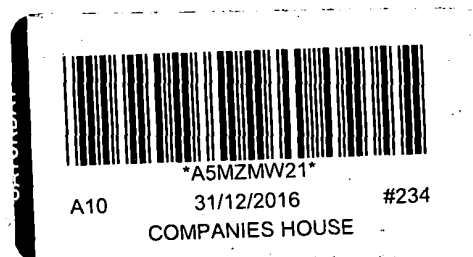


Lampton 78 Limited

**Directors Report, Strategic Report and
Financial Statements
Company Limited by Guarantee
Registered number 4375061
for the year ended 31st March 2016**



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Registered Office:

Pavillion AF
Civic Centre
Lampton Road
Hounslow, TW3 4DN

Bankers:

National Westminster Bank plc
275 – 277 High Street
Hounslow
TW3 1ZA

Auditors:

KPMG LLP
12th Floor
15 Canada Square
London
E14 5GL

Board of Directors

Stephen Curran – Appointed as Chair on 1 May 2015

Amrit Singh Mann - Appointed on 1 May 2015

Brendon Walsh - Appointed on 1 May 2015

Mary Harpley - Appointed on 1 May 2015

Malcolm Holdsworth - Appointed as Chair on 23/10/2014 - Resigned 30 April 2015)

David Borrell – Appointed 23/10/2014 – Resigned 30 April 2015

Ian Robinson – Appointed 23/10/2014 – Resigned 30 April 2015

Eric Sharpe - Appointed 01/12/2014 – Resigned 30 April 2015

Senior Management Team

Mark Johnson	Interim Director of Property and Operations - Appointed 15/09/2014 – Resigned 2/4/2015
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Secretary

Jacqueline Mutibwa – Appointed 29th May 2015 Resigned 27 November 2015

No formal secretary in place from the 28th November 2015 to the 31st March 2016.

Strategic Report

Lampton 78 Ltd (**L78**) has undergone a number of changes in the last two years. In 2014/15, the remaining tenant and housing management services previously managed by **L78** on behalf of the London Borough of Hounslow were transferred to the Councils direct management. From the beginning of this year **L78** is now only responsible for tenant and housing management services for the 79 properties it owns outside the HRA.

The **L78** Board in place throughout the year, continues to act through an LBH Agent with specific corporate, administrative and decision making responsibilities for **L78**, by way of a power of attorney, as provided for in the Articles of Association. This agent was directed by the Interim Hounslow Housing Integration Board - **IHHIB - within the Council**. This Board comprised the Lead Member for Housing, the Chief Executive, the Director REDe, and the Interim Chair of the Hounslow Homes now **L78** Board

At the beginning of the financial year the intention was for operations to remain as is. However, the **IHHIB** revisited the reviews it carried out last year, focussing on the same areas across both the Council and **L78** of:

- looking at different delivery models for housing services;
- efficiencies;
- value for money;
- staffing, service and asset absorption models;

In addition it recognised that the Council was exploring delivery **through another vehicle** of not just components of the repairs and maintenance service it had previously brought back in house, but other non-housing services. That being the case, it was felt there would be a greater benefit to the Council if the housing stock comprising 79 properties owned by the Almo was transferred to the Council. The properties would then be managed seamlessly in line with management of the Councils core Housing Revenue Account (HRA) stock and benefit from further economies of scale.

A team was set up to explore the detailed implications of doing this and subsequently closing **L78**. It was recognised that outside of the operational organisational impact, any property transfer and closure of company would also have to take into consideration wider grant funding and taxation implications.

In line with this, independent advice was sought from external legal and taxation specialists to ensure the most economic, efficient and effective outcome for both **L78** and the Council.

Based on these activities, it is anticipated that in 2016-17 the property assets will be successfully transferred. The company will then be dissolved and closed.

Financial Review

L78's core income no longer comes from the framework of a management agreement with the Council. All Housing Revenue Account (HRA) tenancy and housing management activities previously carried out by L78 have now transferred to the Council. The Almo's core activity now comprises only being responsible for tenancy and housing management services for the 79 properties it owns outside the HRA, with the majority of trading profit accruing from this.

L78 no longer has any staff teams, pension assets and liabilities, or operational responsibility for HRA housing and tenancy management assets and liabilities.

The £356,514 (2015:£35,768,375) profit on ordinary activities before tax shown in the statement of comprehensive income is primarily from the properties it owns. Last year, all pension liabilities were transferred to the Council. Therefore, no adjustments are required this year for the effects of Financial Reporting Standard 17.

L78 owns completed new build housing stock of 79 units. No capital spend has been incurred in year on these or assets under construction. In addition L78 has not received any Capital grants from the London Borough of Hounslow or the Homes and Communities Agency.

