

Company Registration Number: 3048135

The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited

REPORT AND GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2014

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ADMINISTRATIVE INFORMATION

The current directors, senior managers and company secretary are listed below and changes to those who served during the period since 31 March 2014 are set out in the Report of the Directors.

BOARD OF DIRECTORS

All directors of the company hold non-executive roles.

Mrs Fay Edwards - Chair	Resident Board Member
Mr Tony Annis	Resident Board Member
Miss Mary Benjamin - Vice	Resident Board Member
Ms Anne Duru	Resident Board Member
Mr Kush Kanodia - Vice	Resident Board Member
Ms Deborah Price	Resident Board Member
Mr Brendan Tracey	Resident Board Member
Councillor Maighread	Council Appointee
Councillor Judith Blakeman	Council Appointee
Mr Peter Molyneux	Council Appointee
Mr Jeff Zitron	Council Appointee
Mr Simon Brissenden	Independent
Mr Peter Chapman	Independent
Mr Anthony Preiskel	Independent

SENIOR MANAGEMENT

Mr R Black	Chief Executive
Mr A Parkes FCA	Executive Director of Financial Services
Ms S Jevans MCIH	Executive Director of Operations
Ms Y Birch	Executive Director of People and Performance

COMPANY SECRETARY

Ms Fola Kafidiya

REGISTERED OFFICE	AUDITOR	BANKERS	SOLICITORS
Network Hub 292a Kensal Road London W10 5BE	Baker Tilly UK Audit LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes Buckinghamshire MK9 1BP	Lloyds Bank P.O. Box 17328 11-15 Monument Street London EC3V 9JA	Devonshires Solicitors 30 Finsbury Circus London EC2M 7DT

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2014

REVIEW OF THE BUSINESS

The Kensington and Chelsea Tenant Management Organisation (KCTMO) is a 'not for profit' company owned by its members, who are residents of the Royal Borough of Kensington & Chelsea's (RBKC) housing stock. 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 Council through the Council's 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 2013/14 was the management and maintenance of the RBKC housing stock and the provision of specialist technical consultancy and community alarm service. On 2nd September the Group's subsidiary, Kensington & Chelsea TMO Repairs Direct Ltd (Repairs Direct), commenced to trade and deliver the responsive repair service to the housing stock.

In 2013/14 the group made a loss on operations of £(80k) (2013 - £24k profit) before FRS 17 pension adjustments and tax. This includes £(176k) (2013 - £(24k)) one-off costs relating to the pre-trading and setup costs of Repairs Direct, leaving a surplus from its ongoing trading operations of £95k (2013 - £48k). The surplus on trading operations for the company before FRS17 pension adjustments and tax was £55k (2013 - £41k).

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 under on behalf of the Council and the HRA. This report will be found on the 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 – The TMO managed the delivery of 6 new homes built in underused spaces on existing estates.
- Capital Programme – The £7.6 programme of works was successfully completed.
- Asset Management – A minimum standard for the condition of properties has been agreed with RBKC. An additional investment, over and above current levels, of £28m in capital works over the next 5 years has been agreed with RBKC.
- Rent Arrears - Current Tenant rent arrears have been reduced below £1m for the first time in the TMO's 18 year history.
- Welfare Reform – 2 Welfare Officers were recruited to support and work proactively with tenants affected by the Welfare Reforms. During the year, with the help of the Welfare Officers and Income Officers, the number of households subject to under occupancy housing benefit deductions was reduced from 419 to 339.
- Home Ownership – Arrears (service charges & major works) were at the lowest level for 6 years.
- Voids - The void turn-around period for general relets was reduced to 21.10 days, which is in the upper quartile for London ALMO and Local Authorities
- Resident Engagement – Number of attendances to TMO events, activities and involvement opportunities more than doubled to 4,777. Seven new Residents Associations or Compacts were created in the year.
- Board Elections – A total of 1,874 members voted in the Board Elections, an increase of 47%. There were 13 candidates seeking 4 places.

The KCTMO has continued to support the Kensington & Chelsea Credit Union during the year. The credit union operates from out of the KCTMO offices and Anthony Parkes, the Director of Financial Resources, is on the credit union board and holds the position of Treasurer. As at 31st March 2014 the credit union had deposits of approximately £460k and had made loans of £168k.

KCTMO made an investment of £716k into Repairs Direct against an original budget of £700k. Of this, £200k has been treated as pre trading set-up costs. It is the intention that the investment in Repairs Direct is repaid to the KCTMO over 5 years.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2014

Repairs Direct took over the repairs service from Willmott Dixon on 2nd September 2013. A total of 41 staff transferred over under the TUPE laws; this broke down into 36 direct operatives and supervisors and 5 management staff. In its first 12 months Repairs Direct will concentrate on the quality of the service and increasing productivity to provide value for money. The turnover for the seven months of trading was £3,319k during which period it completed 12,695 jobs. Since January 2014 the satisfaction rate on completed jobs was 94.05% and the repairs completed within target times.

