

Directors' report and financial statements

Year ended March 2017
Company Limited by Guarantee
Registered number 5887410




Lewisham
Homes

Contents

	Page
1. Company Information	2-3
2. Directors' Report	4
3. Strategic Report	5-10
4. Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements	11
5. Internal Control Statement	12-13
6. Independent Auditor's Report	14-15
7. Statement of Income & Retained Earnings	16
8. Statement of Financial Position	17
9. Cash Flow Statement	18
10. Notes to the Financial Statements	19-41

1. Company Information

Directors in office for the financial year ended 31st March 2017

Appointments	Designation	Status	Appointed
Ainsley Forbes	Appointed Chair 26/01/16	I	27/10/2011
Ophelia Bobori	Appointed Vice Chair 26/01/16	T	17/09/2013
Gareth Siddorn		C	26/04/2016
Terry James		I	12/01/2007
Joan Reid		C	26/04/2016
Sarah Smith		I	29/09/2009
Nigel Bowness		T	25/10/2016
Princess Balogun		T	25/10/2016
Stephen McGann		T	20/09/2011
Kevin Stearns		T	26/04/2016
Andrea Corsi		T	26/04/2016
Susan Wise		C	11/06/2014
Steve Gough		I	28/07/2015
Owen Fox		I	26/04/2016
Grace Addy	Resigned 26/07/2016	T	
Neil Poppmacher	Resigned 26/10/2016	T	

Key to Status

T: Tenant Member

L: Leaseholder Member

C: Council Member

I: Independent Member

Chief Executive

Andrew Potter

Management Team

Stephen Coleman Director of Development & Investment (joined September 2016)

Richard Adam Barrett Director of Resources

Jon Kanareck Director of Operations

Hilary Barber Director of Corporate Services

Alex Bush Head of People Services & Executive Support (joined July 2016)

Mark Agnew

Director of Property Services (resigned July 2016)

1. **Company Information** *(continued)*

Company Secretary	Hilary Barber Old Town Hall Catford Road London SE6 4RU
Registered Office	Old Town Hall Catford Road London SE6 4RU
Registered Number	05887410 England and Wales
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Banker	Barclays Bank plc 1 Churchill Place London E14 5HP
Solicitors	Anthony Collins 134 Edmund Street Birmingham B3 2ES
Actuary	Hymans Robertson LLP One London Wall London ECY 5EA

2. Directors' Report

The Directors present their directors' report and financial statements for the year 31 March 2017.

Business Overview

Lewisham Homes Limited is an arms-length management organisation (ALMO) owned entirely by the London Borough of Lewisham, which went live on the 22 January 2007. It was set up as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. Currently the management of 17,850 homes, 5,180 of which are leasehold properties, has been delegated to Lewisham Homes under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). The Company is responsible for the following functions:

- Management of the stock maintenance programme, including stock investment decisions and procurement, planned maintenance and responsive repairs;
- Housing management, including rent collection, leasehold management, enforcement of tenancy and lease conditions, empty properties and environmental services;
- Property acquisition to provide temporary accommodation;
- Calculation and collection of leasehold charges;
- Tenant involvement and resident participation; and
- Building new homes on behalf of the Council.

Governance Arrangements

The Lewisham Homes Board consists of 14 non-executive directors as at March 31st 2017, made up of three Council nominees, five independent members and six residents. A full list of directors who form the management team is shown on page 2. The Board met four times during 2016/17, as well as at its annual general meeting (AGM) on 25th October 2016.

The Board had the following committees in 2016/17:

- The Audit and Risk Committee, met four times in 2016/17, and reviewed issues relating to internal controls and risk.
- The Performance Committee met five times in 2016/17, challenging areas of performance as delegated by the main Board.
- The Repairs Business Development Committee met four times in 2016/17 to consider the future of the Repairs Service.
- The Ethics and Remuneration Committee met four times in 2016/17. This committee is responsible for recommending appropriate codes of conduct to the Board and considering issues relating to Board Director Conduct.
- The Regeneration and Investment Committee was formed in 2016/17 and met five times.

3. Strategic Report

Operating and Financial Review

Lewisham Homes has had another successful year in 2016/17, bringing to a close our first 10 years. As a result of our track record of strong performance improvements, we are pleased that Lewisham Council has agreed to extend Lewisham Homes contract to manage residents' homes for a further 10 years.

- **Asset Management**

We have invested £203m in the past six years to make residents' homes comfortable, safe and energy efficient so that 94% of our housing stock now meets the Decent Homes standard. We will continue to invest and ensure that the remaining 730 homes achieve Decent Homes standard in 2018.

We are working in partnership with Lewisham Council to build 320 new Council homes under the New Homes Better Places programme. We have completed the first nine properties and we are currently on site in Wood Vale in Forest Hill, Dacre Park South in Lee and Longfield Crescent, Sydenham, and we expect complete 78 new properties before April 2018.

- **Customer and Community Services**

We have continued to listen and respond to our customers' feedback through surveys, residents' forums and our website, and we have focussed on areas where residents tell us that we need to improve. Our biennial survey shows that tenant satisfaction has improved (77%, up from 71% in 2014/15), and in the past year we have seen improved internal caretaking and cleaning (78%, up from 67% last year).

We have also reduced the number of new complaints to 35 per month, down from 46 in 2015/16, taken on temporary housing and independent living services previously managed by the Council, and offered more resident services online such as rent account balance enquiries.

We have invested over £250,000 in a range of projects to support the community. Our community investment programme is making a real difference by helping residents to get online, to access financial advice, and by helping with employment opportunities as well as promoting healthy lifestyles

- **People**

We have continued to focus on training and development for our staff to build upon the Investors in People (IIP) Gold standard award in 2016, which only 7% of organisations hold. We have developed our staff through the Aspiring Managers Programme, and continued to run our successful graduate trainee scheme as well as providing mentoring through the award-winning Housing Diversity Network programme. In 2016/17, we were pleased that our Essential Work Skills Programme for caretakers was shortlisted as part of the annual 24 Housing Awards, and during the year we have provided five ewgraduate and employed ten apprentices, four of whom have already accepted permanent jobs.

