

**Tower Hamlets Homes  
Limited**

Directors' report and financial  
statements for the year  
ended 31 March 2015

Limited Company By Guarantee

Registered number 06249790

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## Company Information

### Company registration

**Number:** 06249790

**Registered office:** Jack Dash House  
2 Lawn House Close  
London  
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**  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

### Board of Directors:

Board Member	Type	Appointed	Resigned
Ann Lucas (Chair)	Independent	10 Dec 2012	
Cllr Kabir Ahmed	Council	21 Dec 2011	29 July 2014
Cllr Alibor Choudhury	Council	21 Dec 2011	23 April 2015
Shamsul Hoque	Resident	28 Nov 2012	
Claire Tuffin	Resident	06 Mar 2013	
Cllr Lutfa Begum	Council	08 Apr 2013	24 May 2014
Cllr Gulam Robbani	Council	08 Apr 2013	31 May 2015
Cllr Abdul Asad	Council	05 Dec 2014	31 May 2015
Cllr Mohammed Maium Miah Talukdar	Council	05 Dec 2014	31 May 2015
Cllr Sabina Ahktar	Council	31 May 2015	
Cllr Marc Francis	Council	31 May 2015	
Cllr John Pierce	Council	31 May 2015	
Cllr Helal Uddin	Council	31 May 2015	

### Company Secretary

Leslie Warren

## **Company Information (cont)**

### **Strategic Management Team**

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

Chief Executive	Gavin Cansfield
Director of Finance & Customer Services	Leslie Warren
Director of Investment Services	Jamie Carswell
Interim Director of Neighbourhood Services	Kevin Jones

## **Directors' report**

The Directors present their report and the audited financial statements for the year ended 31 March 2015.

### **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.

### **Payment of Creditors**

The Company's policy is to pay creditors as they fall due. At the 31 March 2015, 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 23 July 2015 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 Arms 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 2015 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.

In common with many housing organisations, welfare reform continues to impact our customer base and the business. Although the impacts on the business have not been as severe as originally predicted across the sector, the cumulative impact of welfare reform, future initiatives such as universal credit and broader austerity measures represents a significant risk to the company.

The increased discounts offered in respect of right to buy and the relaxation of eligibility criteria have resulted in an increase in right to buy enquiries and completions. Over 200 completions took place in 2014-15 and this has reduced the income base for the HRA in 2014-15 and for future years. We expect right to buy completions to continue at a high level although the precise level is difficult to forecast and therefore represents an uncertainty to the HRA Business Plan.

THH is a wholly owned subsidiary of the Council. A Mayoral election will take place in June 2015 following the decision of the Election Court in April 2015.

### **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 will continue next year into the fifth year of that programme.

We also led on 12 new Council housing starts during the year.

## Financial and operational Key Performance Indicators

Organisational Priority	Performance Measures and Targets	Progress or outcome achieved in year 2014/2015
<b>Invest in Homes to be Proud of</b>	3,109 homes made decent	3,150 homes made decent
	21.78% homes non-decent	Result available Q1 14/15
	93.5 % repairs completed right first time	94.34% repairs completed right first time
	100% of Decent Homes Social Deliverables achieved	91% of Decent Homes Social Deliverables achieved
	100% of homes with a valid gas certificate	100% of homes with a valid gas certificate
	84% of residents rate improvement and investment as excellent, good or fair	80% of residents rate improvement and investment as 'good' or 'excellent'
<b>Creating vibrant neighbourhoods</b>	70% of residents rate their neighbourhood as a good place to live	71% of residents rate their neighbourhood as a good place to live
	82% of tenants rate repairs service as 'good' or 'excellent'	80.55% of tenants rate repairs service as 'good' or 'excellent'
	22 days on average to relet an empty home	18.68 days on average to relet an empty home
	99% of rent collected	99.43% of rent collected
	£2.42m of improvement charges collected	£3.26m of improvement charges collected
	£12.33m of service charges collected	£12.23m of service charges collected
<b>Delivering consistently brilliant customer service</b>	75% issues resolved at first point of contact	82% of issues resolved at first point of contact
	80% of residents rating customer services as excellent or good	83% of residents rating customer services as excellent or good
	65% of tenants rate the overall service as excellent or good	66% of tenants rate the overall service as excellent or good
	42% of leaseholders rating the overall service as excellent or good	43% of leaseholders rating the overall service as excellent or good
	77% of residents agree that 'THH does what it says it will'	74% of residents agree that 'THH does what it says it will'
<b>Building One Great Organisation</b>	69% of staff say they are happy working for THH	70% of staff say they are happy working for THH
	Top third of organisation when compared to others	58% of staff say poor performance tackled.



