

**Hackney Homes Limited**  
**(Company Limited by Guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2008**

# Hackney Homes Limited (Company Limited by Guarantee)

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# Hackney Homes Limited (Company Limited by Guarantee)

## Administrative Information

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### DIRECTORS

The following Directors, who are all Board members and non executive, were appointed unless otherwise stated on 24 March 2006 and have remained in office up to the date on which the financial statements were approved.

Council Nominees	Afolasade Bright	
	Linda Kelly	
	Samantha Lloyd	
	Feryat Demirci	- Appointed 27/11/07
	Jonathan McShane	- Appointed 27/11/07
	Sharon Patrick	- Resigned 27/11/07
Resident Members	Karen Alcock	- Resigned 27/11/07
	Alice Burke	- Deputy Chair
	Audrey Villas	- Deputy Chair
	Brian Marsh	
	David Larkin	
	Rupert Tyson	- Chair - Appointed 5/4/06
Independent Members	Terry Edwards	- Appointed 27/3/08
	Sandra Hall	- Resigned 27/11/07
	Marie Photiou	
	Asim Bhattacharyya	
	Natalie Pace	- Appointed 8/10/07
		- Resigned 24/6/08
	Karen Dodds	- Appointed 24/06/08
	Danny Sutcliffe	- Appointed 27/11/07
	Andrew Potter	- Resigned 23/10/07
	David Curley	- Resigned 26/9/07

A register of interests in the Company is maintained at Christopher Addison House, with the Directors having no beneficial interests. The Board meets monthly and its composition reflects the range and mix of skills and experience required for the effective management of the Company.

A Chief Executive and Management Team support the Board and are responsible for the day to day running of the Company.

<b>Chief Executive</b>	Charlotte Graves	The position does not come with a seat on the Board. (Appointed March 2008)	
<b>Secretary</b>	Neil Isaac		
<b>Executive Team</b>	Charlotte Graves	Chief Executive	
	Gary Penticost	Director of Property Services	
	Susmita Noonan	Director of Housing Services and Interim Chief Executive – Resigned 28/3/08	
	Neil Isaac	Director of Finance & Resources	
	Robin Smith	Programme Director Woodberry Down	
<b>Registered Office</b>	Christopher Addison House 72 Wilton Way, Hackney London E8 1BJ	<b>Auditor</b>	Baker Tilly UK Audit LLP First Floor 46 Clarendon Road Watford WD17 1JJ
<b>Bankers</b>	The Co-Operative Bank PLC 151-155 Hoe Street Walthamstow, London E17 3AN	<b>Solicitors</b>	Trowers and Hamblins Sceptre Court 40 Tower Hill London EC3N 4 DX

# Hackney Homes Limited (Company Limited by Guarantee)

## Chair's Statement 31 March 2008

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I have great pleasure in presenting **Hackney Homes'** Financial Statements for the year ended 31 March 2008.

**Hackney Homes** is a Company Limited by Guarantee set up in December 2005 and commenced trading in April 2006. **Hackney Homes** is the Council's Arms Length Management Organisation (ALMO). Working with Hackney Council, we deliver housing management and maintenance services to tenants and leaseholders, and manage capital and regeneration programmes.

### Governance

**Hackney Homes** is governed by a board of directors. The new Chair of the Board is Rupert Tyson, a Resident Board Member appointed in September 2007. The Board oversees all the activities of **Hackney Homes** and consists, of five councillors, five independents and six residents (including the chair). Unless indicated to the contrary, the resident Board members were elected in an open residents' ballot in September 2005.

### Management Agreement

The Council has delegated **Hackney Homes** with the responsibility for management of housing activities under Section 27 of the Housing Act 1985, (as amended by the Leasehold Housing and Urban Development Act 1993).

The role and responsibilities of **Hackney Homes** are set out in a Management Agreement with Hackney Council. This defines how **Hackney Homes** will operate and deliver services to council tenants and leaseholders. The Delivery Plan identifies how we will meet our obligations under the management agreement including a number of strategic objectives and targets we need to achieve and these issues inform the **Hackney Homes** Business Plan 2007-2011.

Our customers are tenants and leaseholders, who live in properties that we manage through our housing management partners and Tenant Management Organisations. At 31<sup>st</sup> March 2008, we are responsible for 23,536 rented properties, 7,474 leasehold properties and 1,283 freehold properties where freeholders pay estate service charges. In addition there are 308 properties that we do not manage, leased to Housing Associations.

### Key Priorities

The **Mission** for **Hackney Homes** is "To deliver excellent, accessible services, and quality homes that people want to live in".

As part of this **Hackney Homes** is committed to improving its service through sound investment and effective management of resources, keeping our residents, staff and partners at the heart of what we do. The resultant Business Objectives can be summarised as:

- Providing excellent, accessible services
- Delivering modern homes
- Running **Hackney Homes** well
- Helping to improve neighbourhoods.

