



Registered in England and Wales
Company number 07984573

EAST FINANCE plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016



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Company Information

Registered Company Number: 07984573

Directors

Duncan Beardsley (Chairman)
Yvonne Arrowsmith
Simon Bass
Calum Mercer
Brian Mulholland

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 East Finance plc is pleased to present its report together with the audited financial statements for the year ended 31 March 2016.

Principal activity

The Company's principal activity is to act as an onward lender of bond monies to provide finance for the growth and development activities of East Homes Limited, a charitable subsidiary undertaking of East Thames Group Limited (the Company's ultimate and immediate parent undertaking).

Business and financial review

The Company continues to maintain the £250,000,000 Bond which it issued in June 2012 paying a fixed coupon semi-annually in arrears of 5.486%. The whole amount remains on-lent to East Homes Limited under a facility agreement between the Company and East Homes Limited.

A continued arrangement is in place under the terms of the Bond Loan Agreement such that East Homes Limited is required to reimburse the Company all expenditure incurred in respect of the 2042 Bond, including transaction costs. The Bond Loan Agreement contains a provision for the Company to recover from East Homes Limited the difference between the interest payable to 2042 Bond investors and the interest receivable from amounts on-lent to East Homes Limited under the Bond Loan Agreement. During the year under review, the Company had no surplus funds or investments.

Since incorporation, the Company has not carried on any business or activities other than incidental to the financing of East Homes Limited. The Company is expected to break even each year. The profit for the year, both before and after taxation, was £nil.

Principal risks and uncertainties

The principal risks facing the Company continue to be:

- the inability to meet its obligations in respect of the 2042 Bond Trust Deed, in particular the covenants placed on the Company as the issuer of the 2042 Bond;
- the inability of the Company or East Homes Limited to meet their respective obligations under the Bond Loan Agreement, in particular payments, warranties and covenants; and
- that East Homes Limited's financial performance deteriorates as a result of external influences such as Welfare Reform, the housing market or general economic conditions, which potentially threaten the ability to service debt or compliance with the interest cover covenant.

These risks are managed and mitigated through the governance and financial disciplines adopted by the Company and East Homes Limited. This includes the implementation and monitoring of internal controls, adherence to group governance principles, regular assessments of actual and prospective covenant compliance and reporting to the Board of Directors.

The Company continues to comply with its obligations under the Bond Loan Agreement.

Strategic Report including the Operating and Financial Review (continued)

Principal risks and uncertainties (continued)

The Company operates as a group funding vehicle. Its performance against key performance indicators, which are the financial covenants, is as follows:

Key performance indicator	Actual performance	Target performance
Annual interest cover covenant	258%	Must exceed 95%
Rolling three year interest cover covenant	206%	Must exceed 105%
Asset value cover	£349.6 million	Must exceed £250 million

Financial instruments

Other than the £250,000,000 Bond which it issued in June 2012, and the inter-company debtor the Company has with its fellow Group entity East Homes Limited the Company has no other material financial instruments.

Future developments

The Directors do not anticipate any change in the Company's principal activity.

Signed on behalf of the Board of Directors



Yvonne Arrowsmith - Director
8 August 2016

East Finance plc
Registered in England and Wales - No 07984573

Report of the Directors

Results and dividends

The profit for the year amounted to £nil. The Company's performance is monitored against original expectations and is expected to break even.

The Directors do not recommend payment of a dividend in respect of the year ended 31 March 2016.

Directors and their interests

The Directors of the Company who held office during the year are as follows:

Yvonne Arrowsmith
Simon Bass
Duncan Beardsley
Calum Mercer
Brian Mulholland

In accordance with the Company's Articles of Association, all of its initial Directors were required to retire at the first annual general meeting and thereafter retire by rotation. None of the Directors who held office at the beginning or end of the year had any interest in the shares of the Company.

With the exception of Yvonne Arrowsmith, Simon Bass and June Barnes, who are or were executive officers of the Company's parent undertaking, all Directors are deemed to be 'independent' in the context of the parent undertaking's independence criteria, which are drawn from the UK Corporate Governance Code, applied by East Thames Group Limited.

The Company does not have an appointed Senior Independent Director. However, all Directors within the East Thames Group have access to the nominated Senior Independent Director of East Thames Group Limited who is the Chair of the Governance and Remuneration Committee.

