Registered number 5121502

Hastings & Bexhill Renaissance Limited

(A company limited by guarantee)

Directors' report and financial statements

for the year ended 31 March 2011

Hastings & Bexhill Renaissance Limited
(A company limited by guarantee)

Company information

Member organisations

East Sussex County Council (ESCC)
South East England Development Agency (SEEDA)
Rother District Council (RDC)
Hastings Borough Council (HBC)
Sussex Enterprise (SE)
University of Brighton (UB)

Directors

Name	Member Organisation
L Amor (resigned 28/06/2011)	SEEDA
A Adlington	Independent
M Froud	SE
J Shaw	SEEDA
D Tucker (resigned 28/06/2011)	SEEDA
A J L Barnes	ESCC
M Lock (resigned 11/05/2010)	HBC
J Crampton	UB
D Smith	Independent
S Manwaring	Independent
P Evans	Independent
R Crawford (resigned 31/03/2011)	SEEDA
S Blizzard	Independent
T Sanderson (appointed 30/11/2010)	Independent
P Chowney (appointed 17/05/2010)	HBC

Secretary

M Haynes

Company number

5121502

Registered office

Lacuna Place
Havelock Road
Hastings
East Sussex
TN34 1BG

Auditors

Reeves & Co LLP
Statutory Auditors & Chartered Accountants
37 St Margaret's Street
Canterbury
Kent
CT1 2TU

Hastings & Bexhill Renaissance Limited
(A company limited by guarantee)

Contents

Hastings & Bexhill Renaissance Limited
(A company limited by guarantee)

Directors' report
for the year ended 31 March 2011

The directors present their report and the financial statements for the year ended 31 March 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Principal activities

The company's principal activity is to promote the social, physical and economic environment of the area in and around Hastings and Bexhill in East Sussex by

> implementing the strategy and proposals approved by and recommended to the Company by the Hastings and Bexhill Taskforce Steering Group including procuring and regenerating land and property sites, the provision of business premises, the provision of training premises, promotion of learning and skills and community development

Business review

Overview

Hastings and Bexhill Renaissance Limited (HBRL) effectively closed out its core development intentions by 31st March 2011, the last major development activity being UCH which has now passed to University of Brighton for completion and operation The sale of One Priory Square to SAGA by Coastal Land (Sussex) LLP was a major employment coup, attracting a company with a commitment to reach 800 jobs There are now no substantive development commitments or assets left The board should recognise its programme has been completed in a timely and successful manner

The main activity of HBRL continued to be the delivery of the approved Business Plan for Coastal Regeneration, providing the mechanism for delivery of the projects prioritised by the Hastings and Bexhill Task Force Steering Group In October 2009 an interim review of the Business Plan was undertaken and the Plan was reaffirmed as the basis of the ongoing operation of the Company to the end of the plan period in March 2011 when it was anticipated that HBRL would make a bid for further SEEDA funding in the following CSR/Corporate Plan period

Directors' report
for the year ended 31 March 2011

The activities of the Company continued to fall broadly into those associated with the development of assets and those associated with investment assets, mainly the ongoing operation of the Creative Media Centre and Innovation Centre

During the course of 2010 the Government announced its intention to close all RDA's and move towards a new means of delivering economic development The implications of this policy shift have dominated the Company's forward planning during 2010/11 and into the current financial year

Most significantly there are no identified sources of continued funding or transitional funding for core staff and activity The likely nature of proposed changes to the Company's activities and funding are set out later in this Business Review

HBRL continues to maintain a 50% interest in Coastal Land (Sussex) LLP (CLS) and Coastal Innovation Limited (CIL) the Joint Venture partnerships with The Land Group

Context

In 2007 the Board completed a comprehensive review of its Business Plan to set out its programme of activity for the 3 year period from 2008/09 to 2010/11 The resultant "Programme for Sustainability" identified a series of priority projects which would build on the successes achieved in the initial period 2002/08 and would continue the revitalisation of the local market and create the private sector confidence necessary to secure sustainable economic development in Hastings and Bexhill The Board's commitment to the Business Plan programme was demonstrated by a commitment to use HBRL's own accumulated reserves in a planned manner to supplement and lever out resources made available through external grant funds from SEEDA, The Homes and Community Agency (HCA, formerly English Partnerships) as well as other public sources, including the European Union In making this decision the Board recognised that this would result in a loss on the profit and loss account and a reduction in reserves that would carry through to the balance sheet, and ensured that the level of expenditure proposed would not threaten the ongoing viability of the Company These principles and controls have subsequently been incorporated in the revised budgets for 2009/10 and 2010/11

During the period the Company continued to generate income from rents and service charges collected from the tenants of the Creative Media Centre, Innovation Centre and other Company owned property assets Profits on ordinary activities after tax showed a profit of £140,000 In 2010/11 the Company treasury policy generated an income of £7,000, much less than in the period prior to 2009, reflecting interest rates continuing to be held at historically record lows