Depreciation of £279,203 (2015: £279,203) restated in line with FRS102 from £15,204 (2015: £15,204) was charged against completed Housing Assets in 2016.

Financial Reporting Standards

As L78 transferred its pension liabilities to the Council in the previous year, it no longer has to implement accounting changes required as a result of Financial Reporting Standard 17, relating to the employers liability in respect of the final salary pension scheme.

This is a statutory scheme and all employees have a right to join. The scheme is administered by the Council, which is obliged to follow the rules of the Local Government Pension Scheme so that pensioners' benefits are properly paid.

As at the 31st December 2014, membership of the scheme transferred from L78 to LBH **on an ongoing cessation basis**. This means that LBH as an Employer within the LGPS is willing to underwrite the liabilities attributable to the deferred and pensioner members of L78, subject to a payment by L78 of the estimated deficit in the scheme at this point of £208k.

The £208k deficit in the scheme was included in last year's numbers and paid by L78 in 2015-16.

Operational and Performance Review

The focus this year has been on planning transition and integration arrangements linked to the future transfer of the 79 properties owned by L78 to the Council and ensuring alignment of service delivery with HRA stock.

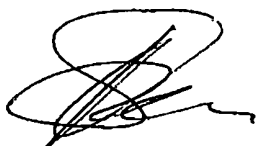
A residual component of predominantly contracted resource remains within the organisation. It is responsible for completing the financial statements and managing any "core activity" residual run-off operations that remain in L78. After the transfer of assets has been completed, L78 will be dissolved and closed, in line with legal guidelines and none of the resource required.

Key risks

Risks associated with tenancy and housing management activities previously paid for by a management fee, now reside with-in the Council as the associated services and operations have transferred.

Given the scale of operations has diminished significantly and the intention is for all activities to cease and the Company to close in the next financial year, a formal strategic and operational risk register has not been utilised. However, the organisation still has a comprehensive internal control framework in place as set out in the Statement of Internal Control to mitigate against risks.

Risks identified revolve around the process of ensuring the transfer of assets to the Council is expedited in a timely, efficient, economic and effective manner and compliant with the relevant legislative frameworks. The potential impact of these is recognised in the Councils reporting system, with any significant risks being actively managed by both the LBH Agent and the Interim Hounslow Housing Integration Board.



Councillor Amritt Mann
Director

Directors Report

Principal activities

The Company's principal activity is management and maintenance for 79 wholly owned new build non HRA properties and the asset management strategy associated with these.

History

The Company was incorporated on 15th February 2002 as Hounslow Homes Limited and was dormant for the period from this date until 31st March 2002.

Hounslow Homes Ltd changed its name to Lampton 78 Limited (**L78**) on the 2nd April 2015 and these accounts are for the 14th year of operations.

The Company commenced trading on 1st April 2002. It historically had a management agreement with London Borough of Hounslow, under which, L78 received a sum of money to carry out the business of managing and maintaining housing stock on behalf of the London Borough of Hounslow. In addition, the management agreement previously allowed L78 to employ building contractors to undertake the capital programme. This management agreement is no longer in place.

L78 buys all of its essential services from the London Borough of Hounslow via a Management Fee. These include tenancy and housing management services and back office legal, provision of IT, financial, internal audit and strategic personnel services.

Strategic Objectives

L78's main strategic objective was to plan for efficiently and effectively transferring in 2016-17 its 79 wholly owned new build non HRA properties to the Council and the asset management strategy associated with these.

Employees

All permanent staff teams were TUPE transferred in 2014-15 to the London Borough of Hounslow, leaving in place a small residual team of consultancy and agency staff to deal with the remaining run-off activities of L78 Ltd linked to the transfer of the 79 properties and the dissolution of the company. This team also has responsibility for the completion of any associated financial statements and filing.

Proposed dividend

The Company has been set up not to distribute profits, the directors therefore do not recommend the payment of a dividend, or distribution of any surplus.

Directors and directors' interests

The directors who held office during the year are detailed on page 2. The London Borough of Hounslow is the sole Member of the Company.

A register of Directors' interests is maintained at the Civic Centre, Hounslow.

Disclosure of information to auditors

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

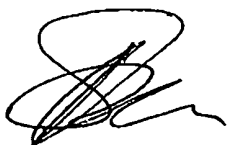
Political and charitable contributions

The Company made no contributions to political or charitable organisations (2015: £Nil).

Auditors

In accordance with section 487 of the Companies Act 2006 a resolution for the re-appointment of KPMG LLP as auditor to the Company is to be proposed at the forthcoming annual general meeting.

