

**Tower Hamlets Homes
Limited**

Directors' report and financial
statements for the year
ended 31 March 2017

Limited Company By Guarantee

Registered number 06249790

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Company Information

Company Registration No

06249790

Registered office:

Jack Dash House
2 Lawn House Close
London
E14 9YQ

Bankers:

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

Solicitors:

Trowers and Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Auditors:

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 Ahktar	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	
Helen Charles	Resident	20-Jan-17	

Company Secretary

Paul Davey

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.

Name	Role	From	To
Susmita Sen	Chief Executive	15-Sept-2015	
Les Warren	Director of Finance	01-Apr-2015	30-Sept-2016
Ken Hopkins	Director of Asset Management (interim)	18-Jan-2016	30 June-2016
Ann Otesanya	Director of Neighbourhoods	15-Feb-2016	
Paul Davey	Director of Business Transformation	13-Jun-2016	
John Tunney	Director of Asset Management (interim)	18-Jul-2016	
Neil Isaac	Director of Finance (interim)	16-Sept-2016	

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2017.

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 Strategic 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.

Employment of Disabled Persons

THH promotes equality of opportunity in its recruitment, selection, training and development policies and practice.

We welcome applications from applicants 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.

Going Concern

The company has disclosed its business activities, principal risks and uncertainties in the strategic report on pages 7 & 8. The business has significant reserves and retains a contractual relationship with its main client until 2020. The directors have a reasonable expectation that the company is well placed to successfully continue its business while managing risk and uncertainty.

The company has reported a loss of £741,687 following the restructuring of the business. The business was well prepared to manage the loss this year with substantial reserves to ensure the restructuring does not impact on the viability of the business.

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 18 September 2017 and signed on its behalf by:

Paul Davey

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

Strategic Report

The Directors present their strategic report for the year ended 31 March 2017.

Business Review

Tower Hamlets Homes Ltd (THH) is an Arm's Length Management Organisation (ALMO) set up by the London Borough of Tower Hamlets (LBTH) to provide housing management services, including the income collection, tenancy management, estate services, day-to-day repairs, major works, planned maintenance, leaseholder services, resident participation, customer services, service development and training to residents of the borough's housing.

The ALMO started on 7th July 2008 under a ten-year term contract with a five-year break clause. Since inception we have achieved the two star performance threshold required to access Government funding and secured £108m grant for investment in stock. We have a solid track record of improved performance, income collection, and resident satisfaction while reducing the annual management fee. In recognising these achievements, on the 6th December 2016 LBTH's Cabinet approved a two-year contract extension to the 7th July 2020.

Economic pressures and national austerity policies continue to drive resources lower. This is evident in Government policy to reduce rental income to the HRA which in-turn reduces the resources available to THH through the management fee. The implementation of a five-year saving strategy starting in 2017/18 has helped emphasise the need for THH to focus on efficiency and value-for-money, as a result THH has initiated a Company-wide transformational change programme including a review of resources and service delivery models in 2016/17. This will ensure resources are better focussed on the needs of our residents and meeting the Council's aspirations for the service.

Results & Performance

The Company's principal activity during the year is the provision of housing management services to residents of LBTH. The Company also manages delivery of the planned and responsive repairs and maintenance programme and manages delivery of the housing investment programme for LBTH.

Financial

The Company received a management fee of £33.376m (2015/16: £35.116m) to manage and maintain LBTH's HRA stock. Although managed by the Company, the cost of repairs and maintenance and investment programmes are shown in LBTH's financial accounts.

This year the Company generated a profit of £336,313 (2015/16: £600,960) before exceptional restructuring costs of £1.078m for redundancy, severance and pension liabilities from transformation projects resulting in a loss for the year of £741,687.

Principal Risks and Uncertainties

The Board has overall responsibility for identifying and mitigating the principal risks it is willing to take to achieve the Company's strategic objectives. This is done within the Company's system of internal control including effective risk management.

Strategic risks are considered by their potential to impact on the delivery of the aims, objectives and the provision of services together with the predicted likelihood of the actual event or occurrence and the score registered on a risk matrix. A member of EMT is assigned as being the risk owner and assumes the responsibility of ensuring effective mitigation actions are in place.

The key risks faced by the business include changes in Central Government and / or Local Government policy which could impact on LBTH's decision to extend or award new contracts. Customer satisfaction and performance is fundamental to influencing LBTH when reviewing the contract; with recent, continued improvement in both these areas LBTH has recently extended the contract to 2020.

