

**Tower Hamlets Homes  
Limited**

Directors' report and financial  
statements for the year  
ended 31 March 2016

Limited Company By Guarantee

Registered number 06249790

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\*Please note that figures are rounded to the nearest pound throughout the document and may therefore not sum due to rounding.

## Company Information

### Company Registration No

06249790

### Registered office:

Jack Dash House  
2 Lawn House Close  
London  
E14 9YQ

### Banker:

**National Westminster Bank plc**  
Docklands South Quay Branch  
54 Marsh Wall  
West India Dock  
London E14 6LJ

### Solicitor:

**Trowers and Hamblins LLP**  
3 Bunhill Row  
London  
EC1Y 8YZ

### Auditor:

**KPMG LLP**  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

### Board of Directors:

Name	Type	Appointed	Resigned
Ann Lucas (Chair)	Independent	10-Dec-12	
Shamsul Hoque	Resident	03-Jul-08	
Claire Tuffin	Resident	06-Mar-13	
Caroline Compton-James	Independent	10-Sep-15	
Andrew Bond	Independent	10-Sep-15	
Safia Jama	Independent	06-May-16	
Cllr Sabina Akhtar	Council		14-Jul-15
Cllr Marc Francis	Council		14-Jul-15
Cllr John Pierce	Council		14-Jul-15
Cllr Helal Uddin	Council		14-Jul-15
Cllr Alibor Choudhury	Council	21-Dec-11	23-Apr-15
Cllr Gulam Robbani	Council	08-Apr-13	15-Jul-15
Cllr Abdul Asad	Council	05-Dec-14	15-Jul-15
Cllr Mohammed Talukdar	Council	05-Dec-14	15-Jul-15

### Company Secretary

Leslie Warren

## Company Information (cont)

### Executive Management Team

The members of the Executive Management Team who held office in the year are listed below with their current Directorate responsibilities.

<b>Name</b>	<b>Role</b>	<b>From</b>	<b>To</b>
Susmita Sen	Chief Executive	15-Sep-15	
Jamie Carswell	Chief Executive (acting)	01-Jun-15	14-Sep-15
Gavin Cansfield	Chief Executive	01-Apr-15	31-May-15
Les Warren	Director of Finance	01-Apr-15	
Ken Hopkins	Director of Asset Management (interim)	18-Jan-16	15-Jul-16
Molly Wallis	Director of Investment Services (interim)	22-May-15	15-Jan-16
Jamie Carswell	Director of Investment Services	01-Apr-15	21-May-15
Ann Otesanya	Director of Neighbourhoods	15-Feb-16	
Kevin Jones	Director of Neighbourhoods (interim)	01-Apr-15	11-Sep-15
Jamie Carswell	Director of Neighbourhoods (acting)	15-Sep-15	31-Dec-15

## **Directors' Report**

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

### **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 was overseen by a Board which met regularly throughout the year. 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 the Executive Management Team.

### **Dividends**

The company is limited by guarantee and does not have a share capital, or shareholders.

### **Directors and Directors' Interests**

The directors who held office during the period are detailed on page 3. The company has no shares or shareholders.

### **Political and Charitable Contributions**

The Company made no contributions to political or charitable organisations (2015: nil).

### **Employment of Disabled Persons**

Tower Hamlets Homes promotes equality of opportunity in its recruitment, selection, training and development policies and practice.

We welcome applications from persons with disabilities and evaluate solely on ability to carry out the duties of the job, taking into account any reasonable adjustments required.

### **Communications Policy**

The Company communicates all matters of financial or other interest to staff through its weekly electronic in-house newsletter, through team meetings or through other media as appropriate.

### **Payment of Creditors**

The Company's policy is to pay creditors as they fall due. At the 31 March 2016, all creditors had been paid within the due dates.

### **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 auditor is 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 auditor is aware of that information.

**Auditor**

In accordance with section 489 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 Directors' Report was approved by the Board on 19 September 2016 and signed on its behalf by:

Leslie Warren

Company Secretary  
Jack Dash House  
2 Lawn House Close  
London E14 9YQ

# Strategic Report

## Review of the Business

The Company's purpose or mission is to provide the best housing services in the borough of Tower Hamlets.

