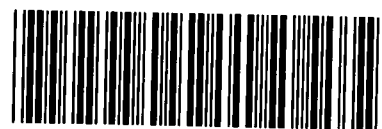


**Torbay Economic Development Company Limited**  
**Annual Report and Consolidated Financial Statements**  
**Year Ended 31 March 2019**  
Registration number: 07604855

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COMPANIES HOUSE

# **Torbay Economic Development Company Limited**

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# **Torbay Economic Development Company Limited**

## **Company Information**

### **Directors**

A R Archer (Retired 1 October 2019)  
C Carter (Retired 8 July 2019)  
V Flower  
C Hempseed  
S M Leaf (Retired 24 November 2018)  
D Mills (Retired 8 July 2019)  
S Parrock  
H Tucker  
A J Tyerman (Retired 8 July 2019)  
S M Criddle (Retired 22 August 2019)  
S L Bond  
C D Hart (Appointed 10 September 2018)  
J P Howard (Appointed 7 December 2018)  
S Long (Appointed 10 July 2019)  
C L Law (Appointed 10 July 2019)  
J O'Dwyer (Appointed 10 July 2019)  
L E Frewin (Appointed 26 November 2019)

### **Registered office**

Tor Hill House  
Union Street  
Torquay  
Devon  
TQ2 5QW

### **Auditors**

PKF Francis Clark  
Statutory Auditor  
Centenary House  
Peninsula Park  
Rydon Lane  
Exeter  
EX2 7XE

# **Torbay Economic Development Company Limited**

## **Chairman's Statement**

### **Year Ended 31 March 2019**

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

The Company continues to operate under social enterprise principles: with net surpluses reinvested to assist delivery of economic regeneration in the Torbay area.

As well as its responsibility for the economy and regeneration of Torbay, the Company provides a range of professional and property services to clients across the South West of England.

During the year there were three changes to the Board. Two non-authority Directors retired from the Board after many years of service. I should like to take this opportunity to thank Alan Archer and Sheena Leaf for their substantial contributions to the development of TEDC.

A further non-executive Director was appointed from the private sector: James Howard, head of Developments at Studio Hive Ltd, a private development company based in Bristol who specialise in delivering residential-led mixed-use developments throughout the UK, and was formerly with the award-winning regeneration company, Urban Splash. His experience will be invaluable in supporting our aspirations of regeneration and house building.

Despite the various economic challenges and a significant reduction in orders from Torbay Council, the Company met and exceeded its Business Plan objectives overall for the year under review. These successes are explained in more detail in the Chief Executive's Statement. We continue to build a solid base for future expansion. However, the company continues to be hit by secondary in-service pension charges and these resulted in a loss of £140,359 for the year, before remeasurement gains of £224,000.

Our structure as a Group continues to evolve to meet the operational needs of the various professional teams. We also need to ensure that our structure enables us to measure profitability and return on capital across our different businesses and to prioritise capital investments and staff expansion in the sectors which we anticipate will give the best returns, or the best outcomes for Torbay, in line with our strategic objectives. During the year we created two new subsidiaries, in order to provide better service for customers and further improve internal accountability, although neither of them commenced trading in the year.

We continue to look at ways to strengthen and add resilience to our professional teams, and this was realized shortly after the year end when we completed the acquisition of C & A Consultants (Torquay) Limited. Details of the acquisition are set out in note 24 to the financial statements. This purchase not only strengthens the Engineering team, but brings with it some highly capable senior staff, and increases the range of services, and geographical reach of the Group because this company already has clients across all of Southern England.

As further indication of our appetite for growth, we are working on two major property and economic generation projects:

- EPIC – the Electronics and Photonics Innovation Centre, in Paignton opened in July 2019, and will provide a focal point for the maintenance and expansion of Torbay's Electronics and Photonics cluster.
- Unit E Torbay Business Park – a Speculative build of 8 1,500 sq ft light industrial units and is nearing completion. Given the current deficit of light industrial space in Torbay, we are confident that these will swiftly become fully let.

We continue to work with Torbay Council in resolving one of the significant external challenges facing the Company, that of pension legacy costs in respect of the Local Government Pension Scheme (LGPS), a defined benefit pension scheme, that some employees belonged to when they joined the company under TUPE. We have now reached agreement with Torbay Council to provide an indemnity to underwrite the liability and we anticipate that this will be resolved within the current financial year.

Looking ahead, the new incoming administration at Torbay Council has confirmed its intention to expand its regeneration activities and focus on job creation; it has also set out its intentions to deliver significant volumes of new housing and has confirmed TEDC as its provider of choice of both construction of housing, and management and ownership of affordable rental properties. We look forward to working with them to deliver these projects and make a further significant difference to the economy of Torbay.

# **Torbay Economic Development Company Limited**

## **Chairman's Statement**

### **Year Ended 31 March 2019**

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

17/12/19

# **Torbay Economic Development Company Limited**

## **Chief Executive's Report**

### **Year Ended 31 March 2019**

The performance of the TEDC Group of Companies, which enabled significant surpluses to be reinvested in economic activities throughout the year, again reflected the hard work of our employees and the strategic direction set by the Leadership Team and Board of Directors.

I am especially grateful for the support of the leadership team, our non-executive directors (who all hold their positions on an honorary basis) and our shareholder representatives. I would also like to thank our clients both new and long-standing, who remained loyal to us and continue to challenge us to provide new efficiencies and new methods of delivering our services. It is through this feedback that the company maintains a path of continuous improvement.

Over the last 12 months the Company has broadened its client base, introduced new services and successfully delivered against the Business Plan. This success has enabled us to meet the financial and regeneration targets set in 2016, for the year ending 31<sup>st</sup> March 2019, and this despite continuing reductions in 'core' economic funding by Torbay Council.

