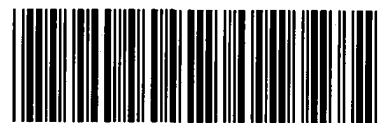


Torbay Economic Development Company Limited

Annual Report and Financial Statements Year Ended 31 March 2017

Registration number: 07604855

WEDNESDAY



A6LNC9MP

A17

20/12/2017

#1

COMPANIES HOUSE

Torbay Economic Development Company Limited

Contents

Company Information	1
Chairman's Statement	2 to 4
Chief Executive's Report	5 to 7
Strategic Report	8 to 9
Directors' Report	10 to 11
Statement of Directors' Responsibilities	12
Independent Auditor's Report	13 to 14
Profit and Loss Account	15
Statement of Comprehensive Income	16
Balance Sheet	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19 to 35

Torbay Economic Development Company Limited

Company Information

Directors

A R Archer
G Brocklehurst (Resigned 15 November 2017)
C Carter
V Flower
C Hempseed
S M Leaf
D Mills
S Parrock
H Tucker
A J Tyerman
S J Wilson (Retired 21 August 2017)
S M Criddle (Appointed 21 August 2017)
S L Bond (Appointed 21 August 2017)

Company Secretary

A P Sherry

Registered office

Tor Hill House
Union Street
Torquay
Devon
TQ2 5QW

Auditor

PKF Francis Clark
Statutory Auditor
Vantage Point
Woodwater Park
Pynes Hill
Exeter
Devon
EX2 5FD

Torbay Economic Development Company Limited

Chairman's Statement

Year Ended 31 March 2017

This is the sixth year of operation for the Torbay Economic Development Company Limited (TEDC), in its current structure.

The Company was set up by its owner and sole shareholder, the Council of the Borough of Torbay, and operates under social enterprise principles: all surpluses are reinvested to assist delivery of the Company objectives, which primarily relate to facilitating economic regeneration, and the Company's founding documents do not allow for the payment of dividends. The Company provides a range of services to clients across the South West of England.

One of the major advantages TEDC possesses as a separate limited company is the opportunity to help it best achieve its public sector objectives through access to skills, contacts and experience from within the private sector. This private sector support is primarily provided by a Board of (currently) seven private sector non-executive directors, joining three Torbay Council elected members along with Steve Parrock, the Chief Executive. As a result, substantial private and third sector experience continues to assist the strategic decision-making and governance of the Company.

I am also pleased to acknowledge that the Company has continued to be well supported by the political leadership in the Bay and benefits from thoughtful cross-party engagement. As a result of this engagement, the Company's Business Plan covering the period up to March 2021 was completed during the year, approved by the Board in December 2016 and by full Council in February 2017. This Business Plan sets out the Company's expansion plans and requirements for funding. More details are set out in the CEO's Report.

At the start of the year, the Company, which operates under the brand TDA, completed its planned acquisition of the Tea Rooms at Cockington Court, which is a major cultural and regeneration asset that TEDC manages on behalf of the Council; this acquisition enables us to provide a more complete offering at this location, and the anticipated contribution will reduce the overall cost of asset management.

Throughout the year, the Company added new clients and it continues to grow in size, reputation and customer awareness across the South West Peninsula.

The past twelve months have seen further progress by the Company against its key objectives. These successes are explained in more detail in the CEO's Statement.

At the operating level, TEDC's financial performance during the year to 31 March 2017 substantially met the Company's objectives and the trading position of TEDC demonstrates continued growth in all areas. An on-going challenge relates to the continued recruitment of skill professionals within the pay bands set by Torbay Council and this is especially so for Property Services.

In addition, the Company continues to incur costs and provisions that are substantially outside its control: as a result of establishing TEDC as a separate legal entity from the Council, the Company inherited an existing pensions liability, in respect of all the staff whose employment was transferred from the Council to the TEDC under normal statutory regulations (TUPE), which was subsequently increased by later staff transfers. In addition to the planned annual pension charges, further pension costs of circa £168,000 were charged and the overall pension deficit in accordance with FRS102 rules increased to £5,086,000 in the period up to 31 March 2017, as can be seen in Note 22 to the Financial Statements. Although this pension funding deficit is not due for payment and remains underwritten by the Council, it should be noted that the Fund Actuaries consider the pension to be fully funded, the result is that, despite making an operating profit, the Company's overall equity has become negative. The Board are however confident that the company's status as a going concern is not impacted by these future provisions and indeed, the liquidity position improved during the year. Going forward, the overall cost to Torbay Council in funding legacy staff pension liabilities will reduce, due to the fact that new employees are only eligible to join the Company's defined contribution pension scheme and are no longer enrolled in the more costly Local Government Pension Scheme.

Torbay Economic Development Company Limited

Chairman's Statement

Year Ended 31 March 2017

In terms of specific successes the Company has:

- Continued to promote the local economy to attract new investment from outside Torbay, particularly in Photonics, Manufacturing, Marine and Life sciences sectors
- Successfully broadened our client base and maintained our resource capacity despite ongoing cutbacks in the public sector. We are now working with around 80 schools across the South-West and South of England
- Supported the creation of over 100 new jobs through delivery of the Council's Torbay Growth Fund programme
- Supported over 200 existing local businesses and helped over 50 new businesses to start up
- Successfully delivered the MADE employer engagement programme, supporting over 1800 students from across all our Secondary Schools
- Further affordable housing development has been delivered across Torbay, on both new sites and new phases on existing sites
- Managed a rent role totalling £5.2m from let estate across TEDC and Torbay Council portfolios
- Secured occupancy across the Torbay Business Centres portfolio of 87.5%.
- Maintained high occupancy levels at Somerset Enterprise Centres, which the company manages on behalf of Somerset County Council
- Secured £1.375m of ERDF funding and £3m of Growth Deal funding from Heart of the South West Local Enterprise Partnership (HotSWLEP) to complete the funding package for the Electronics and Photonics Innovation Centre (EPIC), a 30,000 sq ft purpose built innovation centre to underpin the ambition to be recognized as a national centre of excellence for the electronics and photonics sector; this is an recognised growth sector within Torbay's Economic Strategy, attracting local growth and further investment
- Secured £2.5m of "Unlocking Growth" Fund money on behalf of Torbay Council from HotSWLEP to facilitate development of Claylands site in Paignton
- Delivered two successful jobs fairs bringing job seekers together with businesses that have live vacancies
- Completed the delivery of the innovative and successful "Route to Retail" project which saw 47 businesses 'test' retail through the Pop Up Shop; 6 of these businesses went on to set up their own retail business
- TDA, together with the Torbay Culture Board (TCB), was instrumental in obtaining a £1.2m grant, co-funded by the Heritage Lottery Fund and Arts Council England (ACE), for Torbay to become part of the Great Places Scheme, one of only 16 place in the country to receive this funding; TDA staff will now manage the delivery of this 3-year cultural programme and has confirmed match funding to take the total project funding to £1.6m
- Secured, with TCB, a second award from ACE's Grants for the Arts scheme, which will go towards implementation of Torbay's ten year cultural strategy.
- Set up and established a cleaning company, CCS, as a subsidiary to TDA and already have contracts in place exceeding £220,000 p.a.

Torbay Economic Development Company Limited

Chairman's Statement

Year Ended 31 March 2017

- The active asset management of Torbay Councils estate managed by TDA has seen an unprecedented occupancy and income levels achieved and is currently at 97.5%
- Since 2012 TDA has overseen the disposal of 49 sites/buildings generating a capital receipt of £5.3m and producing a revenue saving of over £700k p.a for Torbay Council.
- Undertaken a successful asset valuation programme for Taunton Deane Council
- Won tenders to deliver two new health and well being centres for a new NHS client.
- Developed the strategy for the Torbay Council Investment Fund and managed the acquisition of freehold and long leasehold properties across the country. These investments have increased Torbay Councils rent roll by over £5m p.a.

Finally, I should record my and the non-executive directors' appreciation of the continuing efforts and application of the management team and all the staff within TEDC. We recognise that the key objectives of the business can only be achieved through their focus and commitment.


.....

Vince Flower

Chairman

Torbay Economic Development Company Limited

Torbay Economic Development Company Limited

Chief Executive's Report

Year Ended 31 March 2017

The performance of the Company, which enabled surpluses to be reinvested in economic outputs throughout the year, reflected the hard work of our employees and the strategic direction set by the Board of Directors and our Shareholder.

I am especially grateful for the support of our employees, the management team, the directors and shareholder representatives. I would also like to thank our many clients who were loyal to us and gave us the opportunity to serve.

Over the last 12 months the Company continued to expand successfully across the South West. We broadened our client base, introduced new services, won awards and successfully delivered for our many clients.

This record of success also enabled us to meet the financial targets set for the year ending 31st March 2017.

Highlights for the year:

TEDC Ltd supported over 200 local businesses, many of which received start up or growth support and as a consequence over 50 people have set up their own business with support from the team.

Our innovative and highly successful Route to Retail project saw 47 businesses 'test' retail through the pop up shop; 6 of these businesses went on to set up their own retail business. A further 85 businesses received support through the programme and the successful 'Love Your High Street' campaign continues as a legacy of the project.

The company's Business Centres in Torbay are operating at high occupancy levels, achieving 87.5% despite challenges in the local economy. The sales turnover for those companies using South West Businesses Centres grew considerably. The Torbay Workhubs now accommodate 18 members and provide a base for the business support activity.

The Somerset Enterprise Centres, which the Company manages on behalf of Somerset County Council, are also achieving the target occupancy level and as part of the contract, the Company delivers business support services. Plans are in place to extend these contracts and expand this tried and tested formula to other Local Authorities.

I reported last year on the MADE project, through which employers have supported Students in Science, Technology, Engineering and Maths (STEM), with the aim of encouraging young people to participate in activities in manufacturing and engineering in order to understand the exciting employment opportunities across the South West in these industry sectors. By the time of its successful completion, this project had already supported over 1,800 students from across Torbay's secondary schools.

The Affordable Housing Team also had a successful year completing a mix of social rented and shared ownership affordable housing projects Wall Park, Yannons Farm and Whiterock. Further phases of development are starting on all of these sites and additionally Primrose Hill in Torquay.

We are especially proud of our commitment to develop our growing workforce and in 2017 we retained our Investors in People accreditation, confirming our belief that our employees are the most important element of a successful business. Our commitment to excellence means that in the coming year we will be renewing our ISO9001 accreditation and we are confident that we will continue to have the right people and systems to deliver the solutions required for our many clients.

Torbay Economic Development Company Limited

Chief Executive's Report (*continued*)

Year Ended 31 March 2017

The Property Services team had a very good year. For the third year running, the team exceeded the fee income target set by the Board. Last year the target was stretched to £930,000 and this year it was increased to £1,032,000. The final outturn is just under £1,100,000. At the end of the financial year, the team had also secured confirmed instructions totalling £900,000 of income next year and a further £700,000 in 2018-19.