**Year end position**

These results are for the full year of operations ended 31 March 2015.

The overall position on the Profit & Loss Account is a surplus of £427,544 (compared to a surplus of £304,103 in 2013-14).

This surplus was in line with forecast.

The Strategic Report was approved by the Board on 23 July 2015 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 2015. 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.

# **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 2015 set out on pages **15** to **31**. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 **12**, 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 2015 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 matter 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.

**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

20 August 2015

**Profit & Loss Account**  
**For the year ended 31 March 2015**

	<b>Notes</b>	<b>2014-15</b> £	<b>2013-14</b> £
Turnover (Management Fee)	2	32,212,344	30,782,420
less Cost of Sales		<u>(31,823,634)</u>	<u>(30,518,378)</u>
Operating Profit		<u>388,710</u>	<u>264,042</u>
Interest Receivable & Similar Income	6	48,543	50,076
Profit on Ordinary Activities Before Tax	3	<u>437,253</u>	<u>314,118</u>
Tax	7	(9,709)	(10,015)
Profit on Ordinary Activities After Tax		<u>427,544</u>	<u>304,103</u>
Retained Profit for the Financial Year		427,544	304,103

The notes on pages 19-31 form part of these statements.

**Balance sheet**  
**At 31 March 2015**

	Notes	31-Mar-15	31-Mar-14
		£	£
<b>Fixed Assets</b>			
Tangible Assets	8	100,880	131,391
<b>Current Assets</b>			
Debtors & Prepayments	9	101,044	113,996
Cash at Bank and In Hand		5,915,053	5,366,233
		<u>6,016,097</u>	<u>5,480,229</u>
<b>Current Liabilities</b>			
Creditors: due within one period	10	(1,860,695)	(1,705,882)
Provisions	11	(155,000)	(232,000)
		<u>(2,015,695)</u>	<u>(1,937,882)</u>
<b>Net Current Assets</b>		4,000,402	3,542,347
<b>Net Assets ex Pension Asset &amp; Liability</b>		4,101,282	3,673,737
Reimbursement right asset	13	9,654,000	1,572,000
Pension Liability	13	(9,654,000)	(1,572,000)
<b>Net Assets</b>		<u>4,101,282</u>	<u>3,673,737</u>
<b>Capital &amp; reserves</b>			
Income & Expenditure Account	12	<u>4,101,282</u>	<u>3,673,737</u>

The notes on pages 19-31 form part of these statements.

The financial statements were approved by the board on 23 July 2015 and were signed on its behalf by:

Ann Lucas  
Chair  
Jack Dash House, 2 Lawn House Close, London E14 9YQ

Reg. No. 06249790

## Cash flow statement

For the year ended 31 March 2015

<b>Reconciliation of operating profit to net cash flow from operating activities</b>	<b>2014-15 £</b>	<b>2013-14 £</b>
Operating Profit	388,710	264,042
Depreciation Charges	59,806	80,426
Decrease in debtors	12,952	219,679
Increase/(Decrease) in creditors	145,104	(381,767)
Decrease in provisions	(77,000)	(118,000)
Losses on disposals	727	2,146
Net cash inflow from operating activities	<u>530,299</u>	<u>66,526</u>

### Cash flow statement

Cash Flow from operating activities	530,299	66,526
Returns on investments and servicing of finance	48,543	50,076
Capital expenditure and financial investment	<u>(30,022)</u>	<u>(79,868)</u>
Cash inflow before management of liquid resources and financing	<u>548,820</u>	<u>36,734</u>
Increase /(decrease) in cash in the period	<u><u>548,820</u></u>	<u><u>36,734</u></u>

### Reconciliation of net cash flow to movement in net funds

Opening funds	5,366,233	5,329,499
Increase/(decrease) in cash in period	<u>548,820</u>	<u>36,734</u>
Closing funds	<u><u>5,915,053</u></u>	<u><u>5,366,233</u></u>

The notes on pages 19-31 form part of these statements.



