TWO SAINTS

# TWO SAINTS LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2023

## CONTENTS

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

| Board of management | Executive team |
|---|---|
| J Banks (co-opted May 2023/appointed August 2023) | Steve Benson, Chief Executive (retired March 2023) |
| J Carter (retired August 2023) | Richard Gammage, Chief Executive (appointed March 2023) |
| G Kennett | Janice Hughes, Executive Director of Investment, Assets and Risk |
| C Moylan | Emily Brock, Executive Director of Transformation and Business Improvement (resigned July 2023) |
| S O'Reilly (co-opted May 2023/appointed August 2023 | Charlotte Buckingham, Executive Director of Client Services |
| D Palmer | Paula-May Houghton Clarke, Executive Director of People and Programmes (appointed August 2023) |
| R Pinchin | |
| A Quigley | |
| S Rose (resigned October 2022) | |
| J Toben, Chair | |
| M Woosey | |
| Farhan Nathwani (resigned July 2022) | |

**Secretary**

Richard Gammage

| Registered office | Solicitors | Auditors | Banks |
|---|---|---|---|
| 69 High Street<br>Fareham<br>Hampshire<br>PO16 7BB | Capsticks<br>Staple House<br>Staple Gardens<br>Winchester<br>SO23 8SR | CLA Evelyn Partners Limited<br>Cumberland House<br>15-17 Cumberland Place<br>Southampton<br>SO15 2BG | Lloyds Bank plc<br>25 Gresham Street<br>London<br>EC2V 7HN |

**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

The Board presents its report and financial statements for the year ended 31 March 2023.

**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 2022. 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 executive 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 anti-bribery, 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 executive 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 our executive 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 Beever and Struthers LLP (our internal auditors) during the year. The internal auditors advise the executive team and report to the audit and risk committee who consider internal control and risk at each of its meetings. During the year reviews were carried out on safeguarding, rent setting, water and asbestos safety and financial controls together with two business critical control reviews and a follow up of audit recommendations from the previous year.

  The audit and 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 and 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.

**Governance**

We have an objective to ensure we comply with regulatory and statutory codes and standards for good governance. We believe 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 our Board.

In addition to attending these committees, Board members attend working groups to consider matters such as health and safety, the budget or our long-term financial plan and can then play a leading role in subsequent discussions at Board meetings.

Board members are elected for three-year terms at annual general meetings. The Board reviews its operations and performance annually. It identifies the skills it requires to fulfil its responsibilities and recruits new members with the requisite skills and experience.

One Board member reaches the end of their term of office at the forthcoming annual general meeting, and a further one reaches the end of their current term but is eligible for re-election. Following this, the Board will comprise of no less than eight people.

Our Board is confident its governance arrangements continue to be strengthened through the work of our remuneration and nominations committee and Board, throughout the year. The Board adopted the National Housing Federation's 2020 code of governance and carried out a self-assessment against this. The effectiveness of our governance has also been the subject of an external independent review.

We're committed to upholding the National Housing Federation's Excellence in Standards of Conduct and maintaining high standards of business probity. All Board members and our executive team sign declaration of interest forms every year.

The Board confirms they comply with the principles and guidelines in the National Housing Federation's 2020 Code of Governance.

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

In 2022/23 the Board held two strategy 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.

The members of the executive team are listed on page 3.

Members of committees are selected by and from the Board. The Board is responsible for determining the terms of reference for all committees. The audit and risk committee is responsible for external and internal audit issues and risk management. The remuneration and nominations committee is responsible for overseeing Board skills audits, making recommendations on succession planning and the remuneration of the Board and 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 through co-production, as well as the development and review of policies and procedures.

In practice:

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

In addition, the client engagement team reports directly to the Board and to fellow clients in our services. Our client engagement team continue to assess the quality of the services we provide, and their findings are shared with the Board every quarter.