- Financial Performance

Lewisham Homes has generated an operating surplus of £2.6m, before project expenditure of £0.3m, creating an underlying surplus of £2.3m. We have continued to drive out further cost efficiencies to work within a management fee of £21.4m which, whilst after adjusting for taking on new services, is £4.0m lower than £22.5m in 2007.

The operating surplus will be used to fund 2017/18 investment plans including

- Property Acquisitions to provide temporary accommodation £0.8m
- Modernising and improving ease of access to our services £0.8m
- Investing in community initiatives £0.3m

We have supported Lewisham Council by maintaining the levels of income collection at 99.5% and by acquiring 75 properties for temporary housing which reduces annual council housing costs by approximately £5,000 per property.

Key Service Performance Indicators

Customer satisfaction is a key focus of our organisation and every two years we see the results of our primary customer satisfaction survey. The 2016/17 survey showed that overall tenant satisfaction has reached 77%, up from 71% in 2014/15.

We have now invested over £203m in major works improvements to homes and estates, so that 94% of our housing stock has reached the Decent Homes standard compared to 41% only six years ago.

Summary of Key Performance Indicators	Prior Year 2015/16	2016/17
Overall tenant satisfaction – biennial survey results	71% (2014/15)	77%
Tenant satisfaction with the last repair	92%	94%
Decent Homes Standard (% of stock)	90%	94%
Satisfaction with Caretaking and Cleaning	70%	78%
Average number of new complaints (per month)	46	35
Rental Income Collection	99.6%	99.5%
Rent arrears	3.4%	3.3%
Rent loss due to vacant properties	0.61%	0.45%

Opportunities and Challenges for 2017/18

Housing Sector

The economic environment is challenging and the supply of affordable housing is insufficient to meet demand and, whilst housing costs have risen, incomes have failed to keep pace. The pressure on public finances will continue to result in reductions in services with an adverse impact on those on lower incomes who tend to be more reliant on these services. Lewisham faces an acute housing need and providing more homes is a real challenge when faced with the realities of limited land, increasing costs and reduced funding. Lewisham Homes will continue to support the Council's future housing policy in the borough by ensuring consultation takes place and that investment continues in council housing provision. Lewisham Homes will continue to take every opportunity to alleviate pressure on housing supply and we will be handing over the keys to 66 brand new council houses during 2017, with another 300 homes under construction by the end of 2017/18, as well as planning to acquire another 36 properties to provide temporary accommodation.

Modernisation

We will continue to invest in new technology to transform Lewisham Homes into a more modern and efficient business, and we will use the opportunities that technology brings to develop new ways of working to improve services, continually challenging ourselves to be innovative in addressing the needs of Lewisham's community and neighbourhoods.

Simplifying our core processes will enable an increase in online services, and with more effective information management to drive better decision-making, we will reduce our costs and increase our financial efficiency.

Our challenge will be to respond to the scale and increasing pace of change and to ensure that we prioritise and manage change effectively.

Efficiency Growth

We will continue to support the Council by driving year-on-year efficiency gains, and invest cost savings in providing service improvements. We will grow the business by exploring opportunities to delivering more services, by increasing new business opportunities for our in-house Repairs Service team and by purchasing more homes to provide temporary housing for Lewisham Council.

As Lewisham Homes provides more front-line services and increases its turnover, we will review the efficiency of our Repairs Service as part of our wider drive to keep tight control of our overheads and reduce the overall costs per property.

Customer Understanding

We have made significant progress in increasing customer satisfaction over time, and we will continue to diversify resident engagement opportunities, including development of our online channels, to contact residents personally to gather feedback. We will continue to listen and respond to what the residents want and their views will inform the improvements we continue to make.

In 2015/16, we introduced "The Big Conversation" where all Lewisham Homes managers, from both front-line and back office service areas, held one-to-one discussions with our residents to collect feedback on our services. "The Big Conversation" has created another channel for customer feedback, and last year we changed our approach with staff canvassing residents views through face-to-face discussions at their homes, so our staff can get a clear understanding of our residents' opinions.

People

We will continue to broaden the appeal of Lewisham Homes as a great place to work, attracting new and local talent under our new “Share the Ambition” banner, as well as continuing with our apprenticeships and graduate trainee scheme. We will invest further in our existing staff through our Talent Management Programme. In the next year, we will implement the London Living Wage across the whole business.

Over 90% of our staff rated Lewisham Homes as a good place to work in 2015/16 and, during the year ahead, we will check on staff satisfaction and engagement levels, as part of our longer term aim of becoming a Times Top 100 company.

Risk Management and Key Current Issues for Lewisham Homes

Our Risk Management Strategy is being reviewed by the Board in July 2017, and will establish a risk identification framework that involves the Board and all senior management in identifying and assessing business risks, and establishing internal controls to manage areas of significant risk.

Risks that are assessed as strategic risks are recorded on the Strategic Risk Register. The Board and Executive Management Team annually review the Strategic Risk Register, and the register was updated to record actions for mitigation.

An annual assessment of the overall internal control framework is reported to Board annually which identifies key current issues and includes recommended actions to improve the effectiveness of Lewisham Homes’ control framework.

Key current issues are as follows:

Risk Management Framework

Simplifying the presentation of Risk to encourage greater engagement and risk ownership across the business, and clearly identifying key controls and assurance activity that will demonstrate compliance.

Information Management

Embedding the Sustainable Information Management programme by establishing an Information Asset Register, implementing full information governance arrangements and establishing a clear framework of key information controls and associated compliance testing to provide assurance.

