



**EAST END HOMES LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 MARCH 2010**

# **EAST END HOMES LIMITED**

Financial statements for the year ended 31 March 2010

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## **EAST END HOMES LIMITED**

### **BOARD MEMBERS**

<b>Martin Young</b>	<b>Chair</b>	
<b>Bernard Cameron</b>	<b>Vice Chair</b>	
<b>Colin Antoine</b>		
<b>Spencer Butler</b>		
<b>Laura Driscoll</b>		
<b>Cllr Denise Jones</b>		<b>Resigned July 28, 2009</b>
<b>Les Eldon</b>		<b>Appointed July 28, 2009</b>
<b>Lesley Johnson</b>		
<b>Thomas Madden</b>		
<b>Neil McAree</b>		
<b>Syed Milon</b>		
<b>Mary Nepstad</b>		
<b>Amjad Rahi</b>		
<b>Rachael Saunders</b>		<b>Appointed July 28, 2009</b>
<b>Janet Steward</b>		
<b>Cllr Motin Uz-Zaman</b>		
<b>Tuuli Lindberg</b>		

### **SENIOR MANAGEMENT TEAM**

<b>Paul Bloss</b>	<b>Chief Executive</b>
<b>Peter Gibbs</b>	<b>Director of Finance &amp; Resources</b>
<b>John Henderson</b>	<b>Director of Housing</b>
<b>Steve Inkpen</b>	<b>Director of Regeneration &amp; Strategy</b>

### **SECRETARY**

**Peter Gibbs**

**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 & Hamlins  
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 2010**

The Board is pleased to present its report and the audited financial statements for East End Homes Limited for the year ended 31 March 2010.

**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 3,533 homes in the London Borough of Tower Hamlets.

As at 31 March 2010, 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 2010**

**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 £21.8 million this year (2009: £23.4 million) on new build properties and refurbishment works to existing stock. To date East End Homes has spent £68.1 million out of a £133 million programme.

**Financial Review**

East End Homes continues to achieve its key objectives and to deliver strong financial results in line with the overall business plan objectives. The results this year show a strong upward financial performance trend, despite operating in a continuing difficult economic environment. The key results of the Group are as follows:

- Turnover: £15.0 million, up £1.8million from £13.2 million in 2009.
- Operating costs: £12.0 million up £0.2 million from £11.8 million in 2009.
- Annual Surplus: £1.7 million, up £0.1 million from £1.6 million in 2009.

There were no sales / surpluses generated from the sale of housing properties (2009:£0.6 million).

East End Homes cash balance at 31 March 2010 was £7.7 million (2009:£7.1 million), an increase of £0.6 million from 2009. This increase is the result a £24.8 million cash inflow, being £9.0 million drawdown from the existing £60 million loan facility with Barclays Bank plc, £10.4 million land sale receipts sale receipts, £0.6 million capital grant receipts and £4.8 million cash inflow from other operating activities, offset by £24.2 million cash outflow, being £22.9 million on refurbishment works to its housing properties, £0.1 million on the purchase of other tangible fixed assets and £1.2 million net interest costs.

**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 2010. 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 2010 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 2010**

#### **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 2010, there were no actual or attempted fraud cases.

**EAST END HOMES LIMITED**  
**REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED**  
**31 MARCH 2010**

**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 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.

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 30 September 2010.

**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)

29 July 2010

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

We have audited the group and parent company financial statements of East End Homes Limited (the company) for the year ended 31 March 2010, which comprise the group income and expenditure account and the group statement of total recognised surpluses and deficits, the group and company balance sheet, the group and company cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006 and Schedule 1 to the Housing Act 1996. 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 East End Homes Limited and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Board and Auditors**

The board members' (who are also the directors of East End Homes Limited for the purposes of company law) responsibilities for preparing the Board Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that they give a true and fair view are set out in the Statement of the Board's Responsibilities.

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 have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you whether in our opinion the information given in the Board Report is consistent with the financial statements.

In addition we report to you if, in our opinion, if a satisfactory system of control over transactions has not been maintained, if the company has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosure of Board members' remuneration specified by law are not made.

We read the Board Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

### **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 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 in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Registered Social Landlord's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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

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

**Basis of Audit Opinion (continued)**

irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**In our opinion:**

- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006;
- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2010, and of its result for the year then ended; and
- the information given in the Board Report is consistent with the financial statements.