### Fraud

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

### Auditors

CLA Evelyn Partners Limited are deemed to be re-appointed as auditors.

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 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.

### Principal activities

We provide safe, flexible and reliable client led housing and support services that focus on reducing homelessness, improving health and wellbeing and build on individual's skills and resilience. We provide this help to our clients through the provision of direct access hostel accommodation, resettlement services and community support services in Berkshire, Hampshire (including Portsmouth and Southampton) and on the Isle of Wight.

### Review of the business

During 2022/23 we continued to develop our services by buying more buildings that we operate support services from. We continue to work with local authority partners to deliver Housing First services and are beginning to see this model of support in mainstream commissioning. We've been a continuing delivery partner for other short term government initiatives including the Rough Sleeper Initiative and the Rough Sleeper Accommodation Programme. Our Board and executive team continue to seek to influence policy makers at both local and national levels to secure long term solutions to housing supply and revenue funding to provide support.

The organisation continues to focus attention on financial viability, sustainability and service quality in the medium and long term.

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 £504k (2022: £447k). Turnover (income) for the year, including other income increased to £18 million (2022: £17 million) of which £8.7million (2022: £7.6 million) came from supported housing letting activities and £9.4 million (2022: £9.2 million) from the provision of support. The balance of income was from non-social housing activities.

Despite the financial pressures on the work we do, 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 have been impacted by increases to fuel and food prices as well as the cost-of-living crisis more broadly, particularly on wage inflation and the impact on staff recruitment and retention.

We recognise a pension liability based on our share of assets and liabilities in the defined benefit pension scheme held with the social housing pension scheme (SHPS). The scheme is closed to new entrants. The Statement of Other Comprehensive Income recognises changes to the underlying economic assumptions and scheme asset and liability performance, which decreases the net pension liability from £1,818k to £1,734k.

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

During the year we were successful in bids for both new and existing work, through successful tenders and by negotiation with commissioners.

We will be bidding for existing service contracts during 2023/24 that will be implemented in 2024/25 if we are successful. We will also provide temporary accommodation for single people and small families who are currently housed by local authorities under their statutory housing duty, mainly in bed and breakfast accommodation.

We have reviewed the energy performance of all our owned stock during 2022/23 so that we can develop a strategy to achieve energy performance certificates of 'C' and above by 2030. We plan to introduce a wider environmental sustainability strategy during the coming year and consider adoption of the sustainable reporting standard to demonstrate our direction of travel towards carbon zero emissions.

### Surpluses and reserves

The generation of modest surpluses is a key element of our financial strategy, to demonstrate our financial stability, comply with loan covenants and to cover unforeseen events.

Reserves are internally generated resources invested in our assets and acquiring or developing new 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 305 staff (2022: 318 staff). We are committed to the principles and practice of equality, diversity and inclusion. We seek to put these principles into operation in all matters of recruitment and employment. The effective training and development of all staff is a key objective.

## 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 2021/22 | 2022/23 | 2021/22 | 2020/21 |
|---|---|---|---|---|---|
| **1. Reinvestment %** | Investment in properties as a percentage of total properties | 6.1 | 23.8 | 11.8 | 1.5 |
| **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 | 6.0 | 0.0 | 0.53 |
| Non-social housing % | | 0.0 | 0.0 | 0.0 | 0.0 |
| **3. Gearing %** | Percentage of assets made up of debt finance (lower the better) | 12.5 | 1.7 | (7.5) | (33.4) |
| **4. Interest cover %** (Earnings before interest, tax, depreciation, amortisation with major repairs included) | Measure of surplus compared to interest payments (higher the better) | 203.0 | 463.9 | 400.0 | 4,669.6 |
| **5. Social housing cost per unit £** | (Lower the better) | 8,400 | 9,098 | 9,984 | 8,531 |
| **6. Operating margin %** | Surplus divided by turnover for both social housing and overall (Turnover includes other income where related to activities) | | | | |
| Social housing lettings only | | 10.0 | 2.9 | 0.01 | 15.9 |
| Overall | | 5.2 | 2.8 | 2.9 | 7.7 |
| **7. Return on capital employed %** | Investment return on capital resources | 2.9 | 2.6 | 2.5 | 7.9 |

These metrics are prescribed for all housing associations to provide comparison regardless of size or specialism. The Regulator for Social Housing's Value for Money metrics 2022 report was published in March 2023 as an annex to the 2022 Global Accounts. The metrics reported for the supported housing sub-sector have been taken as the comparator for benchmarking purposes.

