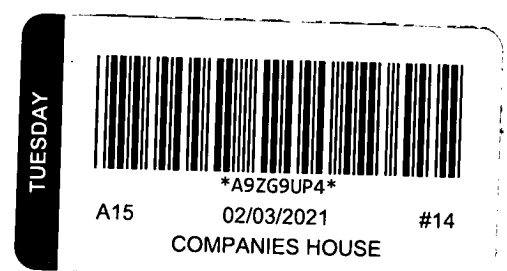


# **Tower Hamlets Homes Limited**

Directors' Annual report and  
financial statements for the  
year  
ended 31 March 2020

Limited Company By Guarantee

Registered in England: 06249790



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## Company Information

**Company Registration No** 06249790 Registered in England

**Registered office:** Second Floor  
City Reach  
5 Greenwich View Place  
London  
E14 9NN

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

**Solicitor:** **Trowers and Hamlins 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	
Claire Tuffin	Resident	06-Mar-13	
Caroline Compton-James	Independent	10-Sep-15	July-19
Andrew Bond	Independent	10-Sep-15	
Safia Jama	Independent	06-May-16	
Cllr Sabina Akhtar	Council	14-Jul-15	
Cllr John Pierce	Council	14-Jul-15	
Helen Charles	Resident	20-Jan-17	Nov-19
Cllr Asma Islam	Council	01-Oct-18	
Cllr Tarik Ahmed Khan	Council	29-Oct-18	
Mahbub Anam	Resident	10-Feb-20	
Nikesh Shah	Independent	10-Feb-20	

### Company Secretary

Neil Isaac

## 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-Sept-2015	
Ann Otesanya	Director of Neighbourhoods	15-Feb-2016	
Paul Davey	Director of Business Transformation	13-Jun-2016	
Neil Isaac	Director of Finance	16-Sept-2016	
Will Manning	Director of Asset Management	16 Jan-2018	

## **Directors' report**

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

### **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.

### **Parent Organisation Address**

Tower Hamlets Council Town Hall  
Mulberry Place  
5 Clove Crescent  
E14 2BG

### **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 monthly 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.

### **Going Concern**

The company has disclosed its business activities, principal risks and uncertainties in the strategic report on pages seven and eight. Tower Hamlets Homes has significant cash reserves and retains a contractual relationship with its main client until 2024. The new management agreement has been signed which demonstrates that long term commitment from the Council. The directors recognise the greater scrutiny over going concern in the light of significant corporate failings in the recent past and the additional risks and uncertainties arising from the Corona virus pandemic. However even taking these risks into account the directors consider the company is well placed to continue its business while managing the current risks and uncertainties.

### **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 KPMG LLP appointment of auditors will be made at the forthcoming annual general meeting. As KPMG have been the auditors of Tower Hamlets homes since its inception the board have decided to tender the external audit function in accordance with best practice. This tender process is due to start in September 2020 and a recommendation to appoint an auditor as a result of that process will be made at the annual general meeting.

The Directors' Report was approved by the Board on 26 November 2020 and signed on its behalf by:

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

Neil Isaac  
Company Secretary  
Second Floor  
City Reach  
5 Greenwich View Place  
London E14 9NN

## **Strategic Report**

The Directors present their strategic report for the year ended 31 March 2020.

### **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 Mayoral decision approved a two-year contract extension to the 7th July 2020.

The Council commissioned an external organisation to undertake a review of Tower Hamlets Homes as part of its consideration of future options for the delivery of Housing Management services. Following the successful outcome of the review, the Council's Cabinet meeting in July 2019 agreed to extend the management agreement with Tower Hamlets Homes for up to eight years to 2028. An updated management agreement has been approved by the Board and the Council to ensure that THH continues to deliver for the Council.

The implementation of a five-year saving strategy by the Council starting in 2017/18 has emphasised the need for THH to focus on efficiency and value-for-money, as a result THH 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. The Council and THH are working together on updating the HRA Business Plan to ensure that there is a shared understanding of priorities for the HRA and how THH can deliver those priorities for the existing stock.

### **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. In the last 24 months the performance of THH has been recognised by the housing profession by a range of awards and accreditations won by Tower Hamlets Homes. These awards include being declared landlord of the year at the UK Housing Awards and the Caretaking Service winning the front line team of the year at the Housing Heroes Awards. In the last 12 months THH exceeded the performance target against 10 of the 17 Business Critical Indicators with three close to target. The remaining four that missed the target have been discussed with the Council and recovery plans put in place.

