Registered number: 02987890

Leathermarket Joint Management Board

(A company limited by guarantee)

Directors' report and financial statements

For the year ended 31 March 2016

Leathermarket Joint Management Board
(A company limited by guarantee)

Company Information

Directors	Peter Coulthard Jean Ellen Davies George Ronald Grime Sarah Hatchard Cormac Hollingsworth Nigel David Koch John Lynch John Paul Maytum Paul Charles Munday Afolahan Ogunkola Christine Parsons Jackie Scorer Sean Jeanette
Company secretary	Andrew Bates
Registered number	02987890
Registered office	26 Leathermarket Street Bermondsey London SE1 3HN
Independent auditors	Kreston Reeves LLP Chartered Accountants & Statutory Auditor Third Floor 24 Chiswell Street London EC1Y 4YX

Leathermarket Joint Management Board
(A company limited by guarantee)

Contents

Leathermarket Joint Management Board
(A company limited by guarantee)

Directors' report
For the year ended 31 March 2016

The directors present their report and the financial statements for the year ended 31 March 2016.

Principal activity

The company's principal activity during the year was the management and administration of land and properties on the Leathermarket Estates.

Directors

The directors who served during the year were:

Peter Coulthard
Jean Ellen Davies
George Ronald Grime (Co-opted for housing management experience)
Sarah Hatchard
Cormac Hollingsworth (Co-opted for housing management experience)
Nigel David Koch
John Lynch
John Paul Maytum
Paul Charles Munday (Co-opted for housing management experience)
Afolahan Ogunkola
Christine Parsons
Diane Rutter (resigned 23 October 2015)
Jackie Scorer
Sean Jeanette (appointed 23 October 2015)

How the JMB performed financially in 2015/16

2015/16 was a financially strong year for Leathermarket JMB. With difficult times ahead, the JMB continues to manage day-to-day expenditure carefully. This has enabled us to build up strong reserves, which puts us in good shape to face the challenges that are coming and to continue to accelerate our major works programme.

In 2015/16 we made a surplus of £1.1 million: almost 70% of this was made up of exceptional items. The underlying operational surplus from day-to-day income and expenditure was £301k.

The JMB aims to make surpluses on operational income and expenditure to enable directors to continue to release reserves in a sustainable way.

The top two priorities for directors in using reserves are major works and preparing carefully for the difficult financial pressures ahead.

Major works

As the JMB area has not benefitted from a large injection of external funding in the last twenty-five years catching up on the back-log of major works is a priority. Major works expenditure has increased by 50% in the three years since self financing:

2012/13	£1.45m	Last year before self financing
2013/14	£1.58m	9% increase
2014/15	£1.871m	18% increase
2015/16	£2.173m	16% increase

Total increase since 2012/13 50% increase

In 2016/17 the start of year budget for major works is £3.2 million. The challenge is to accelerate the delivery of major works, whilst retaining a focus on the quality of the work delivered.

Directors' report (continued)
For the year ended 31 March 2016

Works funded in 2015/16 include:
Meakin Estate external works
External works on Alleyn House, Middleton House, Kempe House and Beeston House;
Emergency lighting around the estates
Fire safety works on Greene House, Lyly House, Jonson House and Snowsfields

Works programmed for 2016/17 include:
Meakin Estate district heating renewal
Peveril House balcony repairs
Replacing front doors with high security doors across the remaining estates that have not already benefitted from this work, initially Meakin Estate, Elim Estate, Decima Street, Kempe House, Alleyn House & Middleton House.
Converting 102 & 103 Elim Estate bedsits into one two bedroom property
Converting the old shop on 5 Kipling Street into a new three bedroom property, possibly larger depending on planning permission

Preparing to face the difficult financial pressures ahead
The Government is implementing new legislation that will reduce the rental income for the JMB by an anticipated £1 million per year by 2020 below what was expected.

The big changes include:

Cut in rents
Tenants will welcome a cut in rents by 1% each year from 2016/17 until 2019/20. However Leathermarket JMB was expecting rents to rise by inflation plus 1%. In 2016/17 rent income is £110k lower than expected, growing to £745k less than anticipated by 2019/20. In actual £'s the JMB will be £222k worse off per year by 2019/20 before inflation is taken into account.