In particular our Property Services, Engineering and Asset Management teams all had excellent years and exceeded their fee targets. Our Business Centres in Somerset and Devon also maintained a very high level of occupancy rates.

For the reporting period TEDC's turnover increased from £7.12 million in 2017/18 to £7.85m. TEDC's overall fee income maintained its upward trajectory, increased from £3.49 million last year to nearly £3.72 million this year, an increase of 6.78% for the year. This year we have widened our range of services further and some of the highlights, both commercial and operational are detailed here:

#### **Economy, Investment and Enterprise**

- Working with Education & Skills Funding Agency we delivered an Apprenticeship Pilot scheme in Torbay to raise the profile and explain the value of apprenticeships which includes delivering the first National Apprenticeship Week co-ordinated campaign in partnership for Torbay, reaching 1,000+ individuals, 10 targeted events, generating 100 enquiries
- Led by TEDC, Torbay's photonics sector has become part of the Department for International Trade's High Potential Opportunities scheme to raise the profile of photonics, promoting our sector offer overseas
- Working with other colleagues from across TEDC, we commenced construction of a new Innovation Centre which will help growth in our photonics and micro-electronics sectors
- Nearly 500 Key Stage 3 students have taken part in our manufacturing challenge designed to stimulate and inform students in science, technology, engineering and maths through our MADE programme
- Launched a new business start-up programme helping those in our more deprived communities to become self-employed
- Started the Destination Management Group to develop the visitor economy and develop skills; including aligning the English Riviera UNESCO Global Geopark with South Devon College Outdoor Programme and the launch of a new Level 3 Apprenticeship standard
- Supported 130 businesses through the Growth Support Programme, 10 targeted workshops and specifically promoting to the tourism sector
- Delivered 2 successful jobs fairs helping 95 unemployed people into jobs

#### **Property and Engineering Services**

The Property and Engineering Services teams had another good year. Whilst the business plan profit target was not quite achieved, the percentage profit (just under 20%) is comparable with the higher end of expectations for a professional property services consultancy.

# **Torbay Economic Development Company Limited**

## **Chief Executive's Report**

### **Year Ended 31 March 2019**

The acquisition of C & A Consultants (Torquay) Limited, a firm of civil and structural engineers in Torbay was completed immediately after the end of the financial year.

#### **Schools Capital and Asset Planning Team**

The team provided significant support to our clients including delivery of multiple Children Centre contracts in Torbay.

Education Team achievements:

- 9 Condition Improvement Fund applications submitted on time and within a challenging timescale
- 2 Urgent Capital Fund applications submitted – awaiting outcome
- Various feasibility studies completed and submitted including ones for Plymouth CAST, a large regional multi-Academy Trust, and Play Torbay.

#### **Asset Management and Estates**

- TDA Estates Team continues to oversee a rent roll now totalling £13.6m across the TEDC and Client portfolios. This increase has resulted following Torbay Council's continued activity in the property investment market. The let estate under management is now in the region of 880 assets with high occupancy levels.
- An extensive asset valuation programme was again undertaken for 2018/19 with around 450 properties revalued.
- The team has provided extensive estates support for a range of public sector clients, in the last year including Torbay Council, Torbay & South Devon NHS Trust, Teignbridge District Council and South Devon College. The support provided is well received with high level of client satisfaction.
- We have overseen the implementation of the new property database TF Cloud and this is being rolled out incrementally.

#### **Project Management**

- South Devon College Hi-Tech & Digital Skills Centre: work commenced on site April 2019. £9.5m construction.
- Claylands Cross development received grant of planning permission January 2019. Main Contractor Midas Construction has been commissioned.
- Brunel Academy's installation of a new multi use games area and associated parking was completed on time and under budget in February 2019. HRH Princess Anne attended and officially opened the new facility March 2019.
- EPIC Development at White Rock, Paignton started on site. With multiple funders including Torbay Council, the Local Enterprise Partnership, European Regional Development Fund and the Coastal Communities Fund, the facility was completed in July 2019 and provides Offices, Laboratories & Clean Rooms in a state of the art building over 4 stories, including a fully equipped Open Access ISO approved Clean Room facility. This asset will be the cornerstone of our Electronics and photonics cluster.

# **Torbay Economic Development Company Limited**

## **Chief Executive's Report**

### **Year Ended 31 March 2019**

- White Rock Sports Centre commenced and completed. A full size 3G pitch with multi-use games area.

The benefits of our strategy to build complementary services has been clearly demonstrated this year and an increasing number of our projects have used multiple TEDC teams. By way of example I would highlight in particular the following collaborations between our School's Capital Team and our Project Managers:

- Torquay Academy Classrooms. A new three-storey 9 Classroom Teaching Block was completed in September 2018. The new facility has enabled the Academy to expand their curriculum, essential in maintaining their rapid growth.
- Little Stars Nursery, Ellacombe, Torquay. The expanded and refurbished Nursery was handed over in September 2018. The new provision was officially opened by the Bishop of Plymouth earlier this year.
- Paignton Academy, Borough Road site. A derelict existing building has been demolished with the construction of a new Hall and Dining facility progressing well, due for completion at the end of October 2019. The funding for the project is from a successful CIF (Condition Improvement Fund) bid from Central Government, for 3.15 M.
- Paignton Academy, Waterleat Road site. Torbay Council funding has been obtained for a new two-storey five Classroom block, together with the provision of two Laboratories. TDA are providing the complete Design Team for both elements of the project.

### **Culture**

TDA hosts Torbay Culture, ensuring that the 'Enjoy, Talk, Do, Be' Torbay's ten year Cultural Strategy for 2014-24 continues to deliver.

