

**Registered Industrial and Provident Society No 29840R**

**Registered Social Landlord No LH4454**

**LOCAL SPACE LIMITED**  
**Report and financial statements**  
**for the year ended 31 March 2014**

## **LOCAL SPACE LIMITED**

Year ended 31 March 2014

### **Association information**

**Industrial and Provident Society  
registration number:**

29840R

**Homes and Communities Agency  
registration number**

LH4454

**Registered office:**

58 Romford Road, Stratford, London E15 4BZ

**Board:**

John Layton (Chair)  
Sarah Ebanja (Vice Chair)  
Cllr Andrew Baikie  
Elaine Bowes  
Michael Clarke  
Cllr Ian Corbett  
Cllr Richard Crawford  
Kene Ibezi (from 15 June 2013)  
Janet Marsh (from 23 July 2013)  
Cllr Nilavra Mukerji  
Chris Pope  
Donford Vardon

**Executive Management Team:**

Chief Executive  
Head of Housing Services  
Resources Director  
Head of Corporate Services  
Head of Property Services

Richard Clark (from 10 June 2013)  
Linmora Blair  
Joel Inbakumar (from 1 November 2013)  
Lornette Pemberton (from 19 November 2013)  
Peter Wright (from 1 September 2013)

**Secretary:**

Lornette Pemberton (from 1 December 2013)

**Bankers:**

Lloyds TSB Bank plc, 25 Gresham Street,  
London EC2V 7HN

**Solicitors:**

Winckworth Sherwood Solicitors LLP,  
Minerva House,  
5 Montague Close,  
London SE1 9BB,

**Auditors:**

Grant Thornton UK LLP,  
Grant Thornton House,  
202 Silbury Boulevard,  
Central Milton Keynes,  
Buckinghamshire, MK9 1LW

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

<b>CONTENTS</b>	<b>PAGE</b>
Operating and Financial Review	1
Report of the Board	2
Statement of Responsibilities of the Board	7
Independent Auditors' Report to the Members of Local Space Limited	9
Income and Expenditure Account	10
Statement of Total Recognised Surpluses and Deficits	11
Note of historical cost surpluses and deficits	11
Reconciliation of movements in funds	11
Balance Sheet	12
Cash flow Statement	13
Notes to the Financial Statements	14

# LOCAL SPACE LIMITED

Year ended 31 March 2014

## OPERATING & FINANCIAL REVIEW

### Principal Activity

Local Space was set up in 2006 with the primary objective of providing settled accommodation for homeless households. Properties are acquired, refurbished and leased to Local Authorities for 10 - 15 years to homeless families. A large proportion of these properties will become permanent accommodation from 2021 onwards.

Five-year income and expenditure account and balance sheet are summarised below:

**Table 1 : Local Space Highlights - five year summary**

For the year ended 31 March	2014	2013	2012	2011	2010
<b>Income and Expenditure account (£'000)</b>					
Total turnover	24,491	24,248	23,955	22,896	21,811
Operating surplus	16,435	15,259	15,935	14,448	16,249
<b>Surplus for the year transferred to reserves</b>	<b>7,241</b>	<b>6,056</b>	<b>6,003</b>	<b>4,752</b>	<b>6,491</b>
<b>Balance Sheet (£'000)</b>					
Housing properties	325,887	300,195	295,795	321,195	311,853
Other fixed assets	1,586	1,635	1,701	1,746	1,756
Fixed assets	327,473	301,830	297,496	322,941	313,609
Net Current assets/ (liabilities)	12,105	2,036	5,607	(563)	(1,201)
<b>Total assets less current liabilities</b>	<b>339,578</b>	<b>303,866</b>	<b>303,103</b>	<b>322,378</b>	<b>312,408</b>
Loans (due over one year)	172,001	172,000	184,000	185,750	185,750
Reserves Negative goodwill	0	0	0	0	1,706
Designated	0	4,848	4,848	4,848	4,848
Revenue	35,833	23,673	17,714	11,853	12,108
Revaluation	131,744	103,345	96,541	119,927	108,548
Total Reserves	167,577	131,866	119,103	136,628	126,658
<b>Total long term loans and reserves</b>	<b>339,578</b>	<b>303,866</b>	<b>303,103</b>	<b>322,378</b>	<b>312,408</b>
<b>Housing properties owned at year end:</b>					
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Social housing	1,763	1,763	1,763	1,620	1,562
Non-social housing	2	2	2	2	2
<b>Statistics:</b>					
Operating surplus as % of turnover	67.1%	62.9%	64.3%	63.1%	74.5%
<b>For the year ended 31 March</b>					
Surplus for year as % of income from lettings	29.6%	25.0%	25.1%	20.8%	29.8%
Rent losses (voids and bad debts as % of rent and service charges receivable)	0.3%	1.0%	0.6%	0.4%	0.4%
Rent arrears(gross arrears as % of rent and service charges receivable)	2.1%	2.2%	1.6%	1.1%	0.4%
Liquidity (current assets divided by current liabilities)	283.6%	131.8%	236.6%	89.1%	78.0%

(The introduction of the SORP 2010 resulted in changes in the 2012, 2013 and 2014 amounts disclosed)



## **LOCAL SPACE LIMITED**

**Year ended 31 March 2014**

### **REPORT OF THE BOARD**

The Board of Local Space is pleased to present its report and the audited financial statements for the year ended 31 March 2014 (2013/14).