During the year the multidisciplinary team, having identified the opportunity in the market, concentrated its new business activity on securing new Academy School Trusts as clients. We listened to their requirements and as a result we added over 40 new schools to our client base. This growth, together with other new clients secured, will help us achieve the challenging fee income target for next year of £1,400,000.

The Estates team generated a total of £5.2m in rental income for our clients. An extensive asset valuation programme was delivered across around 430 assets, total valuations of £48m. The team continues to provide significant Estates support to public sector clients across the South-West, with a high level of customer satisfaction.

TEDC Ltd continues to work closely with a number of local and foreign owned companies considering relocation into Torbay across Photonics, Manufacturing, Marine and Life sciences sectors with support from the Heart of South West Local Enterprise Partnership (HotSW LEP) and UK Trade & Investment.

The Economy, Investment and Enterprise team for example secured £1.375m of ERDF funding and £3m of Growth Deal funding from HotSW LEP to complete the funding package for the Electronics and Photonics Innovation Centre (EPIC), a 30,000 sq ft purpose built innovation centre. This underpins the ambition to be recognised as a national centre of excellence for the electronics and photonics sector; this is a recognised priority sector within Torbay's Economic Strategy, attracting local growth and further investment.

More generally, TEDC Ltd was re-commissioned to lead the delivery of Torbay's Economic Strategy for the period up to 2022.

In Torbay we are continuing to deliver exciting and important capital projects such as at Claylands where our Economy, Investment and Enterprise team has secured £2.5m of "Unlocking Growth" Fund money on behalf of Torbay Council from HotSW LEP to facilitate a new manufacturing development of this site in Paignton.

Our credentials for regeneration and employment growth were further strengthened during the year when TEDC Ltd delivered two successful Jobs Fairs. These brought job seekers together with businesses seeking workers. These events will be repeated and are expected to grow with the latest Jobs Fair attracting over 50 employers and over 650 job seekers.

On the Cultural side, TEDC Ltd, together with the Torbay Culture Board, was instrumental in successfully obtaining a Great Places grant of £1.2m, co-funded by the Heritage Lottery Fund and Arts Council England (ACE). We are tasked to deliver the 3-year cultural programme, which has confirmed match funding in place to take the total project funding to £1.6m.

Again in co-operation with the Torbay Culture Board, a second award was secured from ACE's Grants for the Arts scheme which will go towards implementation of Torbay's ten-year cultural strategy, which includes a new programme of collaborative activity between culture and health organisations. The award contributed £228k towards the £300k project.

Torbay Economic Development Company Limited

Chief Executive's Report (*continued*)

Year Ended 31 March 2017


Looking ahead:

As mentioned by the Chairman the Company's new Business Plan covering the period up to March 2021 was approved during the year. Written with employee input and formally approved by our Shareholder it establishes the direction of travel that we will follow.

Over the coming years TEDC Ltd will deliver more services, to a larger range of targeted clients and over a broader geography. Surpluses generated will be reinvested in developing the local economy of Torbay in accordance with the new Economic Strategy. The Business Plan envisages growth in all our business units, as well as expanding into complementary services which will improve our overall offer and provide a more complete service.

Despite the success of recent years there is no room for complacency as many of our public sector clients are continuing to face significant cuts to their budgets. It is a dynamic environment, especially with the national economy entering a further period of uncertainty. This means that we will work even more closely with our customers to understand their future needs and intentions. In parallel we will continue to develop our staff and systems.

In terms of numbers, the four year business plan envisages a significant increase in turnover and surpluses, in order to fund a substantial increase in regeneration activity. It is an ambitious plan but I believe the Company is well positioned to fulfill our shareholder's expectations and our client's needs over the plan period.



Steve Parrock
Chief Executive
Torbay Economic Development Company Limited

Torbay Economic Development Company Limited

Strategic Report

Year Ended 31 March 2017

The Directors present their strategic report for the year ended 31 March 2017.

Principal activity

The principal activity of the Company is to bring about the regeneration of Torbay and deliver the economic benefits to the whole community, in the context of the Torbay Community Plan which aims to generate economic prosperity in the Bay. A high level of regeneration is achieved through the business model of the company which is outlined below.

The Company's activities are broadly split between revenue-generating activities and regeneration activities, with some overlap. The revenue-generating activities take the form of professional services, rents received and trading. The teams providing these services were originally TUPEd from the Council and this arrangement delivers benefits to the shareholders by maintaining the full service capability at a reduced cost, through providing additional services to unrelated entities.

The level of regeneration and cultural benefits are maximized by judicious use of internal resources to improve the regeneration outcomes, by generating income to mitigate the overall cost of regeneration, and through delivery partnerships, and enabling and managing grants from outside organisations.

In the opinion of the Directors and the Shareholder, in its trading relationship with Torbay Council and certain of its related parties, TEDC is a compliant company within the meaning of Public Contract Regulations 2015, paragraph 12, meaning that the Council and certain related parties may award contracts to TEDC without going through a tender process. This allows for further time and cost savings to the Council.

Strategy for growth

The Company has focused its growth strategy on certain areas where it has key skills, such as the public sector and former public sector establishments, with the intention of then leveraging the skills of the organisation into the open market. Geographically, the Company has a policy of expanding to operate throughout South West England.

In line with its foundation documents, the Company plans to retain profits from its revenue earnings activities in order to grow, and deliver increasing levels of regeneration to Torbay.

Fair review of the business

See the Chairman's Statement and the Chief Executive's Report, which form part of this Report, for additional commentary on the performance for the year.

Turnover for the year amounted to £5,629,153 (2016: £5,124,038). This increase is analysed in note 3 and broadly results from increases in professional fees, and the addition of Cockington Tea Rooms.

