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East Kent Housing Limited

Company Limited by Guarantee

FINANCIAL STATEMENTS

for the year

to 31 March 2014

Company Registration No. 7489230

INDEX

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

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

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	Chris Hanagan	Tenant
	Martin Goard	Tenant
	Gillian Pollard	Tenant
	Nigel Lawes	Tenant
	Jane Iley	Independent
	Steven Tucker	Independent
	Alka Umaria	Independent
	Margaret (Pip) Russell	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; the Chief Executive is not a member of the Board.

Senior Management Team	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

As of May 2014 Paul Bridge was appointed as the Director of Operations and Business Transformation.

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

REGISTERED OFFICE
The current registered office
Garrity House
Miners Way
Alyesham
Kent
CT3 3BF

REVIEW OF THE BUSINESS

Changes to welfare benefits systems and the introduction of the Social Sector Size Criteria, restricting the eligibility to housing benefits for tenants under occupying their home has presented one of the biggest challenges during the review year. We allocated additional staff resources to help tenants understand their options and help them make appropriate decisions to reduce the impact on their household budgets. As a result we have helped over 200 tenants move to smaller accommodation and have helped other tenants claim additional benefits to bridge the shortfall in their housing benefit. The Councils have benefited from this proactive approach from EKH and have seen their collective rent arrears reduce by £152,696 at a time when they were expected to increase. We continued to performed well in other key activities including re-letting of empty properties.

During the course of the year we completed reviews of Sheltered Housing and Tenant Participation and have agreed changes to these services with the partner Councils. The resultant changes will be implemented in the early part of 2014/15

Tenant Scrutiny has remained a central part of our regulatory framework and reviews have been concluded in rent payment methods and estate cleaning and caretaking. The programme for 2014/15 has been agreed with tenant representatives. At a local level, the Area Boards continue to scrutinise the performance and service delivery of the area teams.

In October we held our annual Tenants' conference. This year the event was held at the Marlowe Theatre in Canterbury. The conference provided an opportunity for tenants to comment on our future improvement plans and to see how social media could be used to communicate with tenants in the future. The event also included our first Tenant Awards recognising the contribution that tenants have made to our success.

Working with the four Councils we have identified efficiency savings for the next five years linked to the implementation of a new IT system that will be common to all four areas. Other efficiency savings include a rationalisation of office accommodation and the bringing in house of a number of maintenance related services currently provided by consultants. We kept our staffing arrangements under review and have made a number of changes reducing the size of the management team and replacing four Area Managers with two new Operations Managers. We have also streamlined our policy and performance unit.

We continued the process of integrating the four services inherited from the Councils into a single service and agreed with staff and unions a new set of terms and conditions that are consistent across all areas of our operation.

In April 2013, East Kent Housing (EKH) was subject to an external Investors in People assessment that identified EKH as working towards the standard. The findings from the assessment have been used to improve how EKH delivers appraisals as well as the assessment and monitoring of training and development value for money.

We have continued to use the Customer Service Excellence standard as a framework for service movement and during the year undertook an independent assessment. As a result we are confident of being able to seek accreditation to the standard during 2014/15.

MAJOR RISKS AND UNCERTAINTIES

Changes to welfare benefits and the way they are paid to tenants, present a risk to all social landlords in the years ahead. The risks associated with the size criteria rules are still an issue and the introduction of Universal Credit presents a significant challenge and could significantly reduce the income to the Business Plans of each council and reduce the viability of plans to build new council homes. Whilst there is no direct relationship to the potential loss in income to EKH's financial position or standing, the proposed changes present a very significant change to the funding of the Councils business plans and in turn their requirements from EKH and their financial capacity to fund both our management fee and the maintenance and development of their stock (managed by EKH).

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. While we have worked hard to maintain good relationships with the Councils, tensions inevitably will arise from time to time and if not managed could result in one or more of the Councils ending their commitment to the ALMO. We cannot take for granted the continued commitment to shared services amongst the four East Kent Councils but can strengthen our position by demonstrating improvements in service quality, performance and value for money. In 2013 we undertook a review of relationships within the EKH partnership and we are optimistic that the resulting actions will strengthen relationships between EKH and the four Councils.

The requirement for EKH to make additional savings after 2014 presents a risk that service quality or performance cannot be maintained to an acceptable level. We need to plan carefully how cost reductions are made to ensure that in the years ahead we focus on what is important to our tenants and to our sponsoring Councils.

FUTURE DEVELOPMENTS

A number of reviews completed during 2013/14 will shape much of our work in the next year, including the implementation of the sheltered housing and tenant participation reviews.

Working to implement a single, integrated IT system will be a major project assuming we gain the agreement to the project from the four Councils.

