

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

REPORT AND GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2018

FRIDAY



L86N5QWI

L11

31/05/2019

#103

COMPANIES HOUSE

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ADMINISTRATIVE INFORMATION

The current directors, executive management and company secretary are listed below and changes to those who served during the period since 31 March 2017 are set out in the Report of the Directors.

BOARD OF DIRECTORS

All directors of the Company hold non-executive roles.

Mr Aman Dalvi	Director
Ms Ann Bennett	Director
Prof. Tony Crook	Director

COMPANY SECRETARY

Mr Kerry Tromanhauser

REGISTERED OFFICE

346 Kensington
High Street
London
W14 8NS

AUDITOR

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

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 2018

REVIEW OF THE BUSINESS

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited (KCTMO) was the largest tenant management organisation (TMO) in England, managing nearly 10,000 properties on behalf of Kensington and Chelsea London Borough Council – the entire council housing stock in the Royal Borough of Kensington and Chelsea.

KCTMO is a Company Limited by Guarantee meaning that profits made are not distributed to its members. The Company is owned by its circa 5,200 members, who are tenants or leaseholders of the Royal Borough of Kensington & Chelsea's (RBKC) housing stock. The stock consists of around 6,850 rentable homes and over 2,600 leasehold properties.

Up to 1 March 2018, the Company managed the RBKC housing under the 'Right to Manage' legislation and its roles and responsibilities were set in a Modular Management Agreement between the Company and RBKC. It collected 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.

In 2017/18 the group made a loss on operations of £1.46m (2017: £244k) before FRS102 pension adjustments and tax. The loss on trading operations for the Company before FRS102 pension adjustments and tax was £1.60m (2017: £385k).

Following the tragic fire in June 2017, changes were made to the arrangements between the Royal Borough of Kensington & Chelsea and KCTMO which ultimately led to the KCTMO handing back delivery of all day-to-day housing and related support services back to the Council effective 1 March 2018. This also entailed the TUPE transfer of all permanent employees. Repairs Direct, the subsidiary of KCTMO that carried out day to day repairs was also sold to the Council via a share sale agreement. The Council is consulting with residents about the longer-term future management arrangements. The financial results relating to the day to day housing related and support services have been presented as discontinued in the financial statements.

Even though KCTMO no longer has a role in delivering services, there is a need for the organisation to remain in existence until the Public Inquiry and various other legal processes are completed. To achieve this, members agreed a number of changes at an Extraordinary General Meeting held on 27th September 2018.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2018

These changes included:

- Adopting a new corporate purpose to "cooperate fully with, participate in, respond to and support the Grenfell Tower Inquiry and any other legal processes, including any criminal proceedings or civil claims brought (whether against the company itself, or others) in relation to death, personal injury, property damage or any other loss arising out of the Grenfell Tower tragedy".
- Adopting a new set of Articles more relevant to a company that no longer delivers tenant-led housing services.
- Moving to a small skills-based board of up to five directors, instead of a resident majority board of up to 15.
- Adopting a robust approach to conflicts of interest, given the organisation's sole remaining purpose and the intense scrutiny it is under.
- Agreeing that two board members will be appointed by the resident membership following an independent recruitment process. The previous board all stood down at the November 2018 AGM and were replaced by the newly appointed board.

Once the new purpose of the TMO is satisfied, i.e. the Public Inquiry and all other legal processes have completed, the TMO will be wound up.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2018

PRINCIPAL ACTIVITIES

The group's principal activity during a substantial part of 2017/18 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 a responsive repair service to the housing stock.

This was the company's 21st year of trading having taken over the management of the homes of tenants and leaseholders from the RBKC on 1 April 1996.

Following the hand back of services, the Kensington & Chelsea Tenant Management Organisation (KCTMO) now exists for one purpose - which is to support and be accountable to the Public Inquiry and all other legal proceedings arising from the Grenfell Tower tragedy.

As the Kensington & Chelsea Tenant Management Organisation no longer receives income from providing services, the Royal Borough of Kensington and Chelsea have agreed to underwrite the cost of the organisation and claims made against it until its purpose is fulfilled. Based on this undertaking the Directors have produced these financial statements on a going concern basis. As investigations and the public inquiry into the fire are underway but have not reached conclusion the ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements. In addition, there is insufficient information about the possibility that contingent liabilities will crystallise.

The effects of revisions to pension scheme membership data has been included in the expense gains/losses for the scheme in the period to 28 February 2018. This is explained in further detail in note 22 Retirement Benefits.

RISKS AND UNCERTAINTIES

Following the handback the Board revised its risk register. Service related risks were passed to the council and new risks were identified in relation to the residual role of KCTMO. These relate to the sustainability of the Board, information integrity, staffing, legacy issues and management of liabilities. Control measures are in place to manage these risks.

