

**East Kent Housing Limited**

Company Limited by Guarantee

**FINANCIAL STATEMENTS**

for the period

**11 January 2011 to 31 March 2012**

31/1/2012

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# East Kent Housing Limited

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# East Kent Housing Limited

## OFFICERS AND PROFESSIONAL ADVISERS

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### DIRECTORS

The Board of East Kent Housing Limited comprises of 12 Non-Executive Directors. They are representatives of Tenants & Leaseholders, Nominees from the four Councils and independent members. Each group has four representatives on the Board and in the case of the nominees from the Councils and the Tenant & Leaseholder members there is one representative from each of the four local authority areas in which East Kent Housing operates.

At the date of the financial statements the Board comprised of the following Directors

Chair	Helen Buller	Independent
Vice Chair	Lynne Sims	Tenant
	Martin Goard	Tenant
	Chris Hanagan	Tenant
	Colin Reeves	Tenant
	Jane Iley	Independent
	Steven Tucker	Independent
	Alka Umari	Independent
	Frederick Scales	Council nominee
	Alan Ewart-James	Council nominee
	Rosalind Binks	Council nominee
	Jenny Samper	Council nominee

### EXECUTIVE MANAGEMENT TEAM

A Chief Executive and Senior Management Team support the Board of Directors and are responsible for the day to day running of the company.

**Chief Executive** Brendan Ryan held the post of Interim Managing Director until 17 June 2011 when he was appointed to the position of Chief Executive. The Chief Executive is not a member of the Board.

<b>Senior Management Team</b>	Brendan Ryan	Chief Executive
	Keith Cane	Head of Housing Management
	David Willis	Head of Corporate Services
	David Ashby	Head of Asset Management
	Charlotte Spendley	Head of Finance

David Willis (Head of Corporate Services) acts as Company Secretary

### REGISTERED OFFICE

The registered office at 31 March 2012  
3-5 Shorncliffe Road  
Folkestone  
Kent  
CT20 2SQ

### AUDITOR

Baker Tilly UK Audit LLP  
Chartered Accountants  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
MK9 1BP

# East Kent Housing Limited

## OFFICERS AND PROFESSIONAL ADVISERS

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### **BANKERS**

National Westminster Bank Plc  
Europa House  
49 Sandgate Road  
Folkestone  
Kent  
CT20 1RU

### **ACTUARY**

C/o Kent County Council Investments & Treasury Team  
Barnett Waddingham LLP  
163 West George Street  
Glasgow  
G2 2JJ

# East Kent Housing Limited

## DIRECTORS' REPORT

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The Directors present their report and the audited financial statements for the period ended 31 March 2012

### PRINCIPAL ACTIVITIES

East Kent Housing (EKH) is a company limited by guarantee, owned and controlled by four local authorities, (Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council) EKH was incorporated on 11 January 2011 and remained dormant until 1 April 2011. The responsibility for the management of the council housing of the four authorities was assumed on 1 April 2011. The governance of the organisation is based on the Arms Length Management Organisation (ALMO) model, which has been successfully used by over 50 councils elsewhere in the country to manage their council housing. EKH is the first ALMO to be established to serve more than one local authority and while this provides opportunities for efficiencies through improved economies of scale, it also creates a number of new challenges that single authority ALMOs do not encounter.

EKH provides a housing management and maintenance service to the 17,588 homes owned by the four Councils. The Councils have retained responsibility for key financial decisions including rent setting and investment in the stock and key policy decisions relating to council tenancies.

### REVIEW OF THE BUSINESS

2011/12 has been an outstanding year for EKH. The service was launched on April 1<sup>st</sup>, when 230 employees from the Councils transferred to the new organisation. During the course of the year the four services have been merged into a single operation, establishing a common set of values and consistent ways of working. A major re-structuring of staffing arrangements has been completed to affect the integration process and reduce staffing costs by 10%. At the same time the Board have put in place the organisational and financial infrastructure to ensure that the organisation is effectively managed and controlled. Area Boards have been established to give tenants and local councillors' greater opportunities to scrutinise the service and help shape the future direction of the organisation. In the summer of 2011 tenants were surveyed about their aspirations for the future and the results were evaluated at the first EKH tenants' and leaseholders' conference in September. These initiatives fed into the 2012-14 Delivery Plan which was agreed by the four Councils in December. The focus on performance has been maintained throughout the year despite the disruption caused by changes to staffing arrangements. Rent arrears have been reduced in all four council areas and re-let times have improved in most areas. Through EKH, the Councils are beginning to reap the benefits of joint procurement of maintenance contracts with an estimated annual saving of over £1m on contracts re-tendered during the course of the year.

There has been national interest in the East Kent initiative and other councils are now beginning to replicate the model to combine different housing services. For EKH and its four sponsoring Councils it has been a year of learning, working out the relationships between the ALMO and its four clients. While this has not always been an easy process EKH is now well placed to deliver the service and performance improvements that tenants and the Councils expect.

### FINANCIAL RESULTS

EKH remain dormant and had no trading activity from 11 January to 31 March 2011. The trading period from 1 April 2011 to 31 March 2012 was the first year of EKH and it recorded a loss for the period of £1,350k. This loss includes an exceptional item to reflect the pension deficit on commencement of £1,710k.

Despite the recorded loss EKH has delivered sound financial results for its first trading year. The pension deficit on commencement has been accounted for in respect of accounting standards requirements (IAS 19 entries) and has been minimised by the Profit from Operations of £284k that was achieved. A savings target equating to £232k was built into the Management Fee for 2011/12. The Profit from Operations represents savings over and above the original savings target and good overall performance within the organisation has been maintained.

# East Kent Housing Limited

## DIRECTORS' REPORT

The savings have been achieved through a very prudent approach to budget management during this first financial year. In addition to this, posts were held vacant for a significant period ahead of the restructure of staff which was completed in December 2011, delivering further savings and reducing potential redundancy costs.

