

**TWO SAINTS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

# **TWO SAINTS LIMITED**

## **CONTENTS**

|   | Pages   |
|---|---------|
| Particulars of the board of management, officers and advisers | 3       |
| Report of the board of management                             | 4 - 9   |
| Report of the auditors  | 10 – 11 |
| Statement of comprehensive income                             | 12      |
| Statement of financial position                               | 13      |
| Statement of changes in reserves                              | 14      |
| Statement of cash flows                                       | 15 - 16 |
| Notes to the financial statements                             | 17 - 30 |

## 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  |
| Ms H Keats                                  |   |
| Ms J Vaux, Deputy Chair                     |   |
| Mr K Williamson (resigned 12/2/19)          |   |
| Mr M Woosey                                 |   |
| Ms G Kennett (appointed 21/8/18)            |   |

#### Secretary

Mr S Benson

| Registered office  | Solicitors  | Auditors  | Banks   |
|--|---|---|---|
| 35 Waterside Gardens<br>Fareham<br>Hampshire<br>PO16 8SD | Capsticks<br>Staple House<br>Staple Gardens<br>Winchester<br>SO23 8SR | Nexia Smith & Williamson<br>Cumberland House<br>15-17 Cumberland Place<br>Southampton<br>SO15 2BG | Lloyds Bank plc<br>3 Town Quay<br>Southampton<br>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 2019.

#### **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 have been subject to regular review by TIAA Limited, our internal auditors up to 31 March 2019 and then by Mazars LLP who were appointed as internal auditors with effect from 1 April 2019. The internal auditors 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 financial plan assumptions, accommodation charges, business continuity, payroll, performance management, 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.

Four 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 nine. Our current chair Andrew Cobb reaches the end of his nine year term at the meeting and will be replaced following an externally facilitated recruitment process. Julie Toben will be recommended as the appointed successor.

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 the senior management team sign an annual 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.

## TWO SAINTS LIMITED

### BOARD REPORT

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

In 2018/19 the board held two away days to consider the future strategic direction of the organisation.

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, former offender and education and training services.

#### **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.

During 2018/19 we successfully merged with the Real World Trust, a charity based on the Isle of Wight delivering substance misuse services. We also concluded our private sector leasing activity which had previously been identified as a service that was being subsidised and was not meeting the original objective to provide move on from high intensity homeless services.

## TWO SAINTS LIMITED

### BOARD REPORT

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 £1,170k (2018: £586k). Turnover (income) for the year increased to £10.9 million (2018: £9.8 million) of which £4.2 million (2018: £3.9 million) came from supported housing letting activities and £6.1 million (2018: £5.4 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.

In previous years we recognised a pension liability measured as the present value of the agreed deficit contributions payable to the social housing pension scheme (SHPS) which arose from a deficit recovery agreement. From this year a method for determining each employer's share of assets and liabilities has been calculated and is shown on the Statement of Financial Position as a defined benefit liability of £3.1m replacing the defined funding liability in 2017/18 of £1.6m. The initial recognition of this change in accounting treatment is £0.7m and is shown in the Statement of Other Comprehensive Income. In addition there is a further £0.7m arising from actuarial losses arising in the year.

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.

We were able to successfully bid for new contracts during 2018/19 which will begin during 2019/20. 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 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 the statement of changes in reserves.