It is important to reflect and learn from our experiences as a relatively new organisation. Although proud of our successes, we acknowledge that there is still some way to go if we are to meet the aspirations of our stakeholders including residents. As such, our refreshed **values** re-affirm our commitment as an organisation to Hackney as a place to live and work, to our customers, partners and staff.

# Hackney Homes Limited (Company Limited by Guarantee)

## Chair's Statement 31 March 2008

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These are:

- Orienting services to the needs of tenant and leaseholders,
- Being honest and open with tenants, leaseholders, staff and partner agencies with whom we work,
- Meeting our service promises whilst remaining cost conscious,
- Seeking and respecting the views and ideas on services and investment of tenants, leaseholders, staff and partner agencies,
- Taking pride in Hackney as a place to live and work.

### Performance

The Audit Commission Inspection in April 2008 culminated in **Hackney Homes** being assessed as providing a fair 'one-star' service to customers with promising prospects for improvement. A requirement of **Hackney Homes** being able to access additional Decent Homes Funding of £225 million is that we obtain a "two-star" rating. Though disappointing, we have reviewed our strengths and weaknesses and look forward with renewed confidence to the forthcoming November 2008 inspection.

#### General Position

We are embarking on a programme of detailed service planning for all parts of the Organisation and targets will be set and published for right up to 2011. Improvements achieved in core areas will role into providing the foundation for development going forward.

A key component of the Audit Commission's assessment framework is Best Value Performance Indicators (BVPI's). Within these, highlights include:

- The core performance target for BVPI 66a (rent collection) at 98.13% places **Hackney Homes** in the top quartile for arrears collection by local authorities and ALMO s.
- Top quartile performance in the management of empty homes with re let periods down to 21 days.
- 98% of repair appointments made and kept;
- The gas servicing programme is 99% complete.

#### Rent Collection and Arrears

Since **Hackney Homes** came into existence, levels of rent arrears have shown a consistently downward trend with a reduction of £320,000 in March 2008 alone. By the year end the gross arrears target of £5.27 million had almost been met and the BVPI collection target of 97.5 % exceeded by achieving 98.13%. Notwithstanding these improved collection rates, we have also seen declining numbers of evictions and placed a greater emphasis on qualitative concerns such as directing resources aimed at personal contact with residents.

#### Empty Properties

**Hackney Homes'** performance for re letting empty homes continues at top quartile levels with an end of year achievement of 21 days and a March 2008 figure of just 17 days average re let time. Performance in this area amongst tenant management organisations has also improved, though the end of year total is less satisfactory due to poor performances earlier in the year. Overall however, this remains an area of strength for **Hackney Homes** and one with close working links between housing management partners and property maintenance staff.

# Hackney Homes Limited (Company Limited by Guarantee)

## Chair's Statement 31 March 2008

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### Repairs

**Hackney Homes'** overall Property Services and Asset Management Division continues to perform well. There have been strong performances from the reactive repairs service with 97 % of urgent repairs completed within government timescales and 98 % of repairs appointments being kept. With regards to our Decent Homes Programme, since the inception of **Hackney Homes**, by the end of March 2008, more than 6,000 homes have been made decent with core repairs and improvement packages completed for both the internal and external fabric of dwellings. Whilst clearly the balance of the Programme will be determined by the outcome of the Audit Commission Inspection, the progress to date remains robust.

### Customer care

Performance on telephone answering whilst requiring further work has shown some improvement during the year from 80% of external calls being answered at the start of the year to 85 % by the year end. Complaints handling continues to be a high priority with most service areas showing end of year response rates at 90 % or more for responses done on time. More detailed investigations continue to take longer and key challenges remain for resolving as many complaints as possible at the Stage 1 point, thereby reducing the numbers of complaints progressing to the later stages. With regards to Ombudsman Complaints, there have been no cases of maladministration during the 2007/08 financial year.

### Value for Money

**Hackney Homes'** achieves Value for Money through a range of initiatives designed to improve income collection and reduce costs. Savings or additional income of £3.6 million have been made with the main areas impacted being:

- Targets set for increasing overall rent collection and collection of former tenants' arrears were met with the Board taking an active role in improving Neighbourhood performance.
- Leasehold Service Charge collection exceeded the target;
- Leasehold Major Works Charge collection exceeded the target; and
- Effective procurement has significantly reduced Neighbourhood Management costs;

We are determined to continue with improving our performance against the targets we set ourselves and to become one of the top performing housing organisations. We want to continue improving resident satisfaction with our services. This will be done by, investing in our information technology systems – Project Excellence will be a key driver of future performance and organisational change; focusing on our cost base and delivering enhanced and increasingly responsive services to our customers.

Financially our performance has been in line with expectations. By rigorous financial management and performance monitoring we have achieved our objective to break even for the year.

We recognise the tremendous contribution made by employees to the many achievements made in the year and look forward with confidence to 2008/09 and beyond to build upon our performance and to ensure that we continue providing excellent services for our residents.

Rupert Tyson 

Chair Hackney Homes Board

Dated: 

# Hackney Homes Limited (Company Limited by Guarantee)

## Directors' Report 31 March 2008

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The Board is pleased to present its report and the audited financial statements of the Company for the year ended 31 March 2008.

