

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 MARCH 2006**

	Notes	2005/6 £'000	2004/5 £'000
<b>Income</b>			
Grant-in-aid released	2	123,677	87,637
European funding	2	7,317	6,520
Other grant income	2	13,714	10,912
Transfer from Government Grant Reserve	17	19,339	27,415
Proceeds from disposal of development assets	15	11,240	21,827
Proceeds from disposal of operating assets	9	174	0
Other income	4	5,040	5,327
<b>Total Income</b>		<b>180,501</b>	<b>159,638</b>
<b>Expenditure</b>			
Programme expenditure	3	140,733	108,344
Staff costs	7	15,342	13,606
Other administrative costs	5	6,998	7,525
Book value of development assets sold	15	10,463	22,139
Book value of operating assets sold	9	174	1
Book value of development assets written down	15	11,119	10,657
Book value of development assets written back	15	(3,323)	(6,408)
Bad debts written off and movements in provision for bad and doubtful debts	14	(6)	4,349
<b>Total Expenditure</b>		<b>181,500</b>	<b>160,213</b>
<b>Group Operating surplus / (deficit) on continuing operations</b>		<b>(999)</b>	<b>(575)</b>
Share of gross income of Joint Ventures	10c	2,333	3,789
Share of gross expenditure of Joint Ventures	10c	2,387	3,857
Share of operating surplus / (deficit) of Joint Ventures		(54)	(68)
Share of operating surplus / (deficit) of Associates	10c	37	12
<b>Surplus / (deficit) on ordinary activities before interest</b>		<b>(1,016)</b>	<b>(631)</b>
Group interest receivable	6a	1,169	601
Group interest payable and similar charges	6b	(51)	0
Notional cost of capital	1(j)	(5,294)	(4,214)
Share of interest receivable by Joint Ventures	6a	0	0
Share of interest payable by Joint Ventures	6b	0	0
Share of net interest of Joint Ventures		0	0
Share of net interest of Associates	6a	26	2
<b>Surplus / (deficit) on ordinary activities before taxation</b>		<b>(5,166)</b>	<b>(4,243)</b>
Group taxation	19	(35)	(27)
Share of taxation of Joint Ventures	19	16	21
Share of taxation of Associates	19	(8)	0
<b>Surplus / (deficit) for the year after tax</b>		<b>(5,193)</b>	<b>(4,249)</b>
Minority Interest	10(b)	(17)	0
Reversal of notional cost of capital	1(j)	5,294	4,214
<b>Surplus / (Deficit) for the year carried forward</b>		<b>84</b>	<b>(35)</b>

All activities are from continuing operations.  
The notes on pages 6 to 29 form part of these accounts

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR TO 31 MARCH 2006**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/ Deficit for the year after taxation	84	(35)
Revaluation not released to Income and Expenditure account	3,074	78
Grant in Aid receivable not released to Income and Expenditure account	50,889	57,316
<b>Total gains/ (losses) recognised for the year</b>	<b>54,047</b>	<b>57,359</b>

Grant in Aid receivable not released to the Income and Expenditure account is made up of £50,589,000 of Development Asset additions (note 15) and Operating Asset additions of £300,000 (note 9).

The Revaluation not released to the Income and Expenditure account of £3,074,000 arises from the upwards revaluation of Development Assets (note 15).

The notes on pages 6 to 29 form part of these accounts

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**GROUP BALANCE SHEET AS AT 31 MARCH 2006**

	Notes	2005/6 £'000	Restated 2004/5 £'000
<b>FIXED ASSETS</b>			
Intangible operating assets	8	0	4
Tangible operating assets	9	1,083	1,823
Investments in Joint Ventures	10c		
- Share of gross assets		7,818	8,685
- Share of gross liabilities		(7,540)	(8,356)
Investments in Associates	10c	52	14
Long term loans	16	147	182
		<u>1,560</u>	<u>2,352</u>
Debtors due after one year	11	8,947	5,682
<b>CURRENT ASSETS</b>			
Stock of development assets	15	165,748	130,344
Debtors due within one year	11	28,207	36,691
Cash at bank and in hand	20	17,791	11,426
		<u>211,746</u>	<u>178,461</u>
<b>CREDITORS: due within one year</b>	12	<u>43,748</u>	<u>38,161</u>
<b>NET CURRENT ASSETS</b>		167,998	140,300
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>178,505</u>	<u>148,334</u>
<b>CREDITORS: due after one year</b>	12	5,308	9,834
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	4,600	4,600
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<u><b>168,597</b></u>	<u><b>133,900</b></u>
<b>RESERVES</b>			
Government Grant	17	168,550	133,870
Minority Interest	10 b	47	30
		<u><b>168,597</b></u>	<u><b>133,900</b></u>

**James E Brathwaite CBE**  
**Chairman**  
**Date**

**Pam Alexander**  
**Chief Executive and Accounting Officer**  
**Date**

The notes on pages 6 to 29 form part of these accounts

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY  
FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**AGENCY BALANCE SHEET AS AT 31 MARCH 2006**

	<b>Notes</b>	<b>2005/6 £'000</b>	Restated <b>2004/5 £'000</b>
<b>FIXED ASSETS</b>			
Intangible operating assets	8	0	4
Tangible operating assets	9	1,083	1,823
Investments in Subsidiary undertakings	10b	192	125
Investments in Joint Ventures	10b	278	329
Investments in Associates	10b	52	14
Long term loans	16	147	182
		<hr/>	<hr/>
		1,752	2,477
		<hr/>	<hr/>
Debtors due after one year	11	8,947	5,682
<b>CURRENT ASSETS</b>			
Stock of development assets	15	165,748	130,344
Debtors due within one year	11	24,779	35,570
Cash at bank and in hand	20	15,243	9,354
		<hr/>	<hr/>
		205,770	175,268
		<hr/>	<hr/>
<b>CREDITORS: due within one year</b>	12	43,319	37,952
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		162,451	137,316
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		173,150	145,475
		<hr/>	<hr/>
<b>CREDITORS: due after one year</b>	12	0	7,005
		<hr/>	<hr/>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	4,600	4,600
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<b>168,550</b>	<b>133,870</b>
		<hr/>	<hr/>
<b>RESERVES</b>			
Government Grant	17	168,550	133,870
		<hr/>	<hr/>
		<b>168,550</b>	<b>133,870</b>

Investments in Subsidiary undertakings have been restated at valuation rather than cost.