Test of Opinion

As part of the Modular Management Agreement with RBKC the 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 the TMO 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 the KCTMO's performance within the Modular Management Agreement. A review was carried out in 2013/14 with the following conclusions:

- The 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.

RBKC also undertakes Annual and Mid-year reviews of the KCTMO performance. The conclusion of the Annual Review for 2013/14 was as follows:

'A challenging and rewarding year for the KCTMO. Performance against key indicators and audits has achieved good results and it has delivered in terms of setting up Repairs Direct, increasing resident engagement and resident satisfaction, reducing rent arrears to the lowest level as well as delivering new homes, improving the management of commercial opportunities and parking and spending the capital programme to maintain and improve the stock. All of which have ensured that the KCTMO has met the terms set out in the 2013/14 Performance Agreement.'

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 the KCTMO wishes to continue to manage the Royal Borough's residential property under the terms of the Management Agreement with the Royal Borough dated 28th February 1996 as amended by a Deed of Variation dated 7th November 2002.'

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2014

- 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 has increased the Group staff levels by over 25% and turnover by approximately 44% (in a full year). Repairs Direct is still in its first year of trading, although it has traded profitably over the first seven months. Repairs Direct has the continued support of the Group and RBKC.

KEY PERFORMANCE INDICATORS

The KCTMO produces a suite of KPIs relating to its activities within the HRA 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.

The 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 24 July 2014



Ms Fola Kafidiya
Company Secretary

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2014

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 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.

PRINCIPAL ACTIVITIES

The group's principal activity during 2013/14 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.

This is the company's 18th year of trading having taken over the management of the homes of tenants and leaseholders from the RBKC on 1 April 1996.

RESULTS

The group's trading loss for the year after taxation was £79,828 (2013:£516,824). Included in these results is a loss of £154,798 earned by Kensington and Chelsea TMO Repairs Direct Limited from the date it started trading.

FUTURE DEVELOPMENTS

During 2013 the Group took on the responsive repairs service for the HRA stock through its subsidiary Repairs Direct to concentrate on providing a quality service for tenants and value for money for RBKC. The group will review other services with a view to bring them in-house using the Repairs Direct model. A number of Older Persons services are being put out to tender under the Tri-Borough arrangements with the Councils in Westminster and Hammersmith and Fulham. The KCTMO will take part in the tendering as appropriate.

The Asset and Regeneration Dept. are gearing up for the increase in the levels of investment on capital works with an additional £28m of planned expenditure over the next 5 years. As a part of the increased programme the company is seeking to establish a framework agreement for the procurement of capital works. It is hoped to establish the framework in 2015 after due consultation with leaseholders. The Dept. is also managing the £10m Grenfell Tower project which currently on site and due for completion late summer 2015.

RBKC is currently reviewing options on future regeneration of the stock. KCTMO is looking to be the partner of choice in any regeneration. Its role will become clearer when the Council has agreed its options. In the meantime the KCTMO is providing information using its asset management data base.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2014

BOARD MEMBERS

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

The Board can consist of up to 15 Board Members, consisting of eight elected Resident Board Members, four Council appointees and three people independent of residents or the Council who are appointed by the Board. All Resident Board Members are elected by the Members of the company across the Borough. Under TMO's constitution, Resident Board Members and Independent Board Members can serve a maximum of three years before re-election or re-appointment with a maximum overall length of service of nine years. There were 15 Board Members on the Board at the end of the year.

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

Resident Board Members

Ms Anne Duru	Appointed	25/07/2013
Mr Kush Kanodia	Appointed	25/07/2013
Ms Deborah Price	Appointed	25/07/2013
Mr Brendan Tracey	Appointed	25/07/2013
Mr Iain Smith	Resigned	24/07/2014

Independent Appointees

Mr Simon Brissenden	Appointed	25/07/2013
Mr Anthony Preiskel	Re-appointed	07/01/2014

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

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

CHARITABLE DONATIONS

The group made no charitable donations during the year (2013: £nil).

AUDITOR

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.

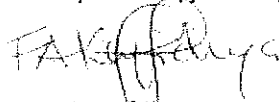
STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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 memorandum and 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 memorandum of association is limited to £1 per member of the company.

This report was approved by the board on 24 July 2014


Ms Fola Kalidiya
Company Secretary

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

We have audited the group and parent company financial statements (the "financial statements") on pages 8 to 26. 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)

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 5, 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 2014 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.