Contract Management

Continuing recent progress in setting out the new procurement and contract management framework by the Head of Procurement monitoring compliance with the new Contract Standing orders and reporting to the executive management team annually.

Lewisham Homes Financial Resources - Delivering Value for Money

Value for money is about striking the balance between the outcomes our stakeholders want and the cost of achieving them. Our success will be measured by achieving the highest level of stakeholder satisfaction from the resources available to us. This means reducing our costs, increasing customer satisfaction and generating surpluses to invest in resident priorities and new homes.

The company continues to deliver efficiency savings and Lewisham Homes has operated within a Management Fee of £21.4m, which excluding £2.9m to fund new services transferred from the Council, is £4.0m lower than the 2007 fee of £22.5m.

We review our targets annually as part of the business planning process to make sure they are challenging and achievable, and that they support the delivery of our business objectives. The main outcome we are aiming for is to increase the surplus per property while also achieving 80% customer satisfaction by 2018/19.

Our ability to continue delivering on our commitment to provide excellent housing services is dependent upon key resource streams. The key resource streams required for Lewisham Homes Limited are:

- Lewisham Homes Management fee income is sufficient to provide excellent housing management services
- Lewisham Homes generates investment surpluses sufficient to fund modernisation of the business,
- HRA Revenue repair resources available to maintain the housing stock, and
- HRA Capital resources sufficient to bring the stock up to the Decent Homes Standard

Lewisham Homes Management Agreement has been agreed for the next ten years, setting out how we will develop our partnership with the Council.

Political and Charitable Contributions

The Company made no political or charitable donations in the year ended 31 March 2017(2016:£nil)

Employees

Lewisham Homes Limited promotes equality of opportunity in all aspects of our recruitment, training, policy and practice. We actively support a working environment where employees feel safe, supported, able to challenge and where any discrimination is dealt with effectively.

Lewisham Homes Limited ensures that applicants with disabilities are given fair treatment and evaluated solely on their ability to carry out the duties associated with the job, taking into account any reasonable adjustments required.

Lewisham Homes communicates to its employees all matters of interest and importance via the intranet, email and other methods including staff forums and road shows.

We are aiming to be an employer of choice, and are totally committed to developing staff to meet the business objectives of the Company.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

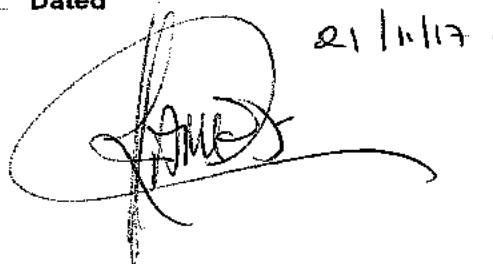
Ainsley Forbes
Chair
Dated:



21/11/17

Town Hall
Catford Road
London
SE6 4RU

Terry James
Chair of Audit Committee
Dated



21/11/17

Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Company's Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

5. Internal Control Statement

The Board has carried out an annual assessment of the internal control framework and is satisfied that an effective internal control framework is in place.

The Board of Directors acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. Key elements of a system of internal control are:

- that the Board sets clear objectives;
- that the Board has plans that are effective in ensuring that these objectives are achieved;
- that the Board is aware of when plans are not being achieved and can take action to address any problems identified;
- that appropriate systems are in place for ensuring that risk is managed and value for money is promoted;
- that, as a customer focussed organisation, the Board has measures in place to identify its customers priorities and customers views on the services currently provided;
- that roles and responsibilities are clearly identified between the Board and the Chief Executive;
- that systems are in place to ensure financial probity and the proper administration of the company's financial affairs; and
- that structures and processes are in place that ensure the above objectives are achieved.

It is the Board of Directors' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The following categories of control set out how the Board will discharge its responsibility: -

Values and Objectives

The company values, objectives and performance indicators are set out in the Business Plan, which is approved annually by the Board and are set out in Governance Manual. Lewisham Homes consults annually with a range of stakeholders before the Business Plan is agreed by the Board.

Structures and Processes

In order to deliver on its objectives effectively, the organisation needs clear arrangements that set out how the Board will manage and control the organisation and who is responsible and accountable for decisions.

The activities of the company and the governance arrangements that it operates within are set out in the Memorandum and Articles of Association and its Governance Manual.

The Board has responsibility for approving all strategies and is responsible for the planning and monitoring of the Business Plan, performance and the financial management of the company throughout the year. The Board approves the risk management strategy and reviews the strategic risk register on an annual basis. The Board also receives an annual review of Health and Safety, which compares health and safety performance at Lewisham Homes with statutory requirements and best practice.

The Audit Committee is responsible for considering risk on behalf of the Board and for ensuring that appropriate risk management strategies are brought to the Board for consideration. The Audit Committee is responsible for approving an annual audit plan, considering audit findings reports, and reporting any key areas of risk concern to the Board. The Audit Committee is also responsible for scrutinising the annual financial statements prior to submission to the Board.

The Performance Committee is responsible for ensuring that, where there are areas of performance concern or operational risk, that these areas receive greater scrutiny. The Performance Committee reports directly to the Board with recommendations identifying any further actions it feels the Board may need to take in order to manage risk and performance in these areas.

The Ethics and Remuneration Committee is responsible for approving changes to the terms and conditions of staff, acting as the appointments panel for the Executive and Board Directors, as well as recommending appropriate codes of conduct to the Board and considering complaints against Directors.

The Repairs Business Development Committee is responsible for reviewing the Repairs Service Business Plan, monitoring delivery of the plan and financial performance, as well considering proposals for new business.

The Regeneration and Investment Committee is responsible for recommending a property development strategy to the Board, reflecting Lewisham Homes' role as Lewisham Council's development agent and in acquiring and developing land in Lewisham Homes' own name. The Committee approves individual development schemes and property acquisition plans, as well the award of contracts under delegated authority from the Board. The Committee monitors ongoing property investment against financial, quality and risk measures, and makes recommendations to the Board for new developments and acquisitions.