## Principal Activities

Tower Hamlets Homes Limited (THH) is incorporated as an Arm's Length Management Organisation (ALMO) of the London Borough of Tower Hamlets. It commenced operations on the 7 July 2008 and it is responsible for managing the Council's housing stock.

The management fee which the Company receives for carrying out its delegated responsibilities is shown in the Company's Income & Expenditure Account for the year ended 31 March 2016 as income under the heading 'Turnover'. The Company is also reimbursed for costs relating to its pension scheme.

## Principal Risks & Uncertainties

Risks and uncertainties to the Housing Revenue Account (HRA) flow through to THH because THH manages all housing stock of the Council and the finances of the HRA determine the management fee payable to THH.

The new Government elected in 2015 has made a number of policy announcements that present challenges for housing providers nationwide. Cumulatively, these policies reflect a conscious and dramatic shift in the Government's understanding of the purpose of affordable housing away from social renting and towards models of 'affordable' renting and first time ownership.

### *1% Rent Reduction*

The government's first budget of July 2015 provided for a reduction in social housing rents by 1% per year for the next four years. This represents a loss to the HRA of £24m in rental income over four years and a loss in excess of £400m over 30 years, including inflation. Mitigating action is required for the Council to be able to fund anticipated capital works needed over this 30 year period, with a projected shortfall in the region of £130m.

### *Transition to Affordable Ownership*

Further policy moves signal that the government's intention is to focus their housing policy on increasing ownership-occupation, rather than affordable rentals.

The Pay to Stay policy will require tenants earning more than £40,000 in London to pay rent at market rates. This policy may increase rent arrears as tenants struggle to pay and could also increase tenancy turnover, as tenants are priced out. Monitoring household incomes to successfully enforce the policy will require additional administrative resources, while any additional revenue raised for the local authority by the policy will have to be returned to the Treasury.

The enforced sale of high value voids may reduce social rental stock and continuing Right to Buy purchases are projected to reduce our rental stock by 250 properties a year.

### *Welfare Reform*

From 2018-19 the government will cap the amount of rent that Housing Benefit will cover to the relevant Local Housing Allowance, which is the rate paid to private renters on Housing Benefit. The policy will apply to tenancies signed after 1 April 2016. Social tenants may be required to pay more rent from their own earnings and this could lead to an increase in rent arrears if tenants are not properly prepared and supported.

The roll out of Universal Credit (UC) from 2016 could have a major impact on rental income streams with tenants now expected to pay their rent directly rather than having it paid to the landlord through Housing Benefit.

### **Development & Performance of the Business**

The medium term financial strategy and the annual revenue and capital budgets are based on a 30 Year HRA Business Plan which captures all inflows and outflows associated with existing stock and new supply within the HRA over a 30 year period.

The decent homes programme completed its fifth and final grant-funded year.



## Financial and operational Key Performance Indicators

Organisational Priority	Performance Measures and Targets	Progress or outcome achieved in year 2015/2016
<b>Invest in Homes to be Proud of</b>	917 homes made decent	1,027 homes made decent
	Less than 10% of stock non-decent	Less than 10% of stock non-decent
	75% repairs completed right first time	77% repairs completed right first time
	100% of Decent Homes Social Deliverables achieved	29% of Decent Homes Social Deliverables achieved
	100% of homes with a valid gas certificate	100% of homes with a valid gas certificate
<b>Creating vibrant neighbourhoods</b>	85% of residents rating caretaking excellent, good or fair	84% of residents rating caretaking excellent, good or fair
	92% of tenants rate repairs excellent, good or fair	90% of tenants rate repairs excellent, good or fair
	35 days on average to relet an empty home	30 days on average to relet an empty home (short term)
	100 days on average to relet an empty home (long term)	106 days on average to relet an empty home (long term)
	98.5% of rent collected	99.74% of rent collected
	£3.09m of major works charges collected	£3.29m of major works charges collected
	£13.50m of service charges collected	£14.56m of service charges collected
<b>Delivering consistently brilliant customer service</b>	80% issues resolved at first point of contact	89% of issues resolved at first point of contact
	80% of 48 hour call backs made	83% of 48 hour call backs made
	70% of residents rate THH effortless to deal with	78% of residents rate THH effortless to deal with
	77% of residents agree that 'THH does what it says it will'	77% of residents agree that 'THH does what it says it will'
<b>Building One Great Organisation</b>	60% of appointments at P01+ are women	34% of appointments at P01+ are women
	60% of appointments at P01+ are BME staff	43% of appointments at P01+ are BME staff

**Year End position**

These results are for the full year of operations ended 31 March 2016.