Going Concern

In certain adverse market conditions, the principal risks and uncertainties detailed above, or other liquidity issues, could impact upon the Company's ability to effectively operate as a going concern. The Directors are not aware of any material uncertainties and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future given its context as a member of East Thames Group Limited which includes the Company and East Homes Limited. For this reason, the Company continues to adopt the going concern basis in the financial statements. Further details on credit risk and liquidity risk are set out in Note 11 to these financial statements.

Report of the Directors (continued)

Statement of Responsibilities of the Board for the financial statements

The Directors are responsible for preparing the Strategic Report including 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 Directors to prepare financial statements for each financial year. Under that law the Directors 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 Company for the year. In preparing these financial statements, the Directors 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;
- 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 adequate accounting records that are sufficient to show and explain the Company'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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

To the best of our knowledge:

- the Financial Statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report including the Operating & Financial Review and the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

Report of the Directors (continued)

Corporate Governance Statement

The Company has a listed security in issue and is required to comply with sections 7.1 and 7.2 of the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) handbook.

The Board and its Directors

The Company is led by a Board of Directors (the Board). The appointment of the Directors is pursuant to the Articles of Association dated 9 March 2012. Each Director is of equal standing. Owing to the size and nature of the Company, there is no appointed Chief Executive. There is also no distinction drawn between executive and non-executive Directors. The Company arranges formal induction for new Directors and arranges training as necessary. The Company has not arranged insurance cover since suitable legal insurance cover is provided by East Thames Group Limited for the Directors and Officers in respect of potential legal action against them. The Board acknowledges that it is collectively responsible for the success of the Company by providing leadership, setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place and reviewing management performance. In order to discharge these responsibilities, the Directors met on a regular basis throughout the year. Since the issuance of the 2042 Bond, the Directors have held regular Board meetings at which it discussed the activities of the Company. The Management and Board Meetings are also attended by key members of the Company's management team. The table below indicates the number of meetings held and the number of meetings attended by each Director.

Four Board meetings were held in the year ended 31 March 2016. The attendances were as follows:

	27 April 2015	23 July 2015	10 November 2015	22 February 2016
Yvonne Arrowsmith	✓	✓	A	✓
Simon Bass	✓	✓	✓	✓
Duncan Beardsley	✓	✓	✓	✓
Calum Mercer	✓	A	A	✓
Brian Mulholland	✓	✓	✓	✓

All Directors receive appropriate and timely information and briefing papers in advance of Board Meetings. Whilst day-to-day management of the Company is delegated to the management team, there is a formal schedule of matters reserved for decisions by the Board. These include such matters as the provision of guarantees or indemnities in respect of any liability and approval of the annual budget or engagement in any other activity. Appointments to the Board are made in line with the Articles of Association. East Thames Group Limited has a Governance and Remuneration committee that provides oversight for the Group, which includes the Company. The Company does not have a separate and dedicated Governance and Remuneration committee as the size and nature of the Company does not warrant a dedicated committee.

The Board undertakes an internal annual evaluation of its performance and that of its Directors. This evaluation is undertaken externally on a three year basis. The Board operates a policy on the appointment, re-election and retirement of Directors which is consistent with East Thames Group Limited. The Directors ensure that the Board is structured in such a way that each member of the Board is able to bring different experiences and skills to the operation of the Company and encourages and supports each Director to regularly update and refresh their skills and knowledge.

Report of the Directors (continued)

Corporate Governance Statement (continued)

Internal control and risk management systems

The Board has established processes for identifying, evaluating and managing the significant risks the Company faces. The Board annually reviews these processes, which have been in place from the commencement of trading to the date of approval of this report. Key high level risks are also reviewed quarterly at the Group's Risk Management and Audit Committee meetings. The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management to ensure it meets the requirements of DTR 7.1.3. It is based principally on reviewing financial and operational reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring.