Standards of Conduct

Codes of conduct are in place for Board Directors and staff, which set out clear expectations for conduct, and how breaches will be dealt with. Breaches of the code by Board members are dealt with by the Ethics Committee. Breaches of the code by staff are dealt with through the disciplinary process. The organisation has a whistle blowing policy and maintains a gifts and hospitality register. An update on fraud prevention and investigation work is reported to the Audit Committee at each quarterly meeting.

Independent Auditor's Report to the Members of Lewisham Homes Ltd

We have audited the financial statements of Lewisham Homes Limited for the year ended 31 March 2017 as set out on pages 16 to 41. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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 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: - 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 company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006.

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

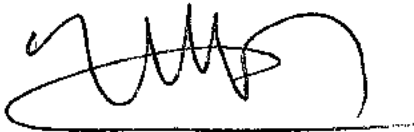
- we have not identified material misstatements in those reports; and

- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Harry Mears
(Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

4 December 2017

7. Statement of Income & Retained Earnings
For the Year ended 31st March 2017

	Notes	2016/17 £'000	2015/16 £'000
Turnover	2	40,156	34,522
Operating Costs	3	<u>(37,449)</u>	<u>(33,537)</u>
Operating Profit		2,707	985
Interest Receivable	7	81	46
Interest Payable	8	<u>(443)</u>	<u>(58)</u>
Profit on Ordinary Activities before tax		2,345	973
Tax on profit on ordinary activities	9	<u>(31)</u>	<u>(1)</u>
Profit for the financial year		2,314	972
Other Comprehensive Income:			
Actuarial gain/(loss) in Pension Scheme Related improvement in reimbursement right asset	18	5,880 <u>(5,880)</u>	10,462 <u>(10,462)</u>
Total Comprehensive Income for the year		2,314	972
Capital & Reserves as at 1 April 2016		<u>8,295</u>	<u>7,323</u>
Capital & Reserves as at 31 March 2017		10,609	8,295

The accompanying notes form part of these financial statements

8. Statement of Financial Position
At 31st March 2017

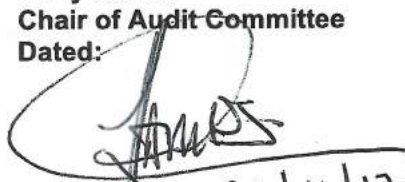
	Notes	2016/17 £'000	2015/16 £'000
Fixed Asset			
Tangible assets	10	20,929	14,054
Total Fixed Assets		20,929	14,054
Current Assets			
Pension reimbursement right asset	18	9,531	14,066
Stock	12	48	50
Debtors	13	5,634	5,157
Cash and cash equivalent	14	2,110	345
Total Current Assets		17,323	19,618
Current Liabilities			
Creditors: amount falling due within one year	15	(4,081)	(3,193)
Provision for liabilities and charges	11	(31)	(118)
		(4,112)	(3,311)
Net Current Assets		13,211	16,307
Total Assets less Current Liabilities		34,140	30,361
Creditors: amounts falling due after more than one year			
Loan	16	(14,000)	(8,000)
Pension Related liability	18	(9,531)	(14,066)
Net assets		10,609	8,295
Surplus/(Deficit) for the year		2,314	972
Capital and Reserves	17	8,295	7,323
		10,609	8,295

The Financial statements were approved by the Board and signed on its behalf by:

Ainsley Forbes
Chair
Dated:


21/11/17

Terry James
Chair of Audit Committee
Dated:


21/11/17

9. Cash Flow Statement
For the Year ended 31st March 2017

	Notes	2016/17 £000	2015/16 £000
Cash flows from operating activities			
Operating Profit for the year		2,707	985
Adjustments for:			
Depreciation of tangible assets	10	693	512
Tax paid	9	(31)	(1)
(Increase)/decrease in trade and other debtors	13	(477)	2,775
(Increase)/decrease in stocks	12	2	6
(Decrease)/increase in trade and other creditors	15	888	(2,050)
(Decrease)/increase in provisions	11	(87)	76
		3,695	2,303
Net cash from operating activities			
Cash flows from investing activities			
Interest receivable and similar income	7	81	46
Interest payable and similar charges	8	(443)	(58)
Acquisition of tangible fixed assets	10	(7,568)	(14,039)
		(7,930)	(14,051)
Net cash from investing activities			
Cash flows from financing activities			
Proceeds from new loan	16	6,000	8,000
		6,000	8,000
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents	14	1,765	(3,748)
Cash and cash equivalents at 1 April 2016	14	345	4,093
		2,110	345
Cash and cash equivalents at 31 March 2017			

10. Notes to the Financial Statements for the year ended 31st March 2017

1. Accounting Policies:

Lewisham Homes Ltd is a limited company, 1 share owned entirely by London Borough of Lewisham and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and republic of Ireland (“FRS 102”) as issued in 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied. The presentation currency of these statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a consistent basis. Comparatives are disclosed except where FRS102 permits or requires otherwise.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except. Key judgement and significant sources of management estimation in the financial statements are within the measurement of the year end accruals, provisions, tangible fixed assets and pension funds.

1.3 Going concern

Going concern is assessed by management for at least 12 months from the date of approval of the financial statements and there were no uncertainties identified at the time of preparation of these accounts to be disclosed. Forecasts for next twelve months have been prepared and demonstrate Lewisham Homes will produce a surplus. London Borough of Lewisham have agreed management fee for 2017-18.

Notes (continued)

1 Accounting policies

1.4 Basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis and reducing balance basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

• Fleet Vehicles	7 years	Reducing Balance
• Computer Equipment	3-5 years	Straight Line
• Furniture, Fittings & Equipment	5 years	Straight Line
• Properties	see table below	Straight Line

In the year of acquisition depreciation is charged from the date at which the asset is ready for use in line with *FRS 102 para. 17.20*. This is consistent with 2016-17 in order to provide greater accuracy.