Total Comprehensive Income for the year is a surplus of £600,960 (compared to a surplus of £427,544 in 2014-15).

This surplus was in line with forecast.

The Strategic Report was approved by the Board on 19 September 2016 and signed on its behalf by:

Leslie Warren

Company Secretary  
Jack Dash House  
2 Lawn House Close  
London E14 9YQ

## Statement of Internal Control

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

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

It is the Board of Directors' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The system of 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 year ended 31 March 2016. 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.

## **Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **Independent Auditor's Report to the Members of Tower Hamlets Homes Limited**

We have audited the financial statements of Tower Hamlets Homes Limited for the year ended 31 March 2016 set out on pages 16 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on financial statements**

In our opinion the financial statements:

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

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Harry Mears (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

21 October 2016

**Statement of Comprehensive Income**  
**For the year ended 31 March 2016**

	<b>Notes</b>	<b>2015-16</b>	<b>2014-15</b>
		<b>£</b>	<b>£</b>
Turnover (Management Fee)	2	32,511,000	32,212,344
less Cost of Sales		<u>(31,955,350)</u>	<u>(31,823,634)</u>
Operating Profit		<u>555,650</u>	<u>388,710</u>
Interest receivable & similar income	6	56,638	48,543
Profit on ordinary activities before Tax	3	<u>612,288</u>	<u>437,253</u>
Tax	7	(11,328)	(9,709)
Profit for the Financial Year		<u>600,960</u>	<u>427,544</u>
Other comprehensive income:			
Actuarial Gain/(Loss) in Pension Scheme	13	8,165,000	(7,990,000)
Related Movement in Reimbursement Right Asset	13	(8,165,000)	7,990,000
Total comprehensive income for the year		<u><u>600,960</u></u>	<u><u>427,544</u></u>

# Statement of Financial Position

At 31 March 2016

	Notes	31-Mar-16 £	31-Mar-15 £
<b>Fixed Assets</b>			
Tangible Assets	8	82,677	100,880
<b>Current Assets</b>			
Reimbursement Right Asset	13	2,542,000	9,654,000
Debtors	9	80,075	101,044
Cash		7,744,139	5,915,053
		<u>10,366,214</u>	<u>15,670,097</u>
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	10	(1,703,835)	(1,860,695)
		<u>(1,703,835)</u>	<u>(1,860,695)</u>
<b>Net Current Assets</b>		8,662,379	13,809,402
<b>Total Assets less Current Liabilities</b>		8,745,056	13,910,282
<b>Provisions for Liabilities</b>			
Pension Liability	13	(2,542,000)	(9,654,000)
Other Provisions	11	(1,500,814)	(155,000)
<b>Net Assets</b>		<u>4,702,242</u>	<u>4,101,282</u>
<b>Capital &amp; Reserves</b>	12	<u>4,702,242</u>	<u>4,101,282</u>

The financial statements were approved by the board on 19 September 2016 and were signed on its behalf by:

Ann Lucas  
Chair  
Jack Dash House, 2 Lawn House Close, London E14 9YQ  
Reg. No. 06249790



# Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2015-16 £	2014-15 £
<b>Cash flows from operating activities</b>			
Operating profit for the financial year		555,650	388,710
Depreciation of tangible assets		40,046	59,806
Taxation		(11,328)	(9,709)
Decrease/(increase) in debtors		20,969	12,952
(Decrease)/increase in creditors		(156,860)	14,813
Increase/(decrease) in provisions		1,345,814	63,000
(Profit)/loss on disposals		(2,286)	727
<b>Net cash from operating activities</b>		<u>1,792,005</u>	<u>530,299</u>
<b>Cash flows from investing activities</b>			
Purchases of tangible assets	8	<u>(19,557)</u>	<u>(30,022)</u>
<b>Net cash from investing activities</b>		<u>(19,557)</u>	<u>(30,022)</u>
<b>Cash flows from financing activities</b>			
Net interest	14	<u>56,638</u>	<u>48,543</u>
<b>Net cash from financing activities</b>		<u>56,638</u>	<u>48,543</u>
Cash & cash equivalents at start of year		5,915,053	5,366,233
Cash & cash equivalents at end of year		7,744,139	5,915,053

