

Tower Hamlets Homes Limited

**Directors' report and financial
statements for the year
ended 31 March 2018**

Limited Company By Guarantee

Registered in England: 06249790



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Company Information

Company Registration No 06249790 Registered In England

Registered office: Boatman's House
2 Selsdon Way
London
E14 9GL

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

Solicitors: **Trowers and Hamlins LLP**
3 Bunhill Row
London
EC1Y 8YZ

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

Board of Directors:

Name	Type	Appointed	Resigned
Ann Lucas (Chair)	Independent	10-Dec-12	
Shamsul Hoque	Resident	03-Jul-08	18-Dec-17
Claire Tuffin	Resident	06-Mar-13	
Caroline Compton-James	Independent	10-Sep-15	
Andrew Bond	Independent	10-Sep-15	
Safia Jama	Independent	06-May-16	
Cllr Sabina Akhtar	Council	14-Jul-15	
Cllr Marc Francis	Council	14-Jul-15	30-Sept-18
Cllr John Pierce	Council	14-Jul-15	
Cllr Helal Uddin	Council	14-Jul-15	28-Oct-18
Helen Charles	Resident	20-Jan-17	
Julie Fagan	Resident	31-Jul-17	
Asma Islam	Council	01-Oct-18	
Tarik Ahmed Khan	Council	29-Oct-18	

Company Secretary

Paul Davey

Company Information (cont)

Executive Management Team

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

Name	Role	From	To
Susmita Sen	Chief Executive	15-Sept-2015	
Ann Otesanya	Director of Neighbourhoods	15-Feb-2016	
Paul Davey	Director of Business Transformation	13-Jun-2016	
John Tunney	Director of Asset Management (Interim)	18-Jul-2016	Jan 2018
Neil Isaac	Director of Finance (Interim)	16-Sept-2016	
Will Manning	Director of Asset Management	Jan 2018	

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2018.

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

Accounts of parent organisation can be obtained from the below link

https://www.towerhamlets.gov.uk/Documents/Finance/Accounts-and-audit/Financial_statements.pdf

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 7 & 8. The business has significant reserves and retains a contractual relationship with its main client until 2020. The directors have a reasonable expectation that the company is well placed to successfully continue its business while managing risk and uncertainty.

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 21 December 2018 and signed on its behalf by:



Paul Davey
Company Secretary
Boatman's House
2 Selsdon Way
London E14 9GL

Strategic Report

The Directors present their strategic report for the year ended 31 March 2018.

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 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.

Results & Performance

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

Financial

The Company received a management fee of £32.786m (2016/17: £33.376m) 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 2018/19 differs from previous years because we are accounting for a pension fund surplus. Following consultation with our auditors we are recognising the pension fund surplus of £2.336m as an asset on our balance sheet. This is included in the total Capital and Reserves figure of £5,557,465 on the balance sheet, but is an ear-marked reserve which the Board considers 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 surplus of £3,218,910 (2016/17 surplus of £336,313) off-set by planned investment from reserves of £1,622k for the accommodation move, procurement team and digital strategy (£1,025k,

£410k and £187k). The 2017/18 budget was set to fund these one-off costs by drawing £1,622k from reserves.

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 LBTH taking a decision to not extend the Management Agreement with THH following a review of housing management options post 2020.

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



Paul Davey
Company Secretary
Boatman's House
2 Selsdon Way
London E14 9GL

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 2018. No weaknesses were found in the

Internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements. The Board of Directors is satisfied that this remains the case up to the signing of these documents.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2018 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 2018 and of its deficit 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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 strategic report and the directors' report;
- in our opinion the information given in those reports 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, 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.

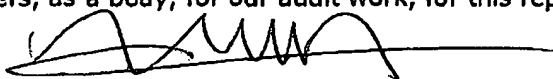
Auditor's responsibilities

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.

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.



Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

21 December 2018

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2017-18 £	2016-17 £
Turnover (Management Fee)	2	32,786,139	30,817,996
less Cost of Sales		<u>(35,708,939)</u>	<u>(31,617,589)</u>
Operating Loss		<u>(2,922,800)</u>	<u>(799,593)</u>
Interest Payable & similar charges	6	(47,000)	0
Interest receivable & similar income	6	43,388	72,383
Loss before Tax	3	<u>(2,926,412)</u>	<u>(727,210)</u>
Tax	7	(8,678)	(14,477)
Deficit for the Financial Year		<u>(2,935,090)</u>	<u>(741,687)</u>
Other comprehensive income:			
Actuarial Gain in Pension Scheme	13	5,266,000	2,713,000
Related Movement in Reimbursement Right Asset	13	<u>(734,000)</u>	<u>(2,713,000)</u>
Total comprehensive Surplus/(Loss) for the year		<u>1,596,910</u>	<u>(741,687)</u>

The notes on pages 18 - 30 form part of these statements.

