

Tower Hamlets Homes Limited

Directors' report and financial
statements for the period
ended 31 March 2009

Limited Company By Guarantee

Registered number 06249790



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Company registration number: 06249790

Registered office: Jack Dash House
2 Lawn House Close
London Borough of Tower Hamlets E14 9YQ

Bankers: **Cooperative Bank Plc**
Po Box 101
Balloon Street
Manchester
M60 4EP

Solicitors: **Trowers and Hamlins LLP**
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Auditors: **KPMG LLP**
2 Cornwall Street
Birmingham
B3 2DL

Board of directors

Sheila Beeton	Leaseholder representative	Appointed 3 July 2008
Ian Fincher	Tenant representative	Appointed 3 July 2008
Shamsul Hoque	Tenant representative	Appointed 3 July 2008
Iain Lawson	Leaseholder representative	Appointed 3 July 2008
Shenaly Miah	Tenant representative	Appointed 3 July 2008
		Resigned 3 Sep 2008
Councillor Abdul Ohid Ahmed	Council Member	Appointed 3 July 2008
Councillor Fazlul Haque	Council Member	Appointed 3 July 2008
Councillor Shafiqul Haque	Council Member	Appointed 3 July 2008
Councillor Alex Heslop	Council Member	Appointed 3 July 2008
Councillor Denise Jones	Council Member	Appointed 3 July 2008
Christopher Creegan Chair	Independent Member	Appointed 3 July 2008
Paul Bridge	Independent Member	Appointed 3 July 2008
Naomi Goode	Independent Member	Appointed 3 July 2008
Neil Isaac (Chair of the Finance & Audit Committee)	Independent Member	Appointed 3 July 2008
Abdool Kara	Independent Member	Appointed 3 July 2008
Jacquiline Ruth Odenoye	LBTH Representative	Resigned 3 July 2008
Abergan Reed Nominees Limited	Formation Director	Resigned 16 May 2007

Company Secretary

James Edward Carswell	Appointed 19 March 2009
Mary Assumpta Bernadette Lynch	Appointed 3 July 2008
	Resigned 10 March 2009

Tower Hamlets Homes Limited Strategic Management Team

Chief Executive:-

Gavin Cansfield

Director of Asset Management:-

Sayeed Kadir

Director of Finance & Resources:-

Leslie James Warren

Director of Strategy and Performance:-

James Edward Carswell

Director of Management and Customer Services: –

Abraham Nomafo

Directors' report

The Directors present their report and the audited financial statements for the 268 days ended 31 March 2009.

Principal activities

Tower Hamlets Homes Limited was incorporated by the London Borough of Tower Hamlets as an arms-length management organisation (ALMO) on 16 May 2007. It was dormant until 7 July 2008 when a management agreement was signed to manage the Council's housing service. Under the terms of the agreement the following functions relating to 22,354 mixed tenure properties have been delegated to THH:

- Management of the stock maintenance programme including stock investment decisions and procurement, planned maintenance and responsive repairs
- Housing management including rent collection, leasehold management, enforcement of tenancy and lease conditions, managing voids and estate management
- Calculation and collection of leasehold charges
- Tenant involvement and resident participation
- Management of the Council's Tenant Management Organisations (TMO)

The management fee which the Company receives for carrying out its delegated responsibilities is shown in the Company's profit & loss account for the period ended 31st March 2009 as income under the heading "Turnover".

Legal Status

The Company is a controlled company (by the London Borough of Tower Hamlets), limited by guarantee without any share capital. The Council undertakes, in the event of the Company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the Company providing this amount does not exceed £1.

The company is overseen by a well established Board of 15 members - five residents (there was a vacancy for one tenant member during the period), five councillor nominees and five independent members who bring specialist skills and expertise to the Board. The Chair is Christopher Creegan, an independent member.

The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company. The day to day running of the Company's business has been delegated by the Board to a Strategic Management Team.

