

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## ADMINISTRATIVE INFORMATION

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The current directors, executive management and company secretary are listed below and changes to those who served during the period since 31 March 2015 are set out in the Report of the Directors.

### BOARD OF DIRECTORS

All directors of the company hold non-executive roles.

Ms Fay Edwards BEM - Chair	Resident Board Member
Mr Tony Annis - Vice Chair	Resident Board Member
Ms Mary Benjamin	Resident Board Member
Ms Anne Duru	Resident Board Member
Mrs Maria Escudero-	Resident Board Member
Mr Kush Kanodia - Vice Chair	Resident Board Member
Ms Deborah Price	Resident Board Member
Mr Brendan Tracey	Resident Board Member
Councillor Maighread Condon-Simmonds	Council Nominated Board Member
Councillor Judith	Council Nominated Board Member
Ms Paula Fance	Council Nominated Board Member
Mr Jeff Zitron	Council Nominated Board Member
Mr Simon Brissenden	Independent Board
Mr Peter Chapman	Independent Board
Mr Anthony Preiskel	Independent Board

### SENIOR MANAGEMENT

Mr R Black	Chief Executive
Mrs B Matthews FCMA	Executive Director of Financial Services & ICT
Ms S Jevans MCIH	Executive Director of Operations
Ms Y Birch	Executive Director of People and Performance

### COMPANY SECRETARY

Mrs Fola Kafidiya-Oke FCIS

### REGISTERED OFFICE

Network Hub  
292a Kensal Road  
London  
W10 5BE

### AUDITOR

RSM UK Audit LLP  
(formerly Baker Tilly UK Audit LLP)  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

### BANKERS

Lloyds Bank  
P.O. Box 17328  
11-15 Monument Street  
London  
EC3V 9JA

### SOLICITORS

Devonshires Solicitors  
30 Finsbury  
London  
EC2M 7DT

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## STRATEGIC REPORT

Year ended 31 March 2016

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### REVIEW OF THE BUSINESS

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited (KCTMO) is a Company Limited by Guarantee meaning that profits made are not distributed to its members. The Company is owned by its members, who are residents of the Royal Borough of Kensington & Chelsea's (RBKC) housing stock. During the year the Company increased its membership by 500 new members and has a total of 5,019 (2015: 4,519). The stock consists of around 6,900 rentable homes and over 2,500 leasehold properties.

The Company manages the RBKC housing under the 'Right to Manage' legislation and its roles and responsibilities are set in a Modular Management Agreement between the Company and RBKC. It collects rents and other revenues and controls expenditure as agent on behalf of the RBKC through the RBKC Housing Revenue Account (HRA). These transactions pass through the HRA and not through the Company. Income and expenditure is only included in these accounts where the company is acting as principal.

The group's principal activity during 2015/16 was the management and maintenance of the housing stock of the Royal Borough of Kensington and Chelsea (RBKC) and the provision of specialist technical consultancy and community alarm services. The Group's subsidiary, Kensington & Chelsea TMO Repairs Direct Ltd (Repairs Direct) delivers the responsive repair service to the housing stock.

This is the company's 20th year of trading having taken over the management of the homes of tenants and leaseholders from the RBKC on 1 April 1996.

These accounts have been prepared in accordance with the new financial reporting standard Financial Reporting Standard 102 (FRS 102) which came in to operation for the Group in April 2015 and the comparative figures for 2015 have been restated to reflect the adjustments required under the same standard.

In 2015/16 the group made a profit on operations of £178k (2015: £59k) before pension adjustments and tax. The surplus on trading operations for the company before pension adjustments and tax was £55k (2015: £52k).

The Company, in conjunction with RBKC produces an Annual Report to Tenants, as required in the regulatory National Standards for Social Housing. This sets out in detail the management and other activities carried out on behalf of the Council and the HRA. This report will be found on KCTMO and RBKC web sites, summarised in the Link magazine sent to all residents, and be available on request from KCTMO.

The main highlights during the year were:

- Hidden Homes

KCTMO continued to develop a programme of new homes with RBKC. During the year 3 new 2-bedroom units were completed in unused office space in Greaves Tower, World's End Estate, in Chelsea. Councillor Feilding-Mellen, Deputy Leader and Cabinet Member for Housing, Property and Regeneration, Fay Edwards, Chair of the Board and the Robert Black, Chief Executive, launched the three new homes in October 2015. The properties were built to 'Lifetime Homes' specification, a set of principles which focus on enhanced accessibility and design features that make the home flexible enough to meet whatever comes along in life, with the goal for the properties to always meet the needs of inhabitants. The properties were let to two applicants from the Homeless Register and one tenant who transferred on medical grounds.

As part of the £10m investment to refurbish Grenfell Tower, part of the Lancaster West Estate in North Kensington, 9 much needed new homes, all providing a good level of accessibility for disabled people, have been created from unused spaces as part of the refurbishment.

Three 3-bedroom homes are also under development at Holmeffield House in the North of the Borough and are due for completion in January 2017.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

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- Capital Programme

The £11.8m capital investment programme of works was successfully completed in the year, £7.5m being spent on internal works (kitchens, bathrooms electrics and heating), £900k on adaptations works and £160k to refurbish a number of community rooms to provide accessible places for residents and others to meet.

During the year £6.5m of the £10m total investment completed the refurbishment of Grenfell Tower in North Kensington, a block of 120 homes. The large scale works included the installation of insulated exterior cladding, new double glazed windows and a new communal heating system. All of this will greatly enhance the energy efficiency of the building. A new communal entrance has been created and there are new facilities for returning tenants, Grenfell Under 3s Nursery and Dale Youth Amateur Boxing Club. Although the project was delayed because two sub-contractors went into liquidation; residents were kept informed of progress with regular newsletters and meetings. There were also drop-in demonstrations for the new heating and window systems. The project has been delivered within budget.

- Asset Management

The programme to identify unused basement car parking facilities for alternative use continued in 2015/16. The car park at Lowerwood Court, Westbourne Park Road in Notting Hill has been identified as a site suitable to generate additional income for the HRA, by leasing the entire 33,000 sq. ft. car park for conversion to workspace office with auxiliary café and exhibition spaces, on a 20 year lease. The lessee is to invest over £6m in fitting out the site and is to further provide an enterprise development programme in conjunction with RBKC Economic Development team and KCTMO Resident Engagement team.

- Adair Tower fire

In October 2015 a fire broke out in a third floor flat in Adair Tower, a 14 storey block of 78 flats in North Kensington. The fire was found to be as a result of arson. A number of residents suffered smoke related injuries but were released from hospital on the same day. Residents in the flat on the same floor as the fire were decanted whilst work was completed on their flats, all residents returned in early 2016 or were rehoused elsewhere in the Borough.

As a result of an audit following the fire, the London Fire Brigade issued an Enforcement Notice covering the requirement to provide self closing devices on all flat front doors and to improve fire safety in the escape staircases. The KCTMO has actioned the works required as a result of the Notice with all due to be completed by September 2016.

The London Fire Brigade also issued an Enforcement Notice with the same requirements for Hazelwood Tower, located alongside Adair Tower. The two towers were built to the same design. The works required for Hazelwood Tower are being actioned in parallel to the Adair Tower works.

- Parking Policy & Enforcement Services

The Company approved a new parking policy to ensure management arrangements are standardised and a consistent and transparent service is provided. This operational improvement was essential following the change in legislation banning the clamping and towing of vehicles on private land. In conjunction with RBKC, the Company implemented the first borough wide Traffic Management Order. Following surveys of all parking areas new signage and lineage has been put in place and the Traffic Management Orders have been granted. Enforcement by RPKC parking officials has now begun on the estates.