### Principal Activities

**Hackney Homes Limited** ("Hackney Homes") is a local authority controlled company whose sole member is Hackney Council. It was incorporated on 29 December 2005 as a private company limited by guarantee under the Companies Act 1985 with no share capital. It remained dormant until 31 March 2006, receiving no income and incurring no expenses.

On 1 April 2006, the housing management activities of Hackney Council were transferred to **Hackney Homes** and it commenced trading by way of its principal activity of property management services. These accounts are for the second year of trading.

### Review of Results

Total income for the year was £39.1 million. This was made up of the management fee for 2007/08 of £36.6 million, £2.3 million of other operating income from other activities and £0.2 million of bank interest received. Under the Management Agreement with Hackney Council, **Hackney Homes** receives a management fee to carry out the business of managing and maintaining the housing stock on behalf of Hackney Council. This is included in the Profit and Loss Account as "Turnover".

The financial statements have been prepared in accordance with the requirements of FRS17. The impact of this is to move from break-even, to a notional accounting profit of £72,000. This profit is caused by the different valuation bases used by the actuaries compared with the FRS17 valuation. This leads to the FRS17 charge to the Profit and Loss Account of £4.3 million being different to the actual contributions of £3.7 million, offset by investment returns of £0.7 million and is an accounting adjustment.

The figures below **exclude the impact of FRS17**.

Staff costs associated with delivering front line services are included in cost of sales at £27.2 million. The Other Operating Income of £2.3 million relates to work carried out for housing associations and other Hackney Council departments with no associated profit.

The balance of expenditure (excluding interest) of £11.9 million is on administrative expenses.

As part of the Management Agreement with Hackney Council, **Hackney Homes** continuously seeks to improve the efficiency of the services it provides. Any surpluses after tax will be transferred to the accumulated reserves of Hackney Council's Housing Revenue Account (HRA) and may then be used to finance service improvements with the agreement of Hackney Council.

As at 31 March 2008 Hackney Council owes **Hackney Homes** a net amount of £300,000. This is made up of the inter-company balance owed to Hackney Council of £2.9 million, offset by Trade Debtors due from Hackney Council of £2.8 million.

### Risks and Uncertainties Facing the Company

The principal risk facing the Company has not changed and is that dependent on performance, Hackney Council has the option of terminating the Management Agreement for delegating management of its housing stock.

The Company's risk management procedures are currently in line with those of Hackney Council. As part of this and our own internal control procedures, a Risk Register is maintained of all the material risks impacting on the Company which is reviewed at the monthly Audit and Finance Committee meetings.

# Hackney Homes Limited (Company Limited by Guarantee)

## Directors' Report 31 March 2008

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### Insurance

The Company maintains insurance policies for members of the Board, the Management Team and other employees against liabilities in relation to the Company.

### Employee Involvement

**Hackney Homes** is committed to involvement and excellent communications with its staff. To support this, **Hackney Homes** recognises a number of trade unions representing the staff, and the **Hackney Homes** Joint Committee includes trade union membership. This provides a mechanism for formal negotiation and consultation with staff and trade unions on significant matters affecting the Company.

**Hackney Homes** has a documented Equal Opportunities Strategy, Policy and action plan covering service delivery, access, facilities and employment. **Hackney Homes** works in partnership with Hackney Council in its *Hackney Diversity in Employment forum* and has its own *Equality and Diversity group* with key stakeholders including the recognised Trade Unions.

The new Equality Bill will bring in a single positive Equality duty and in addition the Equality standard for local government provides a framework for **Hackney Homes** to demonstrate best practice. Performance monitoring, Equality Impact assessments and training of staff are monitored by **Hackney Homes** Executive Team and the Board. Established support programmes are in place for staff including "Carefirst" and "Workstep (Disability support)". These also include monitoring of recruitment of disabled applicants to ensure awareness, access of opportunity and to address barriers. **Hackney Homes** business, delivery and local service plans and Board reports address relevant performance and impact for Equalities and Diversity.

### Directors' Retirement Provisions

In accordance with the Articles of Association, at the next annual general meeting two tenant Board members and one independent Board member shall retire, in rotation as set out in the articles of association. To maintain continuity, retiring members shall, if willing, be deemed to be re-appointed.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the Directors to prepare accounts for each period which 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 accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Hackney Homes Limited (Company Limited by Guarantee)

## Directors' Report 31 March 2008

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The Directors are responsible for preparation of the Directors' report and other information contained in the Annual Report. They are also responsible for the maintenance and integrity of the **Hackney Homes website**; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Political Contributions

The Company made no contributions to political organisations in 2007/08.

### Charitable Contributions

The Company made no contributions over £200 to charitable organisations in 2007/08.

### Disclosure of information to Auditor

At the date of making this report each of the Company's Directors, as set out on page 2, confirm the following:

- In so far as each Director is aware, there is no relevant information needed by the Company's auditor in connection with preparing its report of which the Company's auditor is unaware.
- Each Director has taken all the steps that he or she ought to have taken as a Director in order to make them aware of any relevant information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

### Auditor

Baker Tilly UK Audit LLP has indicated its willingness to continue in office and a resolution for its re-appointment will be put to the annual general meeting.