At the outset of 2010/11 HBRL approved a core activity budget based on the grant of £1m from SEEDA as confirmed by a funding agreement and reflecting the funding profile agreed for the Corporate Plan period 2008/11 Later in the year the Company was informed that, as a result of SEEDA's revised grant settlement from Government, a reduction in the grant to £250k was imposed unilaterally This was subsequently revised to a unilaterally imposed cut of £250k HBRL is continuing to seek a reinstatement of the cut to assist in funding the balance of the budgeted activities HBRL continues to hold the £666k of an initial loan of £1m from SEEDA provided to manage cashflow and meet the contingent costs of agreed commitments relating to the Hastings Millennium Community project The outstanding balance (if any remains) is to be repaid to SEEDA by 31 December 2011

HBRL is in dispute with SEEDA in relation to an alleged shortfall in grant funding over the lifetime of the programme To resolve the situation Forensic Accountants PKF were appointed jointly by HBRL, SEEDA and East Sussex County Council to complete an independent reconciliation of income and expenditure incurred by HBRL against the total core grant of £70m provided by SEEDA 2001-2011 Their report sets out the difference of opinion on the amount of funding provided / owed, but does not form an opinion on this

A total of £15 1m in funding from The Homes and Communities Agency (HCA, formally English Partnerships) for the implementation of Hastings Millennium Community project was confirmed in the funding agreement signed in August 2004, of which the Company has expended £7 2m to date A claim to HCA for reimbursement of project costs incurred by HBRL totalling £614k, has been in negotiation for 2 years but is likely to be resolved in the near future from HCA and SEEDA funds

Hastings & Bexhill Renaissance Limited
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Directors' report
for the year ended 31 March 2011

During the course of the year the Tangible Fixed Assets of the Company decreased in value from £10,546,000 in 2010 to £5,650,000, resulting largely from the disposal of UCH Phase 1 and Phase 2 to the University Of Brighton and a revaluation of the remaining assets to reflect current property market conditions HBRL has agreed to dispose of the small residual development assets to the Energy Infrastructure and Development Company being established by East Sussex partners HBRL will retain its extensive landholdings in the Ore Valley until such time as a viable strategy can be identified that will see the assets used for the benefit of local regeneration HBRL has designated provisions to offset the contingent liabilities arising from the holdings

Development and Operational Activities

Development activity was associated with furthering of key projects in the approved Business Plan utilizing grant aid from external sources supplemented by the planned use of Company's own reserves Known as the "Programme for Sustainability" this cohesive programme of development has been funded over the 3 years 2008-11 The current year's activity has focused on bringing to a successful conclusion the projects in the programme and the carrying out of pre development work on key projects should further funding become available in future years

In November 2008 HBRL entered into a 50-50 Joint Venture with The Land Group in which the Queensway South site was transferred from HBRL to Coastal Innovation Ltd under a development agreement with the obligation to deliver the first phase of 4 units of the Enviro21 Innovation Park The development, which was funded with a grant of £8 5m from HBRL and a £3m bank loan facility from Allied Irish Bank (AIB) reached practical completion in April 2010 and an early agreement with the contractor allowed the scheme to be delivered in budget During the current year CIL has focused on securing lettings with the result that a tenant has taken 2 of the units for manufacturing In addition to funding the main contract, HBRL also funded and managed the implementation of the Section 278 works to provide a suitable access to the development

Under the terms of the development agreement HBRL has taken a 999 year lease on the Sussex Exchange which occupies a key location in the development With planning permission for a restaurant, conference and business use HBRL has been in negotiation with a number of prospective operators, but due to the lack of funding to assist with the cost of fit-out, it has not been possible to complete the project

Following the granting of planning consent in 2009/10 HBRL continued to undertake preliminary work on developing proposals for the design, funding and operation of a wind turbine for the Enviro21 site as part of the longer term sustainable development of the A21 development corridor The wind turbine site is in the ownership of Coastal Innovation Limited

During the year the Company has continued to work in partnership with the University of Brighton on securing the funding to build phase 2 of the University Centre Hastings (UCH) on a site owned by HBRL in Priory Quarter Extensive pre development work had been undertaken in prior years which culminated in the letting of a demolition contract to create the development site in the third quarter of 2009/10 The building contract commenced on site in the first quarter of the year following the announcement of a £2 975m grant from SEEDA The development agreement with University of Brighton allows for the transfer of UCH 1 and the site of UCH 2 in exchange for an obligation to complete UCH 2 at an additional cost of c£9m The development was in an advanced stage by March 2011 and the building is expected to open during the 2011/12 academic year and will increase capacity of UCH to 1,000 students UCH and the building contract to complete UCH2 formerly transferred to University of Brighton on 28th March 2011