The Association's financial performance during 2013/14 was excellent. The income was higher due to better void and bad debt management. The expenses were lower due to focus on costs and the value for money strategies pursued. Overall, the surplus was £7.24m (2013: £6.06m) after the Newham Surplus Sum of £2.42m (2013: £2.30m) due to the London Borough of Newham.

### **Objectives**

The Association's objectives remain unchanged with the following aims:

- Services that our customers are happy with
- Homes people want to live in
- A successful business
- Lives and communities changed for the better

The Board and Management team are currently formulating a new strategic direction and the following principles have been agreed:

- Growth must be organic and based on an expansion of our existing relationships and geography
- Successful growth will be achieved through an effective working relationship with our major partner – London Borough of Newham
- There is a commitment to the older/traditional communities of East London and there is a tremendous need and demand to work in those areas
- The primary customer group for which Local Space caters is comprised of the local authorities based in East London. This unique relationship is to be maintained in our new strategy.

### **Performance**

The key performance indicators used by the executive and the board during 2013/14 are set out below:

- Repairs – tenant and resident satisfaction, right first time and cost
- Tenant and resident satisfaction levels
- Percentage of rent collected
- Percentage of vacant properties and duration of vacancy
- Gas safety inspections
- Staff sickness levels
- Overall performance against annual budget and Value for Money monitoring.

After transfer of the surplus for the year of £7.24m (2013: £6.06m), at the year-end, Association reserves amounted to £ 167.58m (2013: £131.87m), including an accumulated revaluation surplus on housing properties of £131.74m (2013: £103.35m).

## **LOCAL SPACE LIMITED**

**Year ended 31 March 2014**

### **REPORT OF THE BOARD (continued)**

#### **Risks & Uncertainties**

The UK property market has remained subdued, although London values have continued to rise. For Local Space, open market values subject to tenancies have risen reflecting the value of the remaining length of the lease agreement with the London Borough of Newham. Details of changes to the Association's fixed assets are shown in notes 9 and 10 of the financial statements.

Short term interest rates remained low throughout 2013 and into 2014; this benefited Local Space significantly. The details of the Association's loans are shown in note 23 to the financial statements.

The setting of Local Housing Allowances (LHAs) to the 30<sup>th</sup> percentile of market rents (previously based on median market rents when Local Space was formed), has reduced LHA's. This adds more risk and makes it more difficult to deliver viable purchase and refurbishment schemes.

The introduction of Welfare Benefit Reform poses an increased risk of additional bad debts through higher tenant rent arrears. The greatest risks are with the benefit cap and universal credit. The Association has identified and engaged with the most affected tenants from our directly managed stock with a number of initiatives to mitigate the effect of the reforms. Additionally the Association is working with London Boroughs of Newham, Hackney and Waltham Forest to help to lessen the impact of the reforms.

#### **Employees**

The strength of Local Space lies in the quality of all its employees. In particular, our ability to meet our objectives and commitments to our partners in an efficient and effective manner depends on their contribution. The Association shares information on its objectives, progress and activities through regular office and departmental meetings involving board members, the senior management team and staff. We are committed to equality and diversity principles in recruitment and retention of employees, including those who are disabled or become disabled whilst in the employment of the Association.

Local Space achieved Investor in People, Silver status in 2011.

#### **Providing Value for Money (VfM)**

Over the course of the year, Local Space has developed its approach in order to deliver value for money. It is one of the Association's key business goals which is embedded into all our objectives. The Association through its procurement, budget setting and operating model follows value for money principles and agreed a Value for Money Strategy. The key objectives of the strategy are to:

- To understand the relationship between our core performance indicators and the value we offer customers and use this information to make decisions about spending money and using resources.

## **LOCAL SPACE LIMITED**

**Year ended 31 March 2014**

### **REPORT OF THE BOARD (continued)**

#### **Providing Value for Money (continued)**

- To focus on making significant improvement in VfM in our core service areas where our costs are currently higher than our peers.
- To understand the drivers behind core performance indicators relating to our overheads and to take action to control them to ensure that they reduce as a proportion of costs as the business grows.
- To develop and implement a value for money measurement framework that provides an objective, robust view of our success in driving improved VfM.
- To promote a value for money culture in all we do.

In 2013/14 we focussed our resources on the issues that are important to our business, where we do add value, and where there will be room to improve value and efficiency. The work included:

- Harnessing the benefits of our new organisation structure, implemented in Autumn 2013, but also putting in place a number of key building blocks for continued progress in future years.
- The Association has had a major strategic review undertaken by Savills to examine how the Association can maximise the use of its assets and deliver the highest output of homes for its size and risk appetite. Savills reported on this in November 2013.
- ARK consultancy was appointed in 2013 to assist us with developing an asset management strategy which includes a comprehensive assessment of the individual performance of all our properties and identifies potential properties for sale, recycling and portfolio improvement. The Asset Management Strategy was approved by the board in March 2014.
- The Board adopted a value for money target for overheads at a Board strategy away day in November 2013. The target represents a significant reduction in our costs against our performance three years ago.
- Performance on the basics has been good with key financial ratios, as well as performance indicators on rent collection, voids, and maintenance, showing an improving trend.
- We have had some excellent internal audit results, reflecting our commitment to strengthening our internal control environment given the riskier world in which we operate. However, we also received some adverse internal audit reports, which are given highest priority by the management team.
- Good progress is being made in putting in place new IT systems, which will allow staff to further improve service standards and VfM as each new system goes live.
- We find that the standard benchmarking is distorting and misleading whether it's beneficial or not. We have incorporated detailed peer reviews in our asset management strategy and we are continuing to develop the use of appropriate benchmarks. Our overall operations cost target is drawn from the private sector cost comparisons. This work is likely to continue during 2014/15.