#### Employees

At the year-end we had a complement of 218 staff (2018: 198 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  | Supported housing provider - published metrics 2017/18 | 2018/19 | 2017/18 | 2016/17 |
|--|--|--|---------|---------|---------|
| 1. Reinvestment %  | Investment in properties as a percentage of total properties                             | 3.3  | 6.1     | 6.1     | 1.7     |
| 2. New supply delivered  | The number of new social and non-social housing units as a percentage of all owned units |  |         |         |         |
| Social housing %   |  | 1.2  | 5.7     | 7.6     | 0.0     |
| Non-social housing %   |  | 0.0  | 0.0     | 0.0     | 0.0     |
| 3. Gearing %   | Percentage of assets made up of debt finance (lower the better)                          | 14.5   | (27.5)  | (25.7)  | (27.6)  |
| 4. Interest cover %<br>(Earnings before interest, tax, depreciation, amortisation with major repairs included) | Measure of surplus compared to interest payments (higher the better)                     | 238.0  | 1332.9  | 692.9   | 1676.0  |
| 5. Social housing cost per unit £  | (Lower the better)   | 5,940  | 10,377  | 9,194   | 8,844   |
| 6. Operating margin %  | Surplus divided by turnover for both social housing and overall                          |  |         |         |         |
| Social housing lettings only   |  | 20.4   | 10.1    | 5.4     | 8.5     |
| Overall  |  | 15.4   | 10.7    | 5.3     | 7.5     |
| 7. Return on capital employed %  | Investment return on capital resources   | 2.6  | 8.7     | 4.7     | 6.0     |





These metrics are prescribed for all housing associations in order to provide comparison regardless of size or specialism. The Regulator for Social Housing's Value for Money – Summary report published in September 2018 confirmed analysis of the second year of value for money metrics identified that supported housing activity is associated with higher costs and lower operating margins than general needs housing.

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 and consistent activity for the most recent two years. As we have no borrowing 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, although metric 6 shows that our operating surplus for social housing lettings is 10% lower than the comparator for supported housing providers as well. This is because of the amount of housing stock we lease rather than own which incurs additional costs compared with owned stock.

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 2018-19 | 2018-19 | 2017-18 | 2016-17 | Performance against target  |
|-------------------------------|----------------|---------|---------|---------|---|
| Property utilisation          | 97%            | 95.5%   | 98%     | 97.6%   |  |
| Current personal rent arrears | 2%             | 1.7%    | 2.0%    | 1.0%    |  |
| Former client rent arrears    | 3%             | 2.3%    | 2.5%    | 2.3%    |  |
| Gas servicing compliance      | 100%           | 99.6%   | 99.7%   | 99.9%   |  |



# TWO SAINTS LIMITED

## BOARD REPORT

|                                  | Target 2018-19 | 2018-19 | 2017-18 | 2016-17 | Performance against target  |
|----------------------------------|----------------|---------|---------|---------|---|
| Repairs completed in target time | 95%            | 99.3%   | 99.7%   | 99.7%   |  |
| Staff turnover                   | 20%            | 32.5%   | 27.5%   | 31.4%   |  |

Two of the six performance indicators were not at or above target for 2018/19. Property utilisation was 95.5% for the year against a target of 97% because of referral processes in some of our young people's services and substance misuse services on the Isle of Wight. Staff turnover was 32.5% against a target of 20% as insecurities associated with re-tendering of services and smaller staff teams dealing with more complex clients continued to have an adverse effect on retention.

### ***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:

- 93% (2018 - 95%) of clients feel that their support plan reflects their goals and they receive support to achieve them
- 86% (2018 - 89%) of clients say that their support worker has discussed move on and support options for the future
- 91% (2018 - 91%) of clients feel the support they receive has helped them become a positive and independent person
- 80% (2018 - 84%) of clients feel that their accommodation is clean, comfortable and well maintained.

### ***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 £2.5m in our buildings over the next 5 years
- Acquire 94 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 £3.1m over the next 5 years which is 4.8% of turnover to be used to achieve investment and acquisition targets and maintain financial health

By order of the board



Andrew Cobb

Chair

Date: 2018/19

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 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, the Statement of Cash Flows 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2019 and of 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.

### 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.

## TWO SAINTS LIMITED

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

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.

#### **Use of our report**

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.