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

Alperton House  
Bridgewater Road  
Wembley  
Middlesex HA0 1EH

Date: 30 July 2010

**EAST END HOMES LIMITED  
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
AND STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £'000	2009 £'000
Turnover	2	15,002	13,191
Operating costs	2	(12,040)	(11,787)
<b>Operating surplus</b>	2	2,962	1,404
Surplus on the sale of properties		-	577
Interest receivable and similar income	5	21	406
Interest payable and similar charges	6	(1,292)	(757)
<b>Surplus for the year before taxation</b>	7	1,691	1,630
Taxation		(9)	-
<b>Surplus for the year</b>	8	1,682	1,630
<b>Income and Expenditure Account brought forward</b>		9,610	7,980
<b>Income and Expenditure Account carried forward</b>		11,292	9,610

The notes on pages 17 to 41 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	2010 £'000	2009 £'000
Surplus for the year	16	1,682	1,630
Unrealised Actuarial loss in Pension plan (note 19)	16	(3,692)	(895)
<b>Total recognised (deficit)/surplus relating to the year</b>		(2,010)	735



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Peter Gibbs (Secretary)

**EAST END HOMES LIMITED  
ASSOCIATION INCOME AND EXPENDITURE ACCOUNT  
AND STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £'000	2009 £'000
Turnover	2	14,136	12,975
Operating costs	2	(11,971)	(11,360)
<b>Operating surplus</b>	2	2,165	1,615
Gift aid received from subsidiary		566	-
Surplus on the sale of properties		-	577
Interest receivable and similar income	5	21	405
Interest payable and similar charges	6	(1,292)	(757)
<b>Surplus for the year</b>	7	1,460	1,840
<b>Income and Expenditure Account brought forward</b>		9,820	7,980
<b>Income and Expenditure Account carried forward</b>		11,280	9,820

The notes on pages 17 to 41 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	2010 £'000	2009 £'000
<b>Surplus for the year</b>	16	1,460	1,840
<b>Unrealised Actuarial loss in Pension plan (note 19)</b>	16	(3,692)	(895)
<b>Total recognised (deficit)/surplus relating to the year</b>		(2,232)	945



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Peter Gibbs (Secretary)

**EAST END HOMES LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2010**

	Notes	2010 £'000	2009 £'000
<b>Tangible fixed assets</b>			
<b>Housing properties</b>	9	102,853	91,739
<b>Less: Capital grant</b>	9	(28,178)	(11,373)
<b>Other grant</b>	9	(32,580)	(42,961)
<b>Depreciation</b>	9	(2,161)	(1,251)
		39,934	36,154
<b>Other tangible fixed assets</b>	10	1,106	1,092
		41,040	37,246
<b>Current assets</b>			
<b>Debtors</b>	11	3,255	3,724
<b>Cash at bank and in hand</b>		7,707	7,149
		10,962	10,873
<b>Creditors</b>			
<b>Amounts falling due within one year</b>	12	(8,333)	(12,547)
		2,629	(1,674)
<b>Net current assets/( liabilities)</b>			
<b>Total assets less current liabilities</b>		43,669	35,572
<b>Creditors</b>			
<b>Amounts falling due after more than one year</b>	13	31,766	25,325
<b>Provision for liabilities and Charges</b>	14	4,669	1,003
<b>Capital and reserves</b>			
<b>Non equity share capital</b>	15	-	-
<b>Income and expenditure account</b>	16	7,234	9,244
		43,669	35,572

The notes on pages 17 to 41 form an integral part of these financial statements.