- Rent Arrears

Rent collection during the year was severely impeded by the introduction of RBKC's new finance system, with tenants' payments often being misallocated. Current Tenant rent arrears ended the year above target at just over £1m, c.7 weeks arrears.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## STRATEGIC REPORT

Year ended 31 March 2016

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- Home Ownership

Despite the problems with RBKC's new finance system, Home ownership again exceeded the collection targets for both service charge and major works. As at 31st March 2016 service charge debt was £142k and major works debt £1,151k. The overall impact of the change in RBKC finance system and continued high collection rates is that the Housing Revenue Account debt has only increased by £252k in the financial year bringing it to £3.77m.

- Voids

The void turn-around period for general relets was reduced to 15.76 days in quarter 4, this is in the upper quartile for London ALMO and Local Authorities. The first quarter of the year saw below target performance which improved steadily during the year to end with the average for the year being 4.31 days below target at 18.69 days. The number of voids peak of 63 available properties in April 2015 reduced to 50 available at 31st March 2016.

- Resident Engagement

The fourth series of Get on Board Roadshows under the banner 'Get Wise' kicked off with its first event on 18 June 2015. The theme of this new series of Roadshows with its focus on employment & training, welfare benefits and money management, has been extended to include health & wellbeing. KCMO welcomed a number of new health partners including Turning Point Health Trainers and NW London Clinical Commissioning Group.

As in previous Roadshows, KCTMO continues to be supported by more than 25 local service providers and agencies. Additional services at the Get Wise events included the police who provided free identity marking for cycles, and the Fire Brigade giving advice on fire safety.

To improve the experience of residents attending these events a new layout was introduced in the form of zoning. The Get Wise events will consist of three zones – an employment & training; health & wellbeing and, finance zones. A total of 329 residents attended the two Roadshow events. KCMO held its most successful Residents' Conference in September 2015 attracting a total of 450 residents, including 30 residents engaged through the KCTMO Communities Outreach Project.

KCTMO Communities Outreach Project continues to provide a valuable service to BAME residents. As at March 2016 the project had engaged with more than 350 residents across the borough - the geographical area of the Project being widened to include the World's End area. As a result of the Project, more than 30 BAME residents now engage directly with the TMO. Due to its success, the TMO has agreed to extend the project into 2016/17.

The Youth Engagement Project "YEP" continues to go from strength to strength. As at March 2016 more than 300 young people had registered to join the YEP. The 'Up YourGame' sports programme (in partnership with Chelsea Football Club) was again successfully delivered in the north and south of the borough attracting over 300 young people. A successful 'girls only' football group has also been established as part of the sports project. In addition to the sports programme, the YEP also delivered a Bikeability Level 1 training programme in October which was attended by 19 young people. The programme enabled young people to learn safe practices and equip them with the skills to ride their bikes safely on road. Arrangements are being made to run a Bikeability Level 2 programme in 2016/17.

- Resident representation

Resident representation has been getting stronger, with nearly 59 members attending the AGM (which took place after from the conference) in September 2015. Including the online votes, 724 participated in voting – a 33% decrease on 2014 which was a record at 1,089 (in 2009, only 91 members took part). The reduced voting may have been as a result of the requirement for members to vote on the election for new Board members in July followed by a further voting process in September on the AGM matters. For 2016 it is proposed to combine the two voting requirements into one to simplify the process for members.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## STRATEGIC REPORT

Year ended 31 March 2016

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- Customer Relationship Management (CRM) project

During the year staff from across the whole Group worked together on a major business project to configure and implement a CRM system which included workshops to develop improved business processes for a number of key activities and training for all staff. The CRM system will provide residents with a better response to their enquiries and issues as all staff are able to more easily access information needed to respond and track internal activity through process workflows. The system went live in May 2016 with a second phase including the development of another 40+ workflows on target to complete in August 2016.

- Credit Union

KCTMO has continued to support the Kensington & Chelsea Credit Union during the year. The credit union operates rent free from out of the KCTMO offices. In June 2016 the Board agreed further support with a 10-year loan of £100k to enable the credit to expand its services.

### **Kensington & Chelsea TMO Repairs Direct Limited**

The KCTMO subsidiary Kensington & Chelsea TMO Repairs Direct Limited set up to deliver a high quality responsive repairs and voids service to the RBKC properties that the KCTMO manages, in its third year of trading returned an operating profit of £162k and made a repayment on its loan from KCTMO of £101k. The investment in Repairs Direct is planned to be repaid to KCTMO over 5 years.

In 2015/16 Repairs Direct delivered a turnover of £6.1m delivering 20,389 repairs and 405 voids works to 9,862 homes.

Operational performance including Key Performance Indicator (KPI) results and quality measures are showing significant improvement with robust processes and procedures now embedded in daily activities providing a sound base for future growth of this business.

### **Test of Opinion**

As part of the Modular Management Agreement with RBKC KCTMO is required to carry out a test of opinion of all tenants and leaseholders every 5 years. UK Engage was appointed to carry out this process during 2013. The key findings of the Test of Opinion were:

- 3,420 residents, including 2,717 non-members took part. This is an increase of 1,885 over the 2006 Test of Opinion
- 86% of residents voted in favour of the KCTMO continuing to manage their homes.
- 77% of residents were satisfied with the quality of their Home
- 86% of residents were satisfied with their Neighbourhood as a place to live
- 75% of residents were satisfied with the service provided by the KCTMO.

This is the highest level of satisfaction with KCTMO since it started and is an increase of 19% over the 56% achieved in 2008. The Leaseholder satisfaction increased from 38% to 60% over the same period.

### **RBKC Performance Reviews**

Under the terms of the Modular Management Agreement, RBKC carries out a Five Year Review of KCTMO's performance within the Modular Management Agreement. The last of which was in 2013/14 and noted:

- KCTMO is providing a good service with excellent prospects of improvement
- They are working closely with the Borough to meet the many challenges facing social housing in the next few years.
- The Board and Executive have a good understanding of the important decisions that need to be made in the next few years.
- The review found that the KCTMO is meeting the objectives set out in the Modular Management Agreement. The agreement should be renewed.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## STRATEGIC REPORT

Year ended 31 March 2016

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During 2015/16, both the mid-year and end of year reviews of KCTMO by RBKC were positive. The mid-year report for 2015/16 noted good performance for operational KPIs; relet times, repairs and leasehold collection rates. Issues with the RBKC's finance system, Agresso impacted on rent collection rates throughout the year. Commencement of the capital programme was delayed awaiting the outcome of the hearing from the Leasehold Valuation Tribunal on the procurement framework.

The Company continues to work to meet the strategic aims of the Council; preparing for further welfare reforms and the introduction of Universal Credit, delivering the capital programme using the new procurement framework, and delivery on a number of important health and safety issues. There has also been a focus on increasing the commercial income with the implementation of the parking review and taking a proactive approach to asset management with RBKC on both disposals and the introduction of intermediate rented housing.

Internal audit across the group carried out in 2015/16 by RBKC's audit team resulted in 9 substantial assurance ratings, for audits covering corporate and HRA accounting, health and safety, homeownership service charges consultation, major works consultation and income recovery, lift maintenance, asset management and risk management, and 6 satisfactory assurance ratings, for audits covering rent income recovery, housing management, cleaning contract, IT network security, procurement governance and corporate governance.