## Statement of recognised gains & losses

For the year ended 31 March 2015

	2014-15	2013-14
	£	£
Profit for period	427,544	304,103
Actuarial (loss)/gain	(9,170,000)	4,707,000
Related movement in reimbursement right asset	9,170,000	(4,707,000)
Total gains & losses	<u>427,544</u>	<u>304,103</u>

## Reconciliation of movement in shareholder funds

For the year ended 31 March 2015

	2014-15	2013-14
	£	£
Profit in year	427,544	304,103
Other gains/(losses) in year	0	0
Net addition to shareholder funds	<u>427,544</u>	<u>304,103</u>
Opening shareholder funds	<u>3,673,737</u>	<u>3,369,635</u>
Closing shareholder funds	<u>4,101,282</u>	<u>3,673,737</u>

The notes on pages 19-31 form part of these statements.

## 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, 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;
- 3 appointed tenants and leaseholders;
- 3 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 on a going concern basis and in accordance with the Companies Act 2006, UK GAAP 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 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 2014-15, the Company received £34,955,344 in total, being £32,212,344 in management fee and £2,743,000 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	20% per annum
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### 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 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 recognised income and expenditure, actuarial gains and losses.

### Pension reimbursement rights

The requirement of FRS17 is to show the surplus or deficit on the pension scheme as an asset or liability respectively on the balance sheet. 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 recognition of part of the change in value of the reimbursement right asset within the statement of total recognised gains and losses (the STRGL) is a departure from the requirement of FRS 3 *Reporting financial performance* that gains and losses may be excluded from the profit and loss account and recognised instead in the STRGL only if they are specifically permitted or required to be taken directly to reserves. Since the change in value of the pension obligation to which the reimbursement right relates is required by FRS 17 to be recognised in part in the STRGL, in the opinion of the directors it would not give a true and fair view of the company's result for the year for the entire change in value of the reimbursement right asset to be recognised in the income and expenditure account. As a result, both the actuarial loss of £9,170,000 (2013-14: a gain of £4,707,000) and the related movement in reimbursement right asset have been recognised in the STRGL, rather than in the profit and loss account.

### 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

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.

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

	<b>2014-15</b>	<b>2013-14</b>
	<b>£</b>	<b>£</b>
Management fee	34,955,344	32,434,420
Less pension contributions	<u>(2,743,000)</u>	<u>(1,652,000)</u>
Turnover	<u>32,212,344</u>	<u>30,782,420</u>

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

## 3. (Deficit)/Surplus on ordinary activities before taxation

	<b>2014-15</b>	<b>2013-14</b>
	<b>£</b>	<b>£</b>
Surplus on Ordinary Activities before Taxation	437,253	314,118
Auditor's remuneration	25,000	25,000
Depreciation	59,806	80,426
Loss on disposal of fixed assets	727	2,146

## 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>2014-15</b>	<b>2013-14</b>
Neighbourhood Services	286	282
Investment Services	70	60
Customer Services	69	66
Support Services	37	40
	<u>462</u>	<u>448</u>

The aggregate payroll costs of these persons were as follows:

	<b>2014-15</b>	<b>2013-14</b>
	£(000)	£(000)
Wages & Salaries	14,610	14,294
Social security costs	1,198	1,214
Other pension costs	2,743	1,652
<b>Total</b>	<u><b>18,551</b></u>	<u><b>17,160</b></u>

The emoluments of the highest paid employee amounted to £121,867 (2013-14: £121,200) excluding employer's pension contributions of £28,151 (2013-14: £19,877).

The highest paid employee received emoluments 5 times that of the lowest paid employee on a full time equivalent basis.

## Notes - continued

### 6. Other interest receivable and similar income

	2014-15 £	2013-14 £
Receivable from bank interest	47,033	47,106
Interest on staff loans	1,510	2,970
FRS17: Net Interest on pension scheme assets/liabilities	1,112,000	38,000
FRS17: Related Movement on Reimbursement rights asset	(1,112,000)	(38,000)
	<u>48,543</u>	<u>50,076</u>

### 7. Taxation

#### A. Analysis of charge in period

	2014-15 £	2013-14 £
UK Corporation Tax in the Period	9,709	10,015
Tax on (Deficit)/Surplus on ordinary activities	<u>9,709</u>	<u>10,015</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.