Baker Tilly UK Audit LLP

STEPHANIE WARBOYS (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

Buckinghamshire

MK9 1BP

6th August 2014

The Royal Borough of Kensington and Chelsea Tenant Management
Organisation Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2014

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	2014 £	2013 £
TURNOVER	1	14,565,812	10,948,699
Cost of sales		(2,841,521)	-
GROSS PROFIT		<u>11,724,291</u>	<u>10,948,699</u>
Administrative expenses - recurring		(12,665,888)	(12,316,012)
Administrative expenses - one off		(175,935)	(23,918)
TOTAL ADMINISTRATIVE EXPENSES		<u>(12,841,823)</u>	<u>(12,339,930)</u>
Other operating income		1,200,964	1,248,662
OPERATING PROFIT / (LOSS)	2	83,432	(142,569)
Interest receivable		-	-
Interest payable and similar charges	4	(131,000)	(325,000)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(47,568)</u>	<u>(467,569)</u>
Taxation on loss on ordinary activities	5	(32,260)	(49,255)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR	14	<u>(79,828)</u>	<u>(516,824)</u>

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Notes</i>	2014 £	2013 £
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u>(79,828)</u>	<u>(516,824)</u>
OTHER RECOGNISED GAINS AND LOSSES			
Actuarial gains on the defined benefit pension scheme	18	563,000	6,008,000
		<u>563,000</u>	<u>6,008,000</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE FINANCIAL YEAR		<u>483,172</u>	<u>5,491,176</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

GROUP BALANCE SHEET

As at 31 March 2014

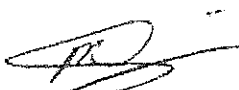
Company Number: 3048135

	Notes	£	2014 £	£	2013 £
FIXED ASSETS					
Intangible assets	6		28,521		31,690
Tangible assets	7		1,627,954		1,733,494
			<u>1,656,475</u>		<u>1,765,184</u>
CURRENT ASSETS					
Stocks	9	22,143			
Debtors	10	2,064,162		960,053	
Cash at bank and in hand		728,456		941,129	
		<u>2,814,761</u>		<u>1,901,182</u>	
CREDITORS: amounts falling due within one year	11	<u>(2,400,620)</u>		<u>(1,482,623)</u>	
NET CURRENT ASSETS			414,141		418,559
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,070,616</u>		<u>2,183,743</u>
NET ASSETS BEFORE DEFINED BENEFIT PENSION SCHEME LIABILITY			<u>2,070,616</u>		<u>2,183,743</u>
Defined benefit pension scheme liability	18		(5,815,999)		(6,412,298)
TOTAL NET LIABILITIES, INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			<u>(3,745,383)</u>		<u>(4,228,555)</u>
CAPITAL AND RESERVES					
Profit and loss account excluding pension scheme liability	14		2,070,616		2,183,743
Pension Reserve	14		<u>(5,815,999)</u>		<u>(6,412,298)</u>
Members' funds	14		<u>(3,745,383)</u>		<u>(4,228,555)</u>

As disclosed in note 13, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The financial statements on pages 8 to 26 were approved and authorised for issue by the board on 24th July 2014 and signed on its behalf by:

Mrs F Edwards
Chair

Mrs M Benjamin
Vice Chair

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

COMPANY BALANCE SHEET

As at 31 March 2014

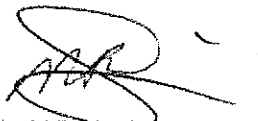
	Notes	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	7		1,295,750		1,504,477
Investment in Subsidiary Undertaking	8		<u>715,946</u>		<u>284,625</u>
			2,011,696		1,789,102
CURRENT ASSETS					
Debtors	10	805,917		960,053	
Cash at bank and in hand		<u>649,606</u>		<u>941,129</u>	
		1,455,523		1,901,182	
CREDITORS: amounts falling due within one year	11	<u>(1,238,636)</u>		<u>(1,482,623)</u>	
NET CURRENT ASSETS			216,887		418,559
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>2,228,583</u>		<u>2,207,661</u>
NET ASSETS BEFORE DEFINED BENEFIT PENSION SCHEME LIABILITY					
			<u>2,228,583</u>		<u>2,207,661</u>
Defined benefit pension scheme liability	18		(5,815,999)		(6,412,298)
TOTAL NET LIABILITIES, INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT					
			<u>(3,587,416)</u>		<u>(4,204,637)</u>
CAPITAL AND RESERVES					
Profit and loss account excluding pension scheme liability	14		2,228,583		2,207,661
Pension Reserve	14		<u>(5,815,999)</u>		<u>(6,412,298)</u>
Members' funds	14		<u>(3,587,416)</u>		<u>(4,204,637)</u>

