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| --- |
| **Tower Hamlets Homes Limited**  Directors’ report and financial statements for the year  ended 31 March 2018 |
| Limited Company By Guarantee |
|  |
|  |
| Registered number 06249790 |

|  |  |
| --- | --- |
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Company Information

|  |  |
| --- | --- |
| **Company Registration No** | 06249790 |
| **Registered office:** | Jack Dash House  2 Lawn House Close  London  E14 9YQ |
| **Bankers:** | National Westminster Bank plc  Docklands South Quay Branch  54 Marsh Wall  West India Dock  London E14 6LJ |
| **Solicitors:** | **Trowers and Hamlins LLP**  3 Bunhill Row  London  EC1Y 8YZ |
| **Auditors:** | **KPMG LLP**  15 Canada Square  Canary Wharf  London  E14 5GL |

Board of Directors:

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Type** | **Appointed** | **Resigned** |
| Ann Lucas (Chair) | Independent | 10-Dec-12 |  |
| Shamsul Hoque | Resident | 03-Jul-08 | 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 |  |
| Cllr John Pierce | Council | 14-Jul-15 |  |
| Cllr Helal Uddin | Council | 14-Jul-15 |  |
| Helen Charles | Resident | 20-Jan-17 |  |
| Julie Fagan | Resident | 31-Jul-17 |  |

**Company Secretary**

Paul Davey

Company Information (cont)

Executive Management Team

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Role** | **From** | **To** |
| Susmita Sen | Chief Executive | 15-Sept-2015 |  |
| 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 Strategic Management Team.

**Dividends**

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

**Directors and directors’ interests**

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

Political and charitable contributions

The Company made no contributions to political or charitable organisations.

**Employment of Disabled Persons**

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

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

**Communications Policy**

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

**Payment of Creditors**

The Company’s policy is to pay creditors as they fall due. At the 31 March 2017, all creditors had been paid within the due dates.

**Directors’ declaration**

The directors who held office at the date of approval of this directors’ report confirm that, so far as they are each aware, there is no relevant audit information of which the Company’s auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

Auditor

In accordance with section 489 of the Companies Act 2006 a resolution for the re-appointment of KPMG LLP as auditors to the Company is to be proposed at the forthcoming Annual General Meeting.

The Directors’ Report was approved by the Board on XXXXXXX 2018 and signed on its behalf by:

**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.

Paul Davey

Company Secretary

Jack Dash House

2 Lawn House Close

London E14 9YQ

**Strategic Report**

The Directors present their strategic report for the year ended 31 March 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 Cabinet approved a two-year contract extension to the 7th July 2020.

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

**Results & Performance**

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

**Financial**

The Company received a management fee of £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.

This year the Company made a generated a profit of £882,910 (2016/17 profit of £336,313) before exceptional costs of £1,622K for the accommodation move, procurement team and digital strategy. The 2017/18 budget was set fund these exceptional cost 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 changes in Central Government and / or Local Government policy which could impact on LBTH’s decision to extend or award new contracts. Customer satisfaction and performance is fundamental to influencing LBTH when reviewing the contract; with recent, continued improvement in both these areas LBTH has recently extended the contract to 2020.

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

Paul Davey

Company Secretary

Jack Dash House

2 Lawn House Close

London E14 9YQ

**Statement of Internal Control**

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

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

It is the Board of Directors’ responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The system of financial control includes the following key elements:

* formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company’s assets. Within the Company’s Financial Regulations & Standing Orders authority levels are specified for all authorised signatories and delegated authorities documented;
* experienced and suitably qualified staff to take responsibility for important business functions. Annual employee development review procedures have been established to maintain standards of performance;
* regular internal audit to undertake reviews on the effectiveness of internal controls;
* the establishment of written policies and procedures and a scheme of delegated authorities designed to ensure that proper accounting records are maintained;
* a risk management framework in which priority risks are reviewed by the Chief Executive and senior managers;
* forecasts and budgets are prepared which allow the Board of Directors and management to monitor the key business risks and financial objectives and progress towards financial plans set for the period and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
* all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors and officers of the Company;
* the Board of Directors reviews reports from management, from internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. The report by management includes a general view of the major risks facing the Company and the Risk Management department monitors these risks and provides countermeasures to the risks where necessary;
* formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

During the period management has received regular reports from the internal auditors covering the effectiveness of the systems of operational and financial controls. On behalf of the Board, management has reviewed the effectiveness of systems of internal financial control in existence for the year ended 31 March 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).