**James E Brathwaite CBE**  
**Chairman**  
**Date**

**Pam Alexander**  
**Chief Executive and Accounting Officer**  
**Date**

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**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**GROUP CASH FLOW STATEMENT FOR THE YEAR TO 31 MARCH 2006**

	Notes	2005/6 £'000	2005/6 £'000	2004/5 £'000	2004/5 £'000
Operating Activities					
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	18		(45,551)		(56,598)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest Received	6a		1,169		602
Interest payable and similar charges	6b		(51)		0
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Purchase of tangible operating assets	9	(300)		(445)	
Long term loan repayments	16	35		33	
Proceeds on disposal of fixed operating assets	9	<u>174</u>		<u>0</u>	
Cash inflow from capital expenditure and financial investment			(91)		(412)
<b>FINANCING</b>					
Grant received for capital additions of Development assets	15	50,589		56,871	
Grant applied to capital additions of operating assets	9	300		445	
			<u>50,889</u>		<u>57,316</u>
<b>INCREASE IN CASH</b>	20		<u><b>6,365</b></u>		<u><b>908</b></u>

The notes on pages 6 to 29 form part of these accounts

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**Accounting Policies**

**1 (a) Accounting Conventions**

These financial statements have been prepared in accordance with the Financial Reporting Manual as issued by the Treasury. They are in a form directed by the Secretary of State for the Department of Trade and Industry, with the approval of the Treasury, in accordance with the Regional Development Agencies Act 1998.

The Agency was issued with a new Accounts Direction on 9<sup>th</sup> November 2005 which was effective for the 2005/6 financial year.

These financial statements are prepared using the historical cost convention modified by the inclusion of development assets at their value to the business by reference to their current value.

The financial statements have been prepared in accordance with applicable accounting standards and meet the accounting and disclosure requirements of the Companies Act 1985.

**(b) Basis of Consolidation**

The consolidated Financial Statements incorporate those of the Agency and its subsidiary undertakings, Ryde Business Park Management Company Ltd and East Kent Spatial Development Company.

The Group's joint ventures and associated undertakings are all incorporated entities in which the Group has 20% or more of the equity voting rights and over which it exerts either joint control (joint ventures) or significant influence (associates). In the Group Financial Statements, investments in joint ventures and associates are accounted for using the gross equity and equity methods respectively.

The share of net assets and profit / loss information of the joint ventures and associates is based upon audited financial statements to 31 March 2006 except for Finance South East, Aylesbury Vale Advantage and Countryside Maritime Ltd where unaudited financial statements have been used.

Consolidation adjustments have been undertaken in respect of East Kent Spatial Development Company Ltd and Hastings and Bexhill Renaissance Ltd to align the accounting policies with those of the Group.

**(c) Intangible Assets**

Intangible assets, consisting of software licenses, are valued at amortised historic cost which is not materially different from amortised replacement cost.

**(d) Fixed Operating Assets**

Fixed Assets are valued at depreciated replacement cost. Information Technology is capitalised if an item costs £500 or more, Fixtures and Fittings are capitalised if an item costs £1000 or more.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

SEEDA's policy is to capitalise IT development expenditure only when it relates to business software applications costing in excess of £5000 and having an economic life of at least three years.

**(e) Depreciation**

Depreciation is provided to write off the replacement cost of tangible operating assets over their anticipated useful lives on a straight line basis at the following annual rates:

Information Technology - over three years  
Fixtures and Fittings - over five years  
Intangible assets – amortised over three years.

**(f) Development Assets**

Development assets are held short term for disposal. The accounting policy is to revalue each year at the lower of current replacement cost and net realisable value. A valuation of the whole portfolio was carried out as at 31 January 2006, all of which was undertaken by Drivers Jonas, Chartered Surveyors.

Each Development Asset has an individual calculation in order to calculate the net gain or loss on each site following the revaluation. Any increase above historic cost is taken to the Government Grant Reserve whilst losses are written off against the reserve up to the value of any credit balance in the reserve and are shown in the Income and Expenditure account thereafter. The valuations of these assets are shown as stock on the Balance Sheet and within the Government Grant Reserve. Disposals and purchases of land and buildings are accounted for on the date of legal exchange.

**(g) Government Grants Receivable**

The Agency's activities are funded primarily by grant in aid provided by the Department of Trade and Industry for specified types of expenditure. Government grants receivable of a revenue nature are credited to the Income and Expenditure Account in the year to which they relate. Government Grants in respect of capital expenditure on assets that are depreciated are credited to the Government Grant Reserve and released to the Income and Expenditure Account over the expected useful life of the relevant tangible fixed assets. Government Grants in respect of assets that are retained and not depreciated are also credited to the Government Grant Reserve, and released upon disposal or impairment.

**(h) Pension Costs**

Employees of the South East England Development Agency can participate in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a defined benefit scheme and is non-contributory for employees, apart from the new PCSPS schemes as detailed in the annual report (remuneration report section). The Agency's contributions to the Scheme are charged to the Income and Expenditure Account.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

The Agency recognises the expected cost of providing pension benefits on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

**(i) Deferred Taxation**

Deferred Taxation is fully provided on timing differences arising between the recognition of gains and losses in the financial statements and in a tax computation. It is calculated based on tax rates which are enacted, or substantively enacted, as at the Balance Sheet date.

**(j) Notional Cost of Capital**

When calculating the surplus or deficit for the year, the Agency is required to include as expenditure a notional cost of capital, to the extent that there is no real charge for this. This has been calculated as 3.5% (2004/5:3.5%) of the average of total assets less total liabilities. After the surplus or deficit for the year there is an entry reversing this amount.

**(k) Operating Leases**

Operating lease rentals payable are accounted for in the Income and Expenditure Account on a straight line basis over the term of the lease. There are no finance leases.

**(l) Financial Instruments**

The Agency has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks. It has no material deposits and all assets and liabilities are denominated in sterling. There is no exposure to interest rate or currency risk (see note 26).

**(m) Third Party Assets**

The Agency holds deposits on behalf of Tenants to ensure that rental obligations are fulfilled. These are assets for which the Agency acts as custodian but in which the Agency has no direct beneficial interest. Third part assets are not recognised in the financial statements but are disclosed by way of a note (see note 27).

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**2. Analysis of Total Grant in Aid Utilised**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Grant in aid received from DTI	158,200	104,500
Coalfield grant received from EP	3,734	6,428
European grant received – ESF	2,609	2,222
European grant received – ERDF	8,319	4,298
Other grants (excluding coal)	33,261	47,537
Grant applied to inherited assets / liabilities	0	0
Opening net unused grant creditor	6,965	4,365
Closing net unused grant creditor	(17,491)	(6,965)
<b>Total grant receivable</b>	<b>195,597</b>	<b>162,385</b>
Total expenditure	212,993	189,961
Less non grant Income (see note below)	(17,396)	(27,576)
<b>Total grant utilised</b>	<b>195,597</b>	<b>162,385</b>
Grant applied to operational asset additions	300	445
Grant applied to development assets additions	50,589	56,871
Grant in Aid credited to Income and Expenditure Account	123,677	87,637
Coalfield grant credited to Income and Expenditure Account	257	117
EU grants credited to Income and Expenditure Account	7,317	6,520
Other grants (excluding Coal) credited to Income and Expenditure Account	13,457	10,795
<b>Total grant utilised</b>	<b>195,597</b>	<b>162,385</b>
<u>Other Grants</u>		
	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
ODPM / DCLG	29,980	44,685
English Partnerships	1,196	0
Hastings (HBRL) European grants	0	1,234
Small Business Service	550	160
DEFRA	181	181
DTI – non single pot	1,354	1,277
	33,261	47,537
<u>Non Grant Income</u>		
	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Proceeds from disposal of development assets	15 11,240	21,827
Proceeds from disposal of operating assets	9 174	0
Rental and other income	4 5,040	5,327
- Less Subsidiary companies	(126)	(110)
Interest received	6 1,169	602
- Less Subsidiary companies	(136)	(103)
Long Term Loan repayments	16 35	33
	17,396	27,576

