



EASTENDHOMES LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2007**

EASTENDHOMES LIMITED

Financial statements for the year ended 31 March 2007

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EASTENDHOMES LIMITED

BOARD MEMBERS

Martin Young	Chair	
Bernard Cameron	Vice Chair	
Cllr Louise Alexander		Resigned May 4, 2006
Jack Bradley		Resigned April 24, 2006
Margaret Clarke		
Lesley Johnson		
Cllr Denise Jones		
Joanna Killian		
Tom Madden		
Neil McAree		
Cllr Ashton McGregor		Resigned May 4, 2006
Mary Nepstad		
Richard Roberts		Resigned April 24, 2006
Abdal Ullah		Resigned May 4, 2006
Cllr Motin Uz-Zaman		
Brajesh Prasad		Appointed April 24, 2006
		Resigned January 6, 2007
Salaur Rahman		Appointed September 21, 2006
Simon Hayden		Appointed September 21, 2006

SENIOR MANAGEMENT TEAM

Paul Bloss	Chief Executive
Patrick Shaw	Director of Finance & Resources
John Henderson	Director of Housing
Steve Inkpen	Director of Regeneration & Strategy

SECRETARY

Patrick Shaw

EASTENDHOMES LTD
REGISTERED OFFICE AND ADVISORS

Registered office

Tayside House
31 Pepper Street
London
E14 9RP

Auditors

Beever and Struthers
Alpertown House
Bridgewater Road
Wembley
Middlesex HA0 1EH

Solicitors

Trowers & Hamblins
Sceptre Court
40 Tower Hill
London EC3N 4DX

Bankers

Barclays Bank plc
1 Churchill Place
London E14 5HP

Legal status

Registered Company, number 4516155.
Registered Charity, number 1107691.
Registered by the Housing Corporation, number L4434.

EASTENDHOMES LIMITED

Report of the Board of Management for the Year ended 31 March 2007

The Board is pleased to present its report and the audited financial statements for EastendHomes Limited for the year ended 31 March 2007.

The Association

EastendHomes was established in 2002 as a community led housing association to accept the transfer of homes from the London Borough of Tower Hamlets as part of their Housing Choice programme. The first transfer, MileEnd East, took place on 11 April 2005, followed by St Georges and Island Gardens on January 16, 2006. Housing Choice is a programme to regenerate social housing estates of the borough through stock transfer and bring all up to the decent homes standard by 2010.

EastendHomes is a company limited by guarantee and a registered charity administered by a voluntary Board of Management. It is also registered with the Housing Corporation as a Registered Social Landlord.

The Board of Management comprise 12 non-executive directors at the year end listed on page 3; 3 resident members elected by the residents, 2 local authority members nominated by the London Borough of Tower Hamlets and 6 independent members. These non-executive members are responsible for the overall direction of EastendHomes.

Principal activities

EastendHomes is in business to provide its residents of Tower Hamlets with quality homes, sustainable estates, and effective and efficient local housing services. EastendHomes' principal activities are to effectively manage, maintain and develop homes, and to improve and regenerate its estates.

During the year EastendHomes accepted the transfer of the Holland estate from the London Borough of Tower Hamlets. Currently it provides 3,193 homes in the London Borough of Tower Hamlets.

Tenant led

EastendHomes is committed to developing effective resident involvement in the management of its estates and in the overall governance arrangements of EastendHomes. Tenants and leaseholders have significant representation on the main board of EastendHomes and comprise a majority on each of the local boards and steering groups on the estates where we work. EastendHomes believes that direct accountability to the local community and resident involvement in decision making are key elements in the overall strategy to improve service standards and provision.

Results for the year

The result for the year shows a surplus of £3,093,000.

During the year EastendHomes continued work on regenerating the housing estates, spending £7.6 million (2006: 4.6million) out of a £120 million programme.

At the year end we had not drawn from our £60 million loan facility with Barclays Bank plc.

EASTENDHOMES LIMITED

Report of the Board of Management for the Year ended 31 March 2007

Future developments

EastendHomes has been successful in achieving a positive mandate from tenants to regenerate two other estates in Tower Hamlets; Chicksand West and Glamis. We aim to take transfer of these estates during the coming year.

