EASTBOURNE HOUSING INVESTMENT COMPANY LIMITED

Report and Financial Statements

For the financial year ended 31st March 2020

Company Registration Number: 09571387
(England and Wales)

Contents of the Annual Report

Company Information

Board Directors

Roger Eastwood (Chair)	
David Tutt	
John Ungar	(Resigned 21st May 2019)
Ian Fitzpatrick	
Timothy Whelan	
Stephen Holt	(Appointed 24th May 2019 – Resigned 19th February 2020)
Margaret Bannister	(Appointed 19th February 2020)

Company Secretary

Jane McCarthy-Penman

Registered Office

Town Hall
Grove Road
Eastbourne
East Sussex
BN21 4UG

Company Registration Number: 09571387

Auditor

RSM UK Audit LLP
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Bankers

Lloyds Bank plc
City Office
PO Box 72
Bailey Drive
Gillingham Business Park
Gillingham
Kent
ME8 0LS

Directors' Report

The Directors present their annual report and financial statements for the year ended 31st March 2020.

Principal Activities
The principal activity of the Company is the development of housing stock and the letting of commercial and residential properties.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Roger Eastwood (Chair)	
David Tutt	
John Ungar	(Resigned 21st May 2019)
Ian Fitzpatrick	
Timothy Whelan	
Stephen Holt	(Appointed 24th May 2019 – Resigned 19th February 2020)
Margaret Bannister	(Appointed 19th February 2020)

Qualifying Third Party Indemnity Provisions
The Company has made qualifying third-party indemnity provisions for the benefit of its Directors during the period. These provisions remain in force at the reporting date.

Going concern
After making appropriate enquiries, including the review of financial forecasts which include consideration of Covid 19, the board of Directors has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future which is at least 12 months from the date of approval of the financial statements and that there are no material uncertainties about the Company's ability to continue as a going concern.

The company has the continued support of EBC which has been confirmed in writing. For this reason, the going concern basis has been adopted in preparing the financial statements.

Auditor
RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed as appointed as auditors in the absence of an Annual General Meeting.

Statement of Disclosure to Auditor
So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

By order of the Board

…………………………………..
J K R McCarthy-Penman
Company Secretary

Directors' Responsibilities Statement
For the Year Ended 31st March 2020

The Directors are responsible for preparing the Directors' Report 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 the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit and loss of the company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Eastbourne Housing Investment Company Limited website, which is shared with Eastbourne Borough Council and Lewes District Council. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Eastbourne Housing Investment Company Limited

Opinion

We have audited the financial statements of Eastbourne Housing Investment Company Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of comprehensive income, balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Valuation of investment property
We draw attention to note 5 of the financial statements which describes the valuation of investment property stated at £22.4m (2019: £11.1m) in the statement of financial position. Note 5 explains that the valuation of investment property totalling £9m performed by the directors is subject to increased estimation uncertainty as a result of the Covid-19 (Coronavirus) outbreak. Note 5 also explains that the external valuer of the remaining investment properties totalling £13.4m reported on the basis of a material valuation uncertainty to highlight the increased estimation uncertainty as a result of the Covid-19 (Coronavirus) outbreak. Given the unpredictable nature and impact of the outbreak, the directors are unable to predict the full extent of the impact with regards to the carrying value of the investment property. Consequently, less certainty and a higher degree of caution should be attached to the valuation of the investment properties at 31 March 2020. The ultimate outcome of the matter cannot presently be determined, and no adjustments to the value of the investment property that may result have been made in the financial statements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to

adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

RSM UK Audit LLP

DOMINIC BLYTHE (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date: 10 March 2021

Statement of Comprehensive Income
For the Year Ended 31st March 2020

	Notes	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Turnover	1	635,655	395,737
Administrative expenses		(479,097)	(141,281)
Operating profit		156,558	254,456
Fair Value gains on investment properties	5	1,260,970	1,054,476
Interest receivable		341	197
Interest payable and similar charges	2	(613,312)	(380,131)
Profit before taxation	3	804,557	928,998
Taxation	4	-	-
Profit for the financial period	12	804,557	928,998

Balance Sheet
As at 31st March 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Investment properties	5		22,471,808		11,097,785
Current assets					
Debtors	6	55,593		22,547	
Cash at bank and in hand		150,932		28,073	
		206,525		50,620	
Creditors: amounts falling due within one year	7	(1,047,847)		(253,426)	
Net current liabilities			(841,322)		(202,806)
Total assets less current liabilities			21,630,486		10,894,979
Creditors: amounts falling due after more than one year	8		(20,233,050)		(10,302,100)
Net assets			1,397,436		592,879
Capital and reserves					
Called up share capital	10		100		100
Profit and loss reserves	12		1,397,336		592,779
Total equity			1,397,436		592,879

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of directors and authorised for issue on the 26th February 2021 and are signed on its behalf by:

………………………………
R C Eastwood
Director

Notes to the Financial Statements
For the Year Ended 31st March 2020

1. Accounting Policies

Company information
Eastbourne Housing Investment Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Town Hall, Grove Road, Eastbourne, East Sussex, BN21 4UG.