The performance measures used by the Company focus on those areas which are substantially within the control of management, therefore exclude revaluation adjustments or exceptional pension charges, except as applicable to the following:

As explained in the Chairman's Statement, the Company bears pension costs in relation to staff transferred over from the Council. The profit and loss account shows the full impact of pension costs, which includes substantial costs related to changes to in-service costs and other adjustments which occur as a result of previous employments of TUPEd employees. These costs are outside the control of management. In monitoring performance, management track the results based on actual pension costs paid in the year rather than the additional cost based on the full pension provision.

Torbay Economic Development Company Limited

Strategic Report

Year Ended 31 March 2017

The table below excludes those uncontrollable pension costs and reflects the performance against which TEDC Senior Managers are monitored:

	2017 £	2016 £
Operating loss per financial statements before exceptional items	(60,701)	(102,483)
Pension cost (note 4)	168,000	267,000
Controllable operating profit	107,299	164,517

Principal risks and uncertainties

Operational

Letting revenues

The Company has a substantial property portfolio and depends on a high level of occupancy to meet its targets. It uses its expertise in the market to minimize the risk, but in the event of a market downturn is exposed to risks.

Principal Client

The majority of the company's income is still derived from Torbay Council. Like many local authorities, it is increasingly facing budget constraints, and as such there is a risk that in future the level of services demanded from TEDC may decrease further. The company is continuing to limit this risk through a strategy of growth through expansion and diversification.

Other financial risks

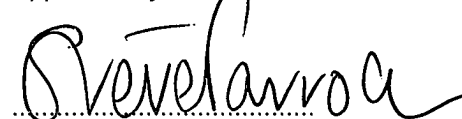
Property valuations and rentals

The Company's portfolio of freehold and long leasehold property is revalued on an annual basis. Consequently, it is exposed to fluctuations in the property and rental market.

Pensions

The Company participates in the Devon County Council pension fund, which is a defined benefit pension scheme. As indicated in the notes to the financial statements, the scheme is subject to risk regarding the relative value of its assets compared with its liabilities, which are affected by changes in life expectancy, inflation and discount rates.

Approved by the Board on 18/12/17 and signed on its behalf by:



S Parrock
Director

Torbay Economic Development Company Limited

Directors' Report

Year Ended 31 March 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Directors of the Company

The directors who held office during the year were as follows:

A R Archer

G Brocklehurst

C Carter

V Flower

C Hempseed

S M Leaf

D Mills

S Parrock

H Tucker

A J Tyerman

S J Wilson

Indemnity Policies

The company has taken out indemnity policy insurance on behalf of the directors.

Risk Management

The company's financial assets and liabilities consist of trade debtors and creditors, cash balances and bank loans.

The directors manage the company's exposure to financial risk by researching the credit worthiness of customers and lessees by obtaining partial advance payments for services and rents and by actively monitoring the debtor position. Due to the objectives of the company being to encourage new business there is an element of risk associated with this relating to rental of offices at the Business Centres.

The company also uses diversification of activities and geographic market to reduce its risk

The company's financial assets are insured to reduce any significant loss from damage.

There is no currency risk as there is no overseas trading. The company does not trade speculatively in derivatives or similar instruments.

Future developments

The likely future developments of the Company are included within the Chief Executive's and Chairman's Reports.

The company continues to assess the ongoing profitability of its sites and each activity. As a result of this policy the decision was taken after the year end to discontinue activities at Brixham Workhub. This will not result in any significant losses to the company and the Workhub staff are being redeployed.

Torbay Economic Development Company Limited

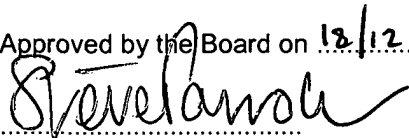
Directors' Report

Year Ended 31 March 2017

Disclosure of information to the auditors

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 12/12/17 and signed on its behalf by:



S Parrock
Director

Torbay Economic Development Company Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Torbay Economic Development Company Limited

Independent Auditor's Report to the Members of Torbay Economic Development Company Limited

We have audited the financial statements of Torbay Economic Development Company Limited for the year ended 31 March 2017, set out on pages 14 to 35. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 12), 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 (APB's) Ethical Standards for Auditors to the financial statements.

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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2017 and of its results 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.

Torbay Economic Development Company Limited

Independent Auditor's Report to the Members of Torbay Economic Development Company Limited

Opinion on other matter prescribed by the Companies Act 2006

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

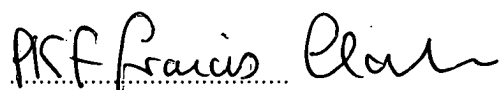
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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



Stephanie Henshaw (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Vantage Point
Woodwater Park
Pynes Hill
Exeter
Devon
EX2 5FD

Date: 19/12/17

Torbay Economic Development Company Limited

Profit and Loss Account

Year Ended 31 March 2017

	Note	2017 £	2016 £
Turnover	3	5,629,153	5,124,038
Cost of sales		<u>(904,046)</u>	<u>(873,101)</u>
Gross profit		4,725,107	4,250,937
Administrative expenses		<u>(4,785,808)</u>	<u>(5,363,420)</u>
Operating loss	4	<u>(60,701)</u>	<u>(1,112,483)</u>
Attributable to			
<i>Operating loss before exceptional item</i>		(60,701)	(102,483)
<i>Exceptional item</i>	5	-	<u>(1,010,000)</u>
Other interest receivable and similar income	9	624	1,232
Interest payable and similar charges	10	<u>(180,055)</u>	<u>(161,150)</u>
Loss before fair value gains		(240,132)	(1,272,401)
Fair value gain on investment properties		<u>264,265</u>	<u>800,410</u>
Profit/(loss) before tax		24,133	(471,991)
Taxation	11	<u>(14,125)</u>	<u>(28,000)</u>
Profit/(loss) for the financial year		<u>10,008</u>	<u>(499,991)</u>