As part of the requirements of DTR 7.1.3 the Board specifically monitors the financial reporting process and the statutory audit of the annual accounts through reports provided by management. Furthermore, the Board reviews and monitors the independence of the statutory auditor and considers the relationship with the Group as part of its assessment. This is monitored within the East Thames Group Limited Board meetings which consider the relationship with the statutory auditor and all group subsidiaries. At each Company Board meeting Directors review whether the existing internal controls to monitor the requirements of DTR 7.1.3 are sufficient and take appropriate action as necessary. The Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant during the course of its review of the systems of internal control. The Board considers the existing internal controls to be sufficient and does not consider there to be a requirement for a specific East Finance plc Internal Audit function as the East Thames Group Limited Internal Audit function provides sufficient support and expertise. The requirement for a dedicated Internal Audit function is considered annually.

Auditors

Grant Thornton UK LLP have expressed their willingness to continue in office. Accordingly a resolution in accordance with section 489(4) of the Companies Act 2006 is to be proposed for the re-appointment of Grant Thornton UK LLP.

Signed on behalf of the Board of Directors



Yvonne Arrowsmith - Director
8 August 2016

East Finance plc
Registered in England and Wales - No 07984573
Registered Office: 29-35 West Ham Lane, Stratford, London E15 4PH

Independent auditor's report to the members of East Finance plc

We have audited the financial statements of East Finance plc for the year ended 31 March 2016 which comprises the profit and loss account, 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 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 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.

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 2016 and of its profit 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:

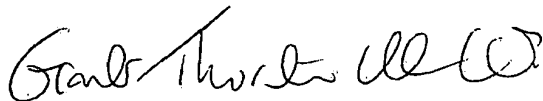
- the information given in the Strategic Report including the Operating and Financial Review and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 7 to 8 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

Independent auditor's report to the members of East Finance plc (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; or
- a Corporate Governance Statement has not been prepared by the Company.



Tobias Wilson
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Norwich, England
26 September 2016

Profit and Loss Account

	Note	2016 £'000	2015 £'000
Turnover		-	-
Administrative expenses	3	-	-
Operating surplus		-	-
Interest receivable and similar income	5	13,748	13,747
Interest payable and similar charges	6	(13,748)	(13,747)
Profit on ordinary activities before taxation		-	-
Taxation	7	-	-
Profit for the financial year		-	-

Statement of Other Comprehensive Income

There were no transactions in Other Comprehensive Income for the year (2015: £nil).

The Company's results relate wholly to continuing activities.

The notes on pages 13 to 17 form part of these financial statements.

Statement of Changes in Reserves

	Revenue Reserve £'000
At 1 April 2014	-
Profit for the year	-
At 31 March 2015	-
Profit for the year	-
At 31 March 2016	-

The notes on pages 13 to 17 form part of these financial statements.

Balance Sheet

	Note	2016 £'000	2015 £'000
Non Current Assets			
Investment	8	247,983	247,949
Current Assets			
Debtors	9	4,021	4,021
Cash at bank and in hand		13	13
		4,034	4,034
Current Liabilities	10	(4,021)	(4,021)
Net Current Assets		13	13
Total Assets less Current Liabilities		247,996	247,962
Non Current Liabilities	11	(247,983)	(247,949)
Net Assets		13	13
Capital and reserves			
Share capital	12	13	13
Revenue reserve		-	-
		13	13

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

Yvonne Arrowsmith
Director

Simon Bass
Director




The notes on pages 13 to 17 form part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

(a) Basis of preparation

The financial statements of East Finance plc (the Company) are prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Company has adopted IFRS 9 Financial Instruments (IFRS 9) for the recognition and measurement of its financial instruments as permitted by FRS 102 Paragraph 11.2 (c). These are the first financial statements of the Company that have adopted FRS 102. Details of the impact of the adoption of FRS 102 on the financial statements is given in note 16.

The Company 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 Company is included in the consolidation.

The Company'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 Company's management to exercise judgement in applying the Company'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

On the basis of their assessment of the Company's financial position and resources, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in the preparation of the annual financial statements.

(c) Investment Income

Income receivable from investments is recognised as income accrues, using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(d) Interest payable and similar charges

Interest on borrowings is charged to the Profit and Loss Account over the term of the debt using the effective interest rate method, to ensure that the amount charged is at a constant rate on the carrying amount.

Costs of issuing debt are recognised as a reduction in the associated capital instrument. Costs in obtaining undrawn facilities are amortised over the life of the facility.