Component accounting

Lewisham Homes accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives. See table below:

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets (continued)

Component	Asset Life Years
Land	n/a
Boilers	15
Kitchen	20
Bathrooms	30
Doors	30
Windows	30
Electrical Installation	30
Central Heating Distribution & Electrical Heating Systems.	30
Roofs	60
Structure Freehold & Leasehold	100

Impairment

Acquired Properties will be subject to regular impairment review however the loan agreement also requires a valuation of all properties to be carried out on the 5th anniversary of the loan date.

Other fixed assets are reviewed for impairment if there is an indication that impairment may have occurred or evidence of impairment, fixed assets are written down to their recoverable amounts and such write down is charged to operating surplus.

1.6 Stock

Stock are stated at the lower of cost and estimated selling price. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks.

Notes (continued)

1 Accounting policies (continued)

1.7 Impairment excluding stock and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Employee benefits

Pensions

The Company has accounted for the defined benefit scheme in accordance with FRS102. The operating profit is charged with the cost of providing pension benefits earned by employees in the year.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. The pension scheme is underwritten by London Borough of Lewisham and Lewisham Homes recognises a reimbursable asset to offset any scheme deficit.

Notes (continued)

1 Accounting policies (continued)

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.10 Turnover

Turnover represents the invoiced value of services supplied (VAT excluded) and includes accrued income for London Borough of Lewisham. Turnover also includes Rental income generated from Lewisham Homes acquired properties and 23 leased properties at Place Ladywell.

1.11 Expenses

Expenditure incurred in the day to day running of the Acquired Properties and Leased Properties for rental is included in the operating costs.

Lewisham Homes have entered into two lease agreements with London Borough of Lewisham,

1. Lease on 2nd September 2014 for The Old Town Hall, Catford. The rental lease is for 5 years commencing 1st December 2014. It is the registered Office of Lewisham Homes and day to day operational activities are carried out.
2. Second lease for Place Ladywell which consists of 23 flats the lease commenced on 22nd August 2016, the lease is for 4 years expiry date 24th March 2020 and these properties are for rental.

Interest receivable and Interest payable

Other interest receivable and similar income include interest receivable on funds invested.

Interest payable and similar charges include the interest payable on Loan interest and bank charges.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

2 Turnover

	2016/17 £000	2015/16 £000
Management of Fee Income	21,400	18,888
Income for Repairs and Maintenance Activities	15,800	13,662
Other Operating Income	1,992	1,856
Rental Income	964	116
Total turnover	<u>40,156</u>	<u>34,522</u>

3 Operating Costs

	2016/17 £000	2015/16 £000
Company Core Activity	21,994	20,230
Acquisitions Rental Activity	372	86
Repairs Trading Activity	14,922	13,221
Place Ladywell	161	0
Total Operating Costs	<u>37,449</u>	<u>33,537</u>

4 Staff numbers and costs

The aggregate payroll costs of these persons were as follows:

	2016/17 £'000	2015/16 £'000
Wages and salaries	16,658	15,446
Social security costs	1,665	1,225
Pension costs	3,296	2,996
Total	<u>21,619</u>	<u>19,667</u>

The Directors are defined as being the members of Lewisham Homes Ltd.'s main board. None of the directors received emoluments, they are all entitled to reclaim expenses for work carried on behalf Lewisham Homes Ltd.

Notes *(continued)*

4 Staff numbers and costs *(continued)*

Reimbursement of incidental expenses incurred when attending Board Meetings and other formal events in their capacity as Board Members.

The Full Time Equivalent number of persons employed by the Company (including working directors) during the year analysed by category, for 2016/17 510 and (2015/16 468) analysed as follows:

Employees

	2016/17	2015/16
	FTE	FTE
Repairs	120	120
Housing	263	221
Corporate Services	35	36
Resources	39	37
Development & Investment	48	44
Chief Executive	5	10
Total	510	468

Employees Remuneration

The Full Time Equivalent number of staff who received emolument into remuneration bands including the working directors and excluding on costs.

Remuneration Band	2016/17	2015/16
	FTE	FTE
£0 to £49,999	483	441
£50,000 to £60,000	13	13
£60,001 to £70,000	7	4
£70,001 to £80,000	3	4
£80,001 to £90,000	1	1
£90,001 to £100,000	0	1
£100,001 to £110,000	1	2
£110,001 to £120,000	1	1
£120,001 to £140,000	1	1
Total FTE	510	468

Notes (continued)

5 Directors' remunerations

The Executive Management Team received emoluments as follows:

Executive Management Team

	2016/17 £'000	2015/16 £'000
<i>The Executive Management Team receive emoluments as follows:</i>		
Aggregate emoluments payable to the Executive Management Team (including Employer Pension & NI contributions and benefits in kind)	711	710
Emoluments payable to the highest paid employee (excluding Employer Pension & NI but including benefits in kind)	<u>132</u>	<u>129</u>

Pension contribution made in relation to the highest paid employee equaled to 2016/17 £29k and (2015/16 £28k)

6 Auditors' remuneration

Auditors' remuneration:

	2016/17 £000	2015/16 £000
Audit of these financial statements KPMG LLP	24	26
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services KPMG LLP	1	1
Other tax advisory services KPMG LLP	10	13
Internal audit services Mazars LLP	65	51
	<u>100</u>	<u>91</u>

7 Other interest receivable and similar income

Interest receivable and similar income for 2016/17 £81k and for 2015/16 £46k

8 Other interest payable and similar charges

Interest payable and similar charges includes interest payable and similar on London Borough of Lewisham loan of 2016/17 £443k and 2015/16 £58k.

Notes (continued)

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income.