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY  
FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**3. Analysis of Income and Expenditure by Key Driver**

	Total Income recorded in the I&E Account	Total Expenditure recorded in the I&E Account	Grant applied to Capital additions recorded in the Government Grant Reserve
	2005/6 £'000	2005/6 £'000	2005/6 £'000
Business and International	43,016	53,269	88
Learning and Skills	20,254	25,704	42
Development and Infrastructure	65,019	55,685	30,053
Strategy and Sustainability	10,265	12,481	22
Resources	21,753	19,215	43
Coalfields	265	257	4,449
ODPM – Community Fund	12,486	7,688	16,192
European Funds	7,317	7,058	0
Subsidiary Companies	126	143	0
<b>Total</b>	<b>180,501</b>	<b>181,500</b>	<b>50,889</b>

	2004/5 £'000	2004/5 £'000	2004/5 £'000
Business and International	9,885	14,716	41
Learning, Skills and Workforce, Wired Region & Social Inclusion	9,705	17,244	49
Community Renaissance and Infrastructure	115,144	99,471	19,058
Strategy and Corporate Services	10,393	11,741	44
Coalfields	210	210	6,382
ODPM – Community Fund	9,425	12,512	31,742
European Funds	4,766	4,133	0
Subsidiary Companies	110	186	0
<b>Total</b>	<b>159,638</b>	<b>160,213</b>	<b>57,316</b>

The above total expenditure figures include book value of development assets sold and written down, grant expenditure and administrative expenditure as disclosed in the I&E. Programme expenditure alone, incurred by each key cost driver was as follows:

	2005/6 £'000	2004/5 £'000
Business and International	49,478	11,452
Learning and Skills	23,667	9,541
Development and Infrastructure	33,931	65,171
Strategy and Sustainability	9,266	4,672
Resources	10,301	1,090
ODPM – Community Fund	7,395	12,338
Coalfields	257	210
European Funds	6,416	3,834
Subsidiary Companies	22	36
<b>Total</b>	<b>140,733</b>	<b>108,344</b>

The 2005/6 programme expenditure above is split as follows

Private Sector £106,849 Public Sector £33,884

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**4. OTHER INCOME**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Rents and Maintenance	3,820	2,464
Other receipts	950	1,917
Clawback	144	836
Subsidiary company income	126	110
	<b>5,040</b>	<b>5,327</b>

Clawback relates to part repayment of a third party grant previously made. In accordance with the conditions of grant, when specific milestones are reached certain amounts of grant can be reclaimed. The total Clawback amount of £144,000 relates to 7 different projects (of which £97,191 related to a Wired Region broadband project and £19,618 to a North Kent Area Investment project)

**5. OTHER ADMINISTRATIVE COSTS**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Travel and subsistence	830	727
Other staff costs (recruitment, training etc)	537	552
Office and rent expenses	2,958	2,942
Operating lease rentals (excluding office leases)	182	201
Publications, events and media	597	938
Professional fees	362	431
IT and communication	491	541
Subsidiary company expenditure	121	150
Depreciation and Amortisation	865	993
Auditors' remuneration – Statutory	55	50
Auditors' remuneration – Non statutory	0	0
	<b>6,998</b>	<b>7,525</b>

Administration costs above exclude expenditure related to programmes and reflect only central management costs.

**6a. INTEREST RECEIVABLE**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Bank Interest	1,019	471
Interest on rural loans	14	27
Share of interest – subsidiary companies	136	103
	<b>1,169</b>	<b>601</b>
Share of net interest – joint ventures	0	0
Share of net interest – associates	26	2
	<b>1,195</b>	<b>603</b>

**6b. INTEREST PAYABLE**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Interest charged	51	0
Share of Interest payable – subsidiary companies	0	0
	<b>51</b>	<b>0</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**7. SALARIES AND WAGES (a) Staff Costs**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
<b>Board</b>		
Chairman's salary	77	75
Board members' fees	121	125
National Insurance costs	16	14
	<hr/>	<hr/>
	214	214
<b>Staff</b>		
Salaries and wages, including overtime	8,750	7,504
Redundancy payments	50	0
Pension costs	1,706	1,097
National Insurance costs	781	665
	<hr/>	<hr/>
	11,287	9,266
Other staff costs	195	503
Seconded staff costs	394	502
	<hr/>	<hr/>
	589	1,005
<b>Administrative total</b>	<hr/>	<hr/>
	<b>12,090</b>	<b>10,486</b>
Programme -Salaries and wages, including overtime	1,982	1,586
Programme - Redundancy payments	0	0
Programme - Pension costs	386	232
Programme - National Insurance costs	179	145
Programme - other staff costs	282	541
Programme - seconded staff costs	423	616
	<hr/>	<hr/>
<b>Programme total</b>	<b>3,252</b>	<b>3,120</b>
<b>Total staff costs</b>	<hr/>	<hr/>
	<b>15,342</b>	<b>13,606</b>

Staff performance is assessed each year against previously agreed objectives and targets. They are then awarded a pay increase taking into account two factors:

- Overall performance against the achievement of the agreed objectives
- Their current pay position within the pay band

SEEDA's average pay award for 2005/6 was 2.82% comprising of both consolidated and non-consolidated amounts.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined scheme but SEEDA is unable to identify its share of underlying assets and liabilities. The scheme actuary valued the scheme as at 31<sup>st</sup> March 2003. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2005/6, employers' contributions of £2,053,774 were payable to the PCSPS (2004/5 £1,294,001) at one of four rates in the range of 16.2 to 24.6% (2004/5 12 to 18.5%) of pensionable pay, based on salary bands. The Scheme Actuary reviews the employer contributions every four years following a full valuation. From 2006/7, the salary bands will be revised and the rates will be in a range between 17.1 to 25.5%. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and they reflect past experience of the Scheme

Employer contributions of £36,499 (2004/5 £27,394) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% (2004/5 - 3 to 12.5%) of pensionable pay. Employers also match employee contributions of up to 3% (2004/5 3%) of pensionable pay. In addition, employer contributions of £2,169 (2004/5 £1,668), 0.8% (2004/5 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due or prepaid to the partnership pension providers at the Balance Sheet date.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY  
FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**7. SALARIES AND WAGES (Cont...)**

**(b) Average Staff Numbers**

The average number of staff, including all seconded staff, employed by the agency during the period was 342. In 2004/ 5 there were 335, including all seconded, temporary, contracted and capital project staff but excluding staff seconded to HBRL.