As disclosed in note 13, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The financial statements on pages 8 to 26 were approved and authorised for issue by the board on 24th July 2014 and signed on its behalf by:

Mrs F Edwards
Chair

F Edwards


Miss M Benjamin
Vice Chair

The Royal Borough of Kensington and Chelsea Tenant Management
Organisation Limited

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2014

	<i>Notes</i>	2014 £	2013 £
Net cash inflow from operating activities		125,518	438,345
Returns on investments and servicing of finance - interest received		-	-
Taxation paid		(49,255)	(42,144)
Capital expenditure:			
Payments to acquire fixed assets		(288,936)	(473,733)
		<u>(212,673)</u>	<u>(77,532)</u>
Decrease in cash			
		<u>(212,673)</u>	<u>(77,532)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Decrease in cash in the year		(212,673)	(77,532)
		<u>(212,673)</u>	<u>(77,532)</u>
Change in net funds	15	(212,673)	(77,532)
Net funds at 1 April 2013	15	941,129	1,018,661
		<u>941,129</u>	<u>1,018,661</u>
Net funds at 31 March 2014	15	<u>728,456</u>	<u>941,129</u>
		<u>728,456</u>	<u>941,129</u>
RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
		2014 £	2013 £
Operating profit / (loss)		83,432	(142,569)
Depreciation and amortisation		397,645	339,391
(Increase) in debtors		(1,102,020)	(10,869)
Increase in creditors		932,906	85,392
Increase in stocks		(22,143)	-
Difference between pension charge to operating costs and pension contributions paid		(164,302)	167,000
		<u>(164,302)</u>	<u>167,000</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>125,518</u>	<u>438,345</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2014

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The accounting policies adopted are consistent with those of prior years.

GOING CONCERN

The accounts have been prepared on the going concern basis. The group has profit and loss account reserves of £2,071K and is budgeted to breakeven for the coming year before adjustment for FRS17. The cash at bank is £728K and there are no borrowings. The RBKC have confirmed the continuation of the management agreement.

CONSOLIDATION

The consolidated financial statements incorporate those of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and its subsidiary undertaking for the year. All financial statements are made up to 31 March 2014.

BASIS OF CONSOLIDATION

Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as purchased goodwill and amortised through the profit and loss account over its estimated economic life. Provision is made for any impairment.

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.

GOODWILL

Goodwill represents the fees paid in forming the subsidiary undertaking and are 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. Goodwill is reviewed for impairment at the end of the first full financial year following the formation and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

INVESTMENTS

Long term investments are classified as fixed assets. Fixed asset investments are stated at cost in the company balance sheet. Provision is made for any impairment in the value of fixed asset investments.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less associated depreciation. Depreciation is provided on all such assets on a straight-line basis for each class of asset evenly over its expected useful economic life as follows:

Office fit out	Lower of lease term or 10 years
Office furniture	20%
Computer and office equipment	33%
Electronic data management system & Open Contractor	20%
Software	
Leasehold improvements	Lower of lease term or 10 years

STOCKS

Stocks are valued at the lower of cost and net realisable value, cost is determined using cost price.

Cost of finished goods and work in progress includes materials and work physically complete on site. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete and slow-moving items.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2014

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LEASED ASSETS

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

RETIREMENT BENEFITS

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs. Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses.

Defined benefit schemes are funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits 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 in the balance sheet.

TURNOVER AND OTHER OPERATING INCOME

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and/or services in the ordinary nature of the business. Turnover is shown net of Value Added Tax for goods sold and services provided to external customers. In the case of long term contracts, credit is taken appropriate to the stage of completion when the outcome of the contract can be assessed with reasonable certainty.

AGENCY ARRANGEMENTS

Income and expenditure is included in the profit and loss account 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.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1 TURNOVER

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

2	OPERATING PROFIT / (LOSS)	2014	2013
		£	£
	This is stated after charging:		
	One off administrative expenses - startup costs	175,935	23,918
	Amortisation of goodwill	3,169	-
	Depreciation	394,476	339,391
	Operating lease rentals:		
	- land and buildings	476,260	483,069
	- plant and machinery	49,975	-
	Fees payable to the company's auditor:		
	- for the audit of the company's financial statements	23,500	21,150
	- for the audit of the company's subsidiary undertaking	8,000	-
	Fees payable to the company's auditor for other services	<u>6,628</u>	<u>5,656</u>

During the prior year, in addition to the above, Baker Tilly Corporate Finance LLP was paid £18,082 for the services in relation to the investment in the subsidiary undertaking.