Our service priorities are contained within the Delivery Plan which was agreed with the four councils in March. We have taken a different approach to the Plan this year and have encouraged staff to identify their improvement priorities through local Service Plans which have then formed the base of the Delivery Plan.

Although we have had considerable success in reducing the impact for tenants and for our performance of welfare benefit changes, there remains a lot of work to do and we need to ensure that more tenants have the opportunity to down size before interim benefits arrangements come to an end. At the same time we need to begin to plan for the introduction of Universal Credit and the major changes for the way many tenants will pay their rent.

As part of the Vision and Funding Plan the Councils agreed to explore the possibility of EKH generating additional income by providing management services to other landlords. We are aware that other ALMOs have successfully diversified into this field of work and will begin to develop our own business model in the coming year.

FINANCIAL RESULTS

EKH's third financial year (1 April 2013 to 31 March 2014) recorded a loss of £490k (2013 restated: loss £530k). However prior to IAS19 entries a profit for the year amounted to £20k (2013: £104k). This is a significantly smaller profit than the previous financial year (before IAS 19 entries) and a very small profit for a company with a turnover in excess of £8 million but it is reflective of an organisation utilising its available resources. The outturn position also incorporates staffing restructuring costs as well as costs which were planned to be funded from retained earnings and instead have been funded during the course of the year from revenue. For reference, IAS19 is the International Accounting Standard covering the treatment, recognition and measurement of employee benefits, most significantly the measurement of the defined benefit pension entries derived from the actuaries report.

EKH recorded a net liability of £4.49 million (2013 £3.83 million) as its financial position at the end of the period. This position is primarily due to the non-current retirement benefit obligations of £5.05

million (2013 £4.37 million). The retained earnings for EKH have increased from £543k in 2013 to £563k at the end of March 2014.

The Management Agreement allows EKH to retain surpluses in any year up to the value of 5% of the Management Fee. The owners have previously agreed the surplus defined within the Management Agreement as being the profit for the year prior to IAS19 entries. EKH will therefore be able to retain the surplus recorded within its own retained earnings reserve. The Board agreed a Reserves Policy regarding its aims and use of retained earnings moving forward, during 2013/14.

PERFORMANCE REVIEW 2013/14

EKH's third year has seen further improvement against most key performance indicators. As at 31 March 2014 we met or exceeded 60% (40/67) of our performance indicators (PIs). Performance against some of our key indicators is shown in the table below.

	EKH Performance 2012/13	EKH Performance 2013/14	Target 2013/14	Target met
Rent Arrears – Current tenants [£] (%of annual rent roll)				
Canterbury	£296,639 (1.29%)	£240,163 (0.98%)	£296,639 (1.22%)	✓
Dover	£278,956 (1.52%)	£242,232 (1.25%)	£287,528 (1.5%)	✓
Shepway	£158,699 (1.11%)	£134,168 (0.86%)	£170,000 (1.12%)	✓
Thanet	£246,129 (2.05%)	£211,478 (1.67%)	£255,304 (2%)	✓
Average re-let times – excluding properties needing major works				
Canterbury	26.83 days	20.62 days	22 days	✓
Dover	16.43 days	17.36 days	19 days	✓
Shepway	22.67 days	33.24 days	21 days	Target not achieved due to various factors including a significant number of long term hard to let properties.
Thanet	15.78 days	13.9 days	17 days	✓
Percentage of emergency repairs completed on time				
Canterbury	99.91%	99.91%	99%	✓
Dover	95.44%	100%	97%	✓
Shepway	95.99%	97.09%	95%	✓
Thanet	99.88%	100%	99%	✓
Customer satisfaction with day to day repairs				
Canterbury	98.37%	99.43%	97%	✓
Dover	97.59%	97.38%	97%	✓
Shepway	99.58%	98.3%	97%	✓
Thanet	97.46%	97.63%	97%	✓

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 also take place with the four Councils.

EQUAL OPPORTUNITY

East Kent Housing has made a commitment to providing excellent accessible services that meet the needs of all our residents. We also aim to be an equal opportunities employer, acting positively to ensure we recruit, train and retain a diverse workforce.

In April 2012 we published an equality and diversity policy and information we had gathered in support of our Public Sector Equality Duty, as set out in the Equality Act 2010. The general aims of which are to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity between people who share a characteristic and those who do not
- foster good relations between people who share a characteristic and those who do not

Our published equality objectives are to:

- Know our customers and support their needs
- Demonstrate leadership, partnership and organisational commitment to equality
- Increase customer engagement and satisfaction
- Improve responsive services, access and customer care
- Develop a progressive and diverse workforce

We have published an Equality Strategy setting out how these objectives could be met over a four-year period. The strategy includes an action plan containing more specific objectives and expected outcomes within a realistic timeframe. Overall, we have progressed on all original objectives, achieving around 80% of what we set out to do.