## **LOCAL SPACE LIMITED**

**Year ended 31 March 2014**

### **REPORT OF THE BOARD (continued)**

#### **Providing Value for Money (VfM) continued**

We made significant cost savings in the year over the previous year without any deterioration in our quality of service. The table below shows the comparison with the previous financial year:

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>Variance</b> <b>£'000</b>	<b>Variance</b> <b>%</b>
Total costs	14,877	15,790	(913)	5.8%

VfM initiatives currently in progress include:

- The Association Long Term Business Plan and VfM Strategy 2014-15 provide clear and demonstrable direction of travel for VfM at Local Space.
- This strong strategic framework is embedded within leadership and management structures, which allows staff to feed into VfM improvements and shape better service delivery.
- These factors, combined with strong financial performance, measured forward planning and investment, and a better understanding of our costs as a result of this year's action plan focus, will allow Local Space to continue to thrive, despite the challenges facing the sector at present.
- It is essential that for a truly effective process the whole organisation is required to recognise the importance of VfM. In addition there must be an effective challenge process for each area of the business. These processes are being developed but will need a high priority in staff development and systems this year.

The Association's Board members between them have a wealth of financial and commercial expertise.

As well as comprehensive performance reports and management accounts, the Board receives a monthly update on KPIs and actual performance against budgets. This allows our Board to both enact an effective scrutiny role and also to positively influence the development of VfM strategy at Local Space.

#### **NHF Code of Governance**

Local Space complies with the principal recommendations of the NHF Code of Governance.

#### **Donations**

Local Space made no political donations in the year. (2013: £NIL)

#### **Internal controls assurance**

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives; and

## **LOCAL SPACE LIMITED**

**Year ended 31 March 2014**

### **REPORT OF THE BOARD (continued)**

#### **Internal controls assurance (continued)**

to provide reasonable, and not absolute, assurance against material misstatement or loss. The Board periodically reviews the scheme of delegations to ensure they are in line with changes in the organisation and operating environment.

The process for identifying, evaluating and managing the significant risks faced by the Association is on-going and has been in place throughout the period commencing 1 April 2013 up to the date of approval of the report and financial statements. Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for the Audit Committee, the Operations Committee and Property panel and the equality, Diversity & Remuneration panel;
- management responsibilities for the identification, evaluation and control; of significant risks and regular reviews by external specialists;
- risk register review by Audit Committee & Board;
- strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, learning and development policies for all staff;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- treasury management which is subject to external review as required;
- regular reporting to the Board on key business objectives, targets and outcomes and;
- Board approved anti-fraud and corruption policy and whistle-blowing policy;

Based on assessments by the Executive and the Audit Committee, the following areas were examined by our internal auditors and, where necessary, action was taken during the year:

- Cash & banking
- Rent collection and arrears
- Repairs & Maintenance
- Gas servicing
- Procurement to payment
- Financial regulations standing orders and delegated authorities
- General review of internal controls
- Service charges
- Data Protection
- Human Resources

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives reports from the Audit Committee together with minutes of Audit Committee meetings.

## **LOCAL SPACE LIMITED**

**Year ended 31 March 2014**

### **REPORT OF THE BOARD (continued)**

#### **Going concern**

After making enquiries, the Board is confident that Local Space has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

#### **Statement of responsibilities of the board for the report and financial statements**

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Societies Acts and registered social landlord legislation require the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws).

Under the Industrial and Provident Society legislation 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 and surplus or deficit of the Association 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 accounting estimates that are reasonable and prudent; state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (2010), have been followed, subject to any material departures disclosed and explained in the financial statements.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction 2012.

It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social landlords (2010).

The board is responsible for the maintenance and integrity of the corporate and financial information on the Association's website.



**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**REPORT OF THE BOARD (continued)**

**Disclosure of information to auditor**

At the date of making this report each of the Board members and executive directors, as set out on page 2, confirm the following:

- so far as each Board member and executive director is aware, there is no relevant information needed by the Association's auditor in connection with preparing their report of which the Association's auditor is unaware;
- each Board member and executive director has taken all the steps that he ought to have taken as a Board member and executive director in order to make himself aware of any relevant information needed by the Association's auditor in connection with preparing their report and to establish that the Association's auditor is aware of that information.

**External auditor**

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

**Annual general meeting**

The Annual General Meeting will be held on 23 September 2014.

The report of the Board was approved by the Board on the 22 July 2014 and signed on their behalf by:



John Layton  
Chair

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS LOCAL SPACE LIMITED**

We have audited the financial statements of Local Space Limited for the year ended 31 March 2014 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the note of historical cost surpluses and deficits, the reconciliation of movement in funds, the balance sheet, the cash flow statement 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).

