

**East Kent Spatial Development Company
(Limited by Guarantee)**

**Notes to the financial statements
For the year ended 31 March 2006**

3. Taxation (continued)

Factors affecting tax charge for year

The company operates as a not for profit organisation and has not traded for tax purposes. As such the company does not pay tax on its operating profit / (loss). However the company is liable to tax on interest earned both on bank deposits and loans made.

Factors that may affect future tax charges

There are no additional factors affecting future tax charges other than those mentioned above.

4. Debtors

	2006 £	2005 £
Due after more than one year		
Other debtors	3,115,984	1,097,481
Prepayments and accrued income	55,435	9,569
Due within one year		
Other debtors	252,287	10,842
	<u>3,423,706</u>	<u>1,117,892</u>

Other debtors receivable after more than one year relate to loans made to utility service providers to finance the installation of new network projects. These loans will be repayable once the network projects are completed and customers connect to the networks. These projects are at an early stage and will take a number of years to complete. As these loans will not be repayable in the near future, there is inevitably an element of uncertainty over their recoverability. However the directors are of the opinion that no provision is currently required.

**5. Creditors:
Amounts falling due within one year**

	2006 £	2005 £
Grants received in advance	372,000	165,000
Trade creditors	8,604	9,104
Corporation tax	36,398	26,803
Other creditors	10,546	7,566
	<u>427,548</u>	<u>208,473</u>

**6. Creditors:
Amounts falling due after more than one year**

	2006 £	2005 £
Grants received in advance	<u>5,289,064</u>	<u>2,828,781</u>

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7. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

8. Reserves

Profit and loss account	£
At 1 April 2005	149,508
Profit retained for the year	103,040
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At 31 March 2006	252,548
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9. Contingent liabilities

The company has a contingent liability to refund a proportion of grants received if the company fails to reach targets set out within the funding agreements and fails to revise those agreements through current negotiations now taking place. Based on current estimates this contingent liability amounts to £2,750,000, which would be financed by the repayment of loans made by the company. The negotiations are expected to be completed during the summer of 2006.

10. Related party transactions

During the year the Company was recharged premises expenses totalling £12,290 (2005: £12,959) from Thanet District Council, a member of the Company. The balance owed by the Company to Thanet District Council at the year end was £197 (2004: £957). Included within prepayments is an amount of £1,336 (2004: £nil) relating to monies paid to Thanet District Council in advance.

During the year the company received a Single Regeneration Budget (SRB) grant in advance of £nil (2005: £2,573,144), which was administered through Thanet District Council as the accountable body for the SRB programme. The unutilised balance remaining from the grant at the year end was £2,301,234 (2005: £2,390,436), and is included in Grants received in advance within creditors.

During the year the Company also received a grant from English Partnerships of £2,000,000 (2005: £nil). The unutilised balance remaining from the grant at the year end was £2,000,000 (2005: £nil), and is included in Grants received in advance within creditors.

11. Controlling party

Throughout the period the Company was controlled by South East England Development Agency as a majority of directors on the board are appointed by this agency.