By order of the board and signed on its behalf



Councillor Amritt Mann
Director

Lampton 78 Limited
Pink Zone
Civic Centre
Lampton Road
Hounslow, TW3 4DN

Statement of Internal Control 2016

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. The system of internal controls includes financial controls and also a comprehensive performance management framework to ensure the highest standard of service delivery. It was established historically with reference to the Company strategic risk register. This is no longer in place. Risks are now reported and actively managed through the London Borough of Hounslow's risk management reporting processes.

In summary, the system of internal controls is designed to give reasonable assurance with respect to:

- The reliability of financial and other non-financial performance information used within the Company or for publication;
- The actions taken by the Company to ensure its objectives are met and stated standards of performance are achieved;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposal.

The systems of internal control established by the Board of Directors can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The system of internal control includes the following key elements:

- A risk management framework is in place in which strategic and operational risks are reviewed by the LBH Agent and the IHHIB.
- Formal policies and procedures which are in place for both financial and operational activities. This includes the Standing Orders, Financial Regulations and Procurement Rules which have all been formally approved by the Board. The Standing Orders incorporate clear rules relating to the delegation of authorities. These are supplemented by detailed financial and operational procedures. This allows the monitoring of controls and protects against unauthorised use of the Company's assets, as well as aiding effective service delivery.
- The availability of experienced and suitably qualified staff to take responsibility for important business functions. The post of Director of Resources overseeing the financial health of the Company has been delegated to the Councils Chief Financial Officer with day to day responsibility falling to the LBH Head of Finance.
- Historically, regular forecasts and budgets were prepared allowing the Board of Directors and senior management team to monitor the key financial risks and objectives and progress towards financial plans for the year and the

medium term. As activities have reduced significantly and the intention is to close the company, this is now done on an exceptions basis.

- In line with best practice the Board is offered the opportunity to meet with the external auditors without officers present to ensure they are able to raise any concerns. The external auditor has direct access to the Board of Directors to allow them to raise concerns directly rather than through officers of the company. To date neither of these channels of communication have been utilised nonetheless it is best practice to keep such channels available.
- A full range of insurance has been put in place to safeguard assets. This includes Fidelity Guarantee.
- Senior management historically received regular reports from internal audit covering the effectiveness of internal controls, both operational and financial. With the complete transfer of staff teams and the majority of operations, controls and risks associated with these are now reported with-in the Council.

It should be noted that previous reviews of internal control have identified areas for improvement in internal control that were being actioned by management, and monitored by senior management and the Board of Directors.

These were:

- The establishment of a zero-based budget and improvements to budget monitoring
- Ensuring that there is adequate financial expertise available to provide sufficient support for the Company and in particular Property Services

Responsibility for these now reside within the Council.

While the Board of Directors considers there to have been appropriate financial control in year, they are also required to indicate that because the intention is to close the company in the next financial year, these financial statements have not been prepared on a going concern basis.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE 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 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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. (As explained in note one, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 Companies 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAMPTON 78 LIMITED

We have audited the financial statements of Lampton 78 for the year ended 31 March 2016 set out on pages 13 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, 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 2016 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note one to the financial statements which explains that the financial statements are now not prepared on a going concern basis for the reasons set out in that note.

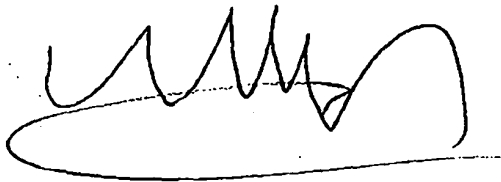
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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
23 December 2016

Statement of comprehensive income

		Year ended 31 March 2016	Year ended 31 March 2015
	Note	£000	£000
Turnover	2	999	53,477
Cost of sales		(313)	(49,445)
Gross profit		<u>686</u>	<u>4,032</u>
Administrative expenses (including exceptional cost of £0 (2015: £7,392))		(336)	(3,747)
Operating profit		<u>350</u>	<u>285</u>
Interest received		7	26
Other finance (costs)/gains	6	0	35,457
Profit on ordinary activities before taxation		<u>357</u>	<u>35,768</u>
Tax on profit on ordinary activities	7	(74)	(30)
Profit for the financial year		<u>283</u>	<u>35,738</u>
Actuarial (loss)/gain recognised in the pension scheme	14	0	(2,489)
Total comprehensive income for the year		<u><u>283</u></u>	<u><u>33,249</u></u>

As set out in the strategic report, the vast majority of operations were transferred back to the London Borough of Hounslow by the 31 December 2014 to continue from within the council. From this date onwards, L78's core responsibilities related to carrying out tenancy and housing management activities associated with the 79 properties it currently owns.