Internal controls

The Board is responsible for EastendHomes system of internal control and for its review. The system of internal control is designed to manage rather than eliminate the risk of failure to meet corporate objectives. It can provide reasonable, but not absolute assurance against the possibility of material misstatement or loss.

During the year under review, EastendHomes has operated an ongoing process of risk management that enables it to identify, evaluate and manage the significant risks it faces. The Board is responsible for reviewing and managing the process.

The Board has adopted a process to review and gain assurance on the effectiveness of the system of internal control by the following means:

- a full programme of risk management activity overseen by the Finance and Audit Committee;
- regular reports from management covering performance and financial matters including key performance indicators;
- the outcome of the internal audit programme and the annual external audit and
- external review by the Housing Corporation.

The system of internal control established by the Board consists of:

- sound corporate governance arrangements including the adoption of the National Housing Federation's Code of Governance, with the exception of the recommendation that maximum Board membership should be twelve;
- long term strategic plans with specific targets and objectives;
- a system of controls over financial operations and budgetary control;
- policies and procedures that are commensurate with EastendHomes' standing orders and
- contingency planning arrangements to ensure the security of data, the ability to recover computer systems and maintain services in the event of major interruption.

There are no significant internal control issues that require disclosure in the annual financial statements. EastendHomes has complied in full with the requirements of Housing Corporation Circular R2 - 25/01, "Internal Controls Assurance".

EASTENDHOMES LIMITED

Report of the Board of Management for the Year ended 31 March 2007

Statement of the Board's responsibilities

The Companies Act and housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association, and of the surplus or deficit for that period. In preparing the financial statements, the Board is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association, and to enable it to ensure that the financial statements comply with the Companies Act 1985, the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

Going concern

After making enquiries the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Provision of information

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

Annual general meeting

The annual general meeting will be held on 24 September 2007.

Auditors

A resolution to reappoint Beever and Struthers Chartered Accountants as external auditors shall be proposed at the annual general meeting.

Approved by the Board and signed on its behalf by:



Martin Young (Chair)

24 September 2007

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EASTENDHOMES LTD

We have audited the financial statements on pages 10 to 34.

This report is made solely to the association's members as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and Companies Act, 1985. Our audit work has been undertaken so that we might state to the association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditors

The association's Board of Management is responsible for preparing the Board of Management's report and as described on page 7, the financial statements in accordance with applicable United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 (as amended by Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you, if in our opinion a satisfactory system of control over transactions has not been maintained, if the association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions with the association is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
EASTENDHOMES LTD**

Opinion

In our opinion, the financial statements;

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the association's affairs as at 31 March 2006 and of its surplus for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- are consistent with the information given in the board report.

Beever and Struthers

**Beever and Struthers
Chartered Accountants
Registered Auditor**

**Alperton House
Bridgewater Road,
Wembley
Middlesex
HA0 1EH**

24 September 2007

**EASTENDHOMES LIMITED
INCOME AND EXPENDITURE ACCOUNT
AND STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
for the year ended 31 March 2007**

	Notes	2007 £'000	2006 £'000
Turnover	2	9,823	5,324
Operating costs	2	(8,563)	(6,384)
Operating surplus/(deficit)	2	1,260	(1,060)
Surplus on the sale of properties		1,751	1,568
Interest receivable and similar income	5	92	145
Interest payable and similar charges	6	(10)	(15)
Surplus for the year	7	3,093	638
Income and Expenditure Account brought forward		638	0
Income and Expenditure Account carried forward		3,731	638

The notes on pages 13 to 34 form an integral part of these financial statements.

Movements in reserves are shown in note 16.

All amounts relate to continuing activities.