Elsewhere in Priory Quarter HBRL made provision for the final contract payments to CLS in accordance with the development agreement During the year CLS also secured the disposal of the One Priory Square office development to the SAGA Group

Directors' report
for the year ended 31 March 2011

Pre development design and site assembly has continued for the Millennium Community project in the Ore Valley with the acquisition of several smaller sites under the CPO Throughout the year negotiations continued with Bellway Homes for the delivery of the first phase of housing development A grant of £3 1m from HCA was awarded to secure the construction of 51 units under a development agreement to which HBRL was a signatory The Company also continued to work with partners to secure the development of the remainder of the master plan proposals for the scheme The end of 2008/09 saw the start of construction of the vocational campus of Sussex Coast College on land close to Ore Station, which was completed during the summer of 2010 Negotiations are also continuing to facilitate the construction of a new health centre to serve the community

Marketing of all of the Company's operational investment assets continued at a high level over the course of the year in order to offset the effect of the recession which adversely affected the property market and demand for commercial floorspace both regionally and nationally Occupancy at the Creative Media Centre and Innovation Centre remained high throughout the year with only a marginal impact on income which was offset by a reduction in the income assumption in the annual business plan In parallel CLS and CIL maintained a strong marketing programme to attract new tenants

More generally pre development design and scheme development continued for 2 key sites including Queensway and Priory Quarter so as to provide opportunities for new development when funding becomes available and maintain the momentum and continuity of development with the programme to date More particularly pre development work is bringing forward proposals for a third phase of Priory Quarter and the second phase of Enviro21 that can be implemented through new joint venture partnerships with the private sector The longer term provision of development land for employment and housing use at North East Bexhill is wholly dependent on the construction of the Bexhill – Hastings Link Road to provide access At the end of 2010/11 following the public enquiry a decision was still awaited from Government on the future of the link road Dependent on the outcome HBRL will continue to seek agreement with landowners on the release of the allocated land

Future developments

The year 2011/12 is seeing the most significant changes in the future operation of the Company since its inception in 2003 A number of external factors reflecting the important changes in the approach to economic development announced by Government will impact in the current year

- The closure of SEEDA as a regional force and the key source of core funding
- The establishment of Local Enterprise Partnerships (LEP's) as the principal mechanism for the delivery of economic development
- The difficult economic environment facing the business and commercial sectors and the resultant lack of private sector investment
- The current absence of grant regimes available to support investment in the local economy
- The low level of activity in the property market and the difficulties in securing development finance

The viable option for the continued trading of HBRL is to consolidate around operational management of its business centres which trade at a small surplus and recognise that its development function has come to an end

In any case the local authorities have indicated that they will look to new structures to deliver future development activity

Hastings & Bexhill Renaissance Limited
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Directors' report
for the year ended 31 March 2011

Proposals under consideration include

Existing Companies

Hastings and Bexhill Renaissance Ltd – residual development assets transfer to the Energy Infrastructure and Development Company established by East Sussex public and private partners, management of Ore Valley landholdings

HBRL reduced to operation of the CMC and ICH through a management company into which existing SEEDA staff are transferred

Coastal Land LLP – Continued management of Lacuna Place, and

Coastal Innovation Ltd – Continued management of Enviro21 Phase 1

New Companies

An operational management company to enter into a 5 year operating agreement with HBRL in respect of the business centres CMC and ICH

Post Balance Sheet Events

Discussions are continuing with the Homes and Communities Agency (HCA) and SEEDA to resolve the claim by the Company for outstanding grant payments relating to works carried for the Hastings Millennium Community (HMC) The claim as at 13 June 2011 amounts to £614,595 Significant progress with the negotiations has been made following the report on the dispute carried out by the National Audit Office and it is believed that agreement will be reached by the parties over the course of the summer At the end of the previous financial year SEEDA made available to the Company a loan of £1m repayable by 31 December 2011 to act as a contingency fund to cover outstanding liabilities arising from the HMC project SEEDA had agreed to offset c£333k of costs already incurred on behalf of SEEDA against the loan and further costs were expected to be offset following agreement between the parties SEEDA now disagree with this treatment as set out in note 21

The Company has made provisions in relation to its landholdings in the Ore Valley that were acquired through funding provided by the Homes and Communities Agency Following work undertaken by Gardiner and Theobald on behalf HCA the liabilities are estimated to amount to £748,290 up to 31 March 2013 The Company has made a provision of £740,000 from designated funds in respect of the liability

The Company has also been in dispute with SEEDA over outstanding grant owed by SEEDA to the Company from monies held by SEEDA for use to deliver the Business Plan The Company and its local partners sought clarification of the position and appointed forensic accountants PKF to undertake a full reconciliation of grant payments and project expenditure over the period from 2002 to date