Business Review

Strategic Overview

The vision and aspirations of THH as outlined below are included in the Company's Business Plan:

Our Mission

Tower Hamlets Homes will work with the Council, our other strategic partners and our diverse communities to improve the quality of life for all our residents through providing excellent housing services and decent homes in decent neighbourhoods.

Our Vision

"Achieving 3 stars by 2012"

Our Values

- Asking people what they want – not assuming we know
- Getting back to people – so they know what is happening
- Doing what we say – being judged by our actions
- Getting the basics right first time – finishing what we start
- Being courageous about change – admitting when we are wrong
- Being fair and ethnical – in everything we do
- Going the extra mile – no excuses

Our Key Strategic Aims

A set of Key Strategic Aims underpin the delivery of the Vision, these are to:

- deliver excellent housing services
- invest in housing and achieve the Decent Homes Standard
- provide value for money services
- engage residents in all aspects of our services

Financial Review

This was the first period of operation for THH and the results mark the transition of the organisation from a local authority housing service to an arms-length housing manager aspiring to achieve three stars by 2012. The company made a profit of £1.4 million from a turnover of £29.2 million, before FRS 17 pensions adjustments of £3.3 million. The FRS 17 adjustments net out to nil movement on reserves as a result of the impact of an indemnity letter received from the Council which gives rise to an offsetting asset and liability. These are fully explained in the notes (notes 1 & 15) to the accounts.

Operational Review

Service delivery performance has been varied over this first year of operation. Since its launch in July 2008, the Company has made steady progress in certain areas under its "Making a Difference" banner, whilst elsewhere, there has been insufficient time to embed the changes required to see a marked improvement in the quality of service.

Over 100 caretakers were recruited to the Company's permanent staff during the first nine months bringing about consistency in the provision of service and improving the appearance and cleanliness of our estates. The work carried out by the team of caretakers involved in the Block Improvement Programme will continue into 2009/10 financial year undertaking redecorations and deep-cleaning to communal areas on estates.

The introduction of estates inspections where residents, caretakers, neighbourhood housing officers and maintenance contractors meet on monthly walkabouts to examine and assign a quality ratings to our estates have proved very popular and has led to the identification of

certain repairs which may otherwise have gone unnoticed. Our Repairs Days programme, whereby local residents are given the opportunity to prioritise repairs, resonates with our value, "Asking people what they want – not assuming we know". This has been successful in reducing backlog repairs which may not have come to light as under the programme 40% of the repairs logged are completed that same day.

The £24.0 million capital programme for 2008/9, agreed with residents, was completed on time. £3.8 million of estate improvements were also delivered, addressing residents' top priorities of reducing ASB and improving estate safety.

Tower Hamlets Homes achieved best-practice recognition for our older and disabled residents decorating scheme being assessed in 2008 as meeting the Government's highest criteria. In keeping with our value of "going the extra mile", we run successful apprenticeship and outreach programmes for excluded young people.

Value for money (VfM) is important for the delivery and improvement of the services we provide and we are making steady progress in embedding a VfM culture in the organisation. Improvements have been made over the period and we have seen the average cost of management reduced steadily, from £31.85 per property per week in 2005/6, to a budgeted figure of £29.31 in 2009/10. These results have been achieved against a major programme of stock transfer and corresponding operational restructuring. A number of value for money efficiencies have already been realised:

- Restructuring the Resources function has saved £70,000 per year;
- Purchase cards are used to reduce the transaction costs of low-value purchases;
- Caretakers have been trained in the use of mobile towers saving £1,500 per block;
- Surveyors now produce Energy Performance Certificates, making an annual saving of £78,000;

Our approach to delivering our value for money objectives are set out in our Value for Money Strategy. Actions and targets are aligned with the Business Plan and Service Improvement Plan and embedded in individual team plans. Ongoing initiatives will deliver significant efficiencies & quality of service gains during 2009/10 and we anticipate:

- Achievement of an average cost of management target of £29.31 per week;
- An increase in the percentage of resident paying for rent and service charges by direct debit to 15%
- Achievement of Gershon savings of 3% with a further 2% of efficiencies invested back into services
- Achievement of £100,000 of targeted new funding by March 2010.