Welfare benefit reform
Working age tenants who receive benefits started to be moved to universal credit in January 2016. Instead of the JMB receiving housing benefit directly, all benefits are paid monthly in arrears to residents, who then have to pay their full rent to the JMB. This means there is a delay in when the JMB receives the money. For residents who struggle to manage their money the problem of keeping up with rent payments is made worse.

Right-to-buy
On average 6 JMB residents exercise their right-to-buy each year. For each right to buy property the JMB loses approximately £6,100 in rent, part offset by an average £1,100 leaseholder service charges and £800 major works contributions, meaning an average drop of £4.2k. The net loss to the JMB is £25k per year.

Right-to-buy 2
Government has passed legislation to force councils to sell their high value homes when tenants move out. This will fund right-to-buy for housing association tenants and some replacement of the social housing lost. As Leathermarket JMB is based in an area of high demand for homes, many of our properties are likely to be classed as high value. In the worst case scenario the JMB will not let a new tenancy again and up to 40 properties per year will be sold, losing the JMB an additional £168k per year.

Pay to Stay
Another strand of government legislation is to charge higher rent to households earning over £40,000 per year in London. This is the combined income of adults named in the tenancy agreement. Government will receive the additional rent, not the JMB.

Pay to Stay (continued)
The expected impact for such families is that there will be an increase in the number of right-to-buy applications from people affected where they meet the mortgage criteria. This is because they will be faced with the choice of either paying for a doubling or even tripling in their rent, or exercising the right-to-buy and getting a discount on the value of the property with mortgage payments similar or even lower than the new rent.

The JMB cannot predict how many JMB households will be affected.

Increased income from new leaseholders, part offsets the reduction in rental income
The JMB will collect more money from leaseholders as any sale will lead to a tenanted property becoming a new leasehold property. Additionally the JMB will no longer be obliged to fund tenanted repairs or collect rent, which will overtime reduce costs to the JMB. This will reduce the impact of the reductions in rent income by £1.9k per sale to a new leaseholder. Over time the JMB will have increasingly more leaseholders and fewer tenants.

The JMB needs to plan to manage with an overall drop in income. The main choices are to take on additional services to increase income or to reduce costs. The JMB is exploring a combination of both options.

Building reserves gives the JMB time to plan and implement changes whilst minimising the impact on residents. It also gives time to understand the real impact of Government legislation on JMB income before making major decisions on the way the JMB can deliver services for residents.

Thank you
Almost 99% of the income the JMB receives to deliver services comes directly from tenants and leaseholders. Especially as JMB income is cut, it is more important than ever that residents pay promptly. This ensures we can keep funding services and delivering major works. JMB tenants and leaseholders are amongst the best payers of rent and service charges in the country. Thank you. Please keep this up.

If tenants begin to get into difficulty, please talk to our rent team promptly. They will help ensure you have the benefits you are entitled to and put you in touch with other support organisations before your difficulties become more serious and get you into legal difficulties.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 Section 1A - Small Entities 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; 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 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.

Directors' report (continued)
For the year ended 31 March 2016

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Under section 487 of the Companies Act 2006, Kreston Reeves LLP will be deemed to have been reappointed as auditors) 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 20 October 2016 and signed on its behalf.

Andrew Bates
Secretary

Independent auditors' report to the members of Leathermarket Joint Management Board

We have audited the financial statements of Leathermarket Joint Management Board for the year ended 31 March 2016 which comprise of an Income and Expense Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) FRS 102 Section 1A - smaller entities "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 those accounts.

Independent auditors' report to the members of Leathermarket Joint Management Board (continued)

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.

Kreston Reeves LLP

Peter Hudson FCA (Senior Statutory Auditor)
for and on behalf of
Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
Third Floor
24 Chiswell Street
London
EC1Y 4YX

20 October 2016

Leathermarket Joint Management Board
(A company limited by guarantee)

Income and expenditure account
For the year ended 31 March 2016

	Note	2016 £	2015 £
Income	2	**7,744,551**	7,019,427
Direct costs		**(5,855,554)**	(5,560,149)
Gross surplus		**1,888,997**	1,459,278
Administrative expenses		**(788,799)**	(943,294)
Operating surplus	3	**1,100,198**	515,984
Interest receivable		**8,450**	8,255
Surplus on ordinary activities before taxation		**1,108,648**	524,239
Tax on interest receivable	6	**(1,690)**	(1,651)
Surplus for the financial year		**1,106,958**	522,588

There was no other comprehensive income for 2016 (2015: £NIL).

