

East/North East Homes Leeds Limited

Report and Financial Statements

Year Ended

31 March 2010

Company Number 06031596

East/North East Homes Leeds Limited

Report and financial statements for the year ended 31 March 2010

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Directors

Councillor G Hyde
Councillor G Wilkinson
N Fraser
P Marshall
A Fixter
R Courtney
K Wray
J Hourigan
Dr A Sesay
M Moon

Secretary and registered office

SJ Hunt, Tribeca House, 71 Roundhay Road, Leeds, LS7 3BE

Company number

06031596

Auditors

BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU

Bankers

Natwest Bank PLC, PO Box 183, 8 Park Row, Leeds, LS1 1QT

Solicitors

Trowers & Hamlins, Sceptre Court, 40 Tower Hill, London, EC3N 4DX

East/North East Homes Leeds Limited

Statement from the Chair for the year ended 31 March 2010

I am pleased to be able to report to you that 2009/10 has been the third and most successful year of operations so far for East/North East Homes Leeds Limited (ENEHL).

Following the disappointment of last year with the outcome of our inspection by the Audit Commission, we have consolidated and moved forward with our organisational change and improvement plans. Our re-inspection in September 2009 resulted in an improved rating and I can report that we are now recognised as being a good organisation with promising prospects for improvement.

Our approach to financial management through 'zero based budgeting' was recognised by the Audit Commission as being as thorough as our lead Inspector had ever seen and this helped us to deliver over £3m of efficiencies during the year. This helped us to increase our projected contributions to reserves from trading operations whilst still being able to deliver over £0.5m of service improvements.

During the year we started a number of key service reviews which I believe will help us to drive out further inefficiencies and improve our service offer particularly in respect of our repairs service and how we deal with anti-social behaviour. Our customers have told us that these are their key priorities and we know that they are major areas of expenditure for us, so we have responded accordingly.

Building on our success with the 2009 National Federation of ALMOs Award for the Most Effective Partnership with our partners Michelangelo's Mates, we have been awarded 'compliance plus' for partnership work by Customer Service Excellence. This is further recognition of our strong approach to joint working to improve services in the communities in which we operate. With the current economic climate I believe this work will increase in importance over the coming months as we strive to deliver more for less.

Over the next year we will be working to manage a number of major risks that face our company. At a national level we await the outcome of the financial review of housing subsidy and how the Government will respond. Locally we are working with Leeds City Council to develop an understanding of future investment need for the housing stock we manage which will influence decisions on the future of East/North East Homes Leeds Ltd after our Management Agreement ends. We move forward into the new financial year with confidence that the work we have done will set us in a good position whatever may happen.

I would like to recognise the hard work and time that my Board colleagues give to East/North East Homes Leeds Limited I feel privileged to work with them, and all our residents who give their time freely to sit on Area Panels, Residents Groups as well attending meetings throughout the year, and finally to the staff who are led by a excellent Chief Executive with support from a dedicated executive team and who together work to make our organisation responsive, strong and fit to deliver our promises to our residents.

Angelena Fixter
Chair East/North East Homes Leeds Limited

East/North East Homes Leeds Limited

Report of the directors for the year ended 31 March 2010

The Directors present their report and accounts for the year ended 31 March 2010.

Activities of the company

East/North East Homes Leeds Limited is a private company limited by guarantee, registered in England and Wales (Registration number 06031596) and wholly owned by Leeds City Council. East/North East Homes Leeds Limited commenced trading on 1 April 2007.

The company has a Board of Management comprising of up to 12 Directors and provides services specified in the approval from the Secretary of State under Section 27 of the Housing Act 1985 as detailed in the Management Agreement with the Council and for which it receives an annual Management Fee.

