

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 MARCH 2007**

	Notes	2006/7 £'000	2005/6 £'000 Restated
<b>Income</b>			
European project funding		14,188	7,317
Other grant income	2	5,944	13,714
Proceeds from disposal of development assets	15	12,593	11,240
Proceeds from disposal of operating assets	9	0	174
Other income	4	10,796	5,040
<b>Total Income</b>		<b>43,521</b>	<b>37,485</b>
<b>Expenditure</b>			
Programme expenditure	3	157,440	140,733
Staff costs	7	17,248	15,342
Other administrative costs	5	7,091	6,998
Book value of development assets sold	15	7,745	10,463
Book value of operating assets sold	9	0	174
Book value of development assets written down	15	7,677	11,119
Book value of development assets written back	15	(1,791)	(3,323)
Bad debts written off and movements in provision for bad and doubtful debts	14	(1)	(6)
<b>Total Expenditure</b>		<b>195,409</b>	<b>181,500</b>
<b>Group Operating expenditure on continuing operations</b>		<b>(151,888)</b>	<b>(144,015)</b>
Share of gross income of Joint Ventures	10c	2,353	2,333
Share of gross expenditure of Joint Ventures	10c	2,360	2,387
Share of net operating expenditure of Joint Ventures		(7)	(54)
Share of operating surplus of Associates	10c	168	37
<b>Net Group expenditure on ordinary activities before interest</b>		<b>(151,727)</b>	<b>(144,032)</b>
Group interest receivable	6a	1,083	1,169
Group interest payable and similar charges	6b	0	(51)
Notional cost of capital	1(j)	(6,454)	(5,294)
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	52	26
<b>Net Group expenditure on ordinary activities before taxation</b>		<b>(157,046)</b>	<b>(148,182)</b>
Group taxation	19	11	(35)
Share of taxation of Joint Ventures	19	2	16
Share of taxation of Associates	19	(42)	(8)
<b>Net Group expenditure for the year after tax</b>		<b>(157,075)</b>	<b>(148,209)</b>
Minority Interest	10(b)	(9)	(17)
Reversal of notional cost of capital	1(j)	6,454	5,294
<b>Net Expenditure for the financial year</b>	<b>1g</b>	<b>(150,630)</b>	<b>(142,932)</b>

All activities are from continuing operations. Net expenditure is financed by Grant in Aid which is transferred to the Grant in Aid Reserve.  
The notes on pages 6 to 30 form part of these accounts

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR TO**  
**31 MARCH 2007**

	Notes	<b>2006/7</b> <b>£'000</b>	<b>2005/6</b> <b>£'000</b> <b>Restated</b>
Unrealised surplus on revaluation of Development Assets	15	540	3,074
Prior Year adjustment Increase in Grant in Aid Reserve	1g	10,047	0
<b>Total gains recognised for the year</b>		<b>10,587</b>	<b>3,074</b>

The prior period adjustment in 2006/7 relates to a change in the Agency now accounting for Grant in Aid on a cash basis. Such finance had previously been accounted for on an accruals basis and £10,047,000 had been included as a creditor in the years ended 31 March 2006 and 31 March 2007. Following a change in Accounting Policy ( as detailed in note 1), the prior period's results have now been restated.

All gains and losses relate to continuing operations

The notes on pages 6 to 30 form part of these accounts

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**GROUP BALANCE SHEET AS AT 31 MARCH 2007**

	Notes	2006/7 £'000	Restated 2005/6 £'000
<b>FIXED ASSETS</b>			
Intangible operating assets	8	0	0
Tangible operating assets	9	873	1,083
Investments in Joint Ventures	10c		
- Share of gross assets		8,709	7,818
- Share of gross liabilities		(8,473)	(7,540)
Investments in Associates	10c	208	52
Long term loans	16	99	147
		<hr/>	<hr/>
		1,416	1,560
Debtors due after one year	11	8,885	8,947
<b>CURRENT ASSETS</b>			
Stock of development assets	15	174,327	165,748
Debtors due within one year	11	22,366	28,207
Cash at bank and in hand	20	34,771	17,791
		<hr/>	<hr/>
		231,464	211,746
<b>CREDITORS: due within one year</b>	12	<hr/> (42,176)	<hr/> (33,701)
<b>NET CURRENT ASSETS</b>		189,288	178,045
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> 199,589	<hr/> 188,552
<b>CREDITORS: due after one year</b>	12	(9,083)	(5,308)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(4,500)	(4,600)
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<hr/> <b>186,006</b>	<hr/> <b>178,644</b>
<b>RESERVES</b>			
Government Grant	17	186,250	178,597
Minority Interest	10 b	(244)	47
		<hr/> <b>186,006</b>	<hr/> <b>178,644</b>

James E Brathwaite CBE  
Chairman  
Date

Pam Alexander  
Chief Executive and Accounting Officer  
Date

The notes on pages 6 to 30 form part of these accounts

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**AGENCY BALANCE SHEET AS AT 31 MARCH 2007**