The Management Agreement allows for EKH to retain surpluses in any year up to the value of 5% of the Management Fee. The partner Councils have agreed the surpluses on which this calculation is based, are those before IAS 19 entries. The Profit from Operations declared in these financial statements is after credit notes against the agreed management fee were raised for the Councils totalling £414k.

### Performance Review 2011/12

The expectation of the company's four sponsoring Councils was that performance in our first period would be maintained at the 2010/11 levels achieved by the Councils. This recognised the significant disruption to the service likely to be caused by the set up process and the re-structuring of staff resources. Despite these factors, performance improvements were made in most key activities. The quarter 4 performance demonstrated 93% of performance indicators (PIs) were on, or close to, target. Fifteen performance indicators (16%) moved from red to green in quarter 4. Performance against some of our key indicators is shown in the table below.

	Council Performance 2010/11	EKH Performance 2011/12	Performance Improved/ Target met
<b>Rent arrears - Current tenants [£'s] ( % of annual rent roll)</b>			
Canterbury	£319,924 (1 57%)	£315,593 (1 46%)	✓
Dover	£327,772 (1 98%)	£311,701 (1 83%)	✓
Shepway	£176,456 (1 38%)	£170,152 (1 26%)	✓
Thanet	£262,564 (2 44%)	£254,680 (2 26%)	✓
<b>Average re-let times – Excluding properties requiring major works</b>			
Canterbury	22 days(target)	21 94 days	✓
Dover	29 09 days	30 68 days	Under 19 days by March '12
Shepway	37 5 days	25 73 days	✓
Thanet	20 29 days	17 11 days	✓
<b>Percentage of emergency repairs completed on time</b>			
Canterbury	98% (target)	99 82%	✓
Dover	94 18%	92 28%	94 08% in Q4 '12
Shepway	89%	85 31%	Contractor performance issues being addressed
Thanet	100%	99 69%	100% in Q's 1&2
<b>Average days to complete non urgent repairs</b>			
Canterbury	16 days (target)	8 95 days	✓
Dover	11 95 days	11 74 days	✓

# East Kent Housing Limited

## DIRECTORS' REPORT

Shepway	16 days (target)	10 58 days	✓
Thanet	11 78 days	6 99 days	✓
<b>Customer satisfaction with day to day repairs</b>			
Canterbury	98 38%	98 79%	✓
Dover	96% (target)	97 17%	✓
Shepway	99%	99 26%	✓
Thanet	92 2%	99 34%	✓

During the period, a detailed performance management framework was developed and agreed. Performance is monitored and scrutinised by the main Board and its Service Improvement and Performance sub-committee, as well as each local Area Board. Regular performance reviews take place with the four Councils.

### FUTURE DEVELOPMENTS

The organisation's medium term aspirations are set out in the 2012-14 Delivery Plan. These are focussed on 10 key themes:

- Delivering excellent customer service
- Improving performance
- Improving our estates
- Working with residents to improve services
- Providing quality homes
- Supporting a high quality workforce
- Providing value for money
- Promoting equality and diversity
- Good Governance
- Adding value- doing things differently

The principal focus in the year ahead will be to consolidate the integration of four operations into one and develop a consistent approach, based on common processes across the whole organisation. Critical to this process will be to harmonise the terms and conditions of staff ensuring that all our staff are treated and rewarded fairly. The other major focus will be improving performance, building on the success of the first year empowering teams to push on to deliver recognisable advances in the service.

### MAJOR RISKS AND UNCERTAINTIES

One of the biggest risks facing EKH is the threat to income posed by the Government's reform of welfare benefits. These changes which will be applied in 2013 could undermine our ability to collect rents from tenants, undermining our performance and potentially undermine the viability of the HRA Business Plan and the income to fund the management fee. Reduced performance in debt collection will impact adversely on our reputation with the Councils and may require resources to be switched from other activities to the debt collection function. We are tracking closely developments in the area and await the outcome of Government sponsored pilots.

Relationship breakdown between the ALMO and its sponsoring Local Authority is a key risk for all ALMOs and has resulted in some organisations being wound up by the Council. EKH has an additional risk in this area, linked to the strength and continuity of the partnership between the four councils and their willingness to continue to cooperate to support EKH and shared services generally.

# East Kent Housing Limited

## DIRECTORS' REPORT

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While we have some control over our relationships with the individual councils, we have little influence on the coherence of the wider partnership. The inability of the four councils to agree common aims for EKH remains a potential risk.

A re-invigorated Right to Buy threatens to reduce further the housing stock, especially in the more popular areas and property types. The Councils have the opportunity to retain the receipts from sales to reinvest in providing new council homes.

### **EQUAL OPPORTUNITY**

EKH commenced trading in April 2011 to improve the provision of housing services for tenants and leaseholders in east Kent. The majority of equality information we have to date has therefore been supplied by each of the four councils of Canterbury, Dover, Shepway and Thanet.

The main objective for year one has been to establish a unified Equality and Diversity policy for EKH and set up an Equalities group to steer work in this area. We also started work to develop a customer profile to support our service improvement work. This information will help us assess how our services impact differently on different tenants and how we can shape our services to their circumstances and needs.

It is the intention of EKH to publish an Equality Strategy that supports the aims of the general duty including specific and measurable objectives to meet these aims. Our immediate priority is to ensure compliance with the Equalities Act and support the four councils in their duties under this act. We intend to systematically and critically examine each aspect of the services we provide to test their accessibility and identify any potential for discrimination.

The purpose of this report is to set out the work we have done so far and identify areas for improvement. Gaps in information will form the basis of the strategy and action plans going forward. Using the tenant profile we will seek to develop awareness of the needs of specific groups of service users to help shape future decisions about the service.