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

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

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

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

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

We have audited the financial statements of Tower Hamlets Homes Limited for the year ended 31 March 2018 as set out on pages 14 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 11 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s website at- [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

**Opinion on financial statements**

In our opinion the financial statements:

* give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
* have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
* have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Strategic Report and the Directors’ Report for the financial year is consistent with the financial statements.

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

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

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

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

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

Harry Mears

(Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

Statement of Comprehensive Income

For the year ended 31 March 2018

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Notes** |  | **2017-18** |  | **2016-17** |
|  |  |  | **£** |  | **£** |
| Turnover (Management Fee) | 2 |  | 32,786,139 |  | 30,817,996 |
| less Cost of Sales |  |  | (33,559,939) |  | (31,617,589) |
| Operating (Loss)/Profit |  |  | (773,800) |  | (799,593) |
|  |  |  |  |  |  |
| Interest receivable & similar income | 6 |  | 43,388 |  | 72,383 |
|  |  |  |  |  |  |
| (Loss)/Profit on ordinary activities before Tax | 3 |  | (730,412) |  | (727,210) |
|  |  |  |  |  |  |
| Tax | 7 |  | (8,678) |  | (14,477) |
|  |  |  |  |  |  |
| Profit for the Financial Year |  |  | (739,090) |  | (741,687) |
| Other comprehensive income: |  |  |  |  |  |
| Actuarial Gain/(Loss) in Pension Scheme | 13 |  | 359,000 |  | 2,713,000 |
| Related Movement in Reimbursement Right Asset | 13 |  | (359,000) |  | (2,713,000) |
| Total comprehensive loss for the year |  |  | (739,090) |  | (741,687) |
|  |  |  |  |  |  |

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

Statement of Financial Position

**At 31 March 2018**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | **Notes** |  | **31-Mar-18** |  | **31-Mar-17** |
| **Fixed Assets** |  |  | **£** |  | **£** |
| Tangible Assets | 8 |  | 62,826 |  | 68,004 |
|  |  |  |  |  |  |
| **Current Assets** |  |  |  |  |  |
| Reimbursement Right Asset | 13 |  | 359,000 |  | 734,000 |
| Debtors | 9 |  | 760,481 |  | 83,747 |
| Cash | 15 |  | 6,446,579 |  | 7,820,060 |
|  |  |  | 7,566,060 |  | 8,637,807 |
| **Current Liabilities** |  |  |  |  |  |
| Creditors: Amounts falling due within one year | 10 |  | (3,156,247) |  | (1,713,404) |
|  |  |  | (3,156,247) |  | (1,713,404) |
|  |  |  |  |  |  |
| **Net Current Assets** |  |  | 4,409,813 |  | 6,924,403 |
|  |  |  |  |  |  |
| **Total Assets less Current Liabilities** |  |  | 4,472,639 |  | 6,992,407 |
|  |  |  |  |  |  |
| **Provisions for Liabilities** |  |  |  |  |  |
| Pension Liability | 13 |  | (359,000) |  | (734,000) |
| Other Provisions | 11 |  | (892,174) |  | (2,297,852) |
|  |  |  |  |  |  |
| **Net Assets** |  |  | 3,221,465 |  | 3,960,555 |
|  |  |  |  |  |  |
| **Capital & Reserves** | 12 |  | 3,221,465 |  | 3,960,555 |

