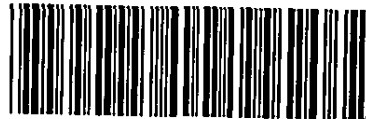


# **H&F Homes Limited**

Limited by guarantee  
Directors' report and financial  
statements

Registered number 04948654  
For the year ended 31 March 2011

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## Company details

### Company registration number

04948654

### Registered office

3rd Floor  
Town Hall Extension  
King Street  
London W6 9JU

### Bankers

National Westminster Bank  
Floors 7 & 8  
280 Bishopsgate  
London EC2M 4RB

### Solicitors

Trowers & Hamlin  
Sceptre Court  
40 Tower Hill  
London EC3N 4DX

### Auditors

KPMG LLP  
Arlington Business Park  
Theale  
Reading RG7 4SD

## Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

### Introduction – a message from the chair

This year has been a productive one for the company despite a challenging financial environment

We have continued to pursue vigorously our key objectives achieving the Decent Homes Standard for the majority of homes owned by the London Borough of Hammersmith and Fulham (LBHF) ('the Council') and providing high quality services to tenants and leaseholders

In 2010-2011 we have continued with a significant change programme building on positive results achieved in previous years. Highlights during the year have included

- Completion of the £215m decent homes programme. At 31<sup>st</sup> March 2011 only 1.26% of the stock was non decent, work on these remaining properties is in progress and they will become decent in 2011. This compares to an average of 11.24% across the 59 other ALMOs where data is available
- Implementation of our Continuous Improvement Plan which focuses on delivering significant service improvements to our residents
- Completion of a comprehensive Value for Money programme

This change programme, that has been in place since 2008 has resulted in some significant achievements and service improvements including

- Increased resident satisfaction, tenant satisfaction has increased from 67% in 2008 to 73% in September 2010, leaseholder satisfaction levels have increased from 31% in 2008 to 43% in 2010. The Board believes that resident satisfaction levels can be further improved by strengthening processes, listening carefully to feedback, learning from the successes of other housing departments, further developing and improving resident involvement including retaining the level of input, skills and experience provided by residents on the Board and continuing to improve communications to tenants, leaseholders and contractors
- The value for money programme has resulted in a £4.5m reduction in the Management fee for 2010-11 compared to the 2008-09 management fee. Leaseholders have experienced a corresponding reduction in the controllable costs element of their service charge of over 20% between 2007-08 and 2010-11. The Board are keen that the lessons learnt as part of this programme are used to inform future value for money and service transformation programmes

Following a successful consultation with tenants and leaseholders, on the 10<sup>th</sup> January 2011 the London Borough of Hammersmith and Fulham's Cabinet decided to return the Housing Management Services to the Council with effect from 1 April 2011 and all services currently managed by Hammersmith and Fulham Homes will transfer to the Council on that date. We believe this is a positive step as it will allow the Council to consolidate and build on the service improvements made since the start of the ALMO, ensuring residents continue to receive high quality, efficient services. The Board believes that it is of the utmost importance to listen to our residents, learn from their experiences and work closely with them to further improve services in the most economic fashion possible.

I wish to take this opportunity to thank the staff for all their efforts in assisting the Board in their endeavours in monitoring and improving performance over the last seven years and give a special vote of thanks to the Decent Homes Team who worked tirelessly to first turn round and then complete the Decent Homes Programme on time and within budget. Additionally I wish to thank HAFTRA for their invaluable support. It is also appropriate to note our appreciation to all the directors, past and present, who have devoted so much of their time, sharing their knowledge and skills having worked tirelessly on behalf of both tenants and leaseholders since April 2004. Directors have all enjoyed the opportunity to serve tenants and leaseholders and trust we have made a positive contribution and improved services to our 17,235 tenants and leaseholders.

### Principal activities

The company's principal activity during the year was the management and maintenance of the housing stock of the Council and the management of the investment programme for the modernisation of the housing stock under a Management Agreement with the Council. As further set out in the Operational Review, the London Borough of Hammersmith and Fulham transferred the company's operational activities (together with all assets and liabilities) at nil gain and nil loss, back to the Council with effect from 1<sup>st</sup> of April 2011.

