



east 
endHOMES

Financial Statements
2010/2011





EAST END HOMES LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2011**

EAST END HOMES LIMITED

Financial statements for the year ended 31 March 2011

CONTENTS

	Page
Board Members	3
Senior Management Team	3
Registered Office and Advisors	4
Report of the Board of Management	5
Report of The Independent Auditors to the Members of East End Homes Limited	11
Consolidated Income and Expenditure Account	12
Association Income and Expenditure Account	13
Consolidated Balance Sheet	14
Association Balance Sheet	15
Consolidated Cash Flow Statement	16
Association Cash Flow Statement	17
Notes to Cash Flow Statement	18
Notes to the Financial Statements	20

EAST END HOMES LIMITED

BOARD MEMBERS

Martin Young	Chair	
Bernard Cameron	Vice Chair	
Colin Antoine		
Spencer Butler		Resigned September 30, 2010
Jamir Chowdhury		Appointed January 27, 2011
Laura Driscoll		
Les Eldon		
Lesley Johnson		
Thomas Madden		
Neil McAree		
Maureen McEleney		Appointed January 27, 2011
Syed Milon		
Mary Nepstad		
Amjad Rahi		
Rachael Saunders		
Janet Steward		
Cllr Motin Uz-Zaman		
Tuuli Lindberg		

SENIOR MANAGEMENT TEAM

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

SECRETARY

Paul Bloss	Appointed March 24 2011
Peter Gibbs	Resigned March 24 2011

EAST END HOMES LTD
REGISTERED OFFICE AND ADVISORS

Registered office

Tayside House
31 Pepper Street
London
E14 9RP

Auditors

Beever and Struthers
Alperton 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 Tenant Services Authority (formerly Housing Corporation) number L4434

**EAST END HOMES LIMITED
REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

The Board is pleased to present its report and the audited financial statements for East End Homes Limited for the year ended 31 March 2011.

Operating and Financial Review

The Association

East End Homes 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, Mile End 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.

Structure, governance and management

East End Homes is a company limited by guarantee, governed by its memorandum and articles of association and a registered charity administered by a voluntary Board of Management. It is also registered with the Tenant Services Authority (formerly Housing Corporation) as a Registered Social Landlord.

The Board of Management comprise 16 non-executive directors at the year end listed on page 3; 8 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 East End Homes. [Training and induction of Board members is provided by officers and overseen by the Chief Executive].

Principal activities

East End Homes is in business to provide its residents of Tower Hamlets with quality homes, sustainable estates, and effective and efficient local housing services. East End Homes' principal activities are to effectively manage, maintain and develop homes, and to improve and regenerate its estates. Currently it provides 3,544 homes in the London Borough of Tower Hamlets.

As at 31 March 2011, East End Homes held 100% share (1 share of £1) in East End Homes (Community Development) Limited. Its principal activity is to generate funds from development opportunities to support East End Home's core activities.

Tenant led

East End Homes is committed to developing effective resident involvement in the management of its estates and in the overall governance arrangements of East End Homes. Tenants and leaseholders have significant representation on the main board of East End Homes and comprise a majority on each of the local boards and steering groups on the estates where we work. East End Homes 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.

Our mission

To provide a local housing service which is efficient, gives value for money and meets the needs, priorities and aspirations of all residents

EAST END HOMES LIMITED
REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED
31 MARCH 2011

Our Vision

To achieve the comprehensive regeneration of our estates and bring about a sustained improvement in the homes and quality of life for residents

Investment Programme

East End Homes continued work on regenerating all its housing estates, spending £13.0 million this year (2010:£21.8 million) on new build properties and refurbishment works to existing stock. To date East End Homes has spent £81.1 million out of a £133 million programme.

Financial Review

Income and Expenditure

East End Homes group surplus for the year is £0.7million down £1.0 million from £1.7m achieved in 2010. The key results of the Group are as follows:

- Turnover: £14.3 million, down up £0.7million from £15.0 million in 2010; - Group turnover in 2010 included one off £0.7m overage income receipt from Telford Homes plc, from the sale of new homes at British Street Estate. The 2011 rental income receivable from general needs properties remained static, the result of TSA rent restructuring restrictions, coupled with lost rent from the decanting of a significant number of rent generating commercial shop units.
- Operating costs: £12.7 million up £0.7 million from £12.0 million in 2010;- The increase in 2011 is primarily the result of higher than forecast fuel and energy costs coupled with increased decanting costs and the impact of the rise in VAT rate.
- Loan interest costs increased from £1.3 million in 2010 to £1.6 million in 2011. Although there were no additional borrowings in the year, the increased cost reflects the full year impact of interest payments on £30.5 million loan borrowings.
- There were additional £0.682 million surpluses generated from the sale of housing properties including receipts from the enfranchisement of 1-12 Redcastle close

Balance Sheet

Capitalised costs of Housing properties has increased by £6 million to £109 million due to a further investment of £13 million on new build properties and refurbishment to existing stock offset by the £7 million being disposal value of land at Bede and St Georges estates and housing units sold during the year.