The financial statements were approved by the Board on 29 July 2010 and signed on its behalf by



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Peter Gibbs (Secretary)

**EAST END HOMES LIMITED  
ASSOCIATION BALANCE SHEET  
AS AT 31 MARCH 2010**

	Notes	2010 £'000	2009 £'000
<b>Tangible fixed assets</b>			
Housing properties	9	102,853	91,739
Less: Capital grant	9	(28,178)	(11,373)
Other grant	9	(32,580)	(42,961)
Depreciation	9	(2,161)	(1,251)
		<u>39,934</u>	<u>36,154</u>
<b>Other tangible fixed assets</b>	10	1,106	1,092
		<u>41,040</u>	<u>37,246</u>
<b>Investment in subsidiary</b>	23	-	-
<b>Current assets</b>			
Debtors	11	3,494	3,955
Cash at bank and in hand		<u>7,411</u>	<u>7,087</u>
		10,905	11,042
<b>Creditors</b>			
Amounts falling due within one year	12	(8,288)	(12,506)
		<u>2,617</u>	<u>(1,464)</u>
<b>Net current ( liabilities)</b>			
<b>Total assets less current liabilities</b>		<u>43,657</u>	<u>35,782</u>
<b>Creditors</b>			
Amounts falling due after more than one year	13	31,766	25,325
<b>Provision for liabilities and Charges</b>	14	4,669	1,003
<b>Capital and reserves</b>			
Non equity share capital	15		
<b>Income and expenditure account</b>	16	<u>7,222</u>	<u>9,454</u>
		<u>43,657</u>	<u>35,782</u>

The notes on pages 17 to 41 form an integral part of these financial statements.


The financial statements were approved by the Board on 29 July 2010 and signed on its behalf by



Martin Young (Chair)



Bernard Cameron (Vice Chair)



Peter Gibbs (Secretary)

**EAST END HOMES LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010		2009	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	<b>1</b>		4,797		3,697
<b>Returns on investments and servicing of finance</b>					
<b>Interest received</b>		26		548	
<b>Interest paid</b>		<u>(1,190)</u>		<u>(677)</u>	
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>			(1,164)		(129)
<b>Capital expenditure and financial investment</b>					
<b>Acquisition and construction of housing properties</b>		(22,938)		(22,873)	
<b>Other grant received</b>		598		649	
<b>Net proceeds on sale of housing properties</b>		10,381		576	
<b>Purchase of other tangible assets</b>		<u>(116)</u>		<u>(81)</u>	
<b>Net cash (outflow)/ inflow from capital expenditure and financial investment</b>			(12,075)		(21,729)
<b>Net cash (outflow)/ inflow before financing</b>			<u>(8,442)</u>		<u>(18,161)</u>
<b>Financing</b>					
<b>Housing loans received</b>		9,000		9,000	
<b>Housing loans repaid</b>		<u>-</u>		<u>-</u>	
<b>Net cash flow from financing</b>			9,000		9,000
<b>(Decrease)/increase in cash</b>	<b>3</b>		<u>558</u>		<u>(9,161)</u>

**EAST END HOMES LIMITED****ASSOCIATION CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £'000	2009 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1</b>	4,563	3,735
<b>Returns on investments and servicing of finance</b>			
Interest received		26	547
Interest paid		<u>(1,190)</u>	<u>(677)</u>
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		(1,164)	(130)
<b>Capital expenditure and financial investment</b>			
Acquisition and construction of housing properties		(22,938)	(22,873)
Other grant received		598	649
Net proceeds on sale of housing properties		10,381	576
Purchase of other tangible assets		<u>(116)</u>	<u>(80)</u>
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		(12,075)	(21,728)
<b>Net cash inflow/(outflow) before financing</b>		(8,676)	<u>(18,123)</u>
<b>Financing</b>			
Housing loans received		9,000	9,000
Housing loans repaid		<u>-</u>	<u>-</u>
<b>Net cash inflow from financing</b>		9,000	9,000
<b>Increase/(decrease) in cash</b>	<b>4</b>	<u>324</u>	<u>(9,123)</u>

**EAST END HOMES LIMITED  
NOTES TO CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2010**

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

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating surplus	2,962	1,404	2,166	1,615
Depreciation charges	1,011	747	1,011	747
Decrease/(increase) in debtors	468	(57)	520	(192)
Increase in creditors	356	1,603	866	1,565
	<u>4,797</u>	<u>3,697</u>	<u>4,563</u>	<u>3,735</u>

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

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Increase/(decrease) in cash in the year	558	(9,161)	324	(9,123)
Cash inflow from additional loan drawings	(9,000)	(9,000)	(9,000)	(9,000)
Cash outflow from loan repayments	-	-	-	-
Change in Net funds	<u>(8,442)</u>	<u>(18,161)</u>	<u>(8,676)</u>	<u>(18,123)</u>
Net funds at start of the year	<u>(14,351)</u>	<u>3,810</u>	<u>(14,413)</u>	<u>3,710</u>
Net funds at end of the year	<u>(22,793)</u>	<u>(14,351)</u>	<u>(23,089)</u>	<u>(14,413)</u>