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. Expenditure on new developments increased this year as we purchased five properties on the Isle of Wight for homeless people and completed the refurbishment of 29 flats in Havant for temporary accommodation.

Metric 2 is higher than the benchmark because we completed our development programme that brought 53 additional units of accommodation into management.

We're reporting a lower than benchmark gearing percentage at Metric 3, because we continue to hold over £2m in cash that reduces the £3m loan balance in this calculation.

Metric 4, interest cover is above the comparator average and our existing interest cover covenant of 110%.

Metric 5 indicates that our cost per unit is higher than the sector average for our cohort, but lower than the previous year. Our service costs are historically higher than the average because of the number of fully catered services we operate and increasing numbers of small, shared houses where communal furnishing has a high per unit cost.

The operating margin for social housing lettings at Metric 6 is low against the sector average. This is due to a combination of high voids in newly contracted services and delays in new properties coming into management, as well as high maintenance costs. The overall operating margin is lower for the same reasons.

The return on capital employed at Metric 7 is slightly lower than the sector average and past performance because of the reduced operating surplus as described above.

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**

| | 2020-21 | 2021-22 | 2022-23 | Target 2022-23 | 2022-23 Performance against target |
|---|---|---|---|---|---|
| Property utilisation | 92.4% | 93.6% | 90.6% | 97% | ↓ |
| Current personal rent arrears | 3.2% | 2.7% | 3.5% | 2.8% | ↓ |
| Former client rent arrears | 2.2% | 2.7% | 4.0% | 3% | ↓ |
| Gas servicing compliance | 100% | 100% | 98.9% | 100% | ↓ |
| Repairs completed in target time | 92.43% | 100% | 98.8% | 98.6% | ↓ |
| Staff turnover | 26.3% | 36.3% | 47.1% | 30% | ↓ |

Five of the six performance indicators did not achieve target in 2022/23. Property utilisation was 90.6% for the year against a target of 97%, deteriorating by 3% from last year. The main reason for empty rooms was due to slow mobilisation of new services and development delays, as well as slow referrals in some areas. Current personal arrears increased by 0.8% and former arrears increased by 1.3%. Gas servicing compliance was slightly under target at the end of the year as two properties were without gas.

### 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 2023 show the following:

- 95% (2022: 95%) of clients feel able to access staff and support when they need it.
- 88% (2022: 90%) of clients feel that their support plan reflects their goals and they receive support to achieve them
- 92% (2022: 91%) of clients said they receive a good service

- 94% of clients said that Two Saints treat them with respect

## Strategic objectives

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

- Developing our people
- Providing safe places (our properties) for people to live
- Developing our organisation

We have a 5 and 30 year financial plan that 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 £4.1m in our buildings over the next 5 years
- Develop and implement options appraisals for repurposing three of our large hostel type buildings
- Scope and implement fully integrated housing management, asset management, support planning and finance software
- Maintain cash reserves above £2m
- Generate overall surplus of £3m over the next 5 years which is 3% of turnover to be used to achieve investment and acquisition targets and maintain financial health

The potential effects of rapidly increasing inflation on our financial sustainability and service delivery have been assessed on an ongoing basis by our Board and executive team. While the cost of living crisis affects our surplus in the short term, there is no reduction in the need to support and house vulnerable people and our financial viability remains strong.