The notes on pages 10 to 15 form part of these financial statements.

Leathermarket Joint Management Board

(A company limited by guarantee)
Registered number: 02987890

Balance sheet
As at 31 March 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	7		**7,798**		11,959
Current assets					
Debtors: amounts falling due within one year	8	**1,539,869**		1,400,746	
Cash at bank and in hand		**2,602,297**		1,876,425	
		4,142,166		3,277,171	
Creditors: amounts falling due within one year	9	**(857,014)**		(1,103,138)	
Net current assets			**3,285,152**		2,174,033
Net assets			**3,292,950**		2,185,992
Capital and reserves					
Reserve fund	10		**583,640**		569,709
Income and expenditure account	10		**2,709,310**		1,616,283
			3,292,950		2,185,992

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - Small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 October 2016.

John Paul Maytum
Director

The notes on pages 10 to 15 form part of these financial statements.

Leathermarket Joint Management Board
(A company limited by guarantee)

Statement of changes in equity
For the year ended 31 March 2016

	Reserve fund	Income and expenditure account	Total equity
	£	£	£
At 1 April 2015	569,709	1,616,283	2,185,992
Profit for the year	-	1,106,958	1,106,958
Transfer to/from income and expenditure account	13,931	(13,931)	-
At 31 March 2016	583,640	2,709,310	3,292,950

Statement of changes in equity
For the year ended 31 March 2015

	Reserve fund	Income and expenditure account	Total equity
	£	£	£
At 1 April 2014	556,132	1,107,272	1,663,404
Profit for the year	-	522,588	522,588
Transfer to/from income and expenditure account	13,577	(13,577)	-
At 31 March 2015	569,709	1,616,283	2,185,992

The notes on pages 10 to 15 form part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2016

1. General information

The company is a company limited by guarantee, incorporated and domiciled in England & Wales. The principal place of business is the same as its registered office being 26 Leathermarket Street, Bermondsey, London, SE1 3HN. The company's principal activity during the year was the management and administration of land and properties on the Leathermarket Estates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 Section 1A - smaller entities.

2.2 Income

The company is entitled to an allowance, exclusive of Value Added Tax, equal to total rent collected. Income becomes due to the company when rent is collected and is therefore recorded on a cash basis.

Other Income

This is included in the income and expenditure account on a receivable basis for funded programmes and on an accruals basis in respect of projects not completed at the end of the financial year.

2.3 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 20% straight line
Furniture, fittings and equipment	- 20 - 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income and expenditure account.

2.4 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2. Accounting policies (continued)

2.5 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income and expenditure account.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Income and expenditure account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Interest income

Interest income is recognised in the Income and expenditure account using the effective interest method.

3. Operating surplus

The operating surplus is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets	**4,594**	8,990
Defined contribution pension cost	**28,505**	25,961

During the year, no director received any emoluments (2015 - £NIL).

4. Auditors' remuneration

	2016	2015
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**9,000**	8,900

5. Employees

The average monthly number of employees during the year was as follows:

	2016	2015
Administration and repairs	**41**	39

6. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on bank interest received for the year	**1,690**	1,651

Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 20% (2015 - 20%).

The company is a not for profit operation with any surplus made is reinvested in the properties of the members. Accordingly only investment income is taxable.

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

7. Tangible fixed assets

	Plant and machinery	Furniture, fittings and equipment	Total
	£	£	£
Cost			
At 1 April 2015	**31,989**	**210,637**	**242,626**
Additions	**1,628**	**644**	**2,272**
Disposals	**(12,619)**	**-**	**(12,619)**
At 31 March 2016	**20,998**	**211,281**	**232,279**
Depreciation			
At 1 April 2015	**22,153**	**208,514**	**230,667**
Charge for the year	**2,928**	**1,666**	**4,594**
Disposals	**(10,780)**	**-**	**(10,780)**
At 31 March 2016	**14,301**	**210,180**	**224,481**
Net book value			
At 31 March 2016	**6,697**	**1,101**	**7,798**
At 31 March 2015	9,836	2,123	11,959

8. Debtors

	2016	2015
	£	£
Trade debtors	**219,954**	205,425
Other debtors	**1,304,785**	1,147,078
Prepayments	**15,130**	48,243
	1,539,869	1,400,746

Notes to the financial statements
For the year ended 31 March 2016

9. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	**103,745**	664,189
Corporation tax	**1,690**	1,651
Taxation and social security	**447,749**	103,641
Other creditors	**26,414**	22,310
Accruals and deferred income	**277,416**	311,347
	857,014	1,103,138

10. Reserves

Income & expenditure account

The income & expenditure account comprises all current and prior period retained surpluses and deficits, less transfers to the reserve fund.

