

Financial Statements

31 March 2023

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



Contents

	Page
Board Members, Executive Management Team, Bankers and Legal Advisors	3
Strategic report	5
Report of the Board of Directors for the year ended 31 March 2023	42
Independent Auditors Report to the members of The Torus Group	57
Consolidated Statement of Comprehensive Income	61
Consolidated Statement of Financial Position	62
Consolidated Statement of Change in Reserves	63
Consolidated Statement of Cash Flows	64
Association Statement of Comprehensive Income	65
Association Statement of Financial Position	66
Association Statement of Change in Reserves	67
Notes to the Financial Statements	68

Board Members, Executive Management Team, Bankers and legal advisors

<p>Torus62 Limited Board Graham Burgess – Chair Steve Coffey Robert Hepworth Duncan Craig Christine Fallon Andrew Gray Catherine Murray Howard (from 22 September 2022) Peter Fieldsend (from 22 September 2022) Greg Gottig (to 22 September 2022) Paula McGrath (to 22 September 2022) Sarah Jane Saunders Gordon Hood Waqas Butt (from 1 October 2022) Lisa Greenhalgh (from 1 October 2022)</p> <p>Torus62 Developments Limited Board Robert Hepworth - Chair Gordon Hood Christine Fallon Peter Fieldsend Steve Coffey Katie Dean (from 23 November 2022 to 23 June 2023)</p> <p>Housing Maintenance Solutions Limited Board Paula McGrath – Chair (to 23 September 2022) David Young – Chair (from 1 October 2022) Ralph Middlemore Gordon Hood (to 23 September 2022) Christine Fallon (from 23 September 2022) Peter Fieldsend Paul Worthington Catherine Murray Howard Lisa Greenhalgh (from 1 October 2022)</p> <p>Torus Foundation Board Sarah Jane Saunders – Chair Phil Garrigan (to 5 March 2023) Catherine Murray Howard Jeanie Bell (to 3 January 2023) Colleen Martin (to 26 April 2022) Peter Morton (to 26 April 2022) Clare Gosling Holly Chan Uzair Patel Simon Bean</p>	<p>Torus Foundation Board (contd) Stephanie Donaldson Tony Okotie</p> <p>Torus62 Commercial Services Limited Board Ralph Middlemore Paula McGrath (to 1 November 2022) Peter Fieldsend Paul Worthington Catherine Murray Howard</p> <p>Torus Living Limited Board Robert Hepworth - Chair Gordon Hood Christine Fallon Peter Fieldsend Steve Coffey</p> <p>Torus Development Committee Robert Hepworth - Chair Gordon Hood Christine Fallon Peter Fieldsend Steve Coffey Catherine Murray Howard Katie Dean (from 23 November 2022 to 15 June 2023)</p> <p>Group Remuneration & Nominations Committee Gordon Hood – Chair (from 22 September 2022) Graham Burgess Christine McLoughlin Greg Gottig (to 22 September 2022) Duncan Craig (from 22 September 2022)</p> <p>Group Audit & Risk Committee Duncan Craig - Chair Andrew Gray Greg Gottig (to 22 September 2022) Paula McGrath (to 22 September 2022) Neil Garnham (to 22 September 2022) Alistair Hollows Stephanie Donaldson Waqas Butt (from 1 October 2022) Lisa Greenhalgh (from 1 October 2022)</p>
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<p>Landlord Operations Committee Andrew Gray – Chair Robert Hepworth Catherine Murray Howard Sarah Jane Saunders Teri Wilson Sharon Shaw Ray Jones (to 22 September 2022) Sharon Connor Pamela Woodward Shaune Sieley (to 11 November 2022) Jeanie Bell (to 3 January 2023) David Higgins James Heneghan Lyndzay Roberts (from 25 January 2023) Rob Humphries (from 25 January 2023)</p> <p>Executive Officers: Group Chief Executive Steve Coffey Chief Financial Officer Peter Fieldsend Chief Operating Officer Catherine Murray Howard</p> <p>Company Secretary and Registered Office: Ronnie Clawson (to 1 November 2022) Catherine Fearon (from 1 November 2022) 4 Corporation St St Helens Merseyside WA9 1LD</p>	<p>External Auditors: BDO LLP 5 Temple Square Temple Street Liverpool</p> <p>Internal Auditors: RSM UK LLP 20 Chapel Street Liverpool L3 9AG</p> <p>Solicitors: Catherine Fearon - Torus62 Limited</p> <p>Brabners Horton House Exchange Flags Liverpool L2 3YL</p> <p>Bankers: National Westminster Bank Plc 5 Ormskirk Street St Helens WA10 1DR</p> <p>Funders: Royal Bank of Scotland Plc Santander UK Plc Nationwide Building Society Barclays Bank Plc National Westminster Bank Plc bLEND Funding Plc Warrington Borough Council The Housing Finance Corporation Limited Saltaire Finance plc</p>
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STRATEGIC REPORT

About us

Torus62 Limited ('Torus') is the North West's largest affordable housing provider and one of its biggest and fastest growing developers and commercial contractors. The Group owns and manages a core portfolio of almost 40,000 homes in Liverpool, St Helens, Warrington and beyond.

The Torus operating model comprises of five distinct business areas: Housing (including both Landlord Services and Assets) and the Corporate Core, which sit within Group operations, and three stand-alone entities, Torus Foundation, Torus62 Developments Limited and Housing Maintenance Solutions Limited. The Group's primary activities are charitable, with new-build, sales and commercial contracting provided by non-charitable subsidiaries. Profits generated by these business areas are reinvested into social purpose initiatives, enabling us to deliver our mission at scale.

Our purpose

Torus is a diversified group, built around social housing. Our core purpose is to provide quality affordable homes and landlord services for those who cannot afford the market, from social and affordable rent properties to temporary, supported and specialist housing for people in crisis or with additional care needs.

Working in partnership with agencies across the region and nationally, Torus strives to improve lives and support the development of vibrant and sustainable neighbourhoods. Whilst housing remains the bedrock of our offer to communities, the Group is committed to playing a broad-based role as an anchor institution and investor in neighbourhoods, centred around people and place-based change.

This commitment is enshrined in Torus' Mission, 'growing stronger communities', and Vision; 'To support the development of economically vibrant communities and independent lives'.

Principal activities

The Group's principal activities are:

- Providing quality affordable housing for rent, including specialist housing for older customers and those with additional care needs;
- Delivering low-cost home ownership options for the North West, including both Shared Ownership and Rent to Buy;
- Offering tailored accommodation options for vulnerable groups, including temporary or permanent housing solutions to tackle homelessness and domestic violence;
- Supporting people to live independently and investing in meaningful social initiatives including benefits and money advice, employment and skills, digital inclusion, health and wellbeing, and youth services; *and*
- Maintaining active developments and assets renewal programmes, to increase the number and range of homes and housing solutions across the eleven local authority areas in which Torus operates.

STRATEGIC REPORT

Torus Group Corporate Plan 2021-2026

The Group launched our Corporate , ‘A New Day’, in June 2021. Published in the aftermath of the Covid-19 national lockdowns in a period of unprecedented social-economic challenge, the plan set out Torus’ commitment to step up support for tenants, residents and communities in need. It explained how we would continue to put customers at the heart of everything we do whilst, within the Group, we would work to become an even stronger, more inclusive business that was fully equipped to face future challenges.

The objectives and outcomes that Torus marked for delivery within the five years of ‘A New Day’ sit within four key themes:

<p>Investment We will invest in communities, in new and existing homes, and in our people, business infrastructure, supply chains, partnerships and services.</p>	<p>Resilience Our activities will focus on increasing the resilience of communities in our heartland areas and within our own business operations.</p>
<p>Intelligence Putting intelligence at the heart of our business, we will use data, insight and experience to drive decision-making. Intelligence will help us learn, adapt and evolve.</p>	<p>Influence We will maximise our influence at community, regional and national levels and develop strategic partnerships to deliver change intelligently and effectively.</p>

In 2022/23, we launched a range of key strategic activities designed both to ensure we keep pace with changing regulatory expectations and to enhance services for customers and communities. For example, Torus developed a comprehensive gap analysis to respond to evolving service needs with a particular focus on the Social Housing White Paper, completed a building safety review, launched our new website to make finding information easier and started to implement the Group Diversity and Inclusion strategy. Highlight outcomes across the four strategic Corporate Plan themes are shown below:

<p>Investment We will:</p> <p>Deliver excellent services driven by quality, value for money and changing demand</p> <p>Embed exemplar standards of safety across homes, communities and our working environments.</p> <p>Tackle the green agenda to create healthy, sustainable places.</p>	<p>In 2022/23, we:</p> <p>Completed our Social Housing White Paper and commenced work on 44 actions identified to enhance services.</p> <p>Launched a new Torus Group website for tenants, communities and partners.</p> <p>Commenced work to update the range of standard house types for Torus new-build</p>
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STRATEGIC REPORT

<p>Embrace innovation and technology to drive efficiency and enhance services.</p>	<p>properties, with a focus on the long-term sustainability agenda.</p> <p>Pressed ahead with actions linked to the Group Environmental Sustainability Strategy, including training for HMS teams on retrofitting activities such as solar heating installations.</p>
<p>Resilience</p> <p>We will:</p> <p>Provide a firm platform for growth to withstand challenges.</p> <p>Practice good business across the Group and its supply chains.</p> <p>Build, regenerate and transform places and communities.</p> <p>Foster partnerships that develop communities where people thrive.</p>	<p>In 2022/23, we:</p> <p>Commenced the implementation of our Group Diversity and Inclusion Strategy, including the development of specific goals and commitments.</p> <p>Undertook a full review of Torus’ systems and processes to identify ways of doing things better. The Business Process Catalogue project has focused change management on Finance, Asset Management, Repairs Contractor and CRM solutions, with market testing commencing in 2023/24.</p> <p>Established a £1m Tenant Support Fund for Torus customers experiencing hardship as a result of the cost-of-living crisis.</p> <p>Raised £130m of funding through the Government’s Affordable Homes Guarantee Scheme, ensuring the Group has the liquidity needed to deliver new homes at scale.</p>
<p>Intelligence</p> <p>We will:</p> <p>Provide tailored solutions based on an understanding of need and aspiration.</p> <p>Drive effective organisational performance, strength and influence.</p> <p>Embed a culture of evidence-based improvement and learning from experience.</p>	<p>In 2022/23, we:</p> <p>Established a project to complete a census style survey of all Torus tenants, to build in-depth knowledge of our diverse customer base and communities.</p> <p>Completed an external review of our tenant engagement framework to ensure it is fit for purpose.</p> <p>Established proposals for a leaseholder forum and specific channels of communication for our leaseholder tenants.</p>

STRATEGIC REPORT

	Updated our approach to building safety in line with Building Safety legislation and approved this approach in February 2023.
<p>Influence</p> <p>We will:</p> <p>Be a catalyst of change to transform places.</p> <p>Influence people, networks and markets to unlock opportunity.</p> <p>Be seen as a dynamic growth and regeneration business that delivers.</p> <p>Use the Group’s voice to shape the external policy environment.</p>	<p>In 2022/23, we:</p> <p>Published our first Group Environmental, Social and Governance Report in September 2022.</p> <p>Commenced the development of a ‘masterplan’ for North Warrington, incorporating both investment in existing homes and plans to create 600 more in the Orford area, the latter as part of a Joint Venture with Countryside Partnerships.</p>

Looking ahead to 2023/24

This year’s Operational Plan strives to build upon key initiatives completed or commenced in the year under review, whilst responding to shifting national sector priorities. The actions shown below reflect priorities including best practice tenant empowerment modelling, increasing our local presence across neighbourhoods, effective complaints handling, substantial investments in property condition, and supporting hard-hit tenants through a unified benefits and money advice referrals service.

Operational priorities include:

Priority	Key actions
Tenant experience and engagement	<p>Re-engineer housing management resources to ensure they are customer-focused and effectively embedded in neighbourhoods.</p> <p>Enhance the Torus Tenant Engagement Framework utilising results from the Tenant ‘census’, ensuring consistent co-regulation.</p> <p>Update and remodel the central complaints function to ensure it is customer-focused and fit for purpose.</p>
Stock standards and specifications	Update and publish a comprehensive set of stock standards and specifications across all home types, ensuring consistently across all Torus geographies.

STRATEGIC REPORT

	Develop a refreshed long-term Property Improvement Plan that includes provision to deliver on our net zero goals.
Property condition	Develop and begin implementation of a robust new repairs service plan. Implement enhanced processes to turnaround empty homes, to make sure they can be re-let within target timescales.

Governance

Torus Board

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

It is made up of nine Non-Executive Directors and three Executive Officers, being the Group Chief Executive, the Chief Financial Officer and the Chief Operating Officer.

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

Torus Group

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

Housing Maintenance Solution Limited (HMS):

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

HMS’ operational base grew following the amalgamation of Torus and Liverpool Mutual Homes Limited (LMH) Group alongside the transfer of Torus62 Commercial Services Ltd activities into HMS’ day-to-day operations. HMS has a contract with Torus to provide repair and maintenance support to

STRATEGIC REPORT

Torus homes across the North West, operating predominately in the three heartland areas of Liverpool, Warrington and St Helens.

In addition to this, HMS carries out similar maintenance and adaptation contracts for other regional providers in the North West and also supports the Torus Group ongoing investment programme in its existing housing stock as well as supporting the Group's development of new homes across the region.

Turnover in 2022/23 was £107.2m (2022: £89.0m) and pre-tax profit was £3.2m (2022: £2.3m).

Torus62 Developments Limited (Torus Developments):

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

Torus Developments supports the Group's new build strategy, which targets the completion of 5,600 new homes between 2021 and 2026, primarily across the Liverpool City Region, West Lancashire and Cheshire.

A total of 679 (2022- 346) properties were developed in 2022/23. Turnover in 2022/23 was £77.3m (2021/22: £73.0m) and profit was £0.5m (2021/22: £1.1m).

Torus Foundation:

A charitable venture registered with the Charity Commission (number 1152903) and also a registered company (8444912). It was established in 2013 to provide support to LMH tenants and communities across Liverpool City Region, incorporating the existing charity Toxteth FireFit Hub.

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

In 2022/23, the charity received income of £7.5m (2021/22: £8.6m). This included £3.7m received as Gift Aid or donations from Torus and the Group's commercial contracting companies (2021/22: £5.0m). Total expenditure on providing services was £7.6m (2021/22: £6.6m).

Torus62 Commercial Services Limited (TCS):

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

STRATEGIC REPORT

Torus Living Limited:

A registered company (number 9471503) established in 2015 as a subsidiary of Golden Gates Housing Trust (GGHT) and provided new build development activities for HP and GGHT. It began trading in 2017/18. Torus Living ceased trading in 2019/20 and is held as a dormant company.

Bamboo Estates LLP:

Trading as Bamboo Lettings, this was a Joint Venture (registered company number OC413454), 50% owned by Torus and 50% by Magenta Living. It was established in 2016/17 and managed a small number of properties leased to it from Torus. These properties were let at market rent. The Association's membership of the LLP ceased on 31 March 2023.

The share of profit in 2022/23 was £0.18m (2022: £0.3m).

Peel Hall JV LLP:

This is a Joint Venture (registered company number OC444261), 50% owned by Torus62 Developments Limited and 50% by Vistry Partnerships Limited, established in order to develop properties for outright sale at Peel Hall in Warrington, Cheshire. Torus Developments became a member on 12 January 2023. No profits or losses arose in the period ending 31 March 2023.

Committees

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

- Group Audit and Risk Committee – Responsible for ensuring that the Group complies with Regulatory requirements and meets and discharges all its statutory duties, requirements, and responsibilities.
- Group Remuneration and Nominations Committee – Responsible for ensuring that the Group is well governed. It provides a formal and transparent mechanism for developing the payments and remuneration policy for the Group Executive Team and Board Members together with overseeing the appointment/removal of Board Members across the Group and members of the Group Executive Team.
- Landlord Operations Committee (LOC) – Responsible for overseeing operational matters with a focus on local customer service standards and wide ranging performance matters. LOC considers and acts on recommendations from customer scrutiny, focusing on quality outcomes. It establishes a clear accountability link between local concerns and performance monitoring.

STRATEGIC REPORT

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

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

The Board and Executive Officers

Graham Burgess

Chair of Torus (Group) Board

Graham is an experienced non-executive Board member with over 40 years of Local Government service and has served at National and Regional level with the National Association of Local Government Officers. Graham was Chief Executive of Wirral Council between 2012 and 2015 and Chief Executive of Blackburn with Darwen Unitary Council for six years.

Duncan Craig

Member of Torus (Group) Board

Chair of the Group Audit and Risk Committee

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

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

Bob Hepworth

Member of Torus (Group) Board

Chair of Torus62 Developments Board

Chair of Torus Development Committee

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

STRATEGIC REPORT

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

Christine Fallon

Member of Torus (Group) Board

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

After a period of time at Homes England, she set up Affordable Homes Consultancy, which provides specialist development consultancy services to affordable housing providers, local authorities and housing developers. Christine also advises local authorities on developing new homes for rent and sale.

Andrew Gray

Member of the Torus (Group) Board

Chair of the Landlord Operations Committee

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

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

Sarah-Jane Saunders

Member of Torus (Group) Board

Chair of Torus Foundation

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

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

STRATEGIC REPORT

Gordon Hood

Member of Torus (Group) Board

Chair of Group Remuneration and Nominations Committee

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

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

Waqas Butt

Member of Torus (Group) Board

Waqas is a KPMG-trained Fellow (FCA) of the Institute of Chartered Accountants in England and Wales (ICAEW). He attained a first-class Masters in Business Administration (MBA) with a distinction from Warwick Business School.

Waqas has held senior executive positions leading finance and commercial teams across several multinational private and public consumer-facing businesses. He was awarded the Chartered Institute of Purchasing and Supply (CIPS) "step change" improvement award for transforming the Co-op Group's indirect procurement supply chain.

