

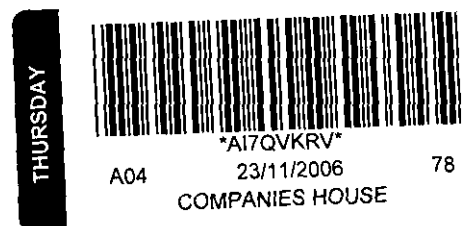


Company No: 5340097

Eastbourne Homes Limited

Annual Report

**Period from date of incorporation, 24th January 2005,
to 31st March 2006**



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Company Information

Board Directors

Independent

Paul Heasman – Chair (9th March 2005 to date)

James Bennett (9th March 2005 to date)

David Turner (9th March 2005 to date)

Gordon Sims (9th March 2005 to date)

Tony Greene (9th March 2005 to date)

Council

Councillor Mrs Mary Pooley (9th March 2005 to date)

Councillor Mrs Ann Murray (9th March 2005 to date)

Councillor Robert Slater (9th March 2005 to 25th May 2006)

Councillor Patrick Bowker (9th March 2005 to 25th May 2006)

Councillor David Stevens (9th March 2005 to 25th May 2006)

Councillor Anne Angel (25th May 2006 to date)

Councillor David Tutt (25th May 2006 to date)

Diane Bagley (25th May 2006 to date)

Tenant/Leaseholders

Jennie Mullen – Vice-Chair (9th March 2005 to date)

David Lewis (9th March 2005 to date)

Douglas McNab (9th March 2005 to date)

Ella Kenward (12th May 2005 to date)

Stuart Pritcher (12th May 2005 to date)

Alan Smith (25th May 2006 to date)

Other

Sarah Jane Paul (24th January 2005 to 9th March 2005)

Jeremy Ford (24th January 2005 to 9th March 2005)

Executive Officers

Keith Wrate, Interim Chief Executive provided by Yorkland House Limited (1st April 2005 – 31st May 2005), Interim Director of Finance and Corporate Services (1st March 2006 to date)

Janet Canny, Chief Executive (1st June 2005 – 21st March 2006)

Ben Whur, Interim Chief Executive provided by Insight
(13th March 2006 to date)

Andrew Christmas, Property Services Manager (1st April 2005
to 29th September 2005), Deputy Chief Executive
(30th September 2005 to date)

Adrian Channon, Tenant Services Manager (1st April 2005 to
2nd January 2006)

Nicholas Hanmore, Corporate Services Manager
(13th June 2005 to 9th December 2005)

Chris Moore, Interim Director of Housing Services (1st March
2006 to date)

Company Secretary Jane McCarthy-Penman (31st January 2006 to date)

Registered office 3rd Floor
1 Grove Road
EASTBOURNE
East Sussex
BN21 4TW

Registered number 5340097

Auditors RSM Robson Rhodes LLP
Chartered Accountants
30 Finsbury Square
London
EC2P 2YU
Tel: 020 7184 4300

Bankers Co-operative Bank plc
164-165 Western Road
Brighton
BN1 2BB

Report of the Board

The Board of Directors present their report and the audited financial statements for the period ended 31st March 2006.

Principal Activities

Eastbourne Homes Ltd (EHL) is a Company limited by guarantee without a share capital and is a wholly owned by Eastbourne Borough Council (EBC). It is managed by a parent Board and was incorporated on 24th January 2005. The Company began trading on 1st April 2005. These financial statements cover the period from incorporation until 31st March 2006. EHL provides services throughout the Borough from its offices in central Eastbourne. Its principal activities are to manage, maintain and improve EBC's housing stock.

Performance for the Period

Overall performance is measured against the Delivery Plan agreed between EHL and EBC on an annual basis. This document contains all of the key performance areas and objectives together with the resources that will be applied to achieving them.

During the period, despite improvements in most service areas and good performance against the Delivery Plan agreed with EBC, EHL did not deliver sufficient improvement to increase its grading with the Audit Commission. It remains a 'one star' organisation with promising prospects to improve.

EHL's turnover for the period amounted to £6,473,000 funded by a management fee from EBC. EHL's direct investment in the housing stock amounted to £2,800,000. This was in addition to the £4,586,000 capital investment from EBC that EHL also managed.

Future Developments

EHL has acknowledged the comments of the Audit Commission in their recent report and has put in place a large number of measures, including a staff re-organisation and additional resources to ensure that the necessary improvements are made to achieve the 'two star' grading that will allow the draw down of additional capital funding needed to meet the required Decent Homes standard.

