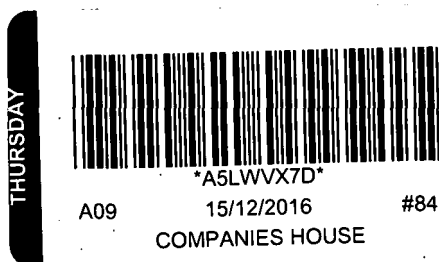


## **EAST POTENTIAL**

# **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**



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## **Charity Information**

**Registered Charity Number**  
1053142

**Registered Company Number**  
03123368

### **Trustees**

Malcom Basing (Chairman)  
Duncan Beardsley  
Yvonne Arrowsmith  
Larissa Joy  
James Scott

**Company Secretary**  
Henry Potter

**Registered Office**  
29-35 West Ham Lane  
London  
E15 4PH

### **Bankers**

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

### **Solicitors**

Trowers & Hamlins  
3 Bunhill Row  
London  
EC1Y 8YZ

### **Auditors**

Grant Thornton UK LLP  
Kingfisher House  
1 Gilders Way  
St. James Palace  
Norwich  
Norfolk  
NR3 1UB

## **Strategic Report including the Operating and Financial Review**

The Board of Trustees of East Potential is pleased to present its report together with the audited financial statements for the year ended 31 March 2016.

### **Principal activities**

The Charity's principal activities are as follows:

- The relief of young persons who are homeless or otherwise in necessitous circumstances and without prejudice to the generality of the foregoing by encouraging and assisting in the provision of an integrated system of short-term accommodation and training (including vocational training) coupled with advice and counselling for young people and the provision of recreational facilities with the object of improving their conditions of life;
- To provide and assist in providing housing, accommodation and assistance to help house people who are in need of such housing, accommodation and assistance by reason of their poverty, age, disability (whether physical, mental or learning disability) or sickness and to provide and assist in the provision of associated facilities and amenities for such people;
- The promotion for the public benefit of urban or rural regeneration in areas of social and economic deprivation;
- The development of the capacities and skills of the inhabitants of communities in local authority areas in which the Parent or its subsidiaries own or manage housing stock, and neighbouring local authority areas which the Board considers are socially and/or economically disadvantaged, in such a way that those inhabitants are better able to identify, and help meet, their needs and to participate more fully in society; and
- To promote, for the general benefit of the community, good citizenship and harmony within the community between persons of different ethnic, cultural, or age backgrounds and between people with a disability and other persons.

The aims of the charity are to improve the life opportunities for those living in our homes and in our communities.

We ensure our work delivers our aims by:

- Reviewing our aims and objectives each year. We prepare an annual plan on how these objectives will be delivered in the forthcoming year. We work with the Boards of East Homes and East Thames Group to ensure that the plan is dovetailed with the group strategic plan; and
- As part of the review, the Board considers the success of each individual scheme and activity in meeting the needs of the communities and groups that they set up to help. We use performance indicators and client feedback to help us to make these assessments. In making these assessments we have referred to the guidance on public benefit reporting published by the Charity Commission.

### **Business and financial review**

External funding for Social and Economic Regeneration reduced significantly with Barclays withdrawing support for our Employment and Training Programmes. The core offer from Group remained at £1.2 million but East Living withdrew support for Foyer programmes and Volunteer Coordinator (£0.2 million).

Expenditure reduced in line with the reduced income.

## **Strategic Report including the Operating and Financial Review (continued)**

### **Business and financial review (continued)**

We work in east London and parts of Essex. Many of the areas and communities we work with experience multiple factors of deprivation.

Our main programmes have focused on lessening the impact of welfare reforms on our residents and the surrounding communities and to support/ signpost individuals and neighbourhoods into routes to employment as well as opportunities to develop social enterprises. We also seek to enhance overall wellbeing and to equip our residents to face the challenges that confront them and their families. We delivered 644 workshops and training sessions spread across the spectrum of identified needs for our residents and seek to enhance their access to opportunities.