Lisa Greenhalgh

Member of Torus (Group) Board

Lisa is a qualified management accountant who has worked in industry for 30 years within large corporate and SME businesses in both the UK and Northern Europe and more recently spent 15 years running a regional loan and equity investment fund. Currently working with a number of clients as portfolio Finance Director/Non-executive Director supporting both international and local SME businesses.

Lisa is also a member of the credit committee of Innovate UK Loans Limited and is a mentor on the Help to Grow Scheme.

STRATEGIC REPORT

Group Chief Executive

Steve Coffey

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

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

Chief Financial Officer

Peter Fieldsend

Peter oversees the Torus Financial and Corporate Core with a focus on finance, procurement, people services, legal and governance, ICT and transformation and Development.

Previously Executive Director (Resources) at LMH since 2008, he works to ensure the group has the right resources, approach and values to deliver consistent service excellence across all business areas.

Peter is a qualified Chartered Management Accountant with significant Finance Director experience across a range of private sector businesses.

Chief Operating Officer

Catherine Murray Howard

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

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

STRATEGIC REPORT

Risk Management

Torus is committed to the active management of risk by ensuring it is at the heart of our business, aiding decision making. The Torus (Group) Board has overall responsibility for ensuring there are appropriate risk management systems in place and determines the level of risk Torus is willing to accept in pursuit of its objectives. The Board has also determined its Golden Rules which are the key business parameters which must be adhered to. The Group Audit and Risk Committee (GARC) oversees and monitors risk management and internal control systems.

Torus utilises a risk management framework that ensures the Group's strategic and operational risks are identified and managed appropriately. Torus' approach to risk management is based on the ISO 31000 Standard of a five-step risk management process. These steps are designed to identify and manage, rather than eliminate, the risks that threaten the Group's ability to achieve its key business objectives that are set out in the Group Corporate Plan.

Managing risk is a continuous process and a risk register is maintained which identifies all strategic and operational risks including all internal controls and pending risk-mitigating actions. The Risk Registers are managed and monitored in the Group's Performance Management Software (Pentana). A nominated Risk Owner is assigned to each risk to ensure its review and management. Quarterly risk updates are considered collectively by Group Leadership and presented to Group Audit and Risk Committee.

Key strategic risks have been identified that could threaten the delivery of the Group's goals and aspirations as set out in the Five-Year Corporate Plan. They have also been considered in line with the Sector Risk Profile which is produced on an annual basis by the Regulator of Social Housing.

STRATEGIC REPORT

STRATEGIC RISK REGISTER

A summary of the key strategic risks, and presented by reference to the Group’s operating elements, are as follows:

CORPORATE CORE

The Corporate Core is the support service to the business. It is responsible for providing efficient, cost effective ‘back-office’ services to enable the delivery of the Group’s Goals and Aspirations. The Corporate Core includes Finance, People Services, ICT and Transformation, Strategy and Communications and Legal.

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Failure to establish an agile, commercially minded and motivated workforce	<ul style="list-style-type: none"> • Increased sickness levels • High staff turnover • Loss of skills and knowledge • Inability to attract new talent • Unable to meet Corporate Objectives • Damage to organisation’s reputation as an Employer of Choice • Reduced staff morale and satisfaction 	<ul style="list-style-type: none"> • Leadership Programme / Management Training • Skills Gap Audit • New My Performance approach • Management training • Diversity & Inclusion Strategy • My Development Training offer • Apprenticeship and GEMS programme • Total Reward Strategy • Nurse-led Occupational Health service in place • People Services Policy Framework
Failure to maintain high standards of governance and compliance with legal and regulatory requirements.	<ul style="list-style-type: none"> • Regulatory down-grade and RSH intervention • Total loss in customer trust and satisfaction • Loss of stakeholder/partners confidence so that partners unwilling to work with Torus • Catastrophic financial loss due to mismanagement / lack of risk management/ controls • Inability to meet strategic objectives 	<ul style="list-style-type: none"> • Board & Committee skills matrix • Board annual appraisal • Board Away Days • Board induction process and training plan • Board recruitment • Board timetable and meetings • Self-assessment against RSH Regulatory Standards • Sector Scorecard • G1/V1 status retained • Assets & Liabilities Register • Substantial Assurance for Compliance with the revised National Housing Federation Code of Governance 2020
Failure to manage our long-term financial resilience.	<ul style="list-style-type: none"> • Reduced ability to deliver planned services • Regulatory intervention and downgrade from RSH 	<ul style="list-style-type: none"> • Robust financial planning and stress testing in place • Banking covenants • Fraud reporting procedures and training

STRATEGIC REPORT

	<ul style="list-style-type: none"> • Loss of stakeholder trust as a Landlord • Failure to deliver VFM • Inability to raise further funding • Failure to deliver social objectives through Torus Foundation • Missing Business Plan Targets • Inability to complete development programme 	<ul style="list-style-type: none"> • Business Continuity Plan • Funding Strategy and Securitisation • Value for Money Strategy • Financial Golden Rules • Financial regulations and scheme of delegation • Substantial Assurance for Rent Accounting Internal Audit • Substantial Assurance for Service Charges Internal Audit • Reasonable Assurance for Component Accounting Internal Audit • Substantial Assurance for internal audit on Treasury Management
<p>Ineffective identification and management of Safety & Compliance obligations</p>	<ul style="list-style-type: none"> • Death or catastrophic injury • Financial loss due to fines/costs • Regulatory intervention/legal action from HSE • Criminal charges • Reputational damage • Reduced staff moral • Loss of customer trust and confidence in landlord 	<ul style="list-style-type: none"> • RoSPA Gold Award • Asset Compliance Policies • Compliance Dashboard • Decent Homes monitoring • Health & Safety Training • Lone working devices • Substantial Assurance – Internal Audit • RIDDOR • Reasonable Assurance for Fire Safety Internal Audit
<p>Fail to prevent disruption or damage to Torus IT systems</p>	<ul style="list-style-type: none"> • Financial loss • Loss of/damage to data • Reputational damage • Regulator intervention • Legal prosecution from ICO 	<ul style="list-style-type: none"> • Group Disaster Recovery Plan • ISO 27001 Accreditation • Security Incident Management Policy • Acceptable Use Policy • Cyber Insurance • Back-up systems • Cyber E-Learning module

STRATEGIC REPORT

LANDLORD

Torus aims to become the leader in providing good, affordable homes and excellent Landlord services across the North West. The homes it provides will be of good quality and well maintained and the services aim to put the customer at the heart of everything by shaping the services provided around customers and enhancing the communities in which they live.

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
<p>Failure to maintain the confidence, satisfaction and trust of customers and other stakeholders.</p>	<ul style="list-style-type: none"> • Regulatory Intervention/Downgrade. • Increase in complaints and levels of dissatisfaction • Reduced appetite for partners to engage in collaborative initiatives. • Lack of customer support for future plans • Poor relationship with public hindering delivery of new projects. • Catastrophic H&S failings • Increased costs of delivering projects/services. • Services being reactive instead of proactive impacting service delivery • Customers disengage from services due to loss of trust • Catastrophic financial loss due to legal costs/fines • Legal proceedings or criminal charges 	<ul style="list-style-type: none"> • Torus Talk and Tenants Voice Strategy • Landlord Operations Committee • Customer Satisfaction programme • Customer Complaints Policy • Tenant Scrutiny Panel, Tenant Inspectors & Mystery Shoppers • Social Housing White Paper action plan • Putting it Right project • Reasonable Assurance for Framework for Complaints Internal Audit • Reasonable Assurance for Customer Access Strategy Internal Audit

STRATEGIC REPORT

TORUS DEVELOPMENTS

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

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Failure to deliver the development programme	<ul style="list-style-type: none"> • Financial loss outside of tolerance. • Impact on landlord and community services provided to residents • Regulatory. Intervention/Downgrade. • Legal action from buyers. • Financial loss due to fines/costs. • Loss of key staff to competitors. • Reputation damage with partners and contractors. • Loss of trust from customers and local communities. • HSE prosecution or Investigation. 	<ul style="list-style-type: none"> • Annual Development Programme. • Development Strategy. • Development Committee. • Performance reporting and monitoring. • Strategic delivery partner for Homes England. • Substantial Assurance for Development Scheme Approval Internal Audit

STRATEGIC REPORT

HMS

Torus will build on the existing strengths of its contracting arm to deliver quality, efficient and cost-effective construction and repair activities, ensuring it creates and maintains great homes in the North West. With a strategic focus on driving growth and regeneration across Liverpool, St. Helens, Warrington and neighbouring areas of significant potential. A target is to grow the business and deliver surpluses in excess of £5m per annum for gift aid to Torus Foundation.

KEY RISK AREA	POSSIBLE IMPACTS	KEY CONTROLS IN PLACE
Failure to deliver the HMS Business Plan	<ul style="list-style-type: none"> Financial milestones and targets not being met. Increased reliance on social housing income. Regulatory intervention or downgrade from RSH Inability to retain staff. HMS unable to gift aid to Torus Foundation. 	<ul style="list-style-type: none"> Growth plans in place along with Asset Management and Development Strategies. Procurement and Performance Framework. Tolerated Exposure limits. ISO Accreditation. Customer Satisfaction. HMS Board. Staff Succession Planning. Reasonable Assurance for HMS Construction Activity

TORUS FOUNDATION

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

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

STRATEGIC REPORT

Value for Money

Introduction

Torus is committed to providing services that deliver Value for Money (VFM) for its customers and stakeholders. The Group Value for Money Strategy 2022 -2026 has been developed as an operational strategy to support the Group Corporate Plan, which has a goal to “Deliver excellent services driven by quality, value for money and changing demand”.

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

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

The key building blocks for the future state that Torus will work to achieve within the lifetime of the strategy period, and beyond, in respect of the Value for Money agenda are set out below. Torus will aim to :

- Maintain strong financial health with above median VFM metrics compared to peers;
- Achieve sustained improvements in customer satisfaction metrics as well as above median performance on new regulatory tenant satisfaction measures compared to peers;
- Generate a sustained return from Asset performance;
- Ensure strong performance across all Environmental, Social and Governance (ESG) themes against the Sustainability Reporting Standards;
- Strive to bring tenants and other customer groups closer to the decision-making and performance processes, ensuring that tenants are involved in shaping and prioritising services;
- Undertake full systems and process reviews, and deliver key improvements where needed, to maximise efficiency and streamlining of processes across the board; *and*
- Unlock commercial profits of £5m per annum through commercial activities for investment in social value projects.

STRATEGIC REPORT

VFM performance is measured via the Torus Performance Management Framework and reported on a quarterly basis. Benchmarking is undertaken against other housing associations through reference to the Regulatory VFM and tenant satisfaction measures.

2022/23 VFM Metrics

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

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

From 2023, the regulator is introducing a range of new metrics linked to consumer standards. These tenant satisfaction measures will be measured and benchmarked. Torus will use both these measures and the VFM Metrics to demonstrate a balance between operational efficiency, financial health and effective delivery of services.

In order to provide transparency on performance, comparisons of the 2022/23 performance have been made against targets and 2021/22 performance. External comparisons have been made against the sector median and a specific peer group of providers. Following advice from Housemark, Torus has set its peer group as registered providers with over 30,000 units, who operate outside of London.

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

STRATEGIC REPORT

Business Health

Metric	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual	2021/22 Sector Median	2021/22 Peer Group Median
Operating Margin (Overall)*	RESILIENCE: Provide a firm platform for growth to withstand challenges	16.9%	25.2%	24.2%	20.5%	23.5%
Operating Margin (Social Housing)*		20.5%	28.1%	28.9%	23.3%	28.5%
Earnings before Interest, Tax and Amortisation Major Repairs Included (as a % of interest)*		212%	223%	228%	146%	189%

Operating Margins demonstrates the profitability of operating assets. Performance in 2022/23 has declined when compared to target and the previous year. This has been driven by a number of factors including increasing inflation, particularly in relation to contractor costs, utilities and insurances, together with increased demand for responsive repairs and ensuring Torus maintains a focus on providing high quality safe homes. Performance has been affected by the high level of impairment charges in 2022/23. Underlying performance stands up in comparison to sector and peer group medians from 2020/21.

EBITDA MRI (% of interest) is a key indicator of liquidity and investment capacity. The metric has reduced in 2022/23 as operating margins have reduced. Torus performs well on this metric in comparison to others and demonstrates that existing assets generate cash surpluses after covering interest for investment in new or existing stock.

In future years overall margins are expected to remain below 25% per annum in the medium term as Torus continues to invest in services; however, margins are expected to increase to over 30% by 2028 driven by increased rents and new units together with efficiencies from investment in systems and reduced maintenance costs following significant investment in the stock. It is anticipated that EBITDA MRI will decline to below 200% as a result of increased investment in existing stock and increasing interest payments due to new debt.

STRATEGIC REPORT

Development (Capacity and Supply)

Metric	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual	2021/22 Sector Median	2021/22 Peer Group Median
New Supply Delivered Absolute Numbers	RESILIENCE: Build, regenerate and transform places and communities					
- Social Housing		679	1,100	346	106	715
- Non Social Housing		0	20	0	0	15
New Supply Delivered %*						
- Social Housing		1.71%	2.78%	0.9%	1.4%	1.9%
- Non Social Housing		0.0%	0.0%	0.0%	0%	0.04%
Gearing *	RESILIENCE: Practice good business across the Group and supply chains	39.0%	19.0%	27.3%	44.1%	44.8%

New supply metrics demonstrate performance in terms of developing new units which is a key objective of housing providers and creates social value to communities. Development completions increased in 2022/23 to 679 units, however this was below target. This is due to a number of factors including contractor failure, and the construction sector being affected by increased costs and material shortages. These resulted in scheme delays and a rephasing of the development programme. There is still an upward trend in projected development activity in future years, with a target to complete over 1,000 units in 2023/24. Performance also compares favourably to the sector and peers.

No non-social housing was developed in 2022/23. Targets were not achieved due to delays on a scheme containing outright sales units and these are now due to be handed over on 2023/24. In future years, the numbers of non-social housing developed will be relatively low. These will be outright sales units delivered through Torus Developments. The Torus development strategy has a clear focus on social housing development.

Gearing assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It can indicate a provider’s appetite for growth. Gearing has increased to 39.0% in 2022/23. This increase is largely a consequence of raising £130m of debt in March 2023. The cash raised is being held pending securitisation, but has not been included in the calculation of net debt.

STRATEGIC REPORT

Were this included gearing would be 27.3%. Underlying gearing is very low in comparison to the sector and peers. This low level is attributable to legacy organisations strong financial performance in previous years with little development activity as organisations priority was related to existing property investment after stock transfers from local authorities.

Torus is well placed to increase activity in future years; it has strategic partner status with Homes England with grant funding of £141m of funding through the Affordable Homes Programme 2021-2026 and has secured £200m of debt finance from the government backed Affordable Homes Guarantee Scheme to support new development.

There is also a strong pipeline in place with 2,703 units across 54 schemes on site at year end and another 1,790 units with the necessary Board approvals in place. The units on site include 844 units for shared ownership or outright sale. This increased activity will require additional borrowing with the current business plan forecasting an increase in borrowing from £323m to £892m by 2034/35. As a result, gearing will increase steadily to 36% in 2027/28.

Outcomes Delivered

Metric	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual	2021/22 Sector Median	2021/22 Peer Group Median
Customer Satisfaction	INTELLIGENCE: Listen, act and respond to shape places and services	73.9%	85.0%	71.6%	84.7%	81.7%
Reinvestment % *	RESILIENCE: Build, regenerate and transform places and communities	13.9%	14.8%	11.3%	6.5%	7.4%
Investment in Communities		£5.5m	£6.1m	£6.1m	N/A	£3.1m

Customer satisfaction is derived from the STAR survey of tenants and measures the proportion of tenants who are very or fairly satisfied with their landlord's service overall. Satisfaction in 2022/23 increased to 73.9%, compared to 71.6% in 2021/22. However this is still below the target for 2022/23 and sector and peer satisfaction levels from 2022/23. Torus continues to monitor performance and complaints, identify issues of poor performance and put in place corrective actions. Policies and processes have been reviewed in light of the Social Housing white paper and Better Housing Review.

Reinvestment measures the investment in properties (existing and new supply) as a percentage of the value of total properties. Reinvestment compares well against peers and is attributable to the increase

STRATEGIC REPORT

in development activity in recent years. Actual performance was higher than the previous year and reflects the increased investment in new development, in particular land and property acquisition in the last quarter of 2023/24. Over the next few years the increased development programme and retrofitting activities on existing stock will see reinvestment at around 10% - 15% per annum in years to 2027/28.

Investment in communities quantifies the expenditure on activities that go beyond activities as a landlord or housing developer, and demonstrates the positive contribution made to communities. The Torus model of reinvesting surpluses from commercial activities to the Torus Foundation through gift aid, ensures performance compares well. This will enable Torus to continue to invest in communities and generate social value across its heartlands. £5.5m was invested in 2022/23

Effective Asset Management

Metric	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual	2021/22 Sector Median	2021/22 Peer Group Median
Return on Capital Employed *	INVESTMENT: Deliver excellent services driven by quality, value for money and changing demand	3.2%	4.2%	4.4%	3.2%	3.4%
Occupancy – General Needs only		98.8%	98.0%	99.0%	99.5%	99.2%
Ratio of Responsive Repairs to Planned Maintenance		0.51	0.50	0.47	0.70	0.78

Return on Capital Employed measures operating surplus against fixed and net current assets and is used to assess the efficient investment of capital resources. Return has fallen in 2022/23 due to reduced operating surplus. Torus compares well to its peers and demonstrates that it is effective in making best use of its existing assets. In the medium term, additional investment in repairs will see returns below 4% before increasing in the longer term.

Occupancy measures the effectiveness in letting and maintaining sustainable properties. Torus performance is slightly below that of its peers. There is strong demand for properties and lettings processes are a focus for Torus as we aim to minimise income lost through void properties. Increased specifications for void works will help maintain high demand levels. The level of voids increased during the pandemic and it has proved difficult to reduce as a result of higher levels of void works and higher turnaround times. The reduction in voids remains a focus.