This year we have reviewed the role and operation of our officer diversity group and established two task and finish groups to look at how best to approach gathering additional profiling information and how we can work with contractors to deliver our equality objectives. We have also continued with our programme of equality impact assessments including assessments on a number of new policies including domestic abuse and hate crime.

EMPLOYEE CONSULTATION

EKH has engaged and consulted with its staff through a number of representative groups, including the formal trade union collective bargaining group and the Joint Negotiating Forum (JNF), on a complete revision of pay, terms and conditions. During 2013/14 positive negotiations with the trade unions enabled re-designed terms to be implemented in all but three areas; mileage policy, annual leave and pay. Negotiations on the outstanding terms continue.

A great deal of consultation has also taken place developing EKH's new competencies set that will be included in appraisals for 2014/15 onwards.

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. During 2013/14 we planned a number of actions to improve our impact on the environment, these are listed below together with an update:

Plans	How we did
Revise our travel allowance schemes to promote energy efficient travel	We consulted upon the proposal in 2013/14 and continue to negotiate with the trade union
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	We implemented a new Website with easier access and more detailed information
Expand the use of text and email communications for repair appointments	As well as email repairs we have worked with the contractor to development a 'smartphone app' and we have expanded the use of reminder texting for rent accounts
Implement electronic human resources 'self-service' for staff to reduce the amount of manual paper based processes	In our contract extension with our payroll provider, we agreed additional HR self-service functionality, to that already in place including electronic payslips.
Review data storage requirements to reduce the size and volume of computer hardware	Our ICT provider, EK Services, has upgraded storage solutions and this has contributed to a reduction in costs for EKH
Review computer hardware to maximise specification and reduce electricity consumption	All desktop hardware has been upgraded to conform to new Public Services Network (PSN) requirements and EKH has implemented its strategic plan to replace desktop hardware with laptop or mobile devices
Extend mobile working to more frontline staff	New mobile devices were trialled and iPads introduced for Board and Management Team. Tablets were also piloted for sheltered housing staff and the concept proven

2013/14 saw EKH centralise some offices and continue to centralise printing and mailing to reduce costs.

2014/15 will see EKH start implementation of a single computer system, the specification for which includes extensive self-service elements and web access. EKH will also roll-out a single computer system in parallel with a new appraisal process for staff that will streamline administration while improving delivery and monitoring.

Chris Hanagan
Vice-Chair of the Board

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

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). 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 17,515 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.

DIRECTORS

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

Name	Representation	Area	Appointed	Resigned
Martin Goard	Tenant	Canterbury	N/A	N/A
Chris Hanagan (Vice-Chair)	Tenant	Dover	N/A	N/A
Gillian Pollard	Tenant	Thanet	N/A	N/A
Nigel Lawes	Tenant	Shepway	03-Apr-13	N/A
Alka Umaria	Independent	N/A	N/A	N/A
Helen Buller (Chair)	Independent	N/A	N/A	N/A
Jane Iley	Independent	N/A	N/A	N/A
Steven Tucker	Independent	N/A	N/A	N/A
Jenny Samper	Council	Canterbury	N/A	N/A
Frederick Scales	Council	Dover	N/A	22-July-13
Margaret (Pip) Russell	Council	Dover	22-July-13	N/A
Alan Ewart-James	Council	Shepway	N/A	N/A
Rosalind Binks	Council	Thanet	N/A	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 UK Audit LLP were re-appointed as External Auditors at the AGM on 22 July 2013 by the Board.

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

By order of the Board

David Willis
Company Secretary

The directors are responsible for preparing the Strategic Report and 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.

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. Internal Audit has provided reasonable assurance that the Company has adequate and effective governance and risk management processes and substantial assurance on EKH's 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 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;
- 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 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 audits are assigned ownership and will be reviewed by Internal Audit within 6 months
- The Board receives the external auditor's report. 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. The Fraud Register 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 year the 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 year to 31 March 2014. 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.

We have audited the financial statements on pages 14 to 38. 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 10, 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/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year 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 Strategic Report and 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.

Baker Tilly UK Audit LLP

Andrew Monteith (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 21st July 2014.

East Kent Housing Limited
STATEMENT OF COMPREHENSIVE INCOME
for the year to 31 March 2014

	Notes	Year to 31 March 2014	Year to 31 March 2013 (Restated)
		£'000	£'000
REVENUE	3	8,158	8,173
Operating Costs	4	(8,465)	(8,491)
LOSS FROM OPERATIONS	4	(307)	(318)
Finance costs	5	(181)	(210)
LOSS BEFORE TAXATION		(488)	(528)
Income tax expense	7	(2)	(2)
LOSS FOR THE YEAR	14	(490)	(530)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Remeasurement of post employment benefit obligations	17	(170)	1,327
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(660)	797

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

The total comprehensive income for the year is entirely attributable to its four owner members (note 18).