Statement of Financial Position

At 31 March 2018

	Notes	31-Mar-18	31-Mar-17
Fixed Assets		£	£
Pension Surplus	13	2,336,000	0
Tangible Assets	8	62,826	68,004
Current Assets			
Reimbursement Right Asset	13	0	734,000
Debtors	9	760,481	83,747
Cash	15	6,446,579	7,820,060
		<u>7,207,060</u>	<u>8,637,807</u>
Current Liabilities			
Creditors: Amounts falling due within one year	10	(3,156,247)	(1,713,404)
		<u>(3,156,247)</u>	<u>(1,713,404)</u>
Net Current Assets		4,050,813	6,924,403
Total Assets less Current Liabilities		6,449,639	6,992,407
Provisions for Liabilities			
Pension Liability	13	0	(734,000)
Other Provisions	11	(892,174)	(2,297,852)
Net Assets		<u>5,557,465</u>	<u>3,960,555</u>
Total Capital & Reserves	12	<u>5,557,465</u>	<u>3,960,555</u>
Analysis of Capital & Reserves			
Pension surplus reserve		2,336,000	0
General reserve		3,221,465	3,960,555
Total Capital & Reserves	12	<u>5,557,465</u>	<u>3,960,555</u>

The notes on pages 18 - 30 form part of these statements.

The financial statements were approved by the board on 21 December 2018 and were signed on its behalf by:



Ann Lucas
Chair
Boatman's House, 2 Selsdon Way, London E14 9GL
Reg. No. 06249790

Statement of Cash Flows
For the year ended 31 March 2018

	Notes	2017-18 £	2016-17 £
Cash flows from operating activities			
Operating deficit for the financial year		(2,922,800)	(799,593)
Adjustments for:			
Depreciation of tangible assets		39,620	41,210
Movements in pension scheme		2,149,000	0
Taxation		(8,678)	(14,477)
Increase in debtors		(676,734)	(3,672)
Increase in creditors		1,442,843	9,569
Increase/(decrease) in provisions		(1,405,678)	797,038
Deficit on disposals		692	325
Net cash from operating activities		<u>(1,381,735)</u>	<u>30,400</u>
Cash flows from investing activities			
Purchases of tangible assets	8	<u>(35,134)</u>	<u>(26,862)</u>
Net cash from investing activities		<u>(35,134)</u>	<u>(26,862)</u>
Cash flows from financing activities			
Net interest	14	<u>43,388</u>	<u>72,383</u>
Net cash from financing activities		<u>43,388</u>	<u>72,383</u>
Cash & cash equivalents at start of year		7,820,060	7,744,139
Cash & cash equivalents at end of year		6,446,579	7,820,060

The notes on pages 18 - 30 form part of these statements.

Statement of Changes in Equity
For the year ended 31 March 2018

	£	£
Surplus & deficit account at 31 March 2016	4,702,242	0
Deficit for the year	(741,687)	0
Actuarial Gains on Pension Scheme	2,713,000	0
Reduction in reimbursement right	(2,713,000)	0
Total comprehensive loss for the year	(741,687)	0
Surplus & deficit account at 31 March 2017	3,960,555	0
Deficit for the year	(2,935,090)	0
Actuarial gains on Pension Scheme	5,266,000	0
Reduction in reimbursement right	(734,000)	0
Total comprehensive surplus for the year	1,596,910	0
Transfer to Pension Surplus Reserve	(2,336,000)	2,336,000
Surplus at 31 March 2018	3,221,465	2,336,000

The notes on pages 18 - 30 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.

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 2017-18, the Company received £32,786,139 in total, being £30,199,139 in management fee and £2,587,000 towards pension contributions.

Notes - continued

Fixed assets and depreciation

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

Fixtures, fittings & equipment	5 Years
ICT equipment	3 Years

Leases

Operating lease rentals are charged to the Income & Expenditure Account on a straight line basis over the period of the lease.

Post-retirement benefits

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

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

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, 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

	2017-18 £	2016-17 £
Management fee	32,786,139	33,375,996
Less pension contributions	0	(2,558,000)
Turnover	<u>32,786,139</u>	<u>30,817,996</u>

The change in presentation from 2016-17 to 2017-18 is due to there being no pension reimbursement position in 2017-18.