Budget Strategy

The activities of Tower Hamlets Homes are funded from the Authority's Housing Revenue Account (HRA). A major review of the HRA finance regime, initiated by the Government Department for Communities and Local Government in conjunction with stakeholder partners, is currently underway which is anticipated to have a significant impact on the financial environment in which Tower Hamlets Homes operate. The review is expected to conclude before the end of the year but at this point it is too early to take into consideration for the budget strategy any potential outcome from this. The budget strategy for Tower Hamlets Homes is therefore predicated on the Council's Medium Term Financial Plan for the

HRA which looked at the future levels of HRA balances in relation to current income and expenditure and subsidy levels.

Future Developments

A strong and clearly focused Board has overseen the transition of the housing service to the ALMO, supported by the Strategic Management Team. We are forging a strong and effective arms-length relationship with the Council, and work with other partners to maximise effectiveness.

"Making a Difference Today" is helping to develop a customer culture and improve performance, through a series of activities such as estate walkabouts and interactive theatre workshops, followed up with regular team briefings. A Staff Forum has been established, and a staff conference will be held in June 2009. Developing the capacity and skills of staff is essential to our success, and our approach is set out in a People Strategy.

We want to capitalise on the good start we have made as a new organisation and the initiatives we have put in place to improve services. We are determined to learn from the feedback we receive and in response to the 2008 Tenant Status Survey which showed that 70% of tenant found our staff helpful, but only 65% report that their problem was dealt with effectively. We are re-launching our Customer Promise to address these weaknesses. We are setting stretching performance targets, which will meet resident expectations and improve the ratio from 54% of tenants who were satisfied with the outcomes from dealing with our staff.

An Asset Management Strategy is being agreed with residents to map out long-term choices and to develop a robust investment plan. Through the current five-year capital plan, over £115m of investment (including £24m delivered on target in 2008/9) will be made in our estates.

Our approach to delivering Decent Homes is being agreed with residents, through a Decent Homes Working Group and our capacity to deliver the programme will be developed through the delivery of three or four Decent Homes Pilots, one in each Neighbourhood, starting in late 2009.

In addition to these initiatives, a Resident Engagement Strategy incorporating a new tenants' compact is being developed with the Resident Involvement Group. We are holding our first Residents' Conference in May 2009. A Financial Inclusion Strategy to ensure that all tenants can maximise their income will be introduced during the course of the financial year.

Tower Hamlets Homes Limited will continually seek to improve the efficiency of its service and utilise any surpluses after tax to finance service improvements.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the period, detailed on page 2, have no interest in shares of the Company.

Political and charitable contributions

The company made no contributions to political or charitable organisations.

Directors' declaration

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

Auditors

In accordance with section 385 of the Companies Act 2006 a resolution for the re-appointment of KPMG LLP as auditors to the Company is to be proposed at the forthcoming annual general meeting.

The report of the Board was approved on 14th of July, 2009 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Chris Creegan', with a stylized flourish at the end.

Christopher Creegan
Chair

Jack Dash House
2 Lawn House Closes
London
E14 9YQ

Statement of Internal Financial Control

The Board of Directors acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Company or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposal.

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

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets. Within the Company's Financial Regulations & Standing Orders authority levels are specified for all authorised signatories and delegated authorities documented.
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual employee development review procedures have been established to maintain 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 Chief Executive and senior managers;
- 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 period and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors and officers of the Company;
- The Board of Directors reviews reports from management, from internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. The report by management includes a general view of the major risks facing the Company and the Risk Management department monitors these risks and provides countermeasures to the risks where necessary;
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

During the period 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 financial control in existence for the 9 months ended 31 March 2009. No weaknesses were found in

the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in 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 financial 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.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Report of the independent auditors to the members of Tower Hamlets Homes Limited

We have audited the financial statements which comprise the Profit & Loss account, the Balance Sheet, the Cash flow Statement, the Statement of Total Recognised Surplus and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 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

The directors are responsible for preparing the directors' report and, as described on pages 4 - 8, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 2006. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

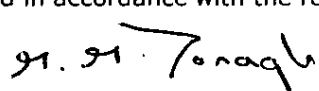
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2009 and of the company's results;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.


