



Company No: 5340097

Eastbourne Homes Limited

Annual Report

For the financial year ended 31st March 2007



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Company Information

Board Directors

Independent

Paul Heasman – Chair (9th March 2005 to 20th July 2006)

Tony Greene (9th March 2005 to 20th July 2006)

James Bennett (9th March 2005 to date)

David Turner (9th March 2005 to date)

Gordon Sims – Chair (12th October 2006 to date)

Sue Simmons (12th October 2006 to date)

Roger Eastwood (19th October 2006 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 1st November 2006)

Councillor David Tutt (25th May 2006 to date)

Diane Bagley (25th May 2006 to date)

Councillor Graham Marsden (23rd November 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 20th July 2006)

Ella Kenward (12th May 2005 to date)

Stuart Pritcher (12th May 2005 to date)

Alan Smith – Leasehold Co-Optee (25th May 2006 to 17th April 2007)

Pauline Harrop (11th January 2007 to date)

Executive Officers

Keith Wrate, Interim Director of Finance and Corporate Services (1st March 2006 to 12th January 2007)

Ben Whur, Interim Chief Executive provided by Insight (13th March 2006 to 3rd November 2006)

Andrew Christmas, Deputy Chief Executive (30th September 2005 to 30th October 2006)

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

to 16th August 2006)

Bob Granville, Director of Housing Services (25th September 2006 to date)

Jo Ellis, Chief Executive (30th October 2006 to date)

Paul Harris, Director of Finance and Corporate Resources (2nd January 2007 – 9th February 2007)

Scott Kay, Director of Asset Management and Maintenance (2nd January 2007 to date)

Graham Mitchell, Acting Director of Finance (1st May 2007 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 Grant Thornton UK 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 financial year ended 31st March 2007.

Business review and Principal Activities

Eastbourne Homes Ltd (EHL) is a Company limited by guarantee without a share capital and is wholly owned by Eastbourne Borough Council (EBC). It is managed by a parent Board and began trading on 1st April 2005. Its principal activities are to manage, maintain and improve EBC's housing stock.

EHL's turnover for the period amounted to £6,471,000 (£6,473,000 in 2005/06) funded by a management fee from EBC. EHL's direct investment in the housing stock amounted to

£3,211,000 (£2,800,000) This was in addition to the £5,047,000 (£4,586,000) capital investment from EBC that EHL also managed.

In keeping with its aim of meeting the Decent Home standard by 2013, EHL contributed £300,000 of its opening reserve balance towards investment in EBC's housing stock.

Key Performance Indicators (KPIs)

Overall performance is measured against the annual Delivery Plan agreed between EHL and EBC Those affecting finance can be measured in three main areas, repairs, void loss, and rent collection.

KPI	Target	2007	2006
Rent Collection in the year, including arrears brought forward	98.6%	98.4%	98.4%
Percentage of repairs appointments made and kept	99.5%	96.6%	99.2%
Tenants' satisfaction of repairs carried out	99.5%	95.4%	99.8%
Void times (length of time property is empty before re-letting)	32.1 days	33.0 days	34.0 days

While these targets have not been met, EHL's performance remains above the median performance in benchmarking these indicators against its peer groups.

2006/07 was a year of transition, consolidation and then progress for EHL For the first six month's of the financial year EHL was reliant on interim Chief Executive and Directors The existing permanent Chief Executive and Directors started in the latter half of the year and have made significant strides in improving services and preparing the Company for the September Inspection.

Principal Risks and uncertainties

EHL's main focus is in obtaining a two star rating from the Audit Commission following its Inspection due in September 2007. Achieving this critical step will unlock additional resources of £45.2 million to be invested in the stock of EBC to enable us to meet the Decent Homes standard by 2013.

Financial instruments

EHL's operations have limited financial risk EHL operates solely in the UK, maintains only a current bank account and a deposit account with a sweeping arrangement for excess cash It does not have a bank overdraft facility or any loans.

EHL has minimal credit risk, its only significant debtor being EBC, consequently EHL's cash flow and liquidity risk remain low

Environment

The Company operates under a management agreement with EBC. Our activities are conducted such that we comply with all legislative requirements. During the year EHL has not had any complaints upheld by the Local Government Ombudsman.