Our Equality Strategy has been published and progress on our objectives reported to Board and Management team annually, the next report being due January 2013.

A survey of all staff completed late in 2011 indicated that the staff representation within EKH broadly reflected the communities that it serves across east Kent.

### **EMPLOYEE CONSULTATION**

EKH values the engagement of staff in the development of the organisation and its employment policies. A staff forum has been established as a consultative forum and works with management to develop a range of policies and initiatives for the organisation.

The Company has a trade union recognition and collective bargaining agreement with Unison and the GMB, which operates through a Joint Negotiating Forum.

Throughout 2011/12, senior management has engaged directly with staff through roadshows and other events to consult staff on the changes and re-organisations that took place in the first year of operation. This approach of direct engagement is programmed to continue into the future. Working practices have been adopted so that members of the management team are easily accessible to staff working in the Area offices and in remote sites. Regular "back to the floor" exercises are conducted by the Chief Executive and other members of the management team.

# East Kent Housing Limited

## DIRECTORS' REPORT

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### ENVIRONMENTAL POLICY

EKH does not have a formally adopted Environmental Policy although it is the intention of the Board to adopt such a policy at some point in the future

Since 1 April 2011 EKH has introduced and piloted a number of revised systems to reduce its impact on the environment and will look to develop an environmental policy and strategy through 2013/14. So far EKH has

- Reduced the number of mailings to tenants by combining mailings and reducing the frequencies
- Increased the circulation of 'e-news' bulletins rather than hard-copy printings for stakeholders
- Introduced more efficient printing solutions
- Increased the use of phone, text and email contact with tenants to reduce the need for letters
- Located staff closer to their home where possible within our staffing re-structure
- Organised Board and sub-committee meetings at locations to reduce travel wherever possible
- Developed a Board member travel expenses policy that promotes public transport and car sharing
- Piloted a 'virtual mailing solution' to reduce the amount of paper we use across all offices
- Piloted a mobile working solution to reduce travel to and from area offices
- Continued to promote energy efficiency with tenants
- Worked with the four Councils to identify future investment in the housing stock that will improve energy efficiency and reduce fuel poverty
- Carried out improvements to tenants homes to improve insulation and provide more efficient heating boilers
- Introduced paper recycling at our HQ
- Supported the installation of photo-voltaic panels in council homes
- Provided all Neighbourhood Managers with Blackberry devices, at no increased budget, to further reduce their dependency on travelling to and from area offices

During 2012/13 we plan to

- Revise our travel allowance schemes to promote energy efficient travel
- Increase opportunities for customers to access services through our Website, to reduce the need for tenants to visit our offices and for us to print documents
- Expand the use of text and email communications for repair appointments
- Implement electronic human resources 'self-service' for staff to reduce the amount of manual paper based processes
- Implement electronic payslips for all staff to reduce the printing and postage required for hard-copies
- Review data storage requirements to reduce the size and volume of computer hardware
- Review computer hardware to maximise specification and reduce electricity consumption
- Increase energy advice to tenants
- Provide training to tenants to increase awareness of energy efficiency, and what they can do to reduce energy use in their homes
- Extend mobile working to more frontline staff
- Support tenants and leaseholders to access the internet and explore digital TV opportunities for accessing services

# East Kent Housing Limited

## DIRECTORS' REPORT

### DIRECTORS

The Directors who served the Company during the year were as follows

Directors	Date of Appointment	Date of Resignation (if applicable)
Kylie Gillham	01-Apr-11	27-Oct-11
Martin Goard	02-Feb-12	N/A
Chris Tough	01-Apr-11	09-May-11
Chris Hanagan	16-Aug-11	N/A
Lynne Sims (Vice-Chair)	01-Apr-11	N/A
Colin Reeves	01-Apr-11	05-April-12
Alka Umari	01-Apr-11	N/A
Helen Buller (Chair)	01-Apr-11	N/A
Jane Iley	01-Apr-11	N/A
Steven Tucker	01-Apr-11	N/A
Jenny Samper	01-Apr-11	N/A
Michael Conolly	01-Apr-11	09-May-11
Frederick Scales	28-May-11	N/A
Alan Ewart-James	01-Apr-11	09-May-11
David Monk	09-May-11	08-Jun-11
Alan Ewart-James	09-Jun-11	N/A
Michael Jarvis	01-Apr-11	13-Jul-11
Jennifer Matterface	14-Jul-11	08-Sep-11
Rosalind Binks	13-Oct-11	N/A

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were in office on the date of approval of these statements have confirmed, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

### AUDITOR

Baker Tilly were appointed as External Auditors in November 2011, following a selection process involving the Board and Management Team.

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants as auditor will be put to the Board members at the Annual General Meeting.

By order of the Board

  
David Willis  
Company Secretary

11.9.12

# East Kent Housing Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether applicable IFRS as adopted by the EU has been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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 Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# East Kent Housing Limited

## STATEMENT OF INTERNAL CONTROLS

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The Board acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate for the organisation and its operating environment. These controls are designed to give reasonable assurance with respect to

- The reliability of financial information used within the Company or for publication,
- The maintenance of proper accounting records, and
- The safeguarding of such assets as the organisation owns against unauthorised use or disposal

The systems of internal control can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control includes the following key elements