Reserves has increased by £4.5million to £11.7 million from the £0.7 million income and expenditure surplus generated in 2011 and £3.8 million reduction in the deficit within the Local Government Pension Scheme, the result of positive asset value returns, falling long term inflation expectations and the impact of the recent change in the basis of pension increases from RPI to CPI.

EAST END HOMES LIMITED
REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED
31 MARCH 2011

Cash Flow

East End Homes cash balance at 31 March 2011 was £3.9 million (2010:£7.7 million), a cash reduction of £3.8 million from 2010. This cash reduction is the result a £15.9 million cash outflow being £14.3 million spend on refurbishment works to existing housing properties and 16 new build properties and £1.6 million net interest costs, offset by £12.0 million cash inflow, being £7.0 million receipts from land sales and right to buy properties and £5.0 million cash inflow from other operating activities.

Treasury Management

East End Homes has an agreed £60 million loan facility with Barclays Bank plc of which £30.5 million has been drawn down at 31 March 2011. This loan is secured on our homes.

The board has approved a treasury management policy to control the risks associated with its treasury activities. The policy sets out a clear framework of policies, procedures and delegated authorities, which require reporting on the operations of the treasury function to the Finance and Audit Committee and to the board on a quarterly basis. East End Homes manages its interest rate exposure by entering into a mixture of fixed and variable rate loan arrangements. The loans drawn down to 31 March 2011 have all been on a forward starting fixed rate arrangement.

**EAST END HOMES LIMITED
REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED
31 MARCH 2011**

Directors

The directors who have served during the year are disclosed in page 3.

Internal controls

The Board is responsible for East End Homes 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, East End Homes 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 Tenant Services Authority (formerly 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 East End Homes' 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. East End Homes has complied in full with the requirements of Tenant Services Authority (formerly Housing Corporation) Circular R2 - 07/07, "Internal Controls Assurance".

Fraud

East End Homes complies with the Tenant Services Authority (formerly Housing Corporation)'s requirements on fraud. In particular, we have a clear policy that has been approved by the Finance and Audit Committee.

The policy requires a register to be maintained of all actual and attempted fraud. All such cases are reported to the Finance & Audit Committee and the Board. Currently, any fraud in excess of £5,000 must be reported to the Tenant Services Authority (formerly Housing Corporation).

In the year to 31 March 2011, there were no actual or attempted fraud cases.

EAST END HOMES LIMITED
REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED
31 MARCH 2011

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 2006, the Housing and Regeneration Act 2008 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.

In considering the financial position of the group the board has reviewed the short term cash flow forecast, available bank facilities and 30 year business plan.

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 20 September 2011.

Auditors

A resolution to reappoint Beaver 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)

19 July 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST END HOMES LIMITED

We have audited the financial statements of East End Homes Limited for the year ended 31st March 2011 which comprise the Group and Parent Income and Expenditure Accounts, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 137 of the Housing and Regeneration Act 2008. 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 the board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 8, the board members (who are also the directors of the company for the purposes of company law) 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 [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31st March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
EAST END HOMES LTD**

Opinion on financial statements (continued)

- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.



James Lambden (Senior Statutory Auditor)
For and on behalf of Beever and Struthers
Statutory Auditor

Alperton House
Bridgewater Road
Wembley
Middlesex HA0 1EH

Date: 13 September 2011

**EAST END HOMES LIMITED
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
AND STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £'000	2010 £'000
Turnover	2	14,279	15,002
Operating costs	2	(12,711)	(12,040)
Operating surplus	2	1,568	2,962
Surplus on the sale of properties		682	-
Interest receivable and similar income	5	19	21
Interest payable and similar charges	6	(1,610)	(1,292)
Surplus for the year before taxation	7	659	1,691
Taxation	8	-	(9)
Surplus for the year		659	1,682
Income and Expenditure Account brought forward		11,292	9,610
Income and Expenditure Account carried forward		11,951	11,292

The notes on pages 18 to 42 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.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	Notes	2011 £'000	2010 £'000
Surplus for the year	16	659	1,682
Unrealised Actuarial loss in Pension plan (note 19)	16	3,823	(3,692)
Total recognised (deficit)/surplus relating to the year		4,482	(2,010)



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Paul Bloss (Secretary)