By order of the Board

Julie Toben

Chair

Date: 15 August 2023

evelyn PARTNERS

## Opinion

We have audited the financial statements of Two Saints Limited (the 'association') for the year ended 31 March 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and the notes to the financial statements, including 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 2023 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 requirements of 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 2022.

## 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

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

## 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 contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 in relation to which 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the association's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations and the entity's policies and procedures regarding compliance. We also drew on our existing understanding of the association's industry and regulation.

We understand that the association complies with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;

- A risk assessment framework and register that includes regular review and scrutiny by the Board and the Audit and Risk Committee;
- An annual assessment of compliance with regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing; and
- The Board's close oversight through regular Board meetings and compliance reporting.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the association's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Association:

- FRS 102, the requirements of 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 2022, in respect of the preparation and presentation of the financial statements;
- Health and safety regulations; and
- Regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Performed a review of Board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations; and
- Reviewed any correspondence between the Regulator of Social Housing and the association.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries and incorrect recognition of revenue.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the association's processes and controls surrounding manual journal entries; and
- Review of covenant compliance calculations
- reviewing and challenging estimates made by management; and
- substantive work on revenue transactions.

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

## Use of our report

This report is made solely to the association's members, as a body, in accordance with 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.

CLA Evelyn Partners Limited

**CLA Evelyn Partners Limited**
Statutory Auditor
Chartered Accountants

Date: 4/9/23

Cumberland House
15-17 Cumberland Place
Southampton
Hants
SO15 2BG

TWO SAINTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

| | Notes | 2023 £'000s | 2022 £'000s |
|---|---|---|---|
| **Turnover** | 2 | 18,256 | 16,661 |
| **Other income** | | - | 283 |
| **Operating expenditure** | | (17,752) | (16,497) |
| **Operating surplus** | 3 | 504 | 447 |
| Interest receivable and similar income | | 3 | 1 |
| Interest payable and similar charges | 4 | (144) | (61) |
| **Surplus on ordinary activities for the year** | | 363 | 387 |
| **Other comprehensive income** | | | |
| Actuarial (loss)/gain in respect of pension scheme | 12 | (240) | 136 |
| **Total comprehensive income for the year** | | 123 | 523 |

TWO SAINTS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

| | Notes | 2023 £'000s | 2022 £'000s |
|---|---|---|---|
| **Fixed assets** | | | |
| Housing properties | 5 | 16,823 | 14,173 |
| Other fixed assets | 5 | 587 | 274 |
| | | 17,410 | 14,447 |
| **Current assets** | | | |
| Debtors | 6 | 1,782 | 1,929 |
| Cash at bank and in hand | | 2,654 | 4,150 |
| | | 4,436 | 6,079 |
| **Creditors** | | | |
| Amounts falling due within one year | 7 | (2,686) | (2,501) |
| **Net current assets** | | 1,750 | 3,578 |
| **Total assets less current liabilities** | | 19,160 | 18,025 |
| **Creditors:** amount falling due after one year | 8 | (11,066) | (10,022) |
| **Provision for liabilities and charges** | 11 | (158) | (106) |
| **Pension – defined benefit liability** | 12 | (1,734) | (1,818) |
| **Net assets** | | 6,202 | 6,079 |
| **Represented by:** | | | |
| **Capital and reserves** | | | |
| Non-equity share capital | 13 | - | - |
| Revenue reserve | | 6,202 | 6,079 |
| | | 6,202 | 6,079 |

The financial statements on pages 16 - 35 were approved and authorised by the Board on 15 August 2023 and were signed on its behalf by:

| | | |
|---|---|---|
| **Julie Toben**<br>**Chair** | **Mark Woosey**<br>**Vice chair** | **Richard Gammage**<br>**Secretary** |
| Julie Toben | | |