## Directors' Report *(continued)*

### Status of company and composition of the board

The company is limited by guarantee and has not issued any share capital. The company is known as an 'Arms Length Management Organisation' ('ALMO'). As such, the Council, the sole member of the organisation, undertakes, in the event of the company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the company providing this amount does not exceed one pound. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the Council's Housing Revenue Account (HRA), as defined in the Local Government & Housing Act 1989.

A board of a maximum of nineteen non-executive directors runs the Company and is made up of representatives of the local community.

- Five Council nominees,
- Nine residents including one Sheltered Housing Tenant and two leaseholders, and
- Five independent members

The composition of the board reflects the range and mix of skills and experience required for the effective management of the company. The board is supported by a senior management team which is responsible for the day to day running of the company. The independent board members were appointed following external advertisement and interview. Resident members were initially appointed and a three year cycle of elections has now commenced. At 31 March 2011, the board comprised sixteen non-executive directors as set out on page 9.

### Review of the year

#### Financial review

Under the Management Agreement with the Council, H&F Homes receives a monthly management fee to carry out the business of managing and maintaining the housing stock on behalf of the Council. The management fee for the financial year 2010-2011 was £21,754k (2009-2010 £26,654k) and has been included in the financial statements as turnover.

The Management Agreement provides for H&F Homes to let contracts directly in pursuance of the services required under the agreement or to fulfil the works included in the capital programme. In line with this, H&F Homes has let contracts with contractors to carry out work on council properties under the Decent Homes programme and other maintenance work. These works improve and maintain the assets owned by the Council and the Council reimburses H&F Homes for the costs incurred under these contracts. In the financial year 2010-2011 this amounted to £50,222k (2009-2010 £59,311k) for the Decent Homes programme and £16,107k (2009-2010 £17,096k) for Repairs and Maintenance. These amounts are included in turnover.

Charges continue to be made on a commercial basis by the Council for Service Level Agreements and other services received. This requires the Council to invoice the company separately for these services and the company pays the Council for those services.

During the year H&F Homes made an operating profit of £5,596k (2009-2010 £1,037k loss) before interest received of £62k (2009-2010 £37k), finance income of £264k (2009-2010 £271k costs) and a tax charge of £13k (2009-2010 £8k). These collectively result in a net profit of £5,909k (2009-2010 £1,279k loss) after FRS 17 adjustments. In total FRS 17 adjustments have improved the profit on ordinary activities after taxation by £4,892k. Without FRS 17 adjustments, results would have shown a profit on ordinary activities after taxation of £1,017k.

In accordance with the Management Agreement, discussions have been held with the Council regarding the application of the profit before FRS 17 adjustments to the benefit of the HRA and the services provided to the tenants and leaseholders. £1.3m has been paid across to the Council as a result of this via a reduction in the management fee.

#### Operational review

Due to the phased completion of the Decent Homes programme in March 2010 the turnover has decreased significantly. The capital programme will now evolve into a structured programme of Asset Management reinvestment works which will see the continued effective management and maintenance of the housing portfolio with approx £29 million committed each financial year on a programme of component and cyclical replacement works.

In July 2008 the Council agreed the funding of an 'Invest-to-save' model for H&F Homes which saw the management fee increased by £1.2m for 2008-2009 in return for the implementation of a Value for Money ('VFM') programme. The H&F Homes Board appointed management partners Northgate Kendrick Ash (now Northgate Public Services) to provide the professional capacity required to deliver the significant change programme necessary in order to deliver both the 'Invest-to-save' model as well as improvements in service delivery. A VFM programme was devised in July/August 2008 and a VFM governance structure was devised to enable appropriate management and reporting lines for this substantial programme. H&F Homes has made significant progress in delivering the saving targets and the 2010-11 management fee has reduced by £4.5m compared to the

## Directors' Report *(continued)*

**2008-09 management fee** The Board are keen that the lessons learnt as part of this programme are used to inform future value for money and service transformation programmes

Following a successful consultation with tenants and leaseholders, on the 10<sup>th</sup> January 2011 the London Borough of Hammersmith and Fulham's Cabinet decided to return the Housing Management Services back to the Council with effect from 1 April 2011. The negotiation was on the basis that all services currently managed by Hammersmith and Fulham Homes will transfer back to the Council. The terms and conditions of this transfer are underwritten by the Management Agreement. In accordance with this agreement all Hammersmith and Fulham Homes operational activities together with all assets and liabilities, at nil gain and nil loss will be transferred to the Council.