Over the last year investment from the National Lottery Heritage Fund and Arts Council England has meant we've been able to deliver many different strands of activity. These are all focused on making sure that culture and creativity makes a difference to the quality of life for the people of Torbay. Headlines during the last year include:

- Advice and support to small and medium sized cultural organisations as they develop more resilient business models.
- The Torbay Care Charter – developed in partnership with Torbay Council – is a model of what good care practice should look like and how it can be delivered in residential care settings.
- Delivering a cultural programme called Eyeview for thousands of residents and visitors, taking place in locations across the bay. Highlights of that were during June, and again in November, extending the tourist season. In addition to the audience participation, this programme supported 4 paid University internships.
- A new volunteering programme – Torbay Cultural Ambassadors – with over 50 recruits trained and already getting involved in supporting festivals and special events in the bay.
- We devised a Cultural Tourism vision which underpins the English Riviera Destination Management Plan. This can be used by organisations to shape services and events. We're now developing products beginning with a literary heritage trail for visitors to use to be launched in September.
- We have provided advice and expertise to partners, including Torbay Council, to help officers and elected members plan heritage priorities for the bay.
- We have attended and advised the Devon Sustainability and Transformation Partnership about how culture can play an active role in emerging areas of work for the CCG and others.
- Structural investigations for Paignton Picture House façade are underway. (We supported this, unlocking Historic England funding to pay for this work). The PPH business plan/architectural feasibility report is under development. The building was featured as a



# Torbay Economic Development Company Limited

## Chief Executive's Report

### Year Ended 31 March 2019

major part of the *Eyeview (extra) ordinary* programme, with a site-specific piece developed by Chris Timpson. The work, 'Electric Sound Palace', explored the history of sound in the cinema, in particular the Picture House's own orchestra.

Looking to the future, the Board members of Torbay Culture have re-focused our priority areas for the coming years:

- young people and wellbeing;
- developing community spaces and places;
- building a legacy for creative development;
- maximising the potential of the UNESCO designation for the bay.

All these still align with the Strategic Aims and Objectives of the Cultural Strategy.

We are working closely with partners including Public Health and Active Devon to shape work which will respond to local needs for young people. This will build on the 'Imagine This' partnership and the Healthwatch consultation (2018) with young people. We are planning funding applications to the Arts Council to directly address cultural and creative development, including working with partners like South Devon College to nurture and retain talent. A skills development programme starting in September starts this. We are playing an active role in the UNESCO revalidation visit in August and will be developing future activity to make this more relevant for people.

#### Looking Ahead

The Leadership Team is confident of our ability to deliver the business plan objectives. The plan will be reviewed within the next twelve months. There is no room for complacency however and there are some significant challenges ahead.

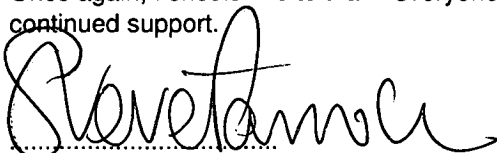
In particular, ongoing austerity in the public sector continues to impact upon our local authority clients. Notwithstanding this TEDC already has a guaranteed order book in the region of £3m for 2018/2019, approximately half of the envisaged turnover required.

Issues surrounding Brexit are still creating uncertainty for many of our tenants and it is difficult at this juncture to gauge the likely medium term impact on rented property demand and economic growth.

The company continues to experience some recruitment challenges where regionally there is a shortage of some professional skill sets.

These are not insurmountable challenges however and we will continue to invest in our staff, our facilities, whilst modernising and transforming our systems, in order to maintain or develop best-in-class solutions.

Once again, I should like to thank everyone at TEDC for their hard work over the year and their continued support.



Steve Parrock  
Chief Executive  
Torbay Economic Development Company Limited

17/12/19

# **Torbay Economic Development Company Limited**

## **Strategic Report**

### **Year Ended 31 March 2019**

The directors present their strategic report for the year ended 31 March 2019.

#### **Principal activities**

The Company and the wider group is entrusted with the responsibility of driving economic development and regeneration initiatives across Torbay and the surrounding local areas in order to deliver economic benefits to the whole community. This broadly follows the outline 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 activities which support the economy, job and skills growth, regeneration activities and support for culture, with some overlap. The revenue-generating activities take the form of professional services, rents received and trading. This arrangement delivers benefits to the shareholder by maintaining their full service capability for their statutory obligations but at less cost than if the persons were employed directly, since spare capacity is utilised to provide additional services externally.

The levels of regeneration and cultural benefits are maximised 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 along with 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 Group 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 Group has a policy of expanding to operate throughout South West England, and is already working with clients right across the South-West peninsular, from Cornwall, to Bristol and to Dorset.

Growth is intended to be both generic and through acquisitions, such as the C & A Consultants (Torquay) Ltd acquisition in April 2019. Additionally, the company is intending to form joint ventures with other local authorities to mutually provide services to multiple authorities, but only if such combined activities result in benefits and added value for TEDC's shareholders.

In line with the aims set out in its foundation documents, the Company plans to retain profits from its revenue earnings activities in order to grow, and deliver increasing levels of economic development and 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 for the group amounted to £7,854,108 (2018: £7,120,955). This increase is analysed in note 3 to the financial statements and broadly results from increases in professional fees, and the grant-funded activities under the Great Places Scheme.

*The performance measures used by the Company focus on those areas which are substantially within the control of management (the "controllable profit"), and therefore exclude fair value adjustments and secondary pension charges. It is analysed across the various services, and each service line is internally charged certain management fees to cover the cost of overheads. In effect, each team is treated for internal reporting purposes as if it was a separate legal entity. These management charges are calculated based on capital employed by each activity, payroll and headcount, amongst other factors, and are agreed annually in advance as part of the budgeting process. Since these management charges are wholly internal, they are excluded from these statutory accounts.*

# Torbay Economic Development Company Limited

## Strategic Report

### Year Ended 31 March 2019

However, the Statement of Comprehensive Income reflects the additional pension costs and valuation effects so the accounts show results that differ from management's internal appraisal and performance indicators.