Michael McDonagh,
for and on behalf of KPMG LLP
Statutory Auditor

Date: 18/09/09

Profit and loss account
for the period ended 31 March 2009

Income and expenditure account

	Note	2009 £
Turnover	2	29,224,646
Cost of sales		(29,068,354)
Gross Profit		156,292
Other income/ (expenditure) from pension reimbursement right		(2,107,000)
Operating Profit / (loss)		(1,950,708)
Other interest receivable and similar income	6	21,695
Interest payable and similar charges	7	(35,660)
Profit / (Loss) on ordinary activities before taxation		(1,964,673)
Tax charge on profit on ordinary activities	8	(4,556)
Loss on ordinary activities after taxation		(1,969,229)
Retained loss for the financial period		(1,969,229)

All results relate to activities commenced in the period. The results are wholly attributable to continuing activities

The notes on pages 16-26 form part of these statements.

Balance sheet
At 31 March 2009

	Note	2009	
		£	£
Fixed assets			
Tangible assets	9		137,474
Current assets			
Stock	10	41,698	
Debtors	11	71,029	
Cash at bank and in hand		3,849,794	
		<u>3,962,521</u>	
Creditors: amounts falling due within one period	12	<u>(2,724,224)</u>	
Net current assets			1,238,297
Total net assets less current liabilities			1,375,771
Provisions for liabilities and charges	13		-
Net assets excluding pension liability			1,375,771
Pension liability	15	(125,000)	
Pension Related Asset	15	125,000	-
			<u>1,375,771</u>
Capital and reserves			<u>£</u>
Profit and loss account	14		1,375,771
Shareholders' funds			<u>1,375,771</u>

These financial statements were approved by the board of directors on 14th July 2009 and were signed on it's behalf by:


 Christopher Creegan
 Chair

Cash flow statement
for the period ended 31 March 2009

	Note	2009 £
Reconciliation of operating profit to net cash flow from operating activities		
Operating Profit/(Loss)		(1,950,708)
Depreciation charges	9	34,369
(Increase)/Decrease in stocks	10	(41,698)
(Increase)/Decrease in debtors	11	(71,029)
(Decrease)/ Increase in creditors	12	2,724,224
Net interest on pension liability	15	(33,000)
Actuarial gain recognised in the STRGL	15	3,345,000
Net cash (outflow)/ inflow from operating activities		<u>4,007,158</u>
Cash flow statement		
Cash flow from operating activities		4,007,158
Returns on investments and servicing of finance	16	14,479
Capital expenditure and financial investment	16	(171,843)
Cash (outflow)/ inflow before management of liquid resources and financing		<u>3,849,794</u>
Increase/(Decrease) in cash in the period		<u>3,849,794</u>
Reconciliation of net cash flow to movement in net funds	17	
Opening funds		-
Increase/(Decrease) in cash in the period		3,849,794
Closing funds		<u>3,849,794</u>

Statement of total recognised gains and losses
for the period ended 31 March 2009

	2009 £
Profit / (loss) for the financial period	(1,969,229)
Actuarial gain (loss)	3,345,000
Total Gains and Losses	<u>1,375,771</u>

Reconciliation of movements in shareholders' funds
for the period ended 31 March 2009

	2009 £
Profit (loss) for the financial period	(1,969,229)
Other Gains and Losses in the period	3,345,000
Net addition (reduction) to shareholders' funds	<u>1,375,771</u>
Opening shareholders' funds	-
Closing shareholders' funds	<u>1,375,771</u>

Notes

(forming part of the financial statements)

1. Accounting policies

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

Status of Company & Composition of the Board

The Company is limited by guarantee and does not have any share capital. The London Borough of Tower Hamlets Council the ultimate parent organisation, undertakes, in the event of the Company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the Company providing this amount does not exceed one pound. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the Council's Housing Revenue Account (as defined in the 1989 Act).