**EAST END HOMES LIMITED
ASSOCIATION INCOME AND EXPENDITURE ACCOUNT
AND STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £'000	2010 £'000
Turnover	2	13,901	14,136
Operating costs	2	(12,565)	(11,971)
Operating surplus	2	1,336	2,165
Gift aid received from subsidiary		232	566
Surplus on the sale of properties		682	-
Interest receivable and similar income	5	19	21
Interest payable and similar charges	6	(1,610)	(1,292)
Surplus for the year	7	659	1,460
Income and Expenditure Account brought forward		11,280	9,820
Income and Expenditure Account carried forward		11,939	11,280

The notes on pages 18 to 42 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	2011 £'000	2010 £'000
Surplus for the year	16	659	1,460
Unrealised Actuarial Gain/(loss) in Pension plan (note 19)	16	3,823	(3,692)
Total recognised (deficit)/surplus relating to the year		4,482	(2,232)



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Paul Bloss (Secretary)

EAST END HOMES LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2011

	Notes	2011 £'000	2010 £'000
Tangible fixed assets			
Housing properties	9	108,963	102,853
Less: Capital grant	9	(29,331)	(28,178)
Other grant	9	(26,255)	(32,580)
Depreciation	9	(3,222)	(2,161)
		<u>50,155</u>	<u>39,934</u>
Other tangible fixed assets	10	1,023	1,106
		<u>51,178</u>	<u>41,040</u>
Current assets			
Debtors			
- due within one year	11	1,803	2,235
- due after one year	11	1,003	1,020
Cash at bank and in hand		3,862	7,707
		<u>6,668</u>	<u>10,962</u>
Creditors			
Amounts falling due within one year	12	(12,389)	(8,333)
		<u>(5,721)</u>	<u>2,629</u>
Net current (liabilities)/assets			
		<u>45,457</u>	<u>43,669</u>
Creditors			
Amounts falling due after more than one year	13	32,895	31,766
Provision for liabilities and Charges	14	846	4,669
Capital and reserves			
Non equity share capital	15	-	-
Income and expenditure account	16	11,716	7,234
		<u>45,457</u>	<u>43,669</u>

The notes on pages 18 to 42 form an integral part of these financial statements.

The financial statements were approved by the Board on 19 July 2011 and signed on its behalf by



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Paul Bloss (Secretary)

**EAST END HOMES LIMITED
ASSOCIATION BALANCE SHEET
AS AT 31 MARCH 2011**

	Notes	2011 £'000	2010 £'000
Tangible fixed assets			
Housing properties	9	108,963	102,853
Less: Capital grant	9	(29,331)	(28,178)
Other grant	9	(26,255)	(32,580)
Depreciation	9	(3,222)	(2,161)
		<u>50,155</u>	<u>39,934</u>
Other tangible fixed assets	10	1,023	1,106
		<u>51,178</u>	<u>41,040</u>
Investment in subsidiary	23	-	-
Current assets			
Debtors			
- due within one year	11	2,044	2,474
- due after one year	11	1,003	1,020
Cash at bank and in hand		<u>3,580</u>	<u>7,411</u>
		6,627	10,905
Creditors			
Amounts falling due within one year	12	(12,360)	(8,288)
		<u>(5,733)</u>	<u>2,617</u>
Net current (liabilities)/assets		(5,733)	2,617
Total assets less current liabilities		<u>45,445</u>	<u>43,657</u>
Creditors			
Amounts falling due after more than one year	13	32,895	31,766
Provision for liabilities and Charges	14	846	4,669
Capital and reserves			
Non equity share capital	15		
Income and expenditure account	16	<u>11,704</u>	<u>7,222</u>
		<u>45,445</u>	<u>43,657</u>

The notes on pages 18 to 42 form an integral part of these financial statements.

The financial statements were approved by the Board on 19 July 2011 and signed on its behalf by



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Paul Bloss (Secretary)

EAST END HOMES LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	1		5,045		4,797
Returns on investments and servicing of finance					
Interest received		22		26	
Interest paid		<u>(1,611)</u>		<u>(1,190)</u>	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(1,589)		(1,164)
Capital expenditure and financial investment					
Acquisition and construction of housing properties		(14,280)		(22,938)	
Other grant received		-		598	
Net proceeds on sale of housing properties		7,007		10,381	
Purchase of other tangible assets		<u>(28)</u>		<u>(116)</u>	
Net cash (outflow)/ inflow from capital expenditure and financial investment			(7,301)		(12,075)
Net cash (outflow)/ inflow before financing			<u>(3,845)</u>		<u>(8,442)</u>
Financing					
Housing loans received		0		9,000	
Housing loans repaid		0		-	
Net cash flow from financing			0		9,000
(Decrease)/increase in cash	3		<u>(3,845)</u>		<u>558</u>