The Board were pleased that the leader of the Council again attended the Board's away day in June 2016.

### **RISKS AND UNCERTAINTIES**

The main risks to the Group are:

- A resolution is required to be voted on annually at the Annual General Meeting 'That KCTMO wishes to continue to manage the Royal Borough's residential property under the terms of the Management Agreement with the Royal Borough dated 26 November 2015.'
- Every 5 years a consultation, through ballot or questionnaire, is to be undertaken with all tenants and leaseholders as to whether the management agreement should continue. This was undertaken in 2013/14 and 86% voted for continuation.
- In excess of 95% of the Group's income is derived from agreements with RBKC, including the Modular Management Agreement, Community Alarm Service and the responsive repairs service with Repairs Direct. The amounts under these agreements are subject to annual budgetary review. Parts of the Older Persons services, including the Community Alarm Service, are to be retendered as a part of the Tri-Borough arrangements with the Councils in Westminster and Hammersmith and Fulham.
- The commencement of the provision of the responsive repairs through Repairs Direct in September 2013 has increased the Group staff levels by over 25% and turnover by approximately 45%. Repairs Direct now in its third year of trading reported an operating profit of £162k. Repairs Direct has the continued support of the Group and RBKC.

### **RESULTS**

The group's trading loss for the year after taxation was £356k (2015: £419k). Included in these results is a profit of £101k (2015: loss £7k) earned by Kensington and Chelsea TMO Repairs Direct Limited during the year.

### **FUTURE DEVELOPMENTS**

The Capital programme agreed with RBKC includes a £1.7m investment to refurbish Trellick Tower in North Kensington, an iconic building commissioned in 1966 and completed in 1972 and Grade 2 listed. The programme also includes £10.8m of external works some of which was delayed from 2015 awaiting the Upper Tribunal decision on the use of frameworks. The Hidden Homes programme continues and includes development of a 1-bed flat at Holmefield House, Golborne Road in Kensal which is planned to start later in 2016, and feasibilities are being prepared for 3 further properties on sites across the Borough.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## STRATEGIC REPORT

Year ended 31 March 2016

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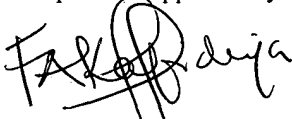
New management in Repairs Direct, including the newly appointed Managing Director together with the recently appointed Chair of the Board of Repairs Direct have prepared an ambitious 5-year Business and Financial Plan to 2021 outlining plans to improve and expand existing services, with in the latter years of the Plan expansion into new markets and service areas.

### KEY PERFORMANCE INDICATORS

KCTMO produces a suite of KPIs relating to its activities under the Modular Management Agreement. The full suite is reported to the KCTMO Board and those specified in the Management Agreement are reported to the RBKC. The transactions in these financial statements do not form a part of the above KPIs.

KCTMO receives a management fee negotiated annually with RBKC and has developed its management capacity to operate within this amount with a small surplus. It has no other financial KPIs.

This report was approved by the Board on 20 July 2016.



Mrs Fola Kafidiya-Oke FCIS  
Company Secretary

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## REPORT OF THE DIRECTORS

Year ended 31 March 2016

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### BOARD MEMBERS

The current Board Members, who are the legal Directors of the Company, are listed on page 1 of the accounts.

The Board consists of up to 15 Board Members, made up of eight Resident board members, four Council-nominated board members and three independent board members (who shall not be residents or employees of the Council). The Resident Board Members are elected by the Members of TMO. Under the TMO's constitution, the board members are appointed for a term of three years and may be re-elected or re-appointed to a maximum overall length of nine years of service. There were 15 members on the Board at the end of the year.

The following Board Members have been appointed to office or retired since the start of the year:

#### Resident Board Members

Ms Mary Benjamin	Re-appointed	26/09/2015
Mrs Maria Escudero-Barbaza	Appointed	26/09/2015
Mr Tony Annis	Re-appointed	26/09/2015

#### Senior Management

Mr Anthony Parkes FCA	Retired	03/06/2015
Mrs Barbara Matthews FCMA	Appointed	03/06/2015

### THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

### AUDITOR

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has indicated its willingness to be reappointed at the Annual General Meeting.

### EVENTS SINCE THE BALANCE SHEET DATE

There have been no events, which have occurred since the balance sheet date that could have a material effect on the accounts of the group.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors in office on the date of approval of this report have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### CONSTITUTION

The company is limited by guarantee and is governed by its articles of association. The guarantors are listed in the company's Register of Members. The liability in respect of the guarantee as set out in the articles of association is limited to £1 per member of the company.

This report was approved by the Board on 20 July 2016



Mrs Fola Kafidiya-Oke FCIS  
Company Secretary



# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## REPORT OF THE DIRECTORS

Year ended 31 March 2016

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KENSINGTON  
AND CHELSEA TENANT MANAGEMENT ORGANISATION LIMITED**

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We have audited the group and parent company financial statements (the "financial statements") on pages 11 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*RSM UK Audit LLP*

STEPHANIE WARBOYS (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

*9 August 2016*

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	<i>Notes</i>	2016 £	2015 £
TURNOVER	2	17,617,792	17,001,904
Cost of sales		(4,590,976)	(4,475,250)
<b>GROSS PROFIT</b>		<u>13,026,816</u>	<u>12,526,654</u>
Administrative expenses		(14,961,626)	(13,904,739)
Other operating income		1,595,665	1,294,389
<b>OPERATING LOSS</b>		<u>(339,145)</u>	<u>(83,696)</u>
Interest payable and similar charges	3	(290,000)	(264,000)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	<u>(629,145)</u>	<u>(347,696)</u>
Taxation	6	272,794	(71,302)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND (LOSS) FOR THE FINANCIAL YEAR</b>		<u><u>(356,351)</u></u>	<u><u>(418,998)</u></u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Actuarial gains/(losses) on the defined benefit pension scheme	20	3,769,000	(3,147,000)
Deferred tax on actuarial gain on defined benefit pension scheme		1,008,180	-
		<u>4,777,180</u>	<u>(3,147,000)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>4,420,829</u></u>	<u><u>(3,565,998)</u></u>

The notes on pages 22 to 35 form part of these financial statements.

The operating loss for the year arises from the Group's continuing operations.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## CONSOLIDATED BALANCE SHEET

As at 31 March 2016

Company Number: 3048135

	Notes	2016		2015	
		£	£	£	£
<b>FIXED ASSETS</b>					
Goodwill	7		15,845		22,183
Intangible assets	8		277,362		382,412
Tangible assets	9		755,140		913,836
			<u>1,048,347</u>		<u>1,318,431</u>
<b>CURRENT ASSETS</b>					
Stocks	11	6,833		6,833	
Debtors within one year	12	1,290,937		1,616,829	
Debtors after one year	12	1,245,398		-	
Cash at bank and in hand		<u>1,849,538</u>		<u>2,666,004</u>	
		4,392,706		4,289,666	
<b>CURRENT LIABILITIES</b>					
Creditors: amounts falling due within one year	13	<u>(2,002,092)</u>		<u>(3,617,059)</u>	
<b>NET CURRENT ASSETS</b>					
			2,390,614		672,607
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			3,438,961		1,991,038
<b>Provision for liabilities</b>					
	15		(5,960)		(16,866)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>					
			3,433,001		1,974,172
<b>Defined benefit pension scheme liability</b>					
	20		(6,408,000)		(9,370,000)
<b>NET LIABILITIES INCLUDING PENSION LIABILITY</b>					
			<u>(2,974,999)</u>		<u>(7,395,828)</u>
<b>CAPITAL AND RESERVES</b>					
Retained earnings	17		2,279,561		1,974,172
Pension reserve	17		<u>(5,254,560)</u>		<u>(9,370,000)</u>
<b>Members' funds</b>					
			<u>(2,974,999)</u>		<u>(7,395,828)</u>

