

Registered number: 04410176

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

Directors' Report and Financial Statements

For the year ended 31 March 2019



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

M Dance (KCC)
C Barron (UoK)
P Czarnomski (UoK)
D Monk (SDC)
S Cook (CCC) (resigned 21 May 2019)
K Morris (DDC)
J Savage (TDC)
R Thomas (CCC) (appointed 21 May 2019)

**Company secretary & Chief
executive officer**

D Spalding

Registered number

04410176

Registered office

Clover House
John Wilson Business Park
Chestfield
Whitstable
Kent
CT5 3QZ

Independent 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
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East Kent Spatial Development Company
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Directors' Report
For the year ended 31 March 2019

The Directors present their report and the financial statements for the year ended 31 March 2019.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to 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.

Principal activity

The company's principal activity is to promote the economic development and regeneration, with a view to promoting the economic and environmental wellbeing, of an area within the districts of Thanet District Council, Dover District Council, Shepway District Council and Canterbury City Council including, without limitation

- a) primarily to undertake or procure the provision of infrastructure works and wider regeneration activities, and
- b) subject thereto to promote, provide and procure the provision of economic development activities and to promote, provide and procure the provision of other appropriate support activities, including without limitation, advice and training, in each case within or for the benefit of the Target Area.

Directors

The Directors who served during the year were:

M Dance (KCC)
C Barron (UoK)
P Czarnomski (UoK)
D Monk (SDC)
S Cook (CCC) (resigned 21 May 2019)
K Morris (DDC)
J Savage (TDC)

East Kent Spatial Development Company
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Directors' Report (continued)
For the year ended 31 March 2019

Disclosure 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 the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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.

Auditors

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

Small companies note

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 10 September 2019 and signed on its behalf.



R Thomas (CCC)
Director

East Kent Spatial Development Company
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Independent Auditors' Report to the Members of East Kent Spatial Development Company

Opinion

We have audited the financial statements of East Kent Spatial Development Company (the 'Company') for the year ended 31 March 2019, which comprise the Statement of comprehensive income, the Balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter

Valuation of other debtors

(i) - Utility loans

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in notes 2.6, 3, 8 and 12 to the financial statements concerning the value of utility provider loans included in other debtors which is dependant upon performance criteria outside the company's control. The ultimate value of these other debtors cannot be presently determined.

(ii) - Hadlow College (in Administration)

We have also considered the adequacy of the disclosures made in notes 3 and 8 to the financial statements concerning the value of the loan in other debtors to Hadlow College (in administration) which is dependant upon the administration of that company. The total recovery against this loan cannot be presently determined.

East Kent Spatial Development Company
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Independent Auditors' Report to the Members of East Kent Spatial Development Company (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

East Kent Spatial Development Company
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Independent Auditors' Report to the Members of East Kent Spatial Development Company (continued)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 1, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent Auditors' Report to the Members of East Kent Spatial Development Company (continued)

Use of our report

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.

Kreston Reeves LLP /

Peter Manser FCA DChA (Senior statutory auditor)

for and on behalf of
Kreston Reeves LLP

Statutory Auditor
Chartered Accountants

Canterbury

11 September 2019

East Kent Spatial Development Company
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Statement of Comprehensive Income
For the year ended 31 March 2019

	Note	2019 £	2018 £
Turnover		1,103,681	1,079,509
Cost of sales		(544,313)	(647,522)
Gross profit		559,368	431,987
Administrative expenses		(143,816)	(152,682)
Fair value movements		23,636	131,922
Operating profit		439,188	411,227
Interest receivable and similar income		69,517	43,019
Interest payable and expenses		1,500	405
Profit before tax		510,205	454,651
Tax on profit	5	(86,194)	(111,321)
Profit for the financial year		424,011	343,330

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 9 to 21 form part of these financial statements.

East Kent Spatial Development Company
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Balance Sheet
As at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	6	21,272	12,350
Investment properties	7	5,401,120	5,401,120
		<u>5,422,392</u>	<u>5,413,470</u>
Current assets			
Debtors	8	5,123,882	5,051,027
Cash at bank and in hand		2,959,276	2,504,634
		<u>8,083,158</u>	<u>7,555,661</u>
Creditors: amounts falling due within one year	9	(524,359)	(525,363)
Net current assets		<u>7,558,799</u>	<u>7,030,298</u>
Total assets less current liabilities		<u>12,981,191</u>	<u>12,443,768</u>
Creditors: amounts falling due after more than one year	10	(5,575,444)	(5,579,138)
Provisions for liabilities			
Deferred tax	13	(918,190)	(801,085)
		<u>(918,190)</u>	<u>(801,085)</u>
Net assets		<u>6,487,557</u>	<u>6,063,545</u>
Capital and reserves			
Reserves		6,487,557	6,063,545
		<u>6,487,557</u>	<u>6,063,545</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 September 2019.