3	STAFF COSTS	2014	2013
		£	£
	Wages and salaries	6,628,447	5,569,316
	Social security costs	608,935	493,254
	Other pension costs	<u>825,277</u>	<u>1,139,000</u>
		<u>8,062,659</u>	<u>7,201,570</u>
	Agency Staff Costs	<u>1,152,029</u>	<u>1,257,744</u>

The directors received no remuneration for their services (2013: nil)

Pension costs are analysed as follows:

	Current service cost	810,000	1,052,000
	Curtailments	-	87,000
	Repairs Direct Pension	15,277	-
		<u>825,277</u>	<u>1,139,000</u>

		2014	2013
	Average number of FTE employees during the year:	No.	No.
	Housing	74	69
	Technical services	84	48
	Support services	<u>52</u>	<u>48</u>
	Total	<u>210</u>	<u>165</u>
	Average number of FTE agency staff during the year:	<u>25</u>	<u>23</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4	INTEREST PAYABLE AND SIMILAR CHARGES	2014	2013
		£	£
	Interest on defined benefit pension scheme liabilities	(1,993,000)	(2,039,000)
	Expected return on defined benefit pension scheme assets	<u>1,862,000</u>	<u>1,714,000</u>
		<u>(131,000)</u>	<u>(325,000)</u>
5	TAXATION ON ORDINARY ACTIVITIES	2014	2013
		£	£
	Current tax	<u>34,349</u>	<u>49,255</u>
	UK corporation tax on profit for the year	<u>34,349</u>	<u>49,255</u>
	Deferred tax		
	Origination of timing differences	(2,089)	-
	Tax on loss on ordinary activities	<u>32,260</u>	<u>49,255</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. The differences are explained below:

Loss on ordinary activities before tax	<u>(47,568)</u>	<u>(467,569)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2013: 20%)	(9,514)	(93,514)
Effects of:		
Capital allowances in excess of depreciation	(24,562)	-
Adjustment for non trading activities	44,907	142,769
Trading losses carried forward	23,517	-
	<u>34,349</u>	<u>49,255</u>

FACTORS AFFECTING FUTURE TAX CHARGES

Other Arms Length Management Organisations which have their respective Local Authorities as their sole member are not taxed on transactions with the company's member. Whilst the Royal Borough of Kensington and Chelsea is not a member of the company, transactions with it are considered to be non-trading and not taxable.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6 INTANGIBLE FIXED ASSETS - GOODWILL

	£
<i>GROUP</i>	
Cost:	
1 April 2013 and 31 March 2014	<u>31,690</u>
Amortisation	
1 April 2013	-
Charged in year	<u>3,169</u>
At 31 March 2014	<u>3,169</u>
Net Book Value	
At 31 March 2014	<u><u>28,521</u></u>
At 31 March 2013	<u><u>31,690</u></u>

On 23 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 2014

7	TANGIBLE FIXED ASSETS <i>Group</i>	Office Furniture & Fit Out	Computer and Office Equipment	Electronic Data Management System	Leasehold Improvements	Total
		£	£	£	£	£
	COST					
	At 1st April 2013	1,119,465	1,306,768	360,573	315,052	3,101,858
	Additions	79,104	123,040	72,303	14,489	288,936
	Disposals	-	(370,978)	-	-	(370,978)
	At 31st March 2014	<u>1,198,569</u>	<u>1,058,830</u>	<u>432,876</u>	<u>329,541</u>	<u>3,019,816</u>
	ACCUMULATED DEPRECIATION					
	At 1st April 2013	397,445	826,591	108,702	35,626	1,368,364
	Charge for the year	108,393	175,502	76,129	34,452	394,476
	Disposals	-	(370,978)	-	-	(370,978)
	At 31st March 2014	<u>505,838</u>	<u>631,115</u>	<u>184,831</u>	<u>70,078</u>	<u>1,391,862</u>
	NET BOOK VALUE					
	At 31st March 2014	<u>692,731</u>	<u>427,715</u>	<u>248,045</u>	<u>259,463</u>	<u>1,627,954</u>
	At 31st March 2013	<u>722,020</u>	<u>480,177</u>	<u>251,871</u>	<u>279,426</u>	<u>1,733,494</u>
	TANGIBLE FIXED ASSETS <i>Company</i>					
		£	£	£	£	£
	COST					
	At 1st April 2013	1,119,465	1,077,751	360,573	315,052	2,872,841
	Additions	30,316	27,085	72,303	14,489	144,193
	Disposals	-	(370,978)	-	-	(370,978)
	At 31st March 2014	<u>1,149,781</u>	<u>733,858</u>	<u>432,876</u>	<u>329,541</u>	<u>2,646,056</u>
	ACCUMULATED DEPRECIATION					
	At 1st April 2013	397,445	826,591	108,702	35,626	1,368,364
	Charge for the year	105,126	137,213	76,129	34,452	352,920
	Disposals	-	(370,978)	-	-	(370,978)
	At 31st March 2014	<u>502,571</u>	<u>592,826</u>	<u>184,831</u>	<u>70,078</u>	<u>1,350,306</u>
	NET BOOK VALUE					
	At 31st March 2014	<u>647,210</u>	<u>135,192</u>	<u>248,045</u>	<u>265,303</u>	<u>1,295,750</u>
	At 31st March 2013	<u>722,020</u>	<u>251,160</u>	<u>251,871</u>	<u>279,426</u>	<u>1,504,477</u>