This report is made solely to the housing association's members, as a body, in accordance with regulations made under Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the housing association'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 housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities set out on page 7, the board is responsible for the preparation of financial statements which 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 Financial Reporting Council's website 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 association's affairs as at 31 March 2014 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2012.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Milton Keynes

*6 August 2014*



**LOCAL SPACE LIMITED**

Year ended 31 March 2014

**INCOME AND EXPENDITURE ACCOUNT**

	Note	2014	2013
		£ '000	£ '000
Turnover: continuing activities	3	24,491	24,248
Operating costs	3	(8,056)	(8,989)
Operating surplus before Newham Surplus Sum	3	<u>16,435</u>	<u>15,259</u>
Newham Surplus Sum	25	(2,415)	(2,303)
Operating surplus: continuing activities	4	<u>14,020</u>	<u>12,956</u>
Surplus on ordinary activities before Interest	5	<u>14,020</u>	<u>12,956</u>
Interest receivable and other income	5	67	73
Interest payable and similar charges	6	(6,846)	(6,973)
Surplus on ordinary activities before taxation		<u>7,241</u>	<u>6,056</u>
Tax on surplus on ordinary activities	26	-	-
Surplus for the financial year	17	<u><u>7,241</u></u>	<u><u>6,056</u></u>

The notes on pages 14 to 33 form part of these financial statements.

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Surplus for the financial year	7,241	6,056
Unrealised surplus on revaluation of housing properties	28,470	6,707
Total recognised surplus relating to the year	<u>35,711</u>	<u>12,763</u>

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Reported surplus on ordinary activities before taxation	7,241	6,056
Excess of actual depreciation charge over historical cost depreciation	71	(97)
Historical cost retained surplus	<u>7,312</u>	<u>5,959</u>

**RECONCILIATION OF MOVEMENTS IN FUNDS**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Opening funds	131,866	119,103
Total recognised Surplus relating to the year	35,711	12,763
Closing total funds	<u>167,577</u>	<u>131,866</u>

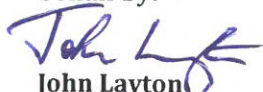
**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

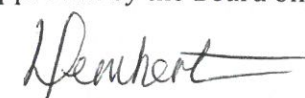
**BALANCE SHEET**

	<b>Note</b>	<b>2014 £ '000</b>	<b>2013 £ '000</b>
Housing properties	9	361,643	336,059
Social Housing Grant	9	(35,756)	(35,864)
		<u>325,887</u>	<u>300,195</u>
Other tangible fixed assets	10	1,586	1,635
		<u>327,473</u>	<u>301,830</u>
<b>Current assets</b>			
Debtors	11	768	1,948
Investments	12	15,000	6,400
Cash at bank and in hand		2,913	91
		<u>18,681</u>	<u>8,439</u>
<b>Creditors:</b> Amounts falling due within one year	13	(6,576)	(6,403)
<b>Net current assets</b>		<u>12,105</u>	<u>2,036</u>
<b>Total assets less current liabilities</b>		<u><b>339,578</b></u>	<u><b>303,866</b></u>
<b>Creditors:</b> Amounts falling due after more than one year	14	172,001	172,000
		<u>172,001</u>	<u>172,000</u>
<b>Capital and reserves</b>			
Non-equity share capital	16	-	-
Revaluation reserve	17	131,744	103,345
Designated reserve – for major repairs	17	-	4,848
Revenue reserve	17	35,833	23,673
<b>Total funds</b>	17	<u>167,577</u>	<u>131,866</u>
		<u><b>339,578</b></u>	<u><b>303,866</b></u>

The notes on pages 14 to 33 form part of these financial statements.

The financial statements were approved by the Board on 22 July 2014 and signed on its behalf by:

  
**John Layton**  
 Chair

  
**Lornette Pemberton**  
 Secretary

  
**Michael Clarke**  
 Board Member

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**CASH FLOW STATEMENT**

	<b>Note</b>	<b>2014 £ '000</b>	<b>2013 £ '000</b>
<b>Net cash inflow from operating activities</b>	20	18,968	19,087
<b>Returns on investments and servicing of finance</b>			
Interest received		67	73
Interest paid		(6,848)	(7,007)
		<u>(6,781)</u>	<u>(6,934)</u>
<b>Capital expenditure</b>			
Purchase of housing properties		(769)	(788)
Social housing grant – received		-	75
Purchase of other fixed assets		(49)	(56)
		<u>(818)</u>	<u>(769)</u>
<b>Management of Liquid Resources</b>			
Cash (withdrawn) / invested in money market deposit accounts		(8,600)	600
<b>Cash flow before financing</b>		<u>2,769</u>	<u>11,984</u>
<b>Financing</b>			
Housing Loans drawn / (repaid)		53	(11,947)
<b>Increase in cash</b>	22	<u>2,822</u>	<u>37</u>

The notes on pages 14 to 33 form part of these financial statements.

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Legal status**

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a social landlord.

**2. Accounting policies**

**Basis of accounting**

The financial statements of the Association are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice Accounting by registered social housing providers update 2010 (SORP 2010) and comply with the Accounting Requirements for registered social landlords Accounting Direction 2012.