As disclosed in note 16, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The financial statements on pages 11 to 35 were approved and authorised for issue by the board on 20 July 2016 and signed on its behalf by:

Name: *FAY EDWARDS*  
 Director: *F Edwards*

Name: *[Signature]*  
 Director: *Anne Duru.*

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited


## COMPANY BALANCE SHEET

As at 31 March 2016

	Notes	2016		2015	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	8		123,479		161,603
Tangible assets	9		729,135		878,073
Investment in Subsidiary Undertaking	10		<u>623,381</u>		<u>691,789</u>
			1,475,995		1,731,465
<b>CURRENT ASSETS</b>					
Debtors within one year	12	717,821		717,078	
Debtors after one year	12	1,245,398		-	
Cash at bank and in hand		<u>1,679,117</u>		<u>2,352,186</u>	
		3,642,336		3,069,264	
<b>CURRENT LIABILITIES</b>					
Creditors: amounts falling due within one year	13	<u>(1,608,598)</u>		<u>(2,655,445)</u>	
<b>NET CURRENT ASSETS</b>			2,033,738		413,819
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>3,509,733</u>		<u>2,145,284</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			3,509,733		2,145,284
Defined benefit pension scheme liability	20		(6,408,000)		(9,370,000)
<b>NET LIABILITIES INCLUDING PENSION LIABILITY</b>			<u>(2,898,267)</u>		<u>(7,224,716)</u>
<b>CAPITAL AND RESERVES</b>					
Retained earnings	17		2,356,293		2,145,284
Pension reserve	17		<u>(5,254,560)</u>		<u>(9,370,000)</u>
Members' funds			<u>(2,898,267)</u>		<u>(7,224,716)</u>

As disclosed in note 16, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The financial statements on pages 11 to 35 were approved and authorised for issue by the board on 20 July 2016 and signed on its behalf by:

  
 Name:   
 Director  
 FAY EDWARDS

  
 Name:   
 Director  
 Anne Duru

The Royal Borough of Kensington and Chelsea Tenant Management  
Organisation Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	<i>Notes</i>	Pension Reserve £	Retained Earnings £	Total £
BALANCE AT 1 APRIL 2014		(5,816,000)	1,986,170	(3,829,830)
Loss for the year		-	(418,998)	(418,998)
Other comprehensive income, net of tax:-				
Transfer		(407,000)	407,000	-
Actuarial losses on defined benefit plans	20	(3,147,000)	-	(3,147,000)
<b>TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR</b>		(3,554,000)	(11,998)	(3,565,998)
BALANCE AT 31 MARCH 2015		(9,370,000)	1,974,172	(7,395,828)
Loss for the year		-	(356,351)	(356,351)
Other comprehensive income, net of tax:-				
Transfer		(661,740)	661,740	-
Actuarial gains on defined benefit plans	20	3,769,000	-	3,769,000
Deferred tax on actuarial gain on defined benefit pension scheme		1,008,180	-	1,008,180
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		4,115,440	305,389	4,420,829
BALANCE AT 31 MARCH 2016		(5,254,560)	2,279,561	(2,974,999)

The Royal Borough of Kensington and Chelsea Tenant Management  
Organisation Limited

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	<i>Notes</i>	Pension Reserve £	Retained Earnings £	Total £
BALANCE AT 1 APRIL 2014		(5,816,000)	2,144,137	(3,671,863)
Loss for the year		-	(405,853)	(405,853)
Other comprehensive income, net of tax:-				
Transfer		(407,000)	407,000	-
Actuarial losses on defined benefit plans	20	(3,147,000)	-	(3,147,000)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		(3,554,000)	1,147	(3,552,853)
BALANCE AT 31 MARCH 2015		(9,370,000)	2,145,284	(7,224,716)
Loss for the year		-	(450,731)	(450,731)
Other comprehensive income, net of tax:-				
Transfer		(661,740)	661,740	-
Actuarial gains on defined benefit plans	20	3,769,000	-	3,769,000
Deferred tax on actuarial gain on defined benefit pension scheme		1,008,180	-	1,008,180
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		4,115,440	211,009	4,326,449
BALANCE AT 31 MARCH 2016		(5,254,560)	2,356,293	(2,898,267)

The Royal Borough of Kensington and Chelsea Tenant Management  
Organisation Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	<i>Notes</i>	2016 £	2015 £
<b>OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operations	A)	(662,041)	2,072,967
Income taxes paid		<u>(14,350)</u>	<u>(28,086)</u>
<b>NET CASH (USED IN) / FROM OPERATING ACTIVITIES</b>		<u><b>(676,391)</b></u>	<u><b>2,044,881</b></u>
<b>INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(95,095)	(107,333)
Purchase of intangible fixed assets		<u>(44,980)</u>	<u>-</u>
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>		(140,075)	(107,333)
<b>NET (DECREASE) / INCREASE IN CASH IN THE YEAR</b>		<u><b>(816,466)</b></u>	<u><b>1,937,548</b></u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		2,666,004	728,456
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><b>1,849,538</b></u>	<u><b>2,666,004</b></u>
 <b>A) RECONCILIATION OF LOSS AFTER TAX TO NET CASH (USED IN)/GENERATED FROM OPERATIONS</b>			
		2016 £	2015 £
Loss after tax		(356,351)	(418,998)
Depreciation and amortisation		410,159	445,377
Interest receivable		290,000	264,000
Taxation		(272,794)	71,302
Defined benefit pension scheme		517,000	143,000
Operating cash flows before movements in working capital		<u><b>588,014</b></u>	<u><b>504,681</b></u>
Decrease in debtors		347,791	445,244
(Decrease)/Increase in creditors		(1,597,846)	1,107,732
Decrease in stocks		-	15,310
Cash (used in)/generated from operations		<u><b>(662,041)</b></u>	<u><b>2,072,967</b></u>



The Royal Borough of Kensington and Chelsea Tenant Management  
 Organisation Limited  
 COMPANY STATEMENT OF CASH FLOWS  
 For the year ended 31 March 2016

	<i>Notes</i>	2016 £	2015 £
<b>OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operations	A)	(619,698)	1,778,725
Income taxes paid		<u>(14,350)</u>	<u>(28,087)</u>
<b>NET CASH (USED IN) / FROM OPERATING ACTIVITIES</b>		<u><b>(634,048)</b></u>	<u><b>1,750,638</b></u>
<b>INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(95,095)	(106,311)
Purchase of intangible fixed assets		(44,980)	-
Repayment of loan from subsidiary		101,054	58,253
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>		<u>(39,021)</u>	<u>(48,058)</u>
<b>NET (DECREASE) / INCREASE IN CASH IN THE YEAR</b>		<u><b>(673,069)</b></u>	<u><b>1,702,580</b></u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>2,352,186</u>	<u>649,606</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><b>1,679,117</b></u>	<u><b>2,352,186</b></u>
<b>A) RECONCILIATION OF LOSS AFTER TAX TO NET CASH (USED IN)/GENERATED FROM OPERATIONS</b>			
		2016 £	2015 £
Loss after tax		(450,731)	(405,853)
Depreciation and amortisation		327,137	362,385
Interest payable		290,000	264,000
Interest receivable		(32,646)	(34,096)
Taxation		(301,612)	50,583
Defined benefit pension scheme		517,000	143,000
<b>Operating cash flows before movements in working capital</b>		<u><b>349,148</b></u>	<u><b>380,019</b></u>
Decrease in debtors		21,156	88,839
Decrease/Increase in creditors		(990,002)	1,309,867
<b>Cash (used in)/generated from operations</b>		<u><b>(619,698)</b></u>	<u><b>1,778,725</b></u>

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## ACCOUNTING POLICIES

For the year ended 31 March 2016

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### GENERAL INFORMATION

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited (“the Company”) is a limited company domiciled and incorporated in England.