*Nexia Smith & Williamson*

**Nexia Smith & Williamson**  
Statutory Auditor  
Chartered Accountants

Cumberland House  
15-17 Cumberland Place  
Southampton  
SO15 2BG

Date *22/8/19*

**TWO SAINTS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2019**

|  | Notes | 2019<br>£'000s      | 2018<br>£'000s    |
|--|-------|---------------------|-------------------|
| <b>Turnover</b>  | 2     | 10,927              | 9,785             |
| <b>Operating expenditure</b>                                 |       | <u>(9,757)</u>      | <u>(9,199)</u>    |
| <b>Operating surplus</b>                                     | 3     | 1,170               | 586               |
| Pension scheme re-measurement                                |       | -                   | (27)              |
| Interest receivable and similar income                       |       | 15                  | 16                |
| Interest payable and similar charges                         |       | <u>(63)</u>         | <u>(28)</u>       |
| <b>Surplus on ordinary activities for the year</b>           |       | 1,122               | 601               |
| <b>Other comprehensive income</b>                            |       |                     |                   |
| Initial recognition of multi-employer DB scheme              | 10    | (717)               | -                 |
| Actuarial losses in respect of pension scheme                | 10    | <u>(700)</u>        | <u>-</u>          |
| <b>Total comprehensive (expenditure)/income for the year</b> |       | <u><u>(295)</u></u> | <u><u>601</u></u> |

**TWO SAINTS LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

|   | Notes | 2019<br>£'000s | 2018<br>£'000s |
|---|-------|----------------|----------------|
| <b>Fixed assets</b>                                 |       |                |                |
| Housing properties                                  | 4     | 10,587         | 10,193         |
| Other fixed assets                                  | 4     | 92             | 69             |
|   |       | <hr/>          | <hr/>          |
|   |       | 10,679         | 10,262         |
| <b>Current assets</b>                               |       |                |                |
| Debtors   | 5     | 910            | 708            |
| Cash at bank and in hand                            |       | 3,544          | 3,203          |
|   |       | <hr/>          | <hr/>          |
|   |       | 4,454          | 3,911          |
| <b>Creditors</b>                                    |       |                |                |
| Amounts falling due within one year                 | 6     | (1,572)        | (1,761)        |
|   |       | <hr/>          | <hr/>          |
| <b>Net current assets</b>                           |       | 2,882          | 2,150          |
|   |       | <hr/>          | <hr/>          |
| <b>Total assets less current liabilities</b>        |       | 13,561         | 12,412         |
| <b>Creditors: amount falling due after one year</b> | 7     | (6,931)        | (8,506)        |
| <b>Provision for liabilities and charges</b>        | 9     | (41)           | (138)          |
| <b>Pension – defined benefit liability</b>          | 10    | (3,116)        | -              |
|   |       | <hr/>          | <hr/>          |
| <b>Net assets</b>                                   |       | 3,473          | 3,768          |
|   |       | <hr/>          | <hr/>          |
| <b>Represented by:</b>                              |       |                |                |
| <b>Capital and reserves</b>                         |       |                |                |
| Non-equity share capital                            | 11    | -              | -              |
| Revenue reserve                                     |       | 3,473          | 3,768          |
|   |       | <hr/>          | <hr/>          |
|   |       | 3,473          | 3,768          |
|   |       | <hr/>          | <hr/>          |

The financial statements on pages 12 - 30 were approved and authorised by the board on 20 August 2019 and were signed on its behalf by:



**Andrew Cobb**  
Chair



**John Carter**  
Board member



**Steve Benson**  
Secretary

TWO SAINTS LIMITED

STATEMENT OF CHANGES IN RESERVES AS AT 31 MARCH 2019

|   | Share capital | Income and<br>expenditure<br>reserve | Total capital<br>and reserves |
|---|---------------|--------------------------------------|-------------------------------|
|   | £000s         | £000s                                | £000s                         |
| Balance at 31 March 2017                | -             | 3,167                                | 3,167                         |
| Surplus for the year                    | -             | 601                                  | 601                           |
| Total comprehensive income for the year | -             | 601                                  | 601                           |
| Balance at 31 March 2018                | -             | 3,768                                | 3,768                         |