EHL will be inspected by the Audit Commission in September 2007 to assess its performance and prospects for improvement. A two star rating with promising prospects for improvement will release £45,200,000 Supported Capital Expenditure from the Government to EBC which EHL will manage for the next five years.

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

- Risk Management Policy and Strategy
- Robust business planning
- Risk based internal audit programme
- Performance monitoring
- Business Continuity policy and procedures
- Golden thread between Strategic aims, Delivery Plan and Budget setting
- Budget monitoring and forecasting
- Value for Money strategy and Action Plan incorporating an annual efficiency statement
- Terms of Reference for the Board and agreed delegated authorities

Employees

As a customer focused organisation that engages regularly with stakeholders, EHL recognises that its ability to meet the targets set out within the annual delivery plan depends on the continued commitment of its staff. Each member of staff has an annual appraisal that sets out training and performance targets that follow on from this plan.

EHL is an equal opportunities employer. Regular meetings are held with all staff to communicate corporate objectives and receive feedback on performance of the delivery plan.

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 monthly from April 2006 until June 2006. From then on it met every six weeks until 12th April 2007 when the governance arrangements of the Board changed. The Board now meets on a quarterly basis. The Board's role is to give strategic direction and set policy. Day to day management is delegated to the Chief Executive.

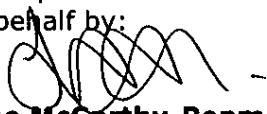
Since April 2006 the Board has established a Recruitment and Remuneration Committee and a Finance and Audit Committee, both with full delegated powers. In April 2007, the governance arrangements for the Board changed. As well as meeting quarterly as a Board, three new committees have been set up - Operations Committee, Finance and Corporate Services and Audit and Risk. All three have delegated powers and meet on a quarterly basis. These

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on the 24th July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton. A resolution to reappoint Grant Thornton as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the Directors was approved by the Board on 20th 2007 and signed on its behalf by:



Jane McCarthy-Penman
Company Secretary

Committees supersede the Recruitment and Remuneration Committee and Finance and Audit Committee.

The Executive Officers are the Chief Executive, Director of Housing Services, Director of Asset Management and Maintenance and Acting Director of Finance

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

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.

At the date of making this report each of the Company's Directors, as set out on page 1, confirm the following

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

Independent Auditors' Report to the Members of Eastbourne Homes Limited

We have audited the financial statements on pages 9 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 31 March 2007 and of its deficit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Grant Thornton UK LLP

20 September 2007

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors

30 Finsbury Square
LONDON
EC2P 2YU

Income and Expenditure Account for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Turnover	3	6,471	6,473
Operating costs	4	(6,594)	(5,928)
Contribution to capital works		(300)	0
Pension liability acquired	13	0	(282)
Operating (deficit)/surplus	5	(423)	263
Interest receivable	6	36	30
Other finance income	13	23	9
(Deficit)/Surplus on ordinary activities before taxation		(364)	302
Tax on ordinary activities	7	(7)	(4)
(Deficit)/Surplus on ordinary activities after taxation		<u>(371)</u>	<u>298</u>

All activities are continuing

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

Statement of Total Recognised Surpluses and Deficits

Statement of Total Recognised Surpluses and Deficits	Note	2007	2006
(Deficit) / Surplus in period		(371)	298
Actuarial gain	13	194	38
Total Recognised (Deficits) / Surpluses for the period		<u>(177)</u>	<u>336</u>

Balance Sheet at 31st March 2007

	Note	2007 £'000	2006 £'000
Fixed Assets			
Tangible Assets	10	38	42
		<u>38</u>	<u>42</u>
Current Assets			
Debtors	11	1,172	652
Cash		742	1,286
		<u>742</u>	<u>1,286</u>
Creditors	12	1,914 (1,637)	1,938 (1,364)
		<u>277</u>	<u>574</u>
Net Current Assets		277	574
Total assets less current liabilities, being net assets excluding Pension Liability		315	616
Pension Liability	13	(156)	(280)
		<u>(156)</u>	<u>(280)</u>
Net Assets including Pension Liability		159	336
Capital and Reserves			
Revenue Reserve	14	159	336
		<u>159</u>	<u>336</u>