Board Directors and Executive Officers

The Board Directors and Executive Officers that served during the period are listed on page 1. The Board Directors are drawn from a wide range of commercial, professional and community expertise and regularly assess their collective skills against those required to exercise proper governance over the Company. There are 5 independent Directors, selected by interview from the local community; 5 Directors nominated by EBC and 5 residents voted for by tenants and leaseholders. All are subject to annual appraisal and retire in accordance with the rules to ensure that a balance between experience and new ideas is maintained.

The Board met fortnightly from date of incorporation until June 2005, from then it met monthly until June 2006. The Board now meets formally every six weeks. The Board's role is to give strategic direction and set policy. Day to day management is delegated to the Chief Executive.

Since April 2006 the Board has established a Recruitment and Remuneration Committee with full delegated powers.

The Executive Officers are the Chief Executive, Corporate Services Manager, Tenant Services Manager and Property Services Manager. The latter also acts as

Deputy Chief Executive. Jan Canny, Adrian Channon and Nick Hanmore all left during the period and replacements are actively being sought.

Neither the Board Directors nor Executive Officers have any financial interest in EHL. Insurance policies are in place to indemnify them against liability when acting for the Company.

Remuneration

In accordance with current guidance, Board Directors have taken a decision not to receive any payment except for out of pocket expenses. This will be subject to annual review. The Executive Officers are employed on the same terms and conditions as the other staff.

The Board is responsible for setting EHL's remuneration policy and for the appointment of all Executive Officers.

Staff

As a customer focused organisation that engages regularly with stakeholders, the Board recognises that its ability to meet the targets set out within the Delivery Plan depends on the continued commitment of its staff. EHL is an equal opportunities employer and is working towards IIP Accreditation. Regular meetings are held with all staff to communicate corporate objectives and receive feedback on performance.

Internal Controls

The Board acknowledges that it has overall responsibility for establishing, maintaining and reviewing adequate systems of internal control. The process of identifying and evaluating risk is ongoing. Key elements include:

- Adoption and review of a Risk Management Policy and Strategy
- Robust business planning
- Detailed financial budgeting and forecasting
- Risk based internal audit programme
- Performance monitoring and regular reports to the Board
- Terms of Reference for the Board and agreed delegated authorities.

Statement of Directors' Responsibilities for the Financial Statements

The Directors are responsible for preparing 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 surplus or deficit of the Company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. 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

The auditors are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the Directors was approved by the Board on 20 July 2006 and signed on its behalf by:



Jane McCarthy-Penman
Company Secretary

Independent Auditors' Report to the Members of Eastbourne Homes Limited

We have audited the financial statements on pages 8 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's Directors, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditors' 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 Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31st March 2006 and of its surplus for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England

~~July~~ 2006

20 November

Income and Expenditure Account for the period ended 31st March 2006

	Note	2006
		£'000
Turnover	3	6,473
Operating Costs	4	(5,928)
Pension Liability acquired	13	(282)
Operating Surplus	5	263
Interest receivable	6	30
Other finance income	13	9
Surplus on ordinary activities before taxation		302
Tax on Surplus on ordinary activities	7	(4)
Surplus on ordinary activities after taxation		298

All activities are continuing.

The results for the period ended 31st March 2006 were the Company's first period of accounts.

Statement of Total Recognised Surpluses and Deficits

	Note	2006
		£'000
Surplus for the period		298
Actuarial gain in pension plan	13	38
Total recognised surpluses and deficits for the period		336

**Balance Sheet
at 31st March 2006**

	Note	2006 £'000
Fixed assets		
Tangible assets	10	42
		<hr/> 42
Current assets		
Debtors	11	652
Cash at bank and in hand		1,286
		<hr/> 1,938
Creditors: Amounts falling due within one year	12	<hr/> (1,364)
Net current assets		<hr/> 574
Total assets less current liabilities, being net assets excluding pension liability		616
Pension Liability	13	<hr/> (280)
Net assets including pension liability		<hr/> 336
Capital and Reserves		
Revenue Reserve	14	336
		<hr/> 336
		<hr/> <hr/>

The financial statements were approved by the Board on 20 July 2006 and signed on its behalf by:



**Paul Heasman
Chair EHL**



**Jennie Mullen
Vice-Chair EHL**

**Cash Flow Statement
for the period ended 31 March 2006**

	Note	2006 £'000
Net cash inflow from operating activities	15	<u>1,314</u>
Returns on investments and servicing of finance		
Interest received		30
Capital expenditure		
Purchase of Fixed Assets		<u>(58)</u>
Increase in cash	16	<u><u>1,286</u></u>

Notes to the Financial Statements 31st March 2006

1. Legal Status

Eastbourne Homes Limited (EHL) is a private company limited by guarantee with no share capital.