Analysis of current tax recognised in profit and loss

	2016/15 £000	2015/16 £000
UK corporation tax	<u>(31)</u>	<u>(1)</u>
Total current tax recognised in profit and loss	<u>(31)</u>	<u>(1)</u>

Reconciliation of effective tax rate

	2016/17 £000	2015/16 £000
Surplus/loss on ordinary activities before tax	2,314	972
Total tax expense	<u>31</u>	<u>1</u>
Surplus/loss excluding taxation	<u>2,345</u>	<u>973</u>

Taxable Income Reconciliation

	2016/17 £000	2016/16 £000	2015/16 £000	2015/16 £000
Total Turnover		40,156		34,522
Non Taxable income		(39,173)		(34,385)
Income taxable				
Rental Income	964		116	
Interest Receivable	<u>19</u>	983	<u>21</u>	137
Allowable expenses on Taxable Income	1,009		152	
Add back Depreciation	<u>(179)</u>		<u>(22)</u>	
Taxable Income		<u>(830)</u>		<u>(130)</u>
		153		7
Tax using the UK corporation tax rate of 2016/17: 20% (2015/16:20 %)		<u>(31)</u>		<u>(1)</u>

Notes (continued)

10 Tangible fixed assets

	Land and buildings	Under construction	Furniture, Fittings and equipment	Computer systems and equipment	Fleet Vehicles	Total 2015/16
	£	£	£	£	£	£
Cost						
Balance at 1 April 16	7,041,202	5,469,601	289,244	2,532,973	1,369,435	16,702,455
Additions	9,283,055	(2,090,327)	33,433	254,529	98,805	7,579,495
Write Off/Back	0	0	0	0	(11,234)	(11,234)
Balance at 31 March 17	16,324,257	3,379,274	322,677	2,787,502	1,457,006	24,270,716
Depreciation and impairment						
Balance at 1 April 16	(22,467)	0	(168,611)	(2,167,069)	(290,559)	(2,648,706)
Depreciation charge for the year	(179,332)	0	(49,237)	(153,365)	(309,014)	(690,948)
Write Off/Back	0	0	0	0	(2,416)	(2,416)
Balance at 31 March 17	(201,799)	0	(217,848)	(2,320,434)	(601,989)	(3,342,070)
Net book value						
At 1 April 16	7,018,735	5,469,601	120,633	365,904	1,078,876	14,053,749
At 31 March 17	16,122,458	3,379,274	104,829	467,068	855,017	20,928,646

Note:

Properties not ready for rental as at 31st March 2017 are classified as under construction

Notes (continued)

10.1 Tangible fixed assets

	Land and buildings	Under construction	Furniture, Fittings and equipment	Computer systems and equipment	Fleet Vehicles	Total 2015/16
	£	£	£	£	£	£
Cost						
Balance at 1 April 15	0	0	197,068	2,418,298	47,673	2,663,039
Additions	7,041,202	5,469,601	92,176	114,675	1,337,310	14,054,964
Write Off	0	0	0	0	(15,548)	(15,548)
Balance at 31 March 16	7,041,202	5,469,601	289,244	2,532,973	1,369,435	16,702,455
Depreciation and impairment						
Balance at 1 April 15	0	0	(115,627)	(2,014,425)	(6,383)	(2,136,435)
Depreciation charge for the year	(22,467)	0	(52,984)	(152,644)	(279,628)	(507,723)
Write Off	0	0	0	0	(4,548)	(4,548)
Balance at 31 March 16	(22,467)	0	(168,611)	(2,167,069)	(290,559)	(2,648,706)
Net book value						
At 1 April 15	0	0	81,441	403,873	41,290	526,604
At 31 March 16	7,018,735	5,469,601	120,633	365,904	1,078,876	14,053,749

Notes (continued)

10.2 Tangible fixed assets

Lewisham Homes has adopted to depreciate acquired properties over 100 years or where the lease is less than 100 years the remaining term of its lease as per FRS102. Lewisham Homes as at 31st March 2017 owned a property portfolio of 75 properties as follows:

Number of Properties	Type of Property	Number of Bedrooms	Term of Lease
1	Flat	1	125
56	Flats	2	92 to 125
16	Flats	3	92 to 125
2	House	3	N/A

11 Provisions

	HMRC & doubtful debt Provision £000	Employment restructuring costs £000	Total 2016-17 £000	Total 2015-16 £000
Balance at 1 April 2016	(22)	(96)	(118)	(42)
Provisions made during the year	(41)	0	(41)	(118)
Provisions used during the year	10	0	10	19
Provisions reversed during the year	22	96	118	23
Balance at 31 March 2017	(31)	0	(31)	(118)

:

Notes (continued)

12 Stock

	2016/17 £000	2015/16 £000
Balance Bfwd	50	56
Raw Materials and consumables	62	53
Materials issued and sales	<u>(64)</u>	<u>(59)</u>
Closing Balance	<u><u>48</u></u>	<u><u>50</u></u>

13 Debtors

	2016/17 £000	2015/16 £000
Trade debtors	225	65
Trade debtors - Employees	22	33
Amounts owed by - London Borough of Lewisham	0	1,235
Accrued income - London Borough of Lewisham	5,060	3,354
Prepayments & Accrued Income	304	470
Rental debtors	43	0
Less Provision for doubtful rental debts	<u>(20)</u>	<u>0</u>
Total Debtors	<u><u>5,634</u></u>	<u><u>5,157</u></u>

14 Cash and cash equivalents

	2016/17 £000	2015/16 £000
Cash at Bank	451	<u>(76)</u>
Petty Cash	1	1
Short Term Investment	<u>1,658</u>	<u>420</u>
	<u><u>2,110</u></u>	<u><u>345</u></u>

Notes (continued)