## TWO SAINTS LIMITED

## STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2023

| | Share capital | Income and expenditure reserve | Total capital and reserves |
|---|---|---|---|
| | £000s | £000s | £000s |
| Balance at 31 March 2021 | - | 5,556 | 5,556 |
| Surplus for the year | - | 387 | 387 |
| Other comprehensive income for the year | - | 136 | 136 |
| Total comprehensive income for the year | - | 523 | 523 |
| Balance at 31 March 2022 | - | 6,079 | 6,079 |

| | Share capital | Income and expenditure reserve | Total capital and reserves |
|---|---|---|---|
| | £000s | £000s | £000s |
| Balance at 31 March 2022 | - | 6,079 | 6,079 |
| Surplus for the year | - | 363 | 363 |
| Other comprehensive expenditure for the year | - | (240) | (240) |
| Total comprehensive income for the year | - | 123 | 123 |
| Balance at 31 March 2023 | - | 6,202 | 6,202 |

TWO SAINTS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

| | Notes | 2023 £'000s | 2022 £'000s |
|---|---|---|---|
| **Net cash generated from operating activities** | I | 842 | 237 |
| **Cash flow from investing activities** | | | |
| Acquisition, construction and works to housing properties | | (3,000) | (3,531) |
| Grants received | | 1,216 | 217 |
| Purchase of other assets | | (450) | (264) |
| Interest received | | 3 | 1 |
| **Net cash (used) in investing activities** | | (2,231) | (3,577) |
| **Cash flow from financing activities** | | | |
| Repayment of HP/finance debt | | (9) | (10) |
| Interest payable and similar charges | | (98) | (16) |
| Bank loan | | - | 3,000 |
| **Net cash (used in)/generated from financing activities** | | (107) | 2,974 |
| **(Decrease) in cash and cash equivalents** | | (1,496) | (366) |
| Cash and cash equivalents at beginning of year | | 4,150 | 4,516 |
| Cash and cash equivalents at end of year | I | 2,654 | 4,150 |

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

| | 2023 £'000s | 2022 £'000s |
|---|---|---|
| **I: Reconciliation of operating surplus to net cash inflow from operating activities** | | |
| Operating surplus for the year | 504 | 447 |
| Depreciation | 472 | 346 |
| Loss on disposal of fixed assets | 15 | 43 |
| Amortisation of government grants | (95) | (88) |
| Decrease /(increase) in debtors | 147 | (753) |
| Increase in creditors | 117 | 539 |
| Increase in provisions | 52 | 62 |
| (Decrease) in pension provision | (370) | (359) |
| **Net cash generated from operating activities** | 842 | 237 |

| **Cash and cash equivalents** | 2023 £'000s | 2022 £'000s |
|---|---|---|
| Cash at bank and in hand | 2,654 | 4,150 |

### II : Analysis of changes in net debt

| | At 1 April 2022 £000's | Cash flows £000's | Non cash movement £000's | At 31 March 2023 £000's |
|---|---|---|---|---|
| Cash | 4,150 | (1,496) | - | 2,654 |
| Borrowings: | | | | |
| Due within one year | - | - | (60) | (60) |
| Due after one year | (3,000) | - | 60 | (2,940) |
| Finance leases | (9) | 9 | - | - |
| Net debt | 1,141 | (1,487) | - | (346) |

## 1. 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 69 High Street, Fareham, Hampshire, PO16 7BB.

### 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 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022. These financial statements are prepared under the historic cost convention.

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

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

### Going concern

The financial statements are prepared on a going concern basis.

The Board has a reasonable expectation that Two Saints has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

### 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

#### *Defined benefit pension scheme*

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. With advice from the scheme actuary, management estimate these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

#### *Arrears and other debtor recoverability*

The rent arrears balance of £993k 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 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. The total amount of the provision at the year-end is £425k (2022: £400k).

### *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. 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 and grants received for housing properties recognised in income on a systematic basis.

### Operating surplus

Operating surplus is the surplus generated from our operations and excludes interest and pension re-measurement.