	Resources		Development & Infrastructure		Strategy & Sustainability		Learning & Skills		Business & International		Hastings		SEEDA Total		Offpat Total		
	Year	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05
<b>Senior Managers</b>		8	9	10	6	5	2	4	4	4	6	2	2	33	29	0	0
<b>Staff</b>		79	88	54	52	48	22	33	32	62	51	15	14	291	259	0	0
<b>Non permanent staff – Agency / contractors / secondees</b>		4	18	2	2	13	6	6	9	10	16	0	10	35	61	2	2
<b>Staff seconded to HBRL</b>		0	0	0	0	0	0	0	0	0	0	-17	-14	-17	-14	0	0
<b>Capitalised to SEEDA balance sheet</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>		91	115	66	60	66	30	43	45	76	73	0	12	342	335	2	2

The Office of Project Appraisal and Training (OFFPAT) is included for 2005/6 as SEEDA was appointed the accounting body for this period. The OFFPAT staff are not part of the established head count.

Senior Managers include those staff on the Hay scale Senior Management/Professional banding A and B. 84 members of staff received emoluments of more than £40,000 including the Chief Executive (In 2004/5 75 members). Senior executive salaries are agreed within a range approved by the DTI. At the 31<sup>st</sup> March 2006, no employees of SEEDA had received a loan from the Agency, other than travel season ticket loans.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

**7. SALARIES AND WAGES (Cont...)**

**(c) Seconded Staff**

Staff were seconded from the following organisations and reimbursed by the Agency during the accounting period:

	<b>2005/6 No. of Staff</b>	<b>2005/6 £'000</b>	<b>2004/5 No. of Staff</b>	<b>2004/5 £'000</b>
Dept. for works and Pensions	5	189	0	0
Thames Valley University	1	30	0	0
NIACE	1	30	0	0
DEFRA	1	11	0	0
Queensborough & Rushden PSO	1	20	0	0
Arts Council	0	0	1	9
Siemens Communications	0	0	1	109
Office of the Deputy Prime Minister	0	0	2	50
Department of Transport	0	0	1	71
Government Office for the South East	4	155	2	23
Sport England	1	24	1	13
Department of Trade and Industry	3	144	4	200
South West England Development Agency (OFFPAT)	1	56	1	47
Advantage West Midlands (OFFPAT)	1	93	1	69
Hastings Borough Council	0	0	2	153
Business Link	0	0	1	46
DSTL Finance	0	0	1	91
Business in the Community	0	0	1	24
Business Link Wessex	1	28	1	46
Sussex Enterprise	0	0	1	21
CCLRC	0	0	1	55
SEMLAC	1	17	0	0
Asian Health Authority	0	0	1	18
Oxbridge Bio	0	0	1	10
Psynapse	0	0	1	8
Mike Evans Services	0	0	1	23
University of Oxford	0	0	1	12
University of Reading	1	20	1	20
	<b>22</b>	<b>817</b>	<b>28</b>	<b>1,118</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

**8. Intangible Assets**

<b>Intangible Assets</b>	<b>2005/6</b>
	<b>£'000</b>
<b>Cost or Valuation</b>	
At 31 March 2005	12
Additions in year	0
Disposals in year	0
At 31 March 2006	<u>12</u>
<b>Amortisation</b>	
At 31 March 2005	8
Amortisation in year	4
At 31 March 2006	<u>12</u>
<b>Net book value at 31 March 2006</b>	<u><b>0</b></u>
<b>Net book value at 31 March 2005</b>	<u><b>4</b></u>

**9. Tangible Operating Assets**

	<b>Information Technology</b>	<b>Fixtures and Fittings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>			
At 31 <sup>st</sup> March 2005	2,507	2,198	4,705
Additions in year	149	151	300
Disposals	(409)	(109)	(518)
<b>At 31<sup>st</sup> March 2006</b>	<u>2,247</u>	<u>2,240</u>	<u>4,487</u>
<b>Depreciation</b>			
At 31 <sup>st</sup> March 2005	1,439	1,442	2,881
Depreciation in year	609	258	867
On disposals	(307)	(37)	(344)
At 31 <sup>st</sup> March 2006	<u>1,741</u>	<u>1,663</u>	<u>3,404</u>
<b>Net book value at 31<sup>st</sup> March 2006</b>	<u><b>506</b></u>	<u><b>577</b></u>	<u><b>1,083</b></u>
<b>Net book value at 31<sup>st</sup> March 2005</b>	<u><b>1,068</b></u>	<u><b>756</b></u>	<u><b>1,823</b></u>

Fixed operating assets are capitalised at their cost of acquisition and installation as current cost adjustments are immaterial. The replacement value of the assets is not materially different from the above values.

Book value of operating assets sold is derived from total disposal figures (£518,000 less £344,000 = £174,000).

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY  
FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

**10a. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

<b>Name of Undertaking</b>	<b>Interest</b>	<b>Class of Shares</b>	<b>Value</b>	<b>Nature of Business</b>	<b>SEEDA's share of Distributable Reserves (000)</b>
<b>Companies limited by shares</b>					
Chatham Maritime F5 Development Ltd	100%	Ordinary Share £1	£1	Dormant	-
Chatham Maritime F5 Construction Ltd	100%	Ordinary Share £1	£1	Dormant	-
South East England Properties Limited	100%	Ordinary Share £1	£100	Dormant	-
English Estates (Chatham) Ltd	100%	Ordinary Share £1	£100	Dormant	-
Ryde Business Park Management Co Ltd	100%	Ordinary Share £1	£2	Property Management	£5 – 2006 £5 – 2005
Countryside Maritime Ltd (CML)	50%	Ordinary Share £1	£4,950	Joint Venture	£278 -2006
	75%	Income Share 5p	£74	Property Development	£329 - 2005
<b>Companies limited by guarantee</b>					
South East Regional Investment Ltd	100%	Nil – Limited by Guarantee	0	Dormant	-
East Kent Spatial Development Co Ltd	80%	Nil – Limited by Guarantee	0	Regen. of Thanet & Dover	£187 – 2006 £120 – 2005
				Venture Capital Management	£48 – 2006 £14 – 2005
Hastings and Bexhill Renaissance Ltd	20%	Nil – Limited by Guarantee	0	Regen. Of Hastings & Bexhill	£4 – 2006 £0 – 2005
Aylesbury Vale Advantage Ltd	20%	Nil – Limited by Guarantee	0	Regen. Of Aylesbury Vale	£0 – 2006