The Royal Borough of Kensington and Chelsea Tenant Management
Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

8 INVESTMENTS

Company

	Loan to subsidiary (including costs capitalised)	Shares in subsidiary	Total
	£	£	£
Cost and net book value:			
At 1 April 2013	284,624	1	284,625
Additions	431,321	-	431,321
At 31 March 2014	<u>715,945</u>	<u>1</u>	<u>715,946</u>

The company's investment comprises the following subsidiary undertaking, incorporated in the United Kingdom and registered in England and Wales.

<i>Name of company</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
Kensington & Chelsea TMO	100%	provision of repairs and maintenance services for the housing stock under the management of KCTMO.
Repairs Direct Limited		

The cost of the investment in subsidiary undertaking represents £1 share capital plus associated costs of £31,690. In addition, the TMO had loaned the subsidiary company £684,255 at 31 March 2014 (2013: £252,934).

9 STOCKS

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£	£	£	£
Raw materials and consumables	22,143	-	-	-
	<u>22,143</u>	<u>-</u>	<u>-</u>	<u>-</u>

10 DEBTORS

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£	£	£	£
Amounts falling due within one year				
Trade debtors	66,353	84,035	66,353	84,035
Other debtors	301,692	225,755	244,487	225,755
Prepayments and accrued income	1,696,117	650,263	495,077	650,263
	<u>2,064,162</u>	<u>960,053</u>	<u>805,917</u>	<u>960,053</u>

The Royal Borough of Kensington and Chelsea Tenant Management
Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

11 CREDITORS: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Payments received on account	437,121	-	-	-
Trade creditors	412,026	491,332	186,763	491,332
Corporation tax	34,349	49,255	34,349	49,255
Other taxes and social security	416,614	307,166	371,453	307,166
Other creditors	16,000	14,400	16,000	14,400
Accruals and deferred income	1,084,510	620,470	630,071	620,470
	<u>2,400,620</u>	<u>1,482,623</u>	<u>1,238,636</u>	<u>1,482,623</u>

12 DEFERRED TAX

<i>Group</i>	Deferred tax £
Balance at 1 April 2013	-
Credited to profit and loss account in year	<u>2,089</u>
Balance at 31 March 2014	<u>2,089</u>
A deferred tax asset has been recognised as follows (note 10): Accelerated capital allowances	<u>2,089</u>

The group has deferred tax assets not included in the financial statements as recovery is not sufficiently certain in relation to the trading losses of £47,568 (2013: £467,569).

13 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.

14 PROFIT AND LOSS ACCOUNT / MOVEMENT IN MEMBERS' FUNDS

<i>Group</i>	Profit and loss account excluding pension liability £	Pension reserve £	Total members' funds £
At 1 April 2013	2,183,743	(6,412,298)	(4,228,555)
Retained loss for the year	(79,828)	-	(79,828)
Other recognised gains and losses - actuarial gain on pension scheme	-	563,000	563,000
	<u>2,103,915</u>	<u>(5,849,298)</u>	<u>(3,745,383)</u>
Transfer	(33,299)	33,299	-
At 31 March 2014	<u>2,070,616</u>	<u>(5,815,999)</u>	<u>(3,745,383)</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

14 PROFIT AND LOSS ACCOUNT / MOVEMENT IN MEMBERS' FUNDS (continued)

	Profit and loss account excluding pension liability	Pension reserve	Total members' funds
<i>Company</i>	£	£	£
At 1 April 2013	2,207,661	(6,412,298)	(4,204,637)
Profit for the year	54,221	-	54,221
Other recognised gains and losses - actuarial gain on pension scheme	-	563,000	563,000
	<u>2,261,882</u>	<u>(5,849,298)</u>	<u>(3,587,416)</u>
Transfer	(33,299)	33,299	-
At 31 March 2014	<u>2,228,583</u>	<u>(5,815,999)</u>	<u>(3,587,416)</u>

NOTES TO THE CASH FLOW STATEMENT

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2013 £	Cash Flows £	Non-cash changes £	At 31 March 2014 £
Cash at bank and in hand	<u>941,129</u>	<u>(212,673)</u>	<u>-</u>	<u>728,456</u>