East Kent Housing Limited
STATEMENT OF CHANGES IN EQUITY
for the year to 31 March 2014

	Retained earnings £'000	Pensions reserve £'000	Total £'000
BALANCE AT 31 MARCH 2012	439	(5,066)	(4,627)
Profit/(Loss) for the period (Restated)	104	(634)	(530)
Other comprehensive income, net of tax: Remeasurement of post employment benefit obligations (restated)	-	1,327	1,327
BALANCE AT 31 MARCH 2013	543	(4,373)	(3,830)
Profit/(Loss) for the year	20	(510)	(490)
Other comprehensive income, net of tax: Remeasurement of post employment benefit obligations	-	(170)	(170)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	20	(680)	(660)
BALANCE AT 31 MARCH 2014	563	(5,053)	(4,490)

East Kent Housing Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2014 Company Registration No: 7489230

	Notes	2014 £'000	2013 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	18	-
Property, plant and equipment	9	36	25
		54	25
CURRENT ASSETS			
Trade and other receivables	11	119	78
Cash and cash equivalents (excluding bank overdrafts)	8	853	842
		972	920
TOTAL ASSETS		1,026	945
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	380	314
Current tax liabilities		2	2
Employee Benefit Accrual		81	86
		463	402
NON CURRENT LIABILITIES			
Retirement benefit obligations	17	5,053	4,373
TOTAL LIABILITIES		5,516	4,775
NET LIABILITIES		(4,490)	(3,830)
EQUITY			
Retained Earnings (excluding pension liability)	14	563	543
Pension reserve	14	(5,053)	(4,373)
TOTAL EQUITY	14	(4,490)	(3,830)

The financial statements on pages 14 to 38 were approved by the Board and authorised for issue on 14 July 2014 and are signed on its behalf by:

Director – Chris Hanagan (Vice Chair of the Board)

Director

East Kent Housing Limited
STATEMENT OF CASH FLOWS
for the year to 31 March 2014

	Notes	Year to 31 March 2014 £'000	Year to 31 March 2013 £'000
OPERATING ACTIVITIES			
Cash generated/(utilised) from operations	15	49	(557)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		49	(557)
INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(18)	(29)
Purchase of intangible assets		(20)	-
NET CASH USED IN INVESTING ACTIVITIES		(38)	(29)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11	(586)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15	842	1,428
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	853	842

BASIS OF ACCOUNTING

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

These financial statements have been 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.

CHANGES IN ACCOUNTING POLICY & DICLOSURE

IAS19 "Employee Benefits" was amended for periods commencing after 1 January 2013. The main changes are the removal of the expected return on assets, to be replaced by a net interest cost and some labelling changes to the Profit and Loss charge. See note 17 and 20 for the full details of the changes and resulting impact on 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 financial statements 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. To ensure that assets with a useful economic life of more than 1 year are appropriately capitalised and depreciated, and the consumption of the benefit derived is recognised through the financial statements over the life of the assets, where a scheme of smaller items are purchased as part of a programme of replacement, if the programme in aggregate amounts to the de minimus sum of £6,000 they will also be capitalised.

As a management company EKH currently only holds a small amount of ICT equipment.

INTANGIBLE ASSETS

Currently the only intangible assets held by the company are purchases of ICT software. The assets are recorded initially at cost and amortised over their perceived useful life, in line with current practise for ICT equipment. Whilst each purchase will be considered on its own merits, software is anticipated to be amortised typically over a 2 to 5 year life. The de minimus levels applied are in line with those for ICT equipment (fixed assets) at £6,000.

DEPRECIATION/AMORTISATION

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 year 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.

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.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms related to the pension obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

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.

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 year.

Standards in issue but not effective for the accounting period

IFRS 9	Financial Instruments (Effective periods commencing 1 January 2015)
IFRS 10	Consolidated Financial Statements (Effective periods commencing 1 January 2014)
IFRS 11	Joint Arrangements (Effective periods commencing 1 January 2014)
IFRS 12	Disclosure of Interests in Other Entities (Effective periods commencing 1 January 2014)
IAS32	Financial Instruments – Presentation – Amendment; Offsetting Financial Assets and Financial Liabilities (Effective periods commencing 1 January 2014)
IAS27	Separate Financial Statements (amended 2011) (Effective periods commencing 1 January 2014)
IAS28	Investments in Associates and Joint Ventures (amended 2011) (Effective periods commencing 1 January 2014)

There are also a number of current developments to the standards which are either not yet effective or not yet adopted by the EU, these are not expected to have a material impact on the financial statements.