### Governance

Throughout the year H&F Homes has conducted its business with the following Committee structure

- Finance Audit and Risk
- Human Resources and Equalities
- Decent Homes
- Housing Services
- Remuneration

All Committees meet at least quarterly and report appropriately to the Board

Housing Management Services are returning to the Council with effect from 1 April 2011, as part of this process the Finance, Audit and Risk Committee and the Board have passed on their recommendations regarding future audits and areas of risk to the Council

The Board has also met on an informal basis on several occasions with the Executive Team to discuss strategic and planning issues, which were then developed into reports for consideration at the formal board or committee meetings

### Proposed dividend

The company's Memorandum & Articles prevent it from distributing profits and therefore the directors do not recommend the payment of a dividend, or distribution of any surplus (2009-2010 £nil)

### Directors and directors' interests

The directors who held office during the year are detailed on page 9. The Council is the sole member of the company. A register of directors' interests is maintained at the Town Hall Extension

### Political and charitable contributions

The company made no contributions to political or charitable organisations (2009-2010 £nil)

### Disclosure of information to auditors

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

By order of the board and signed on its behalf

Guy Vincent  
Director

16/12/2011

H&F Homes Limited  
Third Floor  
Town Hall Extension  
King Street  
London W6 9JU

## Statement of Internal Control

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. These controls are designed to give reasonable assurance with respect to

- ♦ The reliability of financial information used within the company or for publication,
- ♦ The maintenance of proper accounting records, and
- ♦ The safeguarding of assets against unauthorised use or disposal

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 system of internal control includes the following key elements

- ♦ Formal policies and procedures have been reviewed and remain in place, including the rules relating to financial systems and procedures, the letting of contracts and the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the company's assets,
- ♦ Experienced and suitably qualified staff are employed to take responsibility for important business functions. Annual employee development review procedures have been established to maintain standards of performance,
- ♦ An externally procured internal audit service undertakes reviews on the effectiveness of internal controls. The delivery of this service has performed well in 2010-2011, with the Internal Audit function reporting directly to every Finance, Audit and Risk Committee (FARC) meeting
- ♦ A system has been set up to monitor the implementation of internal audit recommendations. The internal audit plan has been delivered in full for the 2010-2011 period
- ♦ A risk management framework is in place through which priority risks are reviewed by the Chief Executive and the Management Board
- ♦ Forecasts and budgets are prepared which allow the Board of Directors and management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate,
- ♦ All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors and officers of the company,
- ♦ The Board of Directors receives the external auditors report. Among other things, this provides reasonable assurance that control procedures are in place and being followed. The internal audit programme is in place to review, appraise and report upon the adequacy of internal control and
- ♦ A full range of insurance including Fidelity Guarantee has been put in place to safeguard assets

The Board of Directors vested matters relating to audit in the terms of reference of the Finance Audit and Risk Committee

During the year the Finance Audit and Risk Committee ('FARC') agreed the internal audit plan. The Committee has an agreed procedure to ensure that audit reports are given full and proper consideration throughout the organisation

- ♦ Management responses to audit recommendations are agreed by the Management Board,
- ♦ The full internal audit reports are presented to the FARC by internal audit officers, and
- ♦ Periodic progress reports are presented by the Internal Audit Manager to the FARC at every formal FARC meeting

Audits were conducted in accordance with the Plan and the Committee received all audit reports and considered the annual report on internal audit activity. This was necessary in order to enable the financial statements to be duly agreed by the Board of Directors. In the course of the audits undertaken there were no weaknesses found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements. The Board of Directors is satisfied that this remains the case throughout the year ended 31 March 2011 and up to the date of approval by the Board of these financial statements

**Statement of Internal Control** *(continued)*

The Board of Directors is also of the opinion that the company has suitable internal controls for maintaining adequate accounting records, safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities. The Board of Directors is also required to indicate where the financial statements are prepared other than on the basis that the company is a going concern.

A successful consultation with tenants and leaseholders, and an approved decision taken by London Borough of Hammersmith and Fulham's cabinet in January 2011 supported the return of services back to the Housing and Regeneration department into the Council. On the 10<sup>th</sup> January 2011 the London Borough of Hammersmith and Fulham's Cabinet decided to return the Housing Management Services back to the Council with effect from 1 April 2011. The negotiation was on the basis that all services currently managed by Hammersmith and Fulham Homes will transfer back to the Council. The terms and conditions of this transfer are underwritten by the Management Agreement. In accordance with this agreement all Hammersmith and Fulham Homes operational activities together with all assets and liabilities, at nil gain and nil loss will transfer to the Council on that date.