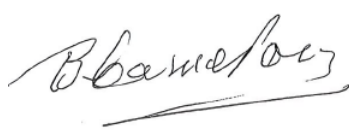
There is no difference between the surplus for the year stated above and its historical cost equivalent.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	Notes	2007 £'000	2006 £'000
Surplus for the year	16	3,093	638
Unrealised Actuarial gain/(loss) in Pension plan (note 19)	16	383	(185)
Total recognised surplus relating to the year		3,476	453



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Patrick Shaw (Secretary)

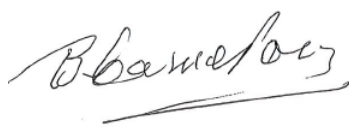
EASTENDHOMES LIMITED
BALANCE SHEET
as at 31 March 2007

	Notes	2007 £'000	2006 £'000
Tangible fixed assets			
Housing properties	9	64,515	7,414
Less: Capital grant	9	(706)	(10)
Other grant	9	(49,449)	0
Depreciation	9	(290)	(96)
		<u>14,070</u>	<u>7,308</u>
Other tangible fixed assets	10	1,148	718
		<u>15,218</u>	<u>8,026</u>
Investment in subsidiary	22	-	-
Current assets			
Debtors	11	2,517	1,773
Cash at bank and in hand		380	11,977
		<u>2,897</u>	<u>13,750</u>
Creditors			
Amounts falling due within one year	12	(7,573)	(13,997)
		<u>(4,676)</u>	<u>(247)</u>
Net current liabilities		<u>(4,676)</u>	<u>(247)</u>
Total assets less current liabilities		<u>10,542</u>	<u>7,779</u>
Creditors			
Amounts falling due after more than one year	13	6,241	6,649
Provision for liabilities and Charges	14	372	677
Capital and reserves			
Non equity share capital	15	-	-
Income and expenditure account	16	3,929	453
		<u>10,542</u>	<u>7,779</u>

The notes on pages 13 to 34 form an integral part of these financial statements.
The financial statements were approved by the Board on 24 September 2007 and signed on its behalf by



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Patrick Shaw (Secretary)

EASTENDHOMES LIMITED
CASH FLOW STATEMENT
for the year ended 31 March 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
Net cash (outflow)/inflow from operating activities	1		(7,721)		8,513
Returns on investments and servicing of finance					
Interest received		169		72	
Interest paid		<u>(10)</u>		<u>(15)</u>	
Net cash inflow from returns on investments and servicing of finance			159		57
Capital expenditure and financial investment					
Acquisition and construction of housing properties		(6,978)		(3,283)	
Other grant received		1,757		5,451	
Net proceeds on sale of housing properties		1,751		1,568	
Purchase of other tangible assets		<u>(565)</u>		<u>(329)</u>	
Net cash (outflow)/ inflow from capital expenditure and financial investment			(4,035)		3,407
Net cash (outflow)/ inflow before financing			<u>(11,597)</u>		<u>11,977</u>
Financing					
Housing loans received		1,000		1,200	
Housing loans repaid		<u>(1,000)</u>		<u>(1,200)</u>	
Net cash flow from financing			0		0
(Decrease)/increase in cash	3		<u>(11,597)</u>		<u>11,977</u>

EASTENDHOMES LIMITED
NOTES TO CASH FLOW STATEMENT
for the year ended 31 March 2007

1. RECONCILIATION OF OPERATING SURPLUS/ (DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
Operating surplus/(deficit)	1,260	(1,060)
Depreciation charges	329	184
Increase in debtors	(744)	(1,721)
(Decrease)/Increase creditors	(8,566)	11,110
	<u>(7,721)</u>	<u>8,513</u>

2. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £'000	2006 £'000
(Decrease)/Increase in cash in the year	(11,597)	11,977
Cash inflow from additional loan drawings	1,000	1,200
Cash outflow from loan repayments	(1,000)	(1,200)
Change in Net funds	<u>(11,597)</u>	<u>11,977</u>
Net funds at start of the year	<u>11,977</u>	<u>-</u>
Net funds at end of the year	<u>380</u>	<u>11,977</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2007 £'000	Cash Flows £'000	At 1 April 2006 £'000
Cash at bank and in hand	380	(11,597)	11,977
Debts due within one year	<u>0</u>	<u>0</u>	<u>0</u>
	<u>380</u>	<u>(11,597)</u>	<u>11,977</u>

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with applicable accounting standards and in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice: Accounting by Registered Social Landlords (SORP), as updated in 2005. We have reviewed these accounting policies in line with the Financial Reporting Standard 18 – Accounting Policies (FRS 18).