R Thomas (CCC)
Director

The notes on pages 9 to 21 form part of these financial statements.

East Kent Spatial Development Company
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Notes to the Financial Statements
For the year ended 31 March 2019

1. General information

East Kent Spatial Development Company is a company limited by guarantee incorporated in England. The address of the registered office is Clover House, John Wilson Business Park, Chestfield, Whitstable, CT5 3QZ.

The company's principal activity is to promote the economic development and regeneration, with a view to promoting the economic and environmental wellbeing, of an area within the districts of Thanet District Council, Dover District Council, Shepway District Council and Canterbury City Council.

The financial statements are presented in sterling which is the functional currency of the company. The financial statements are rounded to the nearest pound.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 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 company made a profit before grant releases and fair value movements of £415,472 (2018: £279,305). The company has £2,959,276 (2018: £2,504,634) 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 and uncertainty over the carrying value of utility loans (see notes 2.6, 3, 8 and 12) and the uncertainty over the recoverable value of the Hadlow College loan (see notes 3 and 8).

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.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

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Notes to the Financial Statements
For the year ended 31 March 2019

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office Equipment	-	33%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.5 Investment properties

Investment properties are carried at fair value based on the latest valuation undertaken, derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. The 2019 valuations were undertaken by the Directors informed by the most recent valuations prepared by Caxtons Commercial Limited Chartered Surveyors. No depreciation is provided. Changes in fair value are recognised in the Statement of comprehensive income.

Notes to the Financial Statements
For the year ended 31 March 2019

2. Accounting policies (continued)

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Utility loans

Other debtors include 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 the 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 note 2.10). 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.

The utility loans have been treated as other financial instruments and are measured at fair value, being the present value of future payments discounted at a market rate of interest for a similar debt instrument. Any movement in the value of this estimate, other than from draw down or repayment, is taken to the Statement of comprehensive income.

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. 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.

Fair value is the directors' best estimate of the discounted future income stream arising from the repayment of the utility loans based on the latest professional consideration of the likely repayments. Repayments are linked to the Retail Price Index up to March 2019 and it is assumed this will continue to rise at 3.5% per annum. The discount rate applied is also assumed to be 3.5%.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

East Kent Spatial Development Company
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Notes to the Financial Statements
For the year ended 31 March 2019

2. Accounting policies (continued)

2.8 Financial instruments

Other than the Company's utility loans, the Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors; and loans to related and other parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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Notes to the Financial Statements
For the year ended 31 March 2019

2. Accounting policies (continued)

2.10 Grants

Grants received in respect of investment properties

Investment property related grants are accounted for in accordance with the performance model. Under the performance model:

- A grant that specified performance conditions is recognised in other operating income when the performance criteria is met;
- A grant that does not specify performance conditions is recognised in other operating income when the proceeds are received or receivable;
- A grant received before the recognition criteria are satisfied is recognised as a liability.

Grants received in respect of revenue expenditure

Grants relating to revenue expenditure are accounted for in accordance with the accrual model. Under the accrual model grants relating to revenue shall be recognised in income on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate.

Grants received to finance utility loans

Grants receivable to finance utility loans are accounted for under the accrual model. Under the accrual model grants relating to utility loans shall be transferred from designated grants in advance to unrestricted grants in advance in the period in which repayment or other reduction of the other debtor to which they relate is made.

2.11 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.13 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

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Notes to the Financial Statements
For the year ended 31 March 2019

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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Notes to the Financial Statements
For the year ended 31 March 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgments, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following judgments have had the most significant impact on amounts recognised in the financial statements:

Going concern

In the judgment of the directors it is appropriate to prepare the financial statements in accordance with the going concern basis of accounting. See note 2.2 for further details.

Investment properties

The company holds investment properties with fair value of £5,401,120 at the year end (see note 7). The Directors' valuation is based on valuations provided by independent valuation specialists with experience in the location and nature of the property being valued. They have used a valuation technique based on comparable market data. The determined fair value of the investment properties is most sensitive to fluctuations in the property market.

Debtors - infrastructure loans

The company has made loans to a utility provider. The utility loans have been treated as other financial instruments and are measured at fair value, being the present value of future payments discounted at a market rate of interest for a similar debt instrument. Fair value is taken as the Directors' best estimate of the discounted future income stream arising from the repayment of the utility loans (see note 2.6).

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

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. 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.

Debtors - Hadlow College

The company has also made a loan to Hadlow College. The loan is unsecured and interest bearing and is repayable following completion of the development for which it was loaned. The loan is carried at its capital plus interest value.

Hadlow College is now in Education Administration. As such there is uncertainty over the recoverable value of the loan made to Hadlow College. However, the Directors have taken advice on the recoverability of this loan and are satisfied that the loan (capital plus interest) will be recovered in full.