**Turnover**

Turnover comprises rental income receivable in the year, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

**Value added tax**

The Association is not registered for VAT. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HMRC.

**Interest payable**

Interest payable is charged to the income and expenditure account in the year.

**Pensions**

The Association participates in the 1/80<sup>th</sup> multi-employer "Career Average Revalued Earnings (CARE)" scheme of the Social Housing Pension Scheme (SHPS). It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**Housing properties**

Housing properties are principally properties available for rent and are stated at valuation less depreciation based on the re-valued amount.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Only the direct overhead costs associated with new developments or improvements are capitalised.

**Donated Land**

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the donation is from a non-public source, the value of the donation is included in income.

**Social housing grant**

Social housing grant (SHG) is receivable from the Homes and Communities Agency (HCA) and is utilised to reduce the capital costs of housing properties. Under component accounting, it is allocated to the land and structure components of the associated assets in proportion to their costs. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

**Other grants**

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. Accounting policies (continued)**

**Depreciation of housing properties**

In accordance with SORP 2010, the Association identifies the major components which comprise its housing properties, and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Where SHG has been allocated to Structure; the depreciable amount is arrived at on the basis of re-valued amount, less the proportion of SHG and other grants attributable to structure, less residual value. The Structure is depreciated over 85 years.

The depreciable amount of other components is arrived at on the basis of original cost. The Association depreciates the major components of its housing properties over the following periods:

Roof	60 years
Gas and boilers	15 years
Kitchen	15 years
Bathroom	15 years
Windows and doors	30 years
Electrics	30 years

Freehold land is not depreciated.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

**Impairment**

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus or revaluation reserve as appropriate. There were no impairment write-downs during the year.

**Other tangible fixed assets**

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

## **LOCAL SPACE LIMITED**

**Year ended 31 March 2014**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **2. Accounting policies (continued)**

Office Premises	2% on cost
Furniture, fixtures and fittings	Straight line over 3 years
Computers and office equipment	Straight line over 3 years
Furniture in Properties	Straight line over 5 years

#### **Leased assets**

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

#### **Current asset investments**

Investments are stated at market value.

#### **Liquid resources**

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

#### **Major repairs reserve**

The Association's commitment to fund major repairs to its properties is recognised by the transfer from accumulated surpluses to the designated major repairs reserve - the amount is based on 0.5% of the cost of Acquired Properties and 1% for stock transferred from the London Borough of Newham. Following the introduction of component accounting (SORP 2010), such transfer is considered inappropriate and was discontinued from 1 April 2012. On 31 March 2014, the major repairs reserve was amalgamated with the Revenue reserve.

#### **Revaluation reserve**

The difference between the market value of Housing Properties and the historical cost carrying value is credited to the revaluation reserve. Losses arising from revaluations are charged to the revaluation reserve in the first instance.



**LOCAL SPACE LIMITED**

Year ended 31 March 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)****3. Turnover, cost of sales, operating costs and operating surplus**  
Continuing activities

	<b>2014</b>			
	<b>Turnover</b>	<b>Cost of sales</b>	<b>Operating costs</b>	<b>Operating surplus</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
<b>Social housing lettings</b>	24,447	-	( 8,056)	16,391
<b>Non-social housing activities</b>				
Commercial Income	35	-	-	35
Other Income	9	-	-	9
	<u>24,491</u>	<u>-</u>	<u>(8,056)</u>	<u>16,435</u>
	<u><u>24,491</u></u>	<u><u>-</u></u>	<u><u>(8,056)</u></u>	<u><u>16,435</u></u>
	<b>2013</b>			
	<b>Turnover</b>	<b>Cost of sales</b>	<b>Operating costs</b>	<b>Operating surplus</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
<b>Social housing lettings</b>	24,218	-	(8,989)	15,229
<b>Non-social housing activities</b>				
Commercial Income	30	-	-	30
	<u>24,248</u>	<u>-</u>	<u>(8,989)</u>	<u>15,259</u>
	<u><u>24,248</u></u>	<u><u>-</u></u>	<u><u>(8,989)</u></u>	<u><u>15,259</u></u>

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. Turnover, cost of sales, operating costs and operating surplus**

<b>Social Housing Lettings</b>	<b>Temporary social housing £'000</b>	<b>Key worker housing £'000</b>	<b>2014 Total £'000</b>	<b>2013 Total £'000</b>
Rent receivable net of identifiable service charges	23,131	1,247	24,378	24,154
Service income	-	16	16	11
Net rental income	23,131	1,263	24,394	24,165
Other revenue grants	53	-	53	53
Turnover from social housing lettings	23,184	1,263	24,447	24,218
Management	(2,234)	(25)	(2,259)	(3,219)
Services	(474)	(19)	(493)	(555)
Routine maintenance	(435)	(146)	(581)	(396)
Planned maintenance	(507)	(40)	(547)	(326)
Major repairs expenditure	(422)	(22)	(444)	(467)
Bad debts	(8)	(17)	(25)	(178)
Depreciation of housing properties	(3,362)	(184)	(3,546)	(3,675)
Other costs	(154)	(7)	(161)	(173)
Operating costs on social housing	(7,596)	(460)	(8,056)	(8,989)
Operating surplus on social housing lettings	15,588	803	16,391	15,229
Void losses	(73)	(13)	(86)	(121)

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4. Operating Surplus**

This is arrived at after charging:

	<b>2014</b> <b>£ '000</b>	<b>2013</b> <b>£ '000</b>
Depreciation of housing properties	3,546	3,675
Depreciation of other tangible fixed assets	98	122
Operating lease rentals		
- office equipment and computers	3	4
Auditors' remuneration		
- for audit services	18	20
- for non-audit services:		
- other	3	3
	<u>          </u>	<u>          </u>

**5. Interest receivable and other income**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Interest receivable and similar income	67	73
	<u>          </u>	<u>          </u>

**6. Interest payable and similar charges**

	<b>2014</b> <b>£ '000</b>	<b>2013</b> <b>£'000</b>
Loans and bank overdrafts	6,846	6,973
	<u>          </u>	<u>          </u>

**7. Employees**

**Average monthly number of employees expressed in full time equivalents:**

	<b>2014</b> <b>No.</b>	<b>2013</b> <b>No.</b>
Administration	11	10
Development/Acquisitions	-	1
Housing, support and care	12	12
	<u>          </u>	<u>          </u>
	23	23
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. Employees (continued)**

**Employee costs:**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Wages and salaries	1,107	1,115
Social security costs	83	98
Other pension costs	30	26
	<hr/>	<hr/>
	1,220	1,239
	<hr/>	<hr/>

The Association's employees are members of the Social Housing Pension Care Scheme (SHPS).

**Social Housing Pension Scheme**

The Association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted out of the State Pension scheme.

Local Space currently operates career average revalued earnings (CARE) with a 1/80<sup>th</sup> accrual rate benefit structure for active members.

During the accounting period Local Space paid contributions at the rate of 9.1% (2013:7%). Member contributions were 4.9% (2013:4.9%).

As at the balance sheet date there were 8 active members of the scheme employed by Local Space. The annual pensionable payroll in respect of these members was £285,333 (2013:£279,143). Local Space continues to offer membership of the scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. Employees (continued)**

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Local Space Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for Local Space was £834,229.

**8. Directors emoluments**

The Executive Directors (senior corporate management team) emoluments were:

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Emoluments	296	369
Pension contributions	<u>6</u>	<u>10</u>
	<b>302</b>	<b>379</b>
Compensation for loss of office	<u>-</u>	<u>356</u>
	<b><u>302</u></b>	<b><u>735</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. Directors emoluments (continued)**

**The full time equivalent number of staff who received emoluments**

	<b>2014</b>	<b>2013</b>
	<b>No</b>	<b>No</b>
£60,001 to £70,000	-	-
£70,001 to £80,000	-	-
£80,001 to £90,000	1	1
£90,001 to £100,000	-	-
£100,001 to £110,000	-	1
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	-	1

The emoluments of the highest paid director excluding pension contributions were £87,153 (from 10 June 2013) (2013: £138,000).

The Chief Executive is not a member of the Career Average Re-valued Pension Scheme or the Social Housing Pension Scheme.

The Association's 12 (2013: 12) Board members (non-Executive Directors) received emoluments of £28,353 during the year (2013: £34,000).

# **LOCAL SPACE LIMITED**

Year ended 31 March 2014

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **9. Tangible fixed assets – properties**

Housing properties	Social housing properties held for letting	Non-social housing properties held for letting	Total housing properties held for letting	Social housing properties under construction	Total housing properties under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valuation</b>						
At 1 April 2013	335,452	564	336,016	43	-	336,059
Additions	806	-	806	8	-	814
Disposals	(574)	-	(574)	(51)	-	(625)
Valuation adjustment	25,377	18	25,395	-	-	25,395
At 31 March 2014	361,061	582	361,643	-	-	361,643
<b>Depreciation</b>						
At 1 April 2013	-	-	-	-	-	-
Charged in year	3,300	3	3,303	-	-	3,303
Grant released in year	108	-	108	-	-	108
Disposal	(231)	-	(231)	-	-	(231)
Valuation adjustment	(3,177)	(3)	(3,180)	-	-	(3,180)
At 31 March 2014	-	-	-	-	-	-
<b>Depreciated cost</b>						
At 31 March 2014	361,061	582	361,643	-	-	361,643
At 31 March 2013	335,452	564	336,016	43	-	336,059
<b>Social housing and other Grants</b>						
At 1 April 2013	35,567	297	35,864	-	-	35,864
Additions	-	-	-	-	-	-
Amortised Grant	(108)	-	(108)	-	-	(108)
At 31 March 2014	35,459	297	35,756	-	-	35,756
<b>Net book value</b>						
At 31 March 2014	325,602	285	325,887	-	-	325,887
At 31 March 2013	299,885	267	300,152	43	-	300,195

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. Tangible fixed assets – properties (continued)**

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2014. The Association's housing properties have been valued by Savills LLP, Chartered Surveyors. The valuation of the properties was undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards March 2012 which sets out the definitions of valuations.

The aggregate market value of properties subject to the Lease Agreement with the London Borough of Newham, the London Borough of Hackney, City of London and the value of key-worker properties, Durham Road properties and the London Borough of Waltham Forest in the opinion of Savills LLP, Chartered Surveyors, was £325,887,500 on 31 March 2014 (2013: £300,151,303).