## **Financial**

The Company received management fee and other fees from LBTH of £35.580m (2018/19: £31.913m) 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.

The presentation of the accounts for 2019/20 differed from 2018/19 because we are accounting for a pension fund surplus. We are recognising the pension fund surplus of £5.197m as an asset on our balance sheet (same as 2017/18 accounts). This is included in the total Capital and Reserves figure of £8,812,600 on the balance sheet, but is an ear-marked reserve which can only be utilised if and when it is realised through an actual reduction in pension scheme contribution rates or other means.

We are also required to show the pension fund transactions in the Statement of Comprehensive Income. The underlying performance of the company shows a deficit of £472k (2018/19 surplus of £867k) off-set by planned investment from reserves of £463k for the digital strategy.

## **Going Concern and Covid - 19**

THH recognises that the assessment of whether the organisation is a going concern has become more of an issue in recent years given a number of high profile failures and in more recent times due to the uncertainty to business generally arising from the Covid-19 pandemic.

Structure of THH and relationship with the London Borough of Tower Hamlets

THH is a company limited by guarantee with the Council as the sole Member. It has an agreement with the Council to provide management and maintenance services to the social rented stock (including leaseholders) owned by the Council.

A new management agreement covering the four years from 2020/21 to 2023/24 has been approved by the Board and the Council and will be formally signed in the next few weeks. (The agreement has an option for the Council to extend the arrangement for a further four years)

THH does not undertake any activities that are outside the terms of the management agreement. Thus, THH does not rely on any other sources of finance apart from that provided under the management agreement.

The Council has all the necessary approvals from the government to delegate housing management to Tower Hamlets homes.

Income collection is a significant issue for the HRA especially in the current COVID pandemic. Initial estimates had suggested that a drop in collection rate of up to 5% was possible. In the event to the end of September income collection has been significantly ahead of expectation at 100.9%. This is expected to improve further as more Universal Credit tenants move on to alternative payment arrangements and more contact is made with residents who need to be chased for payments to be made. Given the success to date it is reasonable to expect that arrears will be reduced in the forthcoming 18 months such that there will not be a need to increase the bad debt provision and therefore this will not have an adverse impact on the business plan.



Tower Hamlets Homes is not complacent about the impact of COVID-19. Performance is regularly reported to the Board and a COVID Risk Register has been developed to ensure that risks are identified and adequately managed. Both were reported to Board in May. The pension contribution rates have been confirmed as unchanged by the administering body following the triannual valuation. This confirmation and the fact that the scheme is currently in surplus on an FRS 102 basis show that there are unlikely to be any adverse pension events that could affect the assessment of THH as a going concern.

#### Contingency and Cash Balances

Within the base budget there is a contingency of £250k to meet unforeseen costs that may arise during the year, this was not required in 2019/20.

THH has cumulative surpluses of some £5m. A small element of this, some £600k, is earmarked for investment in digital initiatives. The balance would be available to fund any increase in day to day running expenses or a restructuring and redundancy programme should that be necessary.

### **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 a serious breach of Health & Safety compliance, a breach of Data protection, and the potential impact of Covid-19 on the business generally and income collection in particular.

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.



Neil Isaac

Company Secretary  
Second Floor, City Reach  
5 Greenwich View Place  
London E14 9NN

## Statement of Internal Control

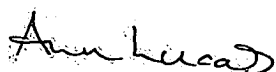
The Board of Directors acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- 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 Head of Internal Audit has reported to the Finance and Audit Committee on a regular basis and has given the internal control environment "substantial assurance".
- 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 2019. 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.



Ann Lucas  
Chair  
Second Floor, City Reach, 5 Greenwich View Place  
London E14 9NN  
Reg. No. 06249790

**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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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**

### **Opinion**

We have audited the financial statements of Tower Hamlets Homes Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### **Other information**

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in [the strategic report and] the directors' report for the financial year is consistent with the financial statements; 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**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 11&12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

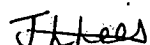
### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Joanne Lees (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square, Canary Wharf, London, E14 5GL  
Date: 12 January 2021