Torbay Economic Development Company Limited

Statement of Comprehensive Income

Year Ended 31 March 2017

	2017	2016
	£	£
Profit / (loss) for the year	10,008	(499,991)
Remeasurement gains/(loss) on defined benefit pension	<u>(1,663,000)</u>	<u>1,024,000</u>
Total comprehensive income for the year	<u>(1,652,992)</u>	<u>524,009</u>

Torbay Economic Development Company Limited

Balance Sheet

31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	12	117,267	-
Tangible assets	13	7,739,750	7,511,248
Investment in subsidiary	14	1	-
		<u>7,857,018</u>	<u>7,511,248</u>
Current assets			
Stocks		3,000	-
Debtors	15	1,100,973	784,303
Cash at bank and in hand		<u>361,277</u>	<u>249,697</u>
		1,465,250	1,034,000
Creditors: Amounts falling due within one year	16	<u>(937,767)</u>	<u>(828,041)</u>
Net current assets		<u>527,483</u>	<u>205,959</u>
Total assets less current liabilities		8,384,501	7,717,207
Creditors: Amounts falling due after more than one year	16	(1,429,593)	(978,121)
Provisions for liabilities	20	(5,129,000)	(3,165,000)
Deferred income	21	<u>(1,909,341)</u>	<u>(2,004,527)</u>
Net assets		<u>(83,433)</u>	<u>1,569,559</u>
Capital and reserves			
Called up share capital	23	2	2
Profit and loss account	24	<u>(83,435)</u>	<u>1,569,557</u>
Total equity		<u>(83,433)</u>	<u>1,569,559</u>

Approved and authorised by the Board on 13/12/17 and signed on its behalf by:



S Parrock
Director

Company Registration Number: 07604855

Torbay Economic Development Company Limited

Statement of Changes in Equity

Year Ended 31 March 2017

	Distributable profit and loss reserves £	Non distributable profit and loss reserves £	Profit and loss account Total £	Share capital £	Total £
At 1 April 2016	(3,118,747)	4,688,304	1,569,557	2	1,569,559
Profit/(loss) for the year	(254,257)	264,265	10,008	-	10,008
Other comprehensive income	(1,663,000)	-	(1,663,000)	-	(1,663,000)
Total comprehensive income	(1,917,257)	264,265	(1,652,992)	-	(1,652,992)
At 31 March 2017	(5,036,004)	4,952,569	(83,435)	2	(83,433)

	Distributable profit and loss reserves £	Non distributable profit and loss reserves £	Profit and loss account Total £	Share capital £	Total £
At 1 April 2015	(2,842,346)	3,887,894	1,045,548	2	1,045,550
Profit/(loss) for the year	(1,300,401)	800,410	(499,991)	-	(499,991)
Other comprehensive income	1,024,000	-	1,024,000	-	1,024,000
Total comprehensive income	(276,401)	800,410	524,009	-	524,009
At 31 March 2016	(3,118,747)	4,688,304	1,569,557	2	1,569,559

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

1 General information

The company is a private company limited by share capital incorporated in England and Wales. The address of the registered office is given on page 1.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention, modified to include the use of fair values where indicated.

Torbay Economic Development Company Limited meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in relation to the presentation of a cashflow statement. The Company is a wholly owned subsidiary of the Council of the Borough of Torbay.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The presentational currency is the same as the functional currency.

Critical accounting judgements and key sources of estimation uncertainty

In applying the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Investment properties - as described within the accounting policies, these are held at the balance sheet date at their fair value, being current market value. The directors have made judgements surrounding the current and expected future rental yields of investment properties in order to calculate current market values.

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

Exemption from preparing group accounts

The financial statements contain information about Torbay Economic Development Company Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, the Council of the Borough of Torbay.

Revenue recognition

Turnover represents the fair value of consideration receivable, excluding Value Added Tax, in the ordinary course of business for goods and services provided. The majority of the Company's turnover represents fees from the Council of the Borough of Torbay and others, some of which are paid as a single contract fee for a "basket" of services and these fees are recognised in the period to which they relate. Rental income on the Company's investment properties is recognised on a straight line basis over the term of the lease.

Additionally, the Company receives grants from Torbay Council and others for performance of specified activities (Revenue Grants) and for capital projects (Capital Grants). Revenue Grants are recognised in the period to which they relate. Capital Grants are initially recognised as deferred income, and released to profit and loss in line with the consumption of the asset to which they relate.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- i) No provision is made in respect of the potential deferred tax asset arising on the defined benefit pension scheme liability.
- ii) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Stocks

Stocks are shown at the lower of cost and cost and net realisable value.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable. Amortisation of goodwill is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill acquired - 10% straight line

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is charged so as to write off the cost of assets so as to write off the cost or valuation, less any residual value, over their estimated useful economic lives, as follows:

Asset class	Depreciation method and rate
Fixtures and fittings	25% straight line
Short leasehold property	straight line over the life of the lease

Investment property

The company's freehold and long leasehold properties are held for long-term investment. Investment properties are accounted for in accordance with FRS 102, as follows:

Investment properties are valued annually at their fair value. The surplus or deficit on revaluation is recognised in profit or loss. Cumulative gains are shown within the statement of changes in equity as non-distributable reserves.