**EAST END HOMES LIMITED
ASSOCIATION CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	1		4,493		4,563
Returns on investments and servicing of finance					
Interest received		22		26	
Interest paid		<u>(1,611)</u>		<u>(1,190)</u>	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(1,589)		(1,164)
Gift Aid received from subsidiary company			566		-
Capital expenditure and financial investment					
Acquisition and construction of housing properties		(14,280)		(22,938)	
Other grant received		-		598	
Net proceeds on sale of housing properties		7,007		10,381	
Purchase of other tangible assets		(28)		(116)	
Net cash inflow/(outflow) from capital expenditure and financial investment			(7,301)		(12,075)
Net cash inflow/(outflow) before financing			<u>(3,831)</u>		<u>(8,676)</u>
Financing					
Housing loans received		-		9,000	
Housing loans repaid				-	
Net cash inflow from financing			-		9,000
(Decrease)/increase in cash	4		<u>(3,831)</u>		<u>324</u>

EAST END HOMES LIMITED
NOTES TO CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

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

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Operating surplus	1,568	2,962	1,336	2,166
Depreciation charges	1,172	1,011	1,172	1,011
Decrease/(increase) in debtors	449	468	(118)	520
Increase in creditors	1,856	356	2,103	866
	<u>5,045</u>	<u>4,797</u>	<u>4,493</u>	<u>4,563</u>

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

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
(Decrease)/increase in cash in the year	(3,845)	558	(3,831)	324
Cash inflow from additional loan drawings	-	(9,000)	-	(9,000)
Cash outflow from loan repayments	-	-	-	-
Change in Net funds	<u>(3,845)</u>	<u>(8,442)</u>	<u>(3,831)</u>	<u>(8,676)</u>
Net funds at start of the year	<u>(22,793)</u>	<u>(14,351)</u>	<u>(23,089)</u>	<u>(14,413)</u>
Net funds at end of the year	<u>(26,638)</u>	<u>(22,793)</u>	<u>(26,920)</u>	<u>(23,089)</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	GROUP		
	At 31 March	Cash	At 1 April
	2011	Flows	2010
	£'000	£'000	£'000
Cash at bank and in hand	3,862	(3,845)	7,707
Debts due after more than one year	<u>(30,500)</u>	<u>-</u>	<u>(30,500)</u>
	<u>(26,638)</u>	<u>(3,845)</u>	<u>(22,793)</u>

EAST END HOMES LIMITED
NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

4. ANALYSIS OF CHANGES IN NET DEBT

	ASSOCIATION		
	At 31 March 2011	Cash Flows	At 1 April 2010
	£'000	£'000	£'000
Cash at bank and in hand	3,580	(3,831)	7,411
Debts due after more than one year	<u>(30,500)</u>	<u>-</u>	<u>(30,500)</u>
	<u><u>(26,920)</u></u>	<u><u>(3,831)</u></u>	<u><u>(23,089)</u></u>

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

1. PRINCIPAL ACCOUNTING POLICIES

East End Homes Limited is a registered company under the provisions of the Companies Act 2006 and is registered as charity in accordance with the Charities Act 1993. It is also registered with the Tenant Services Authority (formerly Housing Corporation) as a Registered Social Landlord under the provisions of the Housing and Regeneration Act 2008.

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), issued by the National Housing Federation in 2008. 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.

Basis of Consolidation

The consolidated financial statements of East End Homes Limited incorporates the financial statements of East End Homes (Community Development) Limited under the acquisition accounting basis.

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. Apart from the Island Gardens Stock, all other stock was transferred to East End Homes at nil value.

The cost of properties is their purchase price at transfer, together with any directly attributable expenditure incurred in respect of improvements. Items classified as improvements are works which result in an increase or 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

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 (continued)

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

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 2006 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

East End Homes Limited and East End Homes (Community Development) Ltd are registered as a VAT group. A large proportion of East End Homes' 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.

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 (continued)

Operating leases

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

Provisions

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

Treasury management

East End Homes 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 Tenant Services Authority (formerly Housing Corporation) Circulars (04/99 and 05/99).

Rent Setting

East End Homes adopts the Tenant Services Authority (formerly Housing Corporation)'s rent setting proposals as set out in their publication Rent influencing regime: Implementing the rent restructuring framework, updated in their circular 09/07.

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.

Going Concern

The accounts have been prepared on a going concern basis which the board has considered to be appropriate in the light of prevailing trading conditions; further details of the boards review are included in the report of the board.