**Statement of Comprehensive Income**  
**For the year ended 31 March 2020**

	Notes	2019-20 £	2018-19 £
Turnover (Management Fee)	2	33,236,220	31,913,495
less Cost of Sales		(33,491,268)	(31,072,111)
Operating profit / (loss)		(255,049)	841,384
Net interest on pension scheme assets	6	(244,000)	0
Interest receivable & similar income	6	32,815	31,135
Profit / (loss) before Tax	3	(466,234)	872,519
Tax	7	(6,235)	(5,916)
Surplus / (deficit) for the Financial Year		(472,469)	866,603
Other comprehensive income:			
Actuarial (Loss)/Gain in Pension Scheme	13	13,833,000	(10,972,000)
Related Movement in Reimbursement Right Asset	13	(8,636,000)	8,636,000
Total comprehensive Surplus/(Loss) for the year		4,724,531	(1,469,397)

The notes on pages 20 - 34 form part of these statements.

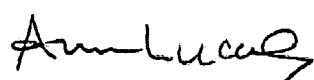


**Statement of Financial Position**  
**At 31 March 2020**

	Notes	31-Mar-20 £	31-Mar-19 £
<b>Fixed Assets</b>			
Tangible Assets	8	737,109	74,221
		<u>737,109</u>	<u>74,221</u>
<b>Pension Surplus</b>	13	5,197,000	0
<b>Current Assets</b>			
Reimbursement Right Asset	13	0	8,636,000
Debtors	9	740,135	570,749
Cash	15	5,279,899	7,275,460
		<u>6,020,034</u>	<u>16,482,209</u>
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	10	(2,774,958)	(3,226,794)
		<u>(2,774,958)</u>	<u>(3,226,794)</u>
<b>Net Current Assets</b>		3,245,075	13,255,415
<b>Total Assets less Current Liabilities</b>		9,179,185	13,329,636
<b>Provisions for Liabilities</b>			
Pension Liability	13	0	(8,636,000)
Other Provisions	11	(366,585)	(605,568)
		<u>(366,585)</u>	<u>(605,568)</u>
<b>Net Assets</b>		<u>8,812,600</u>	<u>4,088,068</u>
<b>Total Capital &amp; Reserves</b>	12	<u>8,812,600</u>	<u>4,088,068</u>
<b>Analysis of Capital &amp; Reserves</b>			
Pension surplus reserve		5,197,000	0
General reserve		3,615,599	4,088,068
<b>Total Capital &amp; Reserves</b>	12	<u>8,812,600</u>	<u>4,088,068</u>

The notes on pages 19 - 32 form part of these statements.

The financial statements were approved by the board on 26 November 2020 and were signed on its behalf by:



Ann Lucas (Chair)  
 Second Floor, City Reach, 5 Greenwich View Place  
 London E14 9NN  
 Reg. No. 06249790

**Statement of Cash Flows**  
**For the year ended 31 March 2020**

	Notes	2019-20 £	2018-19 £
<b>Cash flows from operating activities</b>			
Operating Surplus / (deficit) for the financial year		(255,049)	841,384
Adjustments for:			
Depreciation of tangible assets		156,010	33,778
Movements in pension scheme	13	(244,000)	0
Taxation		(6,235)	(5,916)
Decrease/(Increase) in debtors		(169,386)	189,732
Increase in creditors		(451,836)	70,547
Decrease in provisions		(238,983)	(286,606)
Deficit on disposals		2,669	1,476
<b>Net cash from operating activities</b>		<b>(1,206,809)</b>	<b>844,395</b>
<b>Cash flows from investing activities</b>			
Purchases of tangible assets	8	(821,568)	(46,649)
Interest received	11	32,815	31,135
<b>Net cash from investing activities</b>		<b>(788,753)</b>	<b>(15,514)</b>
<b>Cash flows from financing activities</b>			
Interest paid		0	0
<b>Net cash from financing activities</b>		<b>0</b>	<b>0</b>
Cash & cash equivalents at start of year		7,275,460	6,446,579
Cash & cash equivalents at end of year		5,279,898	7,275,460

The notes on pages 20 - 34 form part of these statements.