STRATEGIC REPORT

Ratio of responsiveness to planned maintenance measures the efficient use of resources in the maintenance of properties. In 2022/23, performance was in line with target but there was a small increase in comparison to 2021/22. This has largely been driven by the increase in responsive and void repairs, not only to meet customer demand but also ensure Torus effectively and quickly deals with disrepair and damp and mould issues when identified. Performance compares favourably to the sector and peer median. Torus is undertaking a programme of stock condition surveys and reviewing its approach to stock investment and this approach should see improved performance in this metric in future years.

Operating Efficiencies

Metric	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual	2021/22 Sector Median	2021/22 Peer Group Median
Headline Social Housing Cost per Unit *	INVESTMENT: Deliver excellent services driven by quality, value for money and changing demand	£4,042	£3,954	£3,538	£4,150	£3,734
Rent Collected		101.3%	98.5%	101.2%	100.0%	95.9%
Overheads as a % of adjusted turnover		7.2%	7.0%	8.2%	14.9%	12.0%

Headline social housing cost per unit measures efficiency in terms of the management of social housing and includes costs of management, housing services, repairs and maintenance and capital investment in existing stock. Torus compares well to the sector and its peers, demonstrating efficiency in its housing management operations. Cost per unit in 2022/23 has increased, largely due to increased investment in stock, ensuring homes are of high quality. Cost per unit is anticipated to remain at over £4,000 per unit, due to increased investment in stock, including the retrofitting of homes to meet decarbonisation targets .

Rent collection in 2022/23 was 101.3%, which represents excellent performance against target and peer group comparison. The current economic climate will inevitably have an impact on our tenants and supporting tenants to sustain tenancies and continue to pay rent is a priority.

Overheads as a % of turnover represent the efficiency in delivering corporate services. Performance in 2022/23 indicates that corporate services remain low in comparison to peers.

STRATEGIC REPORT

Performance Framework

In addition to the above metrics the Group Corporate Plan and its related strategies measure performance in order to demonstrate that Torus is delivering services in line with its goals and aspirations. Where services are not in line with plans actions required to address performance are identified and implemented.

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

Performance in 2022/23 against a range of indicators was as set out in the following tables.

Staff Related indicators:

Indicator	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual
Average Working days lost due to sickness	INTELLIGENCE: Drive effective organisational performance, strength and influence	11.3 days	7.0 days	12.5 days
Voluntary Staff Turnover		14.5%	13.0%	13.5%
RIDDOR accident frequency rates	INVESTMENT: Embed exemplar standards of safety across living and working environments	0.14	0.45	0.34

Average working days lost at 11.3 days is higher than target, but is an improvement in performance in comparison to 2021/22. This has been a focus for management attention. Actions include the introduction of a nurse-led occupational health service and wellbeing and mental health initiatives, earlier interventions to avoid long-term sickness, alongside refresher training for managers in absence management.

Voluntary staff turnover has increased to 14.5%. Whilst this has been a trend across the country, there are initiatives put in place to address this increase. These include a review of on boarding and off

STRATEGIC REPORT

boarding processes including exit interviews, succession planning and apprenticeship / graduate programme, leadership development programme, Manager-training programme and a culture development programme.

Health and Safety of staff remains a key priority and the focus in this area is reflected in good performance with a low accident frequency rate. During 2022/23 four RIDDOR reportable accidents occurred, which was a reduction on the eight RIDDOR accidents in 2021/22.

Development Indicators:

Indicator	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual
Development Starts on site	RESILIENCE: Build, regenerate and transform places and communities	811	1,200	877
Number of Sales		212	149	84
Sales Exposure		£7.7m	£15.3m	£5.3m

Development on-site starts in 2022/23 were 811 which was below the original target of 1,200. This was also a small reduction in numbers achieved in 2021/22. Issues such as planning consents, viability and contractual issues due to increasing costs, caused a number of schemes starts to slip in 2023/24.

There were 212 shared ownership sales in 2022/23 in comparison to the target of 149. Once handed over, demand has been strong, with no significant delays in the sale of properties.

Sales exposure represents the value of unsold units. At year end there were 73 unsold units. This is at low level compared to target and in line with the previous year (74 units) and demonstrates the strong demand being experienced.

Asset related indicators:

Indicator	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual
Occupancy across all properties	INVESTMENT: Deliver excellent services driven by quality, value for money and changing demand	98.7%	99.5%	98.92%
% of properties with valid Gas Safety certificate		99.92%	100%	99.9%
Fire Risk Assessments completed within target		99.99%	100%	100%

STRATEGIC REPORT

At year end 98.7% of units were occupied. A total of 730 units were unoccupied, of which 479 units were management voids available or being made ready for letting, with 251 units being non-management voids and not available for letting. Of this 251 units, 105 of these permanently unavailable to let and are pending demolition or sale and 146 are temporarily unavailable and are awaiting refurbishment before being let.

Compliance is a priority for Torus. 29 gas certificates were outstanding at year end (2022: 36) and all properties that can be referred for legal action have been. Torus maintained a robust stance throughout 2022/23; with access issues continuing to be the main issue.

99.99% of Fire Risk Assessment works were completed on time in 2022/23. This is in line with the target. There are no outstanding high priority works.

A full suite of compliance indicators are provided to the Landlord Operations Committee and Torus (Group) Board for scrutiny.

HMS indicators

Indicator	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual
HMS Turnover	INVESTMENT: Deliver excellent services driven by quality, value for money and changing demand	£107.236m	£101.612m	£89.015m
HMS Operating Margin		3.0%	3.1%	2.3%
HMS Reactive Repairs completed within time		100%	98.5%	99.99%
HMS Vacant Properties completed within timescale		35.81%	97.0%	41.1%

HMS Turnover in 2022/23 at £107m was above the target for the year and was an increase when compared to the previous year. The main driver was an increase in responsive and void works and expansion of work on development of new homes for Torus. HMS was successful in retaining the Torus repairs and maintenance contract for a further four years. Turnover is expected increase in future years due to increased investment in stock, particularly retrofitting work in line with the Group environmental strategy.

HMS continues to be profitable with an operating margin of 3.2%, in line with target. Whilst margin has improved compared to 2021/22, there continues to be a challenging operating environment with increased material and subcontractor costs, together with labour shortages, all of which have eroded margins. Profits will be available for donation via gift aid in line with the Torus operating model.

STRATEGIC REPORT

Performance for repairs completed on time was 100%, above the target of 95%. New consistent working practices have been implemented following the amalgamation and there has been a steady improvement in performance. However, vacant properties completed in time at 35.8% was significantly below target. This was due to labour and material shortages together with an approach of improving the void standard, leading to additional works being undertaken. Improving timescales is a focus for HMS in 2023/24.

Torus Foundation indicators:

Indicator	Link to Corporate Plan	2022/23 Actual	2022/23 Target	2021/22 Actual
Number of people engaged in the employment and skills service	RESILIENCE: Build, regenerate and transform places and communities	1,879	1,870	1,004
Value of grants and monies obtained for Torus Customers		£4.8m	£3.1m	£4.4m
Grant Income		£0.92m	£0.25m	£7.8m

Torus continues to invest in its communities through its charitable arm, the Torus Foundation. Performance remains strong with 1,879 people supported through its employment and skills service compared to a target of 1,870. Its debt and benefits advice service ensured that a total of £4.8m was secured on behalf of customers.

£0.92m of grant expenditure was secured for reinvestment into community activities against a target of £0.250m.

Future VFM activities

In future years Torus will seek to improve Value for Money and start to deliver actions to support the new Group Corporate Plan, strategic and operational plans.

Specific activities that will take place in 2023/24 and support VFM include:

- Creation and implementation of a catalogue of Business Process Reviews across Torus activities;
- Development of procedures for dealing with poorly performing assets;
- Undertake a comprehensive programme of stock condition surveys across the Torus homes portfolio;
- Finalisation of a single specification for Torus new-build properties, taking into account cost, supply issues, safety and sustainability;

STRATEGIC REPORT

- Maintain and develop clear targets and expectations relating to commercial MMC and retrofitting opportunities
- Finalisation of a programme of actions in response to the Social Housing White Paper Gap Analysis - forming the White Paper Ready Action Plan;
- Establishment of a group culture change programme to drive effective colleague performance.
- Implementation and delivery of the Environmental Sustainability strategy;
- Pursue social value growth opportunities, funded through internal, gift aided resources and by securing external funding to support activities;
- Delivery of commercial surplus' in line with subsidiary business plans, maximising gift aid and reinvestment in communities via the Torus Foundation;
- Maximise VAT savings through optimal internal delivery of repairs and maintenance services; *and*
- Undertake spend analysis, develop longer term procurement plans and review of contract register and contract management processes.

Financial Performance

2022/23 was a challenging year, with the war in Ukraine leading to significant increases in inflation and interest rates as central banks sought to control inflation. In addition there was an increased focus on the social housing sector with pressure to maintain stock decency, particularly in terms of disrepair and tackling damp and mould issues. Torus has recognised these issues and has invested in maintenance activities to meet tenant demand and enhance standards.

The economic pressures have resulted in increased material and contractor prices, utility costs and insurance costs. The environment has led to an increase in contractor failure impacting development schemes in terms of scheme delays and cost increases.

It follows that these factors have impacted on financial performance for the year, and in 2022/23, the Group delivered a net surplus before taxation of £38.2m. This represents a reduction of £6.2m compared to previous year's performance.

Turnover increased to £226.6m in 2022/23 (2022: £201.5m). This was partly attributable to a rent increase of 4.1% in April 2022. This was in line with government rent policy (CPI + 1%). Income from shared ownership sales in 2022/23 was £20.1m (2022: £6.9m). The increase was due an increase of development completions and properties available to sell. Demand remains strong for sales with 212 sales during the year.

Operating costs increased in 2022/23 to £162.6m (2022: £138.5m). The main drivers for the increased cost relate to repairs and maintenance expenditure due to inflationary cost pressures and a proactive approach to invest in properties to ensure the quality of homes meet tenant aspirations. Other pressures related to utility and insurance costs, staffing costs in some key areas to drive improved performance and investment in a hardship fund to support tenants impacted by the current economic climate.

STRATEGIC REPORT

There is an impairment charge of £6.6m (2022: £1.3m) recognised in operating costs. This relates to an impairment of £5.5m on development schemes which have suffered from contractor failure and following delays, additional remediation work was required, and an impairment of £1.1m on land held for development following a revaluation.

Interest and financing costs in 2022/23 was £9.5m (2022: £12.4m). This decrease is attributable to higher debt levels in 2021/22 and breakage costs of £1.0m incurred on early repayment of £25m of debt. Capitalised interest charges were £6.0m (2022: £5.6m). Increased interest rates have a limited impacted on interest payable as 100% of debt is at fixed interest rates.

Interest receivable has increased significantly to £2.3m (2022: £0.5m). This reflects increased interest on investment of cash balances due to the increase in interest rates.

There was a negative movement in value of investment properties of £2.1m, which was largely a result of expenditure on commercial shops on Torus estates, which did not drive an increase in fair value.

Statement of Comprehensive Income	2023 £000	2022 £000	2021 £000
Turnover	226,609	201,505	198,869
Operating Costs	(162,618)	(138,486)	(119,777)
Cost of Sales	(25,614)	(14,346)	(15,915)
Gain on disposal of Assets	8,945	7,270	4,344
Other income		-	7
Operating Surplus	47,322	55,943	67,528
Share of surplus /(deficit) in JV	180	291	299
Interest Receivable	2,266	496	155
Interest payable and financing costs	(9,492)	(12,395)	(11,531)
Movement in fair value of investment properties	(2,093)	93	(676)
Net surplus before taxation	38,183	44,428	55,775

The Group's Statement of Financial position shows that net assets have grown by £50.2m, with growth largely as a result of the investment in new properties. This investment has been funded from within existing resources.

Cash Balances have reduced but remain healthy at £73.4m (2022: £182.8m). Of the total amount £35.7m is invested in deposit accounts over 90 days.

Long term creditors have increased to £702.3m (2022: £553.5m). In March 2023 £130m of long term debt was raised on capital markets through the Governments Affordable Homes Guarantee scheme. Cash is being held until security is put in place and a debtor of £130m is held within current assets.

STRATEGIC REPORT

The pensions liability represents the liabilities accruing due to participation in the Merseyside and Cheshire Pension Funds, defined benefit schemes. The net liability has reduced by £10.4m during the year and currently stands at £0.0m (2022: £10.4m). The reduction reflects changes in underlying assumptions having a positive impact on the value of scheme liabilities. Increases in inflation and interest rates have impacted on corporate bond yields and have resulted in increases in discount rates and estimated future salary and pension increases. The increase in discount rate has a positive impact on the valuation. Valuations indicated a pension surplus of £45.5m; however this has not been recognised as an asset, as it cannot be recovered through a refund or reduction in contributions.

Statement of Financial Position	2023 £000	2022 £000	2021 £000
Housing Properties, Net of depreciation	1,160,150	1,068,422	981,268
Other Fixed Assets	34,077	31,451	30,694
Fixed Assets net of Depreciation	1,194,227	1,099,873	1,011,962
Net Current Assets	277,234	183,162	207,928
Total Assets less current liabilities	1,471,461	1,283,035	1,219,890
Creditors, amounts falling due after more than one year	(702,346)	(553,506)	(536,911)
Pensions (Liability)	(23)	(10,424)	(33,614)
Provision for Liabilities	(801)	(992)	(872)
Total Net Assets	768,291	718,113	648,493
Revenue Reserve	768,086	717,801	648,483
Restricted Reserve	205	312	10
Total Reserves	768,291	718,113	648,493

Treasury Management

Treasury Policy

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

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

STRATEGIC REPORT

Surplus Funds can only be invested with bank, building societies and money market funds that are authorised by the Bank of England. Deposits can only be made for a maximum 12 months and no more than £30m can be invested with a single institution.

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

Treasury Strategy 2021-2024

A high-level treasury strategy was developed and approved by the Torus (Group) Board in March 2022. This sets out the principles and actions that underpin a proactive, insight and partnership driven approach to treasury activities. These principles are:

- Liquidity, ensuring facilities are secured ahead of investment need;
- Value for Money, attracting investment at lowest cost available in the markets;
- Managing Risk, ensuring activities are in line with the torus risk appetite and comply with funder, regulatory and statutory requirements; *and*
- Transparency, promoting Torus in an ethical, open and honest manner.

Debt Structure

All loan facilities are held by the Group parent Torus62 Limited. The Group has eight lenders: Warrington Borough Council, Nat West, Nationwide, Santander, Barclays, The Housing Finance Corporation, bLEND (a subsidiary of the Housing Finance Corporation) and Saltaire Finance.

During 2022/23 no repayments of debt took place, but £50m of undrawn revolving credit facilities expired. In March 2023, a £200m bond facility was put in place with Saltaire Finance through the government backed Affordable Homes Guarantee Scheme. £130m was raised in March 2023, with the remaining £70m due to be raised in 2023/24. Proceeds from the bond sale are being held pending security being put in place. This is expected to be finalised in August 2023. An all-in rate of 4.81% was achieved on new funding, which was within the long term interest rate assumption of 5.5% for new debt within the business plan.

STRATEGIC REPORT

A summary of loans and bonds, as at 31 March 2023 is shown below:

Provider	Total Facility (£m)	Undrawn Facility (£m)	Drawn Facilities (£m)
Warrington Borough Council	111.1	98.0	13.1
Royal Bank of Scotland/ NatWest	63.7	10.0	53.7
Nationwide	17.8	0.0	17.8
Santander	93.0	35.0	58.0
Barclays	52.5	10.0	42.5
The Housing Finance Corporation	38.0	0.0	38.0
bLEND	100.0	0.0	100.0
Saltaire Finance	200.0	70.0	130.0
Total	676.1	223.0	453.1
Bond Premia			29.2
Fair Value adjustment			11.8
Issue Costs			(3.9)
Net Debt (Note 26)			490.2

All drawn facilities are at fixed rates with terms ranging from 4 to 31 years, with final instalments due to be repaid between 2026 and 2054. Interest Rates range from 2.92% to 7.06%.

Undrawn facilities are comprised of term facilities of £98m available from Warrington Borough Council, on a 25 year amortising basis, until April 2024. The £55m relates to revolving credit facilities which expire in 2023, with the exception of £10m which is available until March 2026. New revolving credit facilities will be put in place in 2023. The remaining £70m relates to undrawn facilities agreed with Saltaire Finance.

In addition Natwest and Santander provide bonds to Merseyside Pension Fund and Cheshire Pension Fund to cover termination costs should Torus default on its obligations. At year end bonds totalled £76.4m (£62.5m to Merseyside Pension Fund and £13.9m to Cheshire Pension Fund).

Loans and Pension Bonds are fully secured by fixed charges on individual properties.

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

THFC and bLEND proceeds included an issue premium which is written off over the life of the loan. The balance at year end was £29.2m.

The Statement of Financial Position includes £11.8m in respect of fair value adjustments of loans. These have arisen due to categorisation of a cancellable loan as non-basic, in accordance with FRS102, requiring it to be held at fair value. In addition, the refinancing of loans relating to former Liverpool Mutual Homes in 2017/18 and former Golden Gates Housing Trust in 2018/19 were treated as a

STRATEGIC REPORT

derecognition event, requiring the revised loans to be revalued at their fair value. These fair value costs were initially charged as finance charges in the statement of comprehensive income. They will subsequently be amortised over the term of the loans in order that interest and financing charges reflect the market rates for these loans.

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

Current Liquidity

The Group currently holds cash balances amounting to £73.4m. This represents a reduction in balances of £109.5m over the course of 2022/23. This has been due to continued investment in development of new homes and improvements to existing stock. Proceeds raised from Saltaire Finance are being held pending securitisation and these are expected to be released in August 2023.

It is the Group's normal policy not to hold significant cash balances but to ensure that loan facilities are in place to fund future liquidity requirements. Cash balances have been built up over recent years due to strong financial performance, delays in development programme activity and the requirement to have funding in place to meet future commitments for the next 18 months. Development activity is now increasing, and cash balances are expected to fall in subsequent years and loan facilities would be utilised to fund development requirements.