The financial statements are prepared on the historical cost basis of accounting.

Turnover

Turnover represents rental income, service charges and management fees receivable.

Housing properties

Housing properties are stated at cost less capital grants less depreciation and less provision for any impairment in value.

The cost of properties is their purchase price, together with any directly attributable expenditure incurred in respect of improvements. Items classified as improvements are works which result in an increase in an enhancement of the economic benefit of the property. Such enhancement can occur if the improvement works result in an increase in the net rental income such as additional rental income, a reduction in future maintenance costs or those that result in a significant extension of useful economic life. All other major works expenditure is charged to the Income and Expenditure Account.

No provision is made for major repairs except to the extent that they represent contractual obligations at the balance sheet date. Contractual obligations for major repairs are shown under creditors falling due within one year.

Only the direct overhead costs associated with improvements are capitalised.

Depreciation is provided to write down the cost of completed properties, net of grant, to their residual value over their expected useful economic lives, as follows:

Houses	100 years
Flats	75 years

For properties with an estimated useful life of more than 50 years, impairment reviews are carried out on an annual basis in accordance with Financial Reporting Standard 11 – Impairment of Fixed Assets and Goodwill (FRS 11).

Impairments resulting from a major reduction in service potential are recognised in the Income and Expenditure Account.

Sales of housing properties

Property sales are attributable to right to buy sales. The gain or loss on disposal of right to buy housing properties is recognised in the income and expenditure account at the date of transfer of title

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write the assets down to their residual values over their estimated useful economic lives, which are as follows:

Motor vehicles	-	3 years
Office furniture and equipment	-	5 years
Computer equipment	-	3 years
Office buildings	-	50 years

Recognition of Finance Costs

Interest on loans financing developments will be capitalised up to the date of practical completion of the scheme.

All costs of arranging loan facilities are amortised over the term of the loan.

Capital grants

Where properties have been financed wholly or partly by capital grants, the cost of those properties has been reduced by the amount of grant receivable. This policy is in contravention of the Companies Act 1985 but necessary to show a true and fair view and comply with the SORP.

Pension costs

The Association participates in two multi-employer defined benefit (final salary) contributory pension schemes administered independently by London Borough of Tower Hamlets and The Pensions Trust. The expected cost of providing pensions, as calculated periodically by professional qualified actuaries, is charged to the Income and Expenditure Account in order to spread the cost over the service lives of employees in the schemes in a way that the pension cost is a substantially level percentage of the current and future pensionable payroll.

Taxation

EastendHomes is registered for VAT. A large proportion of EastendHomes' income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the income and expenditure account.

The Association has charitable status and therefore is not subject to Capital Gains Tax or Corporation Tax on surpluses derived from charitable activities.

Operating leases

Rental paid under operating leases is charged to the income and expenditure account as incurred.

Provisions

EastendHomes only provides for contractual liabilities and pension commitments which exist at the balance sheet date.

Treasury management

EastendHomes adopts CIPFA's Code of Practice for Treasury Management in the Public Services (2001) and the accompanying Guidance Notes for Registered Social Landlords and follows the requirements of Housing Corporation Circulars (04/99 and 05/99).

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007 (continued)

Rent Setting

EastendHomes adopts the Housing Corporation's rent setting proposals as set out in their publication Rent influencing regime: Implementing the rent restructuring framework, updated in their circular 05/05.

Donated Land

Donated land is treated as other grant received and added to cost at the market value of the land at the time of the donation.