	Notes	2006/7 £'000	Restated 2005/6 £'000
<b>FIXED ASSETS</b>			
Intangible operating assets	8	0	0
Tangible operating assets	9	872	1,083
Investments in Subsidiary undertakings	10b	(969)	192
Investments in Joint Ventures	10b	236	278
Investments in Associates	10b	208	52
Long term loans	16	99	147
		<hr/>	<hr/>
		446	1,752
Debtors due after one year	11	8,885	8,947
<b>CURRENT ASSETS</b>			
Stock of development assets	15	174,327	165,748
Debtors due within one year	11	14,663	24,779
Cash at bank and in hand	20	34,113	15,243
		<hr/>	<hr/>
		223,103	205,770
<b>CREDITORS: due within one year</b>	12	<hr/> (41,684)	<hr/> (33,272)
<b>NET CURRENT ASSETS</b>		181,419	172,498
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> 190,750	<hr/> 183,197
<b>CREDITORS: due after one year</b>	12	(0)	(0)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(4,500)	(4,600)
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<hr/> <b>186,250</b>	<hr/> <b>178,597</b>
<b>RESERVES</b>			
Government Grant	17	186,250	178,597
		<hr/> <b>186,250</b>	<hr/> <b>178,597</b>

James E Brathwaite CBE  
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Date

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**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**GROUP CASH FLOW STATEMENT FOR THE YEAR TO 31 MARCH 2007**

	Notes	2006/7 £'000	2006/7 £'000	Restated 2005/6 £'000	Restated 2005/6 £'000
Operating Activities					
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	18		(142,773)		(169,228)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest Received	6a		1135		1,169
Interest payable and similar charges	6b		0		(51)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Purchase of tangible operating assets	9	(441)		(300)	
Long term loan repayments	16	48		35	
Proceeds on disposal of fixed operating assets	9	<u>0</u>		<u>174</u>	
Cash outflow from capital expenditure			(393)		(91)
Corporation Tax refund			11		
<b>FINANCING</b>					
Grant received for capital additions of Development assets	15	21,670		50,589	
Grant applied to capital additions of operating assets	9	<u>441</u>		<u>300</u>	
			22,111		50,889
Grant in Aid Received			136,889		123,677
<b>INCREASE IN CASH</b>	20		<u><b>16,980</b></u>		<u><b>6,365</b></u>

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**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**NOTES TO THE ACCOUNTS**

**Accounting Policies**

**1 (a) Accounting Conventions**

These financial statements have been prepared in accordance with the 2006-07 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.

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 generally accepted accounting principles in the United Kingdom (UK GAAP), the Companies Act requirements, the disclosure and accounting requirements contained in HM Treasury's Fees and Charges Guide, the accounting and disclosure requirements given in Government Accounting and in the Financial Reporting Manual (FReM), insofar as these are appropriate to the Agency and are in force for the financial year for which the statements are prepared.

**(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 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 2007 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 cost and are capitalised if an item costs £1000 or more. 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.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**NOTES TO THE ACCOUNTS**

**(e) Depreciation**

Depreciation is provided to write off the 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 2007, 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 Revaluation 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 increase in valuation is shown in the Revaluation Reserve. Disposals and purchases of land and buildings are accounted for on the date of legal exchange.

**(g) Government Grants Received**

The Agency's activities are funded primarily by grant in aid provided by the Department of Trade and Industry for specified types of expenditure.

Grant in Aid received to finance activities and expenditure which support the statutory and other objectives of the Agency are treated as financing and credited to the Grant in Aid reserve, because they are regarded as contributions from a controlling party.

**Change of accounting policy**

With effect from the 2006/7 reporting period the Financial Reporting Manual (FRM) requires Non-Departmental public bodies (NDPB's) to account for grants in aid as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPB's. This is a change in accounting policy from earlier periods when such items were recorded as income. The table below sets out this change. Grant in Aid is now, as a consequence of a change in Accounting Policy, accounted for on a cash basis. Previously the Grant had been accounted for on an accruals basis.

	31.03.2006 as previously stated £000's	Impact of adopting the new policy £000's	31.03.2006 restated £000's
Net Expenditure	84	(143,016)	(142,932)
General reserve	(168,550)	(10,047)	(178,597)
	31.03.2007 without applying the new policy	Impact of adopting the new policy	31.03.2007 applying the new policy
Net Expenditure	(12,541)	(138,089)	(150,630)
General reserve	(186,250)	0	(186,250)

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTES TO THE ACCOUNTS**

**(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, except for dependents' benefits as detailed in the Annual Report (Remuneration Report section). The Agency's contributions to the Scheme are charged to the Income and Expenditure Account.

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% (2005/6:3.5%) 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. The Euro Bank Accounts are exposed to 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 party assets are not recognised in the financial statements but are disclosed by way of a note (see note 27).