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls, maintaining proper accounts and restrict the unauthorised use of the Company's assets,
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual business planning and performance development reviews with employees are in place to maintain standards of performance,
- Internal audit prepare a risk based Audit Plan which is considered by the Finance & Audit Sub-Committee. The plan includes audits of all the key financial systems and regular reviews on the effectiveness of internal controls. Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit has provided reasonable assurance that the Company has adequate and effective governance, risk management, financial, ICT and internal control processes,
- A risk management strategy & process has been adopted by the Board and the resulting register is reviewed regularly by senior managers and the Finance & Audit Sub-Committee. The process will be reviewed annually by the Finance & Audit sub-committee who will make recommendation to the Board on its development
- Operational Budgets are prepared which monitor the key business risks and financial objectives and progress towards financial plans set for the year against the agreed Management Fee. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate. These accounts are monitored quarterly by the Board and Finance & Audit Sub-Committee,
- A robust and comprehensive performance management framework has been developed providing timely and accurate data to the Board, Councils and customers,
- Board Member training has been provided on organisational governance and the responsibilities of being a Director,
- The Company standing orders, financial regulations and contract procedure rules set out clear guidelines on the approval of new commitments, initiatives and investment projects,
- The Board receives the external auditor's report. Among other things this provides reasonable assurance that control procedures are in place and being followed. The internal audit programme is in place to review, appraise and report upon the adequacy of internal controls. Any actions necessary to correct any weaknesses identified by internal or external audits are assigned ownership within the Management team and will be reviewed by Internal

# East Kent Housing Limited

## STATEMENT OF INTERNAL CONTROLS

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Audit within 6 months The outcome of the audit and the review is made to the Finance & Audit Sub-Committee who will report significant risks to the main Board

- Fraud awareness is embedded within the organisation, with an adopted whistle blowing policy Fraud is considered as a standing item on the Finance & Audit Sub-Committee
- A full range of insurance including Fidelity Guarantee has been put in place to safeguard assets

During the period Management Team and the Finance & Audit Sub-Committee have received regular reports from the Internal Audit Service covering the effectiveness of the systems of operational and financial controls On behalf of the Board, the Management Team has reviewed the effectiveness of systems of internal control in existence for the period to 31 March 2012 No weaknesses were found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements The Board is satisfied that this remains the case up to the signing of these documents

# East Kent Housing Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST KENT HOUSING LIMITED

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We have audited the financial statements on pages 13 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 more fully explained in the Directors' Responsibilities Statement set out on page 9, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### 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 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the provisions of the Companies Act 2006

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 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 ~~for~~

  
GLYN FRANCIES (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

MK9 1BP

Date 18.9.12

# East Kent Housing Limited

## STATEMENT OF COMPREHENSIVE INCOME

for the period to 31 March 2012

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	Notes	11 January 2011 to 31 March 2012 £'000
REVENUE	3	8,625
Operating Costs	4	(8,341)
		<hr/>
PROFIT FROM OPERATIONS	4	284
Finance income	5	77
Exceptional Item – Pension deficit on commencement	15	(1,710)
		<hr/>
LOSS BEFORE TAXATION		(1,349)
Income tax expense	7	(1)
		<hr/>
LOSS FOR THE PERIOD	12	(1,350)
		<hr/> <hr/>
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Actuarial losses on defined benefit obligations	15	(3,277)
		<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(4,627)
		<hr/> <hr/>

The total comprehensive income for the period arises from the Company's continuing operations

The total comprehensive income for the period is entirely attributable to its four owner members (note 16)

**East Kent Housing Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
for the period to 31 March 2012

	Retained earnings £'000	Pensions reserve £'000
Profit/(Loss) for the period	439	(1,789)
Other comprehensive income, net of tax		
Actuarial losses on defined benefit obligations	-	(3,277)
	<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>439</b>	<b>(5,066)</b>
	<hr/>	<hr/>
<b>BALANCE AT 31 MARCH 2012</b>	<b>439</b>	<b>(5,066)</b>
	<hr/>	<hr/>

**East Kent Housing Limited**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2012

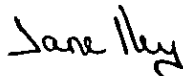
Company Registration No 7489230

	Notes	2012 £'000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Trade and other receivables	9	90
Cash and cash equivalents (excluding bank overdrafts)	8	1,428
		<hr/>
<b>TOTAL ASSETS</b>		<b>1,518</b>
		<hr/>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	10	995
Current tax liabilities	10	1
Employee Benefit Accrual	10	83
		<hr/>
		1,079
<b>NON CURRENT LIABILITIES</b>		
Retirement benefit obligations	15	5,066
		<hr/>
<b>TOTAL LIABILITIES</b>		<b>6,145</b>
		<hr/>
<b>NET ASSETS</b>		<b>(4,627)</b>
		<hr/>
<b>EQUITY</b>		
Retained Earnings excluding pension liability)	12	439
Pension reserve	12	(5,066)
		<hr/>
<b>TOTAL EQUITY</b>	12	<b>(4,627)</b>
		<hr/>

The financial statements on pages 13 to 32 were approved by the Board and authorised for issue on ~~11 July 2012~~ 11 9.12 and are signed on its behalf by



Director – Helen Buller (Chair)



Director– Jane Iley (Chair of Finance & Audit Sub-Committee)

# East Kent Housing Limited

## STATEMENT OF CASH FLOWS

for the period to 31 March 2012

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	Notes	11 January 2011 to 31 March 2012 £'000
OPERATING ACTIVITIES		
Cash generated from operations	13	1,428
NET CASH FROM OPERATING ACTIVITIES		<u>1,428</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,428
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	<u><u>1,428</u></u>
Bank balances and short term deposits net of overdraft		1,428

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the period to 31 March 2012

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### **BASIS OF ACCOUNTING**

The financial statements have been prepared under the historic cost convention and in accordance with accounting standards

These financial statements are the first published financial statements of EKH prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS)

The significant accounting policies that have been applied in the preparation of these financial statements are summarised below and these accounting policies have been used throughout all periods presented in the financial statements

The financial statements have been prepared on a going concern basis. EKH has a Management Agreement for 30 years with its partner Councils and has an agreed Management Fee for the coming financial year, as well as written undertakings from the Councils and on this basis the directors have adopted the going concern basis for the preparation of the financial statements