The Board of Directors are satisfied that the financial statements for the year ended 31 March 2011 for H&F Homes are on the basis of a going concern. However, the directors, London Borough of Hammersmith and Fulham as well as the residents agreed that the Company will cease trading on 31 March 2011, and that the trade, all staff and all assets and liabilities of the Company will be transferred back to the Council, at nil gain and nil loss, with effect from 1 April 2011. This transfer took place on 1 April 2011.



### Statement of Directors' Responsibilities

The directors are responsible for preparing 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)

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 judgments 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 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.

## Board Members – 2010/2011

Harry Audley	Leaseholder (North)	Originally Appointed Reappointed for further three years	22 04 04 12 05 08*
Val Barker	Tenant ( North)	Originally Appointed Reappointed for a further three years	22 04 04 12 05 08*
Hilda Cobos	Tenant ( North)	Originally Appointed Reappointed for a further three years	22 04 04 21 03 07*
Rosemary Farrar	Independent	Appointed Reappointed for a further three years Reappointed for a further three years Resigned	18 03 04 28 03 06 01 04 09 28 04 10
Rachael Ford	Council Appointee (Councillor)	Appointed	06 06 06
Janet Gaston	Tenant (South) (Chair)	Originally Appointed Reappointed for a further three years Reappointed for a further three years	22 04 04 28 03 06 01 04 09
Donald Johnson	Council Appointee	Appointed	29 07 08
Michael Mark	Tenant (North)	Appointed Reappointed	09 10 07 12 05 08
David Millar	Council Appointee	Appointed	29 07 08
Steve North	Council Appointee	Appointed	29 07 08
William Ogden	Leaseholder (South)	Appointed Reappointed for a further three years	31 07 07 21 03 10
Sharon Palazzo	Independent	Appointed	31 07 07
Henry Talman	Tenant (North )	Originally Appointed Reappointed for a further three years Reappointed for a further three years	22 04 04 21 03 10 31 03 10
Guy Vincent	Independent	Originally Appointed Reappointed for a further three years	22 04 04 31 07 07*
Dorothy Walker	Tenant (Sheltered)	Originally Appointed Reappointed for a further three years Reappointed for a further three years Resigned	31 08 05 28 03 06 01 04 09 25 05 10
Hardev Virdee	Independent	Appointed	28 07 09
Nazir Hafezjee	Independent	Appointed- Terminated	28 07 09 07 09 10
Paul Alexander	Tenant (South)	Appointed	28 07 09
Anthony Wood	Tenant (Sheltered)	Appointed	07 09 10

For above Board Members indicated by an asterisk it was agreed by the Board that their membership will be extended until the Company integration into the Council has been finalised

KPMG LLP  
Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

## Independent auditor's report to the members of H&F Homes Limited

We have audited the financial statements of H&F Homes Limited for the year ended 31 March 2011 set out on pages 11 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for expressing an opinion on the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### 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 2011 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.

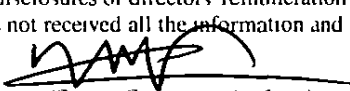
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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  
Arlington Business Park  
Theale  
Reading RG7 4SD

22 December 2011

**Profit and loss account**  
*for the year ended 31 March 2011*

	<i>Notes</i>	<b>Year ended 31 March 2011 £000</b>	<b>Year ended 31 March 2010 £000</b>
<b>Turnover</b>	2	<b>88,083</b>	103,061
Cost of sales		(77,181)	(98,509)
<b>Gross profit</b>		<b>10,902</b>	4,552
Administrative expenses		(5,757)	(6,119)
Other operating income		451	530
<b>Operating profit / (loss)</b>		<b>5,596</b>	(1,037)
Interest received		62	37
Other finance income / (costs)	7	264	(271)
<b>Profit / (loss) on ordinary activities before taxation</b>	3	<b>5,922</b>	(1,271)
Tax on profit / (loss) on ordinary activities	8	(13)	(8)
<b>Profit / (loss) on ordinary activities after taxation</b>	11	<b>5,909</b>	(1 279)