**3. ANALYSIS OF CHANGES IN NET DEBT**

	<b>GROUP</b>		
	<b>At 31 March</b>	<b>Cash</b>	<b>At 1 April</b>
	<b>2010</b>	<b>Flows</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	7,707	558	7,149
Debts due after more than one year	<u>(30,500)</u>	<u>(9,000)</u>	<u>(21,500)</u>
	<u>(22,793)</u>	<u>(8,442)</u>	<u>(14,351)</u>

**EAST END HOMES LIMITED****NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010****4. ANALYSIS OF CHANGES IN NET DEBT**

	<b>ASSOCIATION</b>		
	<b>At 31 March 2010</b>	<b>Cash Flows</b>	<b>At 1 April 2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash at bank and in hand</b>	7,411	324	7,087
<b>Debts due after more than one year</b>	<u>(30,500)</u>	<u>(9,000)</u>	<u>(21,500)</u>
	<u><u>(23,089)</u></u>	<u><u>(8,676)</u></u>	<u><u>(14,413)</u></u>

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**1. PRINCIPAL ACCOUNTING POLICIES**

East End Homes Limited is a registered company under the provisions of the Companies Act 1985 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 Act 1996 (as amended by Housing Act 2004).

**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 2010 (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 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**

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 2010 (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 2010**

**2. GROUP –TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

	Turnover	2010 Operating Costs	Operating Surplus	Turnover	2009 Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income from social housing lettings –General Needs</b>	13,467	(11,762)	1,705	12,247	(11,644)	603
<b>Income from non-social housing activities</b>						
Shop lettings	730	(165)	565	846	(143)	703
Other income	805	(113)	692	98	0	98
<b>Turnover</b>	<b>15,002</b>	<b>(12,040)</b>	<b>2,962</b>	<b>13,191</b>	<b>(11,787)</b>	<b>1,404</b>

	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income from social housing lettings –General Needs</b>		
Rent receivable	10,224	9,588
Service charges receivable*	3,465	2,934
Other rents income	94	43
<b>Gross rental income</b>	<b>13,783</b>	<b>12,565</b>
less: rent losses from voids	(316)	(318)
<b>Total turnover from social housing lettings</b>	<b>13,467</b>	<b>12,247</b>
<b>Operating costs on social housing lettings –General Needs</b>		
Management	(2,573)	(2,751)
Services	(3,133)	(2,598)
Routine maintenance	(3,113)	(3,421)
Planned maintenance	(610)	(643)
Major repairs	(1,327)	(1,619)
Bad debts	(86)	25
Depreciation of housing properties	(920)	(637)
<b>Total operating costs on social housing lettings</b>	<b>(11,762)</b>	<b>(11,644)</b>
<b>Operating surplus on social housing lettings –General Needs</b>	<b>1,705</b>	<b>603</b>

\*Included within Service charges receivable is an amount of £1,953,985 (2009: £1,470,349) receivable from Leaseholders.

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**2. ASSOCIATION -TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

	2010	2010	Operating	Turnover	2009	Operating
	Turnover	Operating	Surplus	Turnover	Operating	Surplus
	£'000	Costs	£'000	£'000	Costs	£'000
<b>Income from social housing lettings –General Needs</b>	13,440	(11,733)	1,707	12,242	(11,205)	1,037
<b>Income from non-social housing activities</b>						
<b>Shop lettings</b>	645	(165)	480	721	(143)	578
<b>Other – including services provided to other EEH group entities</b>	51	(73)	(22)	12	(12)	0
<b>Turnover</b>	<u>14,136</u>	<u>(11,971)</u>	<u>2,165</u>	<u>12,975</u>	<u>(11,360)</u>	<u>1,615</u>