**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTES TO THE ACCOUNTS**

**2. ANALYSIS OF OTHER GRANTS AND NON GRANT INCOME**

<b><u>Other Grants</u></b>	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
DCLG	4,074	10,433
English Partnerships	34	1,196
Small Business Service	212	550
DEFRA	0	181
DTI – Non single pot	1,388	1,354
Other	236	0
	<b>5,944</b>	<b>13,714</b>

<b><u>Non Grant Income</u></b>		<b>2006/7</b>	<b>2005/6</b>
		<b>£'000</b>	<b>£'000</b>
Proceeds of disposal of development Assets	15	12,593	11,240
Proceeds from disposal of operating assets	9	0	174
Rental and Other Income	4	10,796	5,040
Less subsidiary companies		(156)	(126)
Interest received	6	1,083	1,169
Less subsidiary companies		(34)	(136)
Long term loan repayments	16	48	35
		<b>24,330</b>	<b>17,396</b>

**3. ANALYSIS OF INCOME AND EXPENDITURE BY KEY DRIVER**

	<b>2006/7</b>	<b>2006/7</b>	<b>2006/7</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
	<b>Total Income</b>	<b>Total Spend</b>	<b>Grant Applied</b>
	<b>Per I&amp;E</b>	<b>Per I&amp;E</b>	<b>to Capital</b>
	<b>Accounts</b>	<b>Accounts</b>	<b>Additions</b>
			<b>in the Grant</b>
			<b>In Aid and</b>
			<b>General Reserve</b>
Business and International	13,047	58,274	0
Learning and Skills	7,121	31,804	0
Development and Infrastructure	14,848	68,025	20,311
Strategy and Sustainability	2,589	11,564	0
Resources	2,263	10,108	0
Coalfields	278	1,242	469
DCLG – Community Fund	1,203	5,372	890
European Funds	2,016	9,006	0
Subsidiary Companies	156	14	0
Total	<b>43,521</b>	<b>195,409</b>	<b>21,670</b>

Net expenditure is financed by Grant in Aid

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTES TO THE ACCOUNTS**

Note 3 (continued)

	Restated 2005/6 £'000	2005/6 £'000	2005/6 £'000
	Total Income Per I&E Accounts	Total Spend Per I&E Accounts	Grant Applied to Capital Additions in the Grant In Aid and General Reserve
Business and International	7,467	53,269	88
Learning and Skills	3,516	25,704	42
Development and Infrastructure	11,287	55,685	29,753
Strategy and Sustainability	1,782	12,481	22
Resources	3,776	19,215	43
Coalfields	46	257	4,449
DCLG – Community Fund	2,168	7,688	16,192
European Funds	7,317	7,058	0
Subsidiary Companies	126	143	0
Total	<b>37,485</b>	<b>181,500</b>	<b>50,589</b>

**Programme Expenditure Only**

	2006/7 £'000	2005/6 £'000
Business and International	46,987	49,478
Learning and Skills	25,641	23,667
Development and Infrastructure	54,743	33,931
Strategy and Sustainability	9,323	9,266
Resources	8,150	10,301
DCLG – Community Fund	4,331	7,395
Coalfields	991	257
European Funds	7,260	6,416
Subsidiary Companies	14	22
	<b>157,440</b>	<b>140,733</b>

The 2006/7 programme expenditure above is split as follows

Private Sector	123,393	106,849
Public Sector	34,047	33,884
	<b>157,440</b>	<b>140,733</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**NOTES TO THE ACCOUNTS**

**4. OTHER INCOME**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Rents and Maintenance	4,963	3,820
Train to Gain	3,943	0
Support to Implement best business practice	588	0
Other income	1,119	950
Clawback	27	144
Subsidiary company income	156	126
	<b>10,796</b>	<b>5,040</b>

SEEDA has the contract with the Learning and Skills Council to provide Train to Gain skills brokerage service for the South East region.

SEEDA are providing support to the Small Business Practice to implement best business practice.

Other Income refers to repayments and contributions, by partners, on various joint projects.

Clawback relates to part repayment of a third party grant in accordance with the grant and milestones being met.

**5. OTHER ADMINISTRATIVE COSTS**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Travel and subsistence	887	830
Other staff costs (recruitment, training etc)	601	537
Office and rent expenses	2,764	2,958
Operating lease rentals (excluding office leases)	164	182
Publications, events and media	782	597
Professional fees	331	362
IT and communication	671	491
Subsidiary company expenditure	141	121
Depreciation and Amortisation	582	865
Auditors' remuneration – Statutory	55	55
Auditors' remuneration - non statutory (IPA) (including disallowed VAT	113	0
	<b>7,091</b>	<b>6,998</b>

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

**6a. INTEREST RECEIVABLE**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Bank Interest	1,046	1,019
Interest on rural loans	3	14
Share of interest – subsidiary companies	34	136
	<b>1,083</b>	<b>1,169</b>
Share of net interest – joint ventures	0	0
Share of net interest – associates	52	26
	<b>1,135</b>	<b>1,195</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2007**

**NOTES TO THE ACCOUNTS**

**6b. INTEREST PAYABLE**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Interest charged	0	51
Share of Interest payable – subsidiary companies	0	0
	<b>0</b>	<b>51</b>

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

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
<b>Board</b>		
Chairman's salary	78	77
Board members' fees	131	121
National Insurance costs	17	16
	<b>226</b>	<b>214</b>
<b>Staff</b>		
Salaries and wages, including overtime	9,736	8,750
Redundancy payments	0	50
Pension costs	1,991	1,706
National Insurance costs	866	781
	<b>12,593</b>	<b>11,287</b>
Other staff costs	314	195
Seconded staff costs	257	394
	<b>571</b>	<b>589</b>
<b>Administrative total</b>	<b>13,390</b>	<b>12,090</b>
Programme -Salaries and wages, including overtime	2,437	1,982
Programme - Redundancy payments	0	0
Programme - Pension costs	534	386
Programme - National Insurance costs	235	179
Programme - other staff costs	241	282
Programme - seconded staff costs	411	423
<b>Programme total</b>	<b>3,858</b>	<b>3,252</b>
<b>Total staff costs</b>	<b>17,248</b>	<b>15,342</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 2006/7 was 3.5% comprising of both consolidated and non-consolidated amounts.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTES TO THE ACCOUNTS**