## Statement of Changes in Equity

For the year ended 31 March 2016

£

**Profit & loss account at 31 March 2014** **3,673,738**

Profit for the year	427,544
Actuarial Gain/(Loss) in Pension Scheme	(7,990,000)
Related Movement in Reimbursement Right Asset	<u>7,990,000</u>
Total comprehensive income for the year	<u>427,544</u>

**Profit & loss account at 31 March 2015** **4,101,282**

Profit for the year	600,960
Actuarial Gain/(Loss) in Pension Scheme	8,165,000
Related Movement in Reimbursement Right Asset	<u>(8,165,000)</u>
Total comprehensive income for the year	<u>600,960</u>

**Profit & loss account at 31 March 2016** **4,702,242**

## Notes

### (forming part of the financial statements)

#### 1. Accounting policies

The following accounting policies have been applied 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, 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 intended to be comprised as follows:

- 4 Borough Council nominees;
- 4 appointed tenants and leaseholders;
- 4 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 an executive management team which is responsible for the day to day running of the Company.

#### Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards including *FRS102 - The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* and with the *Companies Act 2006*.

This is the first year in which the financial statements have been prepared under FRS102. Note 20 provides further information on the transition.

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

#### 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.

In 2015-16, the Company received £35,116,000 in total, being £32,511,000 in management fee and £2,605,000 towards pension contributions.

## **Notes - continued**

### **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:

Fixtures, fittings & equipment	5 Years
ICT Equipment	3 Years

### **Leases**

Operating lease rentals are charged to the Income & Expenditure 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 partly on final and partly on average 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 actuarial gains and losses.

### **Pension reimbursement rights**

It has been agreed with The London Borough of Tower Hamlets that where a deficit arises that they will provide an indemnity in respect of the pension obligations of the Company. Accordingly where a deficit arises, an equivalent reimbursement right asset is recognised on the balance sheet to reflect the Council indemnity. The change in value of this reimbursement right asset over the year is shown in the statement of comprehensive income.

### **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.

## Notes - continued

### Cash and cash equivalents

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.

### 2. Analysis of turnover on ordinary activities before taxation

	2015-16 £	2014-15 £
Management fee	35,116,000	34,955,344
Less pension contributions	<u>(2,605,000)</u>	<u>(2,743,000)</u>
Turnover	<u>32,511,000</u>	<u>32,212,344</u>

Turnover is made up exclusively of the management fee, the sole activity being management of the Council's housing stock.

### 3. Profit on ordinary activities before taxation

	2015-16 £	2014-15 £
Profit on Ordinary Activities before Taxation	612,288	437,253
Auditor's remuneration	27,750	25,000
Depreciation	40,046	59,806
Gain/(Loss) on disposal of fixed assets	2,286	(727)

### 4. Remuneration of directors

The Directors are defined as being members of Tower Hamlets Homes Limited Main Board. None of the Directors received any remuneration or taxable benefits, and none were members of the pension scheme.

## Notes - continued

### 5. Staff numbers and costs

The average number of full time equivalents employed by the Company during the period, analysed by service, was as follows:

<b>Directorate</b>	<b>2015-16</b>	<b>2014-15</b>
Asset Management	75	61
Business Transformation	27	28
Chief Executive	3	2
Finance	24	23
Neighbourhoods	343	348
	<b>472</b>	<b>462</b>

The aggregate payroll costs of these persons were as follows:

	<b>2015-16</b>	<b>2014-15</b>
	£(000)	£(000)
Wages & Salaries	15,136	14,610
Social security costs	1,247	1,198
Other pension costs	2,607	2,743
<b>Total</b>	<b>18,990</b>	<b>18,551</b>

The emoluments of the highest paid employee amounted to £130,000 (2014-15: £121,867) excluding employer's pension contributions of £30,030 (2014-15: £28,151).

The highest paid employee received emoluments 6.7 times that of the lowest paid full time employee.