The Board of East/North East Homes Leeds Limited acknowledge their ultimate responsibility for ensuring that the company has in place a system of controls that are appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurances with respect to:

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

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. The system of financial controls include the following key elements:

- A Statement on Internal Control which sets out formal policies and procedures which are in place, including the documentation of key systems and rules which allow the monitoring of controls, restricts unauthorised use of the company's assets and ensures that proper records are kept;
- An Assurance Framework and Audit Universe and Plan delivered by Leeds City Council's Internal Audit Division which sets out a programme of audit for services and systems.
- Experienced and suitably qualified staff take responsibility for important business functions. Annual Personal Appraisal and Development procedures and reviews for employees have been established to maintain standards of performance;
- Written Financial Procedures and Standing Orders including a Scheme of Delegation and Contract Procedure Rules;
- A Risk Management Framework including a Risk Register in which all risks are identified and through which appropriate controls put in place. The East/North East Homes Leeds Limited Audit Committee act as the Risk Management Committee for the Company;
- Forecasts and Budgets are prepared which allow the Board and managers to monitor financial risk and objectives, and to monitor progress towards financial plans set for the year and the medium term. Regular management accounts are prepared promptly, which provide relevant, reliable and up-to-date financial and other information and which identify significant variances from budgets which are investigated as appropriate;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through either the Council, the East/North East Homes Leeds Limited Board, the Sub-Committees or senior managers of the company;

East/North East Homes Leeds Limited

Report of the directors for the year ended 31 March 2010 (*Continued*)

- The Board receives Reports from managers, and from internal and external auditors in order to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the company;
- A full range of insurances, including a Fidelity Guarantee, are in place to safeguard assets and the company's interests.

The Board is of the opinion that the company has in place suitable internal financial controls, that appropriate and adequate accounting records are maintained, that the assets of the company are safeguarded and that reasonable steps have been taken to prevent and detect fraud and other irregularities.

Review of the business

Board were pleased to note a successful year financially for the Company in 2009/10 with a surplus of £2,269,100 for the year which was a significant improvement on the budgeted position and was largely due to the drive to embed a Value For Money Culture across the Organisation. The impact of which was the delivery of total cashable efficiency savings of £3,405,000 across the Company. This significant surplus resulted in net reserves of £5,973,037 being available to carry forward into 2010/11, prior to the FRS17 adjustments being taken into account.

Within this position, several earmarked reserves have been established in the sum of £4,346,803 to meet specific known expenditure which will arise in the period up to the end of the management agreement in 2012/13.

However, once the FRS17 adjustments are taken into account this results in negative reserves to be carried forward into 2010/11 of £8,568,963 as demonstrated on our Balance Sheet on page 10 of these accounts.

The FRS17 accounting adjustment demonstrates an actuarial loss in year of £14,542,000 which has arisen mainly due to changes in the discount rates used to calculate the pension liability. This has resulted in a Pension Fund Liability of £19,510,000 as at 31 March 2010.

Although this results in significant negative reserves, not all of the liabilities are due within one year as the pension liability is a long term liability which therefore reduces the risks of the company being unable to continue to operate as a going concern. In addition a letter of support has also been received from Leeds City Council which confirms that they are not minded to do other than continue to fund the Company which again demonstrates that the Company will continue to operate as a going concern.

East/North East Homes Leeds Limited are also currently seeking confirmation that the Pension Liability will be fully underwritten by Leeds City Council. Leeds City Council internal policy had previously required East/North East Homes Leeds Limited's pension liability to be fully covered by cash held in the bank as demonstrated by the large cash balances on our Balance Sheet. Any change to this internal policy would result in further funds being released into service provision over the next few years of up to £4,968,000. A decision is still awaited from Leeds City Council in this respect.

Principal risks and uncertainties

The current economic climate and the announcements of cuts in public expenditure, together with the impact of negative housing element subsidy, reduced land sale values and the instability in financial markets, all continue to be a concern to the company, as all of these factors have a major bearing on the Management Fee paid or on miscellaneous income received. At a national level we await the outcomes of the financial review of housing subsidy and the implications this may have on the financial position of the Company. Reductions in 'SCA Windfall Subsidy' will also have a significant financial impact in the future and these risks have been highlighted in the East/North East Homes Leeds Limited Business Plan and Risk Register.

East/North East Homes Leeds Limited

Report of the directors for the year ended 31 March 2010 (*Continued*)

In order to mitigate some of the uncertainties within East/North East Homes Leeds Limited, budgets are set on a yearly basis, with a 10 year Business Plan underpinning the position. A robust Zero Based Budget Setting process and fully devolved budget monitoring is well established on a monthly cycle to ensure that spend does not exceed budget provision. A Value for Money ethos is embedded across the Company which ensures that efficiency savings are generated on an ongoing basis to relieve some of the external financial pressures on the Company.