The report of the Board was approved by the Board on 18<sup>th</sup> August 2008 and signed on its behalf by:

Rupert Tyson  
Chair Hackney Homes Board  
Dated: 18/08/08

Neil Isaac  
Company Secretary  
Date: 18 / August / 08

# Hackney Homes Limited (Company Limited by Guarantee)

## Statement on Internal Control

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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 management of risks that are significant to the fulfilment of our business objectives;
- The maintenance of proper accounting records; and
- The safeguarding of company assets against unauthorised use or disposal.

It is the Board of Directors' responsibility to establish and maintain systems of internal control. Such systems are designed to manage and provide reasonable but not absolute assurance against material financial misstatement or loss. The system of internal control includes the following key elements:

- Formal policies and procedures, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring and evaluation of controls and restrict the unauthorised use of the Company's assets;
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual employee development review procedures have been established to maintain and improve standards of performance;
- Regular internal audit to undertake reviews on the effectiveness of internal controls;
- The establishment of written policies and procedures and a scheme of delegated authorities designed to ensure that proper accounting records are maintained;
- A risk management framework in which priority risks are reviewed by the Board and Management Team;
- 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 timely, 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. This provides assurance that control procedures are in place and being followed and an internal audit programme is in place to review, appraise and report upon the adequacy of internal controls. Any actions necessary to correct weaknesses identified by internal or external audit are incorporated into the service plan agreed by the Board. This is monitored by the Audit and Finance Committee.
- A full range of insurance including fidelity guarantee is in place to safeguard assets.

During the year management has received regular reports from the internal auditors covering the effectiveness of the systems of operational and financial controls. On behalf of the Board, management has reviewed the effectiveness of systems of internal control in existence for the year ended 31 March 2008. No weaknesses were found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditors' report on the financial statements. The Board of Directors is satisfied that this remains the case up to the signing of these documents.

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 when the financial statements are prepared other than on the basis that the Company is a going concern.

# **Hackney Homes Limited (Company Limited by Guarantee)**

## **Independent Auditor's Report to the Member of Hackney Homes Limited**

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We have audited the financial statements on pages 12 to 24.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Administrative Information, Chair's Statement, Directors' Report and Statement on Internal Control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Hackney Homes Limited (Company Limited by Guarantee)

## Independent Auditor's Report to the Member of Hackney Homes Limited

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### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2008 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Registered Auditor  
Chartered Accountants  
First Floor  
46 Clarendon Road  
Watford, Herts  
WD17 1JJ

*12 September 2008*

## Hackney Homes Limited (Company Limited by Guarantee)

### Profit and Loss Account For the Year Ended 31 March 2008

	Note	Excluding FRS17 Adjustments	2008 FRS 17 Adjustments	Total for the Year	Excluding FRS17 Adjustments	2007 FRS 17 Adjustments	Total for the Year
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	1.	36,644	-	36,644	37,063	-	37,063
Cost of sales	2.	(27,229)	(549)	(27,778)	(28,560)	(992)	(29,552)
<b>Gross Profit/(Loss)</b>		<u>9,415</u>	<u>(549)</u>	<u>8,866</u>	<u>8,503</u>	<u>(992)</u>	<u>7,511</u>
Other operating income	3.	2,299	-	2,299	2,540	-	2,540
Administrative expenses		(11,941)	(118)	(12,059)	(11,237)	(165)	(11,402)
<b>Operating (Loss)</b>	4.	<u>(227)</u>	<u>(667)</u>	<u>(894)</u>	<u>(194)</u>	<u>(1,157)</u>	<u>(1,351)</u>
Interest receivable	5.	239	739	978	201	413	614
Interest payable	6.	(12)	-	(12)	(7)	-	(7)
<b>Profit/(Loss) on ordinary activities before taxation</b>		<u>-</u>	<u>72</u>	<u>72</u>	<u>-</u>	<u>(744)</u>	<u>(744)</u>
Taxation	14.	-	-	-	-	-	-
<b>Profit/(Loss) on ordinary activities after taxation for the financial year</b>	16.	<u>-</u>	<u>72</u>	<u>72</u>	<u>-</u>	<u>(744)</u>	<u>(744)</u>

The results are wholly attributable to the Company's principal activities which are continuing.

The notes on pages 18 to 24 form part of these statements.