### 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 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.

**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

*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 assets of the schemes are held and managed separately from those of the Association. The pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The pension scheme deficits are recognised in full.

The movement in the scheme surpluses/deficits is split between operating charges, finance items and actuarial gains and losses. Where a scheme is in deficit the Association recognises its liability for this obligation.

The fair value of the pension liability has been affected by the inflation and interest rates used to calculate the discount rate at 31 March 2023.

*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.

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets.

Interest bearing loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate.

## 2. SOCIAL HOUSING INCOME AND EXPENDITURE

| | 2023 | 2022 |
|---|---|---|
| | £000s | £000s |
| Rents receivable net of identifiable service charges | 3,563 | 3,237 |
| Service charge income | 5,175 | 4,317 |
| Revenue, capital grants, contract and other income | 8,528 | 8,286 |
| Total income from social housing activities | 17,266 | 15,840 |
| Social housing activities expenditure | (16,526) | (15,838) |
| Operating surplus from social housing activities | 740 | 2 |
| Rent losses from voids | 1,145 | 834 |

The operating surplus from social housing activities includes abortive costs for social housing development of £7k (2022: £106k).

## 3. SURPLUS FOR THE YEAR

| | 2023<br>£000s | 2022<br>£000s |
|---|---|---|
| Surplus for the year is stated after charging: | | |
| Auditor's remuneration including expenses, (excluding VAT) | | |
| • in their capacity as auditors | 23 | 15 |
| Depreciation of housing properties | 335 | 272 |
| Depreciation of other fixed assets | 137 | 74 |
| Loss on disposal of fixed assets | 15 | 43 |
| Operating lease rentals | 883 | 854 |

## 4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2023<br>£000s | 2022<br>£000s |
|---|---|---|
| Loan Interest payable | 98 | 16 |
| Pension Net interest expense (note 12) | 46 | 45 |
| | 144 | 61 |

## 5. 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 | **Other fixed assets subtotal £000s** | **Total £000s** |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Cost at start of the year | 1,898 | 14,572 | 701 | **17,171** | 480 | **480** | **17,651** |
| Additions | 2,657 | 330 | 13 | **3,000** | 450 | **450** | **3,450** |
| Transfer to completed housing properties | (4,555) | 4,555 | - | **-** | - | **-** | **-** |
| Disposals | | (44) | (14) | **(58)** | (5) | **(5)** | **(63)** |
| At end of year | - | 19,413 | 700 | **20,113** | 925 | **925** | **21,038** |
| **Depreciation** | | | | | | | |
| Depreciation at start of the year | - | 2,833 | 165 | **2,998** | 206 | **206** | **3,204** |
| Charge for the year | - | 319 | 16 | **335** | 137 | **137** | **472** |
| Disposals | - | (38) | (5) | **(43)** | (5) | **(5)** | **(48)** |
| At end of year | - | 3,114 | 176 | **3,290** | 338 | **338** | **3,628** |
| **Net book value at end of the year** | - | 16,299 | 524 | **16,823** | 587 | **587** | **17,410** |
| Net book value at start of the year | 1,898 | 11,739 | 536 | **14,173** | 274 | **274** | **14,447** |

## 5. TANGIBLE FIXED ASSETS (continued)

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

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Freehold | 13,087 | 8,525 |
| Long leasehold | 3,736 | 3,750 |
| Properties under construction | - | 1,898 |
| | 16,823 | 14,173 |

## 6. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Rent arrears | 993 | 627 |
| Less provision for bad debt and doubtful debts | (425) | (400) |
| Net rents due | 568 | 227 |
| Other debtors | 693 | 907 |
| Accrued income | 122 | 329 |
| Prepayments | 399 | 466 |
| | 1,782 | 1,929 |