|   | Share capital | Income and<br>expenditure<br>reserve | Total capital<br>and reserves |
|---|---------------|--------------------------------------|-------------------------------|
|   | £000s         | £000s                                | £000s                         |
| Balance at 31 March 2018                | -             | 3,768                                | 3,768                         |
| Surplus for the year                    | -             | 1,122                                | 1,122                         |
| Other comprehensive income for the year | -             | (1,417)                              | (1,417)                       |
| Total comprehensive income for the year | -             | (295)                                | (295)                         |
| Balance at 31 March 2019                | -             | 3,473                                | 3,473                         |

**TWO SAINTS LIMITED**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019**

|   | Notes    | 2019<br>£'000s | 2018<br>£'000s |
|---|----------|----------------|----------------|
| <b>Net cash generated from operating activities</b>       | <b>I</b> | <b>658</b>     | <b>515</b>     |
| <b>Cash flow from investing activities</b>                |          |                |                |
| Acquisition, construction and works to housing properties |          | (541)          | (760)          |
| Grants received   |          | 120            | 200            |
| Purchase of other assets                                  |          | (39)           | (25)           |
| Interest received   |          | 15             | 16             |
| Proceeds from sale of properties                          |          | 138            | 1              |
| <b>Net cash (used) in investing activities</b>            |          | <b>(307)</b>   | <b>(568)</b>   |
| <b>Cash flow from financing activities</b>                |          |                |                |
| Repayment of HP/finance debt                              |          | (10)           | (14)           |
| <b>Net cash (used) in financing activities</b>            |          | <b>(10)</b>    | <b>(14)</b>    |
| <b>Increase/(Decrease) in cash and cash equivalents</b>   |          | <b>341</b>     | <b>(67)</b>    |
| Cash and cash equivalents at beginning of year            | <b>I</b> | 3,203          | 3,270          |
| Cash and cash equivalents at end of year                  |          | <b>3,544</b>   | <b>3,203</b>   |

TWO SAINTS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

|   | 2019<br>£'000s | 2018<br>£'000s |
|---|----------------|----------------|
| <b>I : Reconciliation of operating surplus to net cash inflow from operating activities</b> |                |                |
| Operating surplus for the year  | 1,170          | 586            |
| Depreciation  | 315            | 321            |
| Amortisation of government grants   | (86)           | (85)           |
| Gift arising on RVVT transfer   | (245)          | -              |
| (Increase) in debtors   | (197)          | (32)           |
| (Decrease) in creditors   | (1,838)        | (245)          |
| (Decrease) in provisions  | (97)           | (30)           |
| Increase in pension provision   | 1,636          | -              |
| <b>Net cash generated from operating activities</b>   | <u>658</u>     | <u>515</u>     |
| <br><b>Cash and cash equivalents</b>  |                |                |
|   | 2019<br>£'000s | 2018<br>£'000s |
| Cash at bank and in hand  | <u>3,544</u>   | <u>3,203</u>   |



## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### I. PRINCIPAL ACCOUNTING POLICIES

Two Saints Limited is registered in England and Wales as a 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.

##### **Going concern**

The financial statements are prepared on a going concern basis.

##### **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 £446k 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.

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 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.

#### 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.

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### Acquisitions

Assets and liabilities acquired from the Real World Trust in the period have been measured at fair value. The total net assets acquired has been recognised within turnover.

#### 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 comprehensive income. 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.

#### 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.

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### **Retirement benefits**

##### *Social Housing Pension Scheme – Defined Benefit*

Two Saints participates in the Social Housing Pension Scheme administered by The Pensions Trust Retirement Solutions. This is a multi-employer defined benefit scheme. Two Saints has closed new membership admissions for all staff.

The Pensions Trust has provided new sufficient information identifying the underlying assets and liabilities of the scheme at individual participating employer level as at 31 March 2018. No other changes to the scheme benefits have come into effect by 31 March 2019. In prior years, Two Saints accounted for the scheme as a defined contribution scheme and recognised an additional creditor for agreed deficit recovery payments. However now that sufficient information is available the treatment is in line with FRS 102 for full defined benefit accounting.