FUTURE DEVELOPMENTS

During 2018/19 KCTMO agreed a new purpose and appointed a new Board. It remains in place to support and answer to the public enquiry, police prosecution and other legal processes.

RESULTS

The group's profit for the year after taxation was £4,793k (2017: £613k loss). Included in these results is a profit of £156k earned by Kensington and Chelsea TMO Repairs Direct Limited during the year.

This report was approved by the Board on 21 February 2019.



Kerry Tromanhauser
Company Secretary

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2018

BOARD MEMBERS

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

The Board previously consisted of up to 15 Board Members. Under the new constitution adopted on 23 October 2018, the Board consists of up to 5 Board Members. Pursuant to the KCTMO's chosen code of governance, 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 12 members on the Board at the end of the year.

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

BOARD OF DIRECTORS

Cllr Judith Mary Blakeman	Resigned	25/10/2017
Cllr Maighread Condon Simmonds	Resigned	08/02/2018
Mr Paula Ann Fance	Resigned	16/03/2018
Mr Alan Barnett	Resigned	20/09/2018
Mrs Fay Mary Edwards	Resigned	30/11/2018
Mr Anthony Preiskel	Resigned	30/11/2018
Mr Richard Keenan	Resigned	30/11/2018
Miss Minna Korjonen	Resigned	30/11/2018
Ms Sharon Price	Resigned	30/11/2018
Mr Ian Roberts	Resigned	30/11/2018
Mr Simon Roy Brissenden	Resigned	30/11/2018
Ms Anne Duru	Resigned	30/11/2018
Ms Maria Catalina Escudero-Barbaza	Resigned	30/11/2018
Ms Meredith Benjamin	Resigned	30/11/2018
Mr Derek White	Resigned	30/11/2018
Mr Aman Dalvi	Appointed	30/11/2018
Ms Ann Bennett	Appointed	30/11/2018
Prof. Tony Crook	Appointed	30/11/2018

SENIOR MANAGEMENT

Mrs Elaine Elkington	Appointed	31/07/2017
	Resigned	31/03/2018
Ms Sinead McQuillan ACIS	Resigned	29/09/2017
Mr Kerry Tromanhauser	Appointed	28/09/2017
Mr Andrew Taylor	Appointed	06/03/2019

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

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

AUDITOR

BDO LLP has indicated its willingness to be reappointed at the Annual General Meeting.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2018

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.

PROVISION OF INFORMATION UNDER S414S(11)

Under S414C(11) of the Companies Act 2006, information not included in the report of the directors is required to be shown in the strategic report. Information on future developments which is not shown in the report of the directors is included within the strategic report.

This report was approved by the Board on 21 February 2019.



Mr Kerry Tromanhauser
Company Secretary

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and the Report of the Directors 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 MEMBERS OF THE ROYAL BOROUGH OF KENSINGTON AND
CHELSEA TENANT MANAGEMENT ORGANISATION LIMITED

Opinion

We have audited the financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018, which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and the related accounting policies and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern

We draw attention to note 1 in the financial statements which sets out that the group continues to be impacted by the investigations and public inquiry into the Grenfell Tower fire and the significant loss of life. These are underway however they have not reached a conclusion and the ultimate outcome of these processes cannot presently be determined. As stated in note 1, there is therefore insufficient information about the possibility that contingent liabilities will crystallise and if they do, how the company would be able to settle those liabilities. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Report and Group Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, including the Strategic Report and Report of the Directors and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Elizabeth Kulczycki (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
21 February 2019

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

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

		2018			2017		
	Notes	Continuing operations £	Discontinued operations £	Total £	Continuing operations £	Discontinued operations £	Total £
TURNOVER	4	-	20,252,837	20,252,837	-	17,915,394	17,915,394
Cost of sales		-	(6,758,243)	(6,758,243)	-	(4,694,093)	(4,694,093)
GROSS PROFIT		-	13,494,594	13,494,594	-	13,221,301	13,221,301
Administrative expenses		(1,329,179)	(15,408,317)	(16,737,496)	(54,957)	(15,126,079)	(15,181,036)
Other operating income		(917)	1,787,915	1,786,998	-	1,716,077	1,716,077
OPERATING LOSS		(1,330,096)	(125,808)	(1,455,904)	(54,957)	(188,701)	(243,658)
Profit on disposal of business unit	7	-	7,632,012	7,632,012	-	-	-
Interest payable and similar charges	5	-	(202,000)	(202,000)	-	(215,000)	(215,000)
Interest Receivable		650	20,315	20,965	-	6,795	6,795
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(1,329,446)	7,324,519	5,995,073	(54,957)	(396,906)	(451,863)
Taxation	9	-	(1,202,474)	(1,202,474)	-	(160,814)	(160,814)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		(1,329,446)	6,122,045	4,792,599	(54,957)	(557,720)	(612,677)
OTHER COMPREHENSIVE INCOME							
Actuarial gains/(losses) on the defined benefit pension scheme	22	-	1,415,000	1,415,000	-	(1,644,000)	(1,644,000)
Deferred tax on actuarial gain on defined benefit pension scheme		-	(268,850)	(268,850)	-	360,660	360,660
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		(1,329,446)	7,268,195	5,938,749	(54,957)	(1,841,060)	(1,896,017)

