	95	9,083	547	9,725	73	1	74	9,799

**TWO SAINTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

**4. TANGIBLE FIXED ASSETS (continued)**

**Housing properties (cost less depreciation) comprise:**

	2018 £000s	2017 £000s
Freehold	7,661	7,166
Long leasehold	2,532	2,464
Property under construction	-	95
	<hr/> 10,193	<hr/> 9,725

**5. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 £000s	2017 £000s
Rent arrears	346	291
Less provision for bad debt and doubtful debts	<hr/> (131)	<hr/> (118)
Net rents due	215	173
Other debtors	284	298
Accrued income	10	27
Prepayments	199	278
	<hr/> 708	<hr/> 776

**6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 £000s	2017 £000s
Rent paid in advance	24	38
Trade creditors	45	52
Accruals	623	543
Social Security costs payable	98	103
Pension contributions payable	340	329
Deferred income	342	324
Other creditors	204	228
Amounts payable under HP and finance leases	-	14
Deferred capital grant (note 10)	85	83
	<hr/> 1,761	<hr/> 1,714

**7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2018 £000s	2017 £000s
Deferred capital grant (note 10)	6,870	6,857
Pension contributions payable	<hr/> 1,636	<hr/> 1,940
	<hr/> 8,506	<hr/> 8,797

# TWO SAINTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### AMOUNTS OWING UNDER HP AND FINANCE LEASES

	2018 £000s	2017 £000s
Amounts owing in less than one year	-	14
	<u>-</u>	<u>14</u>

### 8. PROVISIONS FOR LIABILITIES AND CHARGES

	2018 £000s	2017 £000s
Provision for estimated end of lease liabilities on certain properties:		
At start of year	167	126
Charge to income statement	11	119
Expenditure charge against provision	<u>(40)</u>	<u>(78)</u>
	<u>138</u>	<u>167</u>

### 9. NON-EQUITY SHARE CAPITAL

	2018 £	2017 £
Allotted, issued and fully paid		
Shares at start of the year	9	9
Cancelled during the year	-	(4)
Issued during the year	-	4
	<u>9</u>	<u>9</u>

All members hold one share of £1. As at 31 March 2018 there were 9 members. The shares are non-transferable and non-redeemable, and carry no rights to received either income or capital repayments. Each share has full voting rights.

### 10. DEFERRED CAPITAL GRANT

	2018 £000s	2017 £000s
At 1 April	6,940	6,923
Grant received in year	100	100
Released to income in the year	<u>(85)</u>	<u>(83)</u>
At 31 March	<u>6,955</u>	<u>6,940</u>
	2018 £000s	2017 £000s
Amounts to be released within one year	85	83
Amounts to be released in more than one year	<u>6,870</u>	<u>6,857</u>
	<u>6,955</u>	<u>6,940</u>



## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 11. CAPITAL COMMITMENTS

	2018 £000s	2017 £000s
Details of capital commitments at the accounting date are as follows:		
Authorised by the board and contracted for:	-	278

#### 12. FINANCIAL INSTRUMENTS

The association's financial instruments comprise debtors, creditors and cash and cash equivalents. All are shown at amortised cost.

	2018 £000s	2017 £000s
<b>Financial assets:</b>		
Rental debtors	215	173
Other debtors	284	298
Accrued income	10	27
Cash	3203	3,270
<b>Financial liabilities:</b>		
Trade creditors	(45)	(52)
Accruals and other creditors	(827)	(771)
Social security costs	(98)	(103)
Pension contributions payable	(1,976)	(2,269)
HP and finance leases	-	(14)

#### 13. PENSION OBLIGATIONS

Until 1 April 2014 Two Saints participated in a defined benefit scheme for salaried staff, the Pensions Trust - Social Housing Pension Scheme (the scheme). From April 2014 staff enrolled on the scheme transferred into a defined contribution scheme also operated by The Pensions Trust. This vehicle is now used for auto-enrolment for all staff.