## 7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Rent paid in advance | 193 | 175 |
| Trade creditors | 1,006 | 509 |
| Accruals | 364 | 661 |
| Social Security costs payable | 190 | 188 |
| Pension contributions payable | 74 | 74 |
| Deferred income | 181 | 367 |
| Other creditors | 512 | 429 |
| Bank Loan owing in less than one year | 60 | - |
| Amounts payable under HP and finance leases | - | 9 |
| Deferred capital grant (note 10) | 106 | 89 |
| | 2,686 | 2,501 |

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

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Bank Loans (note 9) | 2,940 | 3,000 |
| Deferred capital grant (note 10) | 8,126 | 7,022 |
| | 11,066 | 10,022 |

## AMOUNTS OWING UNDER HP AND FINANCE LEASES

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Amounts owing in less than one year | - | 9 |
| | - | 9 |

## 9. BANK LOAN

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Amounts owing in less than one year | 60 | - |
| Amounts owing in 2 – 5 years | 381 | 341 |
| After five years | 2,559 | 2,659 |
| | 3,000 | 3,000 |

A bank loan for £3m was taken out in January 2022, for a term of 24 years and six months, with capital repayments commencing August 2023. The interest rate is fixed for the duration of the loan at 3.28% and is secured over 8 properties.

## 10. DEFERRED CAPITAL GRANT

| | 2023 £000s | 2022 £000s |
|---|---|---|
| At 1 April | 7,111 | 6,982 |
| Grant received in year | 1,216 | 217 |
| Released to income in the year | (95) | (88) |
| At 31 March | 8,232 | 7,111 |

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Amounts to be released within one year | 106 | 89 |
| Amounts to be released in more than one year | 8,126 | 7,022 |
| | 8,232 | 7,111 |

## 11. PROVISIONS FOR LIABILITIES AND CHARGES

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Provision for estimated end of lease liabilities on certain properties: | | |
| At start of year | 106 | 44 |
| Charge to income statement | 61 | 63 |
| Expenditure charge against provision | (9) | - |
| Released accumulated liability to income statement | - | (1) |
| | 158 | 106 |

## 12. 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 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2028.

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.

We have been notified by the Trustees of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing, and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

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

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Fair value of plan assets | 7,757 | 11,286 |
| Present value of defined benefit obligation | (9,491) | (13,104) |
| Defined benefit (liability) to be recognised | (1,734) | (1,818) |

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

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Defined benefit obligation at start of period | 13,104 | 13,801 |
| Expenses | 14 | 15 |
| Interest expense | 358 | 291 |
| Actuarial losses due to scheme experience | 60 | 456 |
| Actuarial (gains) due to changes in demographic assumptions | (26) | (227) |
| Actuarial (gains) due to changes in financial assumptions | (3,453) | (830) |
| Benefits paid and expenses | (566) | (402) |
| Defined benefit obligation at end of period | 9,491 | 13,104 |

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

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Fair value of plan assets at start of period | 11,286 | 11,533 |
| Interest income | 312 | 246 |
| Experience on plan assets (excluding amounts included in interest income) – (loss) | (3,659) | (465) |
| Contributions by the employer | 384 | 374 |
| Benefits paid and expenses | (566) | (402) |
| | 7,757 | 11,286 |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£3,347k) (2022: (£219k)).

**Defined benefit costs recognised in statement of comprehensive income (SOCI)**

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Expenses | 14 | 15 |
| Net interest expense | 46 | 45 |
| Defined benefit costs recognised in statement of comprehensive income (SoCI)) | 60 | 60 |

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

| | 2023 £000s | 2022 £000s |
|---|---|---|
| Experience on plan assets (excluding amounts included in net interest cost) – (loss) | (3,659) | (465) |
| Experience gains and losses arising on the plan liabilities – (loss) | (60) | (456) |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain | 26 | 227 |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain | 3,453 | 830 |
| Total amount recognised in other comprehensive income – (loss)/gain | (240) | 136 |