The notes on pages 16 to 33 form part of these financial statements.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED BALANCE SHEET

As at 31 March 2018

Company Number: 3048135

	Notes	£	2018 £	£	2017 £
FIXED ASSETS					
Goodwill	10		-		9,507
Intangible assets	11		-		212,089
Tangible assets	12		-		620,337
			<u>-</u>		<u>841,933</u>
CURRENT ASSETS					
Stocks	14	-		3,396	
Debtors within one year	15	301,726		1,231,966	
Debtors after one year	15	-		1,571,324	
Cash at bank and in hand		<u>934,281</u>		<u>2,173,034</u>	
		<u>1,236,007</u>		<u>4,979,720</u>	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	16	<u>(168,274)</u>		<u>(2,055,107)</u>	
NET CURRENT ASSETS			<u>1,067,733</u>		<u>2,924,613</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,067,733</u>		<u>3,766,546</u>
 Provision for liabilities	 17		 -		 1,436
NET ASSETS EXCLUDING PENSION LIABILITY			<u>1,067,733</u>		<u>3,767,982</u>
Defined benefit pension scheme liability	22		-		(8,639,000)
NET LIABILITIES INCLUDING PENSION LIABILITY			<u>1,067,733</u>		<u>(4,871,017)</u>
CAPITAL AND RESERVES					
Retained earnings	19		1,067,733		2,253,883
Pension reserve	19		<u>-</u>		<u>(7,124,900)</u>
Members' funds			<u>1,067,733</u>		<u>(4,871,017)</u>

As disclosed in note 18, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The financial statements on pages 10 to 33 were approved and authorised for issue by the board on 21 February 2019 and signed on its behalf by:



Director

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

COMPANY BALANCE SHEET

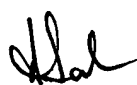
As at 31 March 2018

	Notes	£	2018 £	£	2017 £
FIXED ASSETS					
Intangible assets	11		-		109,888
Tangible assets	12		-		604,089
Investment in Subsidiary Undertaking	13		-		318,924
			-		1,032,901
CURRENT ASSETS					
Debtors within one year	15	301,726		551,219	
Debtors after one year	15	-		1,571,324	
Cash at bank and in hand		934,281		1,952,623	
		1,236,007		4,075,166	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	16	(168,275)		(1,474,587)	
NET CURRENT ASSETS			1,067,732		2,600,579
TOTAL ASSETS LESS CURRENT LIABILITIES			1,067,732		3,633,481
NET ASSETS EXCLUDING PENSION LIABILITY			1,067,732		3,633,481
Defined benefit pension scheme liability	22		-		(8,639,000)
NET LIABILITIES INCLUDING PENSION LIABILITY			1,067,732		(5,005,519)
CAPITAL AND RESERVES					
Retained earnings	19		1,067,732		2,119,380
Pension reserve	19		-		(7,124,900)
Members' funds			1,067,732		(5,005,520)

As disclosed in note 18, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The profit for the financial year dealt with in the financial statements of the parent Company was £4,927,101 (2017: £823,911 loss).

The financial statements on pages 10 to 33 were approved and authorised for issue by the board on 21 February 2019 and signed on its behalf by:



Director

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Notes	Pension Reserve £	Retained Earnings £	Total £
BALANCE AT 1 APRIL 2016		(5,254,560)	2,279,561	(2,974,999)
Loss for the year		-	(612,677)	(612,677)
Other comprehensive income, net of tax:-			-	-
Transfer		(587,000)	587,000	-
Actuarial gains on defined benefit plans	22	(1,644,000)	-	(1,644,000)
Deferred tax on actuarial gain on defined benefit pension scheme		360,660	-	360,660
TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR		(1,870,340)	(25,677)	(1,896,017)
 BALANCE AT 31 MARCH 2017		 (7,124,900)	 2,253,884	 (4,871,016)
Loss for the year		-	4,792,599	4,792,599
Other comprehensive income, net of tax:-				
Actuarial gains on defined benefit plans	22	1,415,000	-	1,415,000
Deferred tax on actuarial gain on defined benefit pension scheme		(268,850)	-	(268,850)
Transfer		5,978,750	(5,978,750)	-
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		7,124,900	(1,186,151)	5,938,749
 BALANCE AT 31 MARCH 2018		 -	 1,067,733	 1,067,733