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/ (DEFICIT)

	2007	Operating	Operating	2006	Operating	Operating
	Turnover	Costs	Surplus	Turnover	Costs	Deficit
	£'000	£'000	£'000	£'000	£'000	£'000
Income from social housing lettings	9,486	(8,512)	974	5,216	(6,371)	(1,155)
Income from non-social housing activities						
Shop lettings	337	(51)	286	108	(13)	95
Turnover	9,823	(8,563)	1,260	5,324	(6,384)	(1,060)
			Total			Total
			£'000			£'000
Income from social housing lettings						
Rent receivable			7,588			4,127
Service charges receivable*			2,115			1,189
Other rents income			77			33
Gross rental income			9,780			5,349
less: rent losses from voids			(294)			(133)
Total turnover from social housing lettings			9,486			5,216
Operating costs on social housing lettings						
Management			(2,083)			(2,005)
Services			(2,288)			(1,143)
Routine maintenance			(2,545)			(1,749)
Planned maintenance			(625)			(669)
Major repairs			(622)			(508)
Bad debts			(153)			(201)
Depreciation of housing properties			(196)			(96)
Other costs			0			0
Total operating costs on social housing lettings			(8,512)			(6,371)
Operating surplus/(deficit) on social housing lettings			974			(1,155)

*Included within Service charges receivable is an amount of £979,247(2006: £438,019) receivable from Leaseholders.

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

3. DIRECTORS' EMOLUMENTS

The emoluments of the Chief Executive and Senior Management Team were £317,385 (2006: £291,394) of which the emoluments (excluding pension contributions) of the Chief Executive who was the highest paid director were £93,101(2006: £85,624).

The Chief Executive is an ordinary member of London Borough of Tower Hamlets pension scheme. No enhanced or special terms apply.

None of the Members of the Board received any emoluments during the year.

4. EMPLOYEE INFORMATION

The average monthly number of persons employed during the year was:

	2007		2006	
	Number of staff	Full time equivalent	Number of staff	Full time equivalent
Full time	74	74	38	38
Part time	3	2	3	2
	<u>77</u>	<u>76</u>	<u>41</u>	<u>40</u>

	2007	2006
	£'000	£'000
Wages and salaries	2,385	1,215
Social security costs	201	104
Other pension costs	275	158
	<u>2,861</u>	<u>1,477</u>

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000	2006 £'000
Deposit interest receivable from short-term investment of surplus cash balances	92	145

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
On bank loans, overdrafts and other loans	10	15

7. SURPLUS ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation of housing properties	196	96
Depreciation of other tangible fixed assets	135	88
Auditors' remuneration:		
in their capacity as auditors	30	19
in other capacities	23	28
Office rent	71	72
Hire of other assets under operating leases	17	13

8. TAXATION

The Association has charitable status.

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing properties completed	Housing properties refurbishment programme	Total
	£'000	£'000	£'000
Cost			
At 1 April 2006	2,806	4,608	7,414
Additions	49,583	7,582	57,165
Disposals	0	(64)	(64)
At 31 March 2007	<u>52,389</u>	<u>12,126</u>	<u>64,515</u>
Depreciation			
At 1 April 2006	(35)	(61)	(96)
Charged in year	(23)	(173)	(196)
Released on disposal		2	2
At 31 March 2007	<u>(58)</u>	<u>(232)</u>	<u>(290)</u>
Capital Grant (see note 13)			
At 1 April 2006	0	(10)	(10)
Additions	0	(696)	(696)
Disposals		0	0
At 31 March 2007	<u>0</u>	<u>(706)</u>	<u>(706)</u>
Other Grant			
At 1 April 2006	0	0	0
Additions	(49,449)	0	(49,449)
Disposals		0	0
At 31 March 2007	<u>(49,449)</u>	<u>0</u>	<u>(49,449)</u>
Net Book Value			
At 31 March 2007	<u>2,882</u>	<u>11,188</u>	<u>14,070</u>
At 1 April 2006	<u>2,771</u>	<u>4,537</u>	<u>7,308</u>
		2007	2006
		£'000	£'000
Housing properties at cost comprise:			
Freeholds		<u>64,515</u>	<u>7,414</u>

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

The cost of housing properties completed includes £2.8million transfer value of Island Gardens properties.

Additions to housing properties completed during the year of £49.5million relate to the market value of 48 development sites transferred to EastendHomes as part of the stock transfer. These are treated as other grant received and added to cost.

Additions to housing properties refurbishment programme during the year £7.6million (2006: £4.6 million) relate to the capitalised costs of refurbishment works £7.0 million (2006:£4.3 million) and capitalised salaries and incremental overheads £0.6 million (2006: £0.3 million).