Facilities are sufficient to meet the Group's requirements until 2024/25. New facilities will be required after this date with peak debt projected at £892m in 2034/35. The Group has been working with its Treasury advisors on a Treasury funding plan to address its long-term funding requirements. This was presented to the Torus (Group) Board in February 2023 and contains the following key actions for 2023/24:

1. To approach the wider market to replace revolving credit facilities due to expire in 2023.
2. To complete Tranche 2 of the Saltaire Finance bond.
3. To consider prepayment of legacy debt.

Future Prospects

The social housing sector is facing a number of challenges, namely the economic climate and associated inflationary and interest rate pressures, the government rent cap, increased scrutiny on quality of homes and requirement to ensure tenants are the focus for the business in line with the social housing white paper. There is therefore a need to balance the need to invest in homes and services with a requirement to maintain long term financial viability.

STRATEGIC REPORT

Despite these challenges, the future prospects for Torus remain positive. A skilled and experienced Board is in place following amalgamation and a five-year Group Corporate Plan has been established setting out the mission, goals and aspirations for the business. These are complemented by a series of strategic and operational plans setting out how it will achieve its objectives. These are themed around Investment, Resilience, Intelligence and Influence.

The response to the Covid-19 pandemic and the current economic uncertainty demonstrates the flexibility and agility of Torus to cope with adverse circumstances and maintain its long-term financial viability.

A Programme management office is in place to support and drive forward organisational change ensuring activities meet corporate plan objectives and deliver value for money.

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

Torus has adopted a rent policy in line with the Government rent policy. All rents including shared ownership have been increased by 7% in April 2023, and then by CPI +1% in 2024 and CPI only thereafter. Torus has chosen to apply rent flexibilities and set rents for void properties at the government formula rent plus 5% for General needs properties and plus 10% for sheltered properties. Affordability for tenants is a key consideration when annual rent increases are considered by the Torus Board.

It is vital that Torus provides homes that meet building safety standards, aligned with tenant requirements and that demand remains high. Component lifecycles and specifications are regularly reviewed with appropriate funding put in place to deliver revised requirements within the business plan. Funding has also been put in place to address current demand pressures, disrepair and damp and mould issues to ensure properties remain fit for purpose and meet tenant aspirations. A revised Asset Management Strategy has been developed and was approved in early 2022/23. In 2023/24 an independent stock condition survey will take place and investment plans will be revised accordingly.

Decarbonisation and meeting net zero targets by 2050 is a key focus for Torus and a Sustainability Strategy was approved in 2021/22. Net additional costs of £413m until 2051 have been factored into the business plan to fund decarbonisation works on Torus properties.

Torus has strategic partner status with Homes England, and this provides £72m of grant under the WAVE2 programme and £141m under its affordable homes programme 2021-2026, to support the delivery of its development and business plan targets. This status also provides opportunities for influence across the region and the ability to lead on large scale development schemes. Partner status and availability of grant has seen a shift in emphasis toward affordable rent and shared ownership products which make up 94% of the overall programme. The exposure to market rent products is, therefore, limited.

STRATEGIC REPORT

A financial plan is in place which has been updated to take account of the rent increase at 7% and current inflationary pressures and investment requirements. The plan has been stress tested and indicates that it can withstand financial losses of up to £2m per annum without breaching golden rules, or £4.3m per annum to breach financial covenants. Assumptions include:

- rent increases in line with government policy i.e. 7% in 2023/24, CPI + 1% in 2024/25 followed by CPI only increases;
- void Losses at 1.55% per annum;
- cost CPI at 8.0% in 2023/24, 6.0% in 2024/25, and a long term 2% per annum;
- costs increasing by CPI plus 0.5%;
- pay inflation at 7% in 23/24 and CPI + 0.5% thereafter;
- repairs and maintenance inflation at CPI + 2% in 2023/24 and CPI plus 0.5% thereafter;
- specific cost increases for insurances, energy costs, stock condition survey work and transformation programme investment;
- rent collection assumptions at a prudent 97% per annum;
- interest rates on new debt at 6.5% in 2023/24 before gradually falling to a long term 5.5%;
- development costs to increase by CPI + 0.5% per annum;
- no inflation on sales value in 2023/24 followed by increases at 3% per annum; *and*
- development programme of 9,821 units completed by 2036/37.

Mitigations have been agreed by the Board to address the economic pressures and these include a rephasing of development programme to 2036/37 and decarbonisation works to 2050, together with an assumption that a review of service charges will generate an additional £4m per annum, phased in from 2025/26. The business plan indicates that surpluses will be generated throughout its 30-year timeframe and funders covenants complied with at all times.

Borrowing of up to £892m is required by 2034/35 to fund the business plan. Facilities of £606m are in place, of which £153m is undrawn. In addition, cash balances of £38m are available. These will be used alongside grant and sales proceeds to meet the capital commitments of £717m as set out in note 34. The Group has strong liquidity, low gearing and sufficient security to meet its long-term ambitions.

The current economic uncertainty characterised by high inflation, increasing interest rates and supply chain difficulties have had an impact on our cost base and will impact on customers potentially affecting rental income and demand for Shared Ownership products. There is, therefore, a medium-term risk to surplus. Stress testing has been undertaken on an extended economic downturn and recovery plans are in place to address such scenarios.

Subsidiaries do not hold substantial cash balances and Torus is committed to supporting these in the short to medium term to meet any issues they may encounter. Torus has the inherent financial strength to meet these challenges and continue to deliver high quality services to its customers. As Torus monitors the impact of the economic downturn, it will review and adjust its Group Corporate Plan, operating model and business plan as appropriate.

STRATEGIC REPORT

Accounting Policies

The Group's principal accounting policies are set out on pages 68-79 of the financial statements. The policies most critical to these financial statements relate to accounting for housing properties, capitalisation of improvement works and depreciation.

Material judgements and estimates are set out in the policies.

The main estimates include:

- component useful economic lives and lifecycles, based on experience and judgements by the asset management team;
- pension assumptions, based on external advice from actuarial advisors;
- bad debts provision based on prudent assumptions around collection of arrears;
- investment property valuations using independent valuations in line with RICS guidance; *and*
- cost and income accruals in respect of development and investment activities based on experience and knowledge of suitable qualified staff.

Impairment reviews have been undertaken and have determined that two schemes that have incurred additional expenditure due to contractor failure and a parcel of land earmarked for a development scheme should be impaired at a cost of £6.6m.

Statement of Compliance

In preparing this Strategic Report and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers 2018 update.



Graham Burgess

Chair

Date: 5th September 2023

REPORT OF THE BOARD OF DIRECTORS

Principal Activities

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

Charitable Status

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

Business Changes

No business changes took place during 2022/23.

The Bamboo joint venture with Magenta was ended on 31st March 2023.

During 2022/23 Torus Developments entered into a Joint Venture with Countryside Partnerships for the development of new properties for outright sale in Peel Hall, Warrington.

Business Review

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

Financial Performance and Reserves

The Group achieved a net surplus before tax of £38.2m (2022: £44.4m), with total reserves at year end amounting to £768.3m (2022: £718.1m). Further details of performance are set out in the Strategic Report and Financial Statements.

Post Balance Sheet Events

There are no post balance sheet events since the year end that would have a significant impact on Torus' financial position.

Employees

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

REPORT OF THE BOARD OF DIRECTORS

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

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

Torus is committed to continuous development of its employees and has put in place a workforce development strategy to drive forward people and organisational performance.

Qualifying Third party indemnity provision

Torus provides Directors and Officers liability insurance to cover against claims made against individuals acting in their capacity as directors or officers. No claims were made in 2022/23.

Equality, Diversity and Inclusion

The Group is committed to equal opportunities with regard to its employees and its operations. A revised inclusion strategy is in place and action plan has been developed to ensure the Group complies with its duties and provides services that meet the requirements of all staff and customers.

The Group seeks to ensure there is equality in treatment and pay of men and women. Torus has published its median gender pay gap figure: 17.6% (2022: 15.4%). The HMS median pay gap was 8.9% (2022: 12.3%). A range of actions are underway to ensure the gender pay gaps are closed further.

Health and Safety

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

The Group operates employee Health and Safety Committees across the Group, alongside a Health and Safety Steering Group, who are responsible for monitoring all health and safety activities and reporting on these.

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

Environmental, Social and Governance Reporting

Torus is committed to ensure its activities have a positive impact for the communities it serves and wider society. Torus has become an adopter of the Sustainability Reporting Standard for Social Housing as a mechanism to demonstrate its environmental, Social and Governance (ESG) credentials to customers, stakeholders and investors. Torus will publish its ESG report in September 2023.

REPORT OF THE BOARD OF DIRECTORS

Streamlined Energy and Carbon Reporting Statement

Whilst Torus is not obliged to report under the SECR regulations, we maintain a policy of transparency and voluntarily provide the information.

Global Greenhouse Gas emissions summary

	Reporting Year 2022/23	Reporting Year 2021/22
Scope 1	4,649.62 tonnes CO2e	3,996.48 tonnes CO2e
Scope 2	790.39 tonnes CO2e	860.30 tonnes CO2e
Scope 3	82,746.40 tonnes CO2e	98,273.15 tonnes CO2e
Total	88,186.41 tonnes CO2e	103,961.14 tonnes CO2e

Consumption end energy use data

	Reporting Year 2022/23	Reporting Year 2021/22
Energy Consumption used to calculate emissions	Gas: 16,232,903 kWh Electricity: 4,087,259 kWh Transport Fuel: 7,409,039 kWh Total : 27,729,201 kWh	Gas: 15,613,794 kWh Electricity: 4,051,689 kWh Transport Fuel: 4,832,079 kWh Total : 24,497,562 kWh
Emissions from combustion of gas tCO2e (scope1)	2,963.16 tonnes CO2e	2,859.82 tonnes CO2e
Emissions from combustion of fuel for transport purposes tCO2e (scope1)	1,686.46 tonnes CO2e	1,136.66 tonnes CO2e
Emissions from combustion of purchased electricity tCO2e (scope 2)	790.39 tonnes CO2e	860.30 tonnes CO2e
Intensity Ratio based on scope 1 and 2 above	150 kgCO2e per home managed (excl office emissions) Office intensity: 20.86 kgCO2e per m2	120 kgCO2e per home managed (excl office emissions) Office intensity: 22.9 kgCO2e per m2
Emissions from generation of electricity that is consumed in a transmission and distribution system for which Torus does not own (scope 3)	72.30 tonnes CO2e	76.13 tonnes CO2e

REPORT OF THE BOARD OF DIRECTORS

Emissions from employee business travel (scope 3)	126.28 tonnes CO2e	135.74 tonnes CO2e
Estimated Emissions from housing stock (scope 3)	82,547.82 tonnes CO2e	98,061.28 tonnes CO2e
Intensity ratio – total scope 1,2 and 3 tCO2e / homes managed	2.44 tonnes CO2e per home managed	2.72 tonnes CO2e per home managed
Methodology	Information produced using SHIFT Environment methodology SECR and ESOS reporting SHIFT Environment Using Defra (2022) Conversion Factors in line with Environmental Reporting Guidelines (2019) as the majority of the financial year falls into the calendar year 2022.	

As part of the Groups commitment to the installation of energy efficient heating solutions, the following were installed during 2022/23:

- 1,317 units were installed with a new energy efficient heating system, 7 of which were Air Source Heat Pumps;
- 594 units had new roof coverings. Some units also received topped up loft insulation; *and*
- 281 units had new replacement UPVC windows.

The Group also committed to and in-progress of completing:

- a £375,000 retrofit programme in Walton with the potential inclusion of Solar PV;
- a £4.2m refurbishment of Kingsway House. A mid 1960s 9 storey, 51 unit high rise. The works are ongoing to install external wall insulation (EWI), mechanical ventilation, ground source heat pumps, communal boiler, and replacement dwelling and communal windows;
- £120,000 invested in solar PV monitoring functionality; *and*
- a European Structural Investment Fund project also delivered EWI to 138 properties and installed new windows at the time.

Resident Involvement

The Group is committed to resident involvement in its activities and the governance structure includes a Landlord Operations Committee which includes tenants within its membership. A scrutiny panel is also in place providing in depth scrutiny of performance and action plans.

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

REPORT OF THE BOARD OF DIRECTORS

A Social Housing White Paper was published in 2020/21. A gap analysis against the white paper has been undertaken and actions have been developed to ensure Torus meets its requirements and tenants have influence over service delivery.

Complaints

The Group has revised its complaints policy ensuring it is in line with the Housing Ombudsman complaint handling code. The complaints policy and process has been designed to make it easy for customers to provide feedback on its services. Listening to feedback and taking appropriate action will help Torus continually improve services.

Statement of Internal Control

The internal controls in place across the Torus Group form an integral part of the Group’s Risk and Assurance Framework. A Group Strategic Risk Register is reported to the Torus (Group) Board and to the Group Audit and Risk Committee for scrutiny and review. The Board acknowledges its role and responsibility for ensuring that the Group has an effective system of internal controls and for reviewing its effectiveness.

Whilst every effort has been made to ensure that these controls manage all key business risks, it should be noted that risks cannot always be eliminated. Consequently, whilst the Board is satisfied that an adequate and effective framework for risk management, governance and internal control is in place which provides an adequate level of assurance, such assurance is not absolute.

The Torus (Group) Board confirms that the processes for identifying, evaluating and managing the significant risks facing the Group are ongoing, and have been implemented throughout the year.

Regular assurances on the adequacy and implementation of these processes have been provided by the Group Audit and Risk Committee throughout 2022/23.

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

The assurance framework has been developed to give assurance on the effectiveness of the key internal controls which are set out below:

Source	Internal Control Operating	Evidence
<p>Governance and Management Structures</p>	<p>Torus has a documented and formally constituted Board and Committee Structure.</p> <p>The reporting lines from subsidiaries to Torus (Group) Board are delivered through subsidiary reports to the Torus (Group) Board and a Board escalation procedure.</p>	<p>Governance Documentation - Group Standing Orders, Terms of Reference and Board and</p>

REPORT OF THE BOARD OF DIRECTORS

Source	Internal Control Operating	Evidence
	<p>Group Board also has membership on each Subsidiary Board.</p> <p>All subsidiaries have their own internal control procedures.</p>	<p>Committee minutes.</p>
	<p>Landlord and subsidiaries operate in accordance with a formal Intra-Group Agreement which sets out the operating and reporting arrangements between the entities within the Group.</p>	<p>Intra-Group Agreement, reports and minutes</p>
	<p>The Group has adopted the NHF Code of Governance 2020 and each Subsidiary Board and Committee of the Group Board has formal Articles or Terms of Reference in place to support arrangements.</p> <p>An internal audit of the Group’s compliance with the NHF Code in 2022/23 provided a substantial assurance rating.</p> <p>The Group undertakes annual self- assessments of compliance with the NHF Code, the Merger Code and Regulatory Standards which are reported to Torus (Group) Board.</p>	<p>Board minutes and reports.</p>
	<p>Torus Board and committee members have been appointed on the basis of their skills and are supported by a comprehensive appraisal and training process to ensure any gaps are identified and training needs are met.</p>	<p>Group Board and Remuneration and Nominations Committee minutes and documentation.</p>
	<p>A revised Corporate Plan (2021/22 – 2025/26) has been agreed and approved by the Torus (Group) Board.</p> <p>Annual Operational Plans are prepared by the Group Leadership Team and are approved by the Group Executive Management Team and Torus (Group) Board.</p> <p>Responsibility is allocated to lead officers for each task, supported and driven by monthly reporting, using the Group’s performance management software, (Pentana).</p>	<p>Board minutes, Corporate Plan and supporting documents.</p>

REPORT OF THE BOARD OF DIRECTORS

Source	Internal Control Operating	Evidence
	Group Standing Orders, Financial Regulations and Scheme of Delegation are in place, providing accountability and decision-making structure. These are subject to annual review.	Board minutes, reports and supporting documents.
	Additional formal procedures have been developed and mapped onto SharePoint for ease of access and use.	Policy Framework and Board reports and minutes.
	Communication of policies and procedures to staff, (also available via SharePoint).	Copies of communications minutes, e-mails.
	Multi-disciplinary Group Executive Management Team (GEMT) and Group Leadership Team (GLT) operate to promote and deliver the required culture, continuous improvement and effective risk management.	Meeting agendas, minutes and reports.
Performance Reporting	There is a Group Performance Management Framework in place to monitor the Operational Plans to deliver the Corporate Strategy. All performance and resulting actions are monitored, at the appropriate level, through the Group’s Performance Management System and reported at all levels. This includes monthly performance reports to GLT Performance Board. Quarterly reports are submitted to the Torus (Group) Board, Subsidiary Boards and Committees, identifying performance against annual targets.	Board, Committee & GEMT minutes and performance reports.
	Bespoke reports are sent to Torus (Group) Board, Subsidiary Boards and to Committees recommending action required to address areas of poor performance, where appropriate.	Board and Committee minutes.
	Responsibility for Performance KPIs is allocated to lead officers. This is supported by integrated performance management software, (Pentana).	Identified within performance reports.
Risk Management	A Risk and Assurance Framework has been approved, by Torus (Group) Board, setting out the Group’s approach to risk management. Strategic and operational risks are	Board and Group Audit and Risk Committee minutes.

REPORT OF THE BOARD OF DIRECTORS

Source	Internal Control Operating	Evidence
	monitored by Group Audit and Risk Committee and Subsidiary Boards and reviewed annually by Group Board.	Risk Management and Assurance Framework.
	Group Audit and Risk Committee monitors risk management processes including near misses and crystallised risks at each meeting to ensure that the business takes appropriate action to ensure lessons are learned and controls are effective.	Group Audit and Risk Committee minutes.
	A Strategic audit plan based on strategic risks and corporate plan is agreed and overseen by Group Audit and Risk Committee.	Group Audit and Risk Committee minutes.
	Completion of Internal audit actions are monitored by Group Leadership Team and reported to Group Audit and Risk Committee	Group Audit and Risk Committee minutes and Group Leadership Team reports.
	Annual external audit reviews and reports on the effectiveness of existing internal controls are provided in the annual audit management letter.	Audit management letter.
	Health and Safety Management – a monthly report is considered by GEMT, quarterly by the Health & Safety Assurance Group and by Group Audit and Risk Committee. Health and Safety Committees meet quarterly within each Group entity to review health and safety issues. An internal audit of Fire Risk Assurance in 2022/23 provided Reasonable Assurance.	Committee minutes.
	An annual review is completed on the suitability of insurance arrangements, ensuring that our insurance provides adequate cover for the Group. The insurance arrangements were subject to competitive tender in 2020/21 with Group Audit and Risk Committee involvement in the selection process. A property restatement valuation exercise was undertaken in 2022/23 to ensure property cover is appropriate.	Group Board and Group Audit and Risk Committee minutes.