The financial statements were approved by the Board on 20th 2007 and signed on its behalf by:



Gordon Sims
Chair EHL



Roger Eastwood
Chair Audit & Risk Committee

**Cash Flow Statement
for the year ended 31 March 2007**

	Note	2007 £,000	2006 £,000
Net cash (outflow) / inflow from operating activities	15	<u>(558)</u>	<u>1,314</u>
Returns on investment and servicing of finance			
Interest received	6	36	30
Capital expenditure			
Purchase of Fixed Assets	10	(22)	(58)
(Decrease) / Increase in cash	16	<u>(544)</u>	<u>1,286</u>

Notes to the Financial Statements 31st March 2007

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 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 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 surpluses and deficits to be recognised in the statement of total recognised surpluses and deficits, the related taxation is also taken directly to the statement of total recognised surpluses and deficits.

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 surpluses and deficits.

3 Turnover

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

	2007 £'000	2006 £'000
Management fees	6,471	6,473

4. Operating Costs

	2007 £'000	2006 £'000
Housing Management Services	3,383	3,128
Property repairs	3,211	2,800
Total operating costs	6,594	5,919

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

	2007 £'000	2006 £'000
Operating surplus is arrived after charging;		
Fees payable to the Company's auditor for the audit of the annual financial statements	20	19
Depreciation of Fixed Assets	26	16
Agency Staff	365	186
Contribution to EBC for capital works towards meeting the Decent Homes standard	300	0
Pension fund liability transferred from EBC at 1 April 05	0	282

The pension fund liability transferred from EBC (see Note 13) was accounted for as an exceptional item in the period ended 31 March 2006

6. Interest Receivable

	2007 £'000	2006 £'000
Bank interest receivable	36	30

7. Taxation

Tax on (deficit) / surplus on ordinary activities:

	2007 £'000	2006 £'000
a) Analysis of charge		
UK Corporation tax for the period	7	4
Tax on ordinary activities	<u>7</u>	<u>4</u>

b) Factors affecting tax charge for the period

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

	2007 £'000	2006 £'000
(Deficit) / Surplus on ordinary activities for the year	<u>(364)</u>	<u>302</u>
Theoretical tax at UK corporation tax at 30%	(19)	90
Effects of.		
Non taxable income from mutual trade	120	(81)
Small companies relief	(4)	(5)
Current tax charge for the period	<u>7</u>	<u>4</u>

8. Employees

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

	2007 Number	2006 Number
Average number of full time equivalent employees Including Executive Directors		
Executive	1.4	3.1
Housing Management	42.7	40.9
Asset Management	13.7	11.5
Finance, performance & Administration	11.7	10.8
	<u>69.5</u>	<u>66.3</u>

	2007	2006
	£'000	£'000
Staffing costs, including directors		
Wages & salaries	1,338	1,197
Social security costs	97	86
Other pension costs	239	189
	1,674	1,472

9. Directors and Executive Officer

No Board Directors received any remuneration from the Company during the period. Expenses paid in the period totalled less than £8,000, (2006 less than £2000).

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 £135,000, (2006 was £159,000). Five Executive Officers including the Chief Executive, who served during the year, accrued benefits under the defined benefit pension scheme.

The emoluments of the highest paid officer, the Chief Executive was.

	Period ended	Period ended
	31 March 2007	31 March 2006
	£'000	£'000
Salary	33	43
Social Security	4	4
Pension	4	6
Car allowance	4	3
	45	56

10. Tangible Fixed Assets

	IT	Office	Total
	Equipment	Equipment	Total
	£'000	£'000	£'000
Cost			
At 31 March 06	48	10	58
Additions	19	3	22
At 31 March 2007	67	13	80
Depreciation			
At 31 March 06	14	2	16
Charged in period	23	3	26
At 31 March 2007	37	5	42
Net book Value			
At 31 March 07	30	8	38
At 31 March 06	34	8	42

11. Debtors

	2007 £'000	2006 £'000
Amount due to parent undertaking	1,149	651
Other debtors	23	1
	<u>1,172</u>	<u>652</u>

12. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Amount due to parent undertaking	1,243	710
Other taxation and social security	191	66
Corporation Tax	7	4
Other creditors	196	584
	<u>1,637</u>	<u>1,364</u>