Two Saints is early adopting the principles set out in FRS 102 (May 19) 28.11b in order to transition to full DB accounting. This involves derecognising the liability for agreed deficit recovery payments and recognising the net pension deficit for the scheme as at 1 April 2018.

The net difference of the two is recognised separately in other comprehensive income.

##### *Social Housing Pension Scheme – Defined Contribution*

Two Saints participates in a defined contribution scheme provided by The Pensions Trust Retirement Solutions.

This scheme is open to new members and is the preferred vehicle for auto enrolment. The accounting charge for the period represents the employer contribution payable.

#### **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.

# TWO SAINTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 2. SOCIAL HOUSING INCOME AND EXPENDITURE

|  | 2019<br>£000s | 2018<br>£000s |
|--|---------------|---------------|
| Rents receivable net of identifiable service charges | 1,848         | 1,968         |
| Service charge income                                | 2,408         | 1,939         |
| Revenue, capital grants, contract and other income   | 5,576         | 5,228         |
|  | <hr/>         | <hr/>         |
| Total income from lettings                           | 9,832         | 9,135         |
| Social housing activities expenditure                | (8,840)       | (8,641)       |
|  | <hr/>         | <hr/>         |
| Operating surplus from social housing activities     | 992           | 494           |
|  | <hr/>         | <hr/>         |
| Rent losses from voids                               | 181           | 94            |

### 3. SURPLUS FOR THE YEAR

|   | 2019<br>£000s | 2018<br>£000s |
|---|---------------|---------------|
| Surplus for the year is stated after charging/(crediting):  |               |               |
| Auditor's remuneration including expenses, (excluding VAT)  |               |               |
| • in their capacity as auditors                             | 15            | 12            |
| Depreciation of housing properties                          | 257           | 291           |
| Depreciation of other fixed assets                          | 58            | 30            |
| Loss/(profit) on disposal of fixed assets                   | -             | (1)           |
| Operating lease rentals                                     | 314           | 473           |
| Gift on transfer of Real World Trust assets and liabilities | (257)         | -             |

TWO SAINTS LIMITED

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

4. TANGIBLE FIXED ASSETS

|  | Housing<br>properties<br>for letting<br>completed<br>£000s | Non-social<br>housing<br>properties<br>£000s | Housing<br>properties<br>sub total<br>£000s | Computer<br>and other<br>equipment<br>£000s | Motor<br>vehicles<br>£000s | Other<br>fixed<br>assets<br>subtotal<br>£000s | Total<br>£000s |
|--|--|--|---|---|----------------------------|---|----------------|
| <b>Cost</b>                              |  |  |   |   |                            |   |                |
| Cost at start of the year                | 11,806   | 647  | 12,453                                      | 465   | 6                          | 471   | 12,924         |
| Additions                                | 787  | 2  | 789   | 81  |                            | 81  | 870            |
| Disposals                                | (204)  |  | (204)                                       | (79)  |                            | (79)  | (283)          |
| At end of year                           | 12,389   | 649  | 13,038                                      | 467   | 6                          | 473   | 13,511         |
| <b>Depreciation</b>                      |  |  |   |   |                            |   |                |
| Depreciation at start of the year        | 2,145  | 115  | 2,260                                       | 402   | -                          | 402   | 2,662          |
| Charge for the year                      | 215  | 18   | 233   | 57  | 1                          | 58  | 291            |
| Disposals                                | (42)   |  | (42)  | (79)  |                            | (79)  | (121)          |
| At end of year                           | 2,318  | 133  | 2,451                                       | 380   | 1                          | 381   | 2,832          |
| <b>Net book value at end of the year</b> | <u>10,071</u>  | <u>516</u>                                   | <u>10,587</u>                               | <u>87</u>                                   | <u>5</u>                   | <u>92</u>                                     | <u>10,679</u>  |
| Net book value at start of the year      | 9,661  | 532  | 10,193                                      | 63  | 6                          | 69  | 10,262         |
|  |  |  |   |   |                            |   |                |

The net book value of assets held under finance and HP leases amounted to £28k (2018: £nil), with a depreciation charge of £14k (2018: £nil).