The business has set aside appropriate provisions to meet its liabilities and has accumulated reserves to facilitate service delivery and protect the business against uncertain risk.

Key Performance Indicators

Key Performance Indicator	Target	Actual
Repairs: Appointments kept	98.5%	98.3%
% of properties with current gas safety certificate	100.0%	100.0%
% of repairs completed first time	80.0%	81.7%
% of tenants rating the repairs service as excellent, good or fair	92.0%	91.7%
Fire risk assessments completed	266	266
Average time to relet empty homes - short term	28	22.7
Average time to relet empty homes - long term	70	55.4
% rent collected (of rent due)	100.0%	99.98%

Paul Davey

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 2017. 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).

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.

This letter was tabled and agreed at the meeting of the Board of Directors on 18 September 2017.

Independent Auditor's Report to the Members of Tower Hamlets Homes Ltd

We have audited the financial statements of Tower Hamlets Homes Limited for the year ended 31 March 2017 as set out on pages 14 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), 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 11 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

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 2017 and of its loss 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 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

Statement of Comprehensive Income

For the year ended 31 March 2017

	Notes	2016-17 £	2015-16 £
Turnover (Management Fee)	2	30,817,996	32,511,000
Operating Costs		(31,617,589)	(31,955,350)
Operating (Loss)/Profit		<u>(799,593)</u>	<u>555,650</u>
Interest receivable & similar income	6	72,383	56,638
(Loss)/Profit on ordinary activities before Tax	3	<u>(727,210)</u>	<u>612,288</u>
Tax	7	(14,477)	(11,328)
(Loss)/Profit for the Financial Year		<u>(741,687)</u>	<u>600,960</u>
Other comprehensive income:			
Actuarial Gain/(Loss) in Pension Scheme	13	2,713,000	8,165,000
Related Movement in Reimbursement Right Asset	13	(2,713,000)	(8,165,000)
Total comprehensive income for the year		<u>(741,687)</u>	<u>600,960</u>
Capital and Reserves at 1st April		4,702,242	4,101,282
Capital and Reserves at 31st March		<u>3,960,555</u>	<u>4,702,242</u>

The notes on pages 18 - 29 form part of these statements.

Statement of Financial Position

At 31 March 2017

	Notes	31-Mar-17 £	31-Mar-16 £
Fixed Assets			
Tangible Assets	8	68,004	82,671
Current Assets			
Reimbursement Right Asset	13	734,000	2,542,000
Debtors	9	83,747	80,071
Cash	15	7,820,060	7,744,131
		<u>8,637,807</u>	<u>10,366,211</u>
Current Liabilities			
Creditors: Amounts falling due within one year	10	(1,713,404)	(1,703,835)
		<u>(1,713,404)</u>	<u>(1,703,835)</u>
Net Current Assets		6,924,403	8,662,376
Total Assets less Current Liabilities		6,992,407	8,745,051
Provisions for Liabilities			
Pension Liability	13	(734,000)	(2,542,000)
Other Provisions	11	(2,297,852)	(1,500,814)
Net Assets		<u>3,960,555</u>	<u>4,702,241</u>
Capital & Reserves	12	<u>3,960,555</u>	<u>4,702,241</u>

The notes on pages 18 - 29 form part of these statements.

The financial statements were approved by the board on 18 September 2017 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	2016-17 £	2015-16 £
Cash flows from operating activities			
Operating (loss)/profit for the financial year		(799,593)	555,650
Adjustments for:			
Depreciation of tangible assets		41,210	40,046
Taxation		(14,477)	(11,328)
Decrease/(increase) in debtors		(3,672)	20,969
(Decrease)/increase in creditors		9,569	(156,860)
Increase/(decrease) in provisions		797,038	1,345,814
(Profit)/loss on disposals		325	(2,286)
Net cash from operating activities		<u>30,400</u>	<u>1,792,005</u>
Cash flows from investing activities			
Purchases of tangible assets	8	(26,862)	(19,557)
Net interest	14	72,383	56,638
Net cash from investing activities		<u>45,521</u>	<u>37,081</u>
Net Increase/Decrease in cash and Cash Equivalents		<u>75,921</u>	<u>1,829,086</u>
Cash & cash equivalents at start of year		7,744,139	5,915,053
Cash & cash equivalents at end of year		7,820,060	7,744,139

The notes on pages 18 - 29 form part of these statements.