### **REVENUE RECOGNITION**

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of VAT and other sales taxes

Revenue comprises revenue from the supply of the Company's principal services which are the Management fee from the four partner Councils

Revenue from services is recognised on a time-apportioned basis by reference to the provision of services set out in the Management Agreement

Other income represents other sources of income to the Company that are not part of the principal activity. An example of other income would be the charge back service income. This income is recognised in the accounts on the same basis as revenue

### **PROPERTY, PLANT AND EQUIPMENT**

All fixed assets are initially recorded at cost. A de minimus level for the recognition of capital items has been set at £6,000

As a management company EKH currently has no assets held. It is anticipated the only assets EKH is likely to hold in the short term will be ICT equipment

### **DEPRECIATION**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset. For ICT equipment the period generally applicable will be 5 years

Gains or losses arising from the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the financial statements in the period in which they occur

### **LEASES**

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged against profit or loss on a straight line basis over the period of the lease

Leases where the company (EKH) has substantially all the risks and rewards of ownership transferred to it, are deemed finance leases. Finance leases are capitalised at the commencement of the lease at the lower level of fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges are shown in other payables. The property acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the period to 31 March 2012

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### PENSION CONTRIBUTIONS

Employees of the Company are members of the Local Government Pension Scheme, administered by Kent County Council. This is a defined benefit scheme whereby the costs of providing benefits is determined using the projected unit credit method (i.e. an assessment made of the future payments to be made in relation to retirement benefits earned to date by employees, based on assumptions on mortality rates, staff turnover rates, etc and projected earnings for current employees) with actuarial valuations being carried out at each year end.

Actuarial gains and losses arising are recognised directly in other comprehensive income in the period in which they arise. Where past service costs are applicable, they are recognised as an expense on a straight line basis over the average period until the benefits become vested. To the extent that the benefits have already vested, the cost is recognised immediately in profit or loss.

An asset or liability is recognised equal to the present value of the defined benefit obligation, adjusted for unrecognised past service costs and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the lower of the asset, and any unrecognised past service costs plus the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains and losses on curtailments/settlements are recognised when the curtailment/settlement occurs.

### TAXATION

The tax expense represents the sum of the current tax expense.

The tax currently payable is based on the taxable profit for the accounting year. Taxable profits differ from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is measured using tax rates that have been enacted or substantially enacted at the reporting date.

The company's core business activities with the Councils are deemed non-trading. Accordingly any profits or losses arising from transactions with the Councils are outside of the scope of corporation tax. Corporation tax will therefore only apply to any bank interest earned during the financial year.

### FINANCIAL INSTRUMENTS

#### Financial assets

##### Trade receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in profit or loss.

##### Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand and other short term deposits held by the Company with maturities of less than three months, or that are readily convertible to known amounts of cash with insignificant risk of change in value.

Bank overdrafts are presented within current liabilities.

#### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the period to 31 March 2012

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### *Trade payables*

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method

### *Bank borrowings*

Overdrafts are recorded at their fair value, net of direct transaction costs. The company only uses its overdraft for short term cash flow purposes and the Management Agreement prohibits any other form of bank borrowings being entered into by the Company

### **Standards adopted early**

The Company has not adopted any standards or interpretations early in the current period

### **Standards in issue but not effective for the accounting period**

- |          |  |
|----------|--|
| IAS 8    | requires information to be disclosed in the current period's financial statements with regards to new IFRS that have been issued but are not yet effective, including any potential impact on future financial statements  |
| IFRS 9*  | (which may be deferred until 1 January 2015) the introduction of this standard means that the measurement of certain financial assets may change dependent on the entity's business model and the nature of the contractual cash flows. In addition, in advance of the reporting period end, certain designations and de-designations may need to be made. Financial assets with embedded derivatives will also require re-measurement (not currently applicable to EKH) |
| IFRS 10* | the introduction of this standard means that <ul style="list-style-type: none"><li>- a reassessment of "control" will need to be considered using the new definition as entities may need to be treated differently in consolidated financial statements</li><li>- consideration of potential voting rights may alter who has control irrespective of whether they are currently exercisable.</li></ul>  |
| IFRS 11* | the introduction of this standard means that joint ventures, joint arrangements and joint operations will need revisiting. Those accounted for using proportional consolidation may need to be presented using the equity method of accounting. Joint operators will need to bring in their share of assets, liabilities, revenue, expenses etc of joint operations, which have been redefined under IFRS 11   |
| IFRS 12* | the introduction of this standard means that the risks associated with non consolidated entities will need extensive disclosures   |
| IFRS 13* | external valuations obtained and instructions to external experts requesting valuations for accounting purposes will need to be reviewed and considered to ensure that they are based on valuation requirements of IFRS 13   |
| IAS 19   | the amendment to this standard means that instructions to the actuary will need to be reviewed to ensure that all the information for disclosure is available as the revised standard has retrospective application. The changes will lead to a change in the profit for the financial year and consideration should be given to the effect on covenants   |

\* - these standards have not yet been endorsed by the EU

There are also a number of current developments to the standards which are either not yet effective or not yet adopted by the EU

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

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### 1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

- the assumptions underpinning the pension scheme valuation assumptions – see note 16 for further details on the key assumptions made
- The Company has a 30 year Management Agreement with the partner Councils, the Management Fee for the coming financial year has been confirmed and the accounts have been prepared on a going concern basis as a result

#### *Critical areas of judgement*

There are no critical areas of judgement included within the financial statements

### 2 FINANCIAL RISK MANAGEMENT

The Company's Finance & Audit Sub-Committee is responsible for reviewing the full risk register on a quarterly basis and for risk management within the Company, including financial risks. The Finance & Audit Sub-Committee report to the Board annually following a review of the Risk Register, strategy and process. They provide recommendations for improvements for consideration by the Board in advance of the annual return. Risks are also reviewed on a regular basis at department level and the high level risks identified are kept under review by the Executive Team.

