

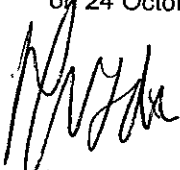
**East Kent Spatial Development Company**  
**(A company limited by guarantee)**

**Balance Sheet**  
**As at 31 March 2007**

	Note	£	2007 £	As restated 2006 £
<b>Fixed assets</b>				
Tangible fixed assets	4		1,789	-
<b>Current assets</b>				
Debtors	5	7,696,188		2,831,335
Cash at bank		655,398		2,545,454
		<u>8,351,586</u>		<u>5,376,789</u>
<b>Creditors: amounts falling due within one year</b>	6	(491,635)		(427,548)
<b>Net current assets</b>			<u>7,859,951</u>	<u>4,949,241</u>
<b>Total assets less current liabilities</b>			<u>7,861,740</u>	<u>4,949,241</u>
<b>Creditors: amounts falling due after more than one year</b>	7		(9,082,826)	(5,289,064)
<b>Net liabilities</b>			<u>(1,221,086)</u>	<u>(339,823)</u>
<b>Capital and Reserves</b>				
Other reserves	9		(1,460,358)	(536,936)
Profit and loss account	9		239,272	197,113
			<u>(1,221,086)</u>	<u>(339,823)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 October 2007.

  
**P Cusdin**  
 Director

**East Kent Spatial Development Company**  
**(A company limited by guarantee)**

**Notes to the financial statements**  
**For the year ended 31 March 2007**

**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

**1.2 Cash flow**

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2005).

**1.3 Turnover**

All turnover derives from grants released (see note 1.6).

**1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Equipment	-	33% straight line
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**1.5 Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

**1.6 Grants**

The company's activities are funded primarily by grant aid.

Grants by member organisations are given to finance the general administration of the company. Such grants are recognised in the profit and loss account of the period in which they become receivable.

Other grants receivable of a revenue nature are credited to the profit and loss account in the period to which the expenditure, towards which they are intended to contribute, are incurred.

Other grants receivable to finance loans made by the company are credited to the profit and loss account in the period in which repayment is made.

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**Notes to the financial statements**  
**For the year ended 31 March 2007**

**1. Accounting policies (continued)**

**1.7 Other debtors and other reserves**

Other debtors comprise loans made to a utility provider to finance new infrastructure works in East Kent. The loans (utility loans) are index linked to RPI and are repayable as and when third parties pay the utility provider to connect to the new utility infrastructure. The amount of utility loan repayable is proportionate to the capacity connected as a percentage of the total capacity of the new utility network.

In order to make these utility loans the company has received grants (see 1.6 above). At the point of repayment, the grant made to finance the utility loan is released to the profit and loss account.

Although the company's classification is small and it is not therefore required to implement the provisions of FRS26 "Financial instruments: measurement", the company has adopted FRS26 as best practice on accounting for these utility loans. Accordingly the utility loans have been treated as an "available for sale financial asset" and are measured at fair value. Fair value is taken as the directors' best estimate of the discounted future income stream arising from the repayment of the utility loans.

Any movement in the value of this estimate, other than from the draw down or repayment, is taken to other reserves.

There is no certainty over the timing and percentage connection to the network that will be achieved. As such there is significant uncertainty over the carrying value of utility loans. The directors do not envisage 100% connection to the network and therefore they have made a reduction to the carrying value of utility loans, which is shown as a movement within other reserves.

**1.8 Going concern**

The company made a profit on ordinary activities after taxation of £42,159. As reported in the Statement of total recognised gains and losses, the company has recognised a loss of £881,263 in the year which together with a prior year adjustment of £55,435 results in a total loss of £936,698 recognised since the last financial statements. This includes the recognition of an unrealised deficit of £923,422 arising from the revaluation of other debtors relating to utility loans made to finance infrastructure works following the adoption of the principles of FRS26 as explained in note 1.7.

There is no certainty over the timing and future value of the loan repayments and consequently the carrying value of the loans which are valued at the directors best estimate of fair value.