At 31 March 2006 the Board estimated the vacant possession open market value of EastendHomes housing properties to be £349.6 million (2006:£286.0 million).

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

10. OTHER TANGIBLE FIXED ASSETS

	Office Buildings £'000	Computer Equipment £'000	Office Furniture & Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2006	462	265	52	27	806
Additions	446	51	45	23	565
Disposals	0	0	0	0	0
At 31 March 2007	<u>908</u>	<u>316</u>	<u>97</u>	<u>50</u>	<u>1,371</u>
Depreciation					
At 1 April 2006	(9)	(72)	(6)	(1)	(88)
Charge for the year	(12)	(97)	(14)	(12)	(135)
Disposals	0	0	0	0	0
At 31 March 2007	<u>(21)</u>	<u>(169)</u>	<u>(20)</u>	<u>(13)</u>	<u>(223)</u>
Net book value					
At 1 April 2006	<u>453</u>	<u>193</u>	<u>46</u>	<u>26</u>	<u>718</u>
At 31 March 2007	<u>887</u>	<u>147</u>	<u>77</u>	<u>37</u>	<u>1,148</u>

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

11. DEBTORS

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Rental debtors	500	424
Provision for bad and doubtful debts	(185)	(148)
	<u>315</u>	<u>276</u>
Shop rental debtors	194	26
Provision for bad and doubtful debts	(10)	(7)
	<u>184</u>	<u>19</u>
Leasehold debtors	661	208
Provision for bad and doubtful debts	(175)	(62)
	<u>486</u>	<u>146</u>
Other debtors	334	58
Prepayments and accrued income	126	313
	<u>1,445</u>	<u>812</u>
Amounts falling due after more than one year:		
Loan arrangement fee	569	458
LBTH pension debtor	503	503
	<u>1,072</u>	<u>961</u>
	<u>2,517</u>	<u>1,773</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Trade creditors	1,002	1,846
Other creditors including other taxes and social security	96	7,494
Accruals and deferred income	3,347	2,958
Capital grant received in advance	3,128	1,660
Service charge balances due to leaseholders	-	39
	<u>7,573</u>	<u>13,997</u>

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Capital grant received in advance	<u>6,241</u>	<u>6,649</u>

During the course of the year, EastendHomes received DCLG gap funding of £1.8million. This funding was received to finance refurbishment works to the Holland & Denning stock (£1.2million) and the St Georges stock (£0.6million). This is in addition to the £8.3m received in 2006 for the St Georges stock. All gap funding received is being released over a five year period to match the capital costs of the refurbishment works.

Housing loans

The Association has agreed a £10,000,000 loan facility in addition to the existing £50,000,000 with Barclays Bank plc. The association drew down £1,000,000 during the year at an average rate of interest of 5.07%, and repaid this amount during the year. The facility includes a revolving credit facility for £10,000,000. Future loans will be secured by fixed charges on the association's housing assets. These loans are repayable on an amortising basis.

14. PROVISION FOR LIABILITIES AND CHARGES

The provision of £372,000 has been made in respect of EastendHomes' pension obligation under the London Borough of Tower Hamlets pension scheme. This is in accordance with the accounting requirements of FRS17 –Accounting for Retirement Benefits. The movement in the provision during the year is analysed below:

	£'000
At 1 April 2006	(677)
Current Service costs charged to income & expenditure account	(111)
Net return on Pension assets credited to income & expenditure account	33
Unrealised Actuarial Gain during the year recognised in STRGL	383
At 31 March 2007	<u>(372)</u>

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

15. NON-EQUITY SHARE CAPITAL

The company is limited by guarantee and has no issued share capital. In the event of a winding up the members of the company are liable to subscribe for £1 each to satisfy their guarantee to the company.

16. RESERVES

	Income and expenditure Account £'000
At 1 April 2006	453
Surplus for the year	3,093
Unrealised Actuarial Gain during the year in Pension Plan	<u>383</u>
At 31 March 2007	<u>3,929</u>

17. CAPITAL COMMITMENTS

	2007 £'000	2006 £'000
Capital expenditure contracted for but not provided in the financial statements	<u>3,817</u>	<u>3,218</u>
Capital expenditure authorised by the Board but not yet contracted for	<u>106,167</u>	<u>90,854</u>

Capital expenditure authorised by the board relates to development agreements with London Borough of Tower Hamlets for refurbishment works to be carried out on properties transferred to EastendHomes.