Hire purchase and leasing

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pensions

The company operates a defined benefit pension scheme for certain employees. The assets of the scheme are held separately from those of the company. Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using an AA corporate bond rate. Pension scheme assets are valued at their market value at the balance sheet date. The pension scheme deficit is recognised in full on the balance sheet.

The company also operates a defined contribution pension scheme. Contributions to this scheme are charged to the profit and loss account as they fall due.

The defined benefit pension scheme relates to the members of the Devon County Council pension fund who were transferred to the company from Torbay Council, and the deficit on the scheme is underwritten by the Council. The deficit of £5.1 million is calculated in accordance with the requirements of FRS102.

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

Financial instruments

Classification

The company holds the following financial instruments, all of which are considered to be basic:

- Short term trade debtors and creditors
- Loans and borrowings

Recognition and measurement

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Short term trade debtors and creditors

Basic financial assets comprise short term trade and other debtors. Basic financial liabilities comprise short term trade and other creditors. Such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received.

Loans and borrowings

Loans which meet the criteria under FRS102 to be classed as 'basic financial instruments' are initially recorded at transaction price and subsequently measured at amortised cost using the effective interest method.

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

3 Turnover

The analysis of the company's turnover for the year by class of business is as follows:

	2017 £	2016 £
Rental Income	1,138,413	1,170,346
Professional Fees	2,757,545	2,505,486
Property Service Charges	466,018	457,904
Grant income	910,347	990,302
Other Income	356,830	-
	<u>5,629,153</u>	<u>5,124,038</u>

The turnover and profit before tax are attributable to the one principal activity of the company.

100% of the turnover is generated within the UK (2016: 100%)

4 Operating loss

Arrived at after charging/(crediting)

	2017 £	2016 £
Amortisation	11,833	-
Depreciation	55,302	65,075
Net pension service cost for the year in excess of actual cash contributions paid of £206,000 (2016: £223,000) - see note 22 (see note 10 for further interest expense of £119,000 (2016: £134,000))	<u>168,000</u>	<u>267,000</u>

5 Exceptional item

	2017 £	2016 £
Pension deficit transferred from the Council of the Borough of Torbay on the transfer over of further employees	<u>-</u>	<u>1,010,000</u>

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £	2016 £
Wages and salaries	2,767,222	2,548,759
Social security costs	263,163	208,016
Pension costs, defined contribution scheme	46,165	26,401
Pension costs, defined benefit scheme	370,000	490,000
Other post-employment benefit costs	-	1,010,000
	<u>3,446,550</u>	<u>4,283,176</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Administration and support	<u>109</u>	<u>92</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £	2016 £
Remuneration	28,280	28,280
Company contributions paid to defined benefit schemes	<u>4,044</u>	<u>4,044</u>
	<u>32,324</u>	<u>32,324</u>

The directors are considered to be the key management personnel.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2017 No.	2016 No.
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

8 Auditor's remuneration

	2017 £	2016 £
Audit of the financial statements	11,000	4,500
Other services provided	<u>-</u>	<u>8,650</u>
	<u>11,000</u>	<u>13,150</u>

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

9 Other interest receivable and similar income

	2017 £	2016 £
Interest income on bank deposits	624	1,232

10 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank overdrafts and borrowings	-	4,824
Interest expense on other finance liabilities	61,055	22,326
Pension scheme interest	119,000	134,000
	180,055	161,150

11 Taxation

Tax charged/(credited) in the profit and loss account

	2017 £	2016 £
Current taxation		
UK corporation tax	125	-
Deferred taxation		
Arising from origination and reversal of timing differences	14,000	75,000
Arising from losses being carried forward	-	(47,000)
Total tax charge	14,125	28,000

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 20% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Profit / (loss) before tax	24,133	(471,991)
Corporation tax at standard rate	4,827	(94,398)
Effect of revaluation (gains) / losses	(52,853)	(160,082)
Tax increase (decrease) from movements in the pension provision	52,795	282,200
Other tax effects for reconciliation between accounting profit and tax expense (income)	9,356	280
Total tax charge	14,125	28,000

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

12 Intangible Assets

	Purchased goodwill £	Total £
Cost or valuation		
At 1 April 2016	-	-
Reclassifications (see note 13)	14,788	14,788
Additions	<u>114,312</u>	<u>114,312</u>
At 31 March 2017	129,100	129,100
Depreciation		
At 1 April 2016	-	-
Charge for the year	<u>11,833</u>	<u>11,833</u>
At 31 March 2017	11,833	11,833
At 31 March 2017	<u>117,267</u>	<u>117,267</u>
At 31 March 2016	<u>-</u>	<u>-</u>

Purchased goodwill relates to the purchase of the Tearooms at Cockington, which was acquired via a trade and asset purchase on 8 April 2016. A deposit paid in the prior year for the acquisition was reclassified from short leasehold land and buildings to intangible assets.

The fair value of the net assets acquired was £13,054 and the consideration paid was £142,154.

The Tearooms at Cockington generated turnover of £251,222 since acquisition.

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

13 Tangible Fixed Assets

	Freehold Land and Buildings £	Long Leasehold Land and Buildings £	Short Leasehold Land and Buildings £	Furniture, fittings and equipment £	Total £
Cost or valuation					
At 1 April 2016	5,656,990	1,485,200	466,816	131,289	7,740,295
Valuations	453,071	(188,806)	-	-	264,265
Additions	13,429	2,096	-	18,802	34,327
Reclassification (see note 12)	-	-	(14,788)	-	(14,788)
At 31 March 2017	6,123,490	1,298,490	452,028	150,091	8,024,099
Depreciation					
At 1 April 2016	-	-	129,581	99,466	229,047
Charge for the year	-	-	35,029	20,273	55,302
At 31 March 2017	-	-	164,610	119,739	284,349
At 31 March 2017	6,123,490	1,298,490	287,418	30,352	7,739,750
At 31 March 2016	5,656,990	1,485,200	337,235	31,823	7,511,248

Freehold Land and Buildings and Long Leasehold Land and Buildings are considered to be investment properties.