The company's management team focuses on the following KPIs in order to effectively judge its performance:

Professional service teams KPIs include:

- Chargeable hours (spent on client work)
- Profit per client
- Profit per professional employee (calculated in accordance with controllable profits – see below)
- Profit per service line

All the above profit definitions are calculated after taking account of the allocated internal management charges referred to above.

Asset management - TEDC's own assets – KPIs include

- Occupancy levels
- Income per square foot compared to budgets
- Average length of void periods

The company used additional KPIs for measuring performance of our clients' assets, as required by those clients.

Regeneration and Economic regeneration activities, including culture – KPIs include

- Number of new businesses assisted by our business advisors
- Performance of job-building activities, such as job fairs etc, jobs created in Torbay
- Total investment in the economy as a multiple of net funding received
- Number of visitors to Cockington Court
- Success rates of grant bids
- Total 3rd party funding received for regeneration and culture projects

Controllable profits compared to business plan target

Controllable profits in accordance with the above definition for the year under review was £263k as compared to the business plan target of £116k. We reiterate that these definitions are specific to TEDC and its subsidiaries for internal measurement only and have no statutory basis.

#### 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 minimise the risk, but in the event of a significant market downturn is exposed to risks.

Principal Client

Torbay Council is still the Group's largest client. 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 the group may decrease further. The Group is continuing to limit this risk through a strategy of growth through expansion and diversification.

##### Other financial risks

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

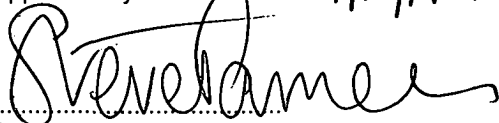
# **Torbay Economic Development Company Limited**

## **Strategic Report**

### **Year Ended 31 March 2019**

life expectancy, inflation and discount rates, which could result in TEDC being called upon to make additional unplanned contributions which in turn affect cashflow.

Approved by the Board on 17/12/19 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'S Parrock', written over a dotted line.

S Parrock  
Director

# **Torbay Economic Development Company Limited**

## **Directors' Report**

### **Year Ended 31 March 2019**

The directors present their report for the year ended 31 March 2019.

#### **Directors of the Company**

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

A R Archer (Retired 1 October 2019)  
C Carter (Retired 8 July 2019)  
V Flower  
C Hempseed  
S M Leaf (Retired 24 November 2018)  
D Mills (Retired 8 July 2019)  
S Parrock  
H Tucker  
A J Tyerman (Retired 8 July 2019)  
S M Criddle (Retired 22 August 2019)  
S L Bond  
C D Hart (Appointed 10 September 2018)  
J P Howard (Appointed 7 December 2018)  
S Long (Appointed 10 July 2019)  
C L Law (Appointed 10 July 2019)  
J O'Dwyer (Appointed 10 July 2019)  
L E Frewin (Appointed 26 November 2019)

#### **Indemnity Policies**

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

#### **Risk Management**

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

The directors manage the Group'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 Group being to encourage new business there is an element of risk associated with this relating to the rental of offices at the Business Centres.

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

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

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

#### **Future developments**

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

# Torbay Economic Development Company Limited

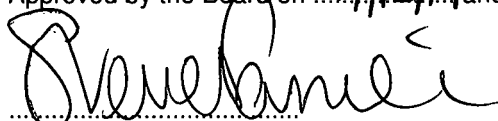
## Directors' Report

Year Ended 31 March 2019

### Disclosure of information to the auditor

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 17/12/19 and signed on its behalf by:



S Parrock  
Director

# **Torbay Economic Development Company Limited**

## **Statement of Directors' Responsibilities**

**Year Ended 31 March 2019**

### **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 Group 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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**

**Year Ended 31 March 2019**

### **Opinion**

We have audited the financial statements of Torbay Economic Development Company Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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



# **Torbay Economic Development Company Limited**

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

**Year Ended 31 March 2019**

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinion on other 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.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and the parent 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# **Torbay Economic Development Company Limited**

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

**Year Ended 31 March 2019**

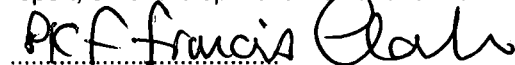
### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



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

Centenary House  
Peninsula Park  
Rydon Lane  
Exeter  
EX2 7XE

Date: 17/12/19

**Torbay Economic Development Company Limited**  
**Consolidated Statement of Comprehensive Income**  
**Year Ended 31 March 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
Turnover	3	7,854,108	7,120,955
Cost of sales		<u>(2,076,728)</u>	<u>(1,743,386)</u>
Gross profit		5,777,380	5,377,569
Administrative expenses		<u>(5,635,348)</u>	<u>(5,253,505)</u>
Operating profit/(loss)	4	142,032	124,064
Other interest receivable and similar income	8	1,785	-
Interest payable and similar charges	9	<u>(186,734)</u>	<u>(204,298)</u>
Loss before fair value (loss)/gain		(42,917)	(80,234)
Fair value (loss)/gain on investment properties		<u>(21,900)</u>	<u>(110,090)</u>
Loss before tax		(64,817)	(190,324)
Taxation		<u>(75,542)</u>	<u>(74,175)</u>
Loss after tax		<u>(140,359)</u>	<u>(264,499)</u>
Remeasurement gain/(loss) on defined benefit pension schemes		<u>224,000</u>	<u>752,000</u>
Total comprehensive income for the financial year		<u>83,641</u>	<u>487,501</u>