The recognition of the unrealised deficit relating to the revaluation of other debtors does not impact on the company's financial facilities. The company funds its activities from current cash resources together with the expected cash flow arising from loan repayments to be made to the company and grants that may become available for future activities. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

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**Notes to the financial statements**  
**For the year ended 31 March 2007**

**2. Operating (loss)/profit**

The operating (loss)/profit is stated after charging:

	2007	2006
	£	£
Auditors' remuneration	3,848	3,584

During the year, no director received any emoluments (2006 - £NIL).

**3. Taxation**

	2007	2006
	£	£
<b>Analysis of tax credit in the year</b>		
UK corporation tax charge on profits for the year	6,514	36,398
Adjustments in respect of prior periods	(15,023)	(1,374)
<b>Total current tax</b>	<b>(8,509)</b>	<b>35,024</b>
<b>Tax on (loss)/profit on ordinary activities</b>	<b>(8,509)</b>	<b>35,024</b>

**Factors affecting tax charge for the 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.

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**Notes to the financial statements**  
**For the year ended 31 March 2007**

**4. Tangible fixed assets**

	<b>Furniture, fittings and equipment £</b>
<b>Cost</b>	
Additions	1,789
At 31 March 2007	<u>1,789</u>
<b>Depreciation</b>	
At 1 April 2006 and 31 March 2007	-
<b>Net book value</b>	
At 31 March 2007	<u>1,789</u>
At 31 March 2006	<u>-</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	<b>2007 £</b>	<b>2006 £</b>
Furniture, fittings and equipment	<u>1,789</u>	<u>-</u>

**5. Debtors**

	<b>2007 £</b>	<b>As restated 2006 £</b>
<b>Due after more than one year</b>		
Other debtors	7,336,948	2,579,048
<b>Due within one year</b>		
Other debtors	357,501	250,000
Prepayments and accrued income	1,739	2,287
	<u>7,696,188</u>	<u>2,831,335</u>

Other debtors comprise loans made to a utility service provider to finance the installation of new network infrastructure. The valuation principles of these loans and related uncertainties are described in note 1.7.

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**Notes to the financial statements**  
**For the year ended 31 March 2007**

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

	2007 £	2006 £
Grants received in advance	459,372	372,000
Net obligations under finance leases and hire purchase contracts	784	-
Trade creditors	19,680	8,604
Corporation tax	1,986	36,398
Other creditors	9,813	10,546
	<u>491,635</u>	<u>427,548</u>

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

	2007 £	2006 £
Grants received in advance	9,081,822	5,289,064
Net obligations under finance leases and hire purchase contracts	1,004	-
	<u>9,082,826</u>	<u>5,289,064</u>

**8. 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.

**9. Reserves**

	Other reserves £	Profit and loss account £
At 1 April 2006		
Prior year adjustment (note 10)		252,548 (55,435)
At 1 April 2006 (as restated)		<u>197,113</u>
Profit retained for the year	(536,936)	42,159
Movement on other reserves	(923,422)	
At 31 March 2007	<u>(1,460,358)</u>	<u>239,272</u>

Other reserves represent the unrealised movement in the best estimate of the discounted present value of other debtors see accounting policy 1.7.

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**Notes to the financial statements**  
**For the year ended 31 March 2007**

**10. Prior year adjustment**

The provisions of FRS26 "Financial instruments: measurement" have been applied for the first time this year, as this is the Company's first accounting year to which they may be applied as an unlisted company. This has resulted in the restatement of the comparative figures for interest receivable, other debtors and other reserves see accounting policy 1.7.

**11. Related party transactions**

During the year the Company was recharged premises expenses totalling £12,785 (2006: £12,290) from Thanet District Council, a member of the Company. The balance owed by the Company to Thanet District Council at the year end was £nil (2006: £197). Included within prepayments is an amount of £794 (2006: £1,336) relating to monies paid to Thanet District Council in advance.

Previously the company has received a Single Regeneration Budget (SRB) grant in advance administered through Thanet District Council as the accountable body for the SRB program. The unreleased balance remaining from the grant at the year end was £2,307,242 (2006: £2,301,234), and is included in Grants received in advance within creditors.

During the year the Company received a grant from English Partnerships of £2,500,000 (2006: £2,000,000). The unutilised balance remaining from the grant at the year end was £4,363,444 (2006: £2,000,000), and is included in Grants received in advance within creditors.

**12. 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.