Capital commitments will be funded either by capital grant, drawdown of existing or new loan facilities or by internal resources.

18. OTHER FINANCIAL COMMITMENTS

At 31 March 2007 the association had an annual commitment under the lease of office equipment of £19,270 (2006: £19,041) expiring in less than 3 years and office building of £48,711 (2006: £48,711) expiring in less than 5 years.

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

19. PENSION OBLIGATIONS

EastendHomes participates in two defined benefit final salary schemes, the London Borough of Tower Hamlets Pension Scheme and the Social Housing Pension Scheme (SHPS). The pension contributions as shown in note 4, represents contributions payable by EastendHomes to both schemes.

The disclosures required by Financial Reporting Standard 17 are as follows:

London Borough of Tower Hamlets Pension Scheme (LGPS)

The LGPS is a defined benefit statutory scheme, administered by the London Borough of Tower Hamlets in accordance with the Local Government Pension Scheme regulations 1997, as amended. It is contracted out of the state second pension.

Contributions to the scheme are determined by a qualified actuary on the basis of valuations, using the projected unit method. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2004 and updated to 31 March 2006 by a qualified independent actuary, with the next formal valuation due as at 31 March 2007.

Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2006 and 31 March 2007 are shown in the table below.

Assumption as at	31 March 2007 % p.a.	Real % p.a.	31 March 2006 % p.a.	Real % p.a.
Price Increases	3.2	-	3.1	-
Salary Increases	4.7	1.5	4.6	1.5
Pension Increases	3.2	-	3.1	-
Discount Rate	5.4	2.1	4.9	1.7

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2007 for the year to 31 March 2008).

The assets of the scheme as a whole and the expected returns as at 31 March 2006 and 31 March 2007 are shown in the table below:

Assets Main Fund	Value at 31 March 2007 £(000)	Value at 31 March 2006 £(000)	Expected Return at 31 March 2007 (% p.a.)	Expected Return at 31 March 2006 (% p.a.)
Equities	462,800	410,848	7.8	7.4
Bonds	135,500	140,151	4.9	4.6
Property	87,700	74,237	5.8	5.5
Cash	17,300	22,168	4.9	4.6
Total value of scheme assets	703,300	647,404	-	-

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

19. PENSION OBLIGATIONS (continued)

There is no provision for unitising the assets of a fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

The present value of the above assets and liabilities attributable to EastendHomes at 31 March 2006 and 31 March 2007 was:

Net Pension Asset as at	31 March 2007 £(000)	31 March 2006 £(000)
Share of value of scheme assets	4,594	4,197
Share of value of scheme liabilities	4,966	4,874
Share of scheme deficit	(372)	(677)

In accordance with the accounting requirements of FRS17, the following items have been recognised in the financial statements of EastendHomes:

Impact on income and expenditure account

Analysis of amount charged to Operating Surplus:

Charged to Operating Cost	Period to 31 March 2007 £(000)	Period to 31 March 2006 £(000)
Current service costs	(335)	(134)
Past service costs	-	-
Total operating charge (A)	(335)	(134)

Credited to Other Finance Income	Period to 31 March 2007 £(000)	Period to 31 March 2006 £(000)
Expected return on pension scheme assets	277	218
Interest on pension scheme liabilities	(244)	(207)
Net income (B)	33	11
Net income and expenditure charge (A-B)	(302)	(123)

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

19. PENSION OBLIGATIONS (continued)

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Period to 31 March 2007 £(000)	Period to 31 March 2006 £(000)
Actual Return Less Expected Return on Pension Scheme Assets	2	532
Experience Gains and Losses Arising on the Scheme Liabilities	1	1
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	380	(718)
Actuarial Gain/(Loss) in Pension Plan	383	(185)
Increase / (Decrease) in irrecoverable Surplus from Membership Fall and Other Factors	-	-
Actuarial Gain/(Loss) Recognised in STRGL	383	(185)