REPORT OF THE BOARD OF DIRECTORS

Source	Internal Control Operating	Evidence
	<p>Torus, Torus Foundation, Torus Developments and HMS are all separately registered with the Information Commissioner’s Office.</p> <p>The introduction of a new system (One Trust) coupled with resource via a Data Protection Apprentice will strengthen this area of compliance.</p>	Group Audit and Risk Committee minutes and Policy.
Internal Audit	RSM appointed as Torus Group’s Internal Auditor for the period 2019/20 – 2022/23 to provide an independent opinion on the effectiveness of Torus’ control assurance and risk management frameworks.	Board minutes and appointment letter.
	All 2022/23 Internal Audit reports from RSM were considered by the Group Audit and Risk Committee.	Committee Minutes and reports.
	An Internal Audit recommendation tracker system is in place with performance reported to the Group Audit and Risk Committee on a quarterly basis. RSM also separately provide evidence that all audit recommendations have been implemented.	Committee Minutes and reports.
	2022/23 Annual Internal Audit report from RSM provides assurance that the Group has an adequate and effective framework for risk management, governance and internal control.	Committee minutes and reports.
	Internal Audit Programme is based on a combined assurance framework and is prioritised with reference to the Risk Register.	Committee minutes and reports.
External Audit	BDO were appointed as Torus Group’s external auditor following formal tender in 2019/20 for a 3 year period to provide assurance on the accuracy of Torus annual statement of accounts and the internal systems that support the accounts. Group Audit and Risk Committee agreed to retain BDO as external auditor for 2022/23.	Board minutes and appointment letter.
	BDO report to the Board, via their Audit Findings Report, which comments on the accuracy of Torus Group’s 2022/23 Statement of Accounts.	Appointment letter. Notes of meetings. BDO’s audit report.

REPORT OF THE BOARD OF DIRECTORS

Source	Internal Control Operating	Evidence
<p>Financial Reporting & Control</p>	<p>Board considers an Annual review of Financial Regulations and Scheme of Delegation which identifies the financial framework under which expenditure may be incurred and income should be recovered.</p>	<p>Board minutes and documentation.</p>
	<p>Board scrutiny of financial papers – Board members include qualified accountants and members with significant financial experience and expertise in senior management positions.</p>	<p>Board member CVs and Board and Committee skills matrix.</p>
	<p>Annual Business Plans approved by the Torus (Group) Board include comprehensive stress testing to provide assurance on financial strength. Annual budgets are also approved by Torus (Group) Board.</p> <p>Subsidiary business plans, associated stress tests, and budgets are approved by the subsidiary boards.</p>	<p>Board minutes and reports.</p>
	<p>Financial Review Reports are considered monthly by Torus Group Executive Management Team, and quarterly by Torus (Group) Board. These reports identify financial performance against budget and financial covenants.</p>	<p>Group Executive Management Team and Board papers and minutes</p>
	<p>Group Treasury Management Strategy and Policy approved by Torus (Group) Board and reviewed annually. Internal Audit review of Treasury Management provided Substantial Assurance.</p>	<p>Board minutes and reports.</p>
	<p>Property Investment Plans subject to regular review throughout the year, identifying annual investment requirement for housing stock.</p>	<p>Existing Homes , Board minutes and reports.</p>
	<p>Regulatory</p>	<p>Regulatory compliance evidenced via self-assessment against the Regulator for Social Housing’s Regulatory Standards.</p>

REPORT OF THE BOARD OF DIRECTORS

Anti-Fraud Measures	Anti-Fraud Policy in place and regular reporting to Group Audit and Risk Committee.	Board and Committee minutes and reports.
	Probity, Anti-Bribery, anti-money laundering and Whistle-Blowing Policies and Board and Employee Code of Conduct in place.	Policies.
	Hospitality and declarations of interest register and procedures in place.	Registers and procedures.

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

The Strategic Risk Register identifies the strategic risks which may affect the Group. In the current year there a number of external factors affecting the UK economy, housing sector and Torus. These include the residual impact of the Coronavirus Pandemic, the war in Ukraine and its impact on the global economy and energy prices, and the withdrawal of the UK from the European Union.

Regular and comprehensive reporting arrangements to Torus (Group) Board and Committee members were put in place following the tragic events at Rochdale Boroughwide Housing in relation to damp, mould and condensation.

It is anticipated that the ongoing challenges arising from the Coronavirus Pandemic aftermath, the war in Ukraine, together with the withdrawal of the UK from the European Union will continue to affect the following key areas for the Housing sector:

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

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

- Inability to adapt to a changing external environment;
- Failure to manage our long-term financial resilience ;

REPORT OF THE BOARD OF DIRECTORS

- Ineffective identification and management of safety and compliance obligations ; *and*
- Fail to deliver the Development programme that addresses the needs of those living in our key geographical areas.

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

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

The Torus Board is satisfied with the adequacy of the internal controls in place for the year ending March 2023, and for the period to date of signing the financial statements.

Going Concern

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

The Group faces a range of pressures and uncertainties linked to inflationary pressures, supply chain issues, decarbonisation and requirements to maintain the highest standards of safety and quality within our housing stock. Pressures on the cost of living for tenants also creates risks around rental income. The business plan has been reviewed in light of these uncertainties and impact on service delivery. The plan indicates that operating profit in 2023/24 will remain strong at £51.6m (20.9%) with net profit at £50.2m (22.1%). Net Profit will increase in future years (£60.7m in 2027/28).

The Business Plan indicates that the Group has significant cash balances (£73m, with a further £130 bond proceeds due to be released in August 2023) and long term debt facilities (including £153m of undrawn facilities) which provide adequate resources to address pressures and enable it to continue to finance committed property refurbishment and improvement programmes, and new developments along with the Group's day to day operations. The plan also shows that it can service debt facilities and can continue to comply with lender covenants.

Cross default clauses exist for all entities in the Group and the greatest risk lies with subsidiaries who do not hold significant cash balances, as surpluses are usually donated via gift aid in line with the Torus operating model. Subsidiaries inherently remain sound and successful businesses and Torus has put in place measures to support its subsidiaries through provision of intra group loan facilities. The economic uncertainty has impacted on profits from commercial subsidiaries, reducing gift aid

REPORT OF THE BOARD OF DIRECTORS

donations to the Torus Foundation. As a result a savings plan was put in place to ensure cash balances are in line with its reserves policy.

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

Regulatory Compliance

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

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

Torus has reviewing the proposals for regulation of the consumer standards and put in place arrangements to ensure compliance when they are put in place.

An in-depth assessment of Torus during 2020/21 and the Regulator issued a G1/V1 status of Torus in its Regulatory Judgement published on 4 November 2020. This status was reconfirmed by the Regulator on 14 December 2022.

As part of its compliance with the Governance and Viability Standard, Torus has adopted the NHF 2020 code of practice from 1 April 2021. Torus complies with all elements of the code. A self-assessment the NHF Code of Governance take place on an annual basis.

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

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

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

REPORT OF THE BOARD OF DIRECTORS

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 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 Group and Association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Group and Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group and Association's website is the responsibility of the board members. The Board Members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Annual General Meeting

Torus' Annual General Meeting will take place on Thursday 21st September 2023.

External Auditors

BDO LLP were appointed external auditors on 8 February 2020. An exercise to procure external audit services will be completed in 2023/24.

REPORT OF THE BOARD OF DIRECTORS

Approval

The report of the Board was approved by the Board on 5th September 2023 and signed on its behalf by

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

Graham Burgess

Chair

Date: 5th September 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMMBERS OF TORUS62 LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2023 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Torus 62 Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' 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 Group's and of 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TORUS62 LIMITED

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. 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 we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the Society has not kept proper books of account;
- the Society has not maintained a satisfactory system of control over its transactions;
- the financial statements are not in agreement with the Society's 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 responsibilities of the board, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMMBERS OF TORUS62 LIMITED

respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance, Audit Committee and internal audit;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be FRS 102 and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, data protection and employment equity act.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance, Audit Committee and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override and revenue recognition in relation to cut off income around period end.

INDEPENDENT AUDITOR'S REPORT TO THE MEMMBERS OF TORUS62 LIMITED

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias; and
- Selection of revenue recognised around the period end and inspection supporting documentation that these have been recognised in the correct period.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

BDO LLP

BDO LLP
Statutory Auditor
Manchester, UK

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

Consolidated Statement of Comprehensive Income

	Note	2023 £'000	2022 £'000
Turnover	3	226,609	201,505
Operating expenditure	3	(162,618)	(138,486)
Cost of sales	3	(25,614)	(14,346)
Surplus on disposal of fixed asset housing properties	6	8,945	7,270
Operating surplus	3, 5	<u>47,322</u>	<u>55,943</u>
Share of operating surplus in JV or Associate	20	180	291
Interest receivable	7	2,266	496
Interest payable and financing costs	8	(9,492)	(12,395)
Movement in fair value of investment properties	16	(2,093)	93
Surplus before taxation		<u>38,183</u>	<u>44,428</u>
Taxation	13	(41)	(221)
Surplus for the year		<u>38,142</u>	<u>44,207</u>
Actuarial gain in respect to pension schemes	29	12,035	25,413
Total comprehensive income for the year		<u><u>50,177</u></u>	<u><u>69,620</u></u>

All amounts relate to continuing activities.

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

The financial statements were authorised and approved by the Board on 5th September 2023.



Graham Burgess
Chair



Steve Coffey
Group Chief Executive



Catherine Fearon
Company Secretary

Consolidated Statement of Financial Position

	Note	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets-housing properties	14	1,160,150	1,068,422
Other tangible assets	15	20,462	21,494
Investment properties	16	13,367	9,619
HomeBuy loans receivable	17	194	194
Other investments	18	54	54
Investment in jointly controlled entities	20	-	90
		<u>1,194,227</u>	<u>1,099,873</u>
Current assets			
Stock	22	1,125	870
Properties held for sale	21	85,250	32,127
Debtors - receivable after one year	23	20,637	7,635
Debtors - receivable within one year	23	149,167	18,451
Investments	23	35,744	110,067
Cash and cash equivalents		37,607	72,752
		<u>329,530</u>	<u>241,902</u>
Creditors: amounts falling due within one year	24	<u>(52,296)</u>	<u>(58,740)</u>
Net current assets		<u>277,234</u>	<u>183,162</u>
Total assets less current liabilities		<u>1,471,461</u>	<u>1,283,035</u>
Creditors: amounts falling due after more than one year	25	(702,346)	(553,506)
Defined benefit pension liability	29	(23)	(10,424)
Provisions for liabilities	30	(801)	(992)
Total net assets		<u>768,291</u>	<u>718,113</u>
Reserves			
Revenue reserve		768,086	717,801
Restricted reserve		205	312
Total reserves		<u>768,291</u>	<u>718,113</u>

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

These financial statements were approved by the Board on 5th September 2023 and were signed on its behalf by:



Graham Burgess
Chair



Steve Coffey
Group Chief Executive



Catherine Fearon
Company Secretary

Consolidated Statement of Changes in Reserves

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31st March 2021	648,484	10	648,494
Surplus for the year	43,905	302	44,207
Actuarial gains on defined benefit pension scheme (note 29)	25,413	-	25,413
Reserves transfer - reallocation of reserves	-	-	-
Total comprehensive income	<u>69,318</u>	<u>302</u>	<u>69,620</u>
Balance at 31st March 2022	717,802	312	718,114
Surplus for the year	38,249	(107)	38,142
Actuarial gains on defined benefit pension scheme (note 29)	12,035	-	12,035
Reserves transfer - reallocation of reserves	-	-	-
Total comprehensive income	<u>50,284</u>	<u>(107)</u>	<u>50,177</u>
Balance at 31st March 2023	<u>768,086</u>	<u>205</u>	<u>768,291</u>

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

Consolidated Statement of Cash Flows

	Note	2023 £'000	Restated 2022 £'000
Net cash (used in)/generated from operating activities	33	6,144	80,668
Cash flow from investing activities			
Purchase of tangible fixed asset properties		(135,581)	(120,001)
Purchase of other tangible fixed assets		(1,569)	(2,026)
Investment property additions		(3,019)	(906)
Proceeds from sale of tangible fixed assets		16,196	13,445
Grants received		24,401	46,069
Current asset investment movement		74,413	(90,067)
Interest received		2,266	495
HomeBuy loans received		-	37
		<u>(22,893)</u>	<u>(152,954)</u>
Cash flow from financing activities			
Interest paid		(17,882)	(15,927)
New secured loans		-	233
Cash pledged as security		-	-
Repayments of borrowings		(514)	(40,582)
		<u>(18,396)</u>	<u>(56,276)</u>
Net change in cash and cash equivalents		<u>(35,145)</u>	<u>(128,562)</u>
Cash and cash equivalents at beginning of the year		<u>72,752</u>	<u>201,314</u>
Cash and cash equivalents at end of the year	39	<u><u>37,607</u></u>	<u><u>72,752</u></u>

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

Association Statement of Comprehensive Income

	Note	2023 £'000	Restated 2022 £'000
Turnover	3	214,109	190,610
Operating expenditure	3	(162,271)	(142,292)
Cost of sales	3	(17,873)	(6,600)
Surplus on disposal of housing properties	6	8,945	7,270
Other operating income	3	4,671	3,979
Gift aid	9	-	620
Operating surplus	3	<u>47,581</u>	<u>53,587</u>
Share of operating surplus in JV or Associate	20	180	291
Interest receivable	7	3,205	961
Interest payable and financing costs	8	(9,480)	(12,381)
Movement in fair value of investment properties	16	<u>(2,093)</u>	<u>93</u>
Surplus before taxation		39,393	42,551
Taxation	13	<u>-</u>	<u>-</u>
Surplus for the year		39,393	42,551
Actuarial gain in respect to pension schemes	29	<u>11,545</u>	<u>25,090</u>
Total comprehensive income for the year		<u>50,938</u>	<u>67,641</u>

All amounts relate to continuing activities.

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

The financial statements were authorised and approved by the Board on 5th September 2023.



Graham Burgess
Chair



Steve Coffey
Group Chief Executive



Catherine Fearon
Company Secretary

Association Statement of Financial Position

	Note	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets-housing properties	14	1,165,232	1,072,963
Other tangible assets	15	19,500	20,416
Investment properties	16	13,367	9,619
HomeBuy loans receivable	17	194	194
Other investments	18	54	54
Investment in subsidiary	19	3,050	3,050
Investment in jointly controlled entities	20	-	90
		<u>1,201,397</u>	<u>1,106,386</u>
Current assets			
Stock	22	32	32
Properties held for sale	21	72,390	18,674
Debtors - receivable after one year	23	37,636	17,748
Debtors - receivable within one year	23	143,781	10,945
Investments	23	35,744	110,067
Cash and cash equivalents		30,540	65,007
		<u>320,123</u>	<u>222,473</u>
Creditors: amounts falling due within one year	24	<u>(51,896)</u>	<u>(48,852)</u>
Net current assets		<u>268,227</u>	<u>173,621</u>
Total assets less current liabilities		<u>1,469,624</u>	<u>1,280,007</u>
Creditors: amounts falling due after more than one year			
Defined benefit pension liability	29	-	(9,971)
Provisions for liabilities	30	(678)	(868)
Total net assets		<u>766,600</u>	<u>715,662</u>
Reserves			
Revenue reserve		766,600	715,662
Restricted reserve		-	-
Total reserves		<u>766,600</u>	<u>715,662</u>

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

These financial statements were approved by the Board on 5th September 2023 and were signed on its behalf by:



Graham Burgess
Chair



Steve Coffey
Group Chief Executive



Catherine Fearon
Company Secretary

Association Statement of Changes in Reserves

	Revenue reserve £'000
Balance at 31st March 2021	648,021
Surplus for the year	42,551
Actuarial losses on defined benefit pension scheme (note 29)	25,090
Total comprehensive income	<u>67,641</u>
Balance at 31st March 2022	715,662
Surplus for the year	39,393
Actuarial gains on defined benefit pension scheme (note 29)	11,545
Total comprehensive income	<u>50,938</u>
Balance at 31st March 2023	<u>766,600</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. Legal status

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

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

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

Torus62 Limited has five subsidiaries all incorporated in England and Wales. Housing Maintenance Solutions Limited provides repairs and maintenance services. Torus 62 Developments Ltd and Torus Living Ltd provide construction services. Torus Living Ltd has now ceased trading. Torus Foundation is a registered charity providing support to its communities and Torus tenants. Torus62 Commercial Services Ltd provides specialised construction services to external clients. In July 2019 Housing Maintenance Solutions Limited purchased Torus62 Commercial Services Limited and amalgamated ongoing service contracts with external customers, together with any existing assets and liabilities.

2. Accounting policies

Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers (2018 Update) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

The financial statements are prepared on an historical cost basis of accounting and are presented in £ sterling.

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

Disclosure exemptions

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

- The requirement to present a statement of cash flows and related notes.
- Financial instrument disclosures, including:
 - categories of financial instruments;
 - items of income, expense, gains or losses relating to financial instruments; *and*
 - exposure to and management of financial risks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Going concern

The Group faces a range of pressures and uncertainties linked to inflationary pressures, supply chain issues, decarbonisation and requirements to maintain the highest standards of safety and quality within our housing stock. Pressures on the cost of living for tenants also creates risks around rental income. The business plan has been reviewed in light of these uncertainties and impact on service delivery. The plan indicates that operating profit in 2023/24 will remain strong at £51.6m (20.9%) with net profit at £49.0m (22.1%). Net Profit will increase in future years (£60.7m in 2027/28).