**TWO SAINTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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

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

|                | 2019<br>£000s      | 2018<br>£000s      |
|----------------|--------------------|--------------------|
| Freehold       | 8,040              | 7,661              |
| Long leasehold | 2,547              | 2,532              |
|                | <hr/> 10,587 <hr/> | <hr/> 10,193 <hr/> |

**Disposal of housing properties:**

|  | 2019<br>£000s | 2018<br>£000s |
|--|---------------|---------------|
| Sale proceeds                          | 138           | -             |
| Less carrying value                    | (138)         | -             |
|  | <hr/> - <hr/> | <hr/> - <hr/> |
| Profit on disposal of housing property | -             | -             |

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

|  | 2019<br>£000s   | 2018<br>£000s   |
|--|-----------------|-----------------|
| Rent arrears                                   | 446             | 346             |
| Less provision for bad debt and doubtful debts | (147)           | (131)           |
|  | <hr/>           | <hr/>           |
| Net rents due                                  | 299             | 215             |
| Other debtors                                  | 368             | 284             |
| Accrued income                                 | 47              | 10              |
| Prepayments                                    | 196             | 199             |
|  | <hr/> 910 <hr/> | <hr/> 708 <hr/> |

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

|   | 2019<br>£000s     | 2018<br>£000s     |
|---|-------------------|-------------------|
| Rent paid in advance                        | 66                | 24                |
| Trade creditors                             | 60                | 45                |
| Accruals                                    | 723               | 623               |
| Social Security costs payable               | 107               | 98                |
| Pension contributions payable               | 46                | 340               |
| Deferred income                             | 270               | 342               |
| Other creditors                             | 204               | 204               |
| Amounts payable under HP and finance leases | 10                | -                 |
| Deferred capital grant (note 8)             | 86                | 85                |
|   | <hr/> 1,572 <hr/> | <hr/> 1,761 <hr/> |

# TWO SAINTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

|   | 2019<br>£000s | 2018<br>£000s |
|---|---------------|---------------|
| Deferred capital grant (note 8)             | 6,903         | 6,870         |
| Amounts payable under HP and finance leases | 28            | -             |
| Pension contributions payable               | -             | 1,636         |
|   | <u>6,931</u>  | <u>8,506</u>  |

### AMOUNTS OWING UNDER HP AND FINANCE LEASES

|                                     | 2019<br>£000s | 2018<br>£000s |
|-------------------------------------|---------------|---------------|
| Amounts owing in less than one year | 10            | -             |
| Amounts owing in 2 – 5 years        | 28            | -             |
|                                     | <u>38</u>     | <u>-</u>      |

### 8. DEFERRED CAPITAL GRANT

|  | 2019<br>£000s | 2018<br>£000s |
|--|---------------|---------------|
| At 1 April                                   | 6,955         | 6,940         |
| Grant received in year                       | 120           | 100           |
| Released to income in the year               | (86)          | (85)          |
| At 31 March                                  | <u>6,989</u>  | <u>6,955</u>  |
|  | 2019<br>£000s | 2018<br>£000s |
| Amounts to be released within one year       | 86            | 85            |
| Amounts to be released in more than one year | 6,903         | 6,870         |
|  | <u>6,989</u>  | <u>6,955</u>  |

### 9. PROVISIONS FOR LIABILITIES AND CHARGES

|   | 2019<br>£000s | 2018<br>£000s |
|---|---------------|---------------|
| Provision for estimated end of lease liabilities on certain properties: |               |               |
| At start of year  | 138           | 167           |
| Charge to income statement  | -             | 11            |
| Expenditure charge against provision                                    | (43)          | (40)          |
| Released accumulated liability to income statement                      | (54)          | -             |
|   | <u>41</u>     | <u>138</u>    |



## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 10. 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 company participates in the Social Housing Pension Scheme (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.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company 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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

##### Present values of defined benefit obligation, fair value of assets and defined benefit asset/ (liability)

|  | 2019<br>£000s | 2018<br>£000s |
|--|---------------|---------------|
| Fair value of plan assets                    | 10,143        | 9,816         |
| Present value of defined benefit obligation  | (13,259)      | (12,474)      |
| (Deficit) in plan                            | (3,116)       | (2,658)       |
| Unrecognised surplus                         | -             | -             |
| Defined benefit (liability) to be recognised | (3,116)       | (2,658)       |

##### Reconciliation of opening and closing balances of the defined benefit obligation

|  | 2019<br>£000s |
|--|---------------|
| Defined benefit obligation at start of period              | 12,474        |
| Expenses   | 13            |
| Interest expense   | 312           |
| Actuarial losses due to scheme experience                  | 44            |
| Actuarial losses due to changes in demographic assumptions | 41            |
| Actuarial losses due to changes in financial assumptions   | 732           |
| Benefits paid and expenses                                 | (357)         |
| Defined benefit obligation at end of period                | 13,259        |

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### Reconciliation of opening and closing balances of the fair value of plan assets

|  | 2019<br>£000s |
|--|---------------|
| Fair value of plan assets at start of period                                     | 9,816         |
| Interest income  | 249           |
| Experience on plan assets (excluding amounts included in interest income) – gain | 117           |
| Contributions by the employer  | 318           |
| Benefits paid and expenses   | (357)         |
|  | <hr/>         |
| Fair value of plan assets at end of period                                       | <u>10,143</u> |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £366,000.

#### Defined benefit costs recognised in statement of comprehensive income (SoCI)

|  | 2019<br>£000s |
|--|---------------|
| Expenses   | 13            |
| Net interest expense   | 63            |
|  | <hr/>         |
| Defined benefit costs recognised in statement of comprehensive income (SoCI) | <u>76</u>     |

#### Defined benefit costs recognised in other comprehensive income

|   | 2019<br>£000s |
|---|---------------|
| Experience on plan assets (excluding amounts included in net interest cost) – gain  | 117           |
| Experience gains and losses arising on the plan liabilities – (loss)  | (44)          |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss) | (41)          |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)   | (732)         |
|   | <hr/>         |
| Total amount recognised in other comprehensive income – (loss)  | <u>(700)</u>  |

#### Key assumptions

|   | 2019<br>% per annum      | 2018<br>% per annum      |
|---|--------------------------|--------------------------|
| Discount rate   | 2.29%                    | 2.54%                    |
| Inflation (RPI)   | 3.30%                    | 3.20%                    |
| Inflation (CPI)   | 2.30%                    | 2.20%                    |
| Salary growth   | 3.30%                    | 3.20%                    |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

|                         | Life expectancy at<br>age 65<br>(years) |
|-------------------------|---|
| Male retiring in 2019   | 21.8                                    |
| Female retiring in 2019 | 23.5                                    |
| Male retiring in 2039   | 23.2                                    |
| Female retiring in 2039 | 24.7                                    |

#### 11. NON-EQUITY SHARE CAPITAL

|                                 | 2019<br>£ | 2018<br>£ |
|---------------------------------|-----------|-----------|
| Allotted, issued and fully paid |           |           |
| Shares at start of the year     | 9         | 9         |
| Cancelled during the year       | (1)       | -         |
| Issued during the year          | 1         | -         |
| Shares at end of the year       | <u>9</u>  | <u>9</u>  |

All members hold one share of £1. As at 31 March 2019 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.