The notes on pages 24 to 40 form an integral part of these financial statements

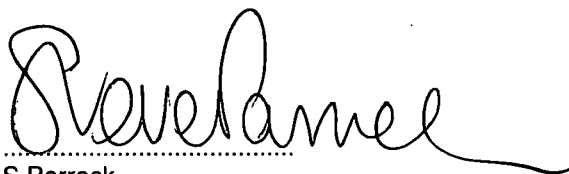
# Torbay Economic Development Company Limited

## Consolidated Balance Sheet

Year Ended 31 March 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	11	91,447	104,357
Tangible assets	12	<u>7,474,132</u>	<u>7,472,395</u>
		7,565,579	7,576,752
<b>Current assets</b>			
Stocks		3,052	5,030
Debtors	14	1,079,270	1,702,727
Cash at bank and in hand		<u>602,681</u>	<u>472,105</u>
		1,685,003	2,179,862
<b>Creditors: Amounts falling due within one year</b>	15	<u>(951,124)</u>	<u>(1,189,758)</u>
<b>Net current assets</b>		<u>733,879</u>	<u>990,104</u>
<b>Total assets less current liabilities</b>		8,299,458	8,566,856
<b>Creditors: Amounts falling due after more than one year</b>	15	(1,356,468)	(1,393,848)
<b>Provisions for liabilities</b>	18	(5,062,000)	(4,841,000)
<b>Deferred income</b>	19	<u>(1,393,281)</u>	<u>(1,927,940)</u>
<b>Net assets</b>		<u>487,709</u>	<u>404,068</u>
<b>Capital and reserves</b>			
Called up share capital	21	2	2
Profit and loss account		<u>487,707</u>	<u>404,066</u>
Equity attributable to owners of the company		<u>487,709</u>	<u>404,068</u>
Total equity		<u>487,709</u>	<u>404,068</u>

Approved and authorised by the Board on 17/2/19 and signed on its behalf by:



S Parrock  
Director

Company Registration Number: 07604855

The notes on pages 24 to 40 form an integral part of these financial statements

# Torbay Economic Development Company Limited

## Balance Sheet

Year Ended 31 March 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	11	91,447	104,357
Tangible assets	12	7,468,502	7,466,462
Investment in subsidiaries	13	3	3
		<u>7,559,952</u>	<u>7,570,822</u>
<b>Current assets</b>			
Stock and work in progress		3,052	5,030
Debtors	14	1,079,120	1,671,580
Cash at bank and in hand		<u>558,470</u>	<u>467,173</u>
		<u>1,640,642</u>	<u>2,143,783</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(926,101)</u>	<u>(1,166,118)</u>
<b>Net current assets</b>		<u>714,541</u>	<u>977,665</u>
<b>Total assets less current liabilities</b>		<u>8,274,493</u>	<u>8,548,487</u>
<b>Creditors: Amounts falling due after more than one year</b>	15	<u>(1,356,468)</u>	<u>(1,393,848)</u>
<b>Provisions for liabilities</b>	18	<u>(5,062,000)</u>	<u>(4,841,000)</u>
<b>Deferred income</b>	19	<u>(1,393,281)</u>	<u>(1,927,940)</u>
<b>Net assets</b>		<u>462,744</u>	<u>385,699</u>
<b>Capital and reserves</b>			
Called up share capital	21	2	2
Profit and loss account		<u>462,742</u>	<u>385,697</u>
Equity attributable to owners of the company		<u>462,744</u>	<u>385,699</u>
Total equity		<u>462,744</u>	<u>385,699</u>

The company made a loss after tax for the financial year of £146,955 (2018 - loss of £282,868).

Approved and authorised by the Board on 17/12/19 and signed on its behalf by:



S Parrock  
Director

Company Registration Number: 07604855

The notes on pages 24 to 40 form an integral part of these financial statements

**Torbay Economic Development Company Limited**  
**Consolidated Statement of Changes in Equity**  
**Year Ended 31 March 2019**

	<b>Distributable profit and loss reserves £</b>	<b>Non distributable profit and loss reserves £</b>	<b>Profit and loss account Total £</b>	<b>Share capital £</b>	<b>Total £</b>
At 1 April 2018	(4,438,413)	4,842,479	404,066	2	404,068
Total comprehensive income for the year	105,541	(21,900)	83,641	-	83,641
At 31 March 2019	(4,332,872)	4,820,579	487,707	2	487,709

	<b>Distributable profit and loss reserves £</b>	<b>Non distributable profit and loss reserves £</b>	<b>Profit and loss account Total £</b>	<b>Share capital £</b>	<b>Total £</b>
At 1 April 2017	(5,036,004)	4,952,569	(83,435)	2	(83,433)
Total comprehensive income for the year	597,591	(110,090)	487,501	-	487,501
At 31 March 2018	(4,438,413)	4,842,479	404,066	2	404,068

The notes on pages 24 to 40 form an integral part of these financial statements

# Torbay Economic Development Company Limited

## Statement of Changes in Equity

Year Ended 31 March 2019

	<b>Distributable profit and loss reserves £</b>	<b>Non distributable profit and loss reserves £</b>	<b>Profit and loss account Total £</b>	<b>Share capital £</b>	<b>Total £</b>
At 1 April 2018	(4,456,782)	4,842,479	385,697	2	385,699
Total comprehensive income for the year	98,945	(21,900)	77,045	-	77,045
At 31 March 2019	(4,357,837)	4,820,579	462,742	2	462,744