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

	2017-18 £	2016-17 £
Deficit before Taxation	(2,926,412)	(727,210)
Auditor's remuneration	25,950	25,000
Depreciation	39,620	41,210
Gain on disposal of fixed assets	692	325
Exceptional restructuring costs	0	(1,078,000)

4. Remuneration of directors

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

Notes - continued

5. Staff numbers and costs

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

Directorate	2017-18	2016-17
Asset Management	69	73
Business Transformation	41	24
Chief Executive	2	3
Finance	11	20
Neighbourhoods	346	336
	<u>469</u>	<u>456</u>

The aggregate payroll costs of these persons were as follows:

	2017-18	2016-17
	£(000)	£(000)
Wages & Salaries	15,735	15,356
Social security costs	1,523	1,527
Other pension costs	2,588	2,558
Total	<u>19,846</u>	<u>19,441</u>

The emoluments of the highest paid employee amounted to £145,002 (2016-17: £131,496) excluding employer's pension contributions of £26,680 (2016-17: £30,030).

The highest paid employee received emoluments 7.25 times that of the lowest paid full time employee.

During the 2017-18 financial year there were 23 payment of termination benefits by the Company amounting to £1,346k, of that £807k is in relation to severance costs and £539k for pension contributions, (2016-17, there were 17 payments amounting to £411k).

No further termination benefits were agreed in the year.

Notes - continued

6. Interest and similar charges

	2017-18	2016-17
	£	£
Interest receivable and similar income	43,388	72,383
Interest payable and similar charges	(47,000)	(103,000)
Related movement in reimbursable asset	0	103,000
	<u>(3,612)</u>	<u>72,383</u>

7. Taxation

A. Analysis of charge in period

	2017-18	2016-17
	£	£
UK Corporation Tax in the Period	<u>8,678</u>	<u>14,477</u>
Tax on Surplus	<u>8,678</u>	<u>14,477</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.

	2017-18	2016-17
	£	£
Interest Received	43,388	72,383
Third Party Trading	0	0
Total current tax charge at 20%	<u>8,678</u>	<u>14,477</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 2017	645,759
Additions	35,134
Disposals	(2,083)
At Cost 31 March 2018	<u>678,810</u>
Accumulated Depreciation 31 March 2017	577,755
Depreciation	39,620
Disposals	(1,391)
Accumulated Depreciation 31 March 2018	<u>615,984</u>
Net Book Value 31 March 2017	68,004
Net Book Value 31 March 2018	62,826

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.

9. Debtors & Prepayments

	2017-18	2016-17
	£	£
LBTH Debtor	683,428	0
Staff Loans	33,243	45,998
Thrd Party Debtors	2,269	2,493
Prepayments	<u>41,540</u>	<u>35,256</u>
	<u>760,480</u>	<u>83,747</u>

10. Creditors: amounts falling due within year

	2017-18	2016-17
	£	£
Thrd Party Creditors	723,813	589,895
LBTH Creditor	2,335,628	949,268
Corporation Tax Creditor	8,678	14,477
VAT Creditor	<u>88,128</u>	<u>159,764</u>
	<u>3,156,247</u>	<u>1,713,404</u>

Notes – continued

11. Provisions for Liabilities and Charges

	£
At beginning of period	2,297,852
Decrease during the year (use of provision in year)	<u>(1,405,678)</u>
At end of period	<u>892,174</u>

Provisions have been created in light of on-going business transformation costs.
The balance represents provisions for on-going employee litigation disrepair claims and the concluding business transformation costs.

12. Reserves

	Pension Surplus Reserve £	General Reserve £
At beginning of period	0	3,960,555
Retained Profit for the period	0	1,596,910
Transfer between reserves	2,336,000	<u>(2,336,000)</u>
At end of period	<u>2,336,000</u>	<u>3,221,465</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 £4,736,000 (2016-17: £3,360,000).

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 2018.

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 2018.

Period Ended	31-Mar-2018	31-Mar-2017
Equities	62%	64%
Bonds	24%	26%
Property	10%	9%
Cash	4%	1%

The Actuary estimates the bid value of the Fund's assets as at 31 March 2018 to be £1,473,000,000 based on information provided by the Administering Authority and allowing for index returns where necessary.

Financial Assumptions

Period ended	31-Mar-2018	31-Mar-2017
Pension increase rate	2.4%	2.4%
Salary increase rate	2.2%	2.2%
Discount rate	2.7%	2.6%

Mortality Assumptions

	Males	Females
Current pensioners	22.1	24.1
Future pensioners	23.9	25.8

Projected Costs to 31 March 2019

	Assets £(000)	Obligations £(000)	Net £(000)	Net % of pay
Projected service cost	0	4,132	(4,132)	-37.1%
Past service cost including curtailments	0	0	0	-
Effect of settlements	0	0	0	-
Total Service Cost	0	4,132	(4,132)	-37.1%
Interest income on plan assets	2,806		2,806	25.2%
Interest cost on defined benefit obligations		2,824	(2,824)	-25.4%
Total Net Interest Costs	2,806	2,824	(18)	-0.2%
Total Included in Surplus & Deficit	2,806	6,956	(4,150)	-37.3%