- The Chatham Maritime Development and Construction companies exist to protect the Enterprise Zone status of the Chatham Estate. These companies are dormant.
- English Estates (Chatham) Ltd was originally set up by English Partnerships to protect the Chatham name for future marketing of the site. This company is dormant.
- South East England Properties Ltd is a dormant company. It was previously known as Chatham Maritime Ltd. The name was changed during 2005/6.
- Ryde Business Park Management Co Ltd is a subsidiary undertaking. It has no assets and collects rental and service income from tenants of the business park.
- Countryside Maritime Ltd (CML) is a joint venture with Countryside Properties PLC to build houses on St Mary's Island, Chatham.
- South East Regional Investment Ltd is a dormant company. Originally it was the investment agency for the South East.
- East Kent Spatial Development Co Ltd is a subsidiary undertaking; the other participants are three Kent local authorities and English Partnerships.
- Finance South East Ltd is a joint venture with Business Link Wessex. The management structure of the company allows for it to be considered as an associate undertaking.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

- Hastings and Bexhill Renaissance Ltd is a regeneration company with the East Sussex County Council, Rother District Council, Hastings Borough Council, Sussex Enterprise and the University of Brighton.
- Aylesbury Vale Advantage Ltd (formerly Delivery 2031 Ltd) has been formed with DTI consent in response to the Government's Sustainability Plan for the Aylesbury Vale area. In addition to SEEDA, members of the company include Buckinghamshire County Council, Aylesbury Vale District Council, English Partnerships and the Vale of Aylesbury Primary Care Trust (NHS). Aylesbury Vale Advantage started trading during 2005/6.
- South East Regional Aggregation Body was a partnership with the DTI. The body ceased trading at the end of December 2004 and was wound up in 2005/6.

**10b. AGENCY INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	468	5
Market value adjustment	54	463
Closing balance	<b>522</b>	<b>468</b>

Shares in special purpose entities were previously stated at cost. Investments are now shown on the balance sheet based on the following:

Investments in Subsidiaries are calculated on the basis of the Agency's share in Net Assets/ (Liabilities) as detailed below

	<b>2005/6</b>	<b>2005/6</b>
	<b>Total</b>	<b>Agency</b>
	<b>£'000</b>	<b>Share</b>
		<b>£'000</b>
<b>Investments in Subsidiaries</b>		
<b>Fixed Assets:</b>		
Ryde Business Park Management Company Ltd	0	0
East Kent Spatial Development Company Ltd	0	0
	<b>0</b>	<b>0</b>
<b>Current Assets:</b>		
Ryde Business Park Management Company Ltd	7	7
East Kent Spatial Development Company Ltd	5,969	4,775
	<b>5,976</b>	<b>4,782</b>
<b>Gross Assets:</b>		
Ryde Business Park Management Company Ltd	7	7
East Kent Spatial Development Company Ltd	5,969	4,775
	<b>5,976</b>	<b>4,782</b>
<b>Liabilities due within one year:</b>		
Ryde Business Park Management Company Ltd	2	2
East Kent Spatial Development Company Ltd	427	342
	<b>429</b>	<b>344</b>
<b>Liabilities due after one year:</b>		
Ryde Business Park Management Company Ltd	0	0
East Kent Spatial Development Company Ltd	5,308	4,246
	<b>5,308</b>	<b>4,246</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

**10b. AGENCY INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES**  
**(Cont...)**

	<b>2005/6</b>	<b>2005/6</b>
	<b>Total</b>	<b>Agency</b>
	<b>£'000</b>	<b>Share</b>
		<b>£'000</b>
<b>Investments in Subsidiaries cont...</b>		
<b>Gross Liabilities:</b>		
Ryde Business Park Management Company Ltd	2	2
East Kent Spatial Development Company Ltd	5,735	4,588
	<u>5,737</u>	<u>4,590</u>
<b>Net Assets/(Liabilities)</b>		
Ryde Business Park Management Company Ltd	5	5
East Kent Spatial Development Company Ltd	234	187
<b>Total</b>	<u>239</u>	<u>192</u>

In relation to the Joint Venture, Countryside Maritime Ltd, the balance sheet assets and liabilities comprised:

	<b>2005/6</b>	<b>2005/6</b>
	<b>Total</b>	<b>Agency</b>
	<b>£'000</b>	<b>Share</b>
		<b>£'000</b>
Fixed Assets	0	0
Current Assets	16,475	7,818
Gross Assets	<u>16,475</u>	<u>7,818</u>
Liabilities due within one year	9,327	4,117
Liabilities due after one year	6,728	3,423
Gross Liabilities	<u>16,055</u>	<u>7,540</u>
<b>Total Net Assets/(Liabilities)</b>	<u>420</u>	<u>278</u>

The Net Assets/(Liabilities) in relation to Associates comprised:

	<b>2005/6</b>	<b>2005/6</b>
	<b>Total</b>	<b>Agency</b>
	<b>£'000</b>	<b>Share</b>
		<b>£'000</b>
Hastings and Bexhill Renaissance Ltd	22	4
Finance South East Ltd	95	48
Aylesbury Vale Advantage Ltd	0	0
<b>Total Net Assets/(Liabilities)</b>	<u>117</u>	<u>52</u>

The results for the year and accumulated reserves for the subsidiary companies are

- Ryde Business Park Management Co Ltd -Deficit £19, Reserves £5,228
- East Kent Spatial Development Co Ltd – Profit £84,372, Reserves £233,880

Minority interest's share of the operating surplus / (deficit) of subsidiary companies

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Minority interest of 20% in East Kent Spatial	<u>17</u>	<u>0</u>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

Minority Interest in subsidiary companies at the Balance Sheet date

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Minority interest of 20% in East Kent Spatial – Net assets of £233,880 (£149,508 - 2005)	<b>47</b>	<b>30</b>

**10c. GROUP INTEREST IN JOINT VENTURES AND ASSOCIATES:**

	<b>Joint Ventures</b>	<b>Associates</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance	329	14	343
Movement in year	(13)	(17)	(30)
Agency share of retained profit / (loss)	(38)	55	17
Closing balance	<b>278</b>	<b>52</b>	<b>330</b>

Shares owned by the Group in joint ventures and associated undertakings are unlisted

• **Joint Ventures.**

The Group's share of operating profits of joint ventures included in the Income and Expenditure Account is as follows:

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Share of gross operating income of joint ventures	2,333	3,789
Share of gross expenditure of joint ventures	2,387	3,857
Share of operating surplus / (deficit) in joint venture	<b>(54)</b>	<b>(68)</b>

The Group's share of the gross assets and liabilities of its joint ventures was as follows:

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Share of fixed assets	0	0
Share of current assets	7,818	8,685
Share of gross assets	<b>7,818</b>	<b>8,685</b>
Share of creditors due within one year	4,117	5,051
Share of creditors due after more than one year	3,423	3,305
Share of gross liabilities	<b>7,540</b>	<b>8,356</b>
Share of net assets	<b>278</b>	<b>329</b>

The following are SEEDA's share of the un-audited results for 2005/6 of the joint venture Countryside Maritime Ltd. These figures are based on the agreed control-sharing ratio which is 50/50 for turnover, assets and liabilities whilst taxation and profit/loss are based on SEEDA'S entitlement of two thirds.