The Principal Civil Service Pension Scheme (PSCPS) 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 2006/7, employers' contributions of £2,425,720 were payable to the PCSPS (2005/6 £2,053,774) at one of four rates in the range of 17.1% to 25.5% (2005/6 16.2 to 24.6%) of pensionable pay, based on salary bands. The Scheme Actuary reviews the employer contributions every four years following a full valuation. 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 £53,496 (2005/6 £36,499) 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% (2005/6 - 3 to 12.5%) of pensionable pay. Employers also match employee contributions of up to 3% (2005/6 3%) of pensionable pay. In addition, employer contributions of £3,209 (2005/6 £2,169) , 0.8% (2005/6 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.

The Increase in total staff cost is due to a number of factors including the increase in staff numbers, the annual pay awards, bonuses as well as pay progression which is awarded annually where certain criteria have been met.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY  
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**NOTES TO THE ACCOUNTS**

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

**(b) Average Staff Numbers**

The average number of staff, including all permanent and non permanent but excluding those seconded out to the Hastings & Bexhill Regeneration Ltd during 2006/7 was 370. In 2005/ 6 there were 342.

	Resources		Development & Infrastructure		Strategy & Sustainability		Learning & Skills		Business & International		Hastings		SEEDA Total	
	06-07	05-06	06-07	05-06	06-07	05-06	06-07	05-06	06-07	05-06	06-07	05-06	06-07	05-06
<b>Senior Managers</b>	7	8	9	10	9	5	4	4	4	4	1	2	34	33
<b>Staff</b>	84	79	52	54	48	48	37	33	68	62	21	15	310	291
<b>Non permanent staff – Agency / contractors / secondees</b>	10	4	7	2	9	13	8	6	14	10	2	0	50	35
<b>Staff seconded to HBRL</b>	0	0	0	0	0	0	0	0	0	0	-24	-17	-24	-17
<b>Capitalised to SEEDA balance sheet</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	101	91	68	66	66	66	49	43	86	76	0	0	370	342

Senior Managers include those staff on the Hay scale Senior Management/Professional banding A and B. 98 members of staff received emoluments of more than £40,000 including the Chief Executive (In 2005/6 84 members). Senior executive salaries are agreed within a range approved by the DTI.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTE TO THE ACCOUNTS**

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

**(c) Seconded Staff**

Staff resourced from the following organisations and reimbursed by the Agency during 2006/7 were:

	<b>2006/7 No. of Staff</b>	<b>2006/7 £'000</b>	<b>2005/6 No. of Staff</b>	<b>2005/6 £'000</b>
Dept. for works and Pensions/Job Centre Plus	1	38	1	37
Creative Environmental Networks	1	38	0	0
Government Office for the South East	2	86	4	155
Department of Trade and Industry	1	26	3	144
Business Link Wessex	1	33	1	28
Semlac	1	18	1	17
National Physical Laboratory	1	34	0	0
	<b>8</b>	<b>273</b>	<b>10</b>	<b>381</b>

Staff seconded from outside organisations work on a variety of projects as part of the SEEDA policy of fostering partnership working relations.

**8. Intangible Assets**

<b>Intangible Assets</b>	<b>2006/7 £'000</b>	<b>2005/6 £'000</b>
<b>Cost or Valuation</b>		
At 31 March 2006	12	12
Additions in year	0	0
Disposals in year	0	0
At 31 March 2007	<u>12</u>	<u>12</u>
<b>Amortisation</b>		
At 31 March 2006	12	8
Amortisation in year	0	4
At 31 March 2007	<u>12</u>	<u>12</u>
<b>Net book value at 31 March 2007</b>	<u>0</u>	<u>0</u>
<b>Net book value at 31 March 2006</b>	<u>0</u>	<u>0</u>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTES TO THE ACCOUNTS**

**9. Tangible Operating Assets**

	<b>Information Technology</b>	<b>Fixtures and Fittings</b>	<b>Total</b>
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 31 <sup>st</sup> March 2006	2,247	2,240	4,487
Additions in year	203	238	441
Reclassification	(209)	209	0
<b>At 31<sup>st</sup> March 2007</b>	<b>2,241</b>	<b>2,687</b>	<b>4,928</b>
<b>Depreciation</b>			
At 31 <sup>st</sup> March 2006	1,741	1,663	3,404
Depreciation in year	400	251	651
Reclassification	(177)	177	0
At 31 <sup>st</sup> March 2007	1,964	2,091	4,055
<b>Net book value at 31<sup>st</sup> March 2007</b>	<b>277</b>	<b>596</b>	<b>873</b>
<b>Net book value at 31<sup>st</sup> March 2006</b>	<b>506</b>	<b>577</b>	<b>1,083</b>

Fixed assets shown above include £1,800 for Subsidiary Companies (2005/6 £0)

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.

