

Registered number: 04410176

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

Directors' report and financial statements

for the year ended 31 March 2015

SATURDAY



A4EAP5J5

A09

22/08/2015

#209

COMPANIES HOUSE

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

Company Information

Member Organisations	Kent County Council (KCC) University of Kent (UoK) Locate in Kent (LiK) Thanet District Council (TDC) Dover District Council (DDC) Shepway District Council (SDC) Canterbury City Council (CCC)
Directors	P Wookey (LiK) M Dance (KCC) C Barron (UoK) P Watkins (DDC) P Czarnomski (UoK) (appointed 18 July 2014) D Monk (SDC) (appointed 22 May 2015)
Company secretary & Chief executive officer	D Spalding
Company number	04410176
Registered office	Canterbury Innovation Centre University Road Canterbury Kent CT2 7FG
Auditors	Kreston Reeves LLP Statutory Auditor & Chartered Accountants 37 St Margaret's Street Canterbury Kent CT1 2TU
Bankers	NatWest Bank Plc 11 The Parade Canterbury Kent CT1 2SQ

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

Contents

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Statement of total recognised gains and losses	6
Balance sheet	7
Notes to the financial statements	8 - 16

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

Directors' report
for the year ended 31 March 2015

The Directors present their report and the financial statements for the year ended 31 March 2015.

Directors' responsibilities statement

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Directors

The Directors who served during the year were:

P Wookey (LIK)
M Dance (KCC)
A Clifton-Holt (SDC) (resigned 12 December 2014)
J Gilbey (CCC) (resigned 7 May 2015)
C Barron (UoK)
P Watkins (DDC)
D Everitt (UoK) (resigned 14 July 2014)
S Carey (SDC) (appointed 12 December 2014, resigned 22 May 2015)
C Hart (TDC) (resigned 5 June 2014)
P Czarnomski (UoK) (appointed 18 July 2014)
D Monk (SDC) (appointed 22 May 2015)

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Directors' report
for the year ended 31 March 2015

Auditors

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 21 July 2015 and signed on its behalf.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

P Watkins (DDC)
Director

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

Independent auditors' report to the members of East Kent Spatial Development Company

We have audited the financial statements of East Kent Spatial Development Company for the year ended 31 March 2015, set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the directors' responsibilities statement, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

Valuation of other debtors

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1.8 to the financial statements concerning the value of other debtors which is dependent upon performance criteria outside the company's control. The ultimate value of these other debtors cannot be presently determined.

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

Independent auditors' report to the members of East Kent Spatial Development Company

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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and to take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the Directors' report.

Kreston Reeves LLP

Peter Manser FCA DChA (senior statutory auditor)

for and on behalf of
Kreston Reeves LLP

Statutory Auditor
Chartered Accountants

Canterbury

3 August 2015

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

Profit and loss account
for the year ended 31 March 2015

	Note	2015 £	2014 £
Turnover	1	848,291	905,739
Cost of sales		<u>(502,041)</u>	<u>(457,325)</u>
Gross profit		346,250	448,414
Administrative expenses		<u>(120,924)</u>	<u>(312,000)</u>
Operating profit	2	225,326	136,414
Interest receivable and similar income		24,797	24,570
Interest payable and similar charges		-	<u>(481)</u>
Profit on ordinary activities before taxation		250,123	160,503
Tax on profit on ordinary activities	3	<u>(50,757)</u>	<u>(44,769)</u>
Profit for the financial year	12	<u>199,366</u>	<u>115,734</u>

The notes on pages 8 to 16 form part of these financial statements.

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

Statement of total recognised gains and losses
for the year ended 31 March 2015

	2015 £	2014 £
Profit for the financial year	199,366	115,734
Unrealised surplus on revaluation of investment properties	-	875,000
Unrealised movement on valuation of other debtors	-	(178,367)
Associated movement in deferred tax arising from the movement on valuation of other debtors	-	(45,000)
Corporation tax arising on disposal of previously revalued investment property	-	(260,150)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	199,366	507,217
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 16 form part of these financial statements.

East Kent Spatial Development Company
(A company limited by guarantee)
Registered number: 04410176

Balance sheet
as at 31 March 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Tangible assets	4		2,990		2,900
Investment property	5		3,075,000		3,075,000
			<u>3,077,990</u>		<u>3,077,900</u>
Current assets					
Debtors	6	5,291,178		5,390,005	
Cash at bank		4,345,424		4,450,146	
		<u>9,636,602</u>		<u>9,840,151</u>	
Creditors: amounts falling due within one year	7	<u>(330,732)</u>		<u>(733,557)</u>	
Net current assets			<u>9,305,870</u>		<u>9,106,594</u>
Total assets less current liabilities			<u>12,383,860</u>		<u>12,184,494</u>
Creditors: amounts falling due after more than one year	8		<u>(7,586,668)</u>		<u>(7,586,668)</u>
Net assets			<u>4,797,192</u>		<u>4,597,826</u>
Capital and reserves					
Revaluation reserve	12		3,075,000		3,075,000
Other reserves	12		(507,055)		(507,055)
Profit and loss account	12		2,229,247		2,029,881
			<u>4,797,192</u>		<u>4,597,826</u>

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 July 2015.