#### 12. FINANCIAL INSTRUMENTS

The association's financial instruments comprise debtors, creditors and cash and cash equivalents.

|  | 2019<br>£000s | 2018<br>£000s |
|--|---------------|---------------|
| <b>Financial assets:</b>                             |               |               |
| <b>Financial assets held at amortised cost:</b>      |               |               |
| Rental debtors                                       | 299           | 215           |
| Other debtors  | 368           | 284           |
| Accrued income                                       | 47            | 10            |
| <b>Cash and cash equivalents:</b>                    | 3,544         | 3,203         |
| <b>Financial liabilities held at amortised cost:</b> |               |               |
| Trade creditors                                      | (60)          | (45)          |
| Accruals and other creditors                         | (927)         | (827)         |
| Pension contributions payable                        | (46)          | (1,976)       |
| HP and finance leases                                | (38)          | -             |

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 13. DIRECTORS' EMOLUMENTS

Emoluments were paid to one non-executive director (2018: one) amounting to £5k in the year (2018: £5k).

|   | 2019<br>£000s | 2018<br>£000s |
|---|---------------|---------------|
| The aggregate emoluments paid to or receivable by executive directors (including pensions of £9k (2018: £7k)) | 315           | 310           |
| The emoluments paid to the highest paid director excluding pension contributions                              | 78            | 76            |

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 £2,295 (2018: £758) 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 (2018: £36k).

#### 14. EMPLOYEE INFORMATION

|  | 2019<br>No | 2018<br>No |
|--|------------|------------|
| The monthly average number of persons employed during the year in full time equivalents (37 hours per week) was: | 194        | 180        |
|  | £000s      | £000s      |
| Wages and salaries   | 4,875      | 4,431      |
| Social Security costs  | 401        | 363        |
| Other pension costs  | 86         | 52         |
|  | 5,362      | 4,846      |

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  |

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 15. 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:

|                                      | 2019<br>£000s | 2018<br>£000s |
|--------------------------------------|---------------|---------------|
| <b>Leases on land and buildings:</b> |               |               |
| Within the next year                 | 219           | 235           |
| In the second to fifth year          | 524           | 436           |
| Greater than 5 years                 | 304           | 37            |
| <b>Other leases:</b>                 |               |               |
| Within the next year                 | 31            | 28            |
| In the second to fifth year          | 21            | 33            |
| Greater than 5 years                 | 11            | -             |
|                                      | 1,110         | 769           |

#### 16. 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.

#### 17. GIFT ON TRANSFER

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, as follows:

|  | 2019<br>£000s |
|--|---------------|
| Property (at valuation/market value)       | (248)         |
| Cash at bank transferred                   | (12)          |
| RWT debtors at 5 <sup>th</sup> July 2018   | (5)           |
| RWT creditors at 5 <sup>th</sup> July 2018 | 8             |
|  | (257)         |
| Gift on transfer                           |               |

#### 18. BEDSPACES

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

|  | 2019 | 2018 |
|--|------|------|
| <b>Supported housing - owned</b>           |      |      |
| Direct access hostels                      | 116  | 115  |
| Move on accommodation                      | 153  | 160  |
| Move on accommodation - at affordable rent | 10   | 10   |
| Mental health accommodation                | 27   | 22   |
| Private leasing                            | 2    | 12   |
| <b>Supported housing - managed</b>         |      |      |
| Direct access hostels                      | 57   | 57   |
| Move on accommodation                      | 13   | 13   |
|  | 378  | 389  |

## TWO SAINTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The movement in the bedspace for owned direct access units is due to the change in use of one room from an office to a bedspace. The movement in move on accommodation, mental health accommodation and private leasing is due to changes in contract provision during the year.

The association had contracts to provide support for 711 (2018 - 983) clients not residing in accommodation managed by the association.

The association owned 84 bed spaces (2018: 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.

#### 20. RELATED PARTIES

Transactions between Two Saints Limited and The Society of St Dismas Limited during 2018/19 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 (2018: £984)

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

Details of key management personnel are included in note 13.