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	<i>Notes</i>	Pension Reserve £	Retained Earnings £	Total £
BALANCE AT 1 APRIL 2016		(5,254,560)	2,356,293	(2,898,267)
Loss for the year		-	(823,911)	(823,911)
Other comprehensive income, net of tax:-				
Transfer		(587,000)	587,000	-
Actuarial gains on defined benefit plans	22	(1,644,000)	-	(1,644,000)
Deferred tax on actuarial gain on defined benefit pension scheme		360,660		360,660
TOTAL COMPREHENSIVE (EXPENDITURE) FOR THE YEAR		(1,870,340)	(236,911)	(2,107,251)
BALANCE AT 31 MARCH 2017		(7,124,900)	2,119,381	(5,005,519)
Profit for the year		-	4,927,101	4,927,101
Other comprehensive income, net of tax:-				
Actuarial gains on defined benefit plans	22	1,415,000	-	1,415,000
Deferred tax on actuarial gain on defined benefit pension scheme		(268,850)		(268,850)
Transfer		5,978,750	(5,978,750)	-
TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR		7,124,900	(1,051,649)	6,073,251
BALANCE AT 31 MARCH 2018		-	1,067,732	1,067,732

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 £	2017 £
OPERATING ACTIVITIES			
Cash (used in)/generated from operations	A)	(547,082)	515,292
Interest received		20,965	-
Income taxes paid		(33,476)	(19,589)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		(559,593)	495,703
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(50,444)	(89,153)
Purchase of intangible fixed assets		-	(83,053)
Cash removed when RD left group		(628,716)	-
NET CASH FLOW USED IN INVESTING ACTIVITIES		(679,160)	(172,206)
NET (DECREASE) / INCREASE IN CASH IN THE YEAR		(1,238,753)	323,497
CASH REMOVED WHEN RD LEFT GROUP			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,173,034	1,849,537
CASH AND CASH EQUIVALENTS AT END OF YEAR		934,281	2,173,034
A) RECONCILIATION OF PROFIT / (LOSS) AFTER TAX TO NET CASH GENERATED FROM / (USED IN) OPERATIONS			
		2018 £	2017 £
Profit / (Loss) after tax		4,792,599	(634,861)
Bad Debt		100,000	-
Depreciation and amortisation		298,403	400,803
Interest payable		202,000	215,000
Interest receivable		(20,965)	-
Taxation		1,202,474	160,814
Defined benefit pension scheme		1,038,000	372,000
Profit on disposal of business unit		(7,632,012)	-
Operating cash flows before movements in working capital		(19,502)	513,756
Decrease/(Increase) in debtors		175,308	(62,928)
(Decrease)/Increase in creditors		(706,285)	61,028
Decrease in stocks		3,397	3,436
Cash (used in)/generated from operations		(547,082)	515,292

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2018

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.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

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 profit for the year and total comprehensive income for the year were £4,927,101 (2017: £823,911 loss) and £6,073,251 (2017: £2,107,251 expenditure), respectively.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and its subsidiary. The shareholding in the subsidiary was disposed of at 1 March 2018 and therefore the results consolidated are to 28 February 2018. All financial statements are made up to 31 March 2018.

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 used into line with those used by other members of the Group.

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.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2018

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 2018

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 2018

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 2018

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.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1 GOING CONCERN

The organisation continues to be impacted by the Grenfell Tower fire and the significant loss of life.

Investigations and the public inquiry into the fire are underway however none has reached conclusion; the ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements. In addition, there is insufficient information about the possibility that contingent liabilities will crystallise and if they do, how the company would be able to settle those liabilities. The effect that the crystallisation of contingent liabilities may have on the ability to continue as a going concern in the long term is also uncertain. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Despite the uncertainties about the liabilities arising from the fire and significant loss of life at Grenfell Tower, the Royal Borough of Kensington and Chelsea has signed a Deed of Covenant in which it has covenanted to continue to provide financial and such other support and assistance to the TMO to such extent as is properly required for the TMO to remain solvent on a going concern basis until the conclusion of the later of:

- a) the Inquiry;
- b) any criminal investigations and subsequent prosecution of the TMO as a consequence of the Tragedy; and
- c) any civil proceedings brought against the TMO or any of its staff or directors as a consequence of the Tragedy; and
- d) any statutory limitation period relating to the Tragedy has expired.

Because of the support described the directors were able to conclude that the organisation is a going concern for a period of at least 12 months from the date the accounts were signed and the accounts have therefore been prepared on a going concern basis.