2. Accounting Policies

Basis of accounting

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used for assets, in line with industry standards, are:

Fixtures, fittings and equipment	25%
Computer equipment	33%

Taxation

The Company is applying for a mutual trading status with Eastbourne Borough Council (EBC). Corporation tax would not be payable on any surplus arising from trade with EBC, but would be payable on other surpluses.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences in the treatment of certain items for accounting and taxation purposes.

In accordance with Financial Reporting Standard (FRS) 19 deferred tax is not provided on timing differences arising from:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and
- b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses.

Pensions

The Company participates in the Local Government Pension Scheme, a defined benefit pension scheme administered by East Sussex County Council. The assets of the scheme are invested and managed independently of the finances of the Company. Contributions are based on pension costs of the Company's unitised fund. Costs include the regular cost of providing benefits, which it is intended should remain at a substantial level of current and expected future earnings of the employees covered.

The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised gains and losses.

3 Turnover

Turnover and operating surplus arise solely from the Company's housing management activities in the Eastbourne Borough.

**Period ended
31st March 2006**

£'000

Management fee

6,473

4. Operating Expenses

**Period ended
31st March 2006**

£'000

Housing Management Services

3,128

Property Repairs

2,800

Total Operating costs

5,928

Housing Management Services activities include, rents, arrears, housing benefit advice, performance management, finance, information and communications technology, management and administrative support, tenancy services, retirement services, tenant participation, and corporate governance including Board meetings.

Property Repairs includes all responsive, cyclical and planned expenditure on the housing stock. Capital expenditure, while managed by EHL, is paid for directly by Eastbourne Borough Council.

5. Operating Surplus

Period ended
31st March 2006

£'000

Operating surplus is arrived after charging;

Auditors' remuneration	19
Depreciation of tangible fixed assets	16
Pension fund liability transferred from EBC at 1 st April 2005	282

The pension fund liability transferred from EBC (see Note 13) has been accounted for as an exceptional item in the period.

6. Interest Receivable

Period ended
31st - March 2006

£'000

Bank interest receivable	30
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7. Taxation

Tax on surplus on ordinary activities:

a) Analysis of charge in period

Period ended
31st March 2006

£'000

Current tax:

UK Corporation tax on surplus for the period	4
Tax on surplus on ordinary activities	4

b) Factors affecting the tax charge for the period

Period ended
31st March 2006

£'000

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%) as explained below:

Surplus on ordinary activities for the period	302
Theoretical tax at UK corporation tax rate of 30%	90

Effects of:

Non-taxable income from mutual trade	(81)
Small companies' relief	(5)

Current tax charge for the period	4
--	----------

8. Employees

Average monthly number of full time equivalent employees, including Executive Directors:

	Period ended 31st March 2006
	No
Executive	3.1
Housing Management	40.9
Asset management	11.5
Finance, Performance & Administration	10.8
	<hr/>
	66.3
	<hr/> <hr/>

Staff costs, including Directors:

	Period ended 31st March 2006
	£'000
Wages and salaries	1,197
Social security costs	86
Other pension costs	189
	<hr/>
	1,472
	<hr/> <hr/>

9. Directors and Executive Officer

No Directors received any remuneration from the Company during the period. Expenses paid in the period totalled less than £2,000.

The total amount of emoluments, including pension, social security contributions, and car allowances, paid to or receivable by the Executive Officers of the Company during the period was £159,000.

The emolument of the highest paid officer, the Chief Executive was:

	Period ended 31st March 2006
	£'000
Salary	43
Social Security	4
Pension	6
Car allowance	3
	<hr/>
	56
	<hr/> <hr/>

10. Tangible Fixed Assets

	IT Equipment	Office Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
Additions	49	9	58
At 31 st March 2006	49	9	58
Depreciation			
Charged in period	(14)	(2)	(16)
At 31 st March 2006	(14)	(2)	(16)
Net book value			
At 31 st March 2006	35	7	42

11. Debtors

	2006
	£'000
Amount due from EBC	651
Other debtors	1
	652

12. Creditors: amounts falling due within one year

	2006
	£
Amount due to EBC	710
Other taxation and social security	66
Corporation Tax	4
Other creditors	584
	1,364

13. Pensions

East Sussex Pension Fund (ESPF)

The ESPF is a multi-employer scheme, administered by East Sussex County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31st March 2006 by a qualified independent actuary.