	<b>Distributable profit and loss reserves £</b>	<b>Non distributable profit and loss reserves £</b>	<b>Profit and loss account Total £</b>	<b>Share capital £</b>	<b>Total £</b>
At 1 April 2017	(5,036,004)	4,952,569	(83,435)	2	(83,433)
Total comprehensive income for the year	579,222	(110,090)	469,132	-	469,132
At 31 March 2018	(4,456,782)	4,842,479	385,697	2	385,699

The notes on pages 24 to 40 form an integral part of these financial statements

# Torbay Economic Development Company Limited

## Consolidated Statement of Cash Flows

Year Ended 31 March 2019

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
(Loss)/profit for the year	(140,359)	(264,499)
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	50,357	58,632
Fair value loss/(gains)	21,900	110,090
Finance income	(1,785)	-
Loss on disposal of fixed assets	4,000	130,845
Finance costs	186,734	204,298
Non-cash pension adjustments	306,000	325,000
Corporation tax expense	75,542	74,175
	<u>502,389</u>	<u>638,541</u>
Working capital adjustments		
Decrease/(increase) in stocks	1,978	(2,030)
Decrease/(Increase) in debtors	623,457	(601,754)
(Decrease)/Increase in creditors	(232,805)	176,254
(Decrease)/increase in deferred income, including government grants	<u>(534,659)</u>	<u>18,599</u>
Cash generated/(absorbed) by operations	360,360	229,610
Corporation tax paid	<u>(67,042)</u>	<u>-</u>
Net cash flow from operating activities	<u>293,318</u>	<u>229,610</u>
<b>Cash flows from investing activities</b>		
Interest received	1,785	-
Acquisitions of tangible assets	(65,084)	(19,303)
Acquisitions of intangible assets	-	-
Net cash flows from investing activities	<u>(63,299)</u>	<u>(19,303)</u>
<b>Cash flows from financing activities</b>		
Loan (repaid)/received	(35,709)	(34,181)
Interest paid	<u>(63,734)</u>	<u>(65,298)</u>
Net cash flows from financing activities	<u>(99,443)</u>	<u>(99,479)</u>
Net decrease in cash and cash equivalents	130,576	110,828
Cash and cash equivalents at 1 April	472,105	361,277
Cash and cash equivalents at 31 March	<u>602,681</u>	<u>472,105</u>

The notes on pages 24 to 40 form an integral part of these financial statements



# **Torbay Economic Development Company Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2019**

#### **1 General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Tor Hill House  
Union Street  
Torquay  
Devon  
TQ2 5QW

#### **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. There are no material departures.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention, modified to include the revaluation of properties.

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.

##### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2019.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its loss for the financial year is shown on page 20.

# **Torbay Economic Development Company Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2019**

#### **Critical accounting judgements and key sources of estimation uncertainty**

In applying the Group'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.

#### **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 Group's turnover represents fees for professional services 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 Group's investment properties is recognised on a straight line basis over the term of the lease.

Additionally, the Group 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.

#### **Tax**

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.

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

#### 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

#### Tangible assets

All fixed assets are initially recorded at cost.

#### Depreciation

Depreciation is charged 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, fittings and equipment	25% straight line
Short leasehold property	straight line over the life of the lease

#### Investment property

The Group'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.

#### Investment

Investments in subsidiary undertakings are initially measured at cost.

#### 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 Group 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 Group 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 million is calculated in accordance with the requirements of FRS102.

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

#### Financial instruments

##### **Classification**

The Group 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 debtors. Basic financial liabilities comprise short term trade 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 2019

#### 3 Revenue

The analysis of the group's turnover for the year by class of business is as follows:  
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 (2018: 100%)

	2019 £	2018 £
Rental Income	1,209,995	1,154,406
Professional Fees	3,723,216	3,486,595
Property Service Charges	921,704	1,177,686
Grant income	1,243,449	734,892
Facilities Management	283,196	204,813
Other Income	472,548	362,563
	<u>7,854,108</u>	<u>7,120,955</u>

#### 4 Operating profit / (loss)

Arrived at after charging:

	2019 £	2018 £
Amortisation	12,910	12,910
Depreciation	37,447	45,722
Loss on disposal of fixed assets	4,000	130,845
Net pension service cost for the year in excess of actual cash contributions paid of £237,000 (2018: £210,000) - see note 20 (see note 9 for further interest expense of £123,000 (2018: £139,000))	<u>306,000</u>	<u>325,000</u>

#### 5 Staff costs

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

	2019 £	2018 £
Wages and salaries	3,457,881	3,105,094
Social security costs	320,672	280,981
Pension costs, defined contribution scheme	120,118	64,193
Pension costs, defined benefit scheme	<u>538,000</u>	<u>531,000</u>
	<u>4,436,671</u>	<u>3,981,268</u>

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

	2019 No.	2018 No.
Administration and support	137	130

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

#### 6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Remuneration	30,071	29,764
Company contributions paid to defined benefit schemes	4,902	4,852
	<u>34,973</u>	<u>34,616</u>

The number of directors accruing benefits under defined benefit schemes was one (2018 one)

#### 7 Auditor's remuneration

	2019 £	2018 £
Audit of these and subsidiary financial statements	<u>14,900</u>	<u>14,500</u>

#### 8 Other interest receivable and similar income

	2019 £	2018 £
Interest income on bank deposits	<u>1,785</u>	<u>-</u>

#### 9 Interest payable and similar expenses

	2019 £	2018 £
Interest expense on borrowings	63,734	65,298
Pension scheme interest	<u>123,000</u>	<u>139,000</u>
	<u>186,734</u>	<u>204,298</u>

#### 10 Taxation

Tax charged in the profit and loss account

	2019 £	2018 £
<b>Current taxation</b>		
UK corporation tax	59,542	74,175
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>16,000</u>	<u>-</u>
Total tax charge	<u>75,542</u>	<u>74,175</u>