Financial instruments risks

The Company's principal financial instruments comprise grants from the public sector, bank balances, trade creditors, trade debtors The main purpose of these instruments is to finance the company's operations

Due to the nature of the financial instruments used by the company there is no exposure to price risk The company's approach to managing other risks applicable to the financial instruments concerned is set out below

Public sector grants are made against eligible expenditure under funding agreements entered into with the grant provider Risk is managed by ensuring that the grant conditions are fully complied with

The risk associated with the development of the Priory Quarter and Enviro21 sites and their associated Bank Facilities has been wholly transferred to the joint venture subsidiaries

Directors' report
for the year ended 31 March 2011

In respect of bank balances any surplus funds are invested in variable short term interest bearing deposits with financial institutions

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits Where debts relate to occupants of the Company's flexible business space deposits are held which can be offset in the case of default

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

Results

The profit for the year, after taxation, amounted to £140,000 (2010 - £280,000)

Directors

The directors who served during the year were

L Amor (resigned 28 June 2011)
A Adlington
M Froud
J Shaw
D Tucker (resigned 28 June 2011)
A J L Barnes
M Lock (resigned 11 May 2010)
J Crampton
D Smith
S Manwaring
P Evans
R Crawford (resigned 31 March 2011)
S Blizzard
T Sanderson (appointed 30 November 2010)
P Chowney (appointed 17 May 2010)

Provision of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Hastings & Bexhill Renaissance Limited
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Directors' report
for the year ended 31 March 2011

Auditors

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

This report was approved by the board on 18 July 2011 and signed on its behalf

John J Shaw

J Shaw
Director

Independent auditors' report to the members of Hastings & Bexhill Renaissance Limited

We have audited the financial statements of Hastings & Bexhill Renaissance Limited for the year ended 31 March 2011, set out on pages 10 to 27 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - uncertainty as to carrying value of debtor and loan creditor

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 21 to the financial statements concerning

(i) the uncertainty as to the recoverability of the debtor of £630,750 in relation to grant funding provided by SEEDA, and
(ii) the disagreement between the company and SEEDA on the balance of a £1,000,000 loan from SEEDA to the company

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Hastings & Bexhill Renaissance Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Reeves & Co LLP

Reeves & Co LLP
Statutory Auditors
Chartered Accountants
Kent
CT1 2TU

19 July 2011

Hastings & Bexhill Renaissance Limited
(A company limited by guarantee)

Profit and loss account
for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Turnover	1,2	**9,228**	12,200
Cost of sales		**(8,157)**	(11,528)
Gross profit		**1,071**	672
Administrative expenses		**(488)**	(443)
Other operating income		**120**	70
Operating profit	3	**703**	299
Exceptional items			
Other exceptional items	5	**(519)**	-
Profit on ordinary activities before interest		**184**	299
Interest receivable and similar income		**7**	20
Profit on ordinary activities before taxation		**191**	319
Tax on profit on ordinary activities	4	**(51)**	(39)
Profit on ordinary activities after taxation		**140**	280
Profit brought forward		**2,836**	2,556
Retained profit carried forward		**2,976**	2,836

All amounts relate to continuing operations

The notes on pages 14 to 27 form part of these financial statements

Hastings & Bexhill Renaissance Limited
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Statement of total recognised gains and losses for the year ended 31 March 2011

	2011 £000	2010 £000
Profit for the financial year	**140**	280
Unrealised deficit on revaluation of tangible fixed assets	**(4,653)**	-
Total recognised gains and losses relating to the year	**(4,513)**	280

The notes on pages 14 to 27 form part of these financial statements

Hastings & Bexhill Renaissance Limited
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Registered number: 5121502

Balance sheet
as at 31 March 2011

	Note	£000	2011 £000	£000	2010 £000
Fixed assets					
Tangible assets	6		**5,650**		10,546
Investments	7		**1**		1
			5,651		10,547
Current assets					
Debtors	8	**1,265**		5,142	
Cash at bank		**4,166**		6,714	
		5,431		11,856	
Creditors: amounts falling due within one year	9	**(1,567)**		(9,315)	
Net current assets			**3,864**		2,541
Total assets less current liabilities			**9,515**		13,088
Provisions for liabilities					
Other provisions	10		**(940)**		-
Net assets			**8,575**		13,088
Capital and reserves					
Revaluation reserve	12		**5,599**		10,252
Profit and loss account	12		**2,976**		2,836
	13		**8,575**		13,088

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 July 2011

John S Shaw

J Shaw
Director

The notes on pages 14 to 27 form part of these financial statements

Cash flow statement
for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Net cash flow from operating activities	14	**(2,511)**	818
Returns on investments and servicing of finance	15	**7**	20
Taxation		**(44)**	-
(Decrease)/Increase in cash in the year		**(2,548)**	838

Reconciliation of net cash flow to movement in net funds
for the year ended 31 March 2011