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

2. GROUP –TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover	2011 Operating Costs	Operating Surplus	Turnover	2010 Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Income from social housing lettings –General Needs	13,310	(12,453)	857	13,467	(11,762)	1,705
Income from non-social housing activities						
Shop lettings	671	(195)	476	730	(165)	565
Other income	298	(63)	235	805	(113)	692
Turnover	14,279	(12,711)	1,568	15,002	(12,040)	2,962
			Total			Total
			£'000			£'000
Income from social housing lettings –General Needs						
Rent receivable			10,149			10,224
Service charges receivable*			3,316			3,465
Other rents income			41			94
Gross rental income			13,506			13,783
less: rent losses from voids			(196)			(316)
Total turnover from social housing lettings			13,310			13,467
Operating costs on social housing lettings –General Needs						
Management			(2,696)			(2,573)
Services			(3,339)			(3,133)
Routine maintenance			(3,294)			(3,113)
Planned maintenance			(460)			(610)
Major repairs			(1,568)			(1,327)
Bad debts			(14)			(86)
Depreciation of housing properties			(1,082)			(920)
Total operating costs on social housing lettings			(12,453)			(11,762)
Operating surplus on social housing lettings –General Needs			857			1,705

*Included within Service charges receivable is an amount of £1,682,449(2010: £1,953,985) receivable from Leaseholders.

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

2. ASSOCIATION -TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover	2011 Operating Costs	Operating Surplus	Turnover	2010 Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Income from social housing lettings –General Needs	13,280	(12,307)	973	13,440	(11,733)	1,707
Income from non-social housing activities						
Shop lettings	586	(195)	391	645	(165)	480
Other – including services provided to other EEH group entities	35	(63)	(28)	51	(73)	(22)
Turnover	<u>13,901</u>	<u>(12,565)</u>	<u>1,336</u>	<u>14,136</u>	<u>(11,971)</u>	<u>2,165</u>
			Total			Total
			£'000			£'000
Income from social housing lettings –General Needs						
Rent receivable			10,149			10,223
Service charges receivable*			3,286			3,439
Other rents income			41			94
Gross rental income			<u>13,476</u>			<u>13,756</u>
less: rent losses from voids			<u>(196)</u>			<u>(316)</u>
Total turnover from social housing lettings			<u>13,280</u>			<u>13,440</u>
Operating costs on social housing lettings –General Needs						
Management			(2,633)			(2,582)
Services			(3,329)			(3,136)
Routine maintenance			(3,248)			(3,121)
Planned maintenance			(450)			(611)
Major repairs			(1,551)			(1,277)
Bad debts			(14)			(86)
Depreciation of housing properties			(1,082)			(920)
Total operating costs on social housing lettings			<u>(12,307)</u>			<u>(11,733)</u>
Operating surplus on social housing lettings –General Needs			<u>973</u>			<u>1,707</u>

*Included within Service charges receivable is an amount of £1,651,839 (2010: £1,927,518) receivable from Leaseholders.

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

3. DIRECTORS' EMOLUMENTS

The emoluments of the Chief Executive and Senior Management Team were £441,444 (2010: £436,592) of which the emoluments (excluding pension contributions) of the Chief Executive who was the highest paid director were £122,022 (2010:£120,417).

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 and reimbursed expenses during the year amounted to £1,493 (2010: £569).

4. EMPLOYEE INFORMATION

The average monthly number of persons employed during the year was

	GROUP			
	2011		2010	
	Number of staff	Full time equivalent	Number of staff	Full time Equivalent
Full time	95	95	93	93
Part time	4	3	5	3
	<hr/>	<hr/>	<hr/>	<hr/>
	99	98	98	96
	<hr/>	<hr/>	<hr/>	<hr/>

	GROUP	
	2011	2010
	£'000	£'000
Wages and salaries	3,405	3,240
Social security costs	290	278
Other pension costs	450	431
	<hr/>	<hr/>
	4,145	3,949
	<hr/>	<hr/>

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Deposit interest receivable from short-term investment of surplus cash balances	19	21	19	21
	<u>19</u>	<u>21</u>	<u>19</u>	<u>21</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	1,610	1,292	1,610	1,292
	<u>1,610</u>	<u>1,292</u>	<u>1,610</u>	<u>1,292</u>

7. SURPLUS ON ORDINARY ACTIVITIES

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Surplus on ordinary activities is stated after charging:				
Depreciation of housing properties	1,082	920	1,082	920
Depreciation of other tangible fixed assets	111	102	111	102
Rent & Service Charge arrears write off	97	8	97	8
External Auditors' remuneration:				
in their capacity as auditors	28	32	23	27
in other capacities	1	4	1	4
Office rent	88	79	88	79
Hire of other assets under operating leases	57	57	57	57

8. TAXATION

The Association has a charitable status and therefore has no liability to corporation tax for the year. Taxable profits of the subsidiary company are gift aided to the charitable parent to minimise the corporation tax liability for the group.