The following are some of the successes of our employment programmes in 2015/16:

- We supported 275 local people into paid work, 119 of which were East Thames residents;
- Worked closely with partners including Barclays Bank, HSBC and Trowers and Hamlins to deliver employment support to people who need it the most, including young people not in employment, education or training;
- 27 new social enterprise and charity groups were launched from our Starting Point business facility in Barking;
- 24 social enterprises supported by Starting Point were still in business 12 months on;
- 18 people went into full time employment in construction;
- 24 people were supported to gain a construction qualification;
- We officially launched our furniture reuse project Reclaim at the Lane which is now going from strength to strength; and
- We have continued to support Eastbury School close to the Gascoigne Estate in Barking. Here staff have delivered training, mentoring and employability skills and provided work experience to students.

### **Principal risks and uncertainties**

There is an ongoing process for identifying, evaluating and managing significant risks faced by the Charity. This process has been in place throughout the year of review, and is regularly reviewed by the Board. The process is part of the risk management system operated throughout the East Thames Group. The internal control framework and the risk management process are subject to regular review by Internal Audit who is responsible for providing independent assurance to the Board via the Group Risk Management and Audit Committee.

### **Financial instruments**

The Charity's operations do not expose it to any material financial risk and it does not therefore use any financial instruments other than sterling cash, and inter-company debtors and creditors

## **Strategic Report including the Operating and Financial Review (continued)**

### **Future developments**

No changes in the Charity's activities are anticipated in the foreseeable future.

The Strategic Report including the Operating and Financial Review was approved by the Board on 8<sup>th</sup> August 2016 and signed on its behalf by:

**Malcolm Basing**  
**Chairman**

## **Report of the Board of Trustees**

### **Results and dividends**

The deficit for the year amounted to £4,000 (2015: profit £331,000).

### **Trustees and their interests**

The Trustees of the Charity who held office during the year are as follows:

Malcom Basing (Chairman)  
Duncan Beardsley  
Yvonne Arrowsmith  
Larissa Joy  
James Scott

None of the Trustees who held office during the year had any interest in the share capital of the Charity.

### **Going Concern**

The Charity is owned by East Thames Group Limited. The Board of East Thames Group Limited has informed the Charity that it will provide financial assistance for the foreseeable future. For this reason, the Charity continues to adopt the going concern basis in the financial statements.

### **Statement of Responsibilities of the Board for the financial statements**

The Trustees are responsible for preparing the Strategic Review and the Operating and Financial Review and the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company Law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under Company Law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Charity for the year. In preparing these financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Report of the Board of Trustees (continued)**

### **Disclosure of information to auditors**

At the date of making this report the Trustees, as set out on page 5, confirm the following:

- so far as each Trustee is aware there is no relevant information of which the Charity's auditors are unaware; and
- each Trustee has taken all steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant information required by the Charity's auditors in connection with preparing their report and to establish that the auditors are aware of that information.

### **Auditors**

Grant Thornton UK LLP have expressed their willingness to continue in office and will be deemed reappointed for the next financial year in accordance with Section 478(2) of The Companies Act 2006 unless the Company receives notice under Section 488 (1) of the Companies Act 2006.

The Report of the Directors was approved by the Board on 8<sup>th</sup> August 2016 and signed by the order of the Board by:

**Henry Potter**  
**Company Secretary**  
29-35 West Ham Lane  
Stratford  
London  
E15 4PH



## **Independent auditor's report to the members of East Potential**

We have audited the financial statements of East Potential for the year ended 31 March 2016 which comprises statement of financial activities, the balance sheet 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Responsibilities of the Board of Trustees set out on page 5, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its incoming resources and application of resources, including its income and expenditure, 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.

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

In our opinion the information given in the Strategic Report including the Operating and Financial Review and Report of the Board of Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of East Potential (continued)**

### **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.

**Tobias Wilson**

**Senior Statutory Auditor**

For and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Norwich, England

26th September 2016

## Statement of Financial Activities

	Note	Not restricted and not designated £'000	Not restricted but designated £'000	Restricted £'000	2016 Total £'000	2015 Total £'000
<b>Income</b>						
Grants		236	-	-	236	578
Compensation		194	-	-	194	-
Group entities		1,222	-	-	1,222	1,482
		1,652	-	-	1,652	2,060
<b>Expenditure on charitable activities</b>						
recurring	3	(1,179)	-	(92)	(1,271)	(1,696)
SHPS additional liability	15	(361)	-	-	(361)	-
		(1,540)	-	(92)	(1,632)	(1,696)
Net income / (expenditure)		112	-	(92)	20	364
Interest payable and similar charges	6	(24)	-	-	(24)	(33)
<b>Net movement in funds</b>		88	-	(92)	(4)	331
Total (deficit) brought forward	14	(572)	-	92	(480)	(811)
<b>Total (deficit) carried forward</b>	14	(484)	-	-	(484)	(480)

The notes on pages 11 to 22 form part of these financial statements.