Monitoring exposures to financial risks forms a key part of the Company's overall risk management processes. Exposures to financial risks are monitored by the Company's Financial Management who are required to alert both the management team and the Council S151 Officers of any significant financial risk.

The Finance & Audit Sub-Committee monitor the effectiveness of embedded risk management within the organisation. All Board and Sub-Committee papers include an analysis of the risk considerations as well as the financial considerations of the recommendations being made, so the committee or decision maker can form a decision with potential exposure to risk in mind.

#### **Liquidity risk and credit risk**

Management's objective is to meet its liabilities as they fall due whilst maintaining sufficient headroom to enable the Board to react to unexpected changes in market conditions. The Company is wholly dependent on its four customers (& owners), the Councils (Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council).

EKH is considered by its directors to be a going concern and the accounts have been prepared on this basis. EKH has had a strong first financial year resulting in an operating surplus of £284k and it has neither the need nor intention to cease its operations in the foreseeable future. The coming 12 months has been secured with an agreed management fee of £8 032 million with the four partner Councils, and EKH will therefore be able to meet its liabilities as they fall due.

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

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The Management fee from the Councils is receivable monthly in advance of the period commencing by EKH. EKH assesses its cash flow requirements daily and places surplus funds on deposit with its bank National Westminster in a higher interest rate (Liquidity Select) account.

EKH is exposed to liquidity and credit risk principally in the event that one or more of the Councils were to experience cash flow difficulties in paying EKH its management charge monthly or the management charge was in dispute. The Management Agreement requires that the cashflow of EKH is maintained and that the Councils continue to pay the management fee even if in dispute.

The Company maintains cash deposits with a UK bank. EKH banks with the National Westminster Bank plc. It holds both a current account and higher interest rate instant access deposit account with NatWest. Currently National Westminster has a short term credit rating of F1/P1/A1. This is an acceptable rating however there is a negative rating watch on the bank. The position of NatWest is not dissimilar to the wider UK banking industry which has seen a negative movement in ratings during recent years. EKH believes National Westminster to be a secure deposit as it is a part nationalised bank.

Credit risk predominantly arises from financial asset investments (deposits with maturity of more than three months which EKH currently does not hold), trade receivables (principally due from the Councils) and cash and cash equivalents.

### Maturity analysis

The table below analyses the Company's financial assets held for managing liquidity risk which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities.

Assets - 2012	Within 6 months £'000	6 months - 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Cash at bank and on hand	1,428	-	-	-	1,428
Trade receivables	90	-	-	-	90
	1,518	-	-	-	1,518

The Company would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management.

### Interest rate risk

The Company's interest rate risk is limited to the floating rate that it earns on its deposits with the bank which for this period was payable at the Bank of England base rate (0.5%) plus 0.25%. The Company has no finance lease obligations.

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

The table below shows the Company's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing

<b>2012 - assets</b>	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	1,195	233	1,428
Trade and other receivables (excluding prepayments and taxes)	-	-	1	1
	-	1195	234	1,429

The Company's credit risk is limited to its trade receivables which comprise almost exclusively of balances with the partner Councils. The Cash equivalents are held temporarily in a non interest bearing account which is reviewed daily and in an interest bearing account at a floating rate of interest linked to the Bank of England base rate, which has remained at 0.5% throughout the whole financial year. All financial assets have a fair value which is equal to their carrying value.

<b>2012 - liabilities</b>	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Trade and other payables (excluding deferred income and other taxes and social security)	-	-	967	967
	-	-	967	967

### Capital management

The Company's main objective when managing capital is to ensure that it maintains sufficient capital to ensure that the Council's tenants continue to receive an excellent housing management service from the Company. The level of management fee agreed with the Council annually in respect of the Management Agreement and the Company's level of operating efficiency are the principal determinants of the level of equity that the Company is able to retain. As a company limited by guarantee, the only equity / capital of the Company is represented by its retained earnings reserves.

The Company has no debt.

The Company does not have any externally imposed capital requirements.

### 3 REVENUE

Sales were made wholly within the United Kingdom and derived from the Company's principal activity of housing management.

The Income Statement shows Revenue of £8,625k which comprises of

**East Kent Housing Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period to 31 March 2012

	Management Fee	Management Fee Surplus Credit Note	Charge Back Service Income	Other Income	TOTAL
	£'000	£'000	£'000	£'000	£'000
Canterbury City Council	3,101	(146)	13	-	2,968
Dover District Council	2,265	(107)	14	-	2,172
Shepway District Council	1,850	(87)	132	-	1,895
Thanet District Council	1,556	(74)	5	103	1,590
<b>TOTAL</b>	<b>8,772</b>	<b>(414)</b>	<b>164</b>	<b>103</b>	<b>8,625</b>

<b>4</b>	<b>PROFIT FROM OPERATIONS</b>	<b>2012</b>
		<b>£'000</b>
	Profit from operations is stated after charging	
	Auditor's fees	
	On audit services	20
	On taxation	2
	Rentals under operating leases	50
		<u>72</u>

The following table analyses the nature of expenses

	<b>2012</b>
	<b>£'000</b>
Staff costs (see note 6)	5,714
Repairs and maintenance	7
Premises costs	45
Insurance costs	163
Transport and travelling	265
Consultancy and Professional Fees	112
ICT and communications	54
Service Level Agreements	1,506
Other expenses	475
Total operating costs	<u>8,341</u>

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

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5	FINANCE INCOME	2012 £'000
	Other interest receivable	5
	Other Finance income (Pensions)	
	Interest on pension scheme liabilities	(787)
	Expected return on scheme assets	859
		<u>77</u>

6	STAFF COSTS	2012 No
	The average monthly number of persons employed by the Company during the period was	
	Housing management	58
	Asset management	27
	Sheltered housing	81
	Income recovery	12
	Corporate services	6
	Finance and leasehold	8
	Tenant Participation	5
	Service improvement	2
	ASB	1
	Secondment	2
	Management Team	5
	Total	<u>207</u>

	2012 £'000
Wages and salaries	4,581
Social security costs	349
Other pension costs	752
Modernisation and redundancy costs	32
	<u>5,714</u>

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £3k for the year. The total contribution to Directors pension contributions was £Nil.