The employers' contributions to the ESPF for the year ended 31st March 2006 were £144,000 at a contribution rate of 17.5% of pensionable salaries.

Assumptions

The financial assumptions used for the purpose of the FRS17 calculations, taking into consideration expected rates within the next five years are:

	<u>31st March 06</u>	<u>1st April 05</u>
Price increases	3.1%	3.0%
Salary increases	4.6%	4.5%
Pension increases	3.1%	3.0%
Discount rate	4.9%	5.5%

Fair value and expected return on assets

The fair value and expected rate of return on assets in the ESPF were:

	Expected rate of return at 31 st March 2006	Fair Value 31 st March 2006	Expected rate of return at 31 st March 2005	Fair Value 31 st March 2005
		£'000		£'000
Equities	7.4%	1,493	7.7%	1,134
Bonds	4.6%	254	4.8%	167
Property	5.5%	223	5.7%	168
Cash	4.6%	228	4.8%	57
	6.6%	2,198	7.1%	1,526
Value placed on liabilities		(2,478)		(1,808)
Net pension liability		(280)		(282)

Analysis of the amount charged to operating surplus

	2006 £'000
Service costs	189
Total operating charge	189

Analysis of the amount charged to other finance costs

	2006 £'000
Expected return on pension scheme assets	115
Interest on pension scheme liabilities	(106)
Net charge	<u>9</u>

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2006 £'000
Actual return less expected return on pension scheme assets	291
Experience gains and losses arising on scheme liabilities	91
Changes in assumptions underlying the present value of scheme liabilities	(344)
Actuarial gain recognised in STRSD	<u>38</u>

Movement in pension Deficit during the year

	2006 £'000
Deficit at 1st April 2005	(282)
Current Service Cost	(189)
Employer contributions	144
Actuarial gains	38
Net return on assets	9
Deficit at 31st March 2006	<u>(280)</u>

History of experience gains and losses

	2006 £'000
Difference between the expected and actual return on assets	
Amount	291
Percentage of share of scheme assets	13.2%
Experience gains on share of scheme liabilities	
Value	91
Percentage of the present value of share of scheme liabilities	3.7%
Total amount recognised in STRSD	
Value	38
Percentage of the present value of share of scheme liabilities	1.5%

14. Revenue Reserve

	2006 £'000
Surplus on ordinary activities for the period	298
Actuarial gains	38
At 31 st March 2006	<hr/> 336 <hr/>

	2006 £'000
Revenue Reserve excluding pension liability	616
Pension deficit	(280)
At 31 st March 2006	<hr/> 336 <hr/>

15. Reconciliation of Operating Surplus to Net Cash Inflow

	2006 £'000
Operating Surplus	263
Pension liability acquired	282
Depreciation	16
Increase in debtors	(652)
Increase in creditors	1,360
Pension operating charge	189
Pension contributions paid	(144)
Net cash inflow from operating activities	<hr/> 1,314 <hr/>

16. Reconciliation of net cash flow to movement in net funds

	2006 £'000
Increase in cash in the period	1286
Opening net funds	-
Net funds at 31 March 2006	<u>1,286</u>

17. Analysis of changes in net funds

	Opening	Cash Flows	At 31 March 2006
	£'000	£'000	£'000
Cash in hand, at bank	-	1,286	1,286
TOTAL	<u>-</u>	<u>1,286</u>	<u>1,286</u>

18. Related Party Transactions

Transactions and balances with Eastbourne Borough Council

Eastbourne Homes Ltd. is a company limited by guarantee from Eastbourne Borough Council. EBC paid the Company a fee in accordance with an agreement to manage and maintain EBC's housing stock.

The Company obtained services from EBC under various Service Level Agreements. These were for financial ledger systems, human resources, payroll, information technology, communications and reception services. From June 2005 EHL rented its office accommodation from EBC.

	2006
	£'000
Income	
Housing Management contract	6,473
Expenditure	
Service Level Agreements	289
Accommodation costs	<u>74</u>
Debtor	
Amount due from Eastbourne Borough Council	651
Creditor	
Amount due to Eastbourne Borough Council	710

A third of the Board Directors are residents in properties maintained by Eastbourne Homes Limited and owned by Eastbourne Borough Council. These residents have a standard tenancy agreement and fulfil the same obligations and receive the same service as all other residents of EBC.