Interest rate fluctuations may have a bearing on the income available to the company to support capital investment. Department of Communities and Local Government have committed to paying subsidy of 8% to service debt charges up until 2010/11 in the knowledge that local internal borrowing rates are substantially lower. The windfall subsidy has been targeted at providing additional revenue based initiatives to underpin the delivery of the Decent Homes Agenda.

The significant reduction in interest rates over the last eighteen months has compromised the delivery of initiatives over and above Decent Homes and resources are now focused on this objective. Planning for the future is taking place to address the significant over-hanging improvement work required beyond achievement of the Decent Homes Standard.

Financial instruments

The Company has no borrowings and, other than in the respect of the pension liability recognised under FRS 17, has no liabilities other than those arising out of normal trading. Cash balances are held in the form of a current bank account to ensure there are sufficient funds available for operations.

Directors

The Directors who served during the period are as follows:

	Date of Appointment	Date of Resignation
A Fixter	29/01/2007	
M T Loney	29/01/2007	10/12/2009
N Fraser	29/01/2007	
K Wray	29/01/2007	
P Marshall	29/01/2007	
Cllr G Hyde	29/01/2007	
Cllr P Wadsworth	29/01/2007	31/05/2010
R Courtney	29/01/2007	
Cllr G Wilkinson	29/01/2007	
Cllr D Hollingsworth	29/01/2007	31/05/2010
J Hourigan	08/02/2007	
Dr A Sesay	08/02/2007	
M Moon	10/12/2009	

East/North East Homes Leeds Limited

Report of the directors for the year ended 31 March 2010 (*Continued*)

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board
Stephen James Hunt
Company Secretary

24 August 2010

East/North East Homes Leeds Limited

Independent auditor's report for the year ended 31 March 2010

To the member of East/North East Homes Leeds Limited

We have audited the financial statements of East/North East Homes Leeds Limited for the year ended 31 March 2010 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

East/North East Homes Leeds Limited

Independent auditor's report for the year ended 31 March 2010 (*Continued*)

Opinion on other matters prescribed by the Companies Act 2006

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

DRAFT

*Ian Beaumont (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom
Date*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

East/North East Homes Leeds Limited

Income and expenditure account for the year ended 31 March 2010

	Note	2010 £	2009 £
Turnover	3	43,477,571	42,400,303
Operating costs		(35,766,004)	(38,972,917)
		<hr/>	<hr/>
Operating surplus	4	7,711,567	3,427,386
Profit on transfer of operations	5	-	673,504
		<hr/>	<hr/>
Surplus on ordinary activities before interest		7,711,567	4,100,890
Interest receivable and similar income	8	41,706	304,510
Interest payable and similar charges	9	(5,475,391)	(5,595,420)
		<hr/>	<hr/>
Surplus/(deficit) on ordinary activities before taxation		2,277,882	(1,190,020)
Taxation	10	8,782	110,451
		<hr/>	<hr/>
Retained surplus/(deficit) for the year	16	2,269,100	(1,300,471)
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 12 to 23 form part of these financial statements.

East/North East Homes Leeds Limited

Statement of total recognised gains and losses for the year ended 31 March 2010

	Note	2010 £	2009 £
Surplus/(deficit) for the financial year	16	2,269,100	(1,300,471)
Actuarial (losses)/gains on defined benefit scheme	16	(14,542,000)	1,614,000
		_____	_____
Total recognised (losses)/gains for the financial year		(12,272,900)	313,529
		=====	=====

The notes on pages 12 to 23 form part of these financial statements.

East/North East Homes Leeds Limited

Balance sheet at 31 March 2010

<i>Company Number 06031596</i>	Note	2010 £	2009 £
Current assets			
Stock	11	90,144	72,833
Debtors	12	606,760	1,302,389
Cash at bank and in hand		17,594,847	13,894,160
		<u>18,291,751</u>	<u>15,269,382</u>
Creditors: amounts falling due within one year	13	(7,103,118)	(6,511,945)
Provision for liabilities and charges	14	(247,596)	(320,500)
		<u>10,941,037</u>	<u>8,436,937</u>
Net current assets excluding pension liability			
Pension liability	15	(19,510,000)	(4,733,000)
		<u>(8,568,963)</u>	<u>3,703,937</u>
Net assets including pension liability			
Reserves			
Income and expenditure account	16	(8,568,963)	3,703,937
		<u>3,703,937</u>	<u>3,703,937</u>

The financial statements were approved by the Board and authorised for issue on 24 August 2010.