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 17 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 financial statements have been prepared on a going concern basis. There is a funding gap with one Council whose agreed management fee is less than the requested level, however EKH are working closely with the Council to resolve the gap. The councils have made a funding commitment for the coming year ensuring the liquidity of the business.

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 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. This review was reported to the Board in 9 December 2013 and minor amendments to the strategy made. 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 Finance team 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 recorded an operating loss of £307k after IAS 19 entries. EKH has neither the need nor intention to cease its operations in the foreseeable future and its pensions deficit is fully guaranteed by its owner Councils through the Management Agreement. Whilst the level of the Management Fee for the coming 12 months is still being discussed, the Councils have given outline agreement to the broad fee that will be payable. Taking this into account and its forecast expenditure and commitments the directors consider that EKH will therefore be able to meet its liabilities as they fall due.
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.

During the year a Reserves Policy has been adopted by the Board, formalising the level of reserves the company aims to retain in order to manage its liquidity efficiently.

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/P2/A2. This is an acceptable rating however there is a negative outlook on the bank with all three credit rating agencies. 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.

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 year was payable at the Bank of England base rate (0.5%) plus 0.25%. The Company has no finance lease obligations.

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:

2014 - assets	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	741	112	853
Trade and other receivables (excluding prepayments and taxes)	-	-	17	17
	-	741	129	870

2013 - assets	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	841	1	842
Trade and other receivables (excluding prepayments and taxes)	-	-	2	2
	-	841	3	844

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.

2014 - liabilities	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)	-	-	241	241
	-	-	241	241

2013 - liabilities	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)	-	-	275	275
	-	-	275	275

Capital management

The Company's main objective when managing capital is to ensure that it maintains sufficient capital to ensure that the Councils' 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 £8,158k (2013 : £8,173k) which comprises of:

	Management Fee £'000	Charge Back Service Income £'000	Deferred Income £'000	Other Income £'000	TOTAL (2014) £'000	TOTAL (2013) £'000
Canterbury City Council	2,875	13	-	14	2,902	2,882
Dover District Council	2,089	14	-	-	2,103	2,036
Shepway District Council	1,713	132	-	-	1,845	1,875
Thanet District Council	1,337	4	(34)	-	1,307	1,368
Canterbury Christ Church University	-	-	-	1	1	1
Southern Housing	-	-	-	-	-	11
TOTAL	8,014	163	(34)	15	8,158	8,173

No surplus funds were returned to the partner Councils in respect of the 2013/14 financial year.

4 PROFIT FROM OPERATIONS

	2014 £'000	2013 £'000
Profit from operations is stated after charging:		
Auditor's fees:		
On audit services		
Current year	24	23
Previous year	-	4
On taxation - compliance	2	2
Rentals under operating leases		
Land & Buildings	38	36
Plant & Machinery	11	11

The following table analyses the nature of expenses:

	2014 £'000	2013 £'000
Staff costs (see note 6)	5,976	6,015
Repairs and maintenance	-	3
Premises costs	49	44
Insurance costs	140	154
Transport and travelling	247	263
Consultancy and Professional Fees	118	95
ICT and communications	66	56
Service Level Agreements	1,362	1,461
Other expenses	507	400
Total operating costs	8,465	8,491

5 FINANCE COST

	2014 £'000	2013 Restated £'000
Other interest receivable	10	10
Net Interest (defined benefit scheme)	(191)	(220)
	(181)	(210)

Due to a change in IAS19 "Employment Benefits" these figures have been restated for 2012/13, see note 17 for full details

6 STAFF COSTS

	2014 No.	2013 No.
The average monthly number of persons employed by the Company during the year was:		
Housing management	62	70
Asset management	27	22
Sheltered housing	68	72
Income recovery	15	14
Corporate services	6	6
Finance and leasehold	10	9
Tenant Participation	5	5
Service improvement	2	2
ASB	1	1
Secondment	2	2
Management Team	5	5
Total	203	208

	2014 £'000	2013 £'000
Wages and salaries	4,629	4,639
Social security costs	347	351
Other pension costs	974	1,025
Modernisation and redundancy costs	26	-
	5,976	6,015

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £1k (2013 :£2k) for the year. The total contribution to Directors pension contributions was £Nil.(2013 : £Nil)

7 INCOME TAX EXPENSE

	2014 £'000	2013 (Restated) £'000
ANALYSIS OF CHARGE IN YEAR:		
Current tax:		
UK – Current year	2	2
Current tax reconciliation:		
The tax assessed for the year differs from the standard rate of corporation tax as follows:		
Loss before tax	(488)	(528)
Tax at the standard rate of corporation tax 20%	(97)	(106)
Effect of non-trading activities with member not subject to corporation tax	95	104
	2	2