No disposals of operating assets were made during 2006/7. The reclassification of assets between categories has no impact on the Financial Statements other than presentation.



**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**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>					
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	£6 – 2007 £5 – 2006
Countryside Maritime Ltd	50%	Ordinary Share £1	£4,950	Joint Venture	£236 -2007
	75%	Income Share 5p	£74	Property Development	£278 - 2006
<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	£(975) – 2007 £ 187 – 2006
Finance South East Ltd	50%	Nil – Limited by Guarantee	0	Venture Capital Management	£45 – 2007 £48 – 2006
Hastings and Bexhill Renaissance Ltd	20%	Nil – Limited by Guarantee	0	Regen. Of Hastings & Bexhill	£157 – 2007 £ 4 – 2006
Aylesbury Vale Advantage Ltd	20%	Nil – Limited by Guarantee	0	Regen. Of Aylesbury Vale	£6 – 2007 £0 – 2006
Brownfield Land Assembly Co Ltd	20%	Nil – Limited by Guarantee	0	Land Assembly	£ 0 – 2007

- South East England Properties Ltd is a dormant company. It was previously known as Chatham Maritime Ltd. The name was changed during 2005/6. A strategic business plan is presently being developed to invoke the operational use of this company.
- 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.
- Ryde Business Park Management Co Ltd is a subsidiary undertaking. It has no fixed assets and collects rental and service income from tenants of the business park.
- Countryside Maritime Ltd 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**  
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- 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 is a regeneration management company 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).
- The Brownfield Land Assembly Company Ltd was registered in February 2007. Other members are the Hyde Housing Association and RJ Barwick Construction Services Ltd

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

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

	<b>2006/7 Total £'000</b>	<b>2006/7 Agency Share £'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	2	2
	<hr/> 2	<hr/> 2
<b>Current Assets:</b>		
Ryde Business Park Management Company Ltd	8	8
East Kent Spatial Development Company Ltd	8,352	6,681
	<hr/> 8,360	<hr/> 6,689
<b>Gross Assets:</b>		
Ryde Business Park Management Company Ltd	8	8
East Kent Spatial Development Company Ltd	8,354	6,683
	<hr/> 8,362	<hr/> 6,691
<b>Liabilities due within one year:</b>		
Ryde Business Park Management Company Ltd	2	2
East Kent Spatial Development Company Ltd	490	392
	<hr/> 492	<hr/> 394
<b>Liabilities due after one year:</b>		
Ryde Business Park Management Company Ltd	0	0
East Kent Spatial Development Company Ltd	9,082	7,266
	<hr/> 9,082	<hr/> 7,266
<b>Gross Liabilities:</b>		
Ryde Business Park Management Company Ltd	2	2
East Kent Spatial Development Company Ltd	9,572	7,658
	<hr/> 9,574	<hr/> 7,660
<b>Net Assets/(Liabilities)</b>		
Ryde Business Park Management Company Ltd	6	6
East Kent Spatial Development Company Ltd	(1,219)	(975)
<b>Total</b>	<hr/> (1,213)	<hr/> (969)

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTE TO THE ACCOUNTS**

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

The balance sheet assets and liabilities for the Countryside Maritime joint venture comprised:

	<b>2006/7</b>	<b>2006/7</b>
	<b>Total</b>	<b>Agency</b>
	<b>£'000</b>	<b>Share</b>
		<b>£'000</b>
Fixed Assets	0	0
Current Assets	20,260	8,709
Gross Assets	<u>20,260</u>	<u>8,709</u>
Liabilities due within one year	10,951	3,937
Liabilities due after one year	8,953	4,536
Gross Liabilities	<u>19,904</u>	<u>8,473</u>
<b>Total Net Assets</b>	<u><b>356</b></u>	<u><b>236</b></u>

The Net Assets in relation to Associates comprised:

	<b>2006/7</b>	<b>2006/7</b>
	<b>Total</b>	<b>Agency</b>
	<b>£'000</b>	<b>Share</b>
		<b>£'000</b>
Hastings and Bexhill Renaissance Ltd	785	157
Finance South East Ltd	89	45
Aylesbury Vale Advantage Ltd	32	6
<b>Total Net Assets</b>	<u><b>906</b></u>	<u><b>208</b></u>

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

- Ryde Business Park Management Co Ltd -Profit £1,417 Reserves £6,509
- East Kent Spatial Development Co Ltd – Profit £44,146 Reserves £(1,219,099)

**Minority interest's share of the operating surplus of subsidiary companies**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Minority interest of 20% in East Kent Spatial	<u>9</u>	<u>17</u>

**Minority Interest in subsidiary companies at the Balance Sheet date**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Minority interest of 20% in East Kent Spatial – Net assets of £(1,219,099) £233,880 -2005/6	<u>(244)</u>	<u>47</u>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTES TO THE ACCOUNTS**

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

	<b>Joint Ventures £'000</b>	<b>Associates £'000</b>	<b>Total £'000</b>
Opening balance	278	52	330
Movement in year	(37)	(22)	(59)
Agency share of retained profit / (loss)	(5)	178	173
Closing balance	<b>236</b>	<b>208</b>	<b>444</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>2006/7 £'000</b>	<b>2005/6 £'000</b>
Share of gross operating income of joint ventures	2,353	2,333
Share of gross expenditure of joint ventures	(2,360)	(2,387)
Share of operating (deficit) in joint venture	<b>(7)</b>	<b>(54)</b>