P Watkins (DDC)
 Director

The notes on pages 8 to 16 form part of these financial statements.

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

Notes to the financial statements
for the year ended 31 March 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) (FRSSE).

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 April 2008).

1.3 Turnover

Turnover comprises income received in respect of the company's principal activities. It incorporates two main elements; firstly income from investment properties, and secondly grants released (see note 1.7).

Income from investment properties is credited to the profit and loss account on a straight line basis over the rental period.

1.4 Tangible fixed assets and depreciation

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

Office Equipment	-	33% straight line
------------------	---	-------------------

Assets under the course of construction are included at cost less impairment. No depreciation is provided until assets are brought into use. Assets under the course of construction will be reclassified on completion to another tangible fixed asset heading or investment properties as appropriate.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.5 Investment properties

Investment properties are carried in the financial statements at market values based on the latest valuation. The 2015 valuations were made by the Directors, on an open market value for existing use basis, based on valuations undertaken by Caxtons Commercial Limited Chartered Surveyors as at July 2014.

In accordance with the FRSSE, depreciation is not provided on investment properties that are held as leaseholds having more than 20 years unexpired. This is not in accordance with the Companies Act 2006, which requires all tangible assets to be depreciated. This departure from the requirements of the Act is, in the opinion of the Directors, necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require investment properties to be included in the financial statements at market value. Had the provisions of the Act been followed, prior to grants being released as described in note 1.7, revenue profits would have been reduced, the revaluation surplus would have been increased and therefore net assets would have been unchanged.

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

Notes to the financial statements
for the year ended 31 March 2015

1. Accounting policies (continued)

1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Grants

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

Grants by member organisations given to finance the general administration of the company 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.

Grants relating to tangible fixed assets are treated as grants received in advance and are released to the profit and loss account in the period during which any corresponding depreciation or impairment of the costs is made.

Grants received in respect of investment properties have been deducted from the cost of those assets. This is not in accordance with the Companies Act 2006, which requires assets to be shown at their purchase price or production cost and hence grants and contributions to be presented as deferred income. This departure from the requirements of the Act is, in the opinion of the Directors, necessary to give a true and fair view as these assets do not have determinable finite lives and therefore no basis exists on which to recognise grants and contributions as income. The effect of this departure is that the cost of the investment property is £8,382,247 lower than it would otherwise have been (2014: £8,382,247), but the valuation of the property is unchanged.

Grants receivable to finance loans made by the company are transferred from designated grants in advance to unrestricted grants in advance in the period in which repayment of the other debtor to which they relate is made.

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

Notes to the financial statements
for the year ended 31 March 2015

1. Accounting policies (continued)

1.8 Other debtors

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 1.7 above). At the point of repayment, the grant made to finance the utility loan is transferred from designated grants in advance to unrestricted grants in advance.

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 provision to reduce the value of utility loans to their estimated fair value. The accumulated provision is shown as an other reserve, as disclosed in note 12.

1.9 Going concern

There is no certainty over the timing and future value of the other debtor 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 has to received repayments and expects to continue to receive repayments from its other debtors valued as per note 1.8 above.

The company made a profit on ordinary activities after taxation of £199,616 (2014: £115,734). The company has £4,345,424 (2014: £4,450,146) included in cash at the bank. As a consequence the Directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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

Notes to the financial statements
for the year ended 31 March 2015

1. Accounting policies (continued)

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements, unless the company is contractually committed to the disposal of those investment properties at the balance sheet date.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

2. Operating profit

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

	2015	2014
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	2,160	1,823
Auditors' remuneration	5,400	5,250
Release of grants towards tangible fixed assets	-	1,687
Impairment of tangible fixed assets	-	(1,687)
	=====	=====

During the year, no Director received any emoluments (2014 - £NIL).

3. Taxation

	2015	2014
	£	£
Analysis of tax charge in the year		
UK corporation tax charge on profit for the year	51,000	44,850
Adjustments in respect of prior periods	(243)	(81)
	=====	=====
Tax on profit on ordinary activities	50,757	44,769
	=====	=====

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

Notes to the financial statements
for the year ended 31 March 2015

3. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20% (2014 - 23%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	<u>250,123</u>	<u>160,503</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 23%)	50,025	36,916
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	993	7,812
Capital allowances for year in excess of depreciation	(18)	122
Adjustments to tax charge in respect of prior periods	(243)	(81)
Current tax charge for the year (see note above)	<u>50,757</u>	<u>44,769</u>

There were no factors that may affect future tax charges.