The address of the Company’s registered office and principal place of business is stated on the Administrative Information page. The Group consists of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and its subsidiary Kensington and Chelsea TMO Repairs Direct Limited.

The Company’s and the Group’s principal activities and the nature of the Company’s operations and the Group’s operations are given in the Strategic Report and the Directors’ Report.

### BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

### GOING CONCERN

The accounts have been prepared on the going concern basis. The group has retained earnings of £2,280K and is budgeted to breakeven for the coming year before adjustment for Pension Scheme Liability. The cash at bank is £1,850K and there are no borrowings. The Royal Borough Kensington & Chelsea has confirmed the continuation of the management agreement.

### FIRST TIME ADOPTION OF FRS 102

These consolidated and company financial statements are the first consolidated and company financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102). The consolidated and company financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’. Adjustments are recognised directly in retained earnings at the transition date.

### COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company’s loss for the year and total comprehensive income for the year were £450,731 (2015: £405,853) and £4,326,449 (2015: £3,552,853), respectively.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## ACCOUNTING POLICIES

For the year ended 31 March 2016

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### **BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate those of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 March 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

### **FUNCTIONAL AND PRESENTATIONAL CURRENCIES**

The consolidated financial statements are presented in sterling which is also the functional currency of the Group and Company.

### **GOODWILL**

Goodwill is capitalised and written off evenly over 5 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

### **FIXED ASSET INVESTMENTS**

In the accounts of the company the interest in its subsidiary has been initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Investments are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

### **TANGIBLE FIXED ASSETS**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Office fit out	Lower of lease term or 10 years
Office furniture	20%
Computer and office equipment	33%
Leasehold improvement	Lower of lease term or 10 years

### **INTANGIBLE FIXED ASSETS (OTHER THAN GOODWILL)**

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Electronic data management system & Open Contractor Software	20%
--------------------------------------------------------------	-----

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## ACCOUNTING POLICIES

For the year ended 31 March 2016

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### **STOCKS**

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in profit or loss.

### **TAXATION**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, that will be assessed to or allow 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.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **LEASES**

The annual rentals in respect of operating leases are charged to the profit or loss on a straight line basis over the lease term.

### **EMPLOYEE BENEFITS**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

### **RETIREMENT BENEFITS**

#### *Defined contribution plans*

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## ACCOUNTING POLICIES

For the year ended 31 March 2016

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### *Defined benefit plans*

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method.

### *Liability*

The net defined benefit liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

### *Gains/Losses*

Gains or losses recognised in profit or loss:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

## **FINANCIAL INSTRUMENTS**

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **Financial assets**

#### *Trade debtors*

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

#### *Other debtors*

Other debtors are initially measured at the transaction price and are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

### **Loans**

All loans will be recognised initially at fair value, net of transaction costs incurred. Loans are subsequently carried at fair value through profit or loss. Fair value has been determined through the present value of future cash flows.

### **Financial liabilities and equity**

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## ACCOUNTING POLICIES

For the year ended 31 March 2016

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### *Equity instruments*

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

### *Trade creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

### *Other creditors*

Other creditors are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

### *Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## **TURNOVER**

Turnover is recognised at the fair value of the consideration received or receivable for sale of services to external customers in the ordinary nature of the business. Turnover is shown net of Value Added Tax.

## **INTEREST INCOME**

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

## **AGENCY ARRANGEMENTS**

Income and expenditure is included in the statement of comprehensive income where the group is acting as principal and bears the risks and rewards associated with those arrangements, rather than acting as an agent. Only the fee earned by the Group in connection with agency arrangements is included within other operating income.

## **1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates and assumptions:* The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The recoverable amount of goodwill is based on value in use which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and the future earnings growth.

The actuarial calculation of the deferred benefit pension scheme requires assumptions to be made in respect of the mortality rates of members, the rate of inflation and the discount rate that should be used. Further details can be found in note 20.

*Critical areas of judgement:* The directors do not consider there to be any areas of judgement that need to be brought to the attention of the readers of the accounts.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 2 TURNOVER

The Group's turnover was derived from its principal activities. Turnover is derived solely in the United Kingdom.

An analysis of the Group's turnover by class of business is as follows:

	2016 £	2015 £
Management of RBKC social housing properties	11,016,203	10,833,933
Provision of repairs and maintenance services	6,084,884	5,666,278
Community Alarm Service	516,705	501,693
	<u>17,617,792</u>	<u>17,001,904</u>

### 3 INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £	2015 £
Interest on defined benefit pension scheme liabilities net of interest income on assets	(290,000)	(264,000)
	<u>(290,000)</u>	<u>(264,000)</u>

### 4 (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2016 £	2015 £
This is stated after charging:		
Amortisation of goodwill	6,338	6,338
Depreciation of tangible assets	253,791	285,701
Amortisation of intangible assets	150,030	153,338
Operating lease rentals:		
- land and buildings	511,621	493,058
- plant and machinery	106,355	104,770
Fees payable to the company's auditor:		
- Statutory audit of parent and consolidated financial statements	24,070	23,760
- Statutory audit of subsidiary financial statements	6,000	8,090
All other non-audit services	31,190	13,975
Stock		
- Amounts expensed to cost of sales	451,254	493,784
	<u>(451,254)</u>	<u>(493,784)</u>

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 5 EMPLOYEES

The average monthly number of persons (including directors) employed by the Group during the year was:

	2016 No.	2015 No.
Housing	79	76
Technical services	88	95
Support services	51	49
	<u>218</u>	<u>220</u>

Staff costs for the above persons:

	2016 £	2015 £
Wages and salaries	7,798,782	7,629,673
Social security costs	697,941	690,808
Other pension costs	1,652,404	1,202,613
	<u>10,149,127</u>	<u>9,523,094</u>
Agency Staff Costs	<u>1,376,702</u>	<u>1,110,423</u>
<b>Total Staff Costs</b>	<u><u>11,525,829</u></u>	<u><u>10,633,517</u></u>

The eight Resident Board Members have been paid expense allowances totalling £13,070 (2015: £13,099). A further £1,778 was reimbursed to board members for expenses incurred (2015: £841).