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

	<b>2006/7 £'000</b>	<b>2005/6 £'000</b>
Share of fixed assets	0	0
Share of current assets	8,709	7,818
Share of gross assets	<b>8,709</b>	<b>7,818</b>
Share of creditors due within one year	3,937	4,117
Share of creditors due after more than one year	4,536	3,423
Share of gross liabilities	<b>8,473</b>	<b>7,540</b>
Share of net assets	<b>236</b>	<b>278</b>

The following are SEEDA's share of the un-audited results for 2006/7 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	£'000 2,353	Fixed assets	£'000 0
Loss before taxation	7	Current assets	8,709
Taxation	2	Liabilities within one year	3,937
Loss after taxation	5	Liabilities due > one year	4,536

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTES TO THE ACCOUNTS**

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

- **Associates**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Group share of operating surplus in associates	<u>178</u>	<u>37</u>

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

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

	<b>£'000</b>		<b>£'000</b>
Turnover	2,472	Fixed assets	2,738
Operating profit	143	Current assets	2,902
Profit before taxation	195	Liabilities within one year	2,783
Taxation	41	Liabilities due > one year	2,700
Profit after taxation	152		

- Finance South East (50% SEEDA)

	<b>£'000</b>		<b>£'000</b>
Turnover	805	Fixed assets	7
Operating profit	20	Current assets	253
Profit before taxation	22	Liabilities within one year	215
Taxation	0	Liabilities due > one year	0
Profit after taxation	22		

- Aylesbury Vale Advantage (20% SEEDA)

	<b>£'000</b>		<b>£'000</b>
Turnover	147	Fixed assets	0
Operating Profit	5	Current assets	21
Profit before taxation	4	Liabilities within one year	15
Taxation	0	Liabilities due after one	0
Profit after taxation	4	year	

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTE TO THE ACCOUNTS**

**11. GROUP DEBTORS**

Debtors due within one year	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	14,781	22,441
Other debtors	4	8
Value added tax	399	707
Taxation recoverable	4	3
Payments on account	5,052	2,982
Prepayments	1,783	1,723
Prepayment – Chatham Maritime Trust	343	343
	<b>22,366</b>	<b>28,207</b>
Less trade debtors of subsidiary companies	<b>(7,703)</b>	<b>(3,428)</b>
Agency Debtors	<b>14,663</b>	<b>24,779</b>

Debtors due after one year	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Disposal proceeds due June 2007	0	789
Management Fees from CML	4,766	3,696
Prepayment – Crown Estates	2,750	2,750
Prepayment – Chatham Maritime Trust	1,369	1,712
	<b>8,885</b>	<b>8,947</b>

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 Maritime estate in perpetuity. This amount is being released over 10 years.

**Debtors – Intra-government balances**

Debtors due within one year	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Balances with other central government bodies	856	12,621
Balances with local authorities	922	3,385
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	0	0
Sub total: intra- government balances	1,778	16,006
Balances with bodies external to government	20,588	12,201
	<b>22,366</b>	<b>28,207</b>

Debtors due after one year	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
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	2750	2,750
Sub total: intra- government balances	2750	2,750
Balances with bodies external to government	6,135	6,197
	<b>8,885</b>	<b>8,947</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTE TO THE ACCOUNTS**

**12. GROUP CREDITORS**

Creditors due within one year	<b>2006/7</b>	<b>Restated</b>
	<b>£'000</b>	<b>2005/6</b>
		<b>£'000</b>
Trade creditors	36,432	23,679
Other creditors	772	674
Taxation – PAYE	224	194
Social security	163	135
Income in advance	687	1,393
Office lease	928	1,045
Grant creditor – European funding	0	3,611
Grant creditor – DCLG	2,750	2,750
Coal grant creditor – EP	220	220
	<b>42,176</b>	<b>33,701</b>
Less Trade Creditors of Subsidiary Companies	<b>(492)</b>	<b>(429)</b>
Agency creditors	<b>41,684</b>	<b>33,272</b>

Creditors due after one year	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Subsidiary companies – grants received in advance	9,083	5,308
	<b>9,083</b>	<b>5,308</b>

**Creditors – Intra-government balances**

Creditors due within one year	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Balances with other central government bodies	3,500	4,440
Balances with local authorities	12,249	8,244
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	0	3
Sub total: intra- government balances	15,749	12,687
Balances with bodies external to government	26,427	21,014
	<b>42,176</b>	<b>33,701</b>

Creditors due after one year	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Balances with other central Government bodies	0	2,000
Balances with Local Authorities	2,219	2,311
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	4,114	0
Sub total: intra- Government balances	6,333	4,311
Balances with bodies external to government	2,750	997
	<b>9,083</b>	<b>5,308</b>

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**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 the 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 2006/7, nor was there any for 2005/6. Consequently no provision has been made for deferred tax.