	2011 £000	2010 £000
(Decrease)/Increase in cash in the year	**(2,548)**	838
Movement in net funds in the year	**(2,548)**	838
Net funds at 1 April 2010	**6,714**	5,876
Net funds at 31 March 2011	**4,166**	6,714

The notes on pages 14 to 27 form part of these financial statements

**Notes to the financial statements
for the year ended 31 March 2011**

1 Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment and development properties and in accordance with applicable accounting standards

1.2 Turnover

Turnover comprises income received in respect of the company's principal activities It incorporates two elements, firstly the release of grants, these are explained in the policy on grants below, and secondly rental and similar income derived from the company's investment properties, these are credited to the profit and loss account as they fall due

1.3 Operating leases

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

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

1 Accounting policies (continued)

1.4 Investment and development properties

a) Investment properties

Investment properties are carried in the financial statements at market values based on the latest professional valuation A valuation of investment properties was undertaken by DTZ Debenham Tie Leung Limited, as at 31 March 2011, using appropriately qualified registered valuers and adopting the Market Value basis of valuation as defined in the RICS Valuation Standards

In accordance with SSAP19, depreciation is not provided on investment properties that are held as freeholds or on lease having more than 20 years unexpired This is not in accordance with the Companies Act 2006, which requires all tangible assets to be depreciated This departure from the requirements of the Act is, in the opinion of the Directors, necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require investment properties to be included in the financial statements at market value Had the provisions of the Act been followed, prior to grants being released as described in note 1 7, revenue profits would have been reduced, the revaluation surplus would have been increased and therefore net assets would have been unchanged

b) Development properties

As part of the company's principal activity, investment is made in properties requiring development The initial purchase of development properties is capitalised Expenditure incurred in developing properties in accordance with the principal activities of the company is written off to the profit and loss account as incurred

Development properties are carried in the financial statements at market values based on the latest professional valuation Valuations of development properties were undertaken by DTZ Debenham Tie Leung Limited, and CB Richard Ellis Limited, as at 31 March 2011, using appropriately qualified registered valuers and adopting the Market Value basis of valuation as defined in the RICS Valuation Standards

Freehold land is not depreciated

On completion of construction work, development properties are reclassified as investment properties and accounted for in accordance with Statement of Standard Accounting Practice 19

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation Depreciation is not charged on freehold land Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases

Furniture, fittings and equipment - 20-33% straight line

1.6 Investments

(i) Subsidiary undertakings
Investments in subsidiaries are valued at cost less provision for impairment

(ii) Joint venture undertakings
Investments in joint ventures are valued at cost less provision for impairment

Hastings & Bexhill Renaissance Limited

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Notes to the financial statements for the year ended 31 March 2011

1. Accounting policies (continued)

1 7 Grants

Grants received in respect of investment and development properties have been deducted from the cost of those assets This is not in accordance with the Companies Act 2006, which requires assets to be shown at their purchase price or production cost and hence grants and contributions to be presented as deferred income This departure from the requirements of the Act is, in the opinion of the Directors, necessary to give a true and fair view as these assets do not have determinable finite lives and therefore no basis exists on which to recognise grants and contributions as income The effect of this departure is that the cost of investment and development properties is £8,759,000 lower than it would otherwise have been (2010 £11,633,000), but the valuation of those assets is unchanged

Grants received in respect of other costs are recognised in the profit and loss account in the period in which the expenditure towards which they relate is incurred

1.8 Other operating income

Other operating income comprises rental and similar income derived from the company's development properties, these are credited to the profit and loss account as they fall due

1.9 Going concern

The company has £4,166,000 included in cash at the bank The company meets its day to day working capital requirements through its reserves As a consequence, the directors believe that the company is well placed to manage its business risks successfully with trading activity reduced to and centred around the operation of the business centres ICH and CMC

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

2 Turnover

All turnover arose from the company's principal activity

All turnover arose within the United Kingdom

Notes to the financial statements
for the year ended 31 March 2011

3. Operating profit

The operating profit is stated after charging

	2011 £000	2010 £000
Depreciation of tangible fixed assets		
- owned by the company	23	40
Auditors' remuneration	13	14
Operating lease rentals		
- other operating leases (administrative)	90	74
- other operating leases (cost of sales)	39	25

During the year, no director received any emoluments (2010 - £NIL) During the year there were no staff employed by the company (2010 - none), all staffing is provided by agencies or through member organisations

4. Taxation

	2011 £000	2010 £000
Analysis of tax charge in the year		
UK corporation tax charge on profit for the year	45	68
Adjustments in respect of prior periods	6	(29)
Tax on profit on ordinary activities	51	39