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
UK corporation tax	-	9	-	-
	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (GROUP)

	Housing properties completed	Housing properties refurbishment programme	Total
	£'000	£'000	£'000
Cost			
At 1 April 2010	37,217	65,636	102,853
Additions	3,083	9,950	13,033
Disposals	(6,325)	(598)	(6,923)
At 31 March 2011	<u>33,975</u>	<u>74,988</u>	<u>108,963</u>
Depreciation			
At 1 April 2010	(200)	(1,961)	(2,161)
Charged in year	(93)	(989)	(1,082)
Released on disposal	-	21	21
At 31 March 2011	<u>(293)</u>	<u>(2,929)</u>	<u>(3,222)</u>
Capital Grant (see note 13)			
At 1 April 2010	(16,068)	(12,110)	(28,178)
Additions	(6,325)	5,172	(1,153)
Disposals			
At 31 March 2011	<u>(22,393)</u>	<u>(6,938)</u>	<u>(29,331)</u>
Other Grant			
At 1 April 2010	(32,580)	-	(32,580)
Additions			
Disposals	6,325	-	6,325
At 31 March 2011	<u>(26,255)</u>	<u>-</u>	<u>(26,255)</u>
Net Book Value			
At 31 March 2011	<u>(14,966)</u>	<u>65,121</u>	<u>50,155</u>
At 1 April 2010	<u>(11,631)</u>	<u>51,565</u>	<u>39,934</u>
		2011	2010
		£'000	£'000
Housing properties at cost comprise:			
Freeholds		108,963	102,853
Long Leasehold		-	-
		<u>108,963</u>	<u>102,853</u>

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

The cost of housing properties completed includes £2.8million transfer value of properties at Island Gardens estate. It also includes £26.3million being the market value of the remaining development sites transferred to East End Homes 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 £13.0 million (2010: £21.8 million) relate to the capitalised costs of refurbishment works and fees £12.1million (2010: £20.8million) and capitalised salaries and incremental overheads £0.9 million (2010:1.0 million).

At 31 March 2011 the Board estimated the vacant possession open market value of East End Homes housing properties to be £312.4 million (2010: £308.5 million).

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

10. OTHER TANGIBLE FIXED ASSETS - GROUP

	Office Buildings £'000	Computer Equipment £'000	Office Furniture & Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2010	1,002	457	129	105	1,693
Additions		24	4	-	28
Disposals					
At 31 March 2011	<u>1,002</u>	<u>481</u>	<u>133</u>	<u>105</u>	<u>1,721</u>
Depreciation					
At 1 April 2010	(80)	(370)	(86)	(51)	(587)
Charge for the year	(19)	(48)	(21)	(23)	(111)
Disposals	-	-	-	-	-
At 31 March 2011	<u>(99)</u>	<u>(418)</u>	<u>(107)</u>	<u>(74)</u>	<u>(698)</u>
Net book value					
At 1 April 2010	<u>922</u>	<u>87</u>	<u>43</u>	<u>54</u>	<u>1,106</u>
At 31 March 2011	<u>903</u>	<u>63</u>	<u>26</u>	<u>31</u>	<u>1,023</u>

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

11. DEBTORS

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Rental debtors	884	935	884	935
Provision for bad and doubtful debts	<u>(411)</u>	<u>(422)</u>	<u>(411)</u>	<u>(422)</u>
	473	513	473	513
Shop rental debtors	148	174	148	174
Provision for bad and doubtful debts	<u>(8)</u>	<u>(10)</u>	<u>(8)</u>	<u>(10)</u>
	140	164	140	164
Leasehold debtors	320	606	320	606
Provision for bad and doubtful debts	<u>(81)</u>	<u>(151)</u>	<u>(81)</u>	<u>(151)</u>
	239	455	239	455
Other debtors	365	535	370	539
Prepayments and accrued income	586	568	577	222
Amounts due from other group entities	<u>-</u>	<u>-</u>	<u>245</u>	<u>581</u>
	951	1,103	1,192	1,342
Amounts due within one year	<u>1,803</u>	<u>2,235</u>	<u>2,044</u>	<u>2,474</u>
Amounts falling due after more than one year:				
Loan arrangement fee	500	517	500	517
LBTH pension debtor	<u>503</u>	<u>503</u>	<u>503</u>	<u>503</u>
	1,003	1,020	1,003	1,020
	<u>2,806</u>	<u>3,255</u>	<u>3,047</u>	<u>3,494</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade creditors	793	769	769	743
Corporation tax	-	9	-	-
Other creditors including other taxes and social security	1,183	1,083	1,183	1,083
Accruals and deferred income	6,129	6,330	6,124	6,320
Capital grant received in advance	4,284	142	4,284	142
	<u>12,389</u>	<u>8,333</u>	<u>12,360</u>	<u>8,288</u>

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

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

	GROUP		ASSOCIATION	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Capital grant received in advance	2,395	1,266	2,395	1,266
Housing Loans	<u>30,500</u>	<u>30,500</u>	<u>30,500</u>	<u>30,500</u>
	<u>32,895</u>	<u>31,766</u>	<u>32,895</u>	<u>31,766</u>

There were no gap funding receipts during the course of the year. To date East End Homes has received £12.0m DCLG gap funding to finance refurbishment works to the Glamis stock (£1.1million), Holland & Denning stock (£1.2 million), and the St Georges stock (£9.7 million). All gap funding received is released over a five year period to match the capital costs of the refurbishment works.