## Balance Sheet

	Note	Not restricted and not designated £'000	Not restricted but designated £'000	Restricted £'000	2016 Total £'000	2015 Total £'000
<b>Non Current Assets</b>						
Tangible fixed assets	10	-	-	-	-	-
<b>Current Assets</b>						
Debtors	11	144	-	-	144	129
Cash at bank and in hand		814	-	-	814	981
		958	-	-	958	1,110
<b>Current Liabilities</b>	12	(343)	-	-	(343)	(608)
<b>Net Current Assets</b>		615	-	-	615	502
<b>Total Assets less Current Liabilities</b>		615	-	-	615	502
<b>Non Current Liabilities</b>	13	(1,099)	-	-	(1,099)	(982)
<b>Net Liabilities</b>		(484)	-	-	(484)	(480)
<b>Funds of the Charity</b>						
Not restricted and not designated		(484)	-	-	(484)	(572)
Not restricted but designated		-	-	-	-	-
Restricted		-	-	-	-	92
		(484)	-	-	(484)	(480)

These financial statements were approved by the Board on 8 August 2016 and signed on its behalf by:



Yvonne Arrowsmith  
Trustee

The notes on pages 11 to 22 form part of these financial statements.

## **Notes to the Financial Statements**

### **1 Accounting Policies**

#### **(a) Basis of preparation**

The financial statements of East Potential (the Charity) are prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). These are the first financial statements of the Charity that have adopted FRS 102, and the Statement of recommended Practice: Accounting and Reporting by Charities. Details of the impact of the adoption of FRS 102 on the financial statements is given in note 20.

The Charity has taken advantage of the exemption allowed by FRS 102 not to present a Statement of Cash Flows as it is a member of the East Thames Group which prepares publicly available consolidated financial statements, and the Charity is included in the consolidation.

The Charity's presentation currency is Great Britain Pounds. Amounts are presented in thousands.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Charity's management to exercise judgement in applying the Charity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### **(b) Going concern**

After making enquiries, the Board has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the Charity's financial statements.

#### **(c) Revenue recognition**

Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met.

#### **(d) Turnover**

Turnover comprises registered care charge income, management fees, and other services at the invoiced amount (excluding VAT) of goods and services supplied in the year, revenue grants receivable in the year and donations.

#### **(e) Taxation**

The Company is a registered charity. The majority of the Charity's activities are not subject to Corporation Tax. Any charge for taxation is based upon taxable profit for the year and takes into account deferred tax where applicable.

## Notes to the Financial Statements (continued)

### (f) Tangible fixed assets

Tangible fixed assets include offices, plant and machinery and motor vehicles. These are stated at cost less depreciation. These assets are depreciated over their expected useful lives on a straight line basis to their estimated residual values. The useful expected lives are as listed below:

	Years
Furniture and fittings	7
Computer equipment	3
Service equipment	5

### (g) Government Grant

Grants relating to revenue are recognised in the Income and Expenditure Account over the same period as the expenditure in which they relate once any performance related conditions have been met.

### (h) Pensions

The Charity operates both defined benefit schemes (where the benefit the employee will receive upon retirement is usually dependent upon a number of factors including age, length of service and remuneration) and defined contribution schemes (where the Company pays fixed contributions to a separate entity).

#### (i) Defined benefit schemes

Where the Company's share of underlying assets and liabilities can not be identified on a consistent and reasonable basis the scheme will be accounted for as a defined contribution scheme.

#### (ii) Defined contribution schemes

Contributions are recognised as an expense in the Income and Expenditure Account when due. Where contributions are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service, the liability is measured at the present value of the contributions payable. The discount rate used is the market yield at the reporting date of high quality corporate bonds. Future payments are offset against the liability, and the unwinding of the discount is recognised as a finance cost in the Income and Expenditure Account.