## Hackney Homes Limited (Company Limited by Guarantee)

### Statement of Total Recognised Gains and Losses For the Year Ended 31 March 2008

	2008			2007			
	Note	Excluding FRS17 Adjustments	FRS 17 Adjustments	Total for the Year	Excluding FRS17 Adjustments	FRS 17 Adjustments	Total for the Year
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Retained Profit/(Loss) for the year</b>	7.	-	72	72	-	(744)	(744)
<b>Pension Scheme Gains and Losses:</b>							
Actual return less expected return on pension scheme assets		-	(6,201)	(6,201)	-	1,251	1,251
Experience gains and losses arising on scheme liabilities		-	(12)	(12)	-	11	11
Changes in assumptions underlying the present value of scheme liabilities		-	16,276	16,276	-	4,433	4,433
<b>Actuarial Gain/(Loss) in Pension Scheme</b>	16.	-	10,063	10,063	-	5,695	5,695
FRS17 Pension Deficit on transfer of business	7.	-	-	-	-	(8,809)	(8,809)
<b>Total Recognised Gain/(Loss) Relating to the Financial Year</b>		-	10,135	10,135	-	(3,858)	(3,858)

# Hackney Homes Limited (Company Limited by Guarantee)

## Balance Sheet As at 31 March 2008

	Note	Excluding FRS17 Adjustments £'000	2008 FRS17 Adjustments £'000	As at 31 March 2008 £'000	Excluding FRS17 Adjustments £'000	2007 FRS17 Adjustments £'000	As at 31 March 2007 £'000
<b>Current assets</b>							
Debtors	10.	3,503	-	3,503	4,727	-	4,727
Cash at bank and in hand	11.	1,828	-	1,828	2,879	-	2,879
		<u>5,331</u>	<u>-</u>	<u>5,331</u>	<u>7,606</u>	<u>-</u>	<u>7,606</u>
<b>Creditors: Amounts falling due within one year</b>	12.	(5,251)	-	(5,251)	(7,526)	-	(7,526)
<b>Net Current Assets</b>		<u>80</u>	<u>-</u>	<u>80</u>	<u>80</u>	<u>-</u>	<u>80</u>
Provisions for liabilities and charges	13.	(80)	-	(80)	(80)	-	(80)
<b>Net Assets Excluding Pension Liabilities</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pension surplus/(deficit)	20.	-	6,277	6,277	-	(3,858)	(3,858)
<b>Net Assets Including Pension Surplus/(Deficit)</b>		<u>-</u>	<u>6,277</u>	<u>6,277</u>	<u>-</u>	<u>(3,858)</u>	<u>(3,858)</u>
<b>Capital and reserves</b>							
Profit and loss account:							
Excluding pension scheme surplus	16.	-	72	72	-	-	-
Pension scheme surplus/(deficit)		-	6,205	6,205	-	(3,858)	(3,858)
<b>Member's Funds</b>		<u>-</u>	<u>6,277</u>	<u>6,277</u>	<u>-</u>	<u>(3,858)</u>	<u>(3,858)</u>

These financial statements on pages 12 to 24 were approved and authorised for issue by the Board of Directors on 18<sup>th</sup> August 2008 and were signed on its behalf by:

Rupert Tyson  
Chair Hackney Homes Board  
Dated: 18 August 08

Neil Isaac  
Company Secretary  
Date: 18 August 2008

## Hackney Homes Limited (Company Limited by Guarantee)

### Cash Flow Statement For the Year Ended 31 March 2008

	Note	2008 Total for the Year £'000	2007 Total for the Year £'000
<b>Reconciliation of operating profit to net cash flow from operating activities:</b>			
Operating Profit/(Loss) – before interest received.		(894)	(1,351)
Decrease/(Increase) in debtors		1,224	(4,727)
Increase/(Decrease) in creditors		(2,275)	7,526
(Decrease)/Increase in provisions			80
Difference between contributions paid and the FRS17 pension charge	20.	667	1,157
<b>Net cash inflow from operating activities</b>		<b>(1,278)</b>	<b>2,685</b>
<b>Cash flow statement</b>			
Net cash flow from operating activities		(1,278)	2,685
Returns on investments and servicing of finance:			
Interest receivable	5.	239	201
Interest payable	6.	(12)	(7)
<b>Cash inflow before management of liquid resources and financing</b>		<b>(1,051)</b>	<b>2,879</b>
Movement in liquid resources		1,040	(3,100)
<b>Decrease in cash during the year</b>		<b>(11)</b>	<b>(221)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at beginning of year		2,879	-
Decrease in cash in the year		(11)	(221)
Increase in liquid resources		(1,040)	3,100
<b>Closing funds at 31 March 2008</b>	17.	<b>1,828</b>	<b>2,879</b>

# Hackney Homes Limited (Company Limited by Guarantee)

## Accounting Policies

For the year ended 31 March 2008

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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 accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The Company has adopted FRS17 "Retirement benefits" in these financial statements and chosen not to include the amendments to the disclosure requirements which will not take effect until accounting periods beginning on or after 6 April 2007.

The Directors have considered the impact of FRS17 on the going concern status of the Company. As FRS 17 reporting requirements do not have any impact on the Company's ability to meet debts as they fall due, and the pension costs are met by the management fee, the Directors are satisfied that the Company is a going concern.

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

### Turnover and Other Operating Income

Turnover represents property management fees and associated income. Other operating income comprises cost recoveries for work carried out for housing associations and other Hackney Council departments, with no associated profit.