The Business Plan indicates that the Group has significant cash balances (£73m, with a further £130 bond proceeds due to be released in July 2023) and long term debt facilities (including £153m of undrawn facilities) which provide adequate resources to address pressures and enable it to continue to finance committed property refurbishment and improvement programmes, and new developments along with the Group's day to day operations. The plan also shows that it can service debt facilities and can continue to comply with lender covenants.

Cross default clauses exist for all entities in the Group and the greatest risk lies with subsidiaries who do not hold significant cash balances, as surpluses are usually donated via gift aid in line with the Torus operating model. Subsidiaries inherently remain sound and successful businesses and Torus has put in place measures to support its subsidiaries through provision of intra group loan facilities. The economic uncertainty has impacted on profits from commercial subsidiaries, reducing gift aid donations to the Torus Foundation. As a result a savings plan was put in place to ensure cash balances are in line with its reserves policy.

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

Basis of consolidation

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

In the consolidated accounts, interests in joint ventures and associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate.

Significant management judgements and estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**- Estimation uncertainty**

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

- Impairment

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

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

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

Based on this assessment, the Depreciated Replacement Cost (DRC) of each social housing property scheme were calculated to be the recoverable amount, using appropriate construction costs and land prices. Where the DRC is less than the carrying amount, an impairment is taken to reduce the carrying amount to the DRC. For Development schemes that are under construction the value in use is determined as the present value of the future cash flows expected to be derived from the asset or cash-generating unit. This is compared to the cost to construct and the difference impaired.

- Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets including any components. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

- Fair value measurement

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

Fair value measurements are applied to significantly modified loans following loan restructures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

- Defined benefit obligation

Management's estimate of the defined benefit obligation is based on several critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses.

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

- Arrears provision

Rental arrears are provided for based on the age of debt, as this is considered to be a reasonable indication of recoverability.

The Group provides for all current rent arrears more than or equal to 60 days. Former tenant arrears are provided at 100%.

Judgements**- Classification of loans**

Torus62 has two cancellable loans, which are cancellable quarterly at the option of the banks. If the banks exercise their option to cancel these loans would revert to LIBOR rate loans. Judgement has been made by management to classify the loans as non-basic and therefore they are held at fair value.

- Supporting people

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the income to be recognised.

- Investment properties

Based on the guidance provided in FRS102 the properties leased to Bamboo Estates LLP up to the cessation of Torus62's membership of the LLP were treated as in prior periods as properties held for social housing rather than investment properties. Although they were let at market rent, this was a short-term arrangement. We consider the properties to be have been held primarily for social benefit over the life of the asset and therefore reflected this in the accounting treatment and are held the properties at historic cost.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**Turnover**

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

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

Income from first tranche sales is recognised at the point of legal completion of the sale.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

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

Other non-social income is recognised based upon the practical completion of works from external contracts.

Gift aid

Gift aid is recognised at the earlier of the point there is a legal obligation or when paid. Amounts recognised in the current and prior financial period have been recognised on payment.

Service charges

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

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

Housing properties

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**Works to existing housing properties**

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

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

Investment property

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

Government grants

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**Other grants**

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

Sales of housing properties

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

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

Depreciation of housing properties

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

Structure	60-100 years
Non-traditional construction	30 years
Bathrooms	35 years
Kitchens	25 years
Windows and doors	30 years
Electrical systems	30 years
Roofs	60-75 years
Heating – Boilers	15-18 years
Heating - Distribution system	30-36 years
Lifts	40 years
Wall ties and repointing	40 years
Building envelope render systems	40 years
Environmental and communal works	20 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**Other tangible fixed assets**

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

Freehold Property	40 years
Leasehold Properties	Over life of lease
Computers and Office Equipment	3-5 years
Furniture, Fixtures and Fittings	3-10 years
Motor Vehicles	3-10 years

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

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

First tranche shared ownership sales

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

Properties for sale

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

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

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

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

Bad and doubtful debts

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

Corporation Tax

HM Revenue and Customs has accepted that the Association is a charity for tax purposes and therefore its charitable activities are not subject to Corporation Tax. The Association's subsidiaries, Housing Maintenance Solutions Limited, Torus62 Commercial Services Limited, Torus Living Limited and Torus62 Developments Limited, have no such exemption and their activities are chargeable to Corporation Tax. Torus Foundation is a registered charity and its activities are not subject to Corporation Tax.

Deferred taxation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

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

Value Added Tax (VAT)

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

Investments

Investments are stated at historic cost less accumulated impairment losses.

Interest Payable

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

- interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; *or*
- a fair amount of interest on borrowings of the Group as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme; *or*
- other interest payable is charged in the Statement of Comprehensive Income in the year.

HomeBuy loans

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

Stocks

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

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model. Management has reviewed the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Group's loan agreements and has deemed the majority to be basic financial instruments, with the exception of two non-basic loans, which will be fair valued each period in accordance with FRS 102, with the movements posted to interest payable and financing costs within the Statement of Comprehensive Income.

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

Debtors

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

Creditors

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

Retirement benefits

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

Pension Cost

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

Reserves

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

Revenue reserve

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

Restricted reserve

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

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

Group	2023				2022			
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus £'000
Social Housing Activities								
Income and expenditure from lettings	190,838	397	(152,148)	39,087	180,761	-	(128,601)	52,160
Other Social Housing Activity								
Supporting people contract income and expenditure	-	-	-	-	350	-	-	350
First tranche low cost home ownership sales	20,119	(17,873)	-	2,246	6,900	(6,600)	-	300
Other income & expenditure	4,884	-	(9,281)	(4,397)	2,718	-	(8,516)	(5,798)
	25,003	(17,873)	(9,281)	(2,151)	9,968	(6,600)	(8,516)	(5,148)
Non-Social Housing Activities								
Market sales	-	-	-	-	-	-	-	-
Lettings income and expenditure	1,845	-	(1,189)	656	1,988	-	(1,369)	619
Other income and expenditure	8,923	(8,138)	-	785	8,788	(7,746)	-	1,042
	10,768	(8,138)	(1,189)	1,441	10,776	(7,746)	(1,369)	1,661
Net total	226,609	(25,614)	(162,618)	38,377	201,505	(14,346)	(138,486)	48,673
Gain on disposal of fixed assets (Note 6)				8,945				7,270
Operating surplus				47,322				55,943

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

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

	2023			Restated 2022				
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus £'000
Social Housing Activities								
Income and expenditure from lettings	190,838	-	(159,099)	31,739	180,761	-	(134,186)	46,575
Other Social Housing Activity								
Supporting people contract income and expenditure	-	-	-	-	350	-	-	350
First tranche low cost home ownership sales	20,119	(17,873)	-	2,246	6,900	(6,600)	-	300
Other income & expenditure	1,307	-	(1,983)	(676)	452	-	(6,737)	(6,285)
	21,426	(17,873)	(1,983)	1,570	7,702	(6,600)	(6,737)	(5,635)
Non-Social Housing Activities								
Market sales	-	-	-	-	-	-	-	-
Lettings income and expenditure	1,845	-	(1,189)	656	1,988	-	(1,369)	619
Other non-social income and expenditure	-	-	-	-	159	-	-	159
	1,845	-	(1,189)	656	2,147	-	(1,369)	778
Net total	214,109	(17,873)	(162,271)	33,965	190,610	(6,600)	(142,292)	41,718
Gain on disposal of fixed assets (Note 6)				8,945				7,270
Gift Aid (Note 9)				-				620
Other operating income				4,671				3,979
Operating surplus				47,581				53,587

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Particulars of income and expenditure from social housing lettings

Group	2023					Total	2022
	General Needs Housing	Temporary Social Housing	Supported & Housing for Older People	LCHO	Outright Sale		
	£'000	£'000	£'000	£'000	£'000		
Income							
Rent receivable net of identifiable service charges	158,333	56	15,842	4,440	-	178,671	170,469
Charges for support services	4	-	207	30	10	251	250
Service charge income	3,043	129	4,191	2,372	829	10,564	8,955
Net rents receivable	161,380	185	20,240	6,842	839	189,486	179,674
Amortised government grants	1,134	1	136	40	41	1,352	1,087
Turnover from Social Housing Lettings	162,514	186	20,376	6,882	880	190,838	180,761
Expenditure							
Management	30,043	19	4,125	1,211	1,236	36,634	33,814
Services	10,188	-	7,896	2,203	379	20,666	17,101
Support services	-	-	276	-	-	276	209
Routine maintenance	27,391	3	2,144	217	-	29,755	23,931
Planned maintenance	12,483	1	918	30	2	13,434	10,438
Major repairs expenditure	12,921	-	506	28	-	13,455	13,034
Bad debts	(249)	-	22	6	6	(215)	2,174
Depreciation on housing properties	25,376	13	2,930	861	-	29,180	25,788
Impairment of investments / housing properties	6,562	-	-	-	-	6,562	1,300
Other costs	1,852	-	152	-	-	2,004	812
Operating expenditure on Social Housing Lettings	126,567	36	18,969	4,556	1,623	151,751	128,601
Operating surplus/(deficit) on Social Housing Lettings	35,947	150	1,407	2,326	(743)	39,087	52,160
Void losses	(2,531)	(29)	(444)	(177)	-	(3,181)	(2,920)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Income and Expenditure from Social Housing Lettings (continued)

	2023					Total	2022	Restated
	General Needs Housing	Temporary Social Housing	Supported & Housing for Older People	LCHO	Outright Sale			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Income								
Rent receivable net of identifiable service charges	158,333	56	15,842	4,440	-	178,671	170,469	
Charges for support services	4	-	207	30	10	251	250	
Service charge income	3,043	129	4,191	2,372	829	10,564	8,955	
Net rents receivable	161,380	185	20,240	6,842	839	189,486	179,674	
Amortisation of property revaluation surplus/unsustainable stock	1,134	1	136	40	41	1,352	1,087	
Turnover from Social Housing Lettings	162,514	186	20,376	6,882	880	190,838	180,761	
Expenditure								
Management Services	30,043	19	4,125	1,211	1,236	36,634	33,814	
Support services	10,188	-	7,896	2,203	379	20,666	17,101	
Routine maintenance	-	-	276	-	-	276	209	
Planned maintenance	30,068	3	2,144	217	-	32,432	25,537	
Major repairs expenditure	12,483	1	918	30	2	13,434	10,438	
Bad debts	12,921	-	506	28	-	13,455	13,034	
Depreciation on housing properties	(249)	-	22	6	6	(215)	2,174	
Impairment of investments / housing properties	25,376	13	2,930	861	-	29,180	25,788	
Other costs	6,562	-	-	-	-	6,562	1,300	
	6,523	-	152	-	-	6,675	4,791	
Operating expenditure on Social Housing Lettings	133,915	36	18,969	4,556	1,623	159,099	134,186	
Operating surplus/(deficit) on Social Housing Lettings	28,599	150	1,407	2,326	(743)	31,739	46,575	
Void losses	(2,531)	(29)	(444)	(177)	-	(3,181)	2,920	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

4. Accommodation in management and development

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

	Association					Period end
	At start of period	Units developed or newly built units acquired	Units sold / demolished	Other movements	Transfers and acquisitions	
Social housing units owned						
Social rent general needs housing	29,651	15	(209)	21	1	29,479
Affordable rent general needs housing	3,256	228	(19)	79	-	3,544
Intermediate rent general needs housing	311	144	-	(2)	-	453
Social rent supported housing	148	-	-	-	14	162
Affordable rent supported housing	44	4	-	10	-	58
Social rent housing for older people	3,375	-	(1)	10	-	3,384
Affordable rent housing for older people	403	79	-	(64)	-	418
Low Cost Home Ownership	992	209	(27)	2	-	1,176
Total social housing units owned	38,180	679	(256)	56	15	38,674
Social housing units managed						
Total social housing units managed but not owned	114	-	(36)	-	-	78
Total social housing units owned and managed	38,294	679	(292)	56	15	38,752
Non-social rental housing units owned						
Non-social rental housing units owned	53	-	-	24	-	77
Total non-social housing units owned	53	-	-	24	-	77
Non-social rental housing units managed						
Total non-social rental housing units managed by others	80	-	-	(80)	-	-
Total non-social rental housing units managed	80	-	-	(80)	-	-
Leasehold units						
Leasehold units owned	1,177	-	-	23	-	1,200
Total leasehold units owned	1,177	-	-	23	-	1,200

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

5. Operating surplus

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Depreciation	29,826	26,213	29,711	26,060
Impairment	6,562	1,300	6,562	1,300
Operating lease rentals (as lessee):				
- Land and buildings	463	463	463	463
- Other	2,277	1,543	31	31
Operating lease rentals (as lessor)	(661)	(745)	(661)	(745)
Auditors remuneration (excluding VAT):				
Fees payable to the Association's auditors for the audit of the parent and Group financial statements	89	89	89	89
Fees payable to the Association's auditors for the audit of the accounts of subsidiaries	39	33	-	-
Fees payable to the Association's auditors for non-audit services:				
- Tax compliance services	-	-	-	-
- Tax advisory services	-	-	-	-
- All other assurance services	18	13	18	13

6. Surplus on disposal of fixed assets - housing properties

Group and Association	2023			2022
	Proceeds	Costs	Surplus	Surplus
	£'000	£'000	£'000	£'000
Right to buy	8,310	(2,227)	6,083	8,421
Right to acquire	6,837	(1,361)	5,476	1,632
Staircasing	2,151	(1,492)	659	435
Other property sales	29	(2)	27	26
Other fixed assets sales	-	-	-	(52)
	17,327	(5,082)	12,245	10,462
Less share of proceeds due to Local Authorities/Homes England	(3,300)	-	(3,300)	(3,192)
Group share of proceeds	14,027	(5,082)	8,945	7,270
Less transfer to Recycled Capital Grant Fund	-	-	-	-
Surplus on disposal of fixed assets	14,027	(5,082)	8,945	7,270

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023
7. Interest receivable and other income

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bank interest receivable	2,266	496	2,245	496
Inter-company interest	-	-	960	465
	<u>2,266</u>	<u>496</u>	<u>3,205</u>	<u>961</u>

8. Interest payable and financing costs

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Loans and bank overdraft	17,197	18,542	17,197	18,542
Amortisation of loan premiums	(775)	(754)	(775)	(754)
Defined benefit pension charge	270	683	258	669
Non-utilisation fees	506	477	506	477
Other fees	695	1,510	695	1,510
Unwinding of discount on NPV	(2,379)	(2,431)	(2,379)	(2,431)
Fair value adjustments on refinance	-	-	-	-
Interest on RCGF/DPF	13	-	13	-
	<u>15,527</u>	<u>18,027</u>	<u>15,515</u>	<u>18,013</u>
Capitalised interest on housing properties under construction	<u>(6,035)</u>	<u>(5,632)</u>	<u>(6,035)</u>	<u>(5,632)</u>
	<u>9,492</u>	<u>12,395</u>	<u>9,480</u>	<u>12,381</u>
Capitalisation interest rates	4.51% - 4.61%	4.51% - 4.74%	4.51% - 4.61%	4.51% - 4.74%

Rates are based upon weighted average cost of funds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023
9. Gift aid

	2023	2022
	£'000	£'000
Gift aid received from Torus62 Developments Limited	-	620
	<u>-</u>	<u>620</u>

10. Employees

	Group		Association	
Full Time Equivalents	2023	2022	2023	2022
	Average	Average	Average	Average
	Number	Number	Number	Number
Administration	268	257	168	171
Assets, development and maintenance	750	731	84	88
Housing, support and care	392	417	299	324
	<u>1,410</u>	<u>1,405</u>	<u>551</u>	<u>583</u>

The average monthly number of persons, expressed in full time equivalents (calculated based on a standard working week of 37 hrs).

	Group		Association	
Employee costs	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Wages and salaries	48,521	46,549	20,695	20,568
Social security costs	4,854	4,448	2,142	2,031
Other pension costs	4,842	4,951	2,672	2,624
	<u>58,217</u>	<u>55,948</u>	<u>25,509</u>	<u>25,223</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

The Association's and subsidiaries' employees are members of the Merseyside Pension Fund (MPF), Cheshire Pension Fund (CPF) or Aviva Defined Contribution Scheme. Further information on each scheme is given in note 29.

The full-time equivalent number of staff who received remuneration (excluding directors):	Group	
	2023	2022
	£'000	£'000
£60,001 to £70,000	38	37
£70,001 to £80,000	20	23
£80,000 to £90,000	10	6
£90,000 to £100,000	6	6
£100,000 to £110,000	1	3
£110,000 to £120,000	4	3
£120,000 to £130,000	2	2
£130,000 to £140,000	0	0
£140,000 to £150,000	0	1
£150,000 to £160,000	2	1
£160,000 to £170,000	0	1

11. Board members and Executive Directors

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

Directors and Board	2023			Total £'000	2022 Total £'000
	Basic £'000	BIK £'000	Pension £'000		
Chief Executive					
Steve Coffey	238	16	51	305	296
Executive Directors					
Peter Fieldsend	171	11	37	219	213
Catherine Murray-Howard	168	11	10	189	184
Chair of the Board					
Graham Burgess	28	-	-	28	29
Paul Burns	-	-	-	-	23
Board Members (non-executive)					
Andrew Gray	19	-	-	19	19
Christine Fallon	14	-	-	14	14

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Duncan Craig	19	-	-	19	19
Gordon Hood	16	-	-	16	14
Greg Gottig	7	-	-	7	14
Paula McGrath	9	-	-	9	19
Ralph Middlemore	6	-	-	6	6
Robert Hepworth	19	-	-	19	19
Sarah Jane Saunders	19	-	-	19	19
Christine McLoughlin	6	-	-	6	6
Alistair Hollows	6	-	-	6	6
Neil Garnham	3	-	-	3	6
David Young	9	-	-	9	-
Katie Dean	5	-	-	5	-
Stephanie Donaldson	5	-	-	5	-
Waqas Butt	7	-	-	7	-
Lisa Greenhalgh	7	-	-	7	-

The aggregate remuneration of the executive officers was £713k (2022: £693k).