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 20% (2010 - 21%) The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	191	319
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2010 - 21%)	38	68
Effects of·		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3	-
Depreciation for year in excess of capital allowances	46	-
Adjustments to tax charge in respect of prior periods	6	(29)
Excess of grants released to profit & loss account over expenditure treated as capital for tax purposes	(42)	-
Current tax charge for the year (see note above)	51	39

4 Taxation (continued)

Factors that may affect future tax charges

The company is currently only taxable on its income from investment properties and interest earned

The company has revalued its properties and has not accounted for deferred tax on the revalued amount The company is considering the disposal of a small number of development properties, it is anticiapted that there will be no tax charge arising on any of the potential disposals being considered

5 Exceptional items

	2011 £000	2010 £000
Bad debt on liquidation of debtor	299	-
Impairment of development properties	220	-
	519	-

During the year a debtor to which the company had previously made a long term loan was placed into liquidation As a result the remaining balance of the debtor balance has been written off

Also during the year a fall in the value of some of the company's development properties arose, not reversing previous upward revaluations An impairment charge has therefore been applied to reduce the value of the property

6. Tangible fixed assets

	Development properties £000	Investment properties £000	Office Equipment £000	Total £000
Cost or valuation				
At 1 April 2010	6,261	4,980	340	11,581
Disposals	(605)	-	(106)	(711)
Revaluation surplus/(deficit)	(1,998)	(2,655)	-	(4,653)
At 31 March 2011	3,658	2,325	234	6,217
Depreciation				
At 1 April 2010	720	-	315	1,035
Charge for the year	-	-	23	23
On disposals	(605)	-	(106)	(711)
Impairment charge	220	-	-	220
At 31 March 2011	335	-	232	567
Net book value				
At 31 March 2011	3,323	2,325	2	5,650
At 31 March 2010	5,541	4,980	25	10,546

6 Tangible fixed assets (continued)

All development and investment properties are carried at valuation Furniture fittings and equipment are carried at cost less depreciation

Valuations of development and investment properties were undertaken by DTZ Debenham Tie Leung Limited and CB Richard Ellis Limited, as at 31 March 2011, using appropriately qualified registered valuers and adopting the Market Value basis of valuation as defined in the RICS Valuation Standards

If the development properties had not been included at valuation they would have been included under the historical cost convention as cost £8,404,000 less grant funding £8,019,000 and impairment £334,000 (2010 £10,259,000, £9,269,000 and £720,000 respectively)

If the investment properties had not been included at valuation they would have been included under the historical cost convention at cost £739,000 less grant funding £739,000 (2010 £2,363,000 and £2,363,000 respectively)

Included in investment properties are long term leasehold properties valued at £NIL, (2010 £250,000) and short term leasehold properties valued at £225,000 (2010 £830,000) All remaining properties valued above are held as freehold properties

A development and an investment property were transferred to the University of Brighton under a combined transfer agreement during the year under review for £Nil proceeds The development property was mid-development and the combined valuation at the date of transfer was undertaken by DTZ and was confirmed to be negative reflecting the substantial development completion obligations being placed on the University The development property was carried at a value of £720,000, and the investment property at £1,250,000 The properties were therefore impaired to their transfer value prior to disposal Reversal of previous revaluation surpluses of grant funded tangible fixed assets totalling £1,950,000 are included in the unrealised deficit on revaluation shown in the statement of total recognised gains and losses Impairments of non-grant funded tangible fixed assets totalling £20,000 are charged as an impairment to the profit and loss account

The transfer value of the Phase 1 land of the Ore Valley development to Bellway Homes Ltd has been agreed at £1 reflecting the necessity of a £3 1m grant from Homes and Communities Agency to the developer to ensure a viable development The property has therefore been impaired to this value

7 Fixed asset investments

	Investments in Associates £000
Cost or valuation	
At 1 April 2010 and 31 March 2011	1

Investments in participating interests

The company has a joint venture interest in Coastal Land (Sussex) LLP The company's 50% share of the results of the LLP for the year ended 31 March 2011 were as follows

	2011	(as restated) 2010
	£000	£000
Turnover	**6,308**	263
Loss available for division among members	**(1,280)**	(2,814)
Fixed assets	**9**	14
Current assets	**5,819**	11,233
Liabilities due within one year	**(842)**	(958)
Liabilities due after more than one year	**(7,865)**	(11,987)
Net assets	**(2,879)**	(1,698)

The company has assigned all its rights and interests in Coastal Land (Sussex) LLP as security against loan drawdowns by the LLP

The company also has a joint venture interest in Coastal Innovation Limited (CIL) The company's 50% share of the results of CIL for the year ended 31 March 2011 were as follows

	2011	(as restated) 2010
	£000	£000
Turnover	**811**	199
Loss for the financial year	**(471)**	(2,115)
Fixed assets	**-**	5,146
Current assets	**4,057**	1,144
Liabilities due within one year	**(3,428)**	(1,902)
Liabilities due after more than one year	**-**	(2,420)
Net assets	**628**	1,968