### Key assumptions

| | 2023 % per annum | 2022 % per annum |
|---|---|---|
| Discount rate | 4.89% | 2.79% |
| Inflation (RPI) | 3.20% | 3.66% |
| Inflation (CPI) | 2.72% | 3.23% |
| Salary growth | 3.72% | 4.23% |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

| | Life expectancy at age 65 (years) |
|---|---|
| Male retiring in 2022 | 21.0 |
| Female retiring in 2022 | 23.4 |
| Male retiring in 2042 | 22.2 |
| Female retiring in 2042 | 24.9 |

## 13. NON-EQUITY SHARE CAPITAL

| | 2023 £ | 2022 £ |
|---|---|---|
| Allotted, issued and fully paid | | |
| Shares at start of the year | 9 | 10 |
| Cancelled during the year | (2) | (3) |
| Issued during the year | 1 | 2 |
| Shares at end of the year | 8 | 9 |

All members hold one share of £1. As at 31 March 2023 there were 8 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.

## 14. DIRECTORS' EMOLUMENTS

Emoluments were paid to ten non-executive directors (2022: twelve) amounting to £28,240 in the year (2022: £27,583).

| | 2023 £000s | 2022 £000s |
|---|---|---|
| The aggregate emoluments paid to or receivable by executive directors (including pensions of £14k (2022: £13k)) | 325 | 313 |
| The emoluments paid to the highest paid director excluding pension contributions | 89 | 88 |

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 £7,362 (2022: £7,272) was paid in the year.

Directors are defined as the members of the Board of management, the chief executive and members of the executive 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 £40k (2022: £36k).

## 15. EMPLOYEE INFORMATION

| | 2023 No | 2022 No |
|---|---|---|
| The monthly average number of persons employed during the year in full time equivalents (37 hours per week) was: | 274 | 280 |
| | £000s | £000s |
| Wages and salaries | 8,325 | 8,113 |
| Social Security costs | 722 | 668 |
| Other pension costs | 188 | 199 |
| | 9,235 | 8,980 |
| | No | No |
| Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period: | | |
| £60,000 - £70,000 | 2 | 2 |
| £70,000 - £80,000 | 1 | 1 |
| £80,000 - £90,000 | 1 | 1 |

## 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:

| | 2023 £000s | 2022 £000s |
|---|---|---|
| **Leases on land and buildings:** | | |
| Within the next year | 712 | 798 |
| In the second to fifth year | 933 | 1,539 |
| Greater than 5 years | 378 | 369 |
| **Other leases:** | | |
| Within the next year | 12 | 12 |
| In the second to fifth year | 20 | 31 |
| Greater than 5 years | - | - |
| | 2,055 | 2,749 |

## 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 owned and managed by the association at the year-end was as follows:

| | 2023 | 2022 |
|---|---|---|
| | £000s | £000s |
| **Supported housing - owned** | | |
| Direct access hostels | 241 | 241 |
| Move on accommodation | 363 | 234 |
| Move on accommodation - affordable rent | 85 | 85 |
| Mental health accommodation | 94 | 90 |
| **Supported housing - managed** | | |
| Move on accommodation | 8 | 8 |
| | 791 | 658 |

The movement in the bed spaces for move on accommodation is due to the successful tender for Portsmouth and Southampton services.

The association had contracts to provide support for 1,929 (2022: 1,340) clients not living in accommodation managed by the association.

The association owned no bed spaces (2022: 26) managed by other entities at the year-end.

## 19. RELATED PARTIES

During the year the Society of St Dismas Limited (a former subsidiary) gifted £nil (2022: £51,473) to Two Saints Limited.

A board member, who stood down from the board in May 2021, who at that time was a councillor at Basingstoke and Deane Borough Council, for which Two Saints provided services totalling £469k (2022: £430k) in the year. At the year end there was a debtor of £0 (2022: £0).

Details of key management personnel are included in note 14.