16 RELATED PARTIES

The Royal Borough of Kensington and Chelsea (RBKC) is a related party by virtue of the management agreement between The TMO company and the Council and the Council's right to appoint directors to the board of the company. The TMO company's main source of income is a management fee for the management of the RBKC housing stock. This amounted to £10,737,251 (2013: £10,437,014). The TMO company also purchased services from RBKC in the year totalling £834,634 (2013: £856,233). At the end of the financial year, a net balance of £261,871 was due to The TMO company, including £199,441 for the inter-entity balance and £62,430 owed to The TMO company for other services to RBKC. (2013: £239,430 was due to The TMO company, including £165,886 due for the inter-entity balance and £73,544 for other services to RBKC). At the end of the year there was also £92,696 accrued income due for services provided to RBKC and £165,190 accrued costs due for services purchased from RBKC during the year. (2013: £51,871 of accrued income due to the company from RBKC and £180,491 accrued costs owed to RBKC).

In addition to the above, during the year The TMO company had provided services to the Council in respect of the Community Alarm Services for the amount of £392,669 (2013: £398,948).

During the year The TMO company recharged the Council for consultancy and other services for the amount of £753,743 (2013: £764,205).

The eight Resident Board Members have been paid expense allowances totalling £13,097 (2013: £12,472).

The TMO company 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 (2013: £1,000) as management fee.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

16 RELATED PARTIES (continued)

The TMO company 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 Repairs Direct company is contracted by The TMO company to deliver a repairs and maintenance service on The RBKC housing stock. By virtue of this contract The Repairs Direct company shares a related party relationship with the Council. Repairs Direct's main source of income is in respect of the repairs and maintenance carried out on the Council's housing stock. The Repairs Direct company received £3,319,338 (2013: £nil) for the work carried out on the Council's properties. At the end of the financial year, a net balance of £1,200,345 (2013: £nil) was owed to The Repairs Direct company by the Council in respect of works completed but not yet invoiced. The Repairs Direct company had also received £437,121 (2013: £nil) in advanced payments from RBKC.

17 LEASE COMMITMENTS

	2014 £	2013 £	2014 £	2013 £
		<i>Group</i>		<i>Company</i>
At 31 March 2014 the group was committed to making the following payments during the next year under non-cancellable operating leases as follows:				
Land and Buildings				
expiring within 1 year				
expiring between 2 and 5 years				
expiring after 5 years	<u>506,401</u>	<u>499,962</u>	<u>506,401</u>	<u>499,962</u>
Plant and Machinery				
expiring within 1 year				
expiring between 2 and 5 years	88,800	.	.	.
expiring after 5 years	<u> </u>	<u> </u>	<u> </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 2014

18 RETIREMENT BENEFITS

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:

- a) The relationship between the assessed value of assets and the accrued value of liabilities of pensionable service to 31 March 2013;
- b) The level of contribution needed to meet the cost of the year by year accrued benefits in the future; and
- c) 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:

- i. 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;
- ii. Future rises in pensionable pay due to inflation etc, and pension increases;
- iii. Withdrawals from membership due to mortality, ill health and ordinary retirement; and
- iv. Progression of pensionable pay due to promotion.

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 TMO 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 Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

18 RETIREMENT BENEFITS (continued)

The actuary has produced a valuation as at 31 March 2014 for the purposes of FRS17.

The key assumptions are:

ASSUMPTIONS AS AT	31 March 2014	31 March 2013
	% p.a.	% p.a.
Pension Increase Rate	2.8%	2.6%
Salary Increase Rate	3.6%	3.4%
Expected Return on Assets	5.6%	4.9%
Discount Rate	4.5%	4.5%
RPI Inflation Rate	3.6%	3.4%
CPI Inflation Rate	2.8%	2.6%

ASSETS (EMPLOYER)	Long Term	Long Term
	% p.a.	% p.a.
Equities	5.6%	5.0%
Gilts	3.6%	3.0%
Property	4.6%	4.0%
Cash	0.5%	0.5%
Alternative Assets	5.6%	5.0%

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2013 for the year to 31 March 2014). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

MORTALITY

The post retirement mortality tables adopted were the SIPA Heavy series allowing for medium cohort projection, with a minimum 1% improvement for future life expectancies.

The assumed life expectations from age 65 are:

	Males	Female
Retiring today	22.3 years	25.5 years
Retiring in 20 years	24.5 years	27.9 years

We have continued to assume that 50% of retiring members will opt to increase their lump sums to the maximum allowed and active members will retire one year later than they are first able to do so without reduction.