As the residual activities are immaterial the above statement of comprehensive income has not been separately split into continuing and discontinuing operations for the year ended 31st March 2016.

Balance sheet
At 31st March 2016

	Note	2016	2015
		£000	£000
Fixed assets			
Housing Properties at Cost	8	11,021	11,021
Depreciation and Impairment	8	(1,116)	(837)
Net Book Value of Housing Properties	8	<u>9,905</u>	<u>10,184</u>
Current assets			
Stocks		0	0
Debtors	9	1,441	2,320
Cash at bank and in hand		<u>3,888</u>	<u>3,985</u>
		<u>5,329</u>	<u>6,305</u>
Creditors: amounts falling due within one year	10	<u>(13,820)</u>	<u>(15,358)</u>
Net current liabilities		<u>(8,491)</u>	<u>(9,053)</u>
Total assets less net current Liabilities		<u>1,414</u>	<u>1,131</u>
Creditors: amounts falling due after more than one year		(0)	(0)
Net assets/(liabilities) including pension liabilities		<u><u>1,414</u></u>	<u><u>1,131</u></u>
Capital and reserves			
Income and expenditure reserve	13	<u>1,414</u>	<u>1,131</u>
Members' surplus/(deficit)		<u><u>1,414</u></u>	<u><u>1,131</u></u>

These financial statements were approved by the board of directors on the 22nd December 2016 and were signed on its behalf by:


Councillor Amritt Mann
Director

Date: 22nd December 2016

Registered Company Number 4375061

Statement of changes in equity

	£000	£000
Balance as at 1 April 2014		(32,118)
Profit for the year	35,738	
Other comprehensive income/(expenditure) for the year	(2,489)	
	<hr/>	<hr/>
Total comprehensive income for the year		33,249
Balance as at 31 March 2015		1,131
		<hr/>
Balance as at 1 April 2015		1,131
Profit for the year	283	
Other comprehensive income/(expenditure) for the year	0	
	<hr/>	<hr/>
Total comprehensive income for the year		283
Balance as at 31 March 2016		1,414
		<hr/>

Statement of cash flows

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	350	285
Depreciation	279	279
Decrease in stock	0	40
Decrease in debtors	879	5,440
Increase in creditors	(1,538)	(8,523)
Pension current service cost	14	0
Pension contributions	14	0
Pension settlements/curtailments	14	0
Taxation – corporation tax paid	(74)	(30)
	<hr/>	<hr/>
Net cash outflow from operating activities	(104)	(2,591)
	<hr/>	<hr/>

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Cash flow from financing activities		
Returns on investments and servicing of finance	7	26
Net cash used in financing activities	<u>7</u>	<u>26</u>
Net decrease in cash and cash equivalents	<u>(97)</u>	<u>(2,565)</u>

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Cash and cash equivalents at the beginning of the year.	3,985	6,550
Cash and cash equivalents at the end of the year.	3,888	3,985
Net decrease in cash and cash equivalents	<u>(97)</u>	<u>(2,565)</u>

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Cash and cash equivalents consists of:		
Cash at bank and in hand	3,888	3,985
Cash and cash equivalents	<u>3,888</u>	<u>3,985</u>

Notes (forming part of the financial statements)

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards, SORP14 and under the historical cost accounting rules. Adjustments have been made in line with FRS102 to ensure, where applicable, fixed assets and their associated grants are disaggregated and recorded gross. These are then matched with depreciation and amortisation charges released on the same basis.

Previously these accounts have been prepared on a going concern basis. The directors took a decision on 16th August 2016 to change the status of the company and cease trading. This was after the Companies staff teams had been transferred and integrated into the London Borough of Hounslow in 2014-15. It then became apparent that the Council had other delivery mechanisms for any activities that could be carried out by Lampton 78 Ltd. As such, it would be economically efficient and effective to streamline operations by transferring the housing stock and tenancies retained within the Almo to the Council, and then dissolving the Company. Therefore, as the intention is to dissolve the Company following the settlement of the remaining net assets, the directors have not prepared the financial statements on a going concern basis. No adjustments have been deemed necessary for the remaining net assets which have been included in the financial statements.

L78 Limited's core activities were reduced to housing management services for the 79 properties it owns. These properties are planned to transfer to the Council in 2016-17.

The Council have agreed that any liabilities remaining in L78 Ltd at the 31.3.2016 associated with HRA activities that cannot be transferred to the Council, will be settled within L78 Ltd.

Although L78 has ongoing non HRA activities, these accounts have not been prepared on a going concern basis, as the intention is to close the company in 2016-17.

L78 historically implemented the accounting changes required as a result of Financial Reporting Standard 17, relating to the employers liability in respect of the final salary pension scheme. The L78 scheme, like many such schemes, had a deficit.