The company has assigned all its rights and interests in CIL as security against loan drawdowns by CIL

8. Debtors

	2011	2010
	£000	£000
Due after more than one year		
Other debtors	**-**	263
Due within one year		
Trade debtors	**235**	392
Amounts owed by member organisations	**727**	4,129
Amounts owed by joint ventures	**143**	3
Other debtors	**156**	355
Prepayments and accrued income	**4**	-
	1,265	5,142

9. Creditors

Amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	176	180
Amounts owed to member organisations	707	1,000
Corporation tax	45	68
Other creditors	87	93
Accruals and deferred income	552	7,974
	1,567	9,315

10. Provisions

	Ore Valley £000	Tenant obligations £000	Total £000
At 1 April 2010	-	-	-
Additions	740	200	940
At 31 March 2011	740	200	940

Ore Valley

The Company has liabilities associated with its landholdings in the Ore Valley that were acquired through funding provided by the Homes and Communities Agency Following work undertaken by Gardiner and Theobald on behalf of HCA, the liabilities are estimated to amount to £748,290 up to 31 March 2013 The Company has made a provision of £740,000 in respect of this liability

Tenant obligations

The Company has provided for the cost of tenant obligations

11. Company status

The company is a private company limited by guarantee and consequently does not have share capital Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation

12 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 April 2010	10,252	2,836
Profit for the year		140
Deficit on revaluation of freehold property	(1,998)	
Deficit on revaluation of development properties	(2,655)	
At 31 March 2011	5,599	2,976

Included within the profit and loss account is an accumulated total of £334,000 (2010 £720,000) relating to the impairment of development properties not subsequently disposed

13. Reconciliation of movement in members' funds

	2011 £000	2010 £000
Opening members' funds	13,088	12,808
Profit for the year	140	280
Other recognised gains and losses during the year	(4,653)	-
Closing members' funds	8,575	13,088

14. Net cash flow from operating activities

	2011 £000	2010 £000
Operating profit	703	299
Exceptional items - bad debt on liquidation of debtor	(299)	-
Depreciation of tangible fixed assets	23	40
Decrease/(increase) in debtors	586	(256)
Increase in amounts owed by member organisations	3,401	(2,784)
(Increase)/decrease in amounts owed by joint ventures	(140)	12
(Decrease)/increase in creditors	(7,437)	3,802
Amortisation of tangible fixed asset grants	5	16
Decrease in amounts owed to joint ventures	-	(1,278)
Increase / (decrease) in amounts owed to member organisations	(293)	967
Increase in provisions	940	-
Net cash (outflow)/inflow from operating activities	(2,511)	818

15. Analysis of cash flows for headings netted in cash flow statement

	2011 £000	2010 £000
Returns on investments and servicing of finance		
Interest received	7	20

16 Analysis of changes in net funds

	1 April 2010 £000	Cash flow £000	Other non-cash changes £000	31 March 2011 £000
Cash at bank and in hand	6,714	(2,548)	-	4,166
Net funds	6,714	(2,548)	-	4,166

17 Contingent liabilities

Grants

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

18 Capital commitments

At 31 March 2011 the company had capital commitments as follows

	2011 £000	2010 £000
Contracted for but not provided in these financial statements	-	505

19. Operating lease commitments

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2011 £000	Land and buildings 2010 £000
Expiry date		
Within 1 year	5	11
Between 2 and 5 years	16	16
After more than 5 years	25	25

20. Related party transactions

During the period the company entered into the following transactions and had the following balances with its member organisations and joint ventures

	2011	2010
	£000	£000
South East England Development Agency (SEEDA)		
Revenue grants released	**7,822**	14,498
At 31 March 2011 the balance owed (by) the company was	**(667)**	(1,000)
At 31 March 2011 the balance owed to the company was	**677**	3,975
Hastings Borough Council (HBC)		
Revenue grants released	**256**	-
Sales	**-**	414
Purchases	**123**	269
At 31 March 2011 the net balance owed (by)/to the company was	**(39)**	80
East Sussex County Council (ESCC)		
Purchases	**3**	34
University of Brighton (UB)		
Sales	**-**	112
Purchases	**-**	34
At 31 March 2011 the net balance owed to the company was	**50**	74
Coastal Land (Sussex) LLP (CLS)		
Rent paid to CLS	**63**	52
At 31 March 2011 the net balance owed to the company was	**103**	3
Coastal Innovation Limited (CIL)		
Grants made to CIL	**1,460**	4,689
Management services provided to CIL	**120**	80
At 31 March 2011 the net balance owed to the company was	**40**	-

In addition to the above, SEEDA have supplied staff to the company for the administration and management of the projects

Further to the above, the company transferred its interest in one investment and one development property, to the University of Brighton for consideration of £1 but on the condition that the development work started by the company on the development property was completed by the University