In addition to the above charge recognised through the profit and loss account, the following elements are recognised through the Statement of Total Recognised Gains and Losses:

	2015 £	2014 £
Charge recognised through the profit and loss account		
Corporation tax	52,257	44,769
Charge recognised through the Statement of Total Recognised Gains and Losses		
Corporation tax	-	260,150
Deferred tax	-	45,000
Total	<u>52,257</u>	<u>349,919</u>

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

Notes to the financial statements
for the year ended 31 March 2015

4. Tangible fixed assets

	Furniture, fittings and equipment £
Cost or valuation	
At 1 April 2014	6,710
Additions	2,250
At 31 March 2015	<u>8,960</u>
Depreciation	
At 1 April 2014	3,810
Charge for the year	2,160
At 31 March 2015	<u>5,970</u>
Net book value	
At 31 March 2015	<u>2,990</u>
At 31 March 2014	<u>2,900</u>

5. Investment property

	Long term Leasehold investment property £
Valuation	
At 1 April 2014 and 31 March 2015	<u>3,075,000</u>
Comprising	
Revaluation surplus 2010	1,517,250
Annual revaluation surplus/(deficit):	
Revaluation surplus 2011	282,750
Revaluation surplus 2012	400,000
Revaluation surplus 2014	875,000
At 31 March 2015	<u>3,075,000</u>

The 2015 valuations were made by the Directors, on an open market value for existing use basis, based on valuations undertaken by Caxtons Commercial Limited Chartered Surveyors as at July 2014.

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

Notes to the financial statements
for the year ended 31 March 2015

6. Debtors

	2015 £	2014 £
Due after more than one year		
Other debtors	5,260,542	5,253,195
Due within one year		
Trade debtors	10,046	5,671
Grants receivable	-	30,171
Prepayments and accrued income	20,590	100,968
	<u>5,291,178</u>	<u>5,390,005</u>

Other debtors include 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 1.8.

7. Creditors:
Amounts falling due within one year

	2015 £	2014 £
Grants received in advance (see note 9)	-	76,017
Trade creditors	162	21,262
Corporation tax	51,000	305,000
Other taxation and social security	21,358	2,013
Other creditors	258,212	329,265
	<u>330,732</u>	<u>733,557</u>

8. Creditors:
Amounts falling due after more than one year

	2015 £	2014 £
Grants received in advance (see note 9)	<u>7,586,668</u>	<u>7,586,668</u>

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

Notes to the financial statements
for the year ended 31 March 2015

9. Grants received in advance

	2015	2014
	£	£
Unrestricted grants	1,983,424	1,983,424
Designated grants - other debtors	5,603,244	5,603,244
Designated grants - fixed assets	-	76,017
	<hr/> 7,586,668 <hr/>	<hr/> 7,662,685 <hr/>

Unrestricted grants

These relate to those grants received by the company that the company is able to use for whatever purpose it deems appropriate. The balance includes HCA funding of £300,430 (2014: £300,430) and converted other debtor grants of £1,682,994 (2014: £1,682,994).

Designated grants - other debtors

These relate to grants received in order to finance the other debtor loans made by the company. They are converted to unrestricted grants once the repayment of the other debtor falls due. The balance includes Single Regeneration Budget funding administered through TDC of £1,412,540 (2014: £1,412,540), funding from the HCA of £2,229,568 (2014: £2,229,568), and funding from the European Regional Development Fund of £1,961,136 (2014: £1,961,136).

Designated grants - fixed assets

These relate to grants received in order to finance fixed assets of the company. The balance comprises funding received from the HCA of £Nil (2014: £76,017).

10. Deferred taxation

	2015	2014
	£	£
At beginning of year	-	(45,000)
released for year (STRGL)	-	45,000
	<hr/> - <hr/>	<hr/> - <hr/>

11. 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.

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

Notes to the financial statements
for the year ended 31 March 2015

12. Reserves

	Revaluation reserve £	Other reserves £	Profit and loss account £
At 1 April 2014	3,075,000	(507,055)	2,029,881
Profit for the financial year			199,366
At 31 March 2015	<u>3,075,000</u>	<u>(507,055)</u>	<u>2,229,247</u>

Other reserves represent the provision made to reduce utility loans to the Directors' best estimate of fair value. See accounting policy 1.8.

13. Contingent liabilities

The company has received grants contingent on meeting certain performance criteria. The Directors are confident that the company will meet these performance criteria.

14. Other financial commitments

As at 31 March 2015, the company had made a commitment to make a loan to an unrelated third party totaling £750,000 (2014: £750,000). Of this £150,000 (2014: £150,000) had been paid and is included within other debtors due after more than one year. The remainder is expected to be paid out in the forthcoming year. The loan is interest bearing and repayable over 10 years from the date of completion of the project being financed.

15. Related party transactions

On 31 March 2014, the Homes and Communities Agency (the HCA) resigned as a member organisation of the company.

Included within other creditors at 31 March 2014 was £42,276 of grant funding which is due back to the HCA. During the prior year the company received grants from the HCA totaling £307,436. Also during the prior year some of the grant funding due back to the HCA was converted into a drawdown facility of £195,436 from which expenditure of the company could be funded. The unutilised balance remaining on grants received (including the drawdown facility) is shown in note 9.

During the year the company paid rates to CCC of £152,481 (2014: £148,377).

16. Controlling party

There is no controlling party for the company.