(e) Taxation

The current tax charge is based on the results for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantially enacted by the balance sheet date. Current tax is recognised in the profit and loss account for the year.

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

(f) Borrowings

Borrowings are recognised initially at fair value less attributable issue costs. Subsequent to initial recognition borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Profit or Loss Account over the period of the borrowings, using the effective interest method.

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 Company'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 the treatment of financial instruments

Judgement is required to determine the treatment of financial instruments and whether they should be accounted for at amortised cost or at fair value.

(b) Critical accounting estimates and assumptions

The Company 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.

3 Administrative expenses

The Company has no directly employed personnel.

Audit fees of £12,000 (2015: £9,000) and other administrative expenses are borne by East Thames Group Limited, the ultimate parent undertaking.

4 Directors emoluments

The Directors are appointed by East Thames Group Limited. The Directors do not receive any remuneration for their duties as Directors of the Company. Any employment costs are borne by East Thames Group Limited and disclosed as appropriate in that entity.

Notes to the Financial Statements (continued)

5 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable and similar income on an intra group loan	13,749	13,747
	<u>13,749</u>	<u>13,747</u>

The Company has lent the entire proceeds of the 2042 Bond to East Homes Limited on the same interest rate basis as the 2042 Bond. The £13,749,000 (2015: £13,747,000) of interest receivable from East Homes Limited under the Bond Loan Agreement matches the interest payable to the bondholders plus the amortisation of the bond issue costs.

Under the terms of the Bond Loan Agreement East Homes Limited is required to reimburse the Company all expenditure incurred in respect of the 2042 Bond. Immediately after the issuance of the 2042 Bond the Company on-lent the entire bond proceeds to East Homes Limited.

6 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable on 2042 Bond	13,715	13,714
Amortisation of Bond issue costs	34	33
	<u>13,749</u>	<u>13,747</u>

7 Taxation on profit on ordinary activities

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

8 Fixed Asset Investment

	2016 £'000	2015 £'000
Long-term debtor due from a Group undertaking	247,983	247,949
	<u>247,983</u>	<u>247,949</u>

The net proceeds of the 2042 Bond was immediately on-lent to East Homes Limited, a fellow Group undertaking.

The increase in the loan of £34,000 (2015: £33,000) represents East Homes Limited reimbursing the Company for the amortisation of the 2042 Bond issue costs.

The loan to East Homes Limited is considered to be a fixed asset investment as it is intended for use on a continuing basis in the Company's activities. The Directors consider such loans are held for the long-term over the life of the related debt.

Notes to the Financial Statements (continued)

9 Debtors: due within one year

	2016 £'000	2015 £'000
Interest receivable from Group entities	4,021	4,021
	<u>4,021</u>	<u>4,021</u>

10 Current liabilities

	2016 £'000	2015 £'000
Interest payable on 2042 Bond	4,021	4,021
	<u>4,021</u>	<u>4,021</u>

11 Non current liabilities

	2016 £'000	2015 £'000
2042 Bond	250,000	250,000
Unamortised bond issue costs	(2,017)	(2,051)
	<u>247,983</u>	<u>247,949</u>

Under the terms of the Bond Loan Agreement, East Homes Limited is committed to repay the £250,000,000 in full at maturity on 15 June 2042 to enable the Company to reimburse the 2042 Bondholders.

The 2042 Bond is secured by fixed charges over the housing properties of East Homes Limited.

12 Called up share capital

Authorised

50,000 ordinary shares of £1 each.

Allocated, issued and fully paid

50,000 ordinary shares of £1 each partly paid at 25 pence.

Upon incorporation the Company issued the partly paid shares to provide £12,500 to provide working capital to establish the business. All shares rank pari passu in all regards.

13 Related party transactions

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

Notes to the Financial Statements (continued)

14 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 Finance plc). The results of the Company 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.

15 Post balance sheet event

On 6 April 2016 the Company 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 Directors believe that whether or not the negotiations result in a merger or not there is unlikely to be a significant impact on the Company's financial position.

16 Reconciliation of the previous Financial Reporting Framework to FRS 102

The Company'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.

There were no changes to the Company's financial position at 31 March 2014 and 31 March 2015, and no change to the Company's financial performance for the year ended 31 March 2015 as a result of adopting FRS 102.