As at the 31st December 2014, membership of the scheme transferred from L78 to the LBH on an **ongoing cessation basis**. This means that LBH as an Employer within the LGPS is willing to underwrite the liabilities attributable to the deferred and pensioner

Notes (continued)

members of L78, subject to a payment by L78 of the estimated deficit in the scheme at this point of £208k. This was paid in 2015-16.

At the balance sheet date, L78 has no pension fund obligations as LBH has ongoing responsibility for employer's payments to the pension fund and addressing any future potential pension fund deficits

The board have also reviewed the cash flow forecast and taking account of the ongoing and proposed changes in operations and a letter of support from the London Borough of Hounslow, believe that L78 will be able to settle its liabilities as they fall due for payment during this transition period.

The Company is limited by guarantee and does not have any share capital.

Housing properties

Housing properties in the course of construction for LBH are stated at cost and are transferred to housing stock on completion, where they are shown at historic cost less depreciation as at the balance sheet date.

Capitalisation of interest

When it is necessary to enter into prudential borrowing arrangements to complete the financing of new build schemes, interest on an appropriate proportion of total borrowings will be capitalised.

Capitalisation of development costs

Development costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Directly attributable costs are staff costs relating to the construction or development of the property and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

Depreciation

Freehold land is not depreciated.

Housing under construction is not depreciated.

Completed freehold buildings are depreciated on a straight line basis of the building's components over their remaining expected useful economic lives from the year following the completion/acquisition date. The estimated useful life of the properties is 60 years. Full year depreciation is charged in the year of disposal. Depreciation is charged on historic cost.

Using component costing principles housing properties are divided into components which are depreciated using the following useful economic lives:

Notes (continued)

Main contract, roofing and drainage	60 years
Kitchens and bathrooms, electrical heating & ventilation	15 years
Internal doors and flooring	15 years
Carpentry and internal finishing's	30 years

Depreciation of £279,304 was charged to the Statement of comprehensive income for Lampton 78 completed housing stock. In line with the London Borough of Hounslow's policy, no depreciation is charged in the year of asset recognition, and a full year's depreciation is charged in the year of disposal.

Impairment

Housing properties will be subject to impairment reviews on an annual basis.

Social housing grant and other grants

Where housing developments have been financed wholly or partly by capital grants, the grant is disclosed separately as a creditor and amortised in line with the depreciation charge. This includes Social Housing Grant received from the Homes & Communities Agency. The only other capital grant receivable will be from the London Borough of Hounslow, paid under Section 25 of the Local Government Act 1988, (Financial Assistance to Third Parties).

Other than L78-owned housing stock, the London Borough of Hounslow owns all buildings, plant, equipment, furniture & IT hardware. When the Company was first incorporated, an agreement stating this was made between the Company and the London Borough of Hounslow. The Company is not required to pay any rent, lease or hire charge for the use of these fixed assets. The London Borough of Hounslow is responsible for the calculation of depreciation on assets, and the replacement of assets when necessary.

Post-retirement Benefits

The Company ceased participating in the Local Government Pension Scheme (LGPS) in 2014-15. The scheme is a defined benefit pension scheme based on final pensionable salary. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Notes (continued)

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate 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 reserve represents the impact of actuarial gains and/or losses, less tax, which have been accounted for in the statement of total recognised gains and losses.

Stocks

All stock in L78 Ltd was transferred to the London Borough of Hounslow at cost on the 31.12.2014.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made, without discounting, for all timing differences which have arisen but not reversed at the balance sheet date except as required.

Turnover

Turnover represents the amounts derived from rents and the provision of services to third parties and is stated net of value added tax.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

Provisions

Provisions have been made for unsettled public liability claims of the Company, and capital redundancy costs. These will be settled or transferred to the Council in the coming 2016 financial year.

Notes (continued)

2. Analysis of Turnover

	2016	2015
	£000	£000
By activity		
Housing services		26,317
Repairs and technical services		26,185
Taxable Income from External Work	735	711
Amortisation of housing grant	264	264
	<hr/>	<hr/>
	999	53,477
	<hr/>	<hr/>

3. Profit on ordinary activities before taxation is stated after charging:

	2016	2015
	£000	£000
Depreciation – owned assets	279	279
Auditor's remuneration:		
Audit	20	30

No exceptional costs have been incurred during the year. (2015: £7,392)

Notes (continued)