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	
	2014	2013
	£'000	£'000
Current financial assets		
Trade and other receivables	119	78
Cash and cash equivalents	853	842
Total	972	920

	Other financial liabilities	
	2014	2013
	£'000	£'000
Current financial liabilities		
Trade and other payables	380	314
Employee Benefit Accrual	81	86
Total	461	400

9 PROPERTY PLANT AND EQUIPMENT

	ICT Equipment £'000
Cost:	
At 1 April 2012	-
Additions	29
At 31 March 2013	29
Additions	18
At 31 March 2014	47
Accumulated depreciation and any recognised impairment losses:	
At 1 April 2012	-
Charged in the year	4
At 31 March 2013	4
Charged in the year	7
At 31 March 2014	11
Net book value:	
At 31 March 2014	36
At 31 March 2013	25
At 31 March 2012	-

10 INTANGIBLE ASSETS

	ICT Software £'000
Cost:	
At 1 April 2012	-
At 31 March 2013	-
Additions	20
At 31 March 2014	20
Accumulated amortisation and any recognised impairment losses:	
At 1 April 2012	
Charged in the year	-
At 31 March 2013	-
Charged in the year	2
At 31 March 2014	2
Net book value:	
At 31 March 2014	18
At 31 March 2013	-
At 31 March 2012	-

11 TRADE AND OTHER RECEIVABLES

	2014 £'000	2013 £'000
Trade and other receivables are as follows:		
Trade receivables (receivable from related parties)	11	1
Prepayments and accrued income	86	76
Other tax and social security	16	-
Other receivables	6	1
	119	78

The average credit period taken on provision of services is 29 days (2013 : 28 days).

The Company only has four customers, which are its partner Councils. 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.

12 TRADE AND OTHER PAYABLES

	2014 £'000	2013 £'000
Trade and other payables are as follows:		
Amounts payable relating to invoiced amounts	63	50
Accruals and deferred income	212	137
Other tax and social security	105	127
	380	314

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 13 days (2013: 18 days).

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

13 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 18). The liabilities in respect of the guarantee are set out in the memorandum of association and are limited to £1 per member of EKH.

14 RESERVES

	2014 £'000	2013 (Restated) £'000
Retained Earnings		
1 April	(3,830)	(4,627)
Retained loss for the year	(490)	(530)
Remeasurement of post employment benefit liabilities (note 17)	(170)	1,327
At 31 March	(4,490)	(3,830)
Analysed as:		
Profit and loss reserve	563	543
Pensions deficit	(5,053)	(4;373)
	(4,490)	(3,830)

15 CASH FLOWS

	2014 £'000	2013 Restated £'000
Reconciliation of loss before taxation to net cash (out)/inflow from operating activities		
Loss from operations	(488)	(528)
Adjustments for		
Depreciation and Amortisation	9	4
Corporation Tax	(2)	(1)
Decrease/(increase) in trade & other receivables	(40)	12
(Decrease)/increase in creditors (including tax liability & employee benefits accrual)	60	(678)
Defined benefit scheme:		
Service Cost	974	990
Net interest	191	220
Administration Cost	13	12
Employer Contributions	(668)	(588)
Net cash inflow/(outflow) from operating activities	49	(557)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2014 £'000	2013 £'000
Cash at bank and in hand	853	842

16 COMMITMENTS UNDER OPERATING LEASES

	2014		2013	
	Land and buildings £'000	Vehicles, Plant & Machinery £'000	Land and buildings £'000	Vehicles, Plant & Machinery £'000
The Company had the following total commitments under non-cancellable operating leases:				
Due				
Within 1 year	29	11	18	10
Between 1 – 2 years	-	4	-	9
Between 2 – 5 years	-	5	-	9
	29	20	18	28

Operating lease payments represent rentals payable by the Company for its office accommodation in Folkestone & Alyesham and for vehicles. Both accommodation leases can be terminated by either party with six month's notice and the vehicles typically are hired for a period of 3 or 4 years.

17 RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plan

The Company is a scheduled member in the Kent County Council Pension Fund (LG Pension Scheme). This is a funded defined benefit scheme. The agreed employer's contribution rate for 2013/14 was 15.6% of pensionable earnings, following the recent revaluation the contribution rate will be 15.4% of pensionable earnings from 1 April 2014.

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 actuarial pension valuation conducted every 3 years that determines the contribution rates and actuarial scheme deficit. As a result on inception 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 was £1.710M.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out in December 2013 by Barnett Waddingham, Fellow of the Institute of Actuaries and have been updated to 31 March 2014 for the purposes of IAS 19. 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.