A Board of non-executive directors provides strategic management of the Company and is comprised as follows:

- 5 Borough Council nominees;
- 5 elected tenants and leaseholders
- 5 independent members appointed from the local community.

The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company. The Board is supported by a strategic management team which is responsible for the day to day running of the Company.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost accounting convention.

Tower Hamlets Homes Limited undertakes the management and maintenance of the housing stock of The London Borough of Tower Hamlets Council under a management agreement. Tower Hamlets Homes Limited is a wholly owned subsidiary of The London Borough of Tower Hamlets Council and in the event of Tower Hamlets Homes Limited winding up, all assets and liabilities will transfer to The London Borough of Tower Hamlets Council.

In this period's financial statements Tower Hamlets Homes Limited has adopted FRS 17 in respect of pensions obligations. Tower Hamlets Homes' employees are members of the Local Government Pension Scheme (LGPS). Like many pension schemes the LGPS has a deficit. Measures are in place to address this deficit, by increasing employers' contributions in the medium term.

The requirement of FRS 17 is to show the deficit on the pension scheme as a liability on the balance sheet. It has been agreed with The London Borough of Tower Hamlets Council that they will provide an indemnity in respect of the pension obligations of the company and accordingly an asset has been recognised on the balance sheet to reflect the Council indemnity. This asset will always be equal and opposite to the pension liability. The components of the FRS 17 pension accounting taken through the profit and loss account and statement of total recognised gains and losses therefore attract an equal and opposite reimbursement which is taken through other income. The result of adopting FRS 17 gives rise to equal and opposite assets and liabilities and income and expenses. Therefore there is no net effect to the net assets and no prior year adjustment entry in the statement of total recognised gains and losses (STRGL). There will however be a net effect on the profit for the period due to

Notes (continued)

the fact that the reimbursement of the actuarial gain recognised in the STRGL is taken through the profit and loss account.

The Council's indemnity/support of the pension deficit supports the preparation of the financial statements on a going concern basis.

Turnover

Turnover represents the amounts derived from Management Fees in respect of the provision of goods and services to the London Borough of Tower Hamlets. It is stated net of value added tax.

Fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	33.33%	per annum
Plant & Machinery	25%	per annum
Fixtures, fittings & equipment	20%	per annum

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

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

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made, without discounting, for all timing differences which, have arisen but not reversed at the balance sheet date except as required by FRS19.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and bank deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Stocks

Stocks are stated at the lower of cost and net realisable value. Records are maintained of stock levels and controlled on a FIFO basis.

Notes (continued)

2. Analysis of turnover on ordinary activities before taxation

2. Turnover	9 months to 31 March 2009 Turnover £
Management fee	29,224,646

By activity

Sole activity - management fee

3. Profit on ordinary activities before taxation

	2009 £
<i>Profit (loss) on ordinary activities before taxation is stated</i>	(1,964,673)

after charging

Auditors' remuneration:

Audit	22,000
Other services - fees paid to the auditor	-
Depreciation and other amounts written off tangible fixed assets:	
Owned	34,369

4. Remuneration of directors

2009

Members of the Board of Directors

Directors' emoluments – Directors receive no remuneration for their services.

-

None of the Directors are members of the defined benefit pension scheme.