Angelena Fixter
Chairman

The notes on pages 12 to 23 form part of these financial statements.

East/North East Homes Leeds Limited

Cash flow statement for the year ended 31 March 2010

	Note	2010 £	2009 £
Net cash flow from operating activities	18	8,748,823	3,574,817
Returns on investments and servicing of finance			
Interest paid		(4,979,391)	(5,595,420)
Interest received		41,706	392,362
		<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance		(4,937,685)	(5,203,058)
Taxation			
Corporation tax paid		(110,451)	(132,268)
Cash acquired on transfer of operations		-	673,503
		<hr/>	<hr/>
Increase/(decrease) in cash	19,20	3,700,687	(1,087,006)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 23 form part of these financial statements.

East/North East Homes Leeds Limited

Notes forming part of the financial statements for the year ended 31 March 2010

1 Company status

East/North East Homes Leeds Limited is a Company wholly owned by Leeds City Council. The company is limited by guarantee. The guarantors are listed in the company's Register of Members. The liability in respect of the guarantee as set out in the memorandum, is limited to £1 per member of the Company.

2 Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Going concern

At 31 March 2010 the company had net liabilities of £8,568,963. These accounts have been prepared on the basis that the company is a going concern on the grounds that the controlling member, Leeds City Council, has confirmed that it is not minded to do other than continue to fund East/North East Homes Leeds Limited for the foreseeable future.

As the directors have a reasonable expectation that the company and Leeds City Council have adequate resources to continue in operational existence for the foreseeable future the going concern basis has been adopted in preparing the financial statements.

Fixed Assets

The Company has no fixed assets. Office premises, equipment and vehicles are owned by Leeds City Council and are used by the company under a management agreement.

Stock

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Turnover

Turnover represents fees payable from Leeds City Council and other income from operating activities.

Repair costs

Costs of repairs and other projects are recognised on an accruals basis. Costs of committed repairs that have not been paid are included in accruals.

Leased Assets

Operating lease rentals are charged to the income and expenditure account on a straight-line basis over the term of the lease.

East/North East Homes Leeds Limited

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

2 Accounting policies (continued)

Pension costs

Contributions to the Company's defined contribution pension scheme are charged to the income and expenditure account in the period in which they become payable.

The difference between the fair value of the assets held in the Company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Company's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Company are charged to the income and expenditure account or the statement of total recognised gains and losses in accordance with FRS17 'Retirement benefits'.

Related party disclosure

Certain members of the Board are tenants in properties owned by the parent undertaking, Leeds City Council. These tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefits as other tenants.

3 Turnover

Turnover principally represents amounts invoiced to Leeds City Council for the provision of housing management services during the period.

4 Operating surplus

	2010 £	2009 £
This has been arrived at after charging or (crediting):		
Auditors' remuneration:		
- audit of the financial statements of the Company	14,750	15,000
The defined benefit pension cost comprises the following:		
- current service cost	1,017,000	1,792,000
- past service cost	115,000	-
- curtailment (surplus)/loss	(233,000)	15,000
	<u> </u>	<u> </u>

East/North East Homes Leeds Limited

Notes forming part of the financial statements for the year ended 31 March 2010 *(Continued)*

5 Profit on transfer of operations

	2010 £	2009 £
Transfer of other assets and liabilities	-	673,504
	-	673,504
	-	673,504

Following the decision of the tenants in September 2006 to reduce the number of ALMOs in Leeds from 6 to 3, the management and maintenance of the homes which were the responsibility of Leeds East Homes Limited and Leeds North East Homes Limited were transferred to this company on 1 April 2007. The pension scheme assets and liabilities were transferred along with the employees for no consideration on 1 April 2007. In addition, the remaining assets, liabilities and reserves, excluding VAT related items, of these ALMOs were transferred to the Company for no consideration on 31 March 2008.

During 2008/09 the final elements of the transfers were completed. The former ALMOs were dissolved during the year with the remaining assets, liabilities and reserves being transferred to East North East Homes Leeds Limited.