Valuation

The fair value of the Company's freehold and long leasehold property was recalculated on 31 March 2017. Valuation was carried out by members of RICS who are employed by the Company. The basis of this valuation was existing-use value, using net rental income and market yields for each type of property.

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

14 Investment in subsidiary

	2017 £	2016 £
Complete Facilities Management Services Limited	1	-

Complete Facilities Management Services Limited is a wholly-owned subsidiary and was incorporated in England and Wales on 8 February 2017. It commenced trading on 1 April 2017. The registered office of Complete Facilities Management is the same as the Company as shown on page 1.

15 Debtors

	2017 £	2016 £
Trade debtors	859,574	649,158
Prepayments and accrued income	241,399	135,145
	<u>1,100,973</u>	<u>784,303</u>

16 Creditors

	Note	2017 £	2016 £
Due within one year			
Loans and borrowings	17	34,180	21,706
Trade creditors		206,721	229,702
Corporation tax		125	-
Social security and other taxes		238,369	239,213
Accrued expenses		<u>458,372</u>	<u>337,420</u>
		<u>937,767</u>	<u>828,041</u>
Due after one year			
Loans and borrowings	17	<u>1,429,593</u>	<u>978,121</u>

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

17 Loans and borrowings

	2017 £	2016 £
Non-current loans and borrowings		
Other borrowings	1,429,593	978,121
	2017 £	2016 £
Current loans and borrowings		
Other borrowings	34,180	21,706

Included in the loans and borrowings are the following amounts due after more than five years:

	2017 £	2016 £
After more than five years by instalments	1,276,497	858,570

Borrowings due after five years

The loan is repayable in 100 equal instalments by May 2041. The annual interest rate for the loan is 4.50%.

18 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	15,357	36,104
Later than one year and not later than five years	19,915	89,416
Later than five years	-	38,918
	35,452	164,438

The company made the decision after the year end to terminate the lease on one of the South West Business Centres and the lease commitments have therefore only been included up to the termination date.

Operating lease agreements where the Company is lessor

The Company holds buildings as investment properties, as disclosed in note 13, which are let to third parties. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 £	2016 £
Not later than one year	473,520	255,301
Later than one year and not later than five years	739,438	437,064
Later than five years	535,783	312,149
	1,748,741	1,004,514

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

20 Provisions for liabilities

	Employee benefits £	Deferred tax £	Carbon Allowances £	Total £
At 1 April 2016	3,136,000	28,000	1,000	3,165,000
Charged / (credited) to the profit and loss account	287,000	14,000	-	301,000
Charged / (credited) to comprehensive income	1,663,000	-	-	1,663,000
At 31 March 2017	5,086,000	42,000	1,000	5,129,000

21 Deferred income

	2017 £	2016 £
Unspent grant funds and other deferred income	968,436	1,037,472
Grants invested in freehold and leasehold properties	940,905	967,055
Total Deferred income	1,909,341	2,004,527

Where grants are invested in depreciating assets, these grants are amortised over the effective useful life of the asset to which they relate.

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

22 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £46,165 (2016 - £26,401).

Defined benefit pension scheme

Devon County Council pension fund

The Company also participates in this pension fund, which is a defined benefit pension scheme based on members' final pensionable salaries.

The defined benefit pension scheme relates to the members of the Devon County Council pension fund who joined TEDC from Torbay Council in 2011, and the deficit on the scheme is underwritten by the Council.

However, the Actuaries responsible for the valuation, Barnett Waddingham of 163 West George Street, Glasgow, consider that the Pension Scheme is fully funded, and anticipate that the accounting deficits will be covered by increased actuarial returns in future years.

The assets and liabilities of the scheme were initially transferred to the Company on 1 May 2011 when the employees, who are members of the scheme, were transferred to the Company from the Council of the Borough of Torbay. Additional assets and liabilities have been transferred in line with further transfers of staff from the Council. As part of the arrangements for the transfers, the Council has provided a guarantee to meet in full any remaining liability to the scheme in the event of the insolvency of the Company.

Independent actuarial valuations were carried out at 31 March 2016 and at 31 March 2017.

The date of the most recent comprehensive actuarial valuation was 31 March 2016

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £370,000 (2016 - £1,500,000).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2017 £	2016 £
Fair value of scheme assets	7,401,000	6,134,000
Present value of defined benefit obligation	(12,487,000)	(9,270,000)
Defined benefit pension scheme deficit	(5,086,000)	(3,136,000)

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2017
	£
Present value at start of year	9,270,000
Current service cost	370,000
Interest cost	362,000
Actuarial gains and losses	3,179,000
Experience gain on obligation	(703,000)
Benefits paid	(83,000)
Contributions by scheme participants	92,000
Liabilities assumed	-
Present value at end of year	<u>12,487,000</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2017
	£
Fair value at start of year	6,134,000
Interest income	243,000
Return on plan assets, excluding amounts included in interest income/ (expense)	926,000
Other actuarial gains/(losses)	(113,000)
Employer contributions	206,000
Contributions by scheme participants	92,000
Benefits paid	(83,000)
Settlements received	-
Administration expenses	(4,000)
Fair value at end of year	<u>7,401,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2017	2016
	£	£
Cash and cash equivalents	198,000	137,000
Equity instruments	4,354,000	3,451,000
Debt instruments	219,000	169,000
Property	648,000	687,000
Other Assets	1,982,000	1,690,000
	<u>7,401,000</u>	<u>6,134,000</u>