Turnover	2,333,500	Fixed assets	0
Loss before taxation	54,404	Current assets	7,817,948
Taxation	16,323	Liabilities within one year	4,116,950
Loss after taxation	38,081	Liabilities due after one year	3,422,762

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**10c. GROUP INTEREST IN JOINT VENTURES AND ASSOCIATES (Cont...):**

- **Associates**

The Group's share of operating profits of associates included in the Income and Expenditure Account is as follows:

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Share of operating surplus / (deficit) in associates	<u>37</u>	<u>12</u>

The following are SEEDA's share of the results of associate companies;

- Hastings and Bexhill Renaissance Ltd (HBRL) (20% SEEDA)

Turnover	2,235,174	Fixed assets	2,341,355
Operating profit	5,974	Current assets	1,559,533
Profit before taxation	30,342	Liabilities within one year	1,518,166
Taxation	8,447	Liabilities due after one	2,378,345
Profit after taxation	21,895	year	

SEEDA owed HBRL grant funding of £1,733,807 at year end.

- Finance South East (50% SEEDA)

Turnover	729,612	Fixed assets	9,201
Operating profit	31,391	Current assets	205,581
Profit before taxation	33,252	Liabilities within one year	167,300
Taxation	0	Liabilities due after one	0
Profit after taxation	33,252	year	

- Aylesbury Vale Advantage (20% SEEDA)

Turnover	0	Fixed assets	0
Profit before taxation	0	Current assets	0
Taxation	0	Liabilities within one year	0
Profit after taxation	0	Liabilities due after one	0
		year	

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

**11. GROUP DEBTORS**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Debtors due within one year		
Trade debtors	22,441	30,594
Other debtors	8	4
Value added tax	707	3,129
Taxation recoverable	3	2
Payments on account	2,982	2,299
Prepayments	1,723	320
Prepayment – Chatham Maritime Trust	343	343
	<b>28,207</b>	<b>36,691</b>

Trade debtors for 2005/6 shown above; include £3,428,000 for subsidiary companies (£1,121,000 for 2004/5)

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Debtors due after one year		
Disposal proceeds due June 2007	789	0
Disposal proceeds held by Joint Venture (owed to SEEDA)	3,696	3,629
Prepayment – Crown Estates / Neat's Court, Dartford	2,750	0
Prepayment – Chatham Maritime Trust	1,712	2,053
	<b>8,947</b>	<b>5,682</b>

A prepayment was made to Crown Estates to progress a growth area project in Dartford (ODPM/DCLG funded). A prepayment was made to Chatham Maritime Trust in March 2002 (and increased in March 2004) to extinguish SEEDA's service charge liability in respect of certain plots on the Chatham estate (South of the basin) in perpetuity. This amount is being released over 10 years.

**Debtors – Intra-government balances**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Debtors due within one year		
Balances with other central government bodies	12,621	23,985
Balances with local authorities	3,385	3,780
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	0	0
Sub total: intra- government balances	16,006	27,765
Balances with bodies external to government	12,201	8,926
	<b>28,207</b>	<b>36,691</b>

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Debtors due after one year		
Balances with other central government bodies	0	0
Balances with local authorities	0	0
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	2,750	0
Sub total: intra- government balances	2,750	0
Balances with bodies external to government	6,197	5,682
	<b>8,947</b>	<b>5,682</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

**12. GROUP CREDITORS**

Creditors due within one year	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	23,679	28,778
Other creditors	674	467
Taxation – PAYE	194	164
Social security	135	118
Income in advance	1,393	180
Office lease	1,045	1,162
Grant in aid creditor - DTI	10,047	5,773
Grant creditor – European funding	3,611	327
Grant creditor - ODPM (DCLG)	2,750	0
Coal grant creditor	220	1,192
	<b>43,748</b>	<b>38,161</b>

Trade creditors for 2005/6 shown above; include £429,000 for subsidiary companies (£209,000 for 2004/5)

Creditors due after one year	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Subsidiary companies – grants received in advance	5,308	2,829
Development Asset – deferred consideration	0	7,005
	<b>5,308</b>	<b>9,834</b>

The deferred consideration relates to a site acquisition payment of £7,500,000 due on 31<sup>st</sup> March 2007, which was discounted at the UK Treasury rate of 3.5% over 3 years. Payment was made during 2005/6 to clear the balance in full.

**Creditors – Intra-government balances**

Creditors due within one year	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Balances with other central government bodies	14,487	8,014
Balances with local authorities	8,244	9,158
Balances with NHS organisations	0	30
Balances with public corporations and trading funds	3	0
Sub total: intra- government balances	22,734	17,202
Balances with bodies external to government	21,014	20,959
	<b>43,748</b>	<b>38,161</b>

Creditors due after one year	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Balances with other central government bodies	2,000	0
Balances with local authorities	2,311	2,390
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	0	0
Sub total: intra- government balances	4,311	2,390
Balances with bodies external to government	997	7,444
	<b>5,308</b>	<b>9,834</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred taxation is fully provided on timing differences arising between the recognition of gains and losses in the financial statements and in a tax computation. It is calculated based on tax rates which are enacted, or substantively enacted, as at the Balance Sheet date. There is no deferred tax liability for 2005/6, nor was there any for 2004/5. No provision has been made for deferred tax.

The acquisition of the GKN site in 2004 included an option for English Partnerships (EP) to purchase part of the land. If invoked, this option may involve a payment, or land transfer, by SEEDA to EP as returns for a grant awarded by EP of £4.6 million. EP has indicated they will invoke this option and SEEDA has made a full provision for this amount.

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	4,600	0
Charge / credit to the Income and Expenditure account	0	4,600
	<b>4,600</b>	<b>4,600</b>

**14. BAD AND DOUBTFUL DEBT PROVISION**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	3,847	173
Provision used	(77)	(36)
Provision no longer required	(6)	(16)
Movement in provision	0	3,725
<b>Bad Debt Provision as at 31 March</b>	<b>3,764</b>	<b>3,847</b>

The Bad Debt Provision relates to amounts owed from - the Rural Development Commission loan scheme (which is now defunct), rental income from Development assets, RSA (Regional Selective Assistance) grant claw-back and the CML joint venture company. The CML amount is due to the delay in implementing the future operational strategy, although the company remains a going concern. In addition to the net movement shown above of £3,725,000 for 2004/5, a further £640,000 was written off in that year which had not been provided for - this relates to the Regional Aggregation Board loan.