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 2007 were £146,000 (2006 £144,000) at a contribution rate of 13.8% 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:

	31 Mar 07	31 Mar 06	01 Apr 05
Price increases	3 20%	3 10%	3 00%
Salary increases	4 70%	4 60%	4 50%
Pension increases	3 20%	3 10%	3 00%
Discount rate	5 40%	4 90%	5 50%

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 31/03/07	Fair Value 31/03/07	Expected rate of return 31/03/06	Fair Value 31/03/06	Expected rate of return 1/04/05	Fair Value 1/04/05
		£'000		£'000		£'000
Equities	7.80%	1,672	7.40%	1,493	7.70%	1,134
Bonds	4.90%	328	4.60%	254	4.80%	167
Property	5.80%	268	5.50%	223	5.70%	168
Cash	4.90%	293	4.60%	228	4.80%	57
	6.90%	2,561	6.60%	2,198	7.10%	1,526
Value placed on liabilities		(2,717)		(2,478)		(1,808)
Net pension liability		(156)		(280)		(282)

Analysis of the amount charged to operating surplus

	2007 £'000	2006 £'000
Service costs	239	189
Total operating charge	239	189

Analysis of the amount charged to other finance costs

	2007 £'000	2006 £'000
Expected return on pension scheme assets	152	115
Interest on pension scheme liabilities	(129)	(106)
Net charge	23	9

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

	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	1	291
Experience surpluses and deficits arising on scheme liabilities	0	91
Changes in assumptions underlying the present value of scheme liabilities	193	(344)
Actuarial gain recognised in STRSD	194	38

Movement in pension Deficit during the year

	2007 £'000	2006 £'000
Deficit at 1 st April	(280)	(282)
Current Service Cost	(239)	(189)
Employer contributions	146	144
Actuarial gains	194	38
Net return on assets	23	9
Deficit at 31 March 2007	(156)	(280)

History of experience gains and losses

	2007 £'000	2006 £'000
Difference between the expected and actual returns on assets		
Amount	1	291
Percentage of share of scheme assets	0.0%	13.2%
Experience gains on share of scheme liabilities		
Value	0	91
Percentage of the present value of share of scheme liabilities	0.0%	3.7%
Total amount recognised in STRSD		
Value	194	38
Percentage of the present value of share of scheme liabilities	7.1%	1.5%

14. Revenue Reserve

	2007 £'000	2006 £'000
At 1 April 2006	336	0
(Deficit) / Surplus on ordinary activities for the period	(371)	298
Actuarial gains	194	38
At 31 March 2007	159	336
Revenue Reserve excluding pension liability	315	616
Pension deficit	(156)	(280)
At 31 March 2007	159	336

15. Reconciliation of Operating Surplus to Net Cash Inflow

	2007 £'000	2006 £'000
Operating (Deficit) / Surplus	(423)	272
Pension liability acquired	0	282
Depreciation	26	16
Increase in debtors	(520)	(652)
Increase in creditors	266	1,360
Pension operating charge	239	189
Pension contributions paid	(146)	(144)
Net cash (outflow) / inflow from operating activities	(558)	1,314

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

	2007 £'000	2006 £'000
Opening net funds	1,286	0
(Decrease) / Increase in cash in the period	(544)	1,286
Net funds at 31 March 07	742	1,286

17. Analysis of changes in net funds

	Opening £'000	Cash Flows £'000	At 31 March 07 £'000
Cash in hand at bank	1,286	(544)	742
	1,286	(544)	742

18. Related Party Transactions

Transactions and balances with Eastbourne Borough Council

Eastbourne Homes Ltd. is a company limited by guarantee from Eastbourne Borough Council. The ultimate parent undertaking is EBC. 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 include financial ledger systems, human resources, payroll, information technology, communications, office accommodation and reception services.

	2007	2006
	£'000	£'000
Income		
Housing Management contract	6,471	6,473
Expenditure		
Service Level Agreements	251	289
Accommodation costs	41	74
Contribution to Capital Works	300	000
Debtor		
Amount due from Eastbourne Borough Council	1,149	651
Creditor		
Amount due to Eastbourne Borough Council	1,243	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.