**Statement of Changes in Equity**  
For the year ended 31 March 2020

	<b>Pension Surplus Reserve</b>	<b>General Reserve</b>
	<b>£</b>	<b>£</b>
<b>Surplus &amp; deficit account at 31 March 2018</b>	<b>2,336,000</b>	<b>3,221,465</b>
Deficit for the year	0	866,603
Actuarial loss on Pension Scheme	0	(10,972,000)
Reduction in reimbursement right	0	8,636,000
Total comprehensive surplus for the year	0	(1,469,397)
Transfer to Pension Surplus Reserve	(2,336,000)	2,336,000
<b>Surplus &amp; deficit account at 31 March 2019</b>	<b>0</b>	<b>4,088,068</b>
Deficit for the year	0	(472,469)
Actuarial gain on Pension Scheme	0	13,833,000
Increase in reimbursement right	0	(8,636,000)
Total comprehensive surplus for the year	0	4,724,531
Transfer from Pension Surplus Reserve	5,197,000	(5,197,000)
<b>Surplus at 31 March 2020</b>	<b>5,197,000</b>	<b>3,615,599</b>

The notes on pages 20 - 34 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 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* and on the basis of the company's Going Concern which is set out in page 6.

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.

#### **Going Concern**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, including the impact of the COVID-19 pandemic, the company will have sufficient funds to meet its liabilities as they fall due for that period.

The impact of Covid-19 is still to be fully understood. The company is not reliant on rents, but on long-term contractual income from LB of Tower Hamlets Council. It is intended that a revised financial plan, including revised cash flow forecasts, will be presented to the Board at their March 2021 meeting.

A new management agreement has been approved by the Board and the Council, which covers four years from 2020/21 to 2023/24. The agreement has an option for the Council to extend the arrangement for a further four years.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## **Turnover**

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

In 2019-20, the Company received £35,580,220 in total, being £33,236,220 in management fee and £2,344,000 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

### **Basic Financial Instruments**

#### **Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, deposits held at call with banks, and monies deposited with banks for investments.

The company has no interest bearing borrowings.

#### **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, based on professional advice received from the Company's auditors. The movement in the scheme surplus/deficit is split between operating charges, finance items and actuarial gains and losses. To reflect the volatility of, and uncertainty relating to, the recovery of a pension scheme surplus, any gain creating an overall surplus is allocated to a separate reserve, which will only be transferred back to general reserves if and when the surplus is realised.

**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 before taxation

	2019-20	2018-19
	£	£
Management fee	35,580,220	34,121,495
Less pension contributions	(2,344,000)	(2,208,000)
Turnover	33,236,220	31,913,495

The change in presentation from 2018-19 to 2019-20 is due to there being no pension reimbursement position in 2019-20.

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

### 3. (Deficit)/Surplus before taxation

	2019-20	2018-19
	£	£
Surplus before Taxation	(466,234)	872,519
Auditor's remuneration	28,500	27,950
Depreciation	156,010	33,778
Gain on disposal of fixed assets	2,669	1,476

### 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>2019-20</b>	<b>2018-19</b>
Asset Management	89	72
Business Transformation	90	41
Chief Executive	1	1
Finance	15	14
Neighbourhoods	289	335
	<b>484</b>	<b>463</b>

The aggregate payroll costs of these persons were as follows:

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Wages & Salaries	17,732	16,060
Social security costs	1,829	1,636
Other pension costs	2,344	2,208
<b>Total</b>	<b>21,905</b>	<b>19,904</b>

The emoluments of the highest paid employee amounted to £150,000 (2018-19: £150,000) excluding employer's pension contributions of £27,600 (2018-19: £27,600).

The highest paid employee received emoluments 6.4 times that of the lowest paid full time employee.

During the 2019-20 financial year there were 5 payments of termination by the Company. The total severance costs came to £131,656, (2018-19 there were 6 payments of termination amounting to £145,970 in relation to severance cost).

No further termination benefits were agreed in the year.



## Notes - continued

### 6. Interest and similar charges

	2019-20	2018-19
	£	£
Interest receivable and similar income	32,815	31,135
Net interest on pension scheme assets	(244,000)	(20,000)
Related movement in reimbursable asset	244,000	20,000
	<u>32,815</u>	<u>31,135</u>

### 7. Taxation

#### A. Analysis of charge in period

	2019-20	2018-19
	£	£
UK Corporation Tax in the Period	6,235	5,916
Tax on Surplus	6,235	5,916

#### 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.

	2019-20	2018-19
	£	£
Interest Received	32,815	31,135
Total current tax charge at 19%	6,235	5,916

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

<b>Fixtures Fittings &amp; Equipment</b>	<b>£</b>
At Cost 31 March 2019	716,014
Additions	821,568
Disposals	(6,849)
At Cost 31 March 2020	<u>1,530,732</u>
Accumulated Depreciation 31 March 2019	(641,792)
Depreciation	(156,010)
Disposals	4,180
Accumulated Depreciation 31 March 2020	<u>(793,623)</u>
Net Book Value 31 March 2019	74,221
Net Book Value 31 March 2020	<u>737,109</u>

The majority of fixed assets included above are IT equipment with an assumed life of 3 years, or other office equipment with an assumed life of 5 years. The additions (£789k) has increased due to fitting and fixture at our new office move at City Reach and £124k of this amount has been depreciated.