Housing loans

The Association has an existing £60,000,000 loan facility with Barclays Bank plc of which £30,500,000 has been drawn down at 31 March 2011 at an average rate of interest of 5.3%. The facility includes a revolving credit facility for £10,000,000. Loans are secured by fixed charges over 1,737 of the association's housing properties, additional fixed charges will be granted in respect of future borrowings. These loans are repayable on an amortising basis.

14. PROVISION FOR LIABILITIES AND CHARGES -GROUP

A provision of £4,669,000 has been made in respect of East End Homes' 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 2010	(4,669)
Current Service costs charged to income & expenditure account	(185)
Net return on Pension assets credited to income & expenditure account	185
Unrealised Actuarial gain during the year recognised in STRGL	3,823
At 31 March 2011	<u>(846)</u>

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

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 - GROUP

	Income and expenditure Account £'000
At 1 April 2010	7,234
Surplus for the year	659
Unrealised Actuarial loss during the year in Pension Plan	<u>3,823</u>
At 31 March 2011	<u><u>11,716</u></u>

16. RESERVES - ASSOCIATION

	Income and Expenditure Account £'000
At 1 April 2010	7,222
Surplus for the year	659
Unrealised Actuarial Loss during the year in Pension Plan	<u>3,823</u>
At 31 March 2011	<u><u>11,704</u></u>

17. CAPITAL COMMITMENTS - GROUP

	2011 £'000	2010 £'000
Capital expenditure contracted for but not provided in the financial statements	11,484	15,819
Capital expenditure authorised by the Board but not yet contracted for	53,804	59,519

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

17. CAPITAL COMMITMENTS –GROUP (continued)

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 East End Homes.

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 2011 the association had an annual commitment under the lease of office equipment of £56,377 (2010: £19,201) expiring in less than 3 years and office building of £46,462 (2010: £48,557) expiring in less than 5 years.

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

19. PENSION OBLIGATIONS

East End Homes 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 East End Homes 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 2008.

Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2010 and 31 March 2011 are shown in the table below.

Assumption as at	31 March 2011 % p.a.	Real % p.a.	31 March 2010 % p.a.	Real % p.a.
Price Increases	2.8	-	3.8	-
Salary Increases	5.1	-	5.3	-
Pension Increases	6.7	-	3.8	-
Discount Rate	5.5	-	5.5	-

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 2010 for the year to 31 March 2011).

The assets of the scheme as a whole and the expected returns as at 31 March 2010 and 31 March 2011 are shown in the table below:

Assets Main Fund	Value at 31 March 2011 £(000)	Value at 31 March 2010 £(000)	Expected Return at 31 March 2011 (% p.a.)	Expected Return at 31 March 2010 (% p.a.)
Equities		5,480	7.5	7.8
Bonds		1,827	4.9	5.0
Property		747	5.5	5.8
Cash		249	4.6	4.8
Total value of scheme assets		8,303		

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

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 East End Homes at 31 March 2010 and 31 March 2011 was:

Net Pension Asset as at	31 March 2011	31 March 2010
	£(000)	£(000)
Share of value of scheme assets	10,526	8,303
Share of value of scheme liabilities	(11,372)	(12,972)
Share of scheme deficit	(846)	(4,669)

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

Impact on income and expenditure account

Analysis of amount charged to Operating Surplus:

Charged to Operating Cost	Period to	Period to
	31 March 2011	31 March 2010
	£(000)	£(000)
Current service costs	-	(253)
Past service costs	(185)	(128)
Total operating charge (A)	(185)	(381)

Credited to Other Finance Income	Period to	Period to
	31 March 2011	31 March 2010
	£(000)	£(000)
Expected return on pension scheme assets	185	380
Interest on pension scheme liabilities	-	(488)
Net income (B)	185	(108)
Net income and expenditure charge (A-B)	Nil	(489)

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

19. PENSION OBLIGATIONS (continued)

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

	Period to 31 March 2011 £(000)	Period to 31 March 2010 £(000)
Actual Return Less Expected Return on Pension Scheme Assets	-	-
Experience Gains and Losses Arising on the Scheme Liabilities	-	-
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	-	-
Actuarial Gain/(Loss) in Pension Plan	3,823	(3,692)
Increase / (Decrease) in irrecoverable Surplus from Membership Fall and Other Factors	-	-
Actuarial (Loss)/Gain Recognised in STRGL	3,823	(3,692)

