

# **HIE Inverness and East Highland**

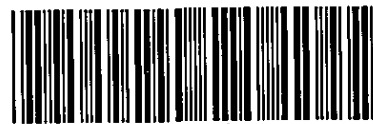
**(Limited by Guarantee)**

## **Report and Financial Statements**

Company Number SC124797

31 March 2009

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COMPANIES HOUSE

# HIE Inverness and East Highland

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Registered No: SC124797

## **Directors**