On 1 April 2011, the company's operational activities were transferred back to London Borough of Hammersmith and Fulham

**Balance sheet**  
*as at 31 March 2011*

	<i>Notes</i>	<b>2011 £000</b>	<b>2010 £000</b>
<b>Current assets</b>			
Debtors	9	14,780	21,539
Cash at bank and in hand		6,055	6,672
		<hr/>	<hr/>
<b>Creditors, amounts falling due within one year</b>	10	<b>20,835 (18,910)</b>	<b>28,211 (27,303)</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>1,925</b>	<b>908</b>
<b>Pension asset / (liability)</b>	13	<b>832</b>	<b>(12,288)</b>
		<hr/>	<hr/>
<b>Net assets / (liabilities)</b>		<b>2,757</b>	<b>(11,380)</b>
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Profit and loss account	11	5,073	(836)
Pension reserve	11	(2,316)	(10,544)
		<hr/>	<hr/>
<b>Shareholders' funds</b>	11	<b>2,757</b>	<b>(11,380)</b>
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 31<sup>st</sup> August 2011 and were signed on its behalf by

Guy Vincent  
 Director

16/12/2011

**Cash flow statement**  
*for the year ended 31 March 2011*

	<i>Notes</i>	Year ended 31 March 2011	Year ended 31 March 2010
		£000	£000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit / (loss)		5,596	(1,037)
Decrease in debtors		6,759	4,947
Decrease in creditors		(2,198)	(15,929)
Net pension adjustment		(4,628)	1,219
		<hr/>	<hr/>
<b>Net cash inflow / (outflow) from operating activities</b>		5,529	(10,800)
		<hr/>	<hr/>
<b>Cash flow statement</b>			
Net cash inflow / (outflow) from operating activities		5,529	(10,800)
Returns on investments and servicing of finance		62	37
Taxation – corporation tax paid		(8)	(57)
		<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>		5,583	(10,820)
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase / (decrease) in cash in the period	14	5,583	(10,820)
		<hr/>	<hr/>
Movement in net funds		5,583	(10,820)
Opening funds		(1,850)	8,970
		<hr/>	<hr/>
<b>Closing funds/(deficit)</b>	14	3,733	(1,850)
		<hr/>	<hr/>

**Statement of total recognised gains & losses**  
*for the year ended 31 March 2011*

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
Profit / (loss) for the financial year	<b>5,909</b>	(1,279)
Actuarial gain / (loss) recognised in the pension scheme	<b>8,228</b>	(10,310)
	<hr/>	<hr/>
<b>Total recognised gains / (losses) relating to the financial year</b>	<b>14,137</b>	(11,589)
	<hr/>	<hr/>

**Reconciliation of movement in shareholders' funds**  
*for the year ended 31 March 2011*

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
<b>Retained profit / (loss) for the financial year</b>	<b>5,909</b>	(1,279)
<b>Other recognised profits / losses relating to the year</b>	<b>8,228</b>	(10,310)
	<hr/>	<hr/>
<b>Net increase / (reduction) in shareholders' funds</b>	<b>14,137</b>	(11,589)
Opening shareholders' funds	(11,380)	209
	<hr/>	<hr/>
<b>Closing shareholders' funds/(deficit)</b>	<b>2,757</b>	(11,380)
	<hr/>	<hr/>

## 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

#### *Going concern*

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements. However, the directors, London Borough of Hammersmith and Fulham as well as the residents agreed that the Company will cease trading on 31 March 2011, and that the trade, all staff and all assets and liabilities of the Company will be transferred back to the Council, at nil gain and nil loss, with effect from 1 April 2011. This transfer took place on 1 April 2011.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The accounts have been prepared on a going concern basis as set out above.

#### *Fixed assets and depreciation*

The company owns no fixed assets. London Borough of Hammersmith and Fulham ("LBHF") 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 Council. The company is required to pay rent on buildings occupied but is not required to pay lease or hire charge for the use of other fixed assets. The Council is responsible for the calculation of depreciation on assets, and the replacement of assets when necessary.

#### *Post-retirement benefits*

The company participates in the Local Government Pension Scheme (LGPS). 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.

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.

#### *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 that have arisen but not reversed at the balance sheet date except as required by FRS19.

