

Tees Valley Regeneration Limited

**Directors' report and financial
statements**

Registered number 4407437

31 March 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

Principal activities

The company's objectives are to assist, promote, encourage, develop and secure the regeneration of the social, physical and economic environment of the Tees Valley area comprising the administrative areas of Middlesbrough, Stockton, Redcar and Cleveland, Darlington and Hartlepool. The company facilitates regeneration to re-establish the Tees Valley as a premier location for business and industries of all kinds.

Business review

Tees Valley Regeneration was formed in 2002 to lead the physical transformation of the Tees Valley, encompassing Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton.

The company has identified five key physical development projects that will transform the Tees Valley and work is progressing on the delivery phase of all projects. The projects are:

Central Park Darlington
Middlehaven in Middlesbrough
North Shore in Stockton
Victoria Harbour in Hartlepool
Durham Tees Valley Airport

From 1 April 2004 the company merged with the inward investment activities of Tees Valley Development Company.

Financial summary

The results of the company for the year ended 31 March 2005 are shown on page 5.

Under the terms of the company's memorandum and articles of association, the payment of dividends is prohibited.

Directors and directors' interests

The directors who held office at the end of the year were as follows:

AG Arkley	
N Bradbury	
G Garlick	(appointed 5 November 2004)
S Gibson	
RW Hall	(appointed 5 November 2004)
JD Holmes	(appointed 5 November 2004)
CP Moore	(appointed 4 June 2004)
CL Moran	(appointed 5 November 2004)
AT Noble	(appointed 5 November 2004)
J Richmond	(appointed 4 February 2005)
GS Roberts	Interim Chairman (appointed 5 November 2004)
PS Walker	(appointed 5 November 2004)
CP Wildsmith	(appointed 4 March 2005)
Sir Mark Wrightson	

Directors' report *(continued)*

Directors and directors' interests *(continued)*

During the year the following board members resigned:

M Boddy	(resigned 2 April 2004)
BJ Dinsdale	(appointed 5 November 2004, resigned 9 December 2004)
MD Fox	(resigned 3 September 2004)
BA Keel	(resigned 5 February 2005)
J Litherland	(resigned 1 June 2004)
Rt Hon PB Mandelson MP	(resigned 10 August 2004)
PJ Middleton	Chairman (resigned 19 January 2005)

Corporate Governance

The company supports the principles of corporate governance outlined in the Combined Code published by the Committee on Corporate Governance. Whereas there is no requirement formally to adopt the Code, the directors have approved and maintained a number of policies and procedures in accordance with best practice as defined by the Code.

Board Committees

The Board has established the following Committees, each of which has agreed terms of reference, which reflect best practice.

The Audit Committee considers issues relating to financial reporting, internal controls, risk management, external audit and corporate governance.

The Nominations Committee reviews the size, structure and composition of the Board, including facilitating the process to make appointments to the Board.

The Remuneration Committee determines the remuneration and benefits of the company's Chief Executive and other senior executives and oversees performance management arrangements.

Political and charitable contributions

The company made no political contributions during the year. There were no donations to UK charities.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


G Roberts
Interim Chairman

Cavendish House
Teesdale Business Park
Stockton on Tees
TS17 6QY

1 July 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Quayside House
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Newcastle upon Tyne
NE1 3DX
United Kingdom

Report of the independent auditors to the members of Tees Valley Regeneration Limited

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP.

KPMG LLP
Chartered Accountants
Registered Auditors

1 July 2005

Income and expenditure account

Year ended 31 March 2005

	Note	2005 £	2004 £
Income	2, 11	948,951	1,223,453
Administrative expenses	3	(984,951)	(1,223,453)
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	3-5	-	-
Tax on surplus on ordinary activities	6	-	-
		<hr/>	<hr/>
Surplus absorbed by income and expenditure account		-	-
		<hr/> <hr/>	<hr/> <hr/>

Movements in reserves are shown at note 11.

There were no recognised gains and losses other than the result for the year and the funding received in the year not yet transferred to the income and expenditure account.

All of the company's results arose from continuing activities.