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

7	INCOME TAX EXPENSE	2012 £'000
	ANALYSIS OF CHARGE IN YEAR	
	Current tax	
	UK – Current year	1
		<u>1</u>
	Current tax reconciliation	
	The tax assessed for the years differ from the standard rate of corporation tax as follows	
	Loss before tax	(1,349)
	Tax at the standard rate of corporation tax 20%	(270)
	Effect of non-trading activities with member not subject to corporation tax	271
		<u>1</u>
		<u>1</u>

The Company is jointly owned by four Councils and income is derived from services provided to the Councils. HM Revenue and Customs has confirmed that transactions between ALMOs and their Councils do not amount to trading and, accordingly, any surplus or deficit arising thereon is outside the scope of corporation tax.

8	FINANCIAL INSTRUMENTS	Loans and receivables £'000
	<b>Current financial assets</b>	
	Trade and other receivables	90
	Cash and cash equivalents	1,428
	Total	<u>1,518</u>
		Other financial liabilities £'000
	<b>Current financial liabilities</b>	
	Trade and other payables	884
	Employee Benefit Accrual	83
		<u>967</u>

9	TRADE AND OTHER RECEIVABLES	2012 £'000
	Other receivables	90
		<u>90</u>

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

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The average credit period taken on provision of services is 34 days

The Company only has four customers, which are its partner Councils, therefore no provision for impairment or irrecoverable amounts has been made

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

10	TRADE AND OTHER PAYABLES	2012 £'000
	Trade and other payables are as follows	
	Amounts payable relating to invoiced amounts	226
	Accruals and deferred income	653
	Other tax and social security	112
	Other creditors	88
		<u>1,079</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 22 days

The directors consider that the carrying amount of trade and other payables approximates to their fair value

## 11 COMPANY LIMITED BY GUARANTEE

EKH is limited by guarantee, incorporated in the United Kingdom, and is governed by its memorandum and articles of association. The guarantors, Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council are its sole members, and listed in the Company's Register of Members (see note 16). The liabilities in respect of the guarantee are set out in the memorandum of association and are limited to £1 per member of EKH.

12	RESERVES	2012 £'000
	Retained Earnings	
	11 January 2011	-
	Retained loss for the period	(1,350)
	Actuarial loss (note 15)	(3,277)
		<u>(4,627)</u>
	At 31 March 2012	<u>(4,627)</u>
	Analysed as	
	Profit and loss reserve	439
	Pensions deficit	<u>(5,066)</u>

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

(4,627)

### 13 CASH FLOWS

2012  
£'000

Reconciliation of loss before taxation to net cash inflow from operating activities

Loss from operations	(1,349)
Adjustments for	
Increase in trade & other receivables	(90)
Increase in creditors (including tax liability & employee benefits accrual)	1,078
Defined benefit scheme	
Net interest	(72)
Current service cost	741
Employer Contributions	(590)
Exceptional item – pension deficit on commencement	<u>1,710</u>

Net cash inflow from operating activities 1,428

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent

2012  
£'000  
1,428

Cash at bank

### 14 COMMITMENTS UNDER OPERATING LEASES

Land and  
buildings

Vehicles,  
Plant &  
Machinery  
£'000

£'000

The Company had the following total commitments under non-cancellable operating leases

Due

Within 1 year	36	15
Between 1 – 2 years		16
Between 2 – 5 years	-	1
After 5 years	-	-
	<u>36</u>	<u>32</u>

Operating lease payments represent rentals payable by the Company for its office accommodation in Folkestone and for vehicles. The accommodation leases can be

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

terminated by either party with six month's notice after the initial two year period (not ending prior to 1 April 2013) and the vehicles typically are hired for a period of 3 or 4 years

### 15 RETIREMENT BENEFIT OBLIGATIONS

#### Defined benefit plan

The Company is a scheduled member into the Kent County Council Pension Fund (LG Pension Scheme) This is a funded defined benefit scheme The agreed employer's contribution rate is 15.5% of pensionable earnings

An exceptional item in respect of pension liabilities has been included within the Statement of Comprehensive Income The item is in respect of the IAS19 pension deficit taken on by EKH on commencement and has been treated as an exceptional item due to its nature and materiality to the accounts On inception of EKH, the past service liabilities of the transferring staff were transferred to EKH from the partner Councils, albeit there was a notional allocation of assets within the pension fund so as to ensure there were sufficient assets to meet those past service liabilities on a funding basis as at 1 April 2011 However IAS19 has differing requirements to those of the actuaries pension valuation conducted every 3 years that determines the contribution rates and actuarial scheme deficit As a result on inception (or creation of the Joint Venture) EKH has to recognise the liability that has arisen on the assumption of the liabilities (on an IAS 19 basis) The net liability on inception for past service liabilities of transferring staff is £1.710M

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 March 2010 by Barnett Waddingham, Fellow of the Institute of Actuaries The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method

Key assumptions used	Valuation at 31 March 2012
	%
Discount rate	4.6
Expected return on plan assets	5.8
Expected rate of salary increases	4.7
Future pension increases	2.5

Mortality rate assumptions are based on publicly available data in the UK The average life expectancy for a pensioner retiring at 65 on the reporting date is