The remuneration of the highest paid director, the Chief Executive of Torus62, excluding pension contributions, was £254k (2022: £274k). Pension contributions of £51k(2022 :£49k) were paid.

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

12. Key management personnel

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

Key management personnel

	Group	
	2023	2022
	£'000	£'000
Basic salary	1,469	1,696
Benefits in kind	87	165
Employers NIC	197	221
Pension contributions	152	177
	<u>1,905</u>	<u>2,259</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

13. Tax on surplus on ordinary activities

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Analysis of charge in the period				
Current Tax:				
UK corporation tax on surplus for the year	41	221	-	-
Adjustments in respect of prior years	-	-	-	-
Deferred Tax:				
Origination and reversal of timing differences				
- current year	-	-	-	-
- other	-	-	-	-
Tax on surplus on ordinary activities	<u>41</u>	<u>221</u>	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (19% 2022). The differences are explained below:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before tax	38,183	44,428	39,394	42,553
Theoretical tax at the standard rate of corporation tax in the UK of 19% (19% 2022)	7,255	8,442	7,485	8,085
Effects of:				
Charitable income	(6,570)	(7,402)	(7,485)	(8,085)
Income not taxable	5	(390)	-	-
Deferred tax adjustment	-	-	-	-
Prior year movement of current tax for gift aid	(649)	(429)	-	-
Total tax charge	<u>41</u>	<u>221</u>	<u>-</u>	<u>-</u>

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced in the budget on 3 March 2021, and substantively enacted on 24 May 2021. This will affect the calculation of future deferred tax charges.

Deferred tax has been calculated on the rate substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

14. Tangible Fixed Assets – Housing Properties

	Group				
	Social Housing		Low Cost Home Ownership		2023 Total
	Held for Letting	Under Construction	Completed	Under Construction	
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1st April 2022	1,080,111	161,314	72,307	8,703	1,322,435
Enhancements to existing properties	31,137	-	-	-	31,137
Additions	433	77,369	3	45,897	123,702
Transfer to other fixed assets	-	(515)	-	-	(515)
Transfer to investment properties	(1,731)	(1,187)	-	-	(2,918)
Transfer to current assets	-	(16,939)	(113)	(1,970)	(19,022)
Reclassification	90	(4,417)	(90)	4,417	-
Schemes completed	69,241	(69,241)	21,341	(21,341)	-
Demolitions	(2,419)	-	-	-	(2,419)
Disposals	(9,342)	-	(1,532)	-	(10,874)
At 31 March 2023	<u>1,167,520</u>	<u>146,384</u>	<u>91,916</u>	<u>35,706</u>	<u>1,441,526</u>
Depreciation and impairment					
At 1st April 2022	250,115	-	2,598	1,300	254,013
Depreciation	26,361	-	591	-	26,952
Impairments	-	-	-	6,562	6,562
Transfer to investment properties	(96)	-	-	-	(96)
Transfer to current assets	-	-	(17)	-	(17)
Reclassification	503	-	(503)	-	-
Demolitions	(2,099)	-	-	-	(2,099)
Disposals	(3,882)	-	(57)	-	(3,939)
At 31 March 2023	<u>270,902</u>	<u>-</u>	<u>2,612</u>	<u>7,862</u>	<u>281,376</u>
Net book value at 31 March 2023	<u>896,618</u>	<u>146,384</u>	<u>89,304</u>	<u>27,844</u>	<u>1,160,150</u>
At 31 March 2022	<u>829,996</u>	<u>161,314</u>	<u>69,709</u>	<u>7,403</u>	<u>1,068,422</u>

Based on the guidance provided in FRS102 the properties leased to Bamboo Estates LLP up to the cessation of Torus62's membership of the LLP were treated as in prior periods as properties held for social housing rather than investment properties. Although they were let at market rent, this was a short-term arrangement. We consider the properties to be have been held primarily for social benefit over the life of the asset and therefore reflected this in the accounting treatment and are held the properties at historic cost.

Capitalised interest is calculated based on FRS102 using the weighted average cost of borrowing. The Interest rate used in 2022/23 was between 4.51% and 4.61% (2021/22 between 4.51% and 4.74%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

	Association				
	Social Housing		Low Cost Home Ownership		Total
	Held for Letting	Under Construction	Completed	Under Construction	
£'000	£'000	£'000	£'000		
Cost					
At 1st April 2022	1,080,719	165,247	72,307	8,703	1,326,976
Enhancements to existing properties	31,137	-	-	-	31,137
Additions	433	77,910	3	45,897	124,243
Transfer to other fixed assets	-	(515)	-	-	(515)
Transfer to investment properties	(1,731)	(1,187)	-	-	(2,918)
Transfer to current assets	-	(16,939)	(113)	(1,970)	(19,022)
Reclassification	90	(4,417)	(90)	4,417	-
Schemes completed	69,241	(69,241)	21,341	(21,341)	-
Demolitions	(2,419)	-	-	-	(2,419)
Disposals	(9,342)	-	(1,532)	-	(10,874)
At 31 March 2023	1,168,128	150,858	91,916	35,706	1,446,608
Depreciation and impairment					
At 1st April 2022	250,115	-	2,654	1,244	254,013
Depreciation	26,361	-	591	-	26,952
Impairments	-	-	-	6,562	6,562
Transfer to investment properties	(96)	-	-	-	(96)
Transfer to current assets	-	-	(17)	-	(17)
Reclassification	503	-	(559)	56	-
Demolitions	(2,099)	-	-	-	(2,099)
Disposals	(3,882)	-	(57)	-	(3,939)
At 31 March 2023	270,902	-	2,612	7,862	281,376
Net book value at 31 March 2023	897,226	150,858	89,304	27,844	1,165,232
At 31 March 2022	830,604	165,247	69,653	7,459	1,072,963

Based on the guidance provided in FRS102 the properties leased to Bamboo Estates LLP up to the cessation of Torus62's membership of the LLP were treated as in prior periods as properties held for social housing rather than investment properties. Although they were let at market rent, this was a short-term arrangement. We consider the properties to be have been held primarily for social benefit over the life of the asset and therefore reflected this in the accounting treatment and are held the properties at historic cost.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Freehold	949,252	860,080	949,252	860,081
Long Leasehold	37,277	40,233	37,277	40,233
	<u>986,529</u>	<u>900,313</u>	<u>986,529</u>	<u>900,314</u>

Expenditure on works to existing properties

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts charged to revenue	59,321	49,009	59,321	49,009
Amounts capitalised	31,137	27,644	31,137	27,644
	<u>90,458</u>	<u>76,653</u>	<u>90,458</u>	<u>76,653</u>

Finance costs

	Group and Association	
	2023	2022
	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	<u>32,424</u>	<u>26,389</u>
Rate used for finance costs capitalisation	<u>4.51% - 4.61%</u>	<u>4.51% - 4.74%</u>

Social housing assistance

	Group and Association	
	2023	2022
	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income	142,026	140,700
Held as deferred income	210,391	187,902

Amounts recognised in the SoCI includes a deemed cost release relating to stock transfer properties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Impairment

The group considers individual schemes to be separate cash generating units when assessing impairment in accordance with FRS102 requirements. The impairment in year relates to land purchased for development.

15. Tangible Fixed Assets - Other

	Group					2023 Total
	Freehold Buildings	Leasehold Properties	Computers & Office Equipment	Furniture, Fixtures & Fittings	Vehicles	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1st April 2022	7,021	9,001	13,104	7,015	6,171	42,312
Additions	-	-	371	953	-	1,324
Reclassification	-	-	136	(136)	-	-
Transfer from FA housing properties	515	-	-	-	-	515
Disposals	-	-	(1,257)	(1,017)	-	(2,274)
At 31st March 2023	7,536	9,001	12,354	6,815	6,171	41,877
Depreciation						
At 1st April 2022	2,268	1,257	9,185	5,318	2,790	20,818
Charge for the year	187	225	1,431	470	562	2,875
Reclassification	-	-	(34)	34	-	-
Transfer from FA housing properties	-	-	-	-	-	-
Disposals	-	-	(1,261)	(1,017)	-	(2,278)
At 31st March 2023	2,455	1,482	9,321	4,805	3,352	21,415
Net book value at 31st March 2023	5,081	7,519	3,033	2,010	2,819	20,462
Net book value at 31st March 2022	4,753	7,744	3,919	1,697	3,381	21,494

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Tangible Fixed Assets – Other (Continued)

	Association					Total
	Freehold Buildings	Leasehold Properties	Computers & Office Equipment	Furniture, Fixtures & Fittings	Vehicles	
	£'000	£'000	£'000	£'000	£'000	
Cost						
At 1st April 2022	7,021	9,001	12,059	5,295	6,171	39,547
Additions	-	-	371	953	-	1,324
Reclassification	-	-	-	-	-	-
Transfer from FA housing properties	515	-	-	-	-	515
Disposals	-	-	(767)	(988)	-	(1,755)
At 31st March 2023	7,536	9,001	11,663	5,260	6,171	39,631
Depreciation						
At 1st April 2022	2,268	1,257	8,206	4,609	2,791	19,131
Charge for the year	187	225	1,423	362	562	2,759
Reclassification	-	-	-	-	-	-
Transfer from FA housing properties	-	-	-	-	-	-
Disposals	-	-	(771)	(988)	-	(1,759)
At 31st March 2023	2,455	1,482	8,858	3,983	3,353	20,131
Net book value at 31st March 2023	5,081	7,519	2,805	1,277	2,818	19,500
At 31 March 2022	4,753	7,744	3,853	686	3,380	20,416

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

16. Investment properties held for letting

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
At 1st April 2022	9,619	8,620	9,619	8,620
Additions	3,019	906	3,019	906
Transfer from housing properties	2,822	-	2,822	-
Transfer from tangible fixed assets: other	-	-	-	-
(Decrease)/Increase in fair value	(2,093)	93	(2,093)	93
Re-classification to fixed assets	-	-	-	-
At 31st March 2023	13,367	9,619	13,367	9,619

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

Developed properties have been assessed for fair value taken on a direct valuation based on current market yields and shop rental units have been assessed for fair value based on a current year valuation.

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

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Historical cost	14,529	8,689	14,529	8,689
Accumulated depreciation	(619)	(455)	(619)	(455)
Impairment	-	-	-	-
	13,910	8,234	13,910	8,234

17. HomeBuy loans

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

Group and Association	2023	2022
	£'000	£'000
At 1st April 2022	194	231
Redeemed in year	-	(37)
At 31st March 2023	194	194

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

18. Other investments

Group & Association	2023 £'000	2022 £'000
Other	54	54

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

19. Investment in subsidiaries

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

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

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

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

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

	Investment in subsidiaries	
	2023	2022
	£'000	£'000
Cost and net book amount		
At 1 April	3,050	3,050
Additions	-	-
At 31 March	3,050	3,050

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023
Investment in subsidiaries (continued):

	2023	2022
	£'000	£'000
Amounts recharged to HMS Ltd		
Management services	2,541	2,364
Recharge of rent on property (lease agreement)	86	152
Vehicles (lease agreement)	-	-
	<u>2,627</u>	<u>2,516</u>
Amounts recharged to Torus 62 Developments Ltd		
Management services	1,245	1,246
Amounts recharged to Torus Foundation		
Management services	885	369

20. Investment in jointly controlled entities

During the year the Association held a £90k investment in Bamboo Estates LLP (representing a 50% share) a company registered in England and Wales. The Association's membership ceased on 31 March 2023.

	Group and Association	
	2023	2022
	£'000	£'000
Share of profit before taxation	180	291
Taxation	-	-
Share of profit after taxation	<u>180</u>	<u>291</u>
Share of assets		
Share of fixed assets	-	-
Share of current assets	271	410
Share of liabilities		
Liabilities due within one year or less	(13)	(25)
Liabilities due after more than one year	-	-
Share of net assets	<u>258</u>	<u>385</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Torus Developments became a member of Peel Hall JV LLP on 12 January 2023. This is a Joint Venture (registered company number OC444261), 50% owned by Torus62 Developments Limited and 50% by Vistry Partnerships Limited, established in order to develop properties for outright sale at Peel Hall in Warrington, Cheshire. Noprofits or losses arose in the period ending 31 March 2023. Note 20 refers to a loan owed to the Group by the Joint Venture in the year.

21. Properties held for sale

Shared Ownership	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Completed properties	8,956	4,216	8,956	4,216
Under construction	36,555	9,417	36,555	9,417
	<u>45,511</u>	<u>13,633</u>	<u>45,511</u>	<u>13,633</u>

Properties developed for outright sale	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Completed properties	-	-	-	-
Under construction	15,489	18,494	2,629	5,041
	<u>15,489</u>	<u>18,494</u>	<u>2,629</u>	<u>5,041</u>

Land held for sale	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Land	24,250	-	24,250	-
	<u>24,250</u>	<u>-</u>	<u>24,250</u>	<u>-</u>
Total properties held for sale	<u>85,250</u>	<u>32,127</u>	<u>72,390</u>	<u>18,674</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

22. Stock

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Raw materials	1,093	838	-	-
Consumables	32	32	32	32
	<u>1,125</u>	<u>870</u>	<u>32</u>	<u>32</u>

23. Debtors and current asset investments

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	11,607	16,092	11,607	16,092
Less: Provision for bad and doubtful debts	(10,617)	(13,456)	(9,897)	(13,192)
	<u>990</u>	<u>2,636</u>	<u>1,710</u>	<u>2,900</u>
Other debtors	132,279	2,198	131,954	(121)
Prepayments and accrued income	15,898	13,617	9,854	8,164
Current Asset Investment	-	-	-	-
Amounts owed by Group undertakings	-	-	263	2
	<u>149,167</u>	<u>18,451</u>	<u>143,781</u>	<u>10,945</u>
Due after more than one year				
Inter-company revolving loan facility	-	-	28,038	10,113
Peel Hall JV LLP loan (note 20)	11,038	-	-	-
Leaseholder sinking fund arrears	1,410	1,730	1,410	1,730
Liquidity Reserve Fund	8,189	5,905	8,188	5,905
	<u>20,637</u>	<u>7,635</u>	<u>37,636</u>	<u>17,748</u>
Total Debtors	<u>169,804</u>	<u>26,086</u>	<u>181,417</u>	<u>28,693</u>
Current asset investments				
Cash deposits	35,744	110,067	35,744	110,067
	<u>35,744</u>	<u>110,067</u>	<u>35,744</u>	<u>110,067</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

The intra group loan facility refiles to two separate facilities from Torus62 Limited to Torus Developments. A facility for £12m was still in place to fund the Rossfield Park Development. The interest rate is 5.4% and at year end £4.0m (2022: £6.6m) had been drawn against this facility. A further intra group loan facility for £21m was agreed in 2020/21 to provide working capital for outright sales activity. The interest rate is 4.25% above the Bank of England base rate and at year end £10.0m (2022: £3.5m) had been drawn against this facility.

In the year a facility was agreed for £19.0m facility for Peel Hall JV LLP at a rate 3.35% above Bank of England base rate and at the year end £11.0m had been drawn against this facility.

In the year two new facilities were agreed for HMS totalling £6.0m both at a rate 3.0% above Bank of England base rate base rate and at the year end £3.0m had been drawn against this facility.

Facilities of £130m drawn in the year but not received at the balance sheet date from Saltair Finance plc have been shown in Other debtors pending security being put in place.

The liquidity reserve fund represents cash security against the Association's borrowing.

Cash deposits relate to short term investments that cannot be realised within a 90 day period and have therefore been classified as current asset investments.

24. Creditors: Amounts falling due within one year

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade creditors	4,064	4,350	1,243	933
Rent and service charges received in advance	5,132	5,733	5,132	5,733
Amounts owed to Group undertakings	-	-	29,419	24,367
Deferred income	286	214	-	-
Other tax and social security	1,132	861	656	704
Local Government Pension Scheme	313	341	313	341
Other creditors	523	1,394	39	138
Deferred capital grants (Note 27)	1,255	955	1,255	955
Debt - Housing loan (Note 26)	394	373	394	373
Accruals and deferred income	38,507	43,870	13,445	15,308
Corporation tax	690	649	-	-
	<u>52,296</u>	<u>58,740</u>	<u>51,896</u>	<u>48,852</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Leaseholder sinking fund *	2,346	1,733	2,346	1,733
Debt - housing loan (Note 26)	489,751	364,370	489,751	364,370
Deferred capital grants (Note 27)	209,136	186,947	209,136	186,947
Recycled capital grant (Note 28)	811	456	811	456
Disposal proceeds fund (Note 29)	-	-	-	-
Other creditors	302	-	302	-
	<u>702,346</u>	<u>553,506</u>	<u>702,346</u>	<u>553,506</u>

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

26. Debt Analysis

Security

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

	Group and Association	
	2023	2022
	£'000	£'000
Due within one year		
Bank loans	535	514
Less issue costs	(141)	(141)
	<u>394</u>	<u>373</u>
Due after more than one year		
Bank loans	184,531	185,066
Bond	268,000	138,000
Premium on bond issue	29,172	29,948
Fair value adjustment	11,764	14,142
Less issue costs	(3,716)	(2,786)
	<u>489,751</u>	<u>364,370</u>
Total borrowings	<u>490,145</u>	<u>364,743</u>

The bank and other loans are at fixed rates of interest ranging from 2.92% to 7.06%. The instalments are to be repaid in the period 2022 to 2054.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Terms of repayment and interest rates

	Group and Association	
	2023	2022
	£'000	£'000
Within one year or on demand	5,120	5,094
One year or more but less than two years	567	546
Two years or more but less than five years	39,884	26,933
Five years or more	407,495	291,007
	<u>453,066</u>	<u>323,580</u>
Premium on bond issue	29,172	29,948
Fair value adjustments	11,764	14,142
Less issue costs	(3,857)	(2,927)
	<u>490,145</u>	<u>364,743</u>

The fair value adjustments are in respect of the following:

	2023	2022
	£'000	£'000
Financial liabilities measured at fair value through surplus or deficit	299	1,067
Restatement of loans held at amortised cost	9,550	11,018
Adjustment to recognise loans at amortised cost and reflect an effective interest rate	1,915	2,057
	<u>11,764</u>	<u>14,142</u>

The fair value adjustments have been accounted for in compliance with FRS 102. The total fair value adjustment for 22/23 is £2.4m. A fair value adjustment of £0.9m relates to the valuation of non-basic financial instruments measured at fair value through surplus or deficit, as referenced in the accounting policy, which have an outstanding principal amount of £4.6m and a carrying amount of £4.9m. The balance of £1.5m relates to an adjustment to recognise the effective rate of interest in relation to basic loans.