### 9. Debtors & Prepayments

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
LBTH Debtor	179,979	458,281
Staff Loans	39,574	37,822
Third Party Debtors	39,832	34,213
Prepayments	<u>480,751</u>	<u>40,433</u>
	<u>740,135</u>	<u>570,749</u>

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

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Third Party Creditors	1,221,413	1,199,239
LBTH Creditor	1,196,153	1,923,441
Corporation Tax Creditor	6,235	5,916
VAT Creditor	<u>351,157</u>	<u>98,198</u>
	<u>2,774,958</u>	<u>3,226,794</u>

## Notes – continued

### 11. Provisions for Liabilities and Charges

	£
At beginning of period	605,568
Decrease during the year (use of provision in year)	(238,983)
At end of period	366,585

Provisions have been created in light of on-going business transformation costs. The balance represents provisions for on-going employee litigation (70k), disrepair claims (152k) and the other business transformation costs (144k).

### 12. Reserves

	Pension Reserve	General Reserve
	£	£
At beginning of period	0	4,088,068
Retained Profit for the period	0	4,724,531
Transfer between reserves	5,197,000	-5,197,000
At end of period	5,197,000	3,615,599

## 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 £5,527,000 (2018-19: £4,413,000).

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 surplus and deficit 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 2020.

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.

If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future (as with THH) or through refunds from the plan. 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:

#### The major categories of plan assets as a percentage of total plan assets

The Actuary has used the most recent asset split provided to them and allowed for index returns, where required, on each asset category to determine the estimated split of assets as at 31 March 2020.

Period Ended	31-Mar-2020	31-Mar-2019
Equities	60%	60%
Bonds	29%	29%
Property	10%	10%
Cash	1%	1%

The Actuary estimates the bid value of the Fund's assets as at 31 March 2020 to be £1,520,409,000 based on information provided by the Administering Authority and allowing for index returns where necessary. Please note the Employer's fair value of plan assets is approximately 8% of the Fund's total

**Financial Assumptions**

Period ended	31-Mar-2020	31-Mar-2019
Pension increase rate	1.9%	2.5%
Salary increase rate	2.1%	2.3%
Discount rate	2.3%	2.4%

**Mortality Assumptions**

	Males	Females
Current pensioners	21.5 years	23.5 years
Future pensioners	22.6 years	25.0 years

## Notes – continued

### C. FRS102 Pension Scheme Disclosures at 31 March 2020

Period ended 31 March 2020	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Fair value of plan assets	110,959		110,959
Present value of funded liabilities		119,595	(119,595)
Present value of unfunded liabilities		0	0
<b>Opening Position as at 31 March 2019</b>	<b>110,959</b>	<b>119,595</b>	<b>(8,636)</b>
Service cost			
Current service cost		5,414	(5,414)
Past service cost (including curtailments)		113	(113)
Effect of settlements	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>5,527</b>	<b>(5,527)</b>
Net interest			
Interest income on plan assets	2,684		2,684
Interest cost on defined benefit obligations		2,928	(2,928)
Impact of asset ceiling on net interest	0	0	0
<b>Total net interest</b>	<b>2,684</b>	<b>2,928</b>	<b>(244)</b>
<b>Total defined benefit cost recognised in Profit/(Loss)</b>	<b>2,684</b>	<b>8,455</b>	<b>(5,771)</b>
Cashflows			
Plan participants' contributions	910	910	0
Employer contributions	2,344		2,344
Estimated benefits paid	(1,984)	(1,984)	0
Estimated Unfunded benefits paid	0	0	0
Est Contributions in respect of unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
<b>Expected closing position</b>	<b>114,913</b>	<b>126,976</b>	<b>(12,063)</b>
Remeasurements			
Changes in demographic assumptions		(10,162)	10,162
Changes in financial assumptions		(3,977)	3,977
Other experience		(2,384)	2,384
Return on assets ex amounts included in net interest	737		737
<b>Total remeasurements recognised in OCI</b>	<b>737</b>	<b>(16,523)</b>	<b>17,260</b>
Fair value of plan assets	115,650		115,650
Present value of funded liabilities		110,453	(110,453)
Present value of unfunded liabilities		0	0
<b>Closing position as at 31 March 2020</b>	<b>115,650</b>	<b>110,453</b>	<b>5,197</b>