	Total	Total
	£'000	£'000
<b>Income from social housing lettings –General Needs</b>		
<b>Rent receivable</b>	10,223	9,588
<b>Service charges receivable*</b>	3,439	2,929
<b>Other rents income</b>	94	43
<b>Gross rental income</b>	13,756	12,560
<b>less: rent losses from voids</b>	(316)	(318)
<b>Total turnover from social housing lettings</b>	<u>13,440</u>	<u>12,242</u>
<b>Operating costs on social housing lettings –General Needs</b>		
<b>Management</b>	(2,582)	(2,741)
<b>Services</b>	(3,136)	(2,596)
<b>Routine maintenance</b>	(3,121)	(3,415)
<b>Planned maintenance</b>	(611)	(641)
<b>Major repairs</b>	(1,277)	(1,200)
<b>Bad debts</b>	(86)	25
<b>Depreciation of housing properties</b>	(920)	(637)
<b>Total operating costs on social housing lettings</b>	<u>(11,733)</u>	<u>(11,205)</u>
<b>Operating surplus on social housing lettings –General Needs</b>	<u>1,707</u>	<u>1,037</u>

\*Included within Service charges receivable is an amount of £1,927,518 (2009: £1,465,201) receivable from Leaseholders.

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**3. DIRECTORS' EMOLUMENTS**

The emoluments of the Chief Executive and Senior Management Team were £436,592 (2009: £458,872) of which the emoluments (excluding pension contributions) of the Chief Executive who was the highest paid director were £120,417 (2009:£ 115,018).

The aggregate amount of consideration payable to third parties for making available the services of a person(s) to perform the role of Interim Director of Finance was £0 (2009: £72,991)

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 £569 (2009: £nil).

**4. EMPLOYEE INFORMATION**

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

	<b>GROUP</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Number of staff</b>	<b>Full time equivalent</b>	<b>Number of staff</b>	<b>Full time Equivalent</b>
<b>Full time</b>	93	93	90	90
<b>Part time</b>	5	3	5	3
	<hr/>	<hr/>	<hr/>	<hr/>
	98	96	95	93
	<hr/>	<hr/>	<hr/>	<hr/>

	<b>GROUP</b>	
	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Wages and salaries</b>	3,240	3,041
<b>Social security costs</b>	278	264
<b>Other pension costs</b>	431	433
	<hr/>	<hr/>
	3,949	3,738
	<hr/>	<hr/>

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Deposit interest receivable from short-term investment of surplus cash balances</b>	21	406	21	405

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>On bank loans, overdrafts and other loans</b>	1,292	757	1,292	757

**7. SURPLUS ON ORDINARY ACTIVITIES**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Surplus on ordinary activities is stated after charging:</b>				
<b>Depreciation of housing properties</b>	920	637	920	637
<b>Depreciation of other tangible fixed assets</b>	102	112	102	112
<b>Rent &amp; Service Charge arrears write off</b>	8	0	8	0
<b>Auditors' remuneration:</b>				
<b>in their capacity as auditors</b>	32	24	27	19
<b>in other capacities</b>	4	1	4	1
<b>Office rent</b>	79	78	79	78
<b>Hire of other assets under operating leases</b>	57	19	57	19

**8. TAXATION**

The Association has a charitable status and therefore has no liability to corporate 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.

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>UK corporation tax</b>	9	-	-	-

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (GROUP)**

	<b>Housing properties completed</b>	<b>Housing properties refurbishment programme</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
<b>At 1 April 2009</b>	47,305	44,434	91,739
<b>Additions</b>	293	21,538	21,831
<b>Disposals</b>	(10,381)	(336)	(10,717)
<b>At 31 March 2010</b>	<u>37,217</u>	<u>65,636</u>	<u>102,853</u>
<b>Depreciation</b>			
<b>At 1 April 2009</b>	(144)	(1,107)	(1,251)
<b>Charged in year</b>	(56)	(864)	(920)
<b>Released on disposal</b>		10	10
<b>At 31 March 2010</b>	<u>(200)</u>	<u>(1,961)</u>	<u>(2,161)</u>
<b>Capital Grant (see note 13)</b>			
<b>At 1 April 2009</b>	(5,687)	(5,686)	(11,373)
<b>Additions</b>	(10,381)	(6,424)	(16,805)
<b>Disposals</b>			
<b>At 31 March 2010</b>	<u>(16,068)</u>	<u>(12,110)</u>	<u>(28,178)</u>
<b>Other Grant</b>			
<b>At 1 April 2009</b>	(42,961)	0	(42,961)
<b>Additions</b>			
<b>Disposals</b>	10,381	0	10,381
<b>At 31 March 2010</b>	<u>(32,580)</u>	<u>0</u>	<u>(32,580)</u>
<b>Net Book Value</b>			
<b>At 31 March 2010</b>	<u>(11,631)</u>	<u>51,565</u>	<u>39,934</u>
<b>At 1 April 2009</b>	<u>(1,487)</u>	<u>37,641</u>	<u>36,154</u>