The experience gains and losses that have been recognised in the Statement of Total Recognised Gains and Losses can also be interpreted as follows:

	Period to 31 March 2007 £(000)	Period to 31 March 2006 £(000)
Difference Between the Expected and Actual Return on Assets	2	532
Value of Assets	4,594	4,197
Percentage of Assets	0.1%	12.7%
Experience Gains / (Losses) on Liabilities	1	1
Total Present Value of Liabilities	4,966	4,874
Percentage of the Total Present Value of Liabilities	0.0%	0.0%
Actuarial Gains/(Losses) Recognised in STRGL	383	(185)
Total Present Value of Liabilities	4,966	4,874
Percentage of the Total Present Value of Liabilities	7.7%	(3.8%)

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

19. PENSION OBLIGATIONS (continued)

Impact on Balance Sheet

	31 March 2007 £(000)	31 March 2006 £(000)
Share of value of scheme assets	4,594	4,197
Share of value of scheme liabilities	4,966	4,874
Share of scheme deficit -net pension liability	(372)	(677)

The movement in the deficit in the scheme during the year is as follows:

	Period to 31 March 2007 £(000)	Period to 31 March 2006 £(000)
Deficit at beginning of the year	(677)	(503)
Current service cost	(335)	(134)
Employer Contributions	224	134
Net return on assets	33	11
Actuarial Gains/(Losses)	383	(185)
Deficit at end of year	(372)	(677)

Social Housing Pension Scheme (SHPS)

EastendHomes participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. PENSION OBLIGATIONS (continued)

EastendHomes has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2007 and for new entrants from April 2007.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period EastendHomes paid contributions at the rate of 9.4%. Member contributions varied between 3.1% and 6.1% depending on their age.

As at the balance sheet date there were 8 active members of the Scheme employed by EastendHomes. EastendHomes continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,278 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £283 million, equivalent to a past service funding level of 82%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2006. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £235 million, equivalent to a past service funding level of 87%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

19. PENSION OBLIGATIONS (continued)

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% pa
Investment return pre retirement	7.2
Investment return post retirement	4.8
Rate of salary increases to 30 September 2010	5.0
Rate of salary increases from 1 October 2010	4.0
Rate of pension increases	2.5
Rate of price inflation	2.5

The valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2013 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non- pensioners	20.4	23.3
Pensioners	19.4	22.4

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.6
Final salary with a 1/70th accrual rate	15.3
Career average revalued earnings with a 1/60th accrual rate	14.1

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

19. PENSION OBLIGATIONS (continued)

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

With effect from 1 April 2007 the employer and employee contribution rates for EastendHomes will be 12.0% and 4.10% to 6.10% (depending on their age) of pensionable salaries respectively.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002, including EastendHomes, that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

19. PENSION OBLIGATIONS (continued)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

EastendHomes has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2005. As of this date the estimated employer debt for EastendHomes was £8,000.

20. NUMBER OF HOMES IN MANAGEMENT

The number of homes in management at the year end was:

	At 31 March 2007	At 31 March 2006
Rented general needs accommodation	1,937	1,765
Leasehold properties	1,256	1,008
	3,193	2,773

EASTENDHOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

21. RELATED PARTY TRANSACTIONS

As at 31 March 2007, three Board members were tenants or leaseholders of the association. Their tenancy agreements or leases have been granted on the same terms as for all other tenants and housing management procedures, including those relating to management of arrears, have been applied consistently to these tenants.

Two Board directors are nominated by the London Borough of Tower Hamlets and are currently councillors. Some services were purchased from LBTH during the period. All agency services are covered by an arm's length contract, which was negotiated to ensure neither party subordinated its own separate interests. LBTH pays tenant housing benefit under the terms of current legislation and this is paid directly to EastendHomes.

There are no other related party transactions requiring disclosure.

22. Subsidiary Undertaking

As at 31 March 2007 EastendHomes held 100% share (1 share of £1) in EastendHomes (Community Development) Limited which has not traded. Its principal activity is to generate funds from development opportunities in order to support EastendHomes' core activities of regenerating neighbourhoods.