SENSITIVITY ANALYSIS

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

Sensitivity Analysis	£000's	£000's	£000's
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of defined benefit obligation	46,115	46,957	47,815
Projected service cost	953	974	996
Adjustment to mortality age rating assumption	+1 year	none	-1 year
Present value of defined benefit obligation	45,297	46,957	48,632
Projected service cost	940	974	1,008

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

18 RETIREMENT BENEFITS (continued)

FAIR VALUE OF EMPLOYER'S ASSET

	31 Mar 2014	31 Mar 2013
	£(000)	£(000)
Equities	28,387	25,413
Gilts	-	379
Properties	1,646	1,138
Cash	411	379
Alternative Assets	10,697	10,620
Total	<u>41,141</u>	<u>37,929</u>

BALANCE SHEET

	31 Mar 2014	31 Mar 2013
	£(000)	£(000)
Fair Value of Employer Assets	41,141	37,929
Present Value of Funded Plans	(46,957)	(44,341)
Net Underfunding in Funded Plans	(5,816)	(6,412)
Present Value of unfunded liabilities	-	-
Net (Liability)	<u><u>(5,816)</u></u>	<u><u>(6,412)</u></u>

RECOGNITION IN THE PROFIT OR LOSS

	31 Mar 2014	31 Mar 2013
	£(000)	£(000)
Current Service Cost	810	1,052
Curtailments	-	87
Recognised in administrative expenses	810	1,139
Interest Cost	1,993	2,039
Expected Return on Employer Assets	(1,862)	(1,714)
Recognised in other finance charges	131	325
Total	<u>941</u>	<u>1,464</u>
Actual Return on Plan Assets	2,613	4,867

RECONCILIATION OF DEFINED BENEFIT OBLIGATION

	31 Mar 2014	31 Mar 2013
	£(000)	£(000)
Opening Defined Benefit Obligation	44,341	44,568
Current Service Cost	810	1,052
Interest Cost	1,993	2,039
Contribution by Members	297	286
Actuarial Losses / (Gains)	731	(2,856)
Losses on curtailments	-	87
Estimated Benefit Paid	(1,215)	(835)
Closing Defined Benefit Obligation	<u>46,957</u>	<u>44,341</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

15 RETIREMENT BENEFITS (continued)

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	31 Mar 2014	31 Mar 2013
	£(000)	£(000)
Opening Fair Value of Scheme assets	37,929	32,640
Expected return on scheme assets	1,862	1,714
Actuarial gain	1,294	3,152
Contributions by employer including unfunded benefits	973	972
Contributions by Scheme participants	297	286
Estimated benefits paid including unfunded benefits	(1,215)	(835)
Closing Fair Value of Employer Assets	<u>41,141</u>	<u>37,929</u>

AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS

	31 Mar 2014	31 Mar 2013
	£(000)	£(000)
Fair Value of Employer Assets	41,141	37,929
Present Value of Defined Benefit Obligation	(46,957)	(44,341)
(Deficit)	<u>(5,816)</u>	<u>(6,412)</u>
Experience Gains / (Losses) on Assets	1,294	3,152
Experience Gains / (Losses) on Liabilities	3,520	-

	31 Mar 2012	31 Mar 2011	31 Mar 2010
	£(000)	£(000)	£(000)
Fair Value of Employer Assets	32,640	30,957	25,809
Present Value of Defined Benefit Obligation	(44,568)	(36,895)	(45,189)
(Deficit)	<u>(11,928)</u>	<u>(5,938)</u>	<u>(19,380)</u>
Experience Gains / (Losses) on Assets	(260)	3,137	5,339
Experience Gains / (Losses) on Liabilities	-	2,815	265

AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	31 Mar 2014	31 Mar 2013
	£(000)	£(000)
Actuarial Gains / (Losses) recognised in STRGL	563	6,008
Cumulative Actuarial Gains and Losses	<u>839</u>	<u>276</u>

	31 Mar 2012	31 Mar 2011	31 Mar 2010
	£(000)	£(000)	£(000)
Actuarial Gains / (Losses) recognised in STRGL	(5,961)	9,944	(10,113)
Cumulative Actuarial Gains and Losses	<u>(5,732)</u>	<u>229</u>	<u>(9,715)</u>

The employer's contribution for the year to 31 March 2014 was 21.5% of pensionable salaries.

The employer's contributions for the year to 31 March 2015 will be approximately £882,000.

The group also operates a defined contribution pension scheme whose assets are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group and amounted to £15,277 (2013: £nil). Contributions totalling £3,222 (2013: £nil) were payable to the fund at the year end and are included in creditors.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

19 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s 408 companies Act 2006, the company has not presented its own profit and loss account.

The profit after taxation dealt with in the financial statements of the parent company was £54,221 (2013: Loss of £492,906).

20 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