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 – higher than) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit / (loss) before tax	(64,817)	(190,324)
Corporation tax at standard rate	(12,315)	(36,162)
Expenses not deductible for tax purposes	6,834	(65,542)
Tax increase (decrease) from movements in the pension provision	76,460	167,217
Other tax effects for reconciliation between accounting profit and tax expense (income)	4,563	8,662
Total tax charge	75,542	74,175

### 11 Intangible assets

#### Group and Company

	Purchased goodwill £	Total £
<b>Cost or valuation</b>		
At 1 April 2018 & 31 March 2019	129,100	129,100
<b>Amortisation</b>		
At 1 April 2018	24,743	24,743
Charge for the year	12,910	12,910
At 31 March 2019	37,653	37,653
At 31 March 2019	91,447	91,447
At 31 March 2018	104,357	104,357

Purchased goodwill relates to the purchase of the Café at Cockington Court, which was acquired via a trade and asset purchase on 8 April 2016.

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

#### 12 Tangible Fixed Assets

##### Group

	Freehold Land and Buildings £	Long Leasehold Land and Buildings £	Short Leasehold Land and Buildings £	Furniture, fittings and equipment £	Total £
<b>Cost or valuation</b>					
At 1 April 2018	5,941,190	1,370,700	267,124	169,394	7,748,408
Additions	8,020	-	-	57,064	65,084
Revaluations	151,100	(173,000)	-	-	(21,900)
Disposals	-	-	-	(8,000)	(8,000)
At 31 March 2019	6,100,310	1,197,700	267,124	218,458	7,783,592
<b>Depreciation</b>					
At 1 April 2018	-	-	138,905	137,108	276,013
Charge for the year	-	-	23,217	14,230	37,447
Disposals	-	-	-	(4,000)	(4,000)
At 31 March 2019	-	-	162,122	147,338	309,460
At 31 March 2019	<u>6,100,310</u>	<u>1,197,700</u>	<u>105,002</u>	<u>71,120</u>	<u>7,474,132</u>
At 31 March 2018	<u>5,941,190</u>	<u>1,370,700</u>	<u>128,219</u>	<u>32,286</u>	<u>7,472,395</u>

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

##### Valuation

The fair value of the Group's freehold and long leasehold property was recalculated on 31 March 2019. Valuation was carried out by members of RICS who are employed by the Group. 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 2019

### Company

	Freehold Land and Buildings £	Long Leasehold Land and Buildings £	Short Leasehold Land and Buildings £	Furniture, fittings and equipment £	Total £
<b>Cost or valuation</b>					
At 1 April 2018	5,941,190	1,370,700	267,124	161,715	7,740,729
Additions	8,020	-	-	55,132	63,152
Revaluations	151,100	(173,000)	-	-	(21,900)
Disposal	-	-	-	(8,000)	(8,000)
At 31 March 2019	6,100,310	1,197,700	267,124	208,847	7,773,981
<b>Depreciation</b>					
At 1 April 2018	-	-	138,905	135,362	274,267
Charge for the year	-	-	23,217	11,995	35,212
Disposals	-	-	-	(4,000)	(4,000)
At 31 March 2019	-	-	162,122	143,357	305,479
At 31 March 2019	6,100,310	1,197,700	105,002	65,490	7,468,502
At 31 March 2018	5,941,190	1,370,700	128,219	26,353	7,466,462

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 2019. 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 2019

#### 13 Investment in subsidiaries

Company	2019 £	2018 £
Complete Facilities Management Services Limited	1	1
Business Centres South West Limited	1	1
KAH Holdings Limited	1	1
	<u>3</u>	<u>3</u>

Complete Facilities Management Services Limited is a wholly-owned subsidiary and is incorporated in England and Wales. The registered office of Complete Facilities Management is the same as the Company as shown on page 2.

Business Centres South West Limited and KAH Holdings Limited are wholly-owned subsidiaries and are incorporated in England and Wales. They have not yet commenced trading. The registered office of these is the same as the Company as shown on page 2.

#### 14 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Trade debtors	451,246	418,571	440,880	411,938
Owed by group undertakings	-	-	12,650	45,000
Owed by ultimate parent	285,959	822,655	283,525	753,141
Prepayments	342,065	461,501	342,065	461,501
	<u>1,079,270</u>	<u>1,702,727</u>	<u>1,079,120</u>	<u>1,671,580</u>

#### 15 Creditors

	Note	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Due within one year</b>					
Loans and borrowings	16	37,415	35,744	37,415	35,744
Trade creditors		175,750	119,611	165,113	116,488
Owed to ultimate parent		60,865	-	60,865	-
Owed to group undertaking		-	-	2,415	8,616
Corporation tax		66,800	74,300	66,000	70,000
Social security and other taxes		144,222	326,407	133,539	309,876
Accrued expenses		466,072	633,696	460,754	625,394
		<u>951,124</u>	<u>1,189,758</u>	<u>926,101</u>	<u>1,166,118</u>
<b>Due after one year</b>					
Loans and borrowings	16	1,356,468	1,393,848	1,356,468	1,393,848

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

#### 16 Loans and borrowings

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Non-current loans and borrowings</b>				
Other borrowings	1,356,468	1,393,848	1,356,468	1,393,848

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Current loans and borrowings</b>				
Other borrowings	37,415	35,744	37,415	35,744

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

	Group 2019 £	2018 £	Company 2019 £	2018 £
After more than five years by instalments	1,189,039	1,276,497	1,189,039	1,276,497

#### Borrowings due after five years

The loan included within other borrowings is repayable in 100 equal quarterly instalments by June 2041. The annual interest rate for the loan is 4.50%.