Balance sheet
at 31 March 2005

	<i>Note</i>	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	7		93,220		101,846
Current assets					
Debtors	8	1,051,321		472,714	
Cash at bank and in hand		186,934		788,648	
		<u>1,238,255</u>		<u>1,261,362</u>	
Creditors: amounts falling due within one year	9	(805,831)		(764,153)	
			<u>432,424</u>		<u>497,209</u>
Net current assets			432,424		497,209
Net assets			525,644		599,055
Capital and reserves					
Capital (limited by guarantee)	1		-		-
Income and expenditure account			-		-
Local Authorities fund	11		146,402		160,689
One NorthEast fund	11		217,018		253,811
English Partnerships fund	11		162,224		184,555
			<u>525,644</u>		<u>599,055</u>

These financial statements were approved by the board of directors on 1 July 2005 and were signed on its behalf by:


G Roberts
Interim Chairman

Notes

(forming part of the financial statements)

1 Company status

The liability of the members of the company is limited by guarantee. Each member of the company has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of the company being wound up.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below. The company has followed the transitional arrangements of FRS 17 'Retirement benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	5 years
Computer equipment	-	5 years

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Income is derived from the release of funding receivable.

Notes (continued)

3 Surplus on ordinary activities before taxation

	2005	2004
	£	£
<i>Surplus on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	5,288	4,113
Other services – fees paid to auditor and its associates	5,052	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	33,195	28,282
	33,195	28,282

4 Remuneration of directors

	2005	2004
	£	£
Directors' emoluments	-	-
	-	-

Directors may not draw a salary from payments made to the company by the Secretary of State except where a director holds the office of Chief Executive or Managing Director.

5 Staff numbers and costs

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

	Number of employees	
	2005	2004
Directors	11	10
Administration	10	8
	21	18

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages and salaries	463,608	358,953
Social security costs	47,443	34,518
Other pension costs	63,568	50,631
	574,619	444,102

Notes (continued)

6 Taxation

Analysis of charge in the year

	2005 £	2004 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
	<u> </u>	<u> </u>

The current tax charge for the year is equal to the standard rate of corporation tax in the UK (19%).

7 Tangible fixed assets

	Computer equipment £	Office equipment, fixtures and fittings £	Total £
<i>Cost</i>			
At beginning of year	63,416	67,991	131,407
Additions	9,736	14,833	24,569
	<u> </u>	<u> </u>	<u> </u>
At end of year	73,152	82,824	155,976
	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>			
At beginning of	16,540	13,021	29,561
Charge for year	14,630	18,565	33,195
	<u> </u>	<u> </u>	<u> </u>
At end of year	31,170	31,586	62,756
	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>			
At 31 March 2005	41,982	51,238	93,220
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2004	46,876	54,970	101,846
	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

8 Debtors

	2005 £	2004 £
Core funding debtors	-	440,000
Other debtors	1,000,375	-
Prepayments and accrued income	50,946	32,714
	1,051,321	472,714

9 Creditors: amounts falling due within one year

	2005 £	2004 £
Accruals and deferred income	805,831	764,153
	805,831	764,153

10 Pension scheme

The company participates as an admitted body in a Local Government Pension Scheme, Teesside Pension Fund, which is administered by Middlesbrough Borough Council (Hyder Business Services from 1 April 2001). The scheme, which is a defined benefit scheme, is operated in accordance with the Local Government Superannuation Regulations.

Contributions to the scheme are based on pension costs determined by independent qualified actuaries and are charged to the profit and loss account so as to spread the cost of pensions over members' working lives. The pension charge for the year was £63,568 (2004: 50,631).

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation was updated by the actuary on an FRS 17 basis as at 31 March 2005.