2 CORRECTION OF PRIOR PERIOD ERROR

During the year the company identified that membership data provided to the pension scheme actuaries in earlier years was inaccurate. Revised data was provided to enable the scheme actuary to determine the liability to be transferred to RBKC when all housing and related support services and staff transferred on 1 March 2018.

It was impracticable to determine the period specific effects of this error on comparative information and therefore, in accordance with FRS102, the adjustment has been made in the earliest period practicable, which was the current period. As such the effect of revisions to membership data has been included in full in the expense gains/losses for the scheme in the period to 28 February 2018 at which point the liability was transferred to RBKC. The directors are satisfied that the liability at 28 February 2018 used to determine the profit/loss on transfer of business to RBKC is materially correct.

3 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.

In particular this applies to the retirement benefits in note 22, including amounts prior to the financial year ended 31 March 2018.

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.

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 2018

4 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:

	2018			2017		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£	£	£	£	£	£
Management of RBKC social housing properties	-	11,362,922	11,362,922	-	11,172,264	11,172,264
Provision of repairs and maintenance services	-	8,443,348	8,443,348	-	6,231,829	6,231,829
Community Alarm Service	-	446,567	446,567	-	511,301	511,301
	-	20,252,837	20,252,837	-	17,915,394	17,915,394

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£	£
Interest on defined benefit pension scheme liabilities net of interest income on assets	(202,000)	(215,000)

6 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018	2017
	£	£
This is stated after charging:		
Amortisation of goodwill	9,507	6,338
Depreciation of tangible assets	205,186	210,019
Amortisation of intangible assets	83,710	162,263
Operating lease rentals:		
- land and buildings	411,957	479,571
- plant and machinery	89,848	96,708
Fees payable to the company's auditor:		
- Statutory audit of parent and consolidated financial statements	37,000	37,550
- Statutory audit of subsidiary financial statements	6,000	6,000
All other non-audit services	7,585	5,994
Stock		
- Amounts expensed to cost of sales	726,252	489,310

7 PROFIT ON DISPOSAL OF BUSINESS UNIT

	2018	2017
	£	£
Transfer of pension liability to RBKC	8,464,000	-
Transfer of assets to RBKC	(544,614)	-
Write off of Digital TV Prepayment Balance	(72,123)	-
Write off Season Ticket Loans and Salary Overpayment	(49,513)	-
Write on Sundry Creditor Deposit Balance	19,300	-
Loss on disposal of subsidiary	(290,038)	-
Removal of Provision for dilapidations	105,000	-
	7,632,012	-

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

8 EMPLOYEES

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

	2018 No.	Group 2017 No.	2018 No.	Company 2017 No.
Housing	61	81	61	81
Technical services	73	82	45	55
Support services	72	73	62	64
	<u>206</u>	<u>236</u>	<u>168</u>	<u>200</u>

There were no persons employed by the parent entity at 31 March as all staff had transferred to RBKC under TUPE at 1 March 2018.

Staff costs for the above persons:

	2018 £	Group 2017 £	2018 £	Company 2017 £
Wages and salaries	7,648,873	8,152,816	6,245,566	7,214,911
Social security costs	831,062	857,196	678,406	762,761
Other pension costs	2,172,113	1,577,414	2,115,759	1,547,774
	<u>10,652,048</u>	<u>10,587,426</u>	<u>9,039,731</u>	<u>9,525,446</u>
Agency Staff Costs	<u>2,547,476</u>	<u>818,446</u>	<u>1,582,008</u>	<u>543,991</u>
Total Staff Costs	<u>13,199,524</u>	<u>11,405,872</u>	<u>10,621,739</u>	<u>10,069,437</u>

The eight Resident Board Members have been paid expense allowances totalling £13,788 (2017: £13,443). A further £3,187 was reimbursed to board members for expenses incurred (2017: £2,578).

Pension costs are analysed as follows:

	2,018 £	2,017 £
Current service cost	2,115,000	1,547,000
Repairs Direct defined contribution scheme	56,354	29,640
TMO defined contribution scheme	<u>759</u>	<u>774</u>
	<u>2,172,113</u>	<u>1,577,414</u>

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the key management personnel of the group was £986,961 (2017: £800,017).

The total remuneration of the individuals who are considered to be the key management personnel of the Company, was £851,209 (2017: £682,986).