Notes – continued

C. FRS102 Pension Scheme Disclosures at 31 March 2018

Tower Hamlets Homes Limited
Directors' Report and Financial Statements
31 March 2018

Period Ending 31 March 2018	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Fair value of plan assets	97,466		97,466
Present value of funded liabilities		98,200	(98,200)
Opening position as at 31 March 2017	97,466	98,200	(734)
Service cost			
Current service cost		4,275	(4,275)
Past service cost (including curtailments)		461	(461)
Effect of settlements	0	0	0
Total service cost	0	4,736	(4,736)
Net interest			
Interest income on plan assets	2,559		2,559
Interest cost on defined benefit obligations		2,606	(2,606)
Impact of asset ceiling on net interest	0	0	0
Total net interest	2,559	2,606	(47)
Total defined benefit cost recognised in Surplus/(Deficit)	2,559	7,342	(4,783)
Cashflows			
Plan participants' contributions	777	777	0
Employer contributions	2,587		2,587
Contributions in respect of unfunded benefits	0		0
Benefits paid	(1,277)	(1,277)	0
Unfunded benefits paid	0	0	0
Effect of business combinations and disposals	0	0	0
Expected closing position	102,112	105,042	(2,930)
Remeasurements			
Changes in demographic assumptions		0	0
Changes in financial assumptions		(2,226)	2,226
Other experience		0	0
Return on assets ex amounts included in net interest	3,040		3,040
Changes in asset ceiling	0	0	0
Total remeasurements recognised in SCI	3,040	(2,226)	5,266
Fair value of plan assets	105,152		105,152
Present value of funded liabilities		102,816	(102,816)
Closing position as at 31 March 2018	105,152	102,816	2,336

Notes – continued

D. FRS102 Pension Scheme Disclosures at 31 March 2017

Period Ending 31 March 2017	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Fair value of plan assets	82,605		82,605
Present value of funded liabilities		85,147	(85,147)
Opening Position as at 31 March 2016	82,605	85,147	(2,542)
Service cost			
Current service cost		2,790	(2,790)
Past service cost (including curtailments)		570	(570)
Effect of settlements			
Total service cost		3,360	(3,360)
Net interest			
Interest income on plan assets	2,922		2,922
Interest cost on defined benefit obligations		3,025	(3,025)
Impact of asset ceiling on net interest			
Total net interest	2,922	3,025	(103)
Total defined benefit cost recognised in Surplus/(Deficit)	2,922	6,385	(3,463)
Cashflows			
Plan participants' contributions	778	778	
Employer contributions	2,558		2,558
Contributions in respect of unfunded benefits			
Benefits paid	(1,421)	(1,421)	
Unfunded benefits paid			
Effect of business combinations and disposals			
Expected closing position	87,442	90,889	(3,447)
Remeasurements			
Changes in demographic assumptions		(1,448)	1,448
Changes in financial assumptions		13,239	(13,239)
Other experience		(4,480)	4,480
Return on assets ex amounts included in net interest	10,024		10,024
Changes in asset ceiling			
Total remeasurements recognised in SCI	10,024	7,311	2,713
Fair value of plan assets	97,466		97,466
Present value of funded liabilities		98,200	(98,200)
Closing position as at 31 March 2017	97,466	98,200	(734)

Notes – continued

14. Analysis of adjustments to cash flows

Returns on investment and servicing of finance	2017-18	2016-17
	£	£
Interest receivable from bank	42,306	71,044
Interest receivable from staff	1,082	1,339
	<u>43,388</u>	<u>72,383</u>

15. Analysis of movement of net funds

	2017-18	Cash flow	2016-17
	£	£	£
Cash in hand & at bank	6,446,579	(1,373,481)	7,820,060

16. Commitments

Lease Commitments	31-Mar-18	31-Mar-17
Within one year	135,000	135,000
Within two to five years	540,000	540,000
Over five years	0	135,000

The company holds one property lease, on offices the Harford Centre, Harford Street, E1. THH signed a ten year lease for office space in May 2013 at a rent of £135,000 per year. The cost of sales figure for 2017/18 includes £135,000 for this lease.

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 £32,786,139 (2016-17: £33,375,996), at the end of the financial period. Of this £2,587,000 relates to reimbursement of employer pension contributions (2016-17: £2,558,000).

There was a related party debtor balance of £683,428 at 31 March 2018 (£0 at 31 March 2017).

There was a related party creditor balance of £2,335,628 at 31 March 2018 (£949,268 at 31 March 2017).

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.

Two 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 - £22,460 expenditure
- Bromley by Bow Centre - £27,427 expenditure

18. Contingent Liability

The Company had no contingent liabilities as at 31 March 2018 (2017: Nil).

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

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