At the year end, Local Space owned 1,765 (2013: 1,765) properties, of which 1,616 were for temporary accommodation, 132 for Keyworkers (2013: 132), 10 (2013: 10) on target rents, Hastings 5 (2013: 5) and 2 (2013: 2) were commercial properties. Local Space directly managed 313 properties (2013: 313) at the year end. London Borough of Newham managed 1,450 properties (2013: 1,450) at the year end, through managing agents, Theori Investments Ltd and Finefair Ltd.

The carrying value of the housing properties that would have been included in the financial statements had the assets been stated at historical cost less SHG and depreciation is as follows:

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Historical cost	316,838	316,494
Social housing grant	(35,756)	(35,864)
Other capital grants	(63,422)	(63,422)
Depreciation	(22,328)	(19,101)
	<u>195,332</u>	<u>198,107</u>

**Social housing grant**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Total accumulated SHG receivable at 31 March was:		
Capital grants	35,756	35,864
	<u>35,756</u>	<u>35,864</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. Tangible fixed assets – properties (continued)**

Housing properties' book value, net of depreciation and grants, and office's net book value comprises:

	<b>2014</b> <b>£ '000</b>	<b>2013</b> <b>£ '000</b>
Freehold land and buildings	159,086	150,767
Long leasehold land and buildings	166,801	149,428
	<u>325,887</u>	<u>300,195</u>

**Expenditure on works to existing Properties**

	<b>2014</b> <b>£ '000</b>	<b>2013</b> <b>£ '000</b>
<b>Amounts capitalised</b>		
Replacements of component	806	1,400
Amounts charged to income and expenditure account	444	793
Total	<u>1,250</u>	<u>2,193</u>

**10. Tangible fixed assets – other**

	<b>Freehold Offices</b>	<b>Furniture fixtures and fittings</b>	<b>Computers and office equipment</b>	<b>Furniture in Properties</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 April 2013	1,616	74	290	411	2,391
Additions	-	6	9	34	49
At 31 March 2014	<u>1,616</u>	<u>80</u>	<u>299</u>	<u>445</u>	<u>2,440</u>
<b>Depreciation</b>					
At 1 April 2013	128	59	260	309	756
Charged in year	32	9	18	39	98
At 31 March 2014	<u>160</u>	<u>68</u>	<u>278</u>	<u>348</u>	<u>854</u>
<b>Net book value</b>					
At 31 March 2014	<u>1,456</u>	<u>12</u>	<u>21</u>	<u>97</u>	<u>1,586</u>
At 31 March 2013	<u>1,488</u>	<u>15</u>	<u>30</u>	<u>102</u>	<u>1,635</u>

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11. Debtors**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
<b>Due within one year</b>		
Rent and service charges receivable	521	546
Less: Provision for bad and doubtful debts	(339)	(400)
	<u>182</u>	<u>146</u>
Debtors	117	1,364
Prepayments and accrued income	469	438
	<u>768</u>	<u>1,948</u>
	<u><u>      </u></u>	<u><u>      </u></u>

**12. Current asset investments**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Money market deposits	15,000	6,400
	<u><u>      </u></u>	<u><u>      </u></u>

**13. Creditors: amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Trade creditors	125	123
Amount due to property providers	22	46
Key worker tenant deposit	76	73
Other taxation and social security	30	25
Other creditors	88	91
Accrued loan interest	706	704
Newham Surplus Sum	2,470	2,357
Accruals and deferred income	1,280	1,257
Rent paid in advance	1,779	1,727
	<u>6,576</u>	<u>6,403</u>
	<u><u>      </u></u>	<u><u>      </u></u>

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. Creditors: amounts falling due after more than one year**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Bank Loans	171,690	171,636
Unamortised fees(RBC)	311	364
	<u>172,001</u>	<u>172,000</u>

**15. Debt analysis**

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
<b>Due after more than one year</b>		
Bank loans	172,054	172,054
Unamortised loan fees	(364)	(418)
	<u>171,690</u>	<u>171,636</u>
	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Within one year	-	-
After five years	172,054	172,054
	<u>172,054</u>	<u>172,054</u>

The bank loans are secured by a fixed charge over the properties owned by the Association. The loan from the Royal Bank of Canada (RBC) includes loan arrangement fees of £800,000 which are being written off over 15 years. The balance remaining at the year-end is £364,447 (2013: £417,780) and this has been offset against the loan drawn down of £162.1m (2013: £162.1m). The loan drawn down from Santander is £9.9m (2013: £9.9m) giving a net loan of £172m (2013: £171.6m).

The loan from The Royal Bank of Canada is repayable commencing 2021, of this, £134.154m is repayable in equal instalments between 2021 and 2023.