During the 2015-16 financial year there was one payment of termination benefits by the Company amounting to £102k (2014-15 one payment of £11k).

## Notes - continued

### 6. Interest receivable and similar income

	2015-16 £	2014-15 £
Interest from bank	54,697	47,033
Interest from staff loans	1,941	1,510
Net interest on pension scheme assets	(320,000)	(68,000)
Related movement in reimbursement right asset	320,000	68,000
	<u>56,638</u>	<u>48,543</u>

### 7. Taxation

#### A. Analysis of charge in period

	2015-16 £	2014-15 £
UK Corporation Tax in the Period	11,328	9,709
Tax on profit on ordinary activities	<u>11,328</u>	<u>9,709</u>

#### B. Current tax reconciliation

Factors affecting the tax charge for the current period:

The tax assessed for the year differs from the standard rate of corporation tax. The differences are explained below.

	2015-16 £	2014-15 £
Interest Received	56,638	48,543
Third Party Trading	<u>0</u>	<u>0</u>
Total current tax charge at 20%	<u>11,328</u>	<u>9,709</u>

Published guidance from HMRC states that transactions between an ALMO and a Council do not constitute trading and are therefore non-taxable. The Company is liable to tax on dealings with any third parties and any interest received; the rate and amount payable reflects this position.

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

### 8. Tangible fixed assets

#### Fixtures Fittings & Equipment

	£
At Cost 31 March 2015	601,883
Additions	19,557
Disposals	(920)
At Cost 31 March 2016	<u>620,520</u>
Accumulated Depreciation 31 March 2015	501,003
Depreciation	40,046
Disposals	(3,206)
Accumulated Depreciation 31 March 2016	<u>537,843</u>
Net Book Value 31 March 2015	100,880
Net Book Value 31 March 2016	82,677

### 9. Debtors & Prepayments

	2015-16 £	2014-15 £
Staff Loans	36,709	58,292
Third Party Debtors	0	3,293
Prepayments	<u>43,366</u>	<u>39,459</u>
	<u>80,075</u>	<u>101,044</u>

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

	2015-16 £	2014-15 £
Third Party	762,076	787,076
Intercompany	696,887	856,998
Corporation Tax	11,328	9,709
VAT	<u>233,544</u>	<u>206,912</u>
	<u>1,703,835</u>	<u>1,860,695</u>

## Notes - continued

### 11. Other Provisions



**£**

Provisions brought forward	155,000
Disrepair claims	288,960
Third party claims	160,000
Reorganisation claims	<u>896,854</u>
Provisions carried forward	<u>1,500,814</u>

Provisions have been increased during the year to reflect disrepair claims received from residents but not settled in the year, to reflect a probable claim from a third party and to reflect the costs of a corporate reorganisation initiated during the year.

## **12. Reserves**

**£**

At beginning of period	4,101,282
Retained Profit for the period	<u>600,960</u>
At end of period	<u>4,702,242</u>

## Notes - continued

### 13. Pension Scheme

#### A. Introduction

The Company participates in the London Borough of Tower Hamlets Pension Fund. The pension cost charge for the period for current service costs amounted to £3,338,000 (2014-15: £2,767,000).

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 or average 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 2016.

The Company recognises the entirety of its pension scheme rights and obligations on its own books, rather than only those rights and obligations that have arisen since the transfer of staff to the ALMO.

However, where a pension scheme deficit arises, an equivalent reimbursement right asset is recognised on the balance sheet to reflect the Council indemnity. This reimbursement right asset is further explained above in Note 1.

#### B. Retirement Benefits

The following tables set out the assumptions applied when calculating the value of pension scheme assets and liabilities and also projected costs to the end of the next financial year.