Statement of Changes in Equity

For the year ended 31 March 2017

£

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

Profit for the year	600,960
Actuarial Gains on Pension Scheme	8,165,000
Reduction in reimbursement right	<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**

Loss for the year	(741,687)
Actuarial gains on Pension Scheme	2,713,000
Reduction in reimbursement right	<u>(2,713,000)</u>
Total comprehensive loss for the year	<u>(741,687)</u>

Profit & loss account at 31 March 2017 **3,960,555**

The notes on pages 18 - 29 form part of these statements.

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 a strategic 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*.

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 2016-17, the Company received £33,375,996 in total, being £30,817,996 in management fee and £2,558,000 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 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.

2. Analysis of turnover on ordinary activities before taxation

	2016-17 £	2015-16 £
Management fee	33,375,996	35,116,000
Less pension contributions	(2,558,000)	(2,605,000)
Turnover	<u>30,817,996</u>	<u>32,511,000</u>

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

3. (Loss)/Profit on ordinary activities before taxation

	2016-17 £	2015-16 £
(Loss)/Profit on Ordinary Activities before Taxation	(727,210)	612,288
Auditor's remuneration	25,000	27,750
Depreciation	41,210	40,046
Gain/(Loss) on disposal of fixed assets	(1,298)	2,286
Exceptional restructuring costs	(1,078,000)	(496,854)

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:

Directorate	2016-17	2015-16
Asset Management	73	75
Business Transformation	24	27
Chief Executive	3	3
Finance	20	24
Neighbourhoods	336	343
	456	472

The aggregate payroll costs of these persons were as follows:

	2016-17	2015-16
	£(000)	£(000)
Wages & Salaries	15,356	15,136
Social security costs	1,527	1,247
Other pension costs	2,558	2,607
Total	19,441	18,990

The emoluments of the highest paid employee amounted to £131,496 (2015-16: £130,000) excluding employer's pension contributions of £30,030 (2014-15: £30,030).

The highest paid employee received emoluments 7.52 times that of the lowest paid full time employee.

During the 2016-17 financial year there were 17 payments of termination benefits by the Company amounting to £411k (2015-16 one payment of £102k).

No further termination benefits were agreed in the year.

Notes - continued

6. Interest receivable and similar charges

	2016-17	2015-16
	£	£
Interest receivable and similar income	72,383	56,638
Interest payable and similar charges	(103,000)	(320,000)
Related movement in reimbursable asset	103,000	320,000
	<u>(72,383)</u>	<u>(56,638)</u>

7. Taxation

A. Analysis of charge in period

	2016-17	2015-16
	£	£
UK Corporation Tax in the Period	14,477	11,328
Tax on (Deficit)/Surplus on ordinary activities	<u>14,477</u>	<u>11,328</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.

	2016-17	2015-16
	£	£
Interest Received	72,383	56,638
Third Party Trading	0	0
Total current tax charge at 20%	<u>14,477</u>	<u>11,328</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 2016	620,520
Additions	26,862
Disposals	(1,623)
At Cost 31 March 2017	<u>645,759</u>
Accumulated Depreciation 31 March 2016	537,843
Depreciation 2016-17	41,210
Disposals 2016-17	(1,298)
Accumulated Depreciation 31 March 2017	<u>577,755</u>
Net Book Value 31 March 2016	82,677
Net Book Value 31 March 2017	68,004

9. Debtors & Prepayments

	2016-17 £	2015-16 £
Staff Loans	45,998	36,709
Third Party Debtors	2,493	0
Prepayments	<u>35,256</u>	<u>43,366</u>
	<u>83,747</u>	<u>80,075</u>

10. Creditors: amounts falling due within year

	2016-17 £	2015-16 £
Third Party Creditors	589,895	762,076
LBTH Creditor	949,268	696,887
Corporation Tax Creditor	14,477	11,328
VAT Creditor	<u>159,764</u>	<u>233,544</u>
	<u>1,713,404</u>	<u>1,703,835</u>

Notes - continued

11. Provisions for Liabilities and Charges

At beginning of period	1,500,814
Use of provisions in year	(492,261)
Increased during the year	<u>1,289,299</u>
At end of period	<u>2,297,852</u>

Provisions have been increased during the year in light of the business transformation process that is in progress.