Pension costs are analysed as follows:

Current service cost	1,634,000	1,178,000
Repairs Direct defined contribution scheme	17,818	23,951
TMO defined contribution scheme	586	662
	<u>1,652,404</u>	<u>1,202,613</u>

### 6 TAXATION

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax	47,589	58,610
Adjustment in respect of prior years	(72,259)	(6,263)
<b>Total current tax</b>	<u>(24,670)</u>	<u>52,347</u>
<b>Deferred tax</b>		
Timing differences in relation to pension liability	(145,260)	-
Origination and reversal of timing differences	(102,864)	18,955
<b>Total deferred tax (credit)/charge</b>	<u>(248,124)</u>	<u>18,955</u>
<b>Total tax on loss on ordinary activities</b>	<u><u>(272,794)</u></u>	<u><u>71,302</u></u>



# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

6	TAXATION (continued)	2016	2015
		£	£
	FACTORS AFFECTING TAX (CREDIT)/CHARGE FOR THE YEAR:		
	The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:		
	(Loss) on ordinary activities before tax	<u>(629,145)</u>	<u>(347,696)</u>
	(Loss) multiplied by the standard rate of corporation tax in the UK of 20%	(125,829)	(69,539)
	Effects of:		
	Amounts relating to change in tax rates	8,056	-
	Deferred tax not recognised in prior year	(3,754)	-
	Expenses not deductible for tax purposes	(79,008)	147,104
	Adjustment to the tax charge in respect of prior years	<u>(72,259)</u>	<u>(6,263)</u>
		<u>(272,794)</u>	<u>71,302</u>
7	INTANGIBLE FIXED ASSETS - GOODWILL		
		£	
	<i>GROUP</i>		
	Cost:		
	1 April 2015 and 31 March 2016	<u>31,690</u>	
	Amortisation		
	1 April 2015	9,507	
	Charged in year	<u>6,338</u>	
	At 31 March 2016	<u>15,845</u>	
	Net Book Value		
	At 31 March 2016	<u>15,845</u>	
	At 31 March 2015	<u>22,183</u>	

On 25 January 2013 Kensington and Chelsea TMO Repairs Direct Limited was incorporated. On incorporation The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited subscribed for the share capital of 1 ordinary share of £1 at par. The TMO incurred fees of £31,690 and capitalised these as part of the cost of investment. On consolidation goodwill of £31,690 arises, this goodwill is amortised in the consolidated financial statements over a period of 5 years.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

8 INTANGIBLE FIXED ASSETS	Electronic Data	Total
<i>Group</i>	Management System	
	£	£
<b>COST</b>		
At 1 April 2015	758,870	758,870
Additions	44,980	44,980
At 31 March 2016	<u>803,850</u>	<u>803,850</u>
<b>DEPRECIATION</b>		
At 1 April 2015	376,458	376,458
Charge for the year	150,030	150,030
At 31 March 2016	<u>526,488</u>	<u>526,488</u>
<b>NET BOOK VALUE</b>		
At 31 March 2016	<u>277,362</u>	<u>277,362</u>
At 31 March 2015	<u>382,412</u>	<u>382,412</u>

INTANGIBLE FIXED ASSETS	Electronic Data	Total
<i>Company</i>	Management System	
	£	£
<b>COST</b>		
At 1 April 2015	432,876	432,876
Additions	44,980	44,980
At 31 March 2016	<u>477,856</u>	<u>477,856</u>
<b>DEPRECIATION</b>		
At 1 April 2015	271,273	271,273
Charge for the year	83,104	83,104
At 31 March 2016	<u>354,377</u>	<u>354,377</u>
<b>NET BOOK VALUE</b>		
At 31 March 2016	<u>123,479</u>	<u>123,479</u>
At 31 March 2015	<u>161,603</u>	<u>161,603</u>

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

9 TANGIBLE FIXED ASSETS <i>Group</i>	Office Furniture & Fit Out	Computer and Office Equipment	Leasehold Improvements	Total
	£	£	£	£
<b>COST</b>				
At 1 April 2015	1,183,704	757,210	329,541	2,270,455
Additions	1,414	93,681	-	95,095
Disposals	-	(108,026)	-	(108,026)
At 31 March 2016	<u>1,185,118</u>	<u>742,865</u>	<u>329,541</u>	<u>2,257,524</u>
<b>DEPRECIATION</b>				
At 1 April 2015	609,720	642,683	104,216	1,356,619
Charge for the year	121,969	96,350	35,472	253,791
Eliminated in respect of disposals	-	(108,026)	-	(108,026)
At 31 March 2016	<u>731,689</u>	<u>631,007</u>	<u>139,688</u>	<u>1,502,384</u>
<b>NET BOOK VALUE</b>				
At 31 March 2016	<u>453,429</u>	<u>111,858</u>	<u>189,853</u>	<u>755,140</u>
At 31 March 2015	<u>573,984</u>	<u>114,527</u>	<u>225,325</u>	<u>913,836</u>

TANGIBLE FIXED ASSETS <i>Company</i>	Office Furniture & Fit Out	Computer Equipment	Leasehold Improvements	Total
	£	£	£	£
<b>COST</b>				
At 1 April 2015	1,134,916	757,210	329,541	2,221,667
Additions	1,414	93,681	-	95,095
Disposals	-	(108,026)	-	(108,026)
At 31 March 2016	<u>1,136,330</u>	<u>742,865</u>	<u>329,541</u>	<u>2,208,736</u>
<b>DEPRECIATION</b>				
At 1 April 2015	596,695	642,683	104,216	1,343,594
Charge for the year	112,211	96,350	35,472	244,033
Eliminated in respect of disposals	-	(108,026)	-	(108,026)
At 31 March 2016	<u>708,906</u>	<u>631,007</u>	<u>139,688</u>	<u>1,479,601</u>
<b>NET BOOK VALUE</b>				
At 31 March 2016	<u>427,424</u>	<u>111,858</u>	<u>189,853</u>	<u>729,135</u>
At 31 March 2015	<u>538,221</u>	<u>114,527</u>	<u>225,325</u>	<u>878,073</u>

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 10 FIXED ASSET INVESTMENTS

#### Company

	Loan to subsidiary (including costs capitalised)	Shares in subsidiary	Capital contribution	Total
	£	£	£	£
Cost and net book value:				
At 1 April 2015	575,791	1	115,997	691,789
Repayment	(101,054)	-	-	(101,054)
Interest	32,646	-	-	32,646
	<u>507,383</u>	<u>1</u>	<u>115,997</u>	<u>623,381</u>
At 31 March 2016	<u>507,383</u>	<u>1</u>	<u>115,997</u>	<u>623,381</u>

The company's subsidiary undertaking is:

Name of company	Proportion of voting rights and shares held	Class of shareholding	Nature of Business
Kensington & Chelsea TMO Repairs Direct Limited	100%	Ordinary	Provision of repairs and maintenance services for the housing stock under the management of KCTMO.

The cost of the investment in subsidiary undertaking represents £1 share capital plus associated costs of £31,690. In addition, KCTMO had loaned the subsidiary company £525,000 at 31 March 2016 (2015: £626,003).

### 11 STOCKS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Raw materials and consumables	6,833	6,833	-	-
	<u>6,833</u>	<u>6,833</u>	<u>-</u>	<u>-</u>

There is no material difference between the carrying amount of stock and its replacement cost.