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

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

Ann Lucas

Chair

Jack Dash House, 2 Lawn House Close, London E14 9YQ

Reg. No. 06249790

Statement of Cash Flows

For the year ended 31 March 2018

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | **Notes** |  | **2017-18** |  | **2016-17** |
|  |  |  | **£** |  | **£** |
| **Cash flows from operating activities** |  |  |  |  |  |
| Operating profit for the financial year |  |  | (773,800) |  | (799,593) |
| Adjustments for: |  |  |  |  |  |
| Depreciation of tangible assets |  |  | 39,620 |  | 41,210 |
| Taxation |  |  | (8,678) |  | (14,477) |
| Decrease/(increase) in debtors |  |  | (676,734) |  | (3,672) |
| (Decrease)/increase in creditors |  |  | 1,442,843 |  | 9,569 |
| Increase/(decrease) in provisions |  |  | (1,405,678) |  | 797,038 |
| (Profit)/loss on disposals |  |  | 692 |  | 325 |
| **Net cash from operating activities** |  |  | (1,381,735) |  | 30,400 |
|  |  |  |  |  |  |
| **Cash flows from investing activities** |  |  |  |  |  |
| Purchases of tangible assets | 8 |  | (35,134) |  | (26,862) |
| **Net cash from investing activities** |  |  | (35,134) |  | (26,862) |
|  |  |  |  |  |  |
| **Cash flows from financing activities** |  |  |  |  |  |
| Net interest | 14 |  | 43,388 |  | 72,383 |
| Net cash from financing activities |  |  | 43,388 |  | 72,383 |
|  |  |  |  |  |  |
| 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 - 29 form part of these statements.

Statement of Changes in Equity

For the year ended 31 March 2018

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **£** |  |
|  |  |  |  |
|  | **Profit & loss account at 31 March 2016** | **4,702,242** |  |
|  |  |  |  |
|  | (Loss)/Profit for the year | (741,687) |  |
|  | Actuarial Gains on Pension Scheme | 2,713,000 |  |
|  | Reduction in reimbursement right | (2,713,000) |  |
|  | Total comprehensive loss for the year | (741,687) |  |
|  |  |  |  |
|  | **Profit & loss account at 31 March 2017** | **3,960,555** |  |
|  |  |  |  |
|  | (Loss)/Profit for the year | (739,090) |  |
|  | Actuarial gains on Pension Scheme | 359,000 |  |
|  | Reduction in reimbursement right | (359,000) |  |
|  | Total comprehensive loss for the year | (739,090) |  |
|  |  |  |  |
|  | **Profit & loss account at 31 March 2018** | **3,221,465** |  |
|  |  |  |  |

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

Notes

(forming part of the financial statements)

# 1. Accounting policies

The following accounting policies have been applied in dealing with items which are considered material in relation to the Company’s financial statements.

**Status of Company & Composition of the Board**

The Company is limited by guarantee and does not have any share capital. The London Borough of Tower Hamlets, the ultimate parent organisation, undertakes in the event of the Company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the Company providing this amount does not exceed one pound. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the Council’s Housing Revenue Account (as defined in the 1989 Act).

A Board of non-executive directors provides strategic management of the Company and is intended to be comprised as follows:

* 4 Borough Council nominees;
* 3 appointed tenants and leaseholders;
* 4 independent members appointed from the local community.

The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company. The Board is supported by a strategic management team which is responsible for the day to day running of the Company.

**Basis of preparation**

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

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

**Turnover**

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

In 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. The movement in the scheme surplus/deficit is split between operating charges, finance items and actuarial gains and losses.

**Pension reimbursement rights**

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

**Taxation**

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made without discounting.

**Notes - continued**

**Cash and liquid resources**

Cash, for the purpose of the cash flow statement, comprises cash in hand and bank deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

# 2. Analysis of turnover on ordinary activities before taxation

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017-18** |  | **2016-17** |
|  | **£** |  | **£** |
|  |  |  |  |
| Management fee | 32,786,139 |  | 33,375,996 |
| Less pension contributions | (2,587,000) |  | (2,558,000) |
| Turnover | 30,199,139 |  | 30,817,996 |

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

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017-18** |  | **2016-17** |
|  | **£** |  | **£** |
|  |  |  |  |
| (Loss)/Profit on Ordinary Activities before Taxation | (740,312) |  | (727,210) |
|  |  |  |  |
| Auditor’s remuneration | 25,950 |  | 25,000 |
| Depreciation | 39,620 |  | 41,210 |
| Gain/(Loss) on disposal of fixed assets | 692 |  | (1,298) |
| Exceptional restructuring costs |  |  | (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 | 40 |  | 24 |
| Chief Executive | 2 |  | 3 |
| Finance | 11 |  | 20 |
| Neighbourhoods | 331 |  | 336 |
|  | **453** |  | **456** |

The aggregate payroll costs of these persons were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017-18** |  | **2016-17** |
|  | £(000) |  | £(000) |
|  |  |  |  |
| Wages & Salaries | 15,711 |  | 15,356 |
| Social security costs | 1,522 |  | 1,527 |
| Other pension costs | 2,587 |  | 2,558 |
| **Total** | **19,820** |  | **19,441** |

# The emoluments of the highest paid employee amounted to £145,002 (2016-17: £130,000) excluding employer’s pension contributions of £26,680 (2016-17: £30,030).