4. Remuneration of directors

	2016	2015
	£000	£000
Members of the Board of Directors		
Directors' emoluments – The Chair of the Board is the only Director to receive payment but has not been paid in 2016. None of the Directors are members of the defined benefit pension scheme.	0	5
Members of the Senior Management Team		
The Senior Management Team, including the Managing Director, received emoluments as follows:		
Aggregate emoluments (wages & salary) payable to the Senior Management Team (Including pension contributions. No benefits in kind were received)	0	181
	<hr/>	<hr/>
Emoluments payable to the highest paid employee (Excluding pension contributions. No benefits in kind were received)	0	78
Compensation for loss of office	0	0
Pension contributions made in respect of highest paid employee	0	11
	<hr/>	<hr/>

5. Staff numbers and costs

The average number of persons employed by the Company (including directors and members of the senior management team) during the year, analysed by category, was as follows:

	2016	2015
	No.	No.
Housing & Property services	0	484
Support services	3	12
Directors	0	2
	<hr/>	<hr/>
	0	498
	<hr/>	<hr/>

Notes (continued)

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	147	11,331
Social security costs	0	956
Other pension costs	0	2,556
	<hr/> 147	<hr/> 14,843
	<hr/> <hr/>	<hr/> <hr/>

The costs in 2016 relate purely to non-payroll contracted staff.

6. Other finance gains

	2016 £000	2015 £000
Expected return on pension scheme assets	0	3,250
Interest on pension scheme liabilities	0	(3,488)
Gain on transfer of pension deficit to LBH	0	35,695
	<hr/> 0	<hr/> 35,457
	<hr/> <hr/>	<hr/> <hr/>

7. Taxation

Analysis of charge in year

	2016 £000	2015 £000
<i>UK corporation tax</i>		
Current tax on income for the year	74	30
	<hr/> 74	<hr/> 30
	<hr/> <hr/>	<hr/> <hr/>
Tax charge on profit on ordinary activities		

Notes (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax for smaller entities in the UK of 20%. The differences are explained below.

	2016	2015
	£000	£000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	357	35,768
(Less)/Add FRS17 adjustments	0	(35,539)
	<hr/>	<hr/>
Profit for tax calculation	357	229
Current tax charge at 20%	71	46
Effects of:		
Depreciation	3	3
Adjustment in respect of non-trading surplus	0	(19)
	<hr/>	<hr/>
Total current tax charge (see above)	74	30
	<hr/>	<hr/>

Given that the profit for the current tax calculation is below the £300,000 threshold, the Small Profits Rate of 20% applies to the year ended 31 March 2016 (and the year ended 31 March 2015).

Notes (continued)

8. Fixed Assets

	Completed Schemes £000	Total £000
Housing assets at cost		
Housing Properties at Cost at 1 st April 2015	11,021	11,021
At 31st March 2016	11,021	11,021
Depreciation		
Depreciation as at 1 st April 2015	(837)	(837)
Charge for year	(279)	(279)
At 31st March 2016	(1,116)	(1,116)
Net Book Value		
as at 31 st March 2016	9,905	9,905
as at 31 st March 2015	10,184	10,184

9. Debtors

	2016 £000	2015 £000
Trade debtors	565	654
Amounts owed by group undertakings	876	1,187
Prepayments	0	92
Accrued income	0	-
Other taxes and social security	0	387
	1,441	2,320

10. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	(2)	148
Amounts owed to group undertakings	3,122	4,220
Accruals and deferred income	41	111
Corporation tax	74	30
Housing Grant	9,413	9,677
Set up loan from London Borough of Hounslow	250	250
Provisions for liabilities and charges	922	922
	13,820	15,358

Notes (continued)

Housing grants have moved as follows:

	£000
Housing Grants	
Housing Grants at Cost as at 1 st April 2015	10,463
At 31st March 2016	10,463
Amortisation	
Amortisation as at 1 st April 2015	(786)
Charge for year	(264)
At 31st March 2016	(1,050)
Net Book Value	
as at 31 st March 2016	9,413
as at 31 st March 2015	9,677

Provisions for liabilities and charges have moved as follows:

	2016	2015
	£000	£000
At beginning of year	922	1,147
Utilised during year	0	(225)
Increase to existing provision	0	-
At end of year	922	922

11. Tax Contingent Liability

HM Revenue and Customs accepts that "The arrangements between an ALMO and its Council member lack the necessary element of commerciality to amount to trading." Therefore Lampton 78 Limited's activities with London Borough of Hounslow within the management agreement do not amount to a trade for corporation tax purposes. Any profit arising and similarly any losses, are outside the scope of corporation tax.

12. Called Up Share Capital

The Company is limited by guarantee and does not have any called-up share capital.