In addition the former ALMO Leeds South East Homes Limited was wound up, with the assets, liabilities and reserves relevant to the area being transferred to East/North East Homes Leeds Limited equating to 40% of the net assets of South East Homes Limited being transferred to the Company for no consideration on 30 September 2008.

6 Employees

	2010 £	2009 £
Staff costs consist of:		
Wages and salaries	7,524,436	8,714,009
Social security costs	566,768	647,721
Other pension costs	728,417	799,880
	8,819,621	10,161,610
	8,819,621	10,161,610

The average number of employees, including directors, during the year was 443 (2009 – 489).

7 Directors

	2010 £	2009 £
Director's emoluments	8,873	-
	8,873	-
	8,873	-

East/North East Homes Leeds Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (*Continued*)

8 Interest receivable and similar income

	2010 £	2009 £
Bank interest	41,706	394,510
Expected return on pension scheme assets	-	2,258,000
Interest on pension scheme liabilities	-	(2,348,000)
	41,706	304,510
	41,706	304,510

9 Interest payable and similar charges

	2010 £	2009 £
Interest payable to Leeds City Council	4,979,391	5,595,420
Interest on pension scheme liabilities	2,215,000	-
Expected return on pension scheme assets	(1,719,000)	-
	5,475,391	5,595,420
	5,475,391	5,595,420

10 Taxation

	2010 £	2009 £
Tax charge for the year	8,782	110,451
	8,782	110,451
Only income on bank deposits is assessable to tax.		
Interest receivable	41,706	394,510
	41,706	394,510
Interest at standard rate of corporation tax at 21% (2009 – 28%)	8,758	110,463
Effect of:		
Other	24	(12)
	24	(12)
	8,782	110,451

East/North East Homes Leeds Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 *(Continued)*

11 Stocks

	2010 £	2009 £
Consumables	90,144	72,833
	90,144	72,833

12 Debtors

	2010 £	2009 £
Amounts due from Leeds City Council	283,959	736,027
Amounts due from fellow subsidiaries	36,340	4,927
Other debtors	202,867	486,952
Prepayments	83,594	74,483
	606,760	1,302,389

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	2010 £	2009 £
Amounts due to Leeds City Council	3,493,140	3,349,817
Amounts due to fellow subsidiaries	29,092	77,342
Corporation tax	8,758	110,445
Other taxation and social security	556,894	381,970
Other creditors	7,350	4,752
Accruals	3,007,884	2,587,619
	7,103,118	6,511,945

14 Provision for liabilities and charges

	Redundancy £
At 1 April 2009	320,500
Charged to income and expenditure account	247,596
Utilised in the year	(320,500)
	247,596
At 31 March 2010	247,596

Provision for redundancy costs relate to the planned restructure of the organisation in 2009/10 and 2010/11 which was announced before the year end.

East/North East Homes Leeds Limited

Notes forming part of the financial statements for the year ended 31 March 2010 (*Continued*)

15 Pension

Local government pension scheme

East/North East Homes Leeds Limited is a scheduled employer of the West Yorkshire Pension Fund. The Company entered into the scheme upon TUPE transfer of its staff from Leeds East Homes Limited and Leeds North East Homes Limited on 1 April 2007.

The West Yorkshire Pension Fund is a funded defined benefit scheme, with the assets held in separate trustee administered funds. It is the Company's intention to continue to contribute towards the scheme at the recommended contribution rate in future years.

A full actuarial valuation of the pension scheme was carried out as at 31 March 2007 and updated at 31 March 2010 on a FRS 17 basis.

Reconciliation of present value of plan liabilities

	2010	2009
	£'000	£'000
At the beginning of the year	31,418	37,584
Current service cost	1,017	1,792
Interest cost	2,215	2,348
Actuarial (gains)/losses	22,275	(10,329)
Benefit transfers paid	(1,789)	(621)
Past service costs	115	-
Member contributions	571	629
Curtailments	(233)	15
	<hr/>	<hr/>
At the end of the year	55,589	31,418
	<hr/> <hr/>	<hr/> <hr/>

Composition of plan liabilities

	2010	2009
	£'000	£'000
Schemes wholly or partly funded	55,589	31,418
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of fair value of plan assets