In line with other ALMOs, H&F Homes believes that its activities with the Council do not amount to a trade for corporation tax purposes. This is on the basis of draft guidance issued to date by HM Revenue & Customs (HMRC) which states that the relationship between an ALMO and its parent council as they understand it, lacks the necessary level of commerciality for the activities to be considered a trade for corporation tax purposes. Any surpluses arising, and similarly any losses, are therefore outside the scope of corporation tax.

The directors have undertaken a review of H&F Homes' legal structure and its financial relationship with the Council in order to assess the company's corporation tax status. HMRC have confirmed that the company's activities with the Council amount to non-trading activities. Corporation tax in the final accounts is stated on the basis that the corporation tax liability applies to investment income only.



## Notes (continued)

### 1 Accounting policies (continued)

#### Turnover

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

#### Comparative period

The financial statements show the comparative figures for 2009-2010

#### 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

#### Operating leases

Operating lease payments are written off in full as part of expenditure on the Profit and Loss account in the same year it has been incurred

### 2 Analysis of turnover

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Housing services	21,754	26,654
Repairs and technical services	66,329	76,407
	<u>88,083</u>	<u>103,061</u>

### 3 Profit/(loss) on ordinary activities before taxation

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Operating lease – road sweeper	24	9
	<u>24</u>	<u>9</u>
Auditor's remuneration		
Audit of these financial statements	29	28
	<u>29</u>	<u>28</u>

## Notes (continued)

### 4 Operating leases

The company had annual commitments under non-cancellable operating leases as follows

	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000
Operating leases which expire		
Within one year	-	-
Second to fifth year	31	15
	<hr/> 31	<hr/> 15
	<hr/> <hr/>	<hr/> <hr/>

As noted in note 1, all assets and liabilities (including lease commitments) were transferred back to the Council with effect from 1 April 2011

### 5 Remuneration of directors

#### Members of the board of directors

Directors did not receive emoluments in respect of their services as directors, and no director was a member of the defined benefit pension scheme

#### Members of the Executive Team

The Executive Team, including the Chief Executive, received emoluments as follows

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Aggregate emoluments (wages & salaries) payable to the Executive Team (No benefits in kind were received )	269	401
Pension contributions	36	51
Payable to the Council in respect of the Executive Team for part of the year	47	0
Consultancy fees were payable in respect of the Director of Finance, Director of Housing Services and Chief Executive for part of the year	220	226
	<hr/> 572	<hr/> 678
	<hr/> <hr/>	<hr/> <hr/>

Emoluments payable to the highest paid employee were £142,000 (2009-2010 £130,000) including pension contributions. Emoluments payable to the highest paid member of the Executive Team were £111,688 (2009-2010 £225,511) who was employed on a consultancy basis, the Chief Executive also worked for the Council during the year and the costs shown in these accounts only reflect the work he did for the Company. No benefits in kind were received.

## Notes (continued)

### 6 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows

	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Housing and property services	288	294
Support services	56	98
Board Directors	19	19
	<hr/> 363	<hr/> 411
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Wages and salaries	10,404	11,366
Social security costs	839	1,018
Pension costs	1,358	1,487
	<hr/> 12,601	<hr/> 13,871
	<hr/> <hr/>	<hr/> <hr/>

### 7 Other finance income / (costs)

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Pension fund</b>		
Expected return on pension assets	3,812	2,603
Interest on pension scheme assets	(3,548)	(2,874)
	<hr/>	<hr/>
Other finance income / (costs)	264	(271)
	<hr/> <hr/>	<hr/> <hr/>

### 8 Taxation

Analysis of charge in period

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<i>UK corporation tax</i>		
Current tax on income for the period	13	8
	<hr/>	<hr/>

*Factors affecting the tax charge for the current year*

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 21% (2010 21%). The differences are explained below

## Notes (continued)

### 8 Taxation (continued)

#### Current tax reconciliation

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
Profit / (Loss) on ordinary activities before tax	5,922	(1,271)
Current tax at 21% (2010 21%)	1,243	(267)
Effects of		
Activities outside the scope of corporation tax	(1,230)	275
Total current tax charge (see above)	13	8

### 9 Debtors

	31 March 2011	31 March 2010
	£000	£000
Trade debtors	51	31
Amounts owed by group undertakings	13,667	21,492
Prepayments	15	-
Other debtors	1,047	16
	14,780	21,539