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

9	TAXATION	2018	2017
	Current tax	£	£
	UK corporation tax	-	33,476
	Adjustment in respect of prior years	-	-
	Total current tax	-	33,476
	Deferred tax		
	Timing differences in relation to pension liability	-	88,004
	Origination and reversal of timing differences	1,202,474	31,375
	Effect of change in tax rate on opening balance	-	7,959
	Total deferred tax charge/(credit)	1,202,474	127,338
	Total tax on profit/(loss) on ordinary activities	1,202,474	160,814
	FACTORS AFFECTING TAX CHARGE/(CREDIT) FOR THE YEAR:	2018	2,017
		£	£
	The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:		
	Profit/(Loss) on ordinary activities before tax	5,995,073	(451,863)
	Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	1,139,064	(90,373)
	Effects of:		
	Fixed asset differences	29,664	6,745
	Amounts credited directly to OCI or otherwise transferred	268,850	(328,800)
	Other permanent differences	(14,068)	(7,385)
	Other tax adjustments, reliefs and transfers	89,108	-
	Expenses not deductible for tax purposes	46,947	-
	Adjustment to the tax charge in respect of prior years	-	88,004
	Deferred tax charged/credited directly to OCI	(268,850)	360,660
	Adjust closing deferred tax to average rate	-	259,900
	Adjust opening deferred tax to average rate	-	(127,937)
	Deferred tax not recognised	75,923	-
	Change in tax rate	(164,164)	-
		1,202,474	160,814
10	INTANGIBLE FIXED ASSETS - GOODWILL		
	GROUP	£	
	Cost:		
	1 April 2017 and 31 March 2018	31,690	
	Amortisation		
	1 April 2017	22,183	
	Charged in year	9,507	
	At 31 March 2018	31,690	
	Net Book Value		
	At 31 March 2018	-	
	At 31 March 2017	9,507	

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

10 INTANGIBLE FIXED ASSETS - GOODWILL (continued)

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.

11 INTANGIBLE FIXED ASSETS

Group

	Electronic Data Management System	Total
	£	£
COST		
At 1 April 2017	900,840	900,840
Transferred to RBKC (<i>Note 7</i>)	(900,840)	(900,840)
At 31 March 2018	-	-
DEPRECIATION		
At 1 April 2017	688,751	688,751
Charge for the year	83,710	83,710
Transferred to RBKC (<i>Note 7</i>)	(772,461)	(772,461)
At 31 March 2018	-	-
NET BOOK VALUE		
At 31 March 2018	-	-
At 31 March 2017	212,089	212,089

INTANGIBLE FIXED ASSETS

Company

	Electronic Data Management System	Total
	£	£
COST		
At 1 April 2017	560,909	560,909
Transferred to RBKC (<i>Note 7</i>)	(560,909)	(560,909)
At 31 March 2018	-	-
DEPRECIATION		
At 1 April 2017	451,021	451,021
Charge for the year	23,566	23,566
Transferred to RBKC (<i>Note 7</i>)	(474,587)	(474,587)
At 31 March 2018	-	-
NET BOOK VALUE		
At 31 March 2018	-	-
At 31 March 2017	109,888	109,888

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

12 TANGIBLE FIXED ASSETS

Group

	Office Furniture & Fit Out	Computer and Office Equipment	Leasehold Improvements	Total
	£	£	£	£
COST				
At 1 April 2017	1,185,118	818,081	329,541	2,332,740
Additions	-	50,444	-	50,444
Transferred to RBKC (<i>Note 7</i>)	(1,185,118)	(868,525)	(329,541)	(2,383,184)
At 31 March 2018	-	-	-	-
DEPRECIATION				
At 1 April 2017	849,370	689,620	173,413	1,712,403
Charge for the year	107,874	66,398	30,914	205,186
Transferred to RBKC (<i>Note 7</i>)	(957,244)	(756,018)	(204,327)	(1,917,589)
At 31 March 2018	-	-	-	-
NET BOOK VALUE				
At 31 March 2018	-	-	-	-
At 31 March 2017	335,748	128,461	156,128	620,337

TANGIBLE FIXED ASSETS

Company

	Office Furniture & Fit Out	Computer Equipment	Leasehold Improvements	Total
	£	£	£	£
COST				
At 1 April 2017	1,136,330	818,081	329,541	2,283,952
Additions	-	50,444	-	50,444
Transferred to RBKC (<i>Note 7</i>)	(1,136,330)	(868,525)	(329,541)	(2,334,396)
At 31 March 2018	-	-	-	-
DEPRECIATION				
At 1 April 2017	816,829	689,620	173,413	1,679,862
Charge for the year	98,929	66,398	30,914	196,241
Transferred to RBKC (<i>Note 7</i>)	(915,758)	(756,018)	(204,327)	(1,876,103)
At 31 March 2018	-	-	-	-
NET BOOK VALUE				
At 31 March 2018	-	-	-	-
At 31 March 2017	319,501	128,461	156,128	604,090

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

13 FIXED ASSET INVESTMENTS

Company

	Shares in subsidiary	Loan to subsidiary	Capital contribution	Total
	£	£	£	£
Cost and net book value:				
At 1 April 2017	1	298,575	20,348	318,924
Repayment	-	(296,564)	-	(296,564)
Transferred to RBKC (Note 7)	-(1)	-	(20,348)	(20,349)
Reclassified to other debtors	-	(2,011)	-	(2,011)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 Nil at 31 March 2018 (2017: £315,000).