	2010	2009
	£'000	£'000
At the beginning of the year	26,685	31,971
Expected rate of return on plan assets	1,719	2,258
Actuarial gains/(losses)	7,733	(8,715)
Contributions by company	1,138	1,163
Member contributions	571	629
Benefits paid	(1,767)	(621)
	<hr/>	<hr/>
At the end of the year	36,079	26,685
	<hr/> <hr/>	<hr/> <hr/>

East/North East Homes Leeds Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 *(Continued)*

15 Pension *(Continued)*

Reconciliation to balance sheet

	2010	2009
	£'000	£'000
Present value of funded obligations	(55,589)	(31,418)
Fair value of plan assets	36,079	26,685
	<hr/>	<hr/>
Net liability	(19,510)	(4,733)
	<hr/> <hr/>	<hr/> <hr/>

The amounts recognised in the income and expenditure account are as follows:

	2010	2009
	£'000	£'000
<i>Included in administrative expenses:</i>		
Current service cost	1,017	1,792
Past service costs	115	-
Curtailement (loss)/gain	(233)	15
<i>Included in other finance (income)/expense:</i>		
Interest cost	2,215	2,348
Expected return of plan assets	(1,719)	(2,258)
	<hr/>	<hr/>
At the end of the year	1,395	1,897
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2010	2009
	£'000	£'000
Actual return less expected return on pension plan assets	7,733	(8,715)
Experience gains and losses arising on the scheme liabilities	(22,275)	10,329
	<hr/>	<hr/>
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	(14,542)	1,614
	<hr/> <hr/>	<hr/> <hr/>

East/North East Homes Leeds Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (*Continued*)

15 Pension (*Continued*)

	2010 £'000	2009 £'000
<i>Cumulative amount of gains/(losses) recognised in the statement of total recognised gains and losses</i>	(12,898)	1,644
<i>Composition of plan assets</i>		
	2010 £'000	2009 £'000
Equities	25,832	16,545
Government bonds	4,401	3,282
Other bonds	1,227	1,601
Property	1,227	1,121
Cash	1,227	1,334
Other	2,165	2,802
Total plan assets	36,079	26,685
<i>Overall expected rate of return of assets</i>		
Overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class.		
	2010 £'000	2009 £'000
<i>Actual return on plan assets</i>	9,452	(6,380)

East/North East Homes Leeds Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (*Continued*)

15 Pension (*Continued*)

	2010 %	2009 %
<i>Principle actuarial assumptions used at the balance sheet date</i>		
Discount rates	5.6	7.1
Expected rates of return on plan assets:		
- Equities	8.0	7.5
- Government bonds	4.5	4.0
- Other bonds	5.5	6.0
- Property	8.5	6.5
- Cash	0.7	0.5
- Other	8.0	7.5
Future salary increases	5.75	5.05
Future pension increases	4.0	3.3
Inflation assumption	4.0	3.3
Mortality rates:		
- before retirement		PA92mcYoB Tables + 2 years
- after retirement		PA92mcYoB Tables + 1 year

<i>History</i>	2010 £'000	2009 £'000	2008 £'000
Present value of the plan liabilities	(55,589)	(31,418)	(37,584)
Fair value of the plan assets	36,079	26,685	31,971
	<hr/>	<hr/>	<hr/>
Deficit on the pension plans	(19,510)	(4,733)	5,613
	<hr/>	<hr/>	<hr/>
<i>Experience adjustments arising on:</i>			
Plan assets	7,733	(8,715)	(1,850)
Plan liabilities	(22,275)	10,329	(1,919)
	<hr/>	<hr/>	<hr/>

The company's best estimate of the contributions expected to be paid in the year beginning on 1 April 2010 is £1,137,000 (2009 - £1,151,000).

East/North East Homes Leeds Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 *(Continued)*

16 Reserves

	Income and Expenditure Account 2010 £	Income and Expenditure Account 2009 £
Surplus at 1 April	3,703,937	3,390,408
Retained surplus/(deficit) for the year	2,269,100	(1,300,471)
Actuarial (losses)/gains on defined benefit pension scheme	(14,542,000)	1,614,000
Surplus as at 31 March	(8,568,963)	3,703,937

17 Related party transactions

East/North East Homes Leeds Limited's main source of income is a management fee for the management of Leeds City Council's housing stock services. Balances due from and to Leeds City Council are disclosed in note 12 and 13.