### 10 Creditors: amounts falling due within one year

	31 March 2011	31 March 2010
	£000	£000
Bank overdraft	2,322	8,522
Trade creditors	8,960	3,602
Amounts owed to group undertakings	4,096	10,707
Accruals and deferred income	243	513
Taxation and social security	-	368
Corporation tax	13	8
Other creditors (retentions)	3,276	3,583
	18,910	27,303

## Notes (continued)

### 11 Reserves

	Profit and loss reserve £000	Pension reserve £000	Total capital and reserves £000
At 1 April 2010	(836)	(10,544)	(11,380)
Profit for the year	5,909	-	5,909
Actuarial gain recognised in the pension scheme	-	8,228	8,228
	<hr/>	<hr/>	<hr/>
At 31 March 2011	5,073	(2,316)	2,757
	<hr/>	<hr/>	<hr/>
		2011 £000	2010 £000
Profit and loss reserve excluding pension reserve		5,073	(836)
Pension reserve		(2,316)	(10,544)
		<hr/>	<hr/>
Profit and loss reserve including pension reserve		2,757	(11 380)
		<hr/>	<hr/>

### 12 Commitments

There were no capital commitments at the end of the financial period for which no provision had been made (2010 £nil)

### 13 Pension scheme

The company operates a defined benefit pension scheme. It participates in the London Borough of Hammersmith & Fulham Pension Fund.

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

The company operates a pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 31 March 2010 and was updated for FRS 17 purposes to 31 March 2011 by a qualified independent actuary.

H&F Homes Limited has kept the level of employers' contributions under review to allow the fund to balance in the medium term. An employer contribution rate of 15.0% of pensionable pay applied in the 2010-2011 financial year.

The information disclosed below is in respect of the whole of the plans for which the company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

## Notes (continued)

### 13 Pension schemes (continued)

	2011 £000	2010 £000
Present value of funded defined benefit obligations	(56,851)	(68,246)
Fair value of scheme assets	57,728	56,016
	<u>877</u>	<u>(12,230)</u>
Present value of unfunded defined benefit obligations	(45)	(58)
Surplus/(deficit)	832	(12,288)
Related deferred tax asset	-	-
	<u>832</u>	<u>(12,288)</u>
Net asset/(liability)	<u>832</u>	<u>(12,288)</u>
Movements in present value of defined benefit obligation		
	2011 £000	2010 £000
At 1 April 2010	68,304	43,021
Current service cost	2,171	1,428
Past service cost	(5,709)	-
Interest cost	3,548	2,874
Curtailment	268	1,288
Settlement	-	-
Actuarial (gain)/loss	(11,736)	21,360
Contributions by members	620	673
Benefits paid	(570)	(2,340)
	<u>56,896</u>	<u>68,304</u>
At 31 March 2011	<u>56,896</u>	<u>68,304</u>

## Notes (continued)

### 13 Pension schemes (continued)

#### Movements in fair value of plan assets

	2011 £000	2010 £000
At 1 April 2010	56,016	42,533
Expected return on plan assets	3,812	2,613
Actuarial gains/(losses)	(3,508)	11,050
Contributions by employer	1,358	1,487
Contributions by members	620	673
Benefits paid	(570)	(2,340)
Exchange adjustments	-	-
	<hr/>	<hr/>
At 31 March 2011	57,728	56,016
	<hr/>	<hr/>

#### Expense recognised in the profit and loss account

	2011 £000	2010 £000
Current service cost	2,171	1,428
Losses on settlements and curtailments	268	1,288
Past service cost	(5,709)	-
Interest on defined benefit pension plan obligation	3,548	2,874
Expected return on defined benefit pension plan assets	(3,812)	(2,613)
	<hr/>	<hr/>
Total	(3,534)	2,977
	<hr/>	<hr/>

Past service costs can arise when the Employer awards additional discretionary benefits such as added years and other forms of augmentation of benefits. A change to benefits may result in either a past service cost or a past service gain. The capitalised gain from the change in pension increase policy from RPI to CPI is calculated at £5,709k.

#### The expense is recognised in the following line items in the profit and loss account

	2011 £000	2010 £000
Cost of sales	(3,270)	2,706
Other interest (receivable)/payable	(264)	271
	<hr/>	<hr/>
	(3,534)	2,977
	<hr/>	<hr/>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a gain of £8,228k (2010: loss of £10,310k).