## **Notes to the Financial Statements (continued)**

### **2 Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **(a) Critical judgements in applying the Charity's accounting policies**

The following are the significant management judgements made in applying the accounting policies of the Company that have the most significant effect on the financial statements.

##### **(i) Determining whether a defined benefit pension scheme should be accounted for as a defined contribution scheme**

The Company participates in the Social Housing Pension Scheme (the Scheme) which has been accounted for as a defined contribution rather than a defined benefit scheme, because management are of the view that it is not possible to identify on a consistent basis the Charity's share of the underlying assets and liabilities of the Scheme.

#### **(b) Critical accounting estimates and assumptions**

The Charity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are neither estimates nor assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Notes to the Financial Statements (continued)

#### 3 Analysis of charitable expenditure

	Staff costs £'000	Apportioned support costs £'000	Other direct costs £'000	2016 Total £'000	Staff costs £'000	Apportioned support costs £'000	Other direct costs £'000	2015 Total £'000
<b>Not restricted and not designated</b>								
Employment and inclusion	483	10	50	543	337	62	16	415
Community cohesion	308	5	52	365	346	76	193	615
Enterprise	67	-	65	132	67	11	1	79
Neighbourhood regeneration	104	-	35	139	257	135	12	404
	962	15	202	1,179	1,007	284	222	1,513
<b>Not restricted but designated</b>								
Employment and inclusion	-	-	-	-	57	-	-	57
	-	-	-	-	57	-	-	57
<b>Restricted</b>								
Employment and inclusion	-	92	-	92	86	16	24	126
	-	92	-	92	86	16	24	126
<b>Total</b>								
Employment and inclusion	483	102	50	635	480	78	40	598
Community cohesion	308	5	52	365	346	76	193	615
Enterprise	67	-	65	132	67	11	1	79
Neighbourhood regeneration	104	-	35	139	257	135	12	404
	962	107	202	1,271	1,150	300	246	1,696



## Notes to the Financial Statements (continued)

### 4 Allocation of governance and support costs

	Office and support costs	Audit fees	2016 Total	Office and support costs	Audit fees restated	2015 Total restated
	£'000	£'000	£'000	£'000	£'000	£'000
Employment and inclusion	102	-	102	78	-	78
Community cohesion	5	-	5	76	-	76
Enterprise	-	-	-	11	-	11
Neighbourhood regeneration	-	-	-	127	8	135
	107	-	107	292	8	300

The office and support costs are allocated to the functional expenditure categories on the basis of staff time spent.

Audit fees are all allocated to Neighbourhood regeneration.

## 5 Administrative expenses

Audit fees of £12,000 (2015: £8,000) and other administrative expenses are borne by East Thames Group Limited, the ultimate parent undertaking.

## 6 Interest payable and similar charges

	2016 £'000	2015 £'000
Unwinding of the pension liability discount		
- own cost	20	33
- recharged	4	-
	<u>24</u>	<u>33</u>

## 7 Employees

The monthly average number of persons employed during the year, is based on the assumption that a Full Time Equivalent (FTE) works 35 hours and includes employees on both permanent and fixed term contracts.

### Average number of employees

	2016 FTE	2015 FTE
Administration	<u>29</u>	<u>38</u>

### The costs of the above employees were:

	2016 £'000	2015 £'000
Wages and salaries		
- incurred by the entity	1,010	1,123
- recharged to other Group entities	(98)	(181)
	912	942
Social security costs		
- incurred by the entity	104	113
- recharged to other Group entities	(9)	(17)
	95	96
Other pension costs (note 15)		
- incurred by the entity	313	98
- recharged to other Group entities	(6)	(12)
	307	86
Total		
- incurred by the entity	1,427	1,334
- recharged to other Group entities	(113)	(110)
	<u>1,314</u>	<u>1,124</u>

## 7 Employees (continued)

The number of staff receiving remuneration in excess of £60,000 per annum at 31 March is as follows:

	2016 FTE	2015 FTE
£60,000 to £69,999	1	1
£70,000 to £79,999	2	-
£80,000 to £89,999	1	-
	<u>4</u>	<u>1</u>

## 8 Trustees emoluments

The Trustees are appointed by East Thames Group Limited. The Trustees do not receive any remuneration for their duties as Trustees of the Charity. Any employment costs are borne by East Thames Group Limited and disclosed as appropriate.