### 12 DEBTORS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	599,249	202,503	77,228	45,455
Other debtors	37,523	296,663	37,524	296,663
Corporation tax	21,899	-	21,899	-
Prepayments and accrued income	632,266	1,117,663	581,170	374,960
	<u>1,290,937</u>	<u>1,616,829</u>	<u>717,821</u>	<u>717,078</u>
Amounts falling due after one year:				
Deferred tax assets (note 15)	1,245,398	-	1,245,398	-
	<u>2,536,335</u>	<u>1,616,829</u>	<u>1,963,219</u>	<u>717,078</u>

During the year, an impairment loss of £Nil (2015: £Nil) was recognised in respect of trade receivables due from customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

13 CREDITORS: amounts falling due within one year	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Payments received on account	-	434,874	-	-
Trade creditors	611,608	158,583	399,273	132,851
Corporation tax	41,489	58,610	-	56,845
Other taxes and social security	287,272	937,982	171,969	649,291
Other creditors	182,267	19,082	182,267	19,080
Accruals and deferred income	879,456	2,007,928	855,089	1,797,378
	<u>2,002,092</u>	<u>3,617,059</u>	<u>1,608,598</u>	<u>2,655,445</u>

## 14 FINANCIAL INSTRUMENTS

The carrying amounts of the Group's & Company's financial instruments at 31 March were:

Financial assets:	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Debt instruments measured at amortised cost:				
Cash at bank and in hand	1,849,538	2,666,004	1,679,117	2,352,186
Trade debtors	599,249	202,503	77,228	45,455
Other debtors	37,523	296,663	37,524	296,664
Accrued income	259,314	703,594	208,856	40,569
Total	<u>2,745,624</u>	<u>3,868,764</u>	<u>2,002,725</u>	<u>2,734,874</u>

Instruments measured at fair value through profit or loss:

Loan to subsidiary undertaking		507,383	575,791
Total		<u>507,383</u>	<u>575,791</u>

Financial liabilities:

Measured at amortised cost:

Payments received on account	-	434,874	-	-
Trade creditors	611,608	158,583	399,273	132,851
Other creditors	182,267	19,082	182,267	19,080
Accruals	853,339	996,997	828,972	786,447
Total	<u>1,647,214</u>	<u>1,609,536</u>	<u>1,410,512</u>	<u>938,378</u>

## 15 PROVISIONS FOR LIABILITIES

Group	2016	2015
	£	£
Balance at 1 April 2015	(16,866)	2,089
Credited/(charged) to statement of comprehensive income	10,906	(18,955)
Balance at 31 March 2016	<u>(5,960)</u>	<u>(16,866)</u>

Provision for deferred tax has been made as follows:	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Deferred tax liabilities	(5,960)	(16,866)	-	-
Deferred tax assets	1,245,398	-	1,245,398	-
Net position at 31 March 2016	<u>1,239,438</u>	<u>(16,866)</u>	<u>1,245,398</u>	<u>-</u>

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 15 PROVISIONS FOR LIABILITIES (continued)

The major deferred tax liabilities and assets recognised by the group and company are:

	2016	Group 2015	2016	Company 2015
	£	£	£	£
Deferred tax liabilities:				
Accelerated capital allowances	(5,960)	(16,866)	-	-
	<u>(5,960)</u>	<u>(16,866)</u>	<u>-</u>	<u>-</u>
Deferred tax assets:				
Decelerated capital allowances	3,954	-	3,954	-
Retirement benefit obligation	1,241,444	-	1,241,444	-
	<u>1,245,398</u>	<u>-</u>	<u>1,245,398</u>	<u>-</u>

### 16 MEMBERS

The company is limited by guarantee and the liability of members to contribute to any deficiency of assets is £1 per member. The members have no rights to the income or assets of the company.

### 17 RESERVES

Reserves of the Group and Company represent the following:

#### *Retained earnings*

Cumulative profit and loss.

#### *Pension reserve*

The cumulative actuarial gains and losses on the defined benefit pension scheme.

### 18 RELATED PARTIES

The Royal Borough of Kensington and Chelsea (RBKC) is a related party by virtue of the Management Agreement between KCTMO and the RBKC and the RBKC's right to nominate directors to the Board of the company. The KCTMO company's main source of income is a management fee for the management of the RBKC housing stock. This amounted to £11,016,203 (2015: £10,833,933). KCTMO company also purchased services from RBKC in the year totalling £658,933 (2015: £752,982). At the end of the financial year, a net balance of £98,861 was owed to RBKC, including £163,267 for the inter-entity balance, £75,206 owed to KCTMO company for other services to RBKC and £10,800 owed to RBKC for services from RBKC. (2015: £290,385 was due to KCTMO company, including £252,569 due for the inter-entity balance and £37,816 for other services to RBKC). At the end of the year there was also £16,550 accrued income due for services provided to RBKC and £33,171 accrued costs due for services purchased from RBKC during the year. (2015: £41,060 of accrued income due to the company from RBKC and £173,539 accrued costs owed to RBKC).

In addition to the above, during the year KCTMO company had provided services to RBKC in respect of the Community Alarm Services for the amount of £419,461 (2015: £393,784).

During the year KCTMO recharged RBKC for consultancy and other services for the amount of £1,157,477 (2015: £778,197).

KCTMO has an Agency Agreement with RBKC for providing a service of Digital TV for a period of 10 years and during the year earned £1,000 (2015: £1,000) as management fee.

KCTMO has agreed with RBKC the right to operate at Blantyre Street for a period of 10 years (March 2012 to February 2022) at nil rent.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 19 LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Land and Buildings				
Within one year	495,020	497,850	495,020	497,850
Between one and five years	1,427,166	1,921,264	1,427,166	1,921,264
	<u>1,922,186</u>	<u>2,419,114</u>	<u>1,922,186</u>	<u>2,419,114</u>
Plant and Machinery				
Within one year	88,806	88,806	-	-
Between one and five years	125,808	214,614	-	-
	<u>214,614</u>	<u>303,420</u>	<u>-</u>	<u>-</u>

### 20 RETIREMENT BENEFITS

During the year the group operated both defined benefit and defined contribution pension schemes.

#### DEFINED CONTRIBUTION

The Group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions payable by the Group charged to profit or loss amounted to £18,404 (2015: £24,613). Contributions totalling £2,040 (2015: £1,728) were payable to the fund at the year end and are included in creditors.

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Contributions payable for the year	<u>18,404</u>	<u>24,613</u>	<u>586</u>	<u>662</u>

#### DEFINED BENEFIT

The company is an admitted member of the Local Government Superannuation scheme, a funded defined benefit scheme. Employees are eligible to join the Local Government Superannuation scheme subject to certain qualifying criteria.

The contribution rates are those recommended by the Fund's actuary based on the tri-annual actuarial valuations as at 31 March 2013 (Barnett Waddingham) and were set on the basis of:

- The relationship between the assessed value of assets and the accrued value of liabilities of pensionable service to 31 March 2013;
- The level of contribution needed to meet the cost of the year by year accrued benefits in the
- The change in terms of contracting out of SERPS.

The date of the last valuation was 31 March 2013. The market value of the scheme's assets at 31 March 2013 was £633 million. The actuarial valuation, done using the projected unit method was based on economic and statistical assumptions, the main ones being:

- The rate of accumulation of income and capital on new investments over the long term and the increase from time to time of income from existing investments;
- Future rises in pensionable pay due to inflation etc, and pension increases;
- Withdrawals from membership due to mortality, ill health and ordinary retirement; and
- Progression of pensionable pay due to promotion.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 20 RETIREMENT BENEFITS (continued)

As a result of the 31 March 2013 valuation, the level of employer's contribution funding was set at 20.5% of pensionable salaries for the years ending 31 March 2015, 31 March 2016 and 31 March 2017. Future contribution rates will be dependent on the results of actuarial valuations.

The pension contributions are calculated by the KCTMO on the basis of each monthly payroll and paid into the fund monthly.

These assumptions are set with reference to the market conditions at 31 March 2013. The discount rate is the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures where the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for most Employers in the fund.