-

Notes (continued)

5. Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees 2009
Housing services	261
Technical services	114
Support services	39
	<u>414</u>

The aggregate payroll costs of these persons were as follows:

	2009 £
Wages and salaries	<u>10,299,140</u>
Social security costs	837,293
Other pension costs	1,292,479
	<u>12,428,912</u>

The emoluments of the highest paid employee amounted to £54,186 (period from 7 July to 31 of March 2009) excluding employers pension contributions of £8,475

6. Other interest receivable and similar income

	2009 £
Receivable from bank interest	<u>21,365</u>
Interest on Staff loans	330
	<u>21,695</u>

7. Interest payable and similar charges

	2009 £
Interest on pension scheme liabilities	33,000
Overdraft Interest	<u>2,660</u>
	<u>35,660</u>

Notes (continued)

8. Taxation

Analysis of charge in period

	2009 £
<i>UK Corporation Tax</i>	
Current tax on income for the period	<u>4,556</u>
Tax on profit on ordinary activities	4,556

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2009 £
<i>UK Corporation Tax</i>	
Profit on ordinary activities before tax (excluding FRS 17)	<u>1,381,033</u>
Current tax at 30%	414,310
<i>Effects of:</i>	
Permanently disallowable expenditure	
Adjustment in respect of non trading	(409,754)
Total current tax charge (see above)	<u>4,556</u>

Published Guidance from HMRC states that transactions between an ALMO and a Council does not constitute trading and is therefore non-taxable. The company is still liable to tax on dealings with any third parties and any interest received.

The basis of this ruling is that the relationship between the ALMO and the Council lacks the necessary degree of commerciality to be trading for corporation tax purposes. Should the relationship between the bodies change, or should the ALMO diversify its activities, then this exemption may not be available.

Notes (continued)

9. Tangible fixed assets

	Fixture fittings & Equipment 2009 £
Cost	
At beginning of period	-
Additions	171,843
Disposals	
At end of period	<u>171,843</u>
Depreciation	
At beginning of period	-
Charge for period	34,369
At end of period	<u>34,369</u>
Net book value At 31 March 2009	<u>137,474</u>

10. Stock

	2009 £
Stock – Anti Graffiti Paints	41,698
	<u>41,698</u>

11. Debtors

	2009 £
Staff Loans	71,029
	<u>71,029</u>

12. Creditors: amounts falling due within one period

	2009 £
Bank overdraft	68,996
Trade creditors	253,365
Accruals and deferred income	776,189
Amounts owed to London Borough of Tower Hamlets Council	913,561
Corporation Tax	4,556
PAYE and social security	373,160
VAT	334,397
	<u>2,724,224</u>

Notes (continued)

13. Called up share capital

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

14. Reserves

	Profit and loss account £	Pension Reserve £	Total £
At beginning of period	-	-	-
Loss on commencement of Pension Scheme		(2,232,000)	(2,232,000)
Reimbursement right		2,232,000	2,232,000
Retained profit (loss) for the period	(1,969,229)		(1,969,229)
Actuarial (gain) /loss		3,345,000	3,345,000
Transfer of FRS 17 adjustments	3,345,000	(3,345,000)	
At end of period	1,375,771	0	1,375,771

15. Pension scheme

The company participates in the London Borough of Tower Hamlets Council Pension Fund. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £1,408,000

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

The pension scheme provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary. The most recent valuation was at 31 March 2009.

The financial assumptions underlying the valuation were:

Current rate of employers' contributions:	11.40%
Market value of the Scheme Assets:	£35,740,000
Deficit related to past service:	£125,000

Financial Reporting Standard 17 – Retirement Benefits

Under the requirements of FRS17 the Company is required to disclose further information on the assets and liabilities of the scheme on a market value basis at the end of the accounting period. The information is set out below:

Notes (continued)

Actuarial assumptions

	31 March 2009	7th July 2008
Rate of increase in salaries	4.60%	5.60%
Rate of increase of pensions in payment	3.10%	4.10%
Discount rate	6.90%	6.60%
Expected return on assets	6.20%	6.90%
Rate of inflation		

Scheme assets and expected rate of return

	31 March 2009		7th July 2008	
	%	£	%	£
Equities	7.0%	20,729,000	7.8%	25,372,000
Government bonds	5.4%	9,650,000	5.6%	9,456,000
Other bonds				
Property	4.9%	3,574,000	5.7%	4,325,000
Cash liquidity	4.0%	1,787,000	4.8%	1,770,000
Other				
Total market value of assets		<u>35,740,000</u>		<u>40,923,000</u>
Actuarial value of liability		35,865,000		43,155,000
Recoverable (deficit) in the scheme		125,000		2,232,000
Related deferred tax asset/ (liability)				
Net pension liability		<u>125,000</u>		<u>2,232,000</u>
Restriction of scheme(surplus)/ deficit		(125,000)		(2,232,000)