## 9 Taxation on deficit on ordinary activities

The deficit for the year did not give rise to a tax charge.

## 10 Fixed assets

	Furniture and fittings £'000	Computer equipment £'000	Service equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2015	42	136	25	203
Disposals	(42)	(136)	(25)	(203)
<b>At 31 March 2016</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Depreciation</b>				
At 1 April 2015	(42)	(136)	(25)	(203)
Disposals	42	136	25	203
<b>At 31 March 2016</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>				
<b>At 31 March 2016</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**11 Debtors:** due within one year

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Trade debtors	-	65
Less: Provision for bad and doubtful debts	-	(1)
	-	64
Other debtor	-	5
Amount due from Group entities	144	30
	<u>144</u>	<u>129</u>

**12 Creditors:** amounts falling due within one year

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Pension deficit liability (note 15)	171	140
Other taxation and social security	20	28
Accruals	83	103
Deferred income	17	172
Amount due to Group entities	52	165
	<u>343</u>	<u>608</u>

At 31 March 2016 £17,000 (2015: £nil) of income was deferred in respect of the Starting Point project. This project is anticipated to complete in 2016/17. All the deferred income at 31 March 2015 has been utilised in the year.

**13 Creditors:** amounts falling due after one year

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Pension deficit liability (note 15)	1,099	982
	<u>1,099</u>	<u>982</u>

#### 14 Analysis of charitable funds

	Balance brought forward £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance carried forward £'000
<b>Not restricted and not designated (a)</b>	(572)	1,652	(1,564)	-	(484)
<b>Not restricted but designated (a)</b>	-	-	-	-	-
<b>Restricted (b)</b>					
Inspired Sustainable Living	5	-	(5)	-	-
Social Enterprise	17	-	(17)	-	-
Newham Hub	38	-	(38)	-	-
Community Links	(1)	-	1	-	-
Bridges into Work	33	-	(33)	-	-
	92	-	(92)	-	-
	<u>(480)</u>	<u>1,652</u>	<u>(1,656)</u>	<u>-</u>	<u>(484)</u>

- (a) Not restricted funds are available for use at the discretion of the Board in furtherance of the general objectives of the Charity and which have not been designated for other purposes.
- (b) Restricted funds are to be used for the specified purposes as laid down by the donor.

#### 15 Pension schemes

The Charity participates in two pension schemes, one providing benefits based on final pensionable pay (a defined benefit scheme), and a scheme providing benefits based on contributions made (a defined contribution scheme). The defined benefit scheme that the Charity participates in is the Social Housing Pension Scheme (SHPS). This scheme is accounted for as a defined contribution scheme because it is not possible to identify the Charity's share of the underlying assets and liabilities on a consistent and reasonable basis.

From 1 April 2008 the defined benefit scheme (SHPS) has been closed to new employees and existing employees not already in the scheme; these employees are eligible to contribute to a defined contribution scheme run by the Pension Trust. All further service accruals to the defined benefit scheme ceased on 1 July 2014.

The amount recognised in the Statement of Financial Activities	2016 £'000	2015 £'000
<b>Charged in operating profit</b>		
Defined benefit scheme	268	49
Defined contribution scheme	39	37
	<u>307</u>	<u>86</u>

**15 Pension schemes (continued)****Defined benefit scheme (SHPS) – accounted for as a defined contribution scheme**

The Charity participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and contracted-out of the State Pension Scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of the 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 Scheme has been accounted for as a defined contribution plan.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme is classified as a “last-man standing arrangement”. Therefore, the Charity is potentially liable for other participating employers’ obligations if those employers are unable to meet their share of the Scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

A full actuarial valuation for the Scheme was carried out at 30 September 2014. This actuarial valuation was certified on 23 November 2015 showed assets of £3,123 million, liabilities of £4,446 million and a deficit of £1,323 million. To eliminate this funding shortfall, the Trustees and the participating employers have agreed additional contributions will be paid to the Scheme. The agreed future payments have been recognised at their present value using the market yields on high quality bonds. The discount rate used was 2.06% (2015: 1.92%, 2014: 3.02%).