The RPI increase assumption is set on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 21 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect that this Employer's liabilities have a longer duration than average.

This measure has historically overestimated future increases in the RPI and so a deduction of 0.25% has been made to get the RPI assumption of 3.4%. As future pension increases are expected to be based on CPI rather than RPI, a further assumption has been made about CPI which is that it will be 0.8% below RPI i.e. 2.6%.

Salaries are then assumed to be increased in line with RPI in addition to a promotional scale.

The principal assumptions used in the calculation of the valuation of the plan assets and the present value of the defined benefit obligation include:

	2016	2015
Discount rate	3.7%	3.3%
Future salary increases	3.3%	3.2%
Future pension increases	2.4%	2.4%
RPI Inflation Rate	3.3%	3.2%
CPI Inflation Rate	2.4%	2.4%

#### MORTALITY

The post retirement mortality tables adopted are the S1PA tables with a multiplier of 105% for males and 95% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:	2016	2015
	years	years
Male	22.5	22.4
Female	25.8	25.7

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:	2016	2015
	years	years
Male	24.8	24.6
Female	28.1	28.0



# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 20 RETIREMENT BENEFITS (continued)

Amounts recognised in profit or loss in respect of the defined benefit schemes are as follows:	2016	2015
	£(000)	£(000)
Service costs	1,634	1,178
Net interest on the net defined benefit pension liability	290	264
Administrative expenses	35	28
	<u>1,959</u>	<u>1,470</u>

The actual return on scheme assets in the year was £1,128,000. (2015: £6,448,000)

AMOUNT RECOGNISED IN STATEMENT OF OTHER COMPREHENSIVE INCOME	2016	2015
	£(000)	£(000)
Actuarial Gains / (Losses) on liability	4,229	(7,765)
Return on assets less interest	(460)	4,618
Actuarial Gains and Losses	<u>3,769</u>	<u>(3,147)</u>

FAIR VALUE OF EMPLOYER'S ASSET	2016	2015
	£(000)	£(000)
Equities	38,340	36,771
Properties	2,567	1,788
Cash	2,954	3,741
Other Assets	5,556	5,600
Total	<u>49,417</u>	<u>47,900</u>

BALANCE SHEET	2016	2015
	£(000)	£(000)
Fair Value of Employer Assets	49,417	47,900
Present Value of Funded Plans	(55,825)	(57,270)
<b>Net Underfunding in Funded Plans</b>	<b><u>(6,408)</u></b>	<b><u>(9,370)</u></b>

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	2016	2015
	£(000)	£(000)
Opening Defined Benefit Obligation	57,270	46,957
Current Service Cost	1,634	1,178
Interest Cost	1,878	2,122
Contribution by Members	421	396
Actuarial (Gains) / Losses	(4,229)	7,765
Estimated Benefits Paid	(1,149)	(1,148)
<b>Closing Defined Benefit Obligation</b>	<b><u>55,825</u></b>	<b><u>57,270</u></b>

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	2016	2015
	£(000)	£(000)
Opening Fair Value of Scheme assets	47,900	41,141
Interest on Assets	1,588	1,858
Return on assets less interest	(460)	4,618
Contributions by employer	1,152	1,063
Contributions by Scheme participants	421	396
Estimated Benefits Paid	(1,149)	(1,148)
Scheme Administration Expenses	(35)	(28)
Closing Fair Value of Employer Assets	<u>49,417</u>	<u>47,900</u>

The employer's contribution for the year to 31 March 2016 was 20.5% of pensionable salaries.

The employer's contributions for the year to 31 March 2017 will be approximately £1,159,000.

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 21 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

### 22 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the key management personnel of the group was £760,353 (2015: £738,439).

The total remuneration of the individuals who are considered to be the key management personnel of the Company, was £650,794 (2015: £640,599).

### 23 FIRST TIME ADOPTION OF FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on;

- (i) the consolidated equity at the date of transition to FRS 102;
- (ii) the consolidated equity at the end of the comparative period;
- (iii) the consolidated profit or loss for the comparative period reported under previous UK GAAP;
- (iv) the company equity at the date of transition to FRS 102;
- (v) the company equity at the end of the comparative period; and
- (vi) the company profit or loss for the comparative period reported under previous UK GAAP is given below

Under FRS 102, the Consolidated Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Consolidated Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

#### RECONCILIATION OF CONSOLIDATED EQUITY

	Notes	1 April 2014 £	31 March 2015 £
Consolidated equity as previously reported under previous GAAP		(3,745,383)	(7,296,526)
Recognition of holiday pay accrual	A	(84,446)	(99,302)
Consolidated equity reported under FRS 102		<u>(3,829,829)</u>	<u>(7,395,828)</u>

#### RECONCILIATION OF CONSOLIDATED PROFIT OR LOSS

	Notes	Year ended 31 March 2015 £
Consolidated profit or loss as previously reported under previous GAAP		58,858
Recognition of holiday pay accrual	A	(14,856)
Reduction in income on plan assets held in retirement benefit plans	B	(463,000)
Consolidated profit or loss reported under FRS 102		<u>(418,998)</u>

#### RECONCILIATION OF COMPANY EQUITY

	Notes	1 April 2014 £	31 March 2015 £
Company equity as previously reported under previous GAAP		(3,587,416)	(7,159,510)
Recognition of holiday pay accrual	A	(84,446)	(99,302)
Fair value gains/(losses) on amounts owed to group	C	-	34,096
Company equity reported under FRS 102		<u>(3,671,862)</u>	<u>(7,224,716)</u>

# The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

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### 23 FIRST TIME ADOPTION OF FRS 102 (continued)

#### RECONCILIATION OF COMPANY PROFIT OR LOSS

	Notes	Year ended 31 March 2015 £
Company profit or loss as previously reported under previous GAAP		37,907
Recognition of holiday pay accrual	A	(14,856)
Reduction in income on plan assets held in retirement benefit plans	B	(463,000)
Fair value gains on amounts owed to group	C	34,096
Company profit or loss reported under FRS 102		<u>(405,853)</u>

#### TRANSITION TO FRS 102

##### A – Holiday pay accrual

As disclosed in the Employee Benefits accounting policy employees are entitled to carry forward holiday. Under FRS 102 an accrual has been included for these amounts.

##### B – Interest income on plan asset

Under FRS102 the actuarial valuation of the defined benefit scheme is the same as under previous UK GAAP but there is a difference in how the net interest included in the profit and loss account is calculated. The effect of this is a £463,000 increase in the net interest included in the restated company and consolidated 31 March 2015 profit and loss account. There is no effect on company or consolidated equity because there are equal and opposite differences in the actuarial movements recognised in other comprehensive income.

##### C – Fair value gains / (losses) on amounts owed to group

Under FRS 102 the interest free loan to the subsidiary has been included at fair value being the present value of future cashflows. This results in interest income being recognised.

### 24 CONTINGENT LIABILITY

The Company signed an agreement with Thames Water Utilities Limited (Thames Water) dated 1st April 2006. The terms of the Agreement require the Company to pay Thames Water for the water supply and sewerage charges for properties managed by the Company where there is no water meter installed. The Company receives a commission which is used by the Company to cover the cost of invoicing the tenants, collecting the charges and covering any bad debts incurred. Since commencement of the contract the Company has received total commission of £1.6m.

Further to the decision in the case of Jones v London Borough of Southwark by the High Court the Company has identified a contingent liability related to the commission received but there is uncertainty of the period to which it applies.

The RBKC has undertaken to indemnify the Company for the full amount should any liability arise.