**15. STOCK OF DEVELOPMENT ASSETS**

	<b>2005/6</b>	<b>2005/6</b>	<b>2004/5</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance		130,344		99,783
Additions in year		50,589		56,871
Disposal proceeds in year	(11,240)		(21,827)	
Profit / (Loss) on Disposal	777		(312)	
Net book value of Assets sold		(10,463)		(22,139)
Transfer to Government Grant		3,074		78
Reserve on revaluation				
Book value of development assets written down		(11,119)		(10,657)
Book value of development assets written back		3,323		6,408
		<b>165,748</b>		<b>130,344</b>

Amounts written down and back in respect of Development Assets relate to the difference between valuations at year end performed on a basis of the lower of current replacement cost and net realisable value (see note 1f), compared to historic book cost.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**16. LONG TERM LOANS**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance – Former Rural Development Commission	182	215
Loans repaid during the year	(35)	(33)
	<b>147</b>	<b>182</b>

**17. GOVERNMENT GRANT RESERVE**

	<b>2005/6</b>	<b>Restated</b>
	<b>£'000</b>	<b>2004/5</b>
		<b>£'000</b>
Opening balance	133,870	103,429
Movement in Valuation of Investments in Subsidiaries, Joint Ventures and Associates	54	463
Operational assets:		
Additions funded by grant in aid	300	445
Disposal - book value *	(174)	(1)
Depreciation *	(871)	(993)
Investment assets:		
Amounts written off *	0	0
Repayment of long term loans (RDC) *	(35)	(33)
Development assets:		
Additions funded by grant in aid	50,589	56,871
Disposal - book value *	(10,463)	(22,139)
Amounts written up on revaluation	3,074	78
Amounts written back on revaluation *	3,323	6,408
Amounts written down on revaluation *	(11,119)	(10,657)
* Amount released to I +E (£19,339 - allowing for rounding)		
	<b>168,550</b>	<b>133,870</b>

**18. RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Deficit on operating activities	(1,016)	(631)
Transfer from Government Grant Reserve	(19,339)	(27,415)
Depreciation and Amortisation	871	993
Additions to stock of development assets	(50,589)	(56,871)
Book value of development assets sold	10,463	22,139
Amounts written off - development assets	11,119	10,657
Amounts written back – development assets	(3,323)	(6,408)
Share of results in joint ventures	38	47
Share of results in associated undertakings	(55)	(12)
Decrease / (increase) in debtors	5,219	(26,587)
Increase in creditors and provisions	1,061	27,489
<b>Net cash outflow from operating activities</b>	<b>(45,551)</b>	<b>(56,598)</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**19. TAXATION**

The Group taxation charge based on Group taxable profits for the year

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Current year taxation charges	(35)	(27)
Share of taxation charge of joint ventures	16	21
Share of taxation charge of associates	(8)	0
Released to income and expenditure	<u>(27)</u>	<u>(6)</u>

There is no deferred tax liability for 2005/6

**20. RECONCILIATION OF GROUP NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>£'000</b>
Increase in cash	6,365
Cash to repurchase debt	0
Cash increase liquid resources	<u>0</u>
Change in net funds	6,365
<b>Net Funds as at 01.4.05</b>	<b><u>11,426</u></b>
<b>Net Funds as at 31.3.06</b>	<b><u>17,791</u></b>

The Agency Net funds position moved from £9,354 to £15,243 (increase £5,889)

**21. OPERATING LEASES**

As at March 2006 the Agency had annual commitments under operating leases as follows:-

	<b>Building</b>	<b>Car</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
	<b>2005/6</b>	<b>Leases</b>	<b>2005/6</b>	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>2005/6</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leases expiring					
-within one year	87	86	9	182	75
-between one and five years	113	122	8	243	151
-more than five years	1,140	0	0	1,140	1,346
	<u>1,340</u>	<u>208</u>	<u>17</u>	<u>1,565</u>	<u>1,572</u>

Rental costs of operating leases are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

**22. COMMITMENTS**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for as at 31 <sup>st</sup> March	<b>30,120</b>	<b>22,770</b>

The commitment figure includes commitments for Rural grants (£2,612,000), Business and other grants (£13,712,000) and for development work on Land and Property assets (£13,796,000).

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

**23. CONTINGENT LIABILITY**

A Letter of Comfort has been provided to the bankers of the Joint Venture company, Countryside Maritime Ltd (CML). This letter has been issued with approval from the Department of Trade and Industry and the Treasury, in accordance with the requirements of the Financial Memorandum. The Letter of Comfort provides support for the financing facility required for the house-building project at St. Mary's Island, Chatham. An additional £5m funding has been provided by the Office of the Deputy Prime Minister (ODPM) in order to increase the rate of house building. This amount will be released to CML subject to a utilisation agreement with the joint venture partner, Countryside PLC, who are providing a matched £5m.

**24. RELATED PARTY TRANSACTIONS**

SEEDA is an Executive Non-Departmental Public Body sponsored by the Department of Trade and Industry (DTI). The DTI is regarded as a related party with which, during the year, the Agency has had a significant number of material transactions.

The Office of the Deputy Prime Minister (ODPM) / Department for Communities and Local Government (DCLG) is the sponsor body of English Partnerships and therefore regarded as a related party. During the period, the Agency and English Partnerships have transacted in respect of a service level agreement under which English Partnerships provides certain support functions for the Agency. In addition, SEEDA manages the Kent coalfield regeneration programme on behalf of English Partnerships. The Agency also manages the Community Growth Area funding on behalf of ODPM/DCLG.

SEEDA has had a number of material transactions with other Government Departments and other central Government bodies, including the Department for Education and Skills. In addition, SEEDA has financial dealings with a large number of public and private sector organisations including Business Links, Learning and Skills Councils, Local Authorities, Economic Partnerships, voluntary groups and private companies.

The Agency had a number of related transactions with the undertakings it has an interest in: Ryde Business Park Management Co Ltd, East Kent Spatial Development Co Ltd, Finance South East Ltd, Hastings and Bexhill Renaissance Ltd (HBRL), South East Regional Aggregation Body and Countryside Maritime Ltd (CML) (see note 10). SEEDA made grant payments to HBRL of £10,358,529 (with a further £1,733,807 accrued), to Finance South East of £ 1,799,190 (with a further £97,508 accrued) during 2005/06.

Board members, as a standing item on the Board agenda, are asked to consider each item on the Board agenda and declare any interest at the commencement of each Board meeting. All declarations are recorded in the minutes. In addition, a register is maintained of financial and other interests of Board Members. Staff are required to declare related party transactions if applicable and a central register is kept.