Grants

Grants relating to investment properties are accounted for under the performance model. In the opinion of the Directors' all performance criteria have been met and thus all appropriate grant income has been released.

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Notes to the Financial Statements
For the year ended 31 March 2019

4. Employees

The average monthly number of employees, including directors, during the year was 3 (2018 - 3).

5. Taxation

	2019	2018
	£	£
Corporation tax		
Current tax on profits for the year	24,803	55,714
Adjustments in respect of previous periods	(55,714)	3,380
Total current tax	(30,911)	59,094
Deferred tax		
Changes to tax rates	-	19,814
Origination and reversal of timing differences	117,105	32,413
Total deferred tax	117,105	52,227
Taxation on profit on ordinary activities	86,194	111,321

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Notes to the Financial Statements
For the year ended 31 March 2019

6. Tangible fixed assets

	Furniture, fittings and equipment £
Cost or valuation	
At 1 April 2018	28,508
Additions	18,398
Disposals	(7,116)
At 31 March 2019	39,790
Depreciation	
At 1 April 2018	16,158
Charge for the year on owned assets	9,476
Disposals	(7,116)
At 31 March 2019	18,518
Net book value	
At 31 March 2019	21,272
At 31 March 2018	12,350

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Notes to the Financial Statements
For the year ended 31 March 2019

7. Investment properties

	Long term Leasehold investment properties £
Valuation	
At 1 April 2018	5,401,120
At 31 March 2019	5,401,120

The 31 March 2019 valuations were made by the Directors, informed by the most recent valuations undertaken by Caxtons Commercial Limited Chartered Surveyors, on a fair value basis.

Caxtons Commercial Limited Chartered Surveyors are an independent professionally qualified valuers with recent experience in the location.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	2018 £
Historic cost	10,308,367	10,308,367
Accumulated impairments	(4,907,247)	(4,907,247)
	5,401,120	5,401,120

8. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	4,001,393	4,866,522
	4,001,393	4,866,522
Due within one year		
Trade debtors	95,739	71,200
Other debtors	961,131	80,030
Prepayments and accrued income	65,619	33,275
	5,123,882	5,051,027

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8. Debtors (continued)

Other debtors include loans made to a utility service provider to finance the installation of new network infrastructure. Repayment of this loan is dependant on connections to the infrastructure, see notes 2.6, 3 and 12.

Other debtors also include a loan made to Hadlow College to finance the construction of a new development. Hadlow College has entered Education Administration so there is some uncertainty over the recoverable amount of this loan, see note 3. The balance included in other debtors at 31 March 2019 is £869,390 due within one year (2018: £839,304 due after more than one year).

9. Creditors: Amounts falling due within one year

	2019 £	2018 £
Grants received in advance (see note 11)	85,104	81,410
Trade creditors	72,233	2,098
Corporation tax	24,803	67,689
Other taxation and social security	-	23,716
Other creditors	201,443	215,441
Accruals and deferred income	140,776	135,009
	<u>524,359</u>	<u>525,363</u>

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

	2019 £	2018 £
Grants received in advance (see note 11)	5,575,444	5,579,138
	<u>5,575,444</u>	<u>5,579,138</u>

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11. Grants received in advance

	2019 £	2018 £
Designated grants - other debtors	4,650,686	4,822,887
Unrestricted grants	1,009,862	837,661
	<u>5,660,548</u>	<u>5,660,548</u>

Designated grants

These relate to grants received in order to finance other debtor loans made by the company. They are converted to unrestricted grants once the repayment of the other debtors falls due. The balance includes Single Regeneration Budget funding administered through TDC of £1,172,407 (2018: £1,215,817) and other third party funding of £3,478,279 (2018: £3,607,070).

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 unreleased general grant funding of £57,304 (2018: £57,304) and converted other debtor grants of £952,558 (2018: £780,357)

12. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	4,085,059	4,107,248
	<u>4,085,059</u>	<u>4,107,248</u>

Financial assets measured at fair value through profit or loss comprise loans made to a utility provider which are held in other debtors. The valuation principles of these loans and related uncertainties are described in note 2.6.

13. Deferred taxation

	2019 £
At beginning of year	(801,085)
Charged to the profit or loss	(117,105)
At end of year	<u>(918,190)</u>

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13. Deferred taxation (continued)

The deferred tax liability is made up as follows:

	2019 £	2018 £
Tax losses carried forward	-	117,105
Grant funding of property acquisitions	(918,190)	(918,190)
	<u>(918,190)</u>	<u>(801,085)</u>

14. 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.

15. 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.

16. Post balance sheet events

On 11 August 2019, the company entered into a contract to purchase a new building for an amount of £350,000. The anticipated fit out costs for the building are £887,000.

17. Controlling party

There is no controlling party for the company.