##### Social Housing Pension Scheme

The association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	2018 £000s	2017 £000s	
Present value of provision	1,941	2,234	
Reconciliation of opening and closing provisions	2018 £000s	2017 £000s	
Provision at start of period	2,234	2,406	
Unwinding of the discount factor (interest expense)	28	46	
Deficit contribution paid	(294)	(283)	
Re-measurements - impact of any change in assumptions	(27)	65	
Provision at end of period	<u>1,941</u>	<u>2,234</u>	
Income and expenditure impact	2018 £000s	2017 £000s	
Interest expense	28	46	
Re-measurements – impact of any change in assumptions	(27)	65	
Costs recognised in income and expenditure account	<u>1</u>	<u>111</u>	
Assumptions	2018 % per annum	2017 % per annum	2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 14. DIRECTORS' EMOLUMENTS

Emoluments were paid to one non-executive director (2017: one) amounting to £5k in the year (2017: £3k).

	2018 £000s	2017 £000s
The aggregate emoluments paid to or receivable by executive directors and former directors (including pensions of £7k (2017: £10k))	310	336
The emoluments paid to the highest paid director excluding pension contributions	76	83

The chief executive is an ordinary member of the pension scheme. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by Two Saints of £758 (2017: £750) was paid in the year in addition to the personal contributions of the chief executive.

Directors are defined as the members of the board of management, the chief executive and members of the senior management team. These persons comprise the key management personnel and their emoluments are disclosed above.

In addition, Employer's National Insurance payable in relation to the above individuals totalled £36k (2017: £39k).

#### 15. EMPLOYEE INFORMATION

	2018 No	2017 No
The monthly average number of persons employed during the year in full time equivalents (37 hours per week) was:	180	163
	£000s	£000s
Wages and salaries	4,431	4,110
Social Security costs	363	333
Other pension costs	52	49
	4,846	4,492

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:

	No	No
£60,000 - £70,000	1	1
£70,000 - £80,000	1	1
£80,000 - £90,000	-	1



## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 16. OPERATING LEASES

Some properties and equipment are held under non-cancellable operating leases. The association had outstanding commitments for future minimum payments under non-cancellable operating leases as follows:

	2018 £000s	2017 £000s
<b>Leases on land and buildings which expire:</b>		
Within the next year	235	83
In the second to fifth year	436	177
Greater than 5 years	37	-
<b>Other leases which expire:</b>		
Within the next year	28	28
In the second to fifth year	33	20
Greater than 5 years	-	-
	769	308

#### 17. TAXATION

The association has charitable status under its registration with Her Majesty's Revenue & Customs and is therefore exempt from liability to taxation under Section 505 of the Income and Corporation Taxes Act 1988 on its charitable activities. The association's HMRC exemption reference is XR56079.

#### 18. BEDSPACES

The number of units of accommodation managed by the association at the year end was as follows:

	2018	2017
<b>Supported housing</b>		
Direct access hostels	172	152
Move on accommodation	183	132
Mental health accommodation	22	9
Private leasing	12	43
	389	336

The association had contracts to provide support for 983 (2017 - 916) clients not residing in accommodation managed by the association.

The association owned 84 bed spaces (2017: 84) managed by other entities at the year end.

#### 19. SUBSIDIARY UNDERTAKINGS

##### The Society of St Dismas Limited

The Society of St Dismas Limited, a registered charity (number 222681) and a company limited by guarantee (number 735356), is a wholly owned subsidiary of Two Saints Limited.

Since 2001 The Society of St Dismas Limited has existed solely to raise money to enable it to undertake its charitable activities. Two Saints Limited is the only organisation to have benefited from these activities.

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 20. RELATED PARTIES

Transactions between Two Saints Limited and The Society of St Dismas Limited during 2017/18 include:

- Two Saints Limited raised an invoice to cover the costs of the audit fees paid on The Society of St Dismas Limited behalf for the past year amounting to £984 (2017: £2,568)

The Society of St Dismas Limited is not consolidated on the grounds of immateriality.

Details of key management personnel are included in note 14.

#### 21. POST BALANCE SHEET EVENT

On the 5<sup>th</sup> July 2018 the assets and liabilities of the Real World Trust, a small charity based on the Isle of Wight helping vulnerable people with alcohol and substance misuse issues, transferred to Two Saints Limited.