Board Chairman James Brathwaite is a Director at the University of Greenwich and Business link Sussex that received payments of £155,717 and £4,539,995 in respect of various projects. He is also a partner in Brathwaite & Co. that received payment of £29,067 in respect of the Chairman's secretarial expenses. He is also a committee member of DEFRA's Sustainable Procurement Taskforce. DEFRA received £59,772 from SEEDA during 2005/6. He is also a Director at the Environment Agency which received £894 (with a further £12,729 accrued).

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTES TO THE ACCOUNTS**

Board member Robert Douglas is a board member and was Acting Chairman in year of Surrey Economic Partnership that received a grant of £139,650 from SEEDA. He is Chairman of Surrey Learning & Skills which received a payment of £95,000 from SEEDA. He is also an Independent Board Member of the DTI Energy Group Advisory Board. The DTI fund SEEDA. The DTI received payments of £199,455 from SEEDA, (with a further £15,005 accrued).

Board member Peter Jones is an elected member and leader of East Sussex County Council that received payment of £1,416,726 in grants (with a further £818,948 accrued). He is also a board member of Hastings and Bexhill Renaissance Ltd (HBRL). SEEDA grant funded HBRL during 2005 / 06.

Board member Rob Anderson is an elected member of Slough Borough Council that received £352,000 (with a further £15,000 accrued).

Board member Elizabeth Brighthouse is an elected member of Oxfordshire County Council that received £1,576,929 (with a further £103,190 accrued).

Board member Poul Christensen is Chair of DEFRA's Rural Development Service. DEFRA received £59,772 from SEEDA during 2005/6.

Board member Sarah Hohler is an elected member and former Deputy Leader of Kent County Council that received £756,853 in respect of grants as well as the performance security payment as detailed in note 26 (with a further £95,000 accrued). During 2005/6 Sarah was also a board member of Locate in Kent which received payment of £280,256, Culture South East, payment made of £30,316 and the Arts Council which received a payment of £505,933 (with a further £111,750 accrued).

Board member Keith House is an elected member of Hampshire County Council that received payments totalling £440,521 in respect of various activities (with a further £147,587 accrued) as well as the performance security payment as detailed in note 26.

Board member Mary McAnally is an Independent Director of the executive board of the DTI that fund SEEDA. The DTI received payments of £199,455 from SEEDA (with a further £15,005 accrued). She is also a Board Member of Sport England – South East Region which received payment of £17,861 (with a further £22,870 accrued).

Board member John Peel is a board member of Sussex Enterprise that received payment of £355,566 (with a further £63,852 accrued). Sussex Enterprise has subsidiary companies, one of which Wired Sussex Ltd, received payments from SEEDA of £43,256. He is also a member of the Executive Committee at the Employers Federation (EEF) South that received payment of £1,950,880 mostly in respect of the manufacturing advisory scheme (with a further £442,089 accrued). John Peel is also a Director of West Sussex Economic Partnership which received a grant of £310,135 (with a further £20,870 accrued).

Board member Bill Wakeham is a Director at Meridian Broadcasting Ltd that received £23,514 (with a further £11,633 accrued).

Board member Phil Wood is a Board Member at Sussex Enterprise that received £355,566 (with a further £63,852 accrued). Sussex Enterprise has subsidiary companies, one of which Wired Sussex Ltd, received payments from SEEDA of £43,256.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

During the year, SEEDA had financial transactions with organisations, with which some SEEDA staff were associated. A member of SEEDA staff is a trustee of Kent Wildlife Trust which received payment from SEEDA of £2,290. One SEEDA Executive Director is a Director of Farnborough Aerospace Consortium, which received payment of £464,241. Another Executive Director is a board member of Locate in Kent, which received a grant from SEEDA of £275,750 and also a board member of The North Kent Architecture Centre which received payment of £204,107 (with a further £54,936 shown in creditors). Another Executive Director is a board member of Hampshire Economic Partnership which received payment of £89,226.

The following SEEDA staff are also Directors of SEEDA subsidiaries, joint ventures and associates as detailed in note 10 and receive no additional remuneration for these additional responsibilities.

Pam Alexander - Countryside Maritime Ltd  
Jeff Alexander - South East Regional Investment Ltd, Finance South East Ltd  
Valerie Carter - East Kent Spatial Development Ltd  
Peter Cusdin - East Kent Spatial Development Ltd, Ryde Business Park Management Company  
Paul Hudson – Chatham Maritime Development and Construction Companies, South East England Properties Ltd, English Estates Ltd, South East Regional Investment Ltd, Ryde Business Park Management Company, Countryside Maritime Ltd, East Kent Spatial Development Ltd, Hastings and Bexhill Renaissance Ltd, Delivery 2031 Ltd  
Chris Moore - East Kent Spatial Development Ltd  
John Parsonage - Hastings and Bexhill Renaissance Ltd  
Jonathon Sadler - Chatham Maritime Development and Construction Companies, South East England Properties Ltd, English Estates Ltd, Countryside Maritime Ltd, East Kent Spatial Development Ltd  
Keith Sadler - East Kent Spatial Development Ltd  
Stephen Sadler - East Kent Spatial Development Ltd  
John Shaw - Hastings and Bexhill Renaissance Ltd  
Duncan Straughen – Hastings and Bexhill Renaissance Ltd  
David Tucker - Countryside Maritime Ltd, East Kent Spatial Development Ltd, Hastings and Bexhill Renaissance Ltd

**25. POST BALANCE SHEET EVENTS**

DEFRA and the Regional Development Agencies have been working together to devolve the RDA's new responsibility for delivering socio-economic funding under the EU Rural Development Regulation. The Heads of Terms on the key principles for the transfer of responsibilities were agreed in February 2006 and the final terms of terms of the transfer will be subject to discussion over the coming months with a view to the transfer being effective from 1 October 2006.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2006**

**NOTE TO THE ACCOUNTS**

**26. FINANCIAL INSTRUMENTS**

SEEDA's treasury policy is to use cash to make grant payments and to pay for goods and services. Generally, it does not make use of any other financial instruments.

SEEDA has made specific cash payments to Kent County Council totalling £1,235,000. This relates to a performance security in respect of redevelopment works at the Betteshanger colliery site. SEEDA has also made a cash payment to Hampshire County Council of £1,000,000 relating to a performance security with regards to Southmoor Park. Both of these amounts are shown as trade debtors within SEEDA's balance sheet. Provided the works are completed to the necessary standard the amount will be repaid to SEEDA. The payment was made in order to enable infrastructure works for further development to proceed. The risks associated with non compliance are considered to be low.

**27. THIRD PARTY ASSETS**

	<b>2005/6</b>	<b>2004/5</b>
	<b>£'000</b>	<b>£'000</b>
Tenants rental deposits	<u>51</u>	<u>40</u>

The above relates to closing bank balances held in a client bank account. These amounts are not recorded in the financial statements.