The bond loan amount of £38m has a maturity date of October 2034 with an interest rate of 5.2%. It carries an effective interest rate of 3.07% which has resulted in a premium on bond issue of £13.5m. An additional bond loan amount of £100m has a maturity date of April 2054 with an interest rate of 2.9%. It carries an effective interest rate of 2.17% which has resulted in a premium on bond issue of £17.2m. To date £1.5m has been amortised with a remaining balance of £29.2m.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

A bond was agreed in the year with Saltaire Finance plc under the AHGS scheme of £200m with March 2053 at a rate 4.809% over Bank of England base rate. £130m was drawn in the year but had not been received at the balance sheet date.

27. Deferred capital grant

	Group and Association	
	2023	2022
	£'000	£'000
At 1 April	187,902	143,567
Grant received in year	24,323	45,747
Released to income	(1,325)	(1,029)
Grant recycled	(509)	(383)
At 31 March	<u>210,391</u>	<u>187,902</u>
Amounts to be released within one year	1,255	955
Amounts to be released in more than one year	209,136	186,947
	<u>210,391</u>	<u>187,902</u>

28. Recycled capital grant fund (RCGF)

	Group and Association	
	2023	2022
	£'000	£'000
At 1 April	456	73
Grants recycled	508	383
Interest accrued	13	-
New build	(166)	-
	811	456
Repayment of grant	-	-
At 31 March	<u>811</u>	<u>456</u>
Amount of grant due for repayment	<u>-</u>	<u>-</u>
Amounts three years or older where repayment may be required	<u>-</u>	<u>-</u>

There were no withdrawals from the recycled capital grant fund during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

29. Pensions

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

Admission agreements in place are:

Employer	Pension fund	Employer contribution rate
Torus62	MPF	21.4%
Torus62	CPF	32.5%
Torus Foundation	MPF	23.0%
Torus Foundation	CPF	32.9%

Employer contribution rates were reset at 1 April 2020, based on the triennial actuarial valuation for the respective funds which was based on information as at 31 March 2019. The latest valuation took place on 31 March 2022 and new contribution rates came into effect from 1 April 2023. These are Torus62 MPF (21.1%), Torus62 CPF (38.0%), Torus Foundation MPF (23.1%), Torus Foundation CPF (30.5%).

The Torus62 (former LMH) had nil contributions in 22-23 or 21-22 and related to two employees working on the HMS CWAC (Cheshire West and Chester) contract. The fund ceased to be an admitted body on 1st April 2022.

Total employer contributions were £3.4m (2022: £4.15m).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Principal actuarial assumptions: Financial assumptions

	2023				2022	
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Torus Foundation Cheshire	Torus Foundation Merseyside	Prior year range
	%	%	%	%	%	%
Discount rate	-	4.8	4.8	4.8	4.8	2.1
Future salary increases	-	4.0	3.7	3.9	3.7	3.1
Future pension increases	-	2.7	2.7	2.6	2.7	2.6
Inflation assumption	-	2.6	2.7	2.6	2.7	2.6

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2023 and March 2022 are based on the PA92 series. The assumed life expectations on retirement at age 65 are:

	2023					2022
	Torus 62 Cheshire (LMH)	Torus 62 Cheshire	Torus 62 Merseyside	Torus Foundation Cheshire	Torus Foundation Merseyside	Prior year range
	No of years	No of years	No of years	No of years	No of years	No of years
Retiring today:						
Males	-	20.8	22.1	20.9	21.1	20.3
Females	-	23.1	25.0	23.9	23.5	23.5
Retiring in 20 years:						
Males	-	20.8	22.1	19.6	21.1	21.2-21.7
Females	-	24.2	23.5	25.0	23.5	24.8-25.1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Analysis of amounts recognised in operating costs

	2023						2022	
	Torus 62 Cheshire (LMH) £'000	Torus 62 Cheshire £'000	Torus 62 Merseyside £'000	Association Total £'000	Torus Foundation Cheshire £'000	Torus Foundation Merseyside £'000	Group Total £'000	Total £'000
Current service cost	-	(1,662)	(2,714)	(4,376)	(116)	(80)	(4,572)	(5,508)
Past service (costs)	-	-	-	-	-	-	-	-
Administration costs	-	-	(42)	(42)	-	(1)	(43)	(49)
Curtailments	-	-	(130)	(130)	-	-	(130)	(318)
Net operating loss	-	(1,662)	(2,886)	(4,548)	(116)	(81)	(4,745)	(5,875)

Analysis of amounts recognised in other finance costs

	2023						2022	
	Torus 62 Cheshire (LMH) £'000	Torus 62 Cheshire £'000	Torus 62 Merseyside £'000	Association Total £'000	Torus Foundation Cheshire £'000	Torus Foundation Merseyside £'000	Group Total £'000	Total £'000
Expected return on pension scheme assets	-	1,744	5,815	7,559	44	57	7,660	5,320
Interest on pension scheme liabilities	-	(1,816)	(6,001)	(7,817)	(52)	(61)	(7,930)	(6,003)
Net finance cost	-	(72)	(186)	(258)	(8)	(4)	(270)	(683)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Reconciliation of defined benefit obligation

	2023						2022	
	Torus 62 Cheshire (LMH) £'000	Torus 62 Cheshire £'000	Torus 62 Merseyside £'000	Association Total £'000	Torus Foundation Cheshire £'000	Torus Foundation Merseyside £'000	Group Total £'000	Total £'000
Opening defined benefit obligation	(891)	(64,266)	(216,628)	(281,785)	(1,783)	(2,219)	(285,787)	(287,252)
Current service cost	-	(1,662)	(2,714)	(4,376)	(116)	(80)	(4,572)	(5,508)
Interest cost	-	(1,816)	(6,001)	(7,817)	(52)	(61)	(7,930)	(6,003)
Contributions by members	-	(269)	(576)	(845)	(20)	(15)	(880)	(987)
Benefits paid	-	676	5,185	5,861	1	26	5,888	5,828
Actuarial gains	-	28,736	56,125	84,861	817	113	85,791	8,453
Curtailments	-	-	(130)	(130)	-	-	(130)	(318)
Transfer of members from Group	891	-	-	891	-	-	891	-
Closing defined benefit obligation	-	(38,601)	(164,739)	(203,340)	(1,153)	(2,236)	(206,729)	(285,787)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Reconciliation of the fair value of plan assets

	2023						2022	
	Torus 62 Cheshire (LMH) £'000	Torus 62 Cheshire £'000	Torus 62 Merseyside £'000	Association Total £'000	Torus Foundation Cheshire £'000	Torus Foundation Merseyside £'000	Group Total £'000	Total £'000
Opening fair value of plan assets	917	61,899	208,998	271,814	1,533	2,016	275,363	253,638
Interest income	-	1,744	5,815	7,559	44	57	7,660	5,320
Administration cost	-	-	(42)	(42)	-	(1)	(43)	(49)
Contributions by employee	-	269	576	845	20	15	880	987
Contributions by employer	-	1,291	1,941	3,232	96	53	3,381	4,335
Benefits paid	-	(676)	(5,185)	(5,861)	(1)	(26)	(5,888)	(5,828)
Actuarial gains/(losses)	-	(8,002)	(20,732)	(28,734)	386	99	(28,249)	16,960
Transfer of members from Group	(917)	-	-	(917)	-	-	(917)	-
Closing fair value of plan assets	-	56,525	191,371	247,896	2,078	2,213	252,187	275,363

Net pension liability

	2023						2022	
	Torus 62 Cheshire (LMH) £'000	Torus 62 Cheshire £'000	Torus 62 Merseyside £'000	Association Total £'000	Torus Foundation Cheshire £'000	Torus Foundation Merseyside £'000	Group Total £'000	Total £'000
Defined benefit obligation net of plan assets	-	17,924	26,632	44,556	925	(23)	45,458	(10,424)
Amounts not recognised over Asset Ceiling level	-	(17,924)	(26,632)	(44,556)	(925)	-	(45,481)	(10,424)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

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

	2023						2022	
	Torus 62 Cheshire (LMH) £'000	Torus 62 Cheshire £'000	Torus 62 Merseyside £'000	Association Total £'000	Torus Foundation Cheshire £'000	Torus Foundation Merseyside £'000	Group Total £'000	Total £'000
Actuarial gains/(losses) on assets	-	(8,002)	(20,732)	(28,734)	386	99	(28,249)	16,960
Actuarial gains arising on the scheme liabilities	-	28,736	56,125	84,861	817	113	85,791	8,453
Reverse surplus to Asset Ceiling level	-	(17,924)	(26,632)	(44,556)	(925)	-	(45,481)	-
Transfer of obligations on cessation of admitted body status	891	-	-	891	-	-	891	-
Transfer of assets on cessation of admitted body status	(917)	-	-	(917)	-	-	(917)	-
Actuarial gain/(loss) recognised	(26)	2,810	8,761	11,545	278	212	12,035	25,413

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

	2023						2022	
	Torus 62 Cheshire (LMH) %	Torus 62 Cheshire %	Torus 62 Merseyside %	Torus 62 Foundation Cheshire %	Torus Foundation Merseyside %	Range	%	
Equities	-	43	-	43	37	37	39-46	
Gilts/bonds	-	39	-	39	31	31	30-44	
Properties	-	16	-	16	8	8	7-12	
Cash	-	2	-	2	4	4	4-5	
Other	-	-	-	-	20	20	0-18	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

30. Provisions for liabilities – Other

Group	Dilapidations	Insurance claims	Other	Total
	£'000	£'000	£'000	£'000
At 1st April 2022	124	868	-	992
Additions	-	-	-	-
Utilised	-	-	-	-
Reversals	-	(191)	-	(191)
At 31st March 2023	124	677	-	801

Association

Association	Dilapidations	Insurance claims	Other	Total
	£'000	£'000	£'000	£'000
At 1st April 2022	-	868	-	868
Additions	-	-	-	-
Utilised	-	-	-	-
Reversals	-	(190)	-	(190)
At 31st March 2023	-	678	-	678

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

31. Deferred tax asset

	Group	
	2023	2022
	£'000	£'000
At 1 April 2022	25	25
Adjustment in respect of prior years	-	-
At 31 March 2023	25	25
Accelerated capital allowance	-	-
Short term timing differences	25	25
At 31 March 2023	25	25

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

32. Non-Equity Share Capital

There are two classes of shareholders: Tenant Shareholders and Independent Shareholders. Each share has the nominal value of one pound which shall carry no right to interest, dividend or bonus. The independent shareholders are the independent Board members. Tenants are eligible to become shareholders, which provides them with the right to vote at general meetings. Tenant shareholders have 51% of total votes available at general meetings. At 31 March 2023 there were 43 tenant shareholders.

33. Cash Flow from Operating Activities

	Group	
	2023	2022
	£'000	£'000
Surplus for the year	38,142	44,207
<i>Cash flows from operating activities:</i>		
Depreciation of housing properties	26,952	23,715
Depreciation of other fixed assets	2,875	2,496
Amortised government grants	(1,325)	(1,029)
Impairment charge	6,562	1,300
Movement in fair value of investment properties	2,093	(93)
Increase in trade and other debtors	(13,716)	(4,795)
(Decrease)/Increase in trade and other creditors	(20,368)	16,146
Increase in properties held for resale	(34,118)	(5,056)
(Decrease)/Increase in provisions	(191)	119
(Increase) in stock	(255)	(33)
Pension costs less contributions payable	1,634	2,223
Taxation charge	41	221
<i>Adjustments for investing or other financing activities:</i>		
Net loss on sale of fixed assets	(8,945)	(7,270)
Fair value adjustment/refinancing	(3,154)	(3,092)
Interest payable	12,363	12,395
Interest received	(2,266)	(495)
Jointly controlled entity	(180)	(291)
Net cash (used in)/generated from operating activities	6,144	80,668

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

34. Capital commitments

	Group and Association	
	2023	2022
	£'000	£'000
Capital expenditure:		
Expenditure contracted for but not provided in the accounts	377,620	198,046
Expenditure authorised by the Board, but not contracted	339,577	303,749
	<u>717,197</u>	<u>501,795</u>
Financed by:		
Social housing grant	63,448	59,074
Proceeds from sale of properties	235,563	131,467
Committed loan facilities and cash	418,186	311,254
	<u>717,197</u>	<u>501,795</u>

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

35. Contingent Liabilities

The admission agreements with Merseyside and Cheshire Pensions Fund require Torus62 Ltd to provide bonds to cover any potential risks on the pension funds. Bonds in place at 31 March 2023 were £62.5m in respect of the Merseyside Pension Fund and £13.9m in respect of the Cheshire Pension fund.

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

36. Leasing commitments

Operating Leases

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

As lessor

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Less than one year	743	841	661	745
Between one and five years	437	709	109	230
More than five years	99	118	99	118
	<u>1,279</u>	<u>1,668</u>	<u>869</u>	<u>1,093</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

As lessee

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Less than one year	571	862	494	494
Between one and five years	1,224	1,714	1,224	1,637
More than five years	204	264	204	264
	<u>1,999</u>	<u>2,840</u>	<u>1,922</u>	<u>2,395</u>

37. Related Parties

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

Torus62 trades with Housing Maintenance Solutions Limited, a wholly owned subsidiary of Torus62, who provide repairs and maintenance, planned environmental works and development projects on Torus62 properties. Torus62 also trades with Torus 62 Developments Limited, a wholly owned subsidiary of Torus62 Limited, who develops new build properties for Torus62.

Torus62 made £180k profit from its Bamboo Estates LLP joint venture in the year (2022: £291k). The table below details sales and purchases with Bamboo Estates LLP:

Transactions	Bamboo Estates LLP	
	2023	2022
Association	£'000	£'000
Purchases	-	(1)
Sales	155	217
Group		
Purchases	-	(1)
Sales	155	217
Balances	Bamboo Estates LLP	
	2023	2022
	£'000	£'000
Association		
Amounts receivable	24	51
Group		
Amounts receivable	24	51

The Association had no tenant Board members as at 31 March 2023 (2022: none). At the 31 March 2023 £nil (2022: £nil) amounts were outstanding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

38. Financial assets & liabilities

	2023 £'000	2022 £'000
<i>Categories of financial assets and financial liabilities</i>		
Financial assets that are measured at amortised cost	230,495	189,355
Financial liabilities measured at fair value through surplus or deficit - debt instruments	(4,872)	(6,230)
Financial liabilities measured at amortised cost - debt instruments	(485,273)	(358,512)
Total debt instruments	(490,145)	(364,742)
Other liabilities measured at amortised cost	(41,456)	(51,272)
<i>Financial liabilities measured at fair value through surplus or deficit</i>		
The amount of change during the period attributable to changes in the credit risk	-	-
the amount the entity would be contractually obliged to pay at maturity	(299)	(1,067)
<i>Financial assets</i>		
Cash at bank	37,607	72,752
Financial assets on which no interest is earned	192,888	116,603
	230,495	189,355
<i>Financial liabilities excluding trade creditors – interest rate risk profile</i>		
Fixed rate	490,145	364,370
Floating rate	-	-
Total borrowings	490,145	364,370
<i>Borrowing facility</i>		
Expiring in more than two years	489,751	364,370

The Group has undrawn committed borrowing facilities. The facilities available at 31 March 2023 in respect of which all conditions precedent had been met are above.

As at 31 March 2023, The Group had £4.6m of cancellable fixed rate loans provided by Nationwide Building Society and the Royal Bank of Scotland. Under these arrangements, the lenders have the option to cancel these arrangements every three months. If these options were exercised, the loans would revert to a variable rate basis, which would increase the level of interest rate risk. These loans are managed in accordance with the Group's treasury policy, which requires that at least 60% of drawn funds be on fixed interest rates or otherwise hedged against the effects of interest rate increases. The position is considered annually when the Board sets the annual treasury strategy. The Group takes independent advice on treasury management and with rising variable interest rates there is an increased risk that these options will be exercised, although this did not occur after the year end. As at 31 March 2023, 100% of the Group's drawn loans were on fixed rates of interest. If these cancellable loans had been converted to variable rates, the percentage fixed would have been 99%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

Cash at bank and in hand includes £2.6m held for leaseholder sinking fund and £637k external funding, all of which can only be used for the reasons specified.

39. Net debt reconciliation

	Cash at Bank and In Hand	Current asset investments - cash deposits	Liquidity reserve funds held as security	Bank Loans (including issue costs)	Fair Value element of debt	Net Debt
	£'000	£'000	£'000	£'000	£'000	£'000
1st April 2022	72,752	110,067	5,905	(350,601)	(14,142)	(176,019)
Cash flows	(35,145)	(74,323)	2,284	(127,780)	-	(234,964)
Other non-cash changes	-	-	-	-	2,378	2,378
31st March 2023	37,607	35,744	8,189	(478,381)	(11,764)	(408,605)

40. Prior period adjustment

Prior year adjustments have been made in respect of inter-company recharges being incorrectly netted off within operating expenditure. These are corrections of errors from previous years.

In the current and prior years, management services based on a percentage of payroll costs were recharged by the Association to each subsidiary. These amounted to £4.6m (2022: £4.0m). The related incomes were formerly recognised in the Statement of Comprehensive Income as a reduction of Operating Expenses but are now recognised as Other Operating Income. The SOCI has therefore been restated for the prior year to recognise £4.0m in Other Operating Income with a corresponding increase in Operating Expenditure.

Note 3 – (Particulars of turnover, cost of sales, operating costs and operating surplus) has also been restated to reflect these changes.

There has been no net effect on Operating Surplus or Reserves.



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