A revised IAS19 standard applies for the first time to this set of Financial Statements. The main changes are:

-removal of the "expected return on assets" to be replaced by a net interest cost comprising of interest income on the assets and interest expense on the liabilities
- labelling changes to the profit & loss charge e.g. "service cost" now includes what was previously described as "current service cost" plus the "past service cost", "curtailments" & "settlements".

	Valuation at	
Key assumptions used:	31 March 2014	31 March 2013
	%	%
Discount rate	4.5	4.7
Expected rate of salary increases	4.7	4.8
Future pension increases	2.9	2.6
RPI increases	3.7	3.4
CPI increases	2.9	2.6

The expected return on plan assets was noted in the financial statements with a valuation at 31 March 2013 of 5.8%. However for accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

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 2014	31 March 2013
Male	22.7	20.1
Female	25.1	24.1

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

	31 March 2014	31 March 2013
Male	24.9	22.1
Female	27.4	26.0

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

	Impact on defined benefit obligation				
	Change in assumption	**Increase in assumption**	Impact on liability	**Decrease in assumption**	Impact on liability
Discount rate	0.1%	Decrease by 2.0%	Decrease by £469k	Increase by 2.05%	Increase by £480k
Salary growth rate	0.1%	Increase by 0.45%	Increase by £106k	Decrease by 0.45%	Decrease by £105k
Pension growth rate	0.1%	Increase by 1.62%	Increase by £380k	Decrease by 1.61%	Decrease by £372k
Rate of mortality	1 year	Decrease by 3.43%	Decrease by £805k	Increase by 3.47%	Increase by £813k

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

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

	2014	2013 (Restated)
	£'000	£'000
Service cost	974	990
Net Interest cost	191	220
Administration expenses	13	12
	1,178	1,222

Of the charge for the year, £987k (2013 Restated : £1,002k) has been included in operating costs and £191k in finance costs (2013 Restated: £220k in finance costs).

The actual return on scheme assets was £1,305k (2013 Restated; £1,951k).

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:

	2014 £'000	2013 (Restated) £'000
Present value of funded obligations	23,448	20,032
Fair value of scheme assets	(18,395)	(15,659)
Deficit in scheme	5,053	4,373
Liability recognised in the Statement of Financial Position	(5,053)	(4,373)

All of the defined benefit plan obligations relate to funded schemes.

Analysis for reporting purposes:

	2014 £'000	2013 (Restated) £'000
Non-current liabilities	5,053	4,373
	5,053	4,373

The movements in the defined benefit obligations during the year is as follows:

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 April 2012 (Restated)	18,295	(13,229)	5,066
Current service cost	923	-	923
Interest expense/(income)	840	(620)	220
Past service costs, including curtailments	67	-	67
	1,830	(620)	1,210
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense/(income)	-	(1,330)	(1,330)
-(Gain)/loss from change in financial assumptions	3	-	3
	3	(1,330)	(1,327)
Contributions paid:			
-Employers	-	(588)	(588)
-Scheme participants	243	(243)	-
Payments from plans:			
-Benefit payments	(339)	339	-
Administration expenses	-	12	12
At 31 March 2013 (Restated)	20,032	(15,659)	4,373
At 1 April 2013	20,032	(15,659)	4,373
Current service cost	876	-	876
Interest expense/(income)	946	(755)	191
Past service costs, including curtailments	98	-	98
	1,920	(755)	1,165
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense/(income)	-	(550)	(550)
-Other actuarial gains/(losses)	-	(641)	(641)
-(Gain)/loss from change in demographic assumptions	(79)	-	(79)
-(Gain)/loss from change in financial assumptions	1,599	-	1,599
-Experience (gains)/losses	(159)	-	(159)
	1,361	(1,191)	170
Contributions paid:			
-Employers	-	(668)	(668)
-Scheme participants	251	(251)	-
Payments from plans:			
-Benefit payments	(116)	116	-
Administration expenses		13	13
At 31 March 2014	23,448	(18,395)	5,053

The analysis of the scheme assets at the reporting date were as follows:

	Fair value of assets £'000	
	2014	2013
Equity instruments	13,060	11,118
Gilts	184	-
Other bonds	2,023	2,036
Property	1,840	1,253
Cash	552	626
Other assets	736	626
	18,395	15,659

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

	2014 £'000	2013 Restated £'000	2012 £'000
Present value of defined benefit obligations	23,448	20,032	18,295
Fair value of scheme assets	(18,395)	(15,659)	(13,229)
Deficit in scheme	(5,053)	(4,373)	(5,066)

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2015 is £543k.

18 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 £2,902,004 (12/13 £2,880,466), recovered costs incurred on behalf of Canterbury City Council totalling £6,891 (12/13 £433) and purchased goods and services from Canterbury City Council totalling £292,258 (12/13 £355,756).