21. Post balance sheet events

HCA Grant

The Board has previously been advised of a £15 1m grant facility made available to HBRL by the (then) EP for delivering the Hastings Millennium Community project in Ore Valley

The Board advised that the net sums received to date from HCA are £7,197,473 plus £1 919m received by SEEDA for a prior purchase of the former Stills Factory

SEEDA provided £1m on 9th April 2010 to cashflow HBRL while outstanding sums from HCA to HBRL were sought £333,941 of this £1m has already been utilised meeting a compensation payment for land which HBRL had declined to purchase and was acquired through a CPO by SEEDA SEEDA take the contrary view that the full £1m remains repayable by 31 December 2011 unless HBRL can demonstrate to SEEDA through a business case that all or part of the loan should be retained by HBRL It is the opinion of the Directors that this will be the case

The remainder of sums due to HBRL were agreed by HBRL with SEEDA and HCA on 3rd June 2011 as £133,535 from HCA and £481,000 from SEEDA comprising a sum of £333,941 already expended to meet SEEDA's CPO liabilities in Ore Valley and a balance of £147,059 to be paid to HBRL This would leave £519,000 to be repaid to SEEDA from the £1m on the basis that HCA make payment of £133,535 to HBRL

It is understood this position has changed following later and separate discussions between HCA and SEEDA whereby HCA has agreed to increase its contribution towards the £614,595 deficit to £156,000 SEEDA has the legal liability for the CPO compensation of £333,940 previously included in the overall deficit, leaving the remaining deficit of £124,645 with HBRL

SEEDA Grant – Stills Factory Acquisition

HBRL has been seeking clarity to a related matter in respect of the Ore Valley namely a belief that a sum of £630,750 had wrongly been deducted from the original Government grant to SEEDA for Hastings and Bexhill HBRL is clear that these sums have been incorrectly charged or overcharged to HBRL As recently as 18th May 2011 SEEDA were still contending that these sums were not wrongly charged

It has now been confirmed by SEEDA through the exercise by PKF that the sum of £630,750, included within debtors, should have been paid to HBRL and this was reaffirmed by SEEDA's representatives at a meeting on 7th July 2011 Nevertheless SEEDA are still contesting payment to HBRL on the basis that the claim is out of date and should have been raised at the time However HBRL contests that it was wholly unaware of the error at the time and that the dispute did not crystallise until the error was uncovered by the PKF report in June 2011, and that payment is therefore due

Hastings & Bexhill Renaissance Limited
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 March 2011

Further Sums Identified

The Company has also been in dispute with SEEDA over further outstanding grant owed by SEEDA to the Company from monies held by SEEDA for use to deliver the Business Plan The Company and its local partners sought clarification of the position and jointly appointed forensic accountants PKF to undertake a full reconciliation of grant payments and project expenditure over the period from 2002 to date

In addition to the £630,750 identified above for the Stills Factory, PKF has identified further sums of £637,741 comprising -

Interest Retained	46,660
Broadband Experience	64,947
Bexhill Broadcast Centre	8,632
Broadcast Media Centre UOB	235,000
Product Development Centre UOB	77,005
2001/2 Expenditure	95,051
Assets Purchased for UCH	110,446
	637,741

The Directors believe that these sums have been incorrectly charged or overcharged to HBRL This is contrary to SEEDA's understanding These items are under negotiation and have not been recognised in the assets or contingent assets of the company

The Directors believe that further substantial sums may be due but the negotiations continue and the outcome cannot be predicted at this stage and consequently no amounts have been accrued as at 31 March 2011

Potential transfer of SEEDA staff under TUPE

SEEDA has confirmed that it will not be pursuing a staff TUPE transfer for the staff made redundant on 6th July SEEDA has also confirmed that it will not be pursuing a staff TUPE transfer for the remaining 5 seconded staff where it would make the company non-viable and that it will continue to meet the costs associated with these staff until 7 October 2011 In these circumstances, the Company will have no responsibility or liability in respect of the seconded staff and no provision has been made in the accounts References to the "seconded staff" do not include the two managers of the Business Centres whose employment is expected to continue either with the Company or the Management Company proposed for the operation of the Business Centres

Future activities

Following changes to government funding, the Directors have taken the decision post year end to cease the company's development activities and focus solely on the ongoing activity and trade of operating and managing its business centres

As part of this process, the Directors have commenced steps to transfer certain development properties to new entities in order to facilitate future development activity on these sites

Under these plans, the company would create development obligations on the new entities in relation to these sites and accordingly would not realise their 31 March 2011 carrying value within the valuation of development properties of £3,373,000

**Notes to the financial statements
for the year ended 31 March 2011**

22 Controlling party

There was no controlling member of the company The dominant influence over the company's activity was however provided by the Hastings and Bexhill Task Force Steering Group