Reserve fund

The reserve fund holds a contingency amount in case of unexpected major works.

11. Company status

The company is a company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

12. Contingent liabilities

The company is involved in litigation relating to a party wall. Fees amounting to £150,000 could arise in the next financial year, and further legal fees amounting could be payable on conclusion of the litigation. No provision for these costs has been recognised at the balance sheet date as in the opinion of the directors the legal action being taken against the company will not be successful.

13. Pension commitments

The company operates a defined contribution group personal pension scheme.

The pension cost charge represents contributions payable by the company to the scheme and amounted to £50,127 (2015: £43,440). The outstanding contributions at the balance sheet date amounted to £1,307 (2015: £3,178).

14. Commitments under operating leases

At 31 March 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	**2,306**	15,810
Later than 1 year and not later than 5 years	**71,281**	33,645
Total	**73,587**	49,455

15. Related party transactions

The directors, who comprise the key management of the company, are not remunerated for their services.

The majority of directors are tenants or leaseholders of properties managed by the company, and all transactions are in accordance with normal trading terms.

16. Controlling party

The residents of the properties that the company manages are members of the company. The members have delegated control to the Directors who are deemed to be the controlling party.

17. Continuation ballot

Continuation of Leathermarket Joint Management Board is dependent on the continuation ballot in Autumn 2016. For the company to continue to manage the Leathermarket Estates, 60% of tenants (including leaseholders and absent leaseholders) must vote in favour. In the event the company is not re-elected, it will cease trading on 31 March 2017.

18. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

Leathermarket Joint Management Board
(A company limited by guarantee)

Detailed income and expenditure account
For the year ended 31 March 2016

	Note	2016 £	2015 £
Income		**7,744,551**	7,019,427
Cost of sales		**(5,855,554)**	(5,560,149)
Gross profit		**1,888,997**	1,459,278
Gross profit %		**24.4 %**	20.8 %
Less: overheads			
Administrative expenses		**(788,799)**	(943,294)
Operating profit	3	**1,100,198**	515,984
Interest receivable		**8,450**	8,255
Tax on surplus on ordinary activities		**(1,690)**	(1,651)
Profit for the year		**1,106,958**	522,588

Leathermarket Joint Management Board
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Schedule to the detailed accounts
For the year ended 31 March 2016

Income

	2016 £	2015 £
Net rent receivable	**6,265,412**	6,276,530
Leaseholder income	**455,532**	463,661
General income	**1,004,414**	248,330
Income from external contracts	**19,193**	30,906
	7,744,551	7,019,427

Cost of sales

	2016 £	2015 £
Planned and responsive repairs	**1,417,375**	1,357,233
Cleaning	**334,588**	312,083
Ground maintenance	**70,287**	65,918
Major works	**2,173,068**	1,871,653
Lifts	**57,981**	63,321
Rent collection costs	**122,661**	119,824
Court and legal fees	**70,488**	84,041
London Borough of Southwark costs	**1,470,416**	1,538,103
Estate costs	**138,690**	147,973
	5,855,554	5,560,149

Leathermarket Joint Management Board
(A company limited by guarantee)

Schedule to the detailed accounts
For the year ended 31 March 2016

Administration expenses

	2016 £	2015 £
Office staffing costs	**479,131**	480,171
Staff pension costs	**28,505**	25,961
Staff training	**8,255**	8,565
Directors' training	**7,015**	5,329
Office costs	**101,532**	105,322
Printing, postage and stationery	**18,890**	19,790
Auditors' remuneration	**9,000**	8,900
Grants and projects	**24,111**	27,736
Accountancy fees	**8,908**	9,818
Events	**8,778**	11,113
Insurance	**31,156**	29,594
Business plan development	**1,679**	1,300
Information technology support	**38,692**	31,248
CBS payments	**12**	178,447
Computer costs	**23,396**	-
Profit on sale of tangible assets	**(261)**	-
	788,799	943,294

Interest receivable

	2016 £	2015 £
Bank interest receivable	**8,450**	8,255