14 STOCKS

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Raw materials and consumables	<u>-</u>	<u>3,396</u>	<u>-</u>	<u>-</u>

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

15 DEBTORS

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	152,238	562,502	152,238	74,470
Other debtors	13,802	83,470	13,802	83,256
Corporation tax	-	-	-	-
Other taxes and social security	134,661	20,013	134,661	20,013
Prepayments and accrued income	1,025	565,981	1,025	373,478
	<u>301,726</u>	<u>1,231,966</u>	<u>301,726</u>	<u>551,219</u>
Amounts falling due after one year:				
Loan to Credit Union	-	100,000	-	100,000
Deferred tax assets (note 17)	-	1,471,324	-	1,471,324
	<u>301,726</u>	<u>2,803,290</u>	<u>301,726</u>	<u>2,122,543</u>

K&C Credit Union entered administration in October 2018. Loan balances totaling £100,000 made to K&C Credit Union have been written off in the current period with no expectation of recovery.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

16 CREDITORS: amounts falling due within one year	2018	Group 2017	2018	Company 2017
	£	£	£	£
Trade creditors	56,646	612,269	56,646	498,374
Corporation tax	-	33,476	-	-
Other taxes and social security	-	194,752	-	-
Other creditors	-	19,444	-	19,444
Provision for Dilapidations	-	105,000	-	105,000
Accruals and deferred income	111,629	1,090,167	111,629	851,769
	<u>168,275</u>	<u>2,055,107</u>	<u>168,275</u>	<u>1,474,587</u>

17 PROVISIONS FOR LIABILITIES	2018	2017
<i>Group</i>	£	£
Balance at 1 April 2017	1,436	(5,960)
Credited to statement of comprehensive income	<u>(1,436)</u>	<u>7,396</u>
Balance at 31 March 2018	<u>-</u>	<u>1,436</u>

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Provision for deferred tax has been made as follows:				
Deferred tax liabilities	-	-	-	-
Deferred tax assets	-	1,471,324	-	1,471,324
Net position at 31 March 2018	<u>-</u>	<u>1,471,324</u>	<u>-</u>	<u>1,471,324</u>

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

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Deferred tax liabilities:				
Accelerated capital allowances	-	1,436	-	-
	<u>-</u>	<u>1,436</u>	<u>-</u>	<u>-</u>
Deferred tax assets:				
Decelerated capital allowances	-	616	-	616
Retirement benefit obligation	-	1,468,630	-	1,468,630
Tax losses carried forward	-	2,078	-	2,078
	<u>-</u>	<u>1,471,324</u>	<u>-</u>	<u>1,471,324</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

18 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.

19 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.

20 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. The KCTMO company's main source of income was a management fee for the management of the RBKC housing stock. This amounted to £11,362,922 (2017: £11,172,264). KCTMO company also purchased services from RBKC in the year totalling £650,476 (2017: £764,845). At the end of the financial year, a net balance of £160,621 was owed by RBKC, including £11,789 due for the inter-entity balance and £148,832 owed to KCTMO company for other services to RBKC. (2017: £49,938 was due to RBKC, including £39,085 due for the inter-entity balance, £69,327 due to KCTMO for other services to RBKC and £158,350 due for other services from RBKC). At the end of the year there was no accrued income due for services provided to RBKC and £59,816 accrued costs due for services purchased from RBKC during the year. (2017: Nil accrued income due to the company from RBKC and £46,413 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 £367,776 (2017: £418,650).

During the year KCTMO recharged RBKC for consultancy and other services for the amount of £2,522,129 (2017: £1,273,626).

KCTMO had 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 (2017: £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 2018

21 LEASE COMMITMENTS

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

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Land and Buildings				
Within one year	-	504,923	-	504,923
Between one and five years	-	959,468	-	959,468
	<u>-</u>	<u>1,464,391</u>	<u>-</u>	<u>1,464,391</u>
Plant and Machinery				
Within one year	-	88,806	-	-
Between one and five years	-	37,002	-	-
	<u>-</u>	<u>125,808</u>	<u>-</u>	<u>-</u>

22 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 £57,113 (2017: £30,414). Contributions totalling £7,451 (2017: £4,022) were payable to the fund at the year end and are included in creditors.