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 2011 £(000)	Period to 31 March 2010 £(000)
Difference Between the Expected and Actual Return on Assets		-
Value of Assets	10,526	8,303
Percentage of Assets	-	-
Experience Gains / (Losses) on Liabilities	-	-
Total Present Value of Liabilities	(11,372)	(12,972)
Percentage of the Total Present Value of Liabilities	-	-
Actuarial Gains/(Losses) Recognised in STRGL	3,823	(3,692)
Total Present Value of Liabilities	(11,372)	(12,972)
Percentage of the Total Present Value of Liabilities	-	-

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

19. PENSION OBLIGATIONS (continued)

Impact on Balance Sheet

	31 March 2011	31 March 2010
	£(000)	£(000)
Share of value of scheme assets	10,526	8,303
Share of value of scheme liabilities	(11,372)	(12,972)
Share of scheme deficit -net pension liability	(846)	(4,669)

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

	Period to 31 March	Period to 31 March
	2011	2010
	£(000)	£(000)
Deficit at beginning of the year	(4,669)	(1,003)
Current service cost	(185)	(253)
Employer Contributions	-	125
Net return on assets	185	154
Actuarial (Losses)/Gains	3,823	(3,692)
Deficit at end of year	(846)	(4,669)

Pensions Obligations Note - Social Housing Pension Scheme (SHPS)

East End Homes participates in SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension 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 until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

Final salary with a 1/60th accrual rate.

Final salary with a 1/70th accrual rate.

Career average revalued earnings (CARE) with a 1/60th accrual rate.

From April 2010 a further two defined benefit structures have been available, namely:

Final salary with a 1/80th accrual rate.

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

19. PENSION OBLIGATIONS (continued)

Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

East End Homes has operated the final salary with a 1/60th accrual rate, benefit structure for active members as at 31 March 2011 and for new entrants from 01 April 2011. This does not reflect any benefit structure changes made from April 2010.

The Trustee commissions an actuarial valuation of the Scheme every three 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. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

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 East End Homes paid contributions at the rate of 12.1%. Member contributions varied between 4.1% and 6.1%.

As at the balance sheet date there were 11 active members of the Scheme employed by East End Homes. The annual pensionable payroll in respect of these members was £431,520. East End Homes continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, 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 2008 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

19. PENSION OBLIGATIONS (continued)

Valuation Discount Rates:	% p.a.
Pre-Retirement	7.8
Non Pensioner Post Retirement	6.2
Pensioner Post Retirement	5.6
Pensionable Earnings Growth	4.7
Price Inflation	3.2
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess Over GMP	3.0

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% p.a.

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% p.a.

The long-term joint contribution rates required from April 2010 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	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60th accrual rate	14.9
Final salary with a 1/80th accrual rate	13.5
Career average revalued earnings (CARE) with a 1/80th accrual rate	11.9

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.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in-line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions.

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

19. PENSION OBLIGATIONS (continued)

These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

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 defined benefit section of 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 SHPS.

Employers joining the Scheme after 1 October 2002 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.

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 is currently in the process of reviewing the Recovery Plan for SHPS in respect of the September 2008 actuarial valuation. A response from the Regulator is expected in due course.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

As a result of pension scheme legislation 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 buy-out 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.

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

19. PENSION OBLIGATIONS (continued)

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.

East End Homes 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 2010. At this date the estimated employer debt for East End Homes was £324,000

20. CONTINGENT LIABILITY

East End Homes 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 2010. As of this date the estimated employer debt for East End Homes was £324,000 (2010:£224,000).

21. NUMBER OF HOMES IN MANAGEMENT - GROUP

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

	At 31 March 2011	At 31 March 2010
Rented general needs accommodation	2,126	2,105
Leasehold properties	1,418	1,428
	<hr/>	<hr/>
	3,544	3,533
	<hr/> <hr/>	<hr/> <hr/>

EAST END HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

22. RELATED PARTY TRANSACTIONS

As at 31 March 2011, seven 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. The level of tenant or leaseholder Board member arrears is not materially different from other tenants and leaseholders, except in the case of one leaseholder with arrears of £2,607 at 31 March 2011.

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, the Board members concerned are not able to use their position to their advantage. LBTH pays tenant housing benefit under the terms of current legislation and this is paid directly to East End Homes.

There are no other related party transactions requiring disclosure.

23. SUBSIDIARY UNDERTAKING

As at 31 March 2011 East End Homes held 100% share (1 share of £1) in East End Homes (Community Development) Limited. Its principal activity is to generate funds from development opportunities in order to support East End Homes' core activities of regenerating neighbourhoods.

24. CONTROLLING PARTY

EEH is controlled by members in general meeting who elect the Board of Management.



east
endHOMES

EastendHomes

Tayside House
First Floor
31 Pepper Street
London
E14 9RP

Telephone: 020 7517 4700

Fax: 020 7515 0218

E-mail: enquiries@eastendhomes.net

Web: www.eastendhomes.net

EastendHomes is a registered social landlord
and a registered charity no: 1107691