Turnover and other operating income are stated net of Value Added Tax. Management fees are recognised on a time apportioned basis and other operating income is recognised on the basis of work done.

### Fixed Assets and Depreciation

The Company owns no fixed assets. Hackney Council owns or leases, all buildings, plant, equipment, furniture and ICT hardware. When the Company was first incorporated, an agreement stating this was made between the Company and Hackney Council. The Company is not required to pay any rent, lease or hire charge for the use of these fixed assets.

### Pensions

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

The defined benefit scheme is funded, with the assets held separately from the Company in separate trustee administered funds. For **Hackney Homes** the fund is administered by Hackney Council. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. Under FRS17, the pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the Company has a legal or constructive obligation to settle the liability.

# **Hackney Homes Limited (Company Limited by Guarantee)**

## **Accounting Policies**

**For the year ended 31 March 2008**

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### **Taxation**

The tax status of **Hackney** Homes Limited is such that transactions with Hackney Council since the inception of **Hackney** Homes Limited in December 2005 lack the necessary element of commerciality to amount to trading and are therefore not subject to tax. Only profit as a result of commercial trading activities with third parties is taxable.

Full provision is made for any taxation due; provision is made for deferred tax arising on any temporary timing differences between accounting profits and taxable profits.

### **Cash and Liquid Resources**

Cash for the purpose of the cash flow statement, comprises cash in hand, deposits repayable on demand, less overdrafts payable on demand. Liquid resources represent balances on deposit that are readily available to the Company.

### **Provisions**

Provisions are made for obligations that have arisen at the balance sheet date which are expected to give rise to a transfer of obligations, the timing and quantum of which are subject to uncertainties.

A provision has been made for unsettled employment tribunal claims of the Company.

# Hackney Homes Limited (Company Limited by Guarantee)

## Notes to the Financial Statements For the year ended 31 March 2008

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### Comparatives and FRS17

This is **Hackney Homes**' second year of trading. Where appropriate, adjustments to the Financial Statements caused by FRS17 have been shown separately.

#### 1. Analysis of Turnover

Turnover is wholly attributable to the principal activities of the Company and arises solely within the United Kingdom. It is shown net of Value Added Tax for goods and services provided to third parties.

	Year Ended 31 March 2008 £'000	Year Ended 31 March 2007 £'000
Management Fee paid by Hackney Council in respect of Housing Management and Support Services	36,644	37,063

#### 2. Cost of Sales

Cost of sales is made up of costs associated with delivering front line services. In the main these relate to staffing costs for the Housing and Property Services Directorates.

#### 3. Other Operating Income

Other operating income relates to work carried out for other Hackney Council departments and housing associations with no associated profit.

#### 4. Operating (Loss)

Operating loss is stated after charging:

	Year Ended 31 March 2008 £'000	Year Ended 31 March 2007 £'000
Auditor's Remuneration - for audit services	38	33
Auditor's Remuneration - for other services	125	64

The other services relate to business process improvement consultancy.

# Hackney Homes Limited (Company Limited by Guarantee)

## Notes to the Financial Statements For the year ended 31 March 2008

### 5. Interest Receivable

	Excluding FRS 17 Adjustments	2008 FRS17 Adjustments	Total for the year ended 31 March 2008	Excluding FRS 17 Adjustments	2007 FRS17 Adjustments	Total for the year ended 31 March 2007
	£'000	£'000	£'000	£'000	£'000	£'000
Interest was received on :						
Bank Deposits	189	-	189	201	-	201
Construction Industry Scheme FRS17 pension scheme interest:	50	-	50	-	-	-
Expected return on pension scheme assets	-	4,060	4,060	-	3,246	3,246
Interest pension scheme liabilities	-	(3,321)	(3,321)	-	(2,833)	(2,833)
	<u>239</u>	<u>739</u>	<u>978</u>	<u>201</u>	<u>413</u>	<u>614</u>

### 6. Interest Payable

	Year Ended 31 March 2008	Year Ended 31 March 2007
	£'000	£'000
Bank interest	12	7

### 7. Statement of Total Recognised Gains and Losses

Differences between the pension assumptions and valuation bases used by the actuary and FRS17 lead to accounting adjustments. These include a profit for the year of £72,000 (loss of £744,000 for 06/07) and an opening pension liability of £8.809 million. This liability was transferred into **Hackney Homes** on the commencement of trading and no consideration was paid in relation to this, as no physical assets or liabilities were acquired other than a pension scheme which was fully funded on an actuarial basis. The opening balance on an FRS 17 basis was written off on transfer through the Statement of Total Recognised Gains and Losses.