#### Financial Assumptions

Period ended	31-Mar-2016	31-Mar-2015
Pension increase rate	2.2%	2.4%
Salary increase rate	3.7%	3.8%
Discount rate	3.5%	3.2%

#### Mortality Assumptions

	Males	Females
Current pensioners	22.2	24.2
Future pensioners	24.3	26.4

#### Projected Costs to 31 March 2017

	Assets £(000)	Obligations £(000)	Net £(000)	Net % of pay
Projected service cost	0	2,841	(2,841)	-25.2%
Past service cost including curtailments	0	0	0	-
Effect of settlements	0	0	0	-
Total Service Cost	0	2,841	(2,841)	-25.2%
Interest income on plan assets	2,931		2,931	26.0%
Interest cost on defined benefit obligations		3,024	(3,024)	-26.8%
Total Net Interest Costs	2,931	3,024	(93)	0.8%
Total Included in Profit & Loss	2,931	5,865	(2,934)	-26.0%

## Notes - continued

### C. FRS102 Pension Scheme Disclosures - Position at 31 March 2016

Period Ending 31 March 2016	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Fair value of plan assets	79,959		79,959
Present value of funded liabilities		89,613	(89,613)
Present value of unfunded liabilities			
Opening Position as at 31 March 2015	79,959	89,613	(9,654)
Service cost			
Current service cost		3,338	(3,338)
Past service cost (including curtailments)			
Effect of settlements			
Total service cost		3,338	(3,338)
Net interest			
Interest income on plan assets	2,597		2,597
Interest cost on defined benefit obligations		2,917	(2,917)
Impact of asset ceiling on net interest			
Total net interest	2,597	2,917	(320)
Total defined benefit cost recognised in Profit/(Loss)	2,597	6,255	(3,658)
Cashflows			
Plan participants' contributions	785	785	
Employer contributions	2,605		2,605
Contributions in respect of unfunded benefits			
Benefits paid	(991)	(991)	
Unfunded benefits paid			
Effect of business combinations and disposals			
Expected closing position	84,955	95,662	(10,707)
Remeasurements			
Changes in demographic assumptions			
Changes in financial assumptions		(9,788)	9,788
Other experience		(727)	727
Return on assets ex amounts included in net interest	(2,350)		(2,350)
Changes in asset ceiling			
Total remeasurements recognised in SCI	(2,350)	(10,515)	8,165
Fair value of plan assets	82,605		82,605
Present value of funded liabilities		85,147	(85,147)
Present value of unfunded liabilities			
Closing position as at 31 March 2016	82,605	85,147	(2,542)

## Notes - continued

### D. FRS102 Pension Scheme Disclosures - Position at 31 March 2015

Period Ending 31 March 2015	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Fair value of plan assets	68,869		68,869
Present value of funded liabilities		70,441	(70,441)
Present value of unfunded liabilities			
Opening Position as at 31 March 2014	68,869	70,441	(1,572)
Service cost			
Current service cost		2,714	(2,714)
Past service cost (including curtailments)		53	(53)
Effect of settlements			
Total service cost		2,767	(2,767)
Net interest			
Interest income on plan assets	3,014		3,014
Interest cost on defined benefit obligations		3,082	(3,082)
Impact of asset ceiling on net interest			
Total net interest	3,014	3,082	(68)
Total defined benefit cost recognised in Profit/(Loss)	3,014	5,849	(2,835)
Cashflows			
Plan participants' contributions	798	798	
Employer contributions	2,743		2,743
Contributions in respect of unfunded benefits	0		
Benefits paid	(953)	(953)	
Unfunded benefits paid			
Effect of business combinations and disposals			
Expected closing position	74,471	76,135	(1,664)
Remeasurements			
Changes in demographic assumptions			
Changes in financial assumptions		13,909	(13,909)
Other experience		(431)	431
Return on assets ex amounts included in net interest	5,488		5,488
Changes in asset ceiling			
Total remeasurements recognised in SCI	5,488	13,478	(7,990)
Fair value of plan assets	79,959		79,959
Present value of funded liabilities		89,613	(89,613)
Present value of unfunded liabilities			
Closing position as at 31 March 2015	79,959	89,613	(9,654)

## Notes - continued

### 14. Analysis of adjustments to cash flows

Returns on investment and servicing of finance	2015-16 £	2014-15 £
Interest receivable from bank	54,697	47,033
Interest receivable from staff	1,941	1,510
	<u>56,638</u>	<u>48,543</u>

### 15. Analysis of movement of net funds

	2014-15 £	Cash flow £	2015-16 £
Cash in hand & at bank	5,915,053	1,829,086	7,744,139

### 16. Operating Leases

	31-Mar-16 £	31-Mar-15 £
Within one year	135,000	161,000
Within two to five years	540,000	540,000
Over five years	270,000	405,000

## **Notes - continued**

### **17. Related party disclosures**

Details as to the status of the Company and composition of the Board of Directors are given in Note 1.