**2010**  
**£'000**

**2009**  
**£'000**

**Housing properties at cost comprise:**  
**Freeholds**

<u>102,853</u>	<u>91,739</u>
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**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

The cost of housing properties completed includes £2.8million transfer value of properties at Island Gardens estate. It also includes £43million being the market value of 48 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 £21.8 million (2009: £23.4 million) relate to the capitalised costs of refurbishment works and fees £20.8 million (2009:£22.5 million) and capitalised salaries and incremental overheads £1.0 million (2009: £0.9 million).

At 31 March 2010 the Board estimated the vacant possession open market value of East End Homes housing properties to be £308.5 million (2009:£307.2 million).

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**10. OTHER TANGIBLE FIXED ASSETS - GROUP**

	<b>Office Buildings £'000</b>	<b>Computer Equipment £'000</b>	<b>Office Furniture &amp; Equipment £'000</b>	<b>Motor Vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
<b>At 1 April 2009</b>	1,002	394	113	81	1,590
<b>Additions</b>	0	63	16	37	116
<b>Disposals</b>	0	0	0	(13)	(13)
<b>At 31 March 2010</b>	1,002	457	129	105	1,693
<b>Depreciation</b>					
<b>At 1 April 2009</b>	(60)	(330)	(62)	(46)	(498)
<b>Charge for the year</b>	(20)	(40)	(24)	(18)	(102)
<b>Disposals</b>	0	0	0	13	13
<b>At 31 March 2010</b>	(80)	(370)	(86)	(51)	(587)
<b>Net book value</b>					
<b>At 1 April 2009</b>	942	64	51	35	1,092
<b>At 31 March 2010</b>	922	87	43	54	1,106

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**11. DEBTORS**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>				
<b>Rental debtors</b>	935	823	935	823
<b>Provision for bad and doubtful debts</b>	<u>(422)</u>	<u>(343)</u>	<u>(422)</u>	<u>(343)</u>
	513	480	513	480
<b>Shop rental debtors</b>	174	204	174	204
<b>Provision for bad and doubtful debts</b>	<u>(10)</u>	<u>(13)</u>	<u>(10)</u>	<u>(13)</u>
	164	191	164	191
<b>Leasehold debtors</b>	606	588	606	588
<b>Provision for bad and doubtful debts</b>	<u>(151)</u>	<u>(147)</u>	<u>(151)</u>	<u>(147)</u>
	455	441	455	441
<b>Other debtors</b>	535	836	539	840
<b>Prepayments and accrued income</b>	568	739	222	737
<b>Amounts due from other group entities</b>	<u>-</u>	<u>-</u>	<u>581</u>	<u>229</u>
	1,103	1,575	1,342	1,806
<b>Amounts due within one year</b>	<u>2,235</u>	<u>2,687</u>	<u>2,474</u>	<u>2,918</u>
<b>Amounts falling due after more than one year:</b>				
<b>Loan arrangement fee</b>	517	534	517	534
<b>LBTH pension debtor</b>	<u>503</u>	<u>503</u>	<u>503</u>	<u>503</u>
	<u>3,255</u>	<u>3,724</u>	<u>3,494</u>	<u>3,955</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Trade creditors</b>	769	3,821	743	3,790
<b>Corporation tax</b>	9	-	-	-
<b>Other creditors including other taxes and social security</b>	1,083	94	1,083	94
<b>Accruals and deferred income</b>	6,330	5,103	6,320	5,093
<b>Capital grant received in advance</b>	142	3,529	142	3,529
	<u>8,333</u>	<u>12,547</u>	<u>8,288</u>	<u>12,506</u>