## Notes – continued

### Changes in Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year ended 31 March 2019

Period Ended 31 March 2019	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Fair value of plan assets	103,175		103,175
Present value of funded liabilities		102,816	(102,816)
<b>Opening Position as at 31 March 2018</b>	<b>103,175</b>	<b>102,816</b>	<b>359</b>
Service cost			
Current service cost		4,412	(4,412)
Past service cost (including curtailments)		1	(1)
Effect of settlements	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>4,413</b>	<b>(4,413)</b>
Net interest			
Interest income on plan assets	2,807		2,807
Interest cost on defined benefit obligations		2,827	(2,827)
<b>Total net interest</b>	<b>2,807</b>	<b>2,827</b>	<b>(20)</b>
<b>Total defined benefit cost recognised in Profit/(Loss)</b>	<b>2,807</b>	<b>7,240</b>	<b>(4,433)</b>
Cashflows			
Plan participants' contributions	835	835	0
Employer contributions	2,208		2,208
Contributions in respect of unfunded benefits	0		0
Estimated Benefits paid	(1,302)	(1,302)	0
Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
<b>Expected closing position</b>	<b>107,723</b>	<b>109,589</b>	<b>(1,866)</b>
Remeasurements			
Changes in demographic assumptions		0	0
Changes in financial assumptions		10,006	(10,006)
Other experience		0	0
Return on assets ex amounts included in net interest	3,236		3,236
<b>Total remeasurements recognised in OCI</b>	<b>3,236</b>	<b>10,006</b>	<b>(6,770)</b>
Fair value of plan assets	110,959		110,959
Present value of funded liabilities		119,595	(119,595)
<b>Closing position as at 31 March 2019</b>	<b>110,959</b>	<b>119,595</b>	<b>(8,636)</b>

## Notes – continued

### 14. Analysis of adjustments to cash flows

Returns on investment and servicing of finance	2019-20	2018-19
	£	£
Interest receivable from bank	31,486	30,066
Interest receivable from staff	1,329	1,069
	32,815	31,135

### 15. Analysis of movement of net funds

	2019-20	Cash flow	2018-19
	£	£	£
Cash in hand & at bank	5,279,899	1,995,561	7,275,460

### 16. Commitments

Lease Commitments	31-Mar-20	31-Mar-19
		re-instated
Within one year	494,050	135,000
Within two to five years	1,347,150	270,000
Over five years	0	0

The company holds two leases on offices at Harford Centre, Harford Street, London E1 and City Reach, London E14

THH signed a five year lease for office space at City Reach on 1st May 2019. The costs of sales figure includes £494,050 rent for City Reach and Harford Centre



## **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 £35,580,220 (2018-19: £34,121,495), at the end of the financial period. Of this £2,344,000 relates to reimbursement of employer pension contributions (2018-19: £2,208,000).

There was a related party debtor balance of £179,979 at 31 March 2020 (£458,281 at 31 March 2019).

There was a related party creditor balance of £1,196,153 at 31 March 2020 (£1,923,441 at 31 March 2019).

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.

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

- Somali Integration Team - £8,415 expenditure

### **18. Contingent Liability**

The Company had no contingent liabilities as at 31 March 2020 (2019: Nil).

### **19. Financial Instruments measured at fair value**

#### *Trade and other debtors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

#### *Trade and other creditors*

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

	<b>2019/20</b>	<b>2018/19</b>
	<b>£</b>	<b>£</b>
<b>Carrying amount of financial instruments</b>		
<i>The carrying amounts of the financial assets and liabilities include:</i>		
Assets measured at fair value through profit or loss	740,135	570,749
Liabilities measured at fair value through profit or loss	2,774,958	3,226,794
Loan commitments measured at cost less impairment	<u>0</u>	<u>0</u>

## **20. 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.

## **21. Post Balance Sheet Events**

There have been no significant events subsequent to the balance sheet date of 31 March 2020.