Board members who are tenants or leaseholders of the London Borough of Tower Hamlets are subject to the Council's normal terms.

The ultimate controlling party is The London Borough of Tower Hamlets.

The Company's main source of income is a management fee for the management of The London Borough of Tower Hamlets housing stock: this amounted to £35,116,000 (2014-15: £34,955,344), at the end of the financial period. Of this £2,605,000 relates to reimbursement of employer pension contributions (2014-15: £2,743,000).

There was a related party creditor balance of £696,887 at 31 March 2016 (£856,998 at 31 March 2015).

In the event of the Company being wound up, The London Borough of Tower Hamlets 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. The exception to this is the reimbursement rights asset relating to the pension liability which fully covers this. 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.

### **18. Contingent Liability**

The Company had no contingent liabilities as at 31 March 2016 (2015: nil).

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

The Company is a wholly owned subsidiary of The London Borough of Tower Hamlets, although the Council has determined that the accounts of Tower Hamlets Homes Ltd are not sufficiently material to warrant consolidation into its own accounts.

## Notes - continued

### 20. Transition to FRS102

The Company has adopted FRS102 for the year ended 31 March 2016 and has restated the comparative prior year amounts where necessary.

Notes:

1. There was only one change to the Statement of Comprehensive Income: Updates in FRS102 require entities to measure the defined benefit obligation on a discounted present value basis by reference to current market yields on high quality corporate bonds at the reporting date. This is in contrast to the treatment under FRS17 which required treatment on an 'expected return rate' basis.
2. There was a change to the presentation of the Statement of Financial Position. Updates in FRS102 require the Pension Liability to be shown under 'Provisions for Liabilities' and the Reimbursement Right Asset to be shown under 'Current Assets' rather than in the previous treatment, where these items were shown together.

### Reconciliations

#### Restated Statement of Comprehensive Income for the Year ended 31 March 2015

	Adopted IFRS/UK GAAP	Effect of Transition to FRS102	FRS102
	£	£	£
Turnover (Management Fee)	32,212,344		32,212,344
less Cost of Sales	(31,823,634)		(31,823,634)
Operating Profit	<u>388,710</u>		<u>388,710</u>
Interest receivable and similar income	48,543		48,543
Profit on ordinary activities before Tax	<u>437,253</u>		<u>437,253</u>
Tax	(9,709)		(9,709)
Profit for the Financial Year	<u>427,544</u>		<u>427,544</u>
<b>OCI/STRGL:</b>			
Actuarial Loss in Pension Scheme	(9,170,000)	1,180,000	(7,990,000)
Related movement in Reimbursement Right Asset	9,170,000	(1,180,000)	7,990,000
Total comprehensive income in year	<u>427,544</u>	<u>0</u>	<u>427,544</u>

## Notes - continued

### Restated Statement of Financial Position at 31 March 2015

	Adopted IFRS/UK GAAP	Effect of Transition to FRS102	FRS102
	£	£	£
<b>Fixed Assets</b>			
Tangible Assets	100,880		100,880
<b>Current Assets</b>			
Reimbursement Right Asset	0	9,654,000	9,654,000
Debtors	101,044		101,044
Cash	5,915,053		5,915,053
	<u>6,016,097</u>		<u>15,670,097</u>
<b>Current Liabilities</b>			
Creditors: falling due within one year	(1,860,695)		(1,860,695)
	<u>(1,860,695)</u>		<u>(1,860,695)</u>
<b>Net Current Assets</b>	4,155,402		13,809,402
<b>Total Assets less Current Liabilities</b>	4,256,282		13,910,282
<b>Provisions for Liabilities</b>			
Pension Liability	0	(9,654,000)	(9,654,000)
Other Provisions	(155,000)		(155,000)
<b>Pension Scheme</b>			
Pension Liability	9,654,000	(9,654,000)	0
Reimbursement Right Asset	(9,654,000)	9,654,000	0
<b>Net Assets</b>	<u>4,101,282</u>		<u>4,101,282</u>
<b>Capital &amp; Reserves</b>	<u>4,101,282</u>	<u>0</u>	<u>4,101,282</u>

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