### 8. Employees

The average number of people employed by the Company during the year, analysed by category was:

	Year Ended 31 March 2008	Year Ended 31 March 2007
Director's Office	3	3
Housing Services	239	252
Property Services	381	381
Finance and Resources	62	60
Woodberry Down	18	20
	<u>703</u>	<u>716</u>

# Hackney Homes Limited (Company Limited by Guarantee)

## Notes to the Financial Statements For the year ended 31 March 2008

The staff costs of these persons were as follows:

	Year Ended 31 March 2008	2008 FRS17 Adjustments	Year Ended 31 March 2008 – adjusted	Year Ended 31 March 2007	2007 FRS17 Adjustments	Year Ended 31 March 2007 – adjusted
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	21,936	-	21,936	21,004	-	21,004
Social security costs	2,653	-	2,653	1,738	-	1,738
Pensions	3,666	667	4,333	3,546	1,157	4,703
Other costs	-	-	-	936	-	936
<b>Total</b>	<b>28,255</b>	<b>667</b>	<b>28,922</b>	<b>27,224</b>	<b>1,157</b>	<b>28,381</b>

Total pension costs comprise current service costs of £3.865 million (£4.588 million for 06/07), past service costs of £0.343 million (nil for 06/07) and the impact of curtailments and settlements of £0.125 million (£0.115 million for 06/07).

### 9. Directors

The Directors are defined as being the members of the Board of **Hackney Homes Limited**. None of the Directors received any remuneration or taxable benefits and none were members of the pension scheme. They are entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members.

### 10. Debtors: Amounts falling due within one year

	Year Ended 31 March 2008 £'000	Year Ended 31 March 2007 £'000
Trade Debtors – due from Hackney Council Construction Industry Scheme	2,822	1,841
Other Debtors	-	2,716
	681	170
<b>Total</b>	<b>3,503</b>	<b>4,727</b>

### 11. Cash at bank and in hand

	Year Ended 31 March 2008 £'000	Year Ended 31 March 2007 £'000
Bank Overdraft	(234)	(244)
Cash Held on Deposit	2,060	3,100
Insurance Escrow Balance	-	21
Petty Cash	2	2
<b>Total</b>	<b>1,828</b>	<b>2,879</b>

# Hackney Homes Limited (Company Limited by Guarantee)

## Notes to the Financial Statements For the year ended 31 March 2008

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### 12. Creditors: Amounts falling due within one year

	Year Ended 31 March 2008 £'000	Year Ended 31 March 2007 £'000
Trade Creditors	92	146
Other Taxation and Social Security	810	1,066
Accruals and Deferred Income	949	5,210
Inter Company Balance with Hackney Council	2,895	666
Other Creditors	505	438
Total	<u>5,251</u>	<u>7,526</u>

### 13. Provisions for liabilities and charges

	Year Ended 31 March 2008 £'000	Year Ended 31 March 2007 £'000
At beginning of the year	80	-
Utilised during year	(45)	-
Charge to the profit and loss for the year	45	80
At end of the year	<u>80</u>	<u>80</u>

The above provision relates to unsettled employment tribunals as at 31 March 2008.

### 14. Taxation

In line with other ALMOs **Hackney** Homes Limited activities with Hackney Council do not amount to trading for Corporation Tax purposes. This is on the basis of guidance issued by HM Revenue & Customs - BIM58210 – Grant aided bodies: arms length management organisations. This states “the arrangements that we have seen, between an ALMO and its Hackney Council member lack the necessary level of commerciality to amount to trading”.

When dealing with an ALMO, provided its Memorandum and Articles of Association and arrangements are in line with this, any surpluses arising and similarly any losses, are therefore outside the scope of Corporation Tax.

The Directors have therefore prepared the accounts on the basis of non trading status and the Company will only be liable to Corporation Tax on its activities with third parties. In the year under review, trading with third parties gave rise to neither a profit nor a loss and no taxation arises.

### 15. Share capital

The Company is limited by guarantee and does not have any share capital. The liability of the member to contribute to any deficiency of assets is £1.

The member has no rights to the income or assets of the Company except on winding up.

# Hackney Homes Limited (Company Limited by Guarantee)

## Notes to the Financial Statements For the year ended 31 March 2008

### 16. Profit and Loss Account

	Profit and Loss Account Excluding Pension Asset £'000	2008 Pension Reserve £'000	Total Member's Capital and Reserves £'000	Profit and Loss Account Excluding Pension Liability £'000	2007 Pension Reserve £'000	Total Member's Capital and Reserves £'000
At beginning of the year	-	(3,858)	(3,858)	-	-	-
Retained Profit/(Loss) for the year	-	72	72	-	(744)	(744)
Other recognised gains and losses:						
Net actuarial gains/(losses)	-	10,063	10,063	-	(3,114)	(3,114)
At end of the year	-	6,277	6,277	-	(3,858)	(3,858)

### 17. Analysis of net funds

	At 1 April 2007 £'000	Cash Flow £'000	At 31 March 2008 £'000
Deposits	3,100	(1,040)	2,060
Insurance escrow bank account	21	(21)	-
Petty cash	2	-	2
Bank overdraft	(244)	10	(234)
Cash in hand at bank	2,879	(1,051)	1,828

### 18. Ultimate controlling body

The Company is a wholly owned subsidiary undertaking of Hackney Council, a local authority. No one party controls the Company as, under the Memorandum and Articles of Association, Hackney Council can only appoint one third of the board, with the balance of Directors being drawn from Hackney Council tenants (including leaseholders) and members of the wider community.