The acquisition of the GKN Isle of Wight site in 2004 included an option for English Partnerships (EP) to purchase part of the land. If invoked, this option involves a payment or land transfer by SEEDA to EP, as return for a grant awarded by EP of £4.5 million. EP has indicated they will invoke this option and SEEDA has made provision for £4.5 million.

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	4,600	4,600
Reduction in provision due to recalculation of liability	(100)	0
	<b><u>4,500</u></b>	<b><u>4,600</u></b>

**14. BAD AND DOUBTFUL DEBT PROVISION**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	3,764	3,847
Movement in balances	(135)	(83)
	<b><u>3,629</u></b>	<b><u>3,764</u></b>

The remaining bad debt provision relates to the CML joint venture company. The company remains a going concern and is now earning profits; the cash flow is soon expected to allow the balance to be significantly reduced.

**15. STOCK OF DEVELOPMENT ASSETS**

	<b>2006/7</b>	<b>2006/7</b>	<b>2005/6</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance		165,748		130,344
Additions in year		21,670		50,589
Disposal proceeds in year	(12,593)		(11,240)	
Profit on disposal	<u>4,848</u>		<u>777</u>	
Net book value of assets sold		(7,745)		(10,463)
Transfer to Government Grant		540		3,074
Reserve on revaluation				
Book value of development assets written down		(7,677)		(11,119)
Book value of development assets written back		1,791		3,323
		<b><u>174,327</u></b>		<b><u>165,748</u></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**  
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**16. LONG TERM LOANS**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance – Former Rural Development Commission	147	182
Loans repaid during the year	(48)	(35)
	<b>99</b>	<b>147</b>

**17. GOVERNMENT GRANT RESERVE**

	Grant in Aid reserve	General Reserve	Revaluation Reserve	Total
Opening Balances	155,274	522	22,801	178,597
2006/7 GIA received	159,000			159,000
Net expenditure for the financial year	(150,839)	209		(150,630)
Increase in revaluation Reserve			540	540
Decrease in investment in Subsidiaries, JV and Associates		(1,257)		(1,257)
	163,435	(526)	23,341	186,250

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

	<b>2006/7</b>	<b>Restated</b>
	<b>£'000</b>	<b>2005/6</b>
		<b>£'000</b>
Net expenditure on operating activities	(151,727)	(144,032)
Depreciation	651	871
Additions to stock of development assets	(21,670)	(50,589)
Book value of development assets sold	7,745	10,463
Amounts written off - development assets	7,677	11,119
Amounts written back – development assets	(1,791)	(3,323)
Share of results in joint ventures	7	38
Share of results in associated undertakings	(168)	(55)
Group Companies Consolidation Adjustment	(1,550)	0
Decrease in group debtors	5,903	5,219
Increase in group creditors and provisions	12,150	1,061
<b>Net cash outflow from operating activities</b>	<b>(142,773)</b>	<b>(169,228)</b>

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY**  
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**NOTES TO THE ACCOUNTS**

**19. TAXATION**

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

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Current year taxation charges	11	(35)
Share of taxation charge of joint ventures	2	16
Share of taxation charge of associates	(42)	(8)
Released to income and expenditure	<u>(29)</u>	<u>(27)</u>

There is no deferred tax liability for 2006/7

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

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Increase in cash	16,980	6,365
Cash to repurchase debt	0	0
Cash increase liquid resources	0	0
Change in net funds	<u>16,980</u>	<u>6,365</u>
<b>Net Funds as at 31.03.06</b>	<u><b>17,791</b></u>	<u><b>11,426</b></u>
<b>Net Funds as at 31.03.07</b>	<u><b>34,771</b></u>	<u><b>17,791</b></u>

The Agency Net funds position increased from £15,243k to £34,113k (increase £18,870k)

**21. OPERATING LEASES**

As at March 2007 the Agency had annual commitments under operating leases as follows:-

	<b>Building</b>	<b>Car Leases</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
	<b>2006/7</b>	<b>2006/7</b>	<b>2006/7</b>	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leases expiring					
-within one year	0	0	0	0	182
-between one and five years	127	87	5	219	243
-more than five years	1,155	117	8	1,280	1,140
	<u>1,282</u>	<u>204</u>	<u>13</u>	<u>1,499</u>	<u>1,565</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>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Commitments	<b>99,975</b>	<b>30,120</b>

Commitments are the forecast future expenditure on approved projects as at 31<sup>st</sup> March 2007. The increase reflects advanced planning of projects.

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**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 Department for Communities and Local Government (DCLG) in order to increase the rate of house building. This amount will be used as working capital for the CML building activity. A matching amount will be provided by the JV partner, Countryside Properties PLC, in accordance with a signed utilisation agreement.

**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 Department for Communities and Local Government (DCLG) is the sponsor body of English Partnerships and therefore regarded as a related party. In addition, SEEDA manages the Kent coalfield regeneration programme on behalf of English Partnerships and also manages the Community Growth Area funding on behalf of 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) and Countryside Maritime Ltd (CML) (see note 10). SEEDA made grant payments to HBRL of £11,503k and to Finance South East of £ 919k during 2006/7.

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 Board 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.

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The following is a list of transactions with organisations Board Members have declared an Interest in for 2006/7.