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16. Non-equity share capital**

	2014 £	2013 £ (restated)
<b>Shares of £1 each issued and fully paid</b>		
At 1 April 2013	7	7
Shares issued during the year	2	-
At 31 March 2014	<u>9</u>	<u>7</u>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

**17. Reserves**

	Revaluation Reserve - Housing Properties £ '000	Major Repairs Reserve £ '000	Revenue Reserve £ '000	Total Reserves £ '000
At 1 April 2013	103,345	4,848	23,673	131,866
Surplus for the year	-	-	7,241	7,241
Surplus on revaluation of properties	28,470	-	-	28,470
Transfer in respect of depreciation on revalued assets	(71)	-	71	-
Transfer between reserves during the year	-	(4,848)	4,848	-
At 31 March 2014	<u>131,744</u>	<u>-</u>	<u>35,833</u>	<u>167,577</u>

**18. Financial commitments**

Capital expenditure commitments were as follows:

	2014 £ '000	2013 £ '000
<b>Capital expenditure</b>		
Expenditure contracted for but not provided in the accounts	-	-
Expenditure authorised by the board, but not contracted	-	-
	<u>-</u>	<u>-</u>

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. Operating leases**

The payments which the Association is committed to make in the next year under operating leases are as follows:

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Office equipment and computers expiring one to five years	1	1

**20. Reconciliation of operating surplus to net cash inflow from operating activities**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
<b>Operating surplus</b>	14,020	12,956
Depreciation of tangible fixed assets	3,645	3,797
LBN grant allocation	(53)	(53)
	<u>17,612</u>	<u>16,700</u>
<b>Working capital movements</b>		
Debtors	1,181	35
Creditors	175	2,352
	<u>18,968</u>	<u>19,087</u>

**21. Reconciliation of net cash flow to movement in net debt**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Increase in cash	2,822	37
Cash flow from change in liquid resources	8,600	(600)
<b>Increase / (decrease) in net debt from cash flows</b>	<u>11,422</u>	<u>(563)</u>
Non cash flows	-	12,000
<b>Total changes in net debt for the period</b>	<u>11,422</u>	<u>11,437</u>
Net debt at 1 April	(165,563)	(177,000)
<b>Net debt at 31 March</b>	<u>(154,141)</u>	<u>(165,563)</u>

**LOCAL SPACE LIMITED**  
**Year ended 31 March 2014**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**22. Analysis of net debt**

	<b>1 April 2013 £ '000</b>	<b>Cash Flow £ '000</b>	<b>Non-cash movement £ '000</b>	<b>31 March 2014 £ '000</b>
Cash at bank and in hand	91	2,822	-	2,913
<b>Changes in cash</b>	<u>91</u>	<u>2,822</u>	<u>-</u>	<u>2,913</u>
Current asset investment	6,400	8,600	-	15,000
Loans due after 1 year	(172,054)	-	-	(172,054)
<b>Changes in debt</b>	<u>(172,054)</u>	<u>-</u>	<u>-</u>	<u>(172,054)</u>
<b>Changes in net debt</b>	<u>(165,563)</u>	<u>11,422</u>	<u>-</u>	<u>(154,141)</u>

**23. Financial assets and liabilities**

**Financial assets**

Other than short-term debtors, financial assets held are cash deposits placed on money markets overnight and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	<b>2014 £ '000</b>	<b>2013 £ '000</b>
Floating rate	17,913	6,491
	<u>17,913</u>	<u>6,491</u>

The Association's financial liabilities are sterling denominated. The Association's financial liabilities at 31 March were:

	<b>2014 £ '000</b>	<b>2013 £ '000</b>
Floating rate	40,054	40,054
Fixed rate	131,636	131,582
<b>Total (note 14)</b>	<u>171,690</u>	<u>171,636</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**23. Financial assets and liabilities (continued)**

The fixed rate financial liabilities are as follows:

**Royal Bank of Canada Loans**

£100m fixed at 4.80% for 15 years until 28 February 2022.

£12m fixed at 5.12% for 15 years until 9 February 2021.

£10m fixed at 5.07% for 25 years until 27 February 2032.

£10m fixed at 5.37% for 20 years until 27 October 2027.

The Balance of £30.2m of floating rate financial liabilities comprise bank loans that bear interest at rates based on 1,3,6,9 or 12-month LIBOR.

**The floating rate financial liabilities are as follows:**

**Santander Plc**

The £9.9m of floating rate financial liabilities comprise bank loans that bear interest at rates based on 1,3,6,9 or 12-month LIBOR.

The debt maturity profile is shown in note 15.

**Borrowing facilities**

The Association has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Expiring in more than two years	12,000	12,000
Expiring in less than one year	-	-
	<u>12,000</u>	<u>12,000</u>

**Fair values of financial assets and liabilities**

	<b>2014</b>		<b>2013</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
<b>Primary financial instruments held or issued to finance the association's operations</b>				
Current asset trade investments	15,000	15,000	6,400	6,400
Long-term borrowings	(171,690)	(171,690)	(171,636)	(171,636)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**24. Related parties**

Councillors Andrew Baikie, Ian Corbett and Richard Crawford who are Board members, are also elected councillors of the London Borough of Newham. Chris Pope is a Board member and also an employee of the London Borough of Newham. Donford Vardon is a Board member and also a tenant of the Association. His tenancy is on normal commercial terms and he is not able to use his position to his advantage.

**25. Newham Surplus Sum**

The Newham Surplus Sum is a return on the investment made by the London Borough of Newham (LBN) in Local Space Limited. The Sum is payable to LBN, and they can use it for any purpose.

The Newham Surplus Sum is calculated according to Schedule 3.3 of the Master Agreement between Local Space Limited and the London Borough of Newham (LBN) and represents a proportion of the surplus made in the year on activities relating to LBN.

**26. Tax on Surplus on Ordinary Activities**

The Association's main activities have been recognised as charitable by HMRC. No liability to corporation tax arises.