	2014-15 £	2013-14 £
Interest Received	48,543	50,076
Third Party Trading	0	0
Total current tax charge at 20%	<u>9,709</u>	<u>10,015</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 2014	573,316
Additions	30,022
Disposals	(1,455)
At Cost 31 March 2015	<u>601,883</u>
Accumulated Depreciation 31 March 2014	441,925
Depreciation 2014-15	59,806
Disposals 2014-15	(728)
Accumulated Depreciation 31 March 2015	<u>501,003</u>
Net Book Value 31 March 2014	131,391
Net Book Value 31 March 2015	100,880

### 9. Debtors & Prepayments

	2014-15 £	2013-14 £
Staff Loans	58,292	95,038
Third Party Debtors	3,293	2,041
Prepayments	<u>39,459</u>	<u>16,916</u>
	<u>101,044</u>	<u>113,996</u>

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

	2014-15 £	2013-14 £
Third Party Creditors	787,076	792,107
Intercompany Creditor	856,998	495,190
Corporation Tax Creditor	9,709	10,015
VAT Creditor	<u>206,912</u>	<u>408,570</u>
	<u>1,860,695</u>	<u>1,705,882</u>

## Notes - continued

### 11. Provisions for Liabilities and Charges

**Employee Litigation Risk****£**

At beginning of period	232,000
Reduced during the year	<u>(77,000)</u>
At end of period	<u>155,000</u>

Provisions for the likelihood of employee litigation have been reduced during the year.

**12. Reserves****£**

At beginning of period	3,673,737
Retained Profit for the period	<u>427,544</u>
At end of period	<u>4,101,282</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 £2,714,000 (2013-14: £2,553,000).

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 2015.

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. FRS17 - 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:

#### C. Fair Value of Employer Assets

	<b>31-Mar-15</b>	<b>31-Mar-14</b>
	<b>£(000)</b>	<b>£(000)</b>
Equities	56,771	50,963
Bonds	11,194	10,330
Property	7,996	6,887
Cash	3,998	689
<b>Total</b>	<b>79,959</b>	<b>68,869</b>

## Notes - continued

## D. Notes to the Balance Sheet

	<b>31-Mar-15</b>	<b>31-Mar-14</b>
	<b>£(000)</b>	<b>£(000)</b>
Fair Value of Employer Assets	79,959	68,869
Present Value of Funded Liabilities	(89,613)	(70,441)
Net Over/(Under) Funding	(9,654)	(1,572)
Present Value of Unfunded Liabilities	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Net Asset/(Liability)	(9,654)	(1,572)
Amount in the Balance Sheet - Asset		
Amount in the Balance Sheet - Liability	(9,654)	(1,572)
Net Asset/(Liability)	(9,654)	(1,572)

## E. Notes to the Income Statement

	<b>31-Mar-15</b>	<b>31-Mar-14</b>
	<b>£(000)</b>	<b>£(000)</b>
Current Service Cost	2,714	2,553
Interest Cost	3,082	2,960
Expected Return on Employer Assets	(4,194)	(2,998)
Past Service Cost / (Gain)	53	0
Losses / (Gains) on Curtailments and Settlements	0	78
<b>Total</b>	<b>1,655</b>	<b>2,593</b>
Actual Return on Employer Assets	8,502	4,897

## F. Notes to the STRGL

	<b>31-Mar-15</b>	<b>31-Mar-14</b>
	<b>£(000)</b>	<b>£(000)</b>
Actuarial Gains/(Losses) on Plan Assets	(9,170)	4,707
Actuarial Gains/(Losses) on Plan Obligation	0	0
Actuarial Gain/(Loss) Recognised in the STRGL	(9,170)	4,707
Cumulative Actuarial Gain/(Loss) Recognised in STRGL	(10,927)	(1,757)