James Brathwaite CBE - Director of Brathwaite & Co, payment of £28,838 for office and secretary expenses for SEEDA chair. Director of Environment Agency, payment of £41,505 for fees. Director of Farnham Castle Briefings Ltd, payment of £3,869 for events. Director of Morgan Everett Ltd, payment of £63,041 for grants. Director of University of Greenwich, payment of £1,121,455 for grants. Committee Member of DEFRA Commission on Environmental Markets and Economic Performance, payment of £25,150 for joint projects. Committee Member of Strategic Supply Chain Group, payment of £98,335 for grants. Member of Commonwealth Club, payment of £3,067 for events. Member of Arts & Business Fellowship, payment of £2,500 for grants.

Rob Douglas CBE - Director of Surrey Economic Partnership Ltd, payment of £331,525 for grants. Chair of Surrey Learning & Skills Council Ltd, payment of £50,000 for grants.

Peter Jones – Leader of East Sussex County Council, payment of £1,389,554 for grants. Director of East Sussex Economic Partnership Ltd, payment of £80,000 for grants.

Robert Anderson – Councillor of Slough Borough Council, payment of £799,856 for grants.

Liz Brighthouse - Councillor of Oxfordshire County Council, payment of £557,314 for grants. Member of Milton Keynes, Oxfordshire and Buckinghamshire Learning & Skills Council, payment of £800 for grants.

Poul Christensen CBE -Deputy Chair of Natural England, payment of £3,000 for a joint project.

Sarah Hohler – Councillor of Kent County Council, payment of £523,383 for grants. Member of Arts Council England SE, payment of £160,000 for grants.

Keith House – Councillor of Hampshire County Council, payment of £693,008 for grants.

Sue John - Trustee/Director of Culture South East, payment of £15,000 for grants. Councillor of Brighton & Hove City Council, payment of £29,100 for grants. Trustee/Director of Brighton, Dome & Festival Ltd, payment of £3,569 for events.

Mary McAnally - Director of Department of Trade & Industry, payment of £58,346 for secondee. Member of Sport England South East, payment of £31,174 for a joint project.

John Peel – Chair of Central Sussex College Corporation, payment of £16,662 for grant. Director of EEF South/EEF South Trustees Ltd, payment of £2,675,350 for grants. Director of Engineering Employers Federation (EEF), payment of £1,803 for joint project. Director of West Sussex Economic Partnership Ltd, payment of £192,095 for grants. Member of Institute of Directors, payment of £11,509 for events.

Alex Pratt - Director of Business Link Solutions Ltd., payment of £4,617,752 for grants.

Fiona Pollard - Director of Learning & Skills Council, payment of £63,511 for joint project.

Bill Wakeham - Vice Chancellor of University of Southampton, payment of £90,055 for grants. Member of Engineering and Physical Sciences Research Council, payment of £2,500 for grants. Member of Higher Education South East, payment of £1,326 for grants.

Phil Wood - Director of Sussex Enterprise, payment of £5,073,716 for grants.

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The Chief Executive, Pam Alexander, declared an interest as an associate of the New Economics Foundation which SEEDA awarded a grant of £19,564; she is also a board member of Brighton Dome and Festival Ltd which SEEDA paid £3,569 for costs of events.

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 Aylesbury Vale Advantage Ltd
Valerie Carter	East Kent Spatial Development Ltd
Peter Cusdin	Ryde Business Park Management Ltd
Paul Hudson	East Kent Spatial Development Ltd
Chris Moore	East Kent Spatial Development Ltd, BLAC
John Parsonage	Hastings and Bexhill Renaissance Ltd
Jonathon Sadler	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, South East England Properties Ltd, English Estates (Chatham) Ltd, South East Regional Investment Ltd
David Tucker	Countryside Maritime Ltd, East Kent Spatial Development Ltd, Hastings and Bexhill Renaissance Ltd

**25. POST BALANCE SHEET EVENTS**

It is anticipated that SEEDA will assume responsibility for the implementation of the European Regional Development Fund Programme from the Government Office for the South East during the financial year 2007-08

The South East England Development Agency's financial statements are laid before the Houses of Parliament by the Secretary of State of the Department of Trade and Industry. FRS21 requires the Agency to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Agency to the Secretary of State of the Department of Trade and Industry.

The authorised date for issue is 20<sup>th</sup> July 2007

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**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 £3,000,000 relating to a performance security with regards to Southmoor Park. Both of these amounts are shown as deposits made 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 as laid down by planning consents. The risks associated with non compliance are considered to be low.

SEEDA leads a number of European projects and manages the risk from exposure to foreign currency fluctuations between the EURO and the Pound by holding in EURO bank accounts the required level of cash to fund project activities on an ongoing basis. The value of cash held in Euros at the Balance Sheet date is €2,979m. The value of Euro denominated cash held at the Balance Sheet date has been translated into Pounds sterling and included in the balance sheet value of cash. The pound sterling value of Euro-denominated cash was £2,030m.

**27. THIRD PARTY ASSETS**

	<b>2006/7</b>	<b>2005/6</b>
	<b>£'000</b>	<b>£'000</b>
Tenants rental deposits	<u>61</u>	<u>51</u>

The above relates to closing bank balances held in client bank accounts. These amounts are not recorded in the financial statements but simply shown by way of note.