12. Reserves

	£
At beginning of period	4,702,242
Loss for the period	<u>(741,687)</u>
At end of period	<u>3,960,555</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 £3,360,000 (2015-16: £3,338,000).

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 2017.

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

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 required information is set out below:

Financial Assumptions

Period ended	31-Mar-2017	31-Mar-2016
Pension increase rate	2.4%	2.2%
Salary increase rate	2.2%	3.7%
Discount rate	3.6%	3.5%

Mortality Assumptions

	Males	Females
Current pensioners	22.1	24.1
Future pensioners	23.9	25.8

Projected Costs to 31 March 2018

Projected service cost	0	4,250	(4,250)	-38.4%
Past service cost including curtailments	0	0	0	-
Effect of settlements	0	0	0	-
Total Service Cost	0	4,250	(4,250)	-38.4%
Interest income on plan assets	2,554		2,554	23.1%
Interest cost on defined benefit obligations		2,602	(2,602)	-23.5%
Total Net Interest Costs	2,554	2,602	(48)	-0.4%
Total Included in Profit & Loss	2,554	6,852	(4,298)	-38.8%

Notes - continued

C. FRS102 Pension Scheme Disclosures at 31 March 2017



Fair value of plan assets	82,605		82,605
Present value of funded liabilities		85,147	(85,147)
Present value of unfunded liabilities			
Opening Position as at 31 March 2016	82,605	85,147	(2,542)
Service cost			
Current service cost		2,790	(2,790)
Past service cost (including curtailments)		570	(570)
Effect of settlements	0	0	0
Total service cost	0	3,360	-3,360
Net interest			
Interest income on plan assets	2,922		2,922
Interest cost on defined benefit obligations		3,025	(3,025)
Impact of asset ceiling on net interest	0	0	0
Total net interest	2,922	3,025	(103)
Total defined benefit cost recognised in Profit/(Loss)	2,922	6,385	(3,463)
Cashflows			
Plan participants' contributions	778	778	0
Employer contributions	2,558		2,558
Contributions in respect of unfunded benefits	0		0
Benefits paid	(1,421)	(1,421)	0
Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	87,442	90,889	(3,447)
Remeasurements			
Changes in demographic assumptions		(1,448)	1,448
Changes in financial assumptions		13,239	(13,239)
Other experience		(4,480)	4,480
Return on assets ex amounts included in net interest	10,024		10,024
Changes in asset ceiling	0	0	0
Total remeasurements recognised in SCI	10,024	7,311	2,713
Fair value of plan assets	97,466		97,466
Present value of funded liabilities		98,200	(98,200)
Present value of unfunded liabilities			
Closing position as at 31 March 2017	97,466	98,200	(734)

Notes - continued

D. FRS102 Pension Scheme Disclosures at 31 March 2016

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

14. Analysis of adjustments to cash flows

Returns on investment and servicing of finance

2016-17	2015-16
£	£
71,044	54,697
1,339	1,941
<u>72,383</u>	<u>56,638</u>

Interest receivable from bank
Interest receivable from staff

15. Analysis of movement of net funds

	2015-16	Cash flow	2016-17
	£	£	£
Cash in hand & at bank	7,744,139	75,921	7,820,060

16. Commitments

Lease Commitments	31-Mar-17	31-Mar-16
Within one year	135,000	135,000
Within two to five years	540,000	540,000
Over five years	135,000	270,000

The company holds one property lease, on offices the Harford Centre, Harford Street, E1. THH signed a ten year lease for office space in May 2013 at a rent of £135,000 per year.

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.

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 £33,375,996 (2015-16: £35,116,000), at the end of the financial period. Of this £2,558,000 relates to reimbursement of employer pension contributions (2015-16: £2,605,000)

There was a related party creditor balance of £949,268 at 31 March 2017 (£696,887 at 31 March 2016)

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.

Three of the Board Members of Tower Hamlets Homes also hold senior management positions or Chair for organisations that THH transacts with throughout the year, as follows:

- Somali Integration Team - £44,919 expenditure
- Bromley by Bow Centre - £2,130 expenditure
- Collingwood Tenants and Residents association - £868 expenditure

18. Contingent Liability

The Company had no contingent liabilities as at 31 March 2017 (2016: 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.

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