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital grant received in advance</b>	1,266	3,825	1,266	3,825
<b>Housing Loans</b>	<u>30,500</u>	<u>21,500</u>	<u>30,500</u>	<u>21,500</u>
	<u>31,766</u>	<u>25,325</u>	<u>31,766</u>	<u>25,325</u>

During the course of the year, East End Homes received DCLG gap funding of £0.5million to finance refurbishment works to the Glamis stock. This is in addition to the £11.5m received in the last four years to finance refurbishment works to the Glamis stock (£0.6 million), Holland & Denning stock (£1.2million), 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. During the year, the association drew down £9,000,000 (2009:£9,000,000) 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:

	<b>£'000</b>
<b>At 1 April 2009</b>	(1,003)
<b>Current Service costs charged to income &amp; expenditure account</b>	(128)
<b>Net return on Pension assets credited to income &amp; expenditure account</b>	154
<b>Unrealised Actuarial loss during the year recognised in STRGL</b>	(3,692)
<b>At 31 March 2010</b>	<u>4,669</u>

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**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**

	<b>Income and expenditure Account £'000</b>
<b>At 1 April 2009</b>	9,244
<b>Surplus for the year</b>	1,682
<b>Unrealised Actuarial loss during the year in Pension Plan</b>	<u>(3,692)</u>
<b>At 31 March 2010</b>	<u>7,234</u>

**16. RESERVES - ASSOCIATION**

	<b>Income and Expenditure Account £'000</b>
<b>At 1 April 2009</b>	9,454
<b>Surplus for the year</b>	1,460
<b>Unrealised Actuarial Loss during the year in Pension Plan</b>	<u>(3,692)</u>
<b>At 31 March 2010</b>	<u>7,222</u>

**17. CAPITAL COMMITMENTS - GROUP**

	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Capital expenditure contracted for but not provided in the financial statements</b>	15,819	8,914
<b>Capital expenditure authorised by the Board but not yet contracted for</b>	59,519	86,739

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**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 2010 the association had an annual commitment under the lease of office equipment of £19,201(2009: £19,270) expiring in less than 3 years and office building of £48,557 (2009: £48,711) expiring in less than 5 years.

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**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 2009 and 31 March 2010 are shown in the table below.

<b>Assumption as at</b>	<b>31 March 2010 % p.a.</b>	<b>Real % p.a.</b>	<b>31 March 2009 % p.a.</b>	<b>Real % p.a.</b>
<b>Price Increases</b>	3.8	-	3.1	-
<b>Salary Increases</b>	5.3	-	4.6	-
<b>Pension Increases</b>	3.8	-	3.1	-
<b>Discount Rate</b>	5.5	-	6.9	-

***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 2009 for the year to 31 March 2010).

The assets of the scheme as a whole and the expected returns as at 31 March 2009 and 31 March 2010 are shown in the table below:

<b>Assets Main Fund</b>	<b>Value at 31 March 2010 £(000)</b>	<b>Value at 31 March 2009 £(000)</b>	<b>Expected Return at 31 March 2010 (% p.a.)</b>	<b>Expected Return at 31 March 2009 (% p.a.)</b>
<b>Equities</b>	5,480	3,450	7.8	7.0
<b>Bonds</b>	1,827	1,606	5.0	5.4
<b>Property</b>	747	595	5.8	4.9
<b>Cash</b>	249	297	4.8	4.0
<b>Total value of scheme assets</b>	8,303	5,948		

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**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 2009 and 31 March 2010 was:

<b>Net Pension Asset as at</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£(000)</b>	<b>£(000)</b>
<b>Share of value of scheme assets</b>	8,303	5,948
<b>Share of value of scheme liabilities</b>	(12,972)	(6,951)
<b>Share of scheme deficit</b>	(4,669)	(1,003)

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:

<b>Charged to Operating Cost</b>	<b>Period to</b>	<b>Period to</b>
	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£(000)</b>	<b>£(000)</b>
<b>Current service costs</b>	(253)	(287)
<b>Past service costs</b>	(128)	(126)
<b>Total operating charge (A)</b>	(381)	(413)

<b>Credited to Other Finance Income</b>	<b>Period to</b>	<b>Period to</b>
	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£(000)</b>	<b>£(000)</b>
<b>Expected return on pension scheme assets</b>	380	490
<b>Interest on pension scheme liabilities</b>	(488)	(488)
<b>Net income (B)</b>	(108)	2
<b>Net income and expenditure charge (A-B)</b>	(489)	(411)