The London Borough of Tower Hamlets Council has confirmed that it will assume any current and future funding surpluses or deficits relating to the company

Analysis of amount charged to operating profit

	9 months to 31 March 2009 £
Current service cost	1,408,000
Past service cost	823,000
Other arrangements	282,000
Total operating charge	<u>2,513,000</u>

Analysis of net return on pension scheme

	9 months to 31 March 2009 £
Expected return on pension scheme assets	2,103,000
Interest on pension liabilities	<u>2,136,000</u>
Net return (deficit)	<u>(33,000)</u>

Notes (continued)

Analysis of amounts recognised in the Statement of Total Recognised gains and losses

	9 months to 31 March 2009 £
Actual return less expected return on assets	12,465,000
Experience gains and losses on liabilities	9,120,000
Change in assumptions	nil
Actuarial gain/ (loss) recognised in STRGL	<u>3,345,000</u>

Movement in surplus during the period

	9 months to 31 March 2009 £
Scheme deficit at beginning of period	(2,232,000)
Movement in period:	
Current service cost	(1,408,000)
Contributions	1,308,000
Net returns on assets/ (interest cost)	(33,000)
Past service (gain) costs	(1,105,000)
Actuarial gain/ (loss)	3,345,000
Deficit in scheme at end of period	<u>(125,000)</u>
Council guarantee asset (see basis of preparation)	<u>125,000</u>
	<u>Nil.</u>

History of experience gains and losses

	2009 £
Difference between expected and actual return on scheme assets:	
Amount	2,103,000
Percentage of scheme assets	(5.88%)
Experience gains and losses on scheme liabilities:	
Amount	(2,000)
Percentage of scheme liabilities	0.01%
Total amount recognised in statement of total recognised profits and losses:	
Amount	3,345,000
Percentage of scheme liabilities	9.33%

Notes (continued)

16. Analysis of cash flows

	2009
	£
Returns on investment and servicing of finance	
Interest received –net of tax	17,139
Interest payable	(2,660)
Total	<u>14,379</u>
Capital expenditure and financial investment	
Purchase of tangible fixed assets	<u>171,843</u>

17. Analysis of net funds

	At 7th July 2008	Cash flow	Non cash changes	At 31 March 2009
	£	£	£	£
Cash in hand, at bank	-	3,849,794		3,849,794
Total	<u>-</u>	<u>3,849,794</u>		<u>3,849,794</u>

18. Related party disclosures

In 2007 The London Borough of Tower Hamlets Council made a decision to pursue the setting up of an Arms Length Management Organisation (ALMO).

Details as to the status of the company and composition of the Board of Directors is given in note 1. The ultimate controlling party is The London Borough of Tower Hamlets Council.

The company's main source of income is a management fee for the management of The London Borough of Tower Hamlets Council's housing stock: this amounted to £29.224m at the end of the financial period; a net balance of £913,561 is due to The London Borough of Tower Hamlets Council.

In the event of the company being wound up, The London Borough of Tower Hamlets Council undertakes to contribute such amount as may be required for the payment of the debts and liabilities of the organisations providing this amount does not exceed one pound. If after the satisfaction of all debts and liabilities the remaining assets will be transferred to the Housing Revenue Account (as defined in the 1989 Act) of The London Borough of Tower Hamlets Council.

The company had commercial dealings with a board member, Sheila Beeton, during the period amounting to £358.

Notes (continued)

19. Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of The London Borough of Tower Hamlets Council. The consolidated accounts of the group are available to the public and may be obtained from The London Borough of Tower Hamlets Council, Town Hall, 5 Clove Crescent, London, E14 2BG