## Notes (continued)

### 13 Pension schemes (continued)

The fair value of the plan assets and the return on those assets were as follows

	2011 Fair value £000	2010 Fair value £000
Equities	31,750	31,929
Gilts	7,505	7,842
Cash	1,155	560
Other	17,318	15,685
	<u>57,728</u>	<u>56,016</u>
 Actual return on plan assets	 <u>6.9%</u>	 <u>7.0%</u>

No assets used or occupied by H&F Homes are included in the fair value of plan assets

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	2011 %	2010 %
Discount rate	5.5	5.5
Expected rate of return on plan assets	6.9	7.0
Expected return on plan assets at beginning of the period	7.0	6.3
Future salary increases	5.0	5.4
Future price increases	3.5	3.9
Future pension increases	<u>2.7</u>	<u>3.9</u>

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

- Current pensioner aged 65: 19.7 years (male), 23.8 years (female)
- Future retiree upon reaching 65: 21.8 years (male), 25.7 years (female)



## Notes (continued)

### 13 Pension schemes (continued)

#### History of plans

The history of the plans for the current and prior periods is as follows

#### Balance sheet

	2011 £000	2010 £000	2009 £000	2008 £000 (restated)	2007 £000 (restated)
Present value of scheme liabilities	(56,896)	(68,304)	(43,021)	(43,230)	(42,500)
Fair value of scheme assets	57,728	56,016	42,533	45,807	39,877
Surplus/deficit	832	(12,288)	(488)	2,577	(2,623)

#### Experience adjustments

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Experience adjustments on scheme liabilities					-
Amount	4,884	41	-	(6,190)	
As a percentage of scheme liabilities	8.6%	0.1%	-	(14.3%)	
Experience adjustments on scheme assets					-
Amount	(3,508)	11,050	(7,675)	(10)	
As a percentage of scheme assets	(6.1%)	19.7%	(18.0%)	0.0%	
	1,376	11,091	(7,675)	(6,200)	-

## Notes (continued)

### 14 Analysis of net funds

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand and at bank	6,672	(617)	6,055
Bank Overdraft	(8,522)	6,200	(2,322)
	<hr/>	<hr/>	<hr/>
Total	(1,850)	5,583	3,733
	<hr/>	<hr/>	<hr/>

### 15 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 the Council.

Tenant members of the board are resident in properties maintained by the company and owned by the council. These residents have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefits as other tenants.

The financial statements of the Council are publicly available on the council's website [www.lbhf.gov.uk](http://www.lbhf.gov.uk). The council has delegated responsibility for overseeing the management and maintenance of its residential stock to H&F Homes Ltd in accordance with the five year management agreement signed 27 May 2004 and effective from 1 June 2004. The management agreement was extended by the London Borough of Hammersmith and Fulham's Cabinet to 31<sup>st</sup> March 2011 with the option to extend for a further 3 months after that. The option to extend was not exercised and on 1<sup>st</sup> April 2011 the management and maintenance of the Council's residential stock returned to the Council. The council pays the company a monthly management fee in accordance with that management agreement and any variations subsequently approved. In the current period the management fee amounted to £21,754k (2009-2010 £26,654k).

The company owns no fixed assets. London Borough of Hammersmith & Fulham owns all buildings, plant, equipment, furniture and IT hardware. London Borough of Hammersmith & Fulham is responsible for the calculation of depreciation on assets, and the replacement of assets when necessary.

H&F Homes currently uses the Council financial ledger including its payroll system for all staff.

H&F Homes pays contractors for works on contracts to meet the Decent Homes Standard. These payments are reimbursed by the Council.

The Council charged H&F Homes £864,414 (2009-2010 £821,351) for the provision of support services which included recharges to:

Finance	£150,050
Human Resources	£43,725
Civic Cleaning	£89,100
Property Services	£164,204
Security	£42,477
Mail Services	£33,883
Environmental Services	£165,325
Out of Hours Service	£115,650
Strategic Communications	£60,000

In the event of the company being wound up, the Council undertakes to contribute such amounts as may be required for the payment of the debts and liabilities of the organisation providing this amount does not exceed one pound. After the satisfaction of all debts and liabilities the remaining assets will be transferred to the HRA of the Council.

**Notes** (*continued*)

**16 Ultimate controlling body**

The company is a subsidiary undertaking of the London Borough of Hammersmith & Fulham