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**19. PENSION OBLIGATIONS (continued)**

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

	<b>Period to 31 March 2010 £(000)</b>	<b>Period to 31 March 2009 £(000)</b>
<b>Actual Return Less Expected Return on Pension Scheme Assets</b>	-	-
<b>Experience Gains and Losses Arising on the Scheme Liabilities</b>	-	-
<b>Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities</b>	-	-
<b>Actuarial Loss in Pension Plan</b>	(3,692)	(895)
<b>Increase / (Decrease) in irrecoverable Surplus from Membership Fall and Other Factors</b>		-
<b>Actuarial (Loss)/Gain Recognised in STRGL</b>	(3,692)	(895)

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

	<b>Period to 31 March 2010 £(000)</b>	<b>Period to 31 March 2009 £(000)</b>
<b>Difference Between the Expected and Actual Return on Assets</b>	-	-
<b>Value of Assets</b>	8,303	5,948
<b>Percentage of Assets</b>	-	-
<b>Experience Gains / (Losses) on Liabilities</b>	-	-
<b>Total Present Value of Liabilities</b>	(12,972)	(6,951)
<b>Percentage of the Total Present Value of Liabilities</b>	-	-
<b>Actuarial Gains/(Losses) Recognised in STRGL</b>	(3,692)	(895)
<b>Total Present Value of Liabilities</b>	(12,972)	(6,951)
<b>Percentage of the Total Present Value of Liabilities</b>	-	-

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**19. PENSION OBLIGATIONS (continued)**

*Impact on Balance Sheet*

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£(000)</b>	<b>£(000)</b>
<b>Share of value of scheme assets</b>	(8,303)	5,948
<b>Share of value of scheme liabilities</b>	(12,972)	(6,951)
<b>Share of scheme deficit -net pension liability</b>	(4,669)	(1,003)

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

	<b>Period to 31 March</b>	<b>Period to 31 March</b>
	<b>2010</b>	<b>2009</b>
	<b>£(000)</b>	<b>£(000)</b>
<b>Deficit at beginning of the year</b>	(1,003)	(61)
<b>Current service cost</b>	(253)	(287)
<b>Employer Contributions</b>	125	238
<b>Net return on assets</b>	154	2
<b>Actuarial (Losses)/Gains</b>	(3,692)	(895)
<b>Deficit at end of year</b>	(4,669)	(1,003)

***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 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 (CARE) with a 1/60th accrual rate.

From April 2010 there are a further two benefit structures available, namely:

Final salary with a 1/80th accrual rate.

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

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**19. PENSION OBLIGATIONS (continued)**

A defined contribution benefit structure will be 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 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 1/60th accrual rate benefit structure benefit structure for active members as at 31 March 2010 and for new entrants from April 2010. 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%. Member contributions varied between 4.1% and 6.1%.

As at the balance sheet date there were 9 active members of the Scheme employed by East End Homes. The annual pensionable payroll in respect of these members was £364,418. 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 consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer Scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from 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%.

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**19. PENSION OBLIGATIONS (continued)**

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

	% p.a.
Valuation Discount Rates:	
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 that will apply from April 2010 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	17.8
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.

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**19. PENSION OBLIGATIONS (continued )**

Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. 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 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 2009. 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 £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%.

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

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**19. PENSION OBLIGATIONS (continued)**

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. East End Homes has been notified by The Pensions Trust of the estimated employer debt on withdrawal from SHPS based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for East End Homes was £224,000.

**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 2009. As of this date the estimated employer debt for East End Homes was £224,000 (2009:£203,000).

**21. NUMBER OF HOMES IN MANAGEMENT - GROUP**

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

	<b>At 31 March 2010</b>	<b>At 31 March 2009</b>
<b>Rented general needs accommodation</b>	2,105	2,106
<b>Leasehold properties</b>	1,428	1,429
	<hr/>	<hr/>
	3,533	3,535
	<hr/> <hr/>	<hr/> <hr/>

**EAST END HOMES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**22. RELATED PARTY TRANSACTIONS**

As at 31 March 2010, 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 £2,857 at 31 March 2010.

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 2010 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.