Accounting Convention
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going Concern
After making appropriate enquiries, including the review of financial forecasts which include consideration of COVID-19, the board of Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future which is at least 12 months from the date of approval of the financial statements and that there are no material uncertainties about the Company's ability to continue as a going concern. The company has the continued support of EBC which has been confirmed in writing. For this reason, the going concern basis has been adopted in preparing the financial statements.

Turnover
Turnover represents rents and grants receivable from investment properties, along with profit on the disposal of properties, and is recognised in the period it relates to.

Investment Properties
Investment properties are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

The fair value of the Company's investment properties at 31st March 2020 has been arrived at on the basis of a valuation carried out at that date by Wilks Head & Eve, Chartered Surveyors, on an open market value basis. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

General and specific borrowing costs directly attributable to the acquisition and development of investment properties that take a substantial period of time to get ready for their intended use or sale are added to the cost of these properties until such time as the properties are ready for their intended use or sale.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected

Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020

1. Accounting Policies (Continued)

in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Impairment of Fixed Assets
At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time and value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Financial Instruments
Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are classified into specific categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic Financial Assets
Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price, including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Loans and Receivables
Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020

1. Accounting Policies (Continued)

Impairment of Financial Assets
Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of Financial Assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Financial Liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic Financial Liabilities
Basic financial liabilities, including trade and other payables are initially recognised at transaction price where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Trade Creditors
Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Derecognition of Financial Liabilities
Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity Instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020

1. Accounting Policies (Continued)

Taxation
The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measure on a non-discounted basis.

2. Interest Payable

Interest payable arises from loans received from parent undertaking.

3. Profit Before Taxation

	2020 £	2019 £
Profit before taxation for the period is stated after charging:		
Fees payable to the Company's auditors for the audit of the Company's Financial statements	7,640	5,350

4. Taxation

The company has unutilised trading losses carried forward of £664,319 (2019: £303,501) to use against future profits of the same trade

A deferred tax asset of £126,221 (2019: £48,186) has not been recognised in respect of these losses at corporation tax rate of 19% (2019: 17%) due to uncertainty over the timing of profits against which the asset will be recovered.

Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020

5 Investment properties

	£
Fair value	
At 1st April 2019	11,097,785
Additions	10,113,053
Movement in fair value	1,260,970
At 31st March 2020	22,471,808
At 31 March 2019	11,097,785

Investment properties are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the profit or loss account.

Investment properties have been valued by a combination of external valuers (£13.4m) and directors' assessment (£9m). The valuation of investment property totalling £9m has been performed by the directors and is subject to increased estimation uncertainty as a result of the Covid-19 (Coronavirus) outbreak. The external valuer of the remaining investment properties totalling £13.4m has reported on the basis of a material valuation uncertainty to highlight the increased estimation uncertainty as a result of the Covid-19 (Coronavirus) outbreak.

6 Debtors

	2020	2019
Amounts falling due within one year:	**£**	**£**
Trade debtors	51,989	13,089
Other debtors	3,604	9,458
	55,593	22,547

7 Creditors: amounts falling due within one year

	2020	2019
	£	**£**
Trade creditors	-	7,236
Other creditors	72,983	33,881
Amounts due to group undertakings	686,428	168,644
Accruals and deferred income	288,436	43,665
	1,047,847	253,426

Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020

8 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Amounts owed to parent undertaking	20,233,050	10,302,100

Security in the form of a first charge over the investment properties of the company has been given in respect of loans from Eastbourne Borough Council of £20,233,050 (2019: £10,052,100). This amount is included within amounts owed to parent undertaking.

The terms of the loans in summary are an annual interest rate of 4.5% with repayment due 40 years from the date of the first drawdown.

Amounts included above which fall due after five years are as follows:

	2020	2019
Payable other than by instalments	20,233,050	10,302,100

9 Capital Commitments

At 31st March 2020, the Company has entered into contracts totalling £4.3m (2019: £273,559) relates to the ongoing extensive renovation work at Victoria Mansions of which £2.3m remains outstanding (2019: £104,079).

10 Called up share capital

	2020	2019
	£	£
Issued and fully paid		
100 Ordinary shares of £1 each	100	100

Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020

11 Related party transactions

Aspiration Homes Limited Liability Partnership is a joint venture between Eastbourne Borough Council, the company's parent undertaking, and Lewes District Council, with each owning 50%. By virtue of this relationship, it is a related party. There is no transaction to report this year, in 2019, there was disposal of an investment property to Aspiration Homes LLP for £465,000.

Also, Eastbourne Homes Ltd., another subsidiary of Eastbourne Borough Council provides repairs and maintenance service to the company and the total costs including management fee due to EHL as at 31 March 2020 amounts to £232,033.

12 Reserves

	2020	2019
	£	£
At the beginning of the year	592,779	(336,219)
Profit for the year	804,557	928,998
At the end of the year	1,397,336	592,779

13 Control

The ultimate parent undertaking and controlling party is Eastbourne Borough Council. This entity's financial statements are consolidated into Eastbourne Borough Council's financial statements. The parent's registered address is Town Hall, Grove Road, Eastbourne, BN21 4UG.