15 Creditors: amounts falling due within one year

	2016/17	2015/16
	£000	£000
Trade Creditors	(1,160)	(838)
Trade Accruals & Deferred Income	(1,313)	(831)
Amounts owed to London Borough of Lewisham - Creditors	(59)	(235)
Amounts owed to London Borough of Lewisham - Accruals	(955)	(387)
Taxation and social security	(594)	(903)
	<u>(4,081)</u>	<u>(3,193)</u>

16 Interest-bearing loans and borrowings

	2016/17	2015/16
	£000	£000
Loan from London Borough of Lewisham	(14,000)	(8,000)
	<u>(14,000)</u>	<u>(8,000)</u>

London Borough of Lewisham agreed a secured loan facility of £20m the loan is specifically for the acquisition of residential properties by Lewisham Homes in accordance with the Management Agreement. As at 31st March 2017 £14m was drawn down for funding the acquisition of 75 properties, Interest rate on Loan is fixed at 4.3% per annum, for 10 years. The loan is repayable March 2026 with an option to extend the facility after 5 years.

17 Reserves

	Notes	2016/17	2015/16
		£000	£'000
Opening shareholders funds		8,295	7,323
Total recognised gains / (losses) for the year	7	2,314	972
Closing Shareholders funds		<u>10,609</u>	<u>8,295</u>

Notes *(continued)*

18 Pensions

Statement of movement in shareholders' funds

For the year ended 31 March 2017

	2016/17	2015/16
	Assets	Assets
	£'000	£'000
Present value of plan	123,425	94,438
Fair value of plan liabilities	<u>(132,956)</u>	<u>(108,504)</u>
Net (liability in balance sheet)	<u>(9,531)</u>	<u>(14,066)</u>
Reimbursable Asset	9,531	14,066

The rights reimbursable asset associated with the pension liability is presented within current assets falling due in more than 1 year. Movement within the value of this asset is presented within the *Statement of Income & retained Earnings; Other Comprehensive Income* (page11).

Lewisham Homes Limited is a scheduled body of the London Borough of Lewisham's Pension Fund. Pension rights accruing from previous service with the Council for staff who were TUPE transferred from the London Borough of Lewisham to Lewisham Homes Limited, have been transferred to the Company's pension scheme.

The Pension Fund is a defined benefits scheme, operated in accordance with the provisions of the Local Government Pension Scheme Regulations 1997, as amended.

The assets of the Pension Fund are held separately from those of the London Borough of Lewisham with the investment portfolio managed by external fund managers who have the authority to buy and sell within the general policy of the Council.

Contributions to the scheme have been charged to the profit and loss account so as to spread the cost of pensions over employee' working lives with the Company. A qualified actuary has determined contribution rates on the basis of triennial valuations using the projected unit method. The Council's actuary, Hymans Robertson carried out a full valuation of the London Borough of Lewisham Pension Fund as at 31st March 2016.

Pension contributions charged to the Profit and Loss Account for the year ended 31 March 2017 totalled £3,296k (2015/16 £2,996k).

Notes (continued)

18 Pensions (continued)

FRS 102 Disclosures

In accordance with Financial Reporting Standard FRS102 paragraph 28.41, Lewisham Homes Limited is required to disclose certain information regarding assets, liabilities, income and expenditure relating to pension schemes for its employees.

Lewisham Homes Limited participates in the Local Government Pension Scheme. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The most recent valuation of the London Borough of Lewisham Pension Fund (the Fund) was carried out as at 31st March 2016 and has been updated by independent actuaries to take account of FRS102 requirements in order to assess the liabilities of the Fund as at 31st March 2017. Liabilities are valued on an actuarial basis using the projected unit method which assesses future liabilities discounted to their present value.

The total amount recognised, in the statement of total recognised gains and losses in respect of actuarial gains and losses is a £5,880k (2015/16 £10,462k).

Movements in present value of defined benefit obligation

	2016/17	2015/16
	Assets	Assets
	£'000	£'000
At 1 April 2016	(108,504)	(114,197)
Current service cost	(4,131)	(4,461)
Past service (costs)/gains	(43)	(51)
Interest expense	(3,856)	(3,717)
(Losses)/gains on Curtailment	0	(8)
Remeasurement: actuarial gains/(losses)	(17,106)	13,350
Contributions by members	(1,031)	(955)
Benefits paid	1,715	1,535
At March 2017	(132,956)	(108,504)

Notes (continued)

18 Pensions (continued)

Financial assumptions

The financial assumptions of the plan assets and the return on those assets were as follows:

<i>Period Ended</i>	<i>31-Mar-17</i> <i>% p.a.</i>	<i>31-Mar-16</i> <i>% p.a.</i>
<i>Pension Increase Rate</i>	2.4%	2.2%
<i>Salary increase Rate</i>	3.1%	4.2%
<i>Discount rate</i>	2.6%	3.5%

Mortality

Vita curve with improvements in line with the CMI2013 model assuming the current rate of improvements has peaked and will converge to a long term rate 1.25% p.a.

Based on these assumptions, the average future life expectancies at age 65 are summarized below:

	<u>Male</u>	<u>Female</u>
Current Pensioners	22.2 years	24.6 years
Future Pensioners	24.0 years	26.5 years

Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future life expectancies are shown below:

Period Ended	Prospective Pensioners	Pensioners
31 March 2016	CMI2010 model assuming the current rate of improvements have peaked and will converge to a long term rate 1.25% p.a.	CMI2010 model assuming the current rate of improvements have peaked and will converge to a long term rate 1.25% p.a.