The largest group in which the results of the Company are consolidated is that headed by Hackney Council, whose consolidated accounts are available to the public and may be obtained from the Hackney Council website on [www.Hackney.gov.uk](http://www.Hackney.gov.uk) or by e-mailing Tim Hannam – Interim Director of Finance on [Tim.Hannam@Hackney.gov.uk](mailto:Tim.Hannam@Hackney.gov.uk)

# Hackney Homes Limited (Company Limited by Guarantee)

## Notes to the Financial Statements For the year ended 31 March 2008

### 19. Related party disclosures

**Hackney Homes** has related party transactions with Hackney Council, to which Management fees are invoiced. Hackney Council also provides Legal, ICT, HR and other services to **Hackney Homes** to the value of £2.3 million (£2.8 million for 06/07).

The balance owed by Hackney Council as at the year end equalling the maximum balance outstanding during the year is shown in note 10. The amount owed by Hackney Homes to Hackney Council as at the year end is shown in note 12. These balances are repayable on normal commercial terms and do not bear interest.

All fixed assets used by **Hackney Homes** are owned or leased by Hackney Council. No charge is made in respect of them.

### 20. Retirement Benefits

The Company is a scheduled body of Hackney Council's Local Government Pension Scheme, a funded defined benefit scheme. A full actuarial valuation of the fund was undertaken at 31 March 2007 for the purpose of setting employers' actual contributions. The agreed rate for 2008/09 for the employer is 19.1%.

The assumptions and net assets and liabilities of the element of the scheme relating to the Company were:

Assumptions as at:		31 March 2008	31 March 2007	1 April 2006		
		p.a	p.a	p.a.		
Rate of inflation		3.6%	3.2%	3.1%		
Rate of increase in salaries		5.1%	4.7%	4.6%		
Rate of increase in pensions		3.6%	3.2%	3.1%		
Discount rate		6.9%	5.4%	4.9%		

  

Assets (employer)	Long Term Return at 31 March 2008	Assets at 31 March 2008	Long Term Return at 31 March 2007	Assets at 31 March 2007	Long Term Return at 1 April 2006	Assets at 1 April 2006
	% p.a	£'000	% p.a	£'000	% p.a	£'000
Equities	7.7%	46,139	7.8%	39,442	7.4%	33,382
Bonds	5.7%	9,043	4.9%	6,319	4.6%	6,027
Property	5.7%	8,780	5.8%	7,557	5.5%	6,027
Cash	4.8%	3,151	4.9%	2,160	4.6%	928
<b>Total</b>	<b>7.0%</b>	<b>67,113</b>	<b>7.1%</b>	<b>55,478</b>	<b>6.7%</b>	<b>46,364</b>

  

Net Pension asset/(liability) as at:	31 March 2008	31 March 2007	1 April 2006
	£'000	£'000	£'000
Estimated employer assets	67,113	55,478	46,364
Present value of scheme liabilities	(60,836)	(59,336)	(55,173)
<b>Net pension asset/(liability)</b>	<b>6,277</b>	<b>(3,858)</b>	<b>(8,809)</b>

# Hackney Homes Limited (Company Limited by Guarantee)

## Notes to the Financial Statements For the year ended 31 March 2008

Movement in (Deficit)/Surplus during the year	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000
Surplus/(Deficit) arising at 1 April 2007 / on transfer of undertaking	(3,858)	(8,809)
Current service cost	(3,865)	(4,588)
Employer contributions	3,666	3,546
Past service costs	(343)	-
Impact of settlements and curtailments	(125)	(115)
Net return on assets	739	413
Actuarial gains	10,063	5,695
<b>Surplus/(Deficit) in scheme at end of the year</b>	<b>6,277</b>	<b>(3,858)</b>

### History of Experience Gains and Losses

	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000
Difference between the expected and actual return on assets	(6,201)	1,251
Value of assets	67,113	55,478
<b>Percentage of scheme assets</b>	<b>(9.2)%</b>	<b>2.3%</b>
Experience gains/(losses) on liabilities	(12)	11
Total present value of liabilities	60,836	59,336
<b>Percentage of the total present value of scheme liabilities</b>	<b>0.0%</b>	<b>0.0%</b>
Actuarial gains recognised in STRGL	10,063	5,695
Total present value of liabilities	60,836	59,336
<b>Percentage of the total present value of scheme liabilities</b>	<b>16.5%</b>	<b>9.6%</b>

### 21. Transfer of business undertaking

On 1 April 2006, **Hackney Homes** took over the management of Hackney Council's housing stock. At that date, the staff involved in providing this service, were transferred to the Company's employment. Certain staff also transferred their pension rights accrued to that date to **Hackney Homes Limited's** pension scheme (see note 20). The transfer was fully funded on an actuarial basis; however on an FRS 17 basis, a deficit arose of £8.809 million. This was written off on transfer via the statement of total recognised gains and losses.

No consideration was paid for the transfer of business.