#### 17 Obligations under leases and hire purchase contracts

##### Operating leases

##### Group and company

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	22,269	8,680
Later than one year and not later than five years	17,505	10,678
	<u>39,774</u>	<u>19,358</u>

Lease payments recognised as an expense total £8,680.

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

#### Operating lease agreements where the Group is lessor

The Group holds buildings as investment properties, as disclosed in note 12, which are let to third parties along with renting out other short leasehold buildings. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 £	2018 £
Not later than one year	512,400	502,619
Later than one year and not later than five years	704,224	759,763
Later than five years	925,286	833,710
	<u>2,141,910</u>	<u>2,096,092</u>

Rental income received in the year is disclosed in note 3.

### 18 Provisions for liabilities

#### Group and company

	Employee benefits £	Deferred tax £	Carbon Allowances £	Total £
At 1 April 2018	4,798,000	42,000	1,000	4,841,000
Charged to the profit and loss account	429,000	16,000	-	445,000
(Credited) to comprehensive income	(224,000)	-	-	(224,000)
At 31 March 2019	<u>5,003,000</u>	<u>58,000</u>	<u>1,000</u>	<u>5,062,000</u>

### 19 Deferred income

	2019 £	2018 £
Group and Company		
Unspent grant funds and other deferred income	630,476	1,142,573
Grants invested in freehold and leasehold properties	<u>762,805</u>	<u>785,367</u>
Total Deferred income	<u>1,393,281</u>	<u>1,927,940</u>

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 2019

#### 20 Pension and other schemes

##### Group and company

##### Defined contribution pension scheme

The Group operates two defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £120,118 (2018 - £64,193). Contributions payable by the Company to the schemes amounted to £118,734 (2018 - £63,871).

##### 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 2018 and at 31 March 2019.

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 £538,000 (2018 - £531,000).

##### Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2019 £	2018 £
Fair value of scheme assets	8,565,000	7,898,000
Present value of defined benefit obligation	(13,568,000)	(12,696,000)
Defined benefit pension scheme deficit	(5,003,000)	(4,798,000)

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

#### **Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

	<b>2019</b>
	<b>£</b>
Present value at start of year	12,696,000
Current service cost	471,000
Past service costs including curtailments	67,000
Interest cost	331,000
Actuarial gains and losses	41,000
Benefits paid	(120,000)
Contributions by scheme participants	82,000
Present value at end of year	<u>13,568,000</u>

#### **Fair value of scheme assets**

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

	<b>2019</b>
	<b>£</b>
Fair value at start of year	7,898,000
Interest income	208,000
Return on plan assets, excluding amounts included in interest income/ (expense)	265,000
Employer contributions	237,000
Contributions by scheme participants	82,000
Benefits paid	(120,000)
Administration expenses	(5,000)
Fair value at end of year	<u>8,565,000</u>

#### **Analysis of assets**

The major categories of scheme assets are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	146,000	193,000
Equity instruments	5,063,000	4,616,000
Debt instruments	277,000	249,000
Property	767,000	735,000
Other Assets	2,312,000	2,105,000
	<u>8,565,000</u>	<u>7,898,000</u>

# Torbay Economic Development Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2019

Return on scheme assets

	2019 £	2018 £
Return on scheme assets	473,000	309,000

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:

	2019 %	2018 %
Discount rate	2.45	2.60
Future salary increases	3.90	3.80
Future pension increases	2.40	2.30
Inflation	2.40	2.30

#### *Post retirement mortality assumptions*

	2019 Years	2018 Years
Current UK pensioners at retirement age – male	22.40	23.5
Current UK pensioners at retirement age - female	24.40	25.6
Future UK pensioners at retirement age – male	24.10	25.7
Future UK pensioners at retirement age - female	26.20	27.9

## 21 Share capital

### Group and company

#### Allotted, called up and fully paid shares

	No.	2019 £	No.	2018 £
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.

# **Torbay Economic Development Company Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2019**

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

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).

#### **22 Reserves**

##### **Group and company**

##### **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 £4,842,479 (2018 £4,952,569) in relation to unrealised gains on the revaluation of investment properties. The debit for the year in respect of unrealised loss on property is £21,900 (2018 loss of £110,090). Therefore, included in the closing balance is £4,820,579 (2018 £4,842,479) in relation to unrealised gains on the revaluation of tangible fixed assets.

#### **23 Related party transactions**

##### **Group and company**

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, or subsidiary undertakings.

During the year the Group had transactions with associates of The Council of the Borough of Torbay. Sales to these associates during the year amounted to £5,616 (2018: £nil) and purchases from these associates amounted to £8,570 (2018: £24,198). At the end of the year the company owed £298 (2018: £442) to and was owed £2,947 (2018: £nil) by these associates.

During the year the Group made purchases to the value of £2,304 (2018: £3,000) on normal commercial terms from Bishop Fleming LLP. H Tucker, a director of the company, is also a partner of Bishop Fleming LLP. No amount was outstanding at the year end (2018: £nil).

During the year the company made purchases of £5,527 from South Devon College (2018: £6,171) and sales of £350 (2018: £nil), on normal commercial terms. S Criddle, a director of the company, is the principal of this college. At the end of the year the company owed the College £nil (2018: £78) to and was owed £108 (2018: £nil) by the College.



# **Torbay Economic Development Company Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2019**

#### **24 Post balance sheet events**

On 4<sup>th</sup> April 2019, TEDC acquired 100% of the Share Capital of C & A Consultants (Torquay) Limited. This company is based in Torbay and provides engineering services complementary to TEDC's own engineering team.

The acquisition was on a cash basis with certain payments deferred, and the cost of the acquisition is partly conditional on outcomes and levels of collection of debts. The headline price of the acquisition was £753,000.

#### **25 Control**

The Group 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.