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	1,122	1,174
Deficit contributions paid	(140)	(134)
Charged to staff costs		
impact of change in discount rate	(6)	49
impact of change in amount payable	274	-
	268	49
Charged to interest payable		
unwinding of the discount factor	20	33
<b>At 31 March</b>	<b>1,270</b>	<b>1,122</b>
<b>Analysed as follows:</b>		
Amount due within one year	171	140
Amount due after one year	1,099	982
	<b>1,270</b>	<b>1,122</b>

## 15 Pension schemes (continued)

### Defined benefit scheme (SHPS) – accounted for as a defined contribution scheme (continued)

#### Non recurring item

During the year ended 31 March 2016 the Charity was informed by the Scheme that the Charity would be required to make additional contributions to reduce the deficit. The additional payment is £25,000 per annum, commencing 1 April 2016 for 10.5 years. The payments increase by 3.0% annually. The net present value of these future payments is £274,000, and this has been treated as a non-recurring item for the year. In addition to the Charity's increased liability, the Charity has been charged it's share of the increased liability incurred by its parent Company, totalling £87,000 (giving a total charge of £361,000).

The amount recognised as an expense was:	2016 £'000	2015 £'000
Current period contributions	268	49

#### Defined contribution scheme

The amount recognised as an expense was:	2016 £'000	2015 £'000
Current period charge	39	37

## 16 Called up share capital

The Charity is a company limited by guarantee.

## 17 Related party transactions

As permitted by FRS 102 Paragraph 33.1A, the Charity has not presented details of related party transactions with other companies that are wholly owned within the Group.

## 18 Ultimate parent undertaking

East Thames Group Limited, a company registered under the Co-operative and Community Benefit Societies Act 2014 and registered with the Homes and Communities Agency (HCA) as a Private Registered Provider of Social Housing, assumes responsibility as the parent company for its operating subsidiaries including the Company (East Potential). The results of the Charity are included in the consolidated financial statements of its ultimate parent undertaking, East Thames Group Limited, which is registered in England and Wales.

A copy of the East Thames Group Limited's financial statements can be obtained from its registered office, 29-35 West Ham Lane, Stratford, London E15 4PH.

**19 Post balance sheet event**

On 6 April 2016 the Charity announced that it had entered into merger negotiations with L&Q and Hyde. On 4 August 2016 Hyde withdrew from the negotiations, with L&Q and East Thames remaining in talks. The Trustees believe that whether or not the negotiations result in a merger or not there is unlikely to be a significant impact on the Charity's financial position.

**20 Reconciliation of the previous Financial Reporting Framework to FRS 102**

The Charity's transition date for the adoption of FRS 102 is 1 April 2014. The transition date has been selected in accordance with FRS 102 Paragraph 35.6.

The principal differences for the Charity between reporting under FRS 102 and the previous Financial Reporting Framework (UK GAAP) as at 1 April 2014 are:

- Short-term Employee Benefits (such as holiday and sick pay) are accrued as the employees become entitled to them; and
- Where the Charity has a contractual agreement to fund a deficit of a multi-employer pension plan (Long-term Employee Benefits) it recognises a liability for the discounted contributions payable.

<b>Reconciliation of the Company's Financial Position at 31 March</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Total net assets as determined by the previous accounting framework</b>	658	379
<b>FRS 102 Adjustments</b>		
Employee Benefits: short-term	(16)	(16)
post-employment	(1,122)	(1,174)
	(1,138)	(1,190)
<b>Financial Position as determined by FRS 102</b>	<b>(480)</b>	<b>(811)</b>
<b>Reconciliation of the Charity's Financial Performance for the year ended 31 March 2015</b>	<b>Surplus for the year £'000</b>	<b>Total comprehensive Income £'000</b>
<b>Financial Performance as determined by the previous accounting framework</b>	279	279
<b>FRS 102 Adjustments</b>		
Employee Benefits: short-term	-	-
post-employment	148	148
	148	148
<b>Financial Performance as determined by FRS 102</b>	<b>427</b>	<b>427</b>