Notes (continued)

13. Reserves

	Total capital and reserves £000
Income and expenditure reserves at beginning of year	1,131
Total comprehensive income for the year	283
	<hr/>
Income and expenditure reserve at end of year	1,414
	<hr/>

14. Pension scheme

The Company was a member of the London Borough of Hounslow Pension Fund, but withdrew from it as at 31 December 2014. A cessation valuation was carried out in accordance with Regulation 64 of the LGPS Regulations 2013, which determined the termination contribution due by the Employer. This was calculated to be £208k and held in creditors in 2014-15. It was paid in May 2015.

As Lampton 78 Ltd no longer participate in the Fund and have since paid their cessation debt, they are no longer subject to any pension risks in relation to the fund.

During the year contributions payable by the Company to the scheme amounted to £0 (2015: £1,792,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The pension scheme provides benefits based on final pensionable pay. The contributions are determined by a qualified actuary.

The most recent valuation was at 31 March 2013, and valuations are triennial

Notes (continued)

Scheme assets

The fair value of the scheme's assets (which are not intended to be realised in the short term and are likely to be subject to significant change before they are realised) and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods (and thus inherently uncertain) were:

	31/3/2016	31/3/2015
	£000	£000
Present value of funded defined obligations	0	109,500
Fair value of scheme assets	0	(73,805)
Deficit	0	35,695
Deferred tax (asset)/liability relating to pension liability	-	-
Net liability in balance sheet	<u>0</u>	<u>35,695</u>

The liability of £35,695 was transferred to LBH before the year-ending 31/3/2015, resulting in an exceptional gain in the same year of the same value.

The major assumptions used in this valuation were:

Actuarial assumptions at the highlighted dates (expressed as weighted averages)

	Year to	Year to
	31 Mar	31
	2016	Mar 2015
Rate of increase in salaries	0 %	4.40%
Rate of increase in pensions in payment	0 %	2.60%
Discount rate	0 %	4.50%
Rate of inflation (RPI)	0 %	3.40%
Rate of inflation (CPI)	0 %	2.60%

Notes (continued)

Movement in present value of defined benefit obligation

	Year to 31 March 2016 £000	Year to 31 Mar 2015 £000
Opening defined benefit obligation at beginning of year	0	104,925
Movement in year:		
Current service cost	0	2,724
Interest cost		3,488
Actuarial loss	0	2,638
Losses on curtailments	0	-
Liabilities assumed/(extinguished) on settlements	0	(3,292)
Benefits paid	0	(1,765)
Contributions by members	0	782
	<hr/>	<hr/>
Closing defined benefit obligation prior to transfer to LBH	0	109,500

Reconciliation of opening and closing balances of the fair value of scheme assets

	Year to 31 March 2016 £000	Year to 31 Mar 2015 £000
Opening fair value of scheme assets	0	71,875
Expected return on Scheme assets	0	3,250
Actuarial (loss)/gain	0	149
Contributions by employer	0	1,792
Contributions by members	0	782
Benefits paid	0	(1,765)
Settlement prices received/(paid)	0	(2,278)
	<hr/>	<hr/>
Fair value of Scheme assets at end of period prior to transfer to LBH	0	73,805

Analysis of amount charged to profit/(loss) before tax

	Year to 31 Mar 2016 £000	Year to 31 Mar 2015 £000
Current service cost	0	2,724
Interest on obligation	0	3,488
Expected return on Scheme assets	0	(3,250)
Losses on settlement or curtailments	0	(1,014)
	<hr/>	<hr/>
Total	0	1,948
	<hr/>	<hr/>

Notes (continued)

Analysis of amount included in other finance (costs)/gains	Year to 31 Mar 2016 £000	Year to 31 Mar 2015 £000
Expected return on pension scheme assets	0	3,250
Interest on pension liabilities	0	(3,488)
Net Return	0	(238)

Analysis of amounts recognised in the Statement of equity	Year to 31 Mar 2016 £000	Year to 31 Mar 2015 £000
Actual return less expected return on scheme assets	0	276
Experience gains and losses	0	7,712
Changes in assumptions underlying the present value of scheme liabilities	0	(10,477)
Actuarial (loss)/gain recognised Statement of equity	0	(2,489)

The Lampton 78 pension fund commenced on 1st April 2002. Although the transfers in to the scheme were fully funded in actuarial terms, using the measurement bases required by FRS 17 results in a loss on commencement of the fund. This has been recognised.