## Notes - continued

## G. Reconciliation of Defined Benefit Obligations

	31-Mar-15	31-Mar-14
	£(000)	£(000)
Opening Defined Benefit Obligation	70,441	64,695
Current Service Cost	2,714	2,553
Interest Cost	3,082	2,960
Contributions by Members	798	661
Actuarial Losses / (Gains)	13,478	491
Past Service Costs / (Gains)	53	0
Losses / (Gains) on Curtailments	0	78
Liabilities Extinguished on Settlements	0	0
Liabilities Assumed in a Business Combination	0	0
Exchange Differences	0	0
Estimated Unfunded Benefits Paid	0	0
Estimated Benefits Paid	(953)	(997)
Closing Defined Benefit Obligation	89,613	70,441

## H. Reconciliation of Fair Value of Employer Assets

	31-Mar-15	31-Mar-14
	£(000)	£(000)
Opening Fair Value of Employer Assets	68,869	59,357
Expected Return on Assets	4,194	2,998
Contributions by Members	798	661
Contributions by the Employer	2,743	1,652
Contributions in respect of Unfunded Benefits	0	0
Actuarial Gains / (Losses)	4,308	5,198
Assets Distributed on Settlements	0	0
Assets Acquired in a Business Combination	0	0
Exchange Differences	0	0
Estimated Unfunded Benefits Paid	0	0
Estimated Benefits Paid	(953)	(997)
<b>Closing Fair Value of Employer Assets</b>	<b>79,959</b>	<b>68,869</b>

## Notes - continued

### I. Projected Pension Expense for the Period to 31 March 2016

	<b>£(000)</b>	<b>% of Pay</b>
Projected Service Cost	3,427	29.6%
Interest on Obligation	2,919	25.2%
Expected Return on Employer Assets	(2,598)	-22.5%
Past Service Cost	0	0.0%
Losses/(Gains) on Curtailments and Settlements	0	0.0%
Total	3,748	32.3%

### J. Financial Assumptions

	<b>31-Mar-15</b>	<b>31-Mar-14</b>
Pension Increase Rate	2.4%	2.8%
Salary Increase Rate	3.8%	4.1%
Expected Return on Assets	3.2%	6.0%
Discount Rate	3.2%	4.3%

### K. Previous Periods

	<b>31-Mar-13</b>	<b>31-Mar-12</b>	<b>31-Mar-11</b>
	<b>£(000)</b>	<b>£(000)</b>	<b>£(000)</b>
Fair Value of Employee Assets	59,357	50,967	49,113
Present Value of Defined Benefit Obligations	(64,695)	(52,255)	(42,361)
Surplus/(Deficit)	(5,338)	(1,288)	6,752
Experienced Gains/(Losses) on Assets	3,829	(3,424)	(6,874)
Experienced Gains/(Losses) on Liabilities	67	(3,195)	20,816
Actuarial Gains/(Losses) on Plan Assets	(3,950)	(8,347)	21,675
Actuarial Gains/(Losses) on Plan Obligation			
Actuarial Gain/(Loss) Recognised in the STRGL	(3,950)	(8,347)	21,675
Cumulative Actuarial Gain/(Loss) Recognised in STRGL	(6,464)	(2,514)	5,833

## Notes - continued

### 14. Analysis of adjustments to cash flows

	2014-15 £	2013-14 £
<b>Returns on investment &amp; servicing of finance</b>		
Receivable from bank interest	47,033	47,106
Interest on staff loans	1,510	2,970
	<u>48,543</u>	<u>50,076</u>

### 15. Analysis of movement of net funds

	2013-14 £	Cash flow £	2014-15 £
Cash in hand & at bank	5,366,233	548,820	5,915,053

### 16. Commitments

	Lease Commitments	31-Mar-15	31-Mar-14
Within one year		26,000	0
Within two to five years		0	26,000
Over five years		135,000	135,000

The company holds two property leases, on offices at 542 Roman Road, E3, and at the Harford Centre, Harford Street, E1:

- THH has served notice on the Roman Road lease and will be exiting on 31 July 2015. The current rent is £26,000 per year.
- THH signed a ten year lease for office space in the Harford Centre 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 £34,955,344 (2013-14: £32,434,420), at the end of the financial period. Of this £2,743,000 relates to reimbursement of employer pension contributions (2013-14: £1,652,000)

There was a related party creditor balance of £856,998 at 31 March 2015 (£495,190 at 31 March 2013)

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 2015.

### **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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