Notes (continued)

18 Pensions (continued)

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2017

	Assets £'000	Obligations £'000	Net(liability)/ Assets £'000
Period ended 31 March 2017			
Fair value of plan assets	94,438	0	94,438
Present value of funded liabilities	0	108,504	(108,504)
Present value of unfunded liabilities	0	0	0
Opening Position as 31 March 2016	94,438	108,504	(14,066)
Service Cost			
Current service cost*	0	4,131	(4,131)
Past service cost (including curtailments)	0	43	(43)
Effect of settlements	0	0	0
Total Service Cost	0	4,174	(4,174)
Net Interest			
Interest income on plan assets	3,349	0	3,349
Interest cost on defined benefit obligation	0	3,856	(3,856)
Impact of asset ceiling on net interest	0	0	0
Total net interest	3,349	3,856	(507)
Total defined benefit cost recognised in Profit or (Loss)	3,349	8,030	(4,681)
Cashflows			
Plan participants' contributions	1,031	1,031	0
Employer contributions	3,336	0	3,336
Contributions in respect of unfunded benefits	0	0	0
Benefits paid	(1,715)	(1,715)	0
Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	100,439	115,850	(15,411)
Remeasurements			
Changes in demographic assumptions	0	(1,134)	1,134
Changes in financial assumptions	0	22,478	(22,478)
Other experience	0	(4,238)	4,238
Return on Assets excluding amounts included in net interest	22,986	0	22,986
Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	22,986	17,106	5,880
Fair value of plan assets	123,425	0	123,425
Present value of funded liabilities	0	132,956	(132,956)
Present value of unfunded liabilities**	0	0	0
Closing position as at 31 March 2017	123,425	132,956	(9,531)

* The current service cost includes an allowance for administration expenses of 0.7% of payroll.

** For unfunded liabilities as at 31 March 2016, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

Notes (continued)

18 Pensions (continued)

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 16.

	Assets £'000	Obligations £'000	Net(liability)/ Assets £'000
Period ended 31 March 2016			
Fair value of plan assets	91,945	0	91,945
Present value of funded liabilities	0	114,197	(114,197)
Present value of unfunded liabilities	0	0	0
Opening Position as 31 March 2015	91,945	114,197	(22,252)
Service Cost			
Current service cost*	0	4,461	(4,461)
Past service cost (including curtailments)	0	59	(59)
Effect of settlements	0	0	0
Total Service Cost	0	4,520	(4,520)
Net Interest			
Interest income on plan assets	2,980	0	2,980
Interest cost on defined benefit obligation	0	3,717	(3,717)
Impact of asset ceiling on net interest	0	0	0
Total net interest	2,980	3,717	(737)
Total defined benefit cost recognised in Profit or (Loss)	2,980	8,237	(5,257)
Cashflows			
Plan participants' contributions	955	955	0
Employer contributions	2,981	0	2,981
Contributions in respect of unfunded benefits	0	0	0
Benefits paid	(1,535)	(1,535)	0
Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	97,326	121,854	(24,528)
Remeasurements			
Changes in demographic assumptions	0	0	0
Changes in financial assumptions	0	(12,389)	12,389
Other experience	0	(961)	961
Return on Assets excluding amounts included in net interest	(2,888)	0	(2,888)
Changes in asset ceiling	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	(2,888)	(13,350)	10,462
Fair value of plan assets	94,438	0	94,438
Present value of funded liabilities	0	108,504	(108,504)
Present value of unfunded liabilities**	0	0	0
Closing position as at 31 March 2016	94,438	108,504	(14,066)

The current service cost includes an allowance for administration expenses of 0.7% of payroll.

Notes (continued)

18 Pensions (continued)

Information about the Defined benefit obligation

	Liability split £(000) as at	Liability split (%) as at	Weighted Average Duration at Previous Formal Valuation
	31-Mar-17	31-Mar-17	31-Mar-17
Active members	69,176	52.0%	23.4
Deferred members	32,507	24.5%	23.7
Pensioner members	31,273	23.5%	13.4
Total	132,956	100.0%	21.5

The Company expects to contribute approximately £3,055k to its defined benefit plans in the next financial year

19 Guarantee by Member

In the event of the Company being wound up, under the terms of the guarantee, the liability of the London Borough of Lewisham as sole shareholder shall be limited to £1.

20 Operating Leases

Two Operating Leases are in place

- I. Rental Lease for The Old Town Hall, Catford, commenced 1st December 2014 the lease is for 5 years.
- II. Lease for Place Ladywell which consists of 23 flats each having 2 bedrooms, the lease commenced on 22nd August 2016 the lease is for 4 years expiry date 24th March 2020.

The costs for both leases are within the operating costs.

- a) The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

Operating Leases	2016/17 £000	2015/16 £000
Not later than one year	603	375
Later than one year and not later than five years	<u>1,116</u>	<u>1,062</u>

Notes (continued)

20 Operating Leases (continued)

b) Lease Payments recognised as an expense

	2016/17 £000	2015/16 £000
Town Hall Lease	375	338
Place Ladywell Lease	125	0
	<u>500</u>	<u>338</u>

21.1 Financial Instruments measured at fair value

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

21.2 Financial Instruments (continued)

	2016/17 £000	2015/16 £000
Carrying amount of financial instruments		
<i>The carrying amounts of the financial assets and liabilities include:</i>		
Assets measured at fair value through profit or loss	5,634	5,157
Liabilities measured at fair value through profit or loss	(4,081)	(3,193)
Loan commitments measured at cost less impairment	<u>(14,000)</u>	<u>(8,000)</u>

22 Related Party Disclosure

There were six Tenant Board Members during the year. Their tenancy or lease was on normal terms and they are not able to use their position on board to their advantage.

Two of the Board Members are Board Members of Lewisham Tenants Fund and one Board Member of Lewisham Pensioners Forum, Lewisham Homes entered into related party transactions with both these organisation in 2016/17 as follows:

Organisation	Other Income	Expenditure
Lewisham Tenants Fund	£43k	£1k
Lewisham Pensioners Forum	£1.5k	

London Borough of Lewisham is the ultimate parent of Lewisham Homes Ltd, there have been material transaction throughout the financial year 2016-17.

23 Post Balance Sheet Events

There have been no significant events subsequent to the balance sheet date 31st March 17.