Income:

	2010 £	2009 £
Management Fee	27,056,930	26,600,935
Subsidy Windfall Income	10,266,810	10,266,806
Incentive From Trading	325,786	259,023
District heating	64,941	51,800
Paralegal	17,660	17,230
	37,732,127	37,195,794

Other purchased services from Leeds City Council:

	2010 £	2009 £
Repairs and maintenance	1,297,790	1,065,679
Cleaning agency	1,119,438	1,051,846
Other services	9,742,205	10,303,354
	12,159,433	12,420,879

East/North East Homes Leeds Limited

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

17 Related party transactions (Continued)

Certain members of the Board are tenants in properties owned and maintained by the parent undertaking, Leeds City Council. These tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefits as other tenants.

At 31 March 2010, East/North East Homes Leeds Limited had the following balances owing to/from other related ALMOS's:

	2010 £	2009 £
Amounts owed by:		
Aire Valley Homes Leeds Limited	-	3,977
West/North West Homes Leeds Limited	29,092	-
BITMO	-	950
	<u> </u>	<u> </u>
Amounts owed to:		
Aire Valley Homes Leeds Limited	36,340	-
West/North West Homes Leeds Limited	-	77,342
	<u> </u>	<u> </u>

18 Reconciliation of operating surplus to net cash inflow from operating activities

	2010 £	2009 £
Operating surplus	7,711,567	3,427,386
(Decrease)/increase in provisions	(72,904)	290,500
Pension adjustment under FRS 17	(261,000)	644,000
(Increase) in stocks	(17,311)	(3,829)
Decrease in debtors	695,629	11,233,056
Increase/(decrease) in creditors	692,842	(12,016,296)
	<u> </u>	<u> </u>
Net cash inflow from operating activities	8,748,823	3,574,817
	<u> </u>	<u> </u>

East/North East Homes Leeds Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (Continued)

19 Reconciliation of net cash inflow to movement in net funds

	2010 £	2009 £
Increase/(decrease) in cash in the period	3,700,687	(1,087,006)
Movement in net funds in the period	3,700,687	(1,087,006)
Opening net funds	13,894,160	14,981,166
Closing net funds	17,594,847	13,894,160

20 Analysis of net funds

	At 31 March 2009 £	Cash Flow £	At 31 March 2010 £
Cash in hand and at bank	13,894,160	3,700,687	17,594,847

21 Ultimate parent company

At 31 March 2010 the Company's ultimate parent company was Leeds City Council. Leeds City Council accounts include the results of East/North East Homes Leeds Limited. East/North East Homes Leeds Limited accounts are not consolidated in any other financial statements.

Copies of the consolidated financial statements of Leeds City Council are available on the Leeds City Council website: www.leeds.gov.uk.

East/North East Homes Leeds Limited

Detailed income and expenditure account for the year ended 31 March 2010

	2010 £	2010 £	2009 £	2009 £
Turnover				
Management fee income	27,056,930		26,600,935	
Subsidy windfall	10,266,810		10,266,806	
Capital recharges	1,765,095		671,373	
Trading income	2,649,804		3,340,612	
Other income	1,738,932		1,520,577	
		43,477,571		42,400,303
Operating costs				
Wages and salaries	9,710,724		10,940,160	
Office running costs	1,490,091		1,853,666	
Accommodation running costs	3,470,486		3,463,229	
Transport	157,107		343,028	
Council tax on voids	26,214		37,996	
Service level agreements	2,346,689		2,409,400	
Repairs	15,496,183		15,632,069	
Refund from Connaught Baldwin on overcharges	(85,372)		-	
Less pension contribution	(1,160,000)		(1,163,000)	
Add operating cost	1,017,000		1,792,000	
Settlement loss/(gain)	(233,000)		15,000	
Past Service Cost	115,000		-	
Restructure Costs	445,156		-	
Efficiency Savings Redirected	72,326		-	
Net contribution to provisions	247,596		320,500	
Reversal of contribution to provisions	-		(11,743)	
Trading costs	2,649,804		3,340,612	
		35,766,004		38,972,917
Operating surplus				
		7,711,567		3,427,386