	31 March 2012
Male	20.0
Female	24.0

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date

Male	22.0
Female	25.9

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is

	Change in assumption	Overall impact on liability
Discount rate	Decrease by 0.1%	Increase by £521,000
Rate of mortality	Decrease by 1 year	Increase by £687,000

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows

	2012 £'000
Current service cost	741
Interest cost	787
Expected return on scheme assets	(859)
Past service cost	-
	<u>669</u>

Of the charge for the year, £741k has been included in operating costs and £72k in finance income

An exceptional item of £1,710k has been included within the loss for the period, as recognition of the pension's deficit transferred to EKH on commencement

Actuarial gains and losses are reported in the statement of comprehensive income. The expense recognised in 2012 was £3,277k, and the cumulative expense is £5,066k

The actual return on scheme assets was £310k

The amounts included in the Statement of Financial Position arising from the Company's obligation in respect of defined benefit retirement schemes is as follows

	2012 £'000
Fair value of scheme assets	13,229
Present value of defined benefit obligations	(18,295)
Deficit in scheme	<u>(5,066)</u>
Liability recognised in the Statement of Financial Position	<u>(5,066)</u>

All of the defined benefit plan obligations relate to funded schemes

Analysis for reporting purposes

	2012 £'000
Non-current assets	-
Current assets	-
Current liabilities	-
Non-current liabilities	<u>5,066</u>
	<u>5,066</u>

Movements in the present value of defined benefit obligations in the current period were as follows

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

	2012
	£'000
At transfer	13,857
Current service cost	741
Past service cost	-
Interest cost	787
Actuarial loss	2,728
Contributions by plan participants	248
Benefits paid	(66)
	<u>18,295</u>
At 31 March	

Movements in the fair value of scheme assets in the current period were as follows

	2012
	£'000
At transfer	12,147
Expected return on scheme assets	859
Actuarial loss	(549)
Employer contributions	590
Employee contributions	248
Benefits paid	(66)
	<u>13,229</u>
At 31 March	

The analysis of the scheme assets and the expected rate of return at the reporting date were as follows

	Expected return % 2012	Fair value of assets £'000 2012
Equity instruments	6.3	9,789
Gilts	3.3	132
Other bonds	4.6	1,323
Property	4.3	1,191
Cash	3.0	529
Other assets	4.7	265
	<u>5.8</u>	<u>13,229</u>

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

Historical summary of present value of defined benefit obligations, fair value of plan assets, surplus/deficit in the scheme and experience adjustments

	2012
	£'000
Present value of defined benefit obligations	18,295
Fair value of scheme assets	<u>(13,229)</u>
Surplus/(deficit) in scheme	<u>(5,066)</u>
Experience adjustments on scheme liabilities	-

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period to 31 March 2012

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Experience adjustments on scheme assets	(549)
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The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2013 is £590k

### 16 RELATED PARTY TRANSACTIONS

The Company is equally owned by Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council (25% each)

EKH is an Arms Length Management Organisation from the four partner Councils to run the management and maintenance function of the Councils' homes and other buildings

During the year the Company supplied goods and services to Canterbury City Council totalling £2,967,861, and purchased goods and services from Canterbury City Council totalling £1,542,143

At 31 March 2012, included in trade and other receivables is a total amount due from Canterbury City Council of £4,339 and included in trade and other payables is a total amount due to Canterbury City Council of £223,001. The net balance owed to Canterbury City Council by the Company was £218,662

During the year the Company supplied goods and services to Dover District Council totalling £2,172,502, and purchased goods and services from Dover District Council totalling £1,305,582

At 31 March 2012, included in trade and other receivables is a total amount due from Dover District Council of £44,585 and included in trade and other payables is a total amount due to Dover District Council of £366,555. The net balance owed to Dover District Council by the Company was £321,970

During the year the Company supplied goods and services to Shepway District Council totalling £1,894,062, and purchased goods and services from Shepway District Council totalling £1,150,756

At 31 March 2012, included in trade and other receivables is a total amount due from Shepway District Council of £198 and included in trade and other payables is a total amount due to Shepway District Council of £177,486. The net balance owed to Shepway District Council by the Company was £177,288

During the year the Company supplied goods and services to Thanet District Council totalling £1,487,534, and purchased goods and services from Thanet District Council totalling £1,492,753

At 31 March 2012, included in trade and other receivables is a total amount due from Thanet District Council of £9,730 and included in trade and other payables is a total amount due to Thanet District Council of £91,787. The net balance owed to Thanet District Council by the Company was £82,057

*Totals included within trade and other receivables and trade and other payables include VAT where applicable. Amounts disclosed for goods and services supplied or received exclude*

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period to 31 March 2012

### VAT

The amounts outstanding are unsecured, carry or bear no interest and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

### 17 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The number of employees (including senior employees – see below) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were

Remuneration Band £	Number of Employees 2011/12
50,000 to 54,999	1
55,000 to 59,999	3
60,000 to 64,999	-
65,000 to 69,999	-
70,000 to 74,999	-
75,000 to 79,999	-
80,000 to 84,999	-
85,000 to 89,999	2
90,000 to 94,999	1
95,000 to 99,999	-

The remuneration of the Senior Management Team, who are the key management personnel of the Company, is set out below in aggregate

Post Holder	Salary including Fees and Allowances £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	92,045	-	92,045	13,647	105,692
Head of Housing Management	86,222	-	86,222	12,652	98,874
Head of Corporate Services	85,654	-	85,654	11,292	96,946
Head of Asset Management	55,185	-	55,185	8,382	63,567
Head of Finance	49,283	-	49,283	6,318	55,601
	<b>368,389</b>		<b>368,389</b>	<b>52,291</b>	<b>420,680</b>

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £3k for the year. The total contribution to Directors pension contributions was £Nil.