# The highest paid employee received emoluments 6.82 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 (2016-17 17 payments amounting to £411k).

No further termination benefits were agreed in the year.

# Notes - continued

# 6. Interest receivable 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 | 47,000 |  | 103,000 |
|  | (43,388) |  | (72,383) |

# 7. Taxation

**A. Analysis of charge in period**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017-18** |  | **2016-17** |
|  | **£** |  | **£** |
|  |  |  |  |
| UK Corporation Tax in the Period | 8,678 |  | 14,477 |
| Tax on (Deficit)/Surplus on ordinary activities | 8,678 |  | 14,477 |

**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% | 8,678 |  | 14,477 |

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 | 678,810 |
|  |  |
| Accumulated Depreciation 31 March 2017 | 577,755 |
| Depreciation | 39,620 |
| Disposals | (1,391) |
| Accumulated Depreciation 31 March 2018 | 615,984 |
|  |  |
| Net Book Value 31 March 2017 | 68,004 |
| Net Book Value 31 March 2018 | 62,826 |

# 9. Debtors & Prepayments

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017-18** |  | **2016-17** |
|  | **£** |  | **£** |
|  |  |  |  |
| Staff Loans | 33,243 |  | 45,998 |
| Third Party Debtors | 2,269 |  | 2,493 |
| Prepayments | 41,540 |  | 35,256 |
|  | 77,052 |  | 83,747 |

# 10. Creditors: amounts falling due within year

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017-18** |  | **2016-17** |
|  | **£** |  | **£** |
|  |  |  |  |
| Third Party Creditors | 723,813 |  | 592,645 |
| Intercompany Creditor | 2,335,628 |  | 949,268 |
| Corporation Tax Creditor | 8,678 |  | 14,477 |
| VAT Creditor | 88,128 |  | 159,765 |
|  | 3,156,247 |  | 1,716,154 |

# Notes – continued

**11. Provisions for Liabilities and Charges**

|  |  |
| --- | --- |
|  |  |
| At beginning of period | 2,297,852 |
| Decrease during the year | (1,405,678) |
| At end of period | 892,174 |

Provisions have been offset against the on-going business transformation costs.

**12. Reserves**

|  |  |
| --- | --- |
|  | **£** |
|  |  |
| At beginning of period | 3,960,555 |
| Loss for the period | (739,090) |
| At end of period | 3,221,465 |

**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 profit and loss account so as to spread the cost of pensions over employees’ working lives with the Company. The contributions are determined by a qualified actuary. The most recent valuation was at 31 March 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.

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

**B. Retirement Benefits**

Under the requirements of FRS17 the Company is required to disclose further information on the assets and liabilities of the scheme on a market value basis at the end of the accounting period.

The required information is set out below:

**Financial Assumptions**

|  |  |  |
| --- | --- | --- |
| Period ended | 31-Mar-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 2018**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Assets | Obligations | Net | Net |
|  | £(000) | £(000) | £(000) | % 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 Profit & Loss | 2,806 | 6,956 | (4,150) | -37.3% |

# Notes – continued

**C. FRS102 Pension Scheme Disclosures at 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) |
| Present value of unfunded liabilities |  |  |  |
| 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 Profit/(Loss) | 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 | 1,063 |  | 1,063 |
| Changes in asset ceiling | 0 | 0 | 0 |
| Total remeasurements recognised in SCI | 1,063 | (2,226) | 3,289 |
| Fair value of plan assets | 103,175 |  | 103,175 |
| Present value of funded liabilities |  | 102,816 | (102,816) |
| Present value of unfunded liabilities |  |  |  |
| Closing position as at 31 March 2018 | 103,175 | 102,816 | 359 |

# 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) |
| Present value of unfunded liabilities |  |  |  |
| Opening Position as at 31 March 2016 | 82,605 | 85,147 | (2,542) |
| Service cost |  |  |  |
| Current service cost |  | 2,790 | (2,790) |
| Past service cost (including curtailments) |  | 570 | (570) |
| Effect of settlements |  |  |  |
| 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 Profit/(Loss) | 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) |
| Present value of unfunded liabilities |  |  |  |
| 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 |
|  |  | 43,388 |  | 72,383 |

# 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-16** |
|  |  |  |
| 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.

# 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 creditor balance of £1,652,200 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.

**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.