At 31 March 2014, included in trade and other receivables is a total amount due from Canterbury City Council of £11,054 (12/13 £1,060) and included in trade and other payables is a total amount due to Canterbury City Council of £7,655 (12/13 £29,184). The net balance owed by Canterbury City Council to the Company was £3,399 (12/13 £28,124 owed to Canterbury City Council).

During the year the Company supplied goods and services to Dover District Council totalling £2,103,545 (12/13 £2,036,491), recovered costs incurred on behalf of Dover District Council totalling £6,091 (12/13 £158), and purchased goods and services from Dover District Council totalling £359,507 (12/13 £410,998).

At 31 March 2014, included in trade and other receivables is a total amount due from Dover District Council of £45 (12/13 Nil) and included in trade and other payables is a total amount due to Dover District Council of £63,822 (12/13 £17,208). The net balance owed to Dover District Council by the company was £63,777 (12/13 £17,208).

During the year the Company supplied goods and services to Shepway District Council totalling £1,844,375 (12/13 £1,874,090), recovered costs incurred on behalf of Shepway District Council totalling £3,993 (12/13 £390), and purchased goods and services from Shepway District Council totalling £193,407 (12/13 £196,461).

At 31 March 2014, included in trade and other receivables is a total amount due from Shepway District Council of £67 (12/13 £10,887) and included in trade and other payables is a total amount due to Shepway District Council of £9,000 (12/13 £22,094). The net balance owed to Shepway District Council by the Company was £8,933 (12/13 £11,207).

During the year the Company supplied goods and services to Thanet District Council totalling £1,341,528 (12/13 £1,368,858) and £34,124 of the income received has been deferred to 14/15. The Company recovered costs incurred on behalf of Thanet District Council totalling £5,964 (12/13 £Nil), and purchased goods and services from Thanet District Council totalling £726,184 (12/13 £818,328).

At 31 March 2014, included in trade and other receivables is a total amount due from Thanet District Council of £Nil (12/13 £368) and included in trade and other payables is a total amount due to Thanet District Council of £32,065 (12/13 £3,239). The net balance owed to Thanet District Council by the Company was £32,065 (12/13 £2,871).

All totals exclude 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.

19 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 2013/14**	**Number of Employees 2012/13**
50,000 to 54,999	1	2
55,000 to 59,999	2	4
60,000 to 64,999	1	-
65,000 to 69,999	-	-
70,000 to 74,999	1	-
75,000 to 79,999	1	1
80,000 to 84,999	1	1
85,000 to 89,999	-	-
90,000 to 94,999	-	1
95,000 to 99,999	1	-

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

2013/14 Post Holder	Salary including Fees and Allowances £	Total Remuneration excluding Pension Contributions £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	95,083	95,083	14,147	109,230
Head of Housing Management	80,248	80,248	10,354	90,602
Head of Corporate Services	75,907	75,907	11,309	87,216
Head of Asset Management	62,087	62,087	9,311	71,398
Head of Finance	58,706	58,706	8,716	67,422
	372,031	**372,031**	**53,837**	**425,868**

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £1k (2013 : £2k)for the year. The total contribution to Directors pension contributions was £Nil (2013 : £Nil).

2012/13 Post Holder	Salary including Fees and Allowances £	Total Remuneration excluding Pension Contributions £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	94,116	94,116	14,007	108,123
Head of Housing Management	84,550	84,550	10,658	95,208
Head of Corporate Services	77,621	77,621	11,040	88,661
Head of Asset Management	58,969	58,969	8,948	67,917
Head of Finance	57,315	57,315	7,245	64,560
	372,571	**372,571**	**51,898**	**424,469**

20 CHANGES IN ACCOUNTING POLICIES

Adoption of IAS19 (revised 2011)
The revised employee benefit standard introduces changes in recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense / income to be calculated as the product of the net defined benefit liability and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets. The effects of the changes is outlined below

Impact of change in accounting policy on the Statement of Comprehensive Income for the year ended 31 March 2013

	For Year to 31 March 2013 £'000	Adopt IAS 19 (revised) £'000	Year to 31 March 2013 (Restated) £'000
REVENUE	8,173	-	8,173
Operating Costs	(8,479)	(12)	(8,491)
LOSS FROM OPERATIONS	(306)	(12)	(318)
Finance costs	(55)	(155)	(210)
LOSS BEFORE TAXATION	(361)	(167)	(528)
Income tax expense	(2)	-	(2)
LOSS FOR THE YEAR	(363)	(167)	(530)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Remeasurement of post employment benefit obligations	1,160	167	1,327
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	797	-	797

The balance sheet has not been restated as there was no impact arising from previously unrecognised past service costs and actuarial gains and losses had historically been recognised immediately.