	2018	Group 2017	2018	Company 2017
	£	£	£	£
Contributions payable for the year	<u>57,113</u>	<u>30,414</u>	<u>759</u>	<u>774</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 2016 (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 2016;
- 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 2016. The market value of the scheme's assets at 31 March 2016 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 2018

22 RETIREMENT BENEFITS (continued)

As a result of the 31 March 2016 valuation, the level of employer's contribution funding was set at 20% of pensionable salaries for the years ending 31 March 2018, 31 March 2019 and 31 March 2020. 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.

During the year the company identified that membership data provided to the pension scheme actuaries in earlier years was inaccurate. Revised data was provided to enable the scheme actuary to determine the liability to be transferred to RBKC when all housing and related support services and staff transferred on 1 March 2018.

The effect of revisions to membership data has been included in full in the expense gains/losses for the scheme in the period to 28 February 2018 as it was not possible to determine the impact on the balance at 1 April 2016 and 31 March 2017.

Due to a lack of sufficient, reliable information the directors are unable to confirm the pension liability and related deferred tax asset at 1 April 2016 and 31 March 2017 are materially correct. The directors are satisfied that the liability at 28 February 2018 used to determine the profit/loss on transfer of business to RBKC is materially correct.

These assumptions are set with reference to the market conditions at 31 March 2016. The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

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 19 year point on the BoE market implied inflation curve. The RPI Assumption is therefore 3.6% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Price Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.7% p.a. We believe that is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the last accounting date.

Salary increases are then assumed to be in line with RPI in addition to a promotional scale, which is consistent with the principal assumptions used in the calculation of the valuation of the plan assets and the present value of the defined benefit obligation include:

	2018	2017
Discount rate	5.0%	2.7%
Future salary increases	2.7%	3.6%
Future pension increases	4.2%	2.7%
RPI Inflation Rate		3.6%
CPI Inflation Rate		2.7%

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

22 RETIREMENT BENEFITS (continued)

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:

	2018 years	2017 years
Male	24.5	24.4
Female	26.1	26.0

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:

	2018 years	2017 years
Male	26.8	26.6
Female	28.4	28.3

Amounts recognised in profit or loss in respect of the defined benefit schemes are as follows:

	2018 £(000)	2017 £(000)
Service costs	2,115	1,547
Net interest on the net defined benefit pension liability	202	215
Administrative expenses	22	28
	<u>2,339</u>	<u>1,790</u>

The actual return on scheme assets in the year was £11,709,000. (2016: £1,128,000)

AMOUNT RECOGNISED IN STATEMENT OF OTHER COMPREHENSIVE INCOME

	2018 £(000)	2017 £(000)
Return on fund assets in excess of interest	2,839	9,874
Other actuarial gains on assets	-	3,109
Actuarial Gains / (Losses) on liability	-	(15,638)
Change in demographic assumptions	-	(804)
Return on assets less interest	(1,424)	1,815
Actuarial Gains and Losses	<u>1,415</u>	<u>(1,644)</u>

FAIR VALUE OF EMPLOYER'S ASSET

	2018 £(000)	2017 £(000)
Equities	-	49,945
Properties	-	2,644
Cash plus funds	-	4,663
Cash	-	825
Other Assets	-	6,503
Total	<u>-</u>	<u>64,580</u>

BALANCE SHEET

	2018 £(000)	2017 £(000)
Fair Value of Employer Assets	-	64,580
Present Value of Funded Plans	-	(73,219)
Net Underfunding in Funded Plans	<u>-</u>	<u>(8,639)</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

22 RETIREMENT BENEFITS (continued)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	2018	2017
	£(000)	£(000)
Opening Defined Benefit Obligation	73,219	55,825
Current Service Cost	2,115	1,547
Interest Cost	1,808	2,050
Contribution by Members	378	442
Actuarial (Gains) / Losses	-	15,638
Change in demographic assumptions	-	804
Experience loss/(gain) on defined benefit obligation	1,424	(1,815)
Estimated Benefits Paid	(1,489)	(1,272)
Settlement prices paid	(77,455)	-
Closing Defined Benefit Obligation	-	73,219
RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	2018	2017
	£(000)	£(000)
Opening Fair Value of Scheme assets	64,580	49,417
Interest on Assets	1,606	1,835
Return on assets less interest	2,839	9,874
Contributions by employer	1,099	1,203
Contributions by Scheme participants	378	442
Estimated Benefits Paid	(1,489)	(1,272)
Other actuarial gains/(losses)	-	3,109
Scheme Administration Expenses	(22)	(28)
Settlement prices paid	(68,991)	-
Closing Fair Value of Employer Assets	-	64,580

The employer's contribution for the year to 31 March 2018 was 20% of pensionable salaries.

The employer's contributions for the year to 31 March 2019 will be Nil

23 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.