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

Return on scheme assets

	2017 £	2016 £
Return on scheme assets	1,169,000	38,000

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2017 %	2016 %
Discount rate	2.80	3.90
Future salary increases	4.20	4.30
Future pension increases	2.70	2.50
Inflation	3.60	3.40

Post retirement mortality assumptions

	2017 Years	2016 Years
Current UK pensioners at retirement age - male	23.40	22.90
Current UK pensioners at retirement age - female	25.50	26.20
Future UK pensioners at retirement age - male	25.60	25.20
Future UK pensioners at retirement age - female	27.80	28.60

23 Share capital

Allotted, called up and fully paid shares

	No.	2017 £	No.	2016 £
Ordinary shares of £1 each	1	1	1	1
Preference shares of £1 each	1	1	1	1
	2	2	2	2

The preference shares carry no voting rights.

The holder of a majority of the preference shares has the right to appoint and remove three persons to be known as 'Authority Directors' of the Company and such persons shall be nominated from time to time in writing by the Council Appointments Committee of the Council of the Borough of Torbay.

The preference shares have no right to dividend or any other distribution except as follows:

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

23 Share capital continued

On a winding up of the Company the preference shares have rights to assets transferred to it at any time since the Company's incorporation by the Authority, to be satisfied by the distribution of the Authority assets (but only to the extent that such assets have not been disposed of by the Company).

24 Reserves

Profit and loss account

The profit and loss account represents cumulative profit or losses, net of dividends paid and other adjustments. As indicated in the Statement of Changes in Equity, included in the brought forward balance is £4,688,304 in relation to unrealised gains on the revaluation of investment properties. The credit for the year in respect of unrealised gains on property is £264,265. Therefore, included in the closing balance is £4,952,569 in relation to unrealised gains on the revaluation of tangible fixed assets.

25 Commitments

The total amount contracted for but not provided in the financial statements was £Nil (2016 - £126,854).

26 Related party transactions

The group has taken advantage of the exemptions under FRS 102 not to disclose any transactions or balances with the Council of the Borough of Torbay and other bodies wholly owned by the Council of the Borough of Torbay.

During the year the company had transactions with associates of The Council of the Borough of Torbay. Sales to these associates during the year amounted to £5,313 (2016: £1,392) and purchases from these associates amounted to £21,370 (2016: £30,839). At the end of the year the company owed £3,230 (2016: £444) to and was owed £4,787 (2016: nil) by these associates.

During the year the company made purchases to the value of £44,455 (2016: £28,358) on normal commercial terms from GAP Recruitment Limited. G Brocklehurst, a director of the company, is also a director of GAP Recruitment Limited. At the end of the year the company owed £2,681 (2016: nil) to GAP Recruitment Limited.

During the year the company made purchases to the value of nil (2016: £1,800) on normal commercial terms from Wollen Michelmores LLP. S Wilson, a director of the company, is also a director of Wollen Michelmores LLP.

During the year the company made purchases to the value of £2,400 (2016: nil) on normal commercial terms from Bishop Fleming LLP. H Tucker, a director of the company, is also a partner of Bishop Fleming LLP.

27 Control

The company is controlled by its immediate and ultimate parent, the Council of the Borough of Torbay. The consolidated financial statements are available upon request from the Council of the Borough of Torbay at Castle Circus, Torquay, TQ1 3DS.

Torbay Economic Development Company Limited

Notes to the Financial Statements

Year Ended 31 March 2017

28 Events after the year end date

Incorporation of additional subsidiaries

On 21 June 2017, the company incorporated a wholly-owned subsidiary, Business Centres South West Limited, incorporated in England, no. 10829733. The company is not currently trading, but is intended as a vehicle for activities which fall outside of the company's exemption under the Public Contract Regulations 2015.

On 29 November 2017, the company incorporated a wholly-owned subsidiary, KAH Holdings Limited, incorporated in England, no. 11088019. The company is not currently trading.

Change of operator for Brixham work hub

Following the end of the financial year, the Company instigated a review of operations of its Brixham work hub which was not meeting its anticipated targets. In June 2017 it was decided to allow the transfer of operation to Brixham Town Council, in whose premises the work hub operates. As part of the agreement, Brixham Town Council will continue to use assets purchased by the company at the Work Hub and valued at around £139,000 at the year end.

This action will trigger the release of deferred income of £144,000 during the current financial year, resulting in the change being broadly neutral in financial terms.

29 Contingencies

Great Places Scheme

The Company is the lead organisation in the delivery of the Great Places Scheme, which is a 3 year project to deliver certain events and structural cultural improvements in Torbay. The majority of the funding for this project will be a £1.2m grant from Heritage Lottery Fund ("HLF") with the balance being match funded from other organisations either in cash or in kind.

The structure of this grant means that HLF will provide the funding quarterly in arrears at the rate of around 75% of the costs incurred, which equates to their share of the overall funding. However, this means that the Company is at risk in the event that, and to the extent that, match funding is not received from donors, either in full or in part, or activities in kind occur at less than anticipated levels, or are not adequately recorded.

Additionally, as the lead organisation, the Company is funder of last resort and is therefore at risk from any project overspends.

The directors are of the opinion that adequate systems and controls are in place to prevent significant losses from funding deficits and to identify and remedy overspends promptly. Accordingly no provision has been made in these financial statements in respect of these contingencies.