	Year to 31 Mar 2016	Year to 31 Mar 2015
Amount	0	276
Percentage of scheme assets	0	-1.44%
Total amount recognised in statement of equity	0	(2,489)
Percentage of scheme assets	0%	0.37%

Notes (continued)

Principal assumptions at the period ends were as follows:

The expected rates of return on the assets in the scheme were:

	Year to 31 Mar 2016	Year to 31 Mar 2015
Equities (UK)	0%	6.9%
Gilts	0%	3.6%
Other bonds	0%	4.2%
Property	0%	4.6%
Cash	0%	0.5%

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. As the employer is ceasing, no assumptions were made at a current date for future periods.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actual mortality tables and include an allowance for future improvements on longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner 65: 22.0 years (male)
26.5 years (female)
- Future retiree upon reaching 65: 24.1 years (male)
28.8 years (female)

Amounts for the current and previous periods were as follows:

Amounts for the current and previous periods	Year to Mar 2016 £000s	Year to Mar 2015 £000s	Year to Mar 2014 £000s	Year to Mar 2013 £000s	Year to Mar 2012 £000s
Defined Benefit Obligation	0	(109,500)	(104,925)	(102,229)	(92,340)
Scheme assets	0	73,805	71,875	70,933	59,462
Surplus (Deficit)	0	(35,695)	(33,050)	(31,296)	(32,878)
Experience adjustments on Scheme liabilities	0	7,839	8,635	-	-
Percentage of liabilities	0%	7.2%	8.2%	-	-
Experience adjustments on Scheme assets	0	149	(749)	5,436	(1,596)
Percentage of assets	0%	0.2%	(1.0%)	7.7%	(2.7%)
Cumulative Actuarial Gains and Losses	0	(30,729)	(28,240)	(26,557)	(29,503)

Notes (continued)

15. Analysis of net funds

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	3,985	(97)	3,888
Debt due after one year	(250)	-	(250)
Total	3,735	(97)	3,638

16. Related party disclosures

Details as to the status of the Company and composition of the Board of Directors are given in the Directors' Report. The ultimate controlling party is London Borough of Hounslow.

The Company's main source of income is rental income from properties owned by it amounting to £582k (2014: £528k). At the 31st March 2016 a balance of £1,361,025 (2015: £1,836,674) was owed by the London Borough of Hounslow, and a balance of £3,349,175 (2015: £4,575,424) was owed to the London Borough of Hounslow. The company owns housing property fixed assets of £11,021k. The London Borough of Hounslow owns all buildings, plant, equipment, furniture & IT hardware. When the Company was first incorporated, an agreement stating this was made between the Company and London Borough of Hounslow. The Company is not required to pay any rent, lease or hire charge for the use of these fixed assets. The London Borough of Hounslow is responsible for the calculation of depreciation on assets, and the replacement of assets when necessary.

17. Ultimate controlling body

The company is a subsidiary undertaking of the London Borough of Hounslow - a local authority. The largest group in which the results of the company are consolidated is that headed by London Borough of Hounslow. The consolidated accounts of this local authority are available to the public and may be obtained from Hounslow Civic Centre.

18. Post balance sheet event

The Company changed status from a Company Ltd by Guarantee to an Unlimited Company on the 21st September 2016. It issued share capital in 2016-17. The intention is to transfer the property assets to LBH and subsequently close the company.

Notes (continued)

19. Transition to FRS102

	Year to 31 March 2015 £'000	Year to 31 March 2015 £'000
Statement of comprehensive income		
Original turnover	53,213	
add: reinstated amortisation	264	
Revised turnover		53,477
Original cost of sales	(49,181)	
add: restated depreciation	(264)	
Revised cost of sales		(49,445)
Gross Profit		4,032

	Year to 31 March 2016 £'000	Year to 31 March 2016 £'000
Statement of comprehensive income		
Original turnover	735	
add: reinstated amortisation	264	
Revised turnover		999
Original cost of sales	(49)	
add: restated depreciation	(264)	
Revised cost of sales		(313)
Gross Profit		686

Notes (continued)

Fixed Assets	Housing Properties £'000	Housing Grant £'000	Depreciation £'000	Total £'000
Cost at 1st April 2014	11,021	(10,463)	(36)	522
FRS 102 adjustments:				
Transfer to creditors		10,463		10,463
Reinstatement of depreciation			(522)	(522)
Revised at 1 April 2014	11,021	0	(558)	10,463
Charge for year			(279)	(279)
Revised at 31/3/2015	11,021	0	(837)	10,184
Creditors		Housing Grant £'000	Amortisation £'000	Total
Cost at 1st April 2014		0	0	0
FRS 102 adjustments:				
Transfer to creditors		10,463		10,463
Grossing up of amortisation			(522)	(522)
Revised at 1/4/2014		10,463	(522)	9,941
Charge for year			(264)	(264)
Revised at 31/3/2015		10,463	(786)	9,677
		Total £'000		
Net Assets at 31/3/2014		(32,118)		
FRS 102 adjustments:				
Grossing up of fixed assets		9,941		
Restatement of housing grant		(9,941)		
Revised Net assets at 31/3/2014		(32,118)		