The major assumptions used in this valuation were:

	2005	2004	2003
Rate of increase in salaries	4.9%	4.9%	4.5%
Rate of increase in pensions in payment and deferred pensions	2.9%	2.9%	2.5%
Discount rate applied to scheme liabilities	5.4%	5.5%	5.4%
Inflation assumption	2.9%	2.9%	2.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes (continued)

10 Pension scheme (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2005	Value at 2005 £	Long term rate of return 2004	Value at 2004 £	Long term rate of return 2003	Value at 2003 £
Equities	7.5%	514,000	7.7%	392,000	8.0%	12,000
Gilts*	4.5%	75,000	-	-	-	-
Bonds	5.3%	16,000	5.1%	79,000	4.8%	3,000
Property	7.0%	33,000	6.5%	29,000	6.0%	1,000
Cash	4.3%	61,000	4.0%	50,000	4.0%	2,000
		<u>699,000</u>		<u>550,000</u>		<u>18,000</u>
Present value of scheme liabilities		<u>(989,000)</u>		<u>(573,000)</u>		<u>(18,000)</u>
Net pension liability		<u>(290,000)</u>		<u>(23,000)</u>		<u>-</u>

* Assets invested in gilts were previously disclosed under 'Bonds'.

Movement in deficit during the year

	2005 £	2004 £
Deficit in scheme at beginning of year	(23,000)	-
Current service cost	(128,000)	(53,000)
Contributions paid	88,000	58,000
Net return on assets	(8,000)	(9,000)
Actuarial loss	(219,000)	(19,000)
	<u>(290,000)</u>	<u>(23,000)</u>

Notes *(continued)*

10 Pension scheme *(continued)*

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating result:

	2005 £	2004 £
Current service cost	128,000	53,000
	<u> </u>	<u> </u>

Analysis of amount credited to other finance income:

	2005 £	2004 £
Expected return on employer assets	35,000	4,000
Interest on pension scheme liabilities	(43,000)	(13,000)
	<u> </u>	<u> </u>
Net return	(8,000)	(9,000)
	<u> </u>	<u> </u>

Analysis of amount recognised in statement of total recognised gains and losses

	2005 %	2005 £	2004 %	2004 £
Actual return less expected return on scheme assets		27,000		5,000
Percentage of year end scheme assets	4.0		0.9	
Experience gains and losses arising on scheme liabilities		(226,000)		25,000
Percentage of present value of year end scheme liabilities	(22.8)		4.4	
Changes in assumptions underlying the present value of scheme liabilities		(20,000)		(49,000)
Percentage of present value of year end scheme liabilities	(2.0)		(8.6)	
		<u> </u>		<u> </u>
Actuarial loss recognised in statement of total recognised gains and losses		(219,000)		(19,000)
Percentage of present value of year end scheme liabilities	(22.1)		(3.3)	
		<u> </u>		<u> </u>

Notes (continued)

11 Reserves

	Balance at beginning of year	Funding receivable in the year	Transfer to income and expenditure account for the year	Balance at end of year
	£	£	£	£
Local Authorities fund	160,689	250,000	(264,287)	146,402
One NorthEast fund	253,811	355,000	(391,793)	217,018
English Partnerships fund	184,555	270,540	(292,871)	162,224
	<u>599,055</u>	<u>875,540</u>	<u>(948,951)</u>	<u>525,644</u>

12 Contingent liabilities

During 2002 the company received a claim in the amount of £132,406 from the Tees Valley Joint Strategy Unit for costs incurred in respect of the English Partnerships contribution to the Tees Valley Vision expenditure.

No provision has been made by the directors for this amount in these financial statements on the grounds that the responsibility of the company to pay this amount is in dispute. It is the opinion of the directors that this matter will be resolved subsequent to the date of approval of these accounts and accordingly believe it is appropriate to disclose the existence of this claim by way of notes only in order to ensure that the financial statements do not present a misleading position.

13 Related party disclosures

In the normal course of business the company entered into transactions with undertakings associated with the company's directors. Lorna Moran is Chief Executive of NRG Group plc, transactions to the value of £86,375 were made to NRG plc during the year ended 31 March 2005, of which £2,448 remained outstanding at the year end.

Richard Hall is managing director of Faithful & Gould, transactions to the value of £10,869 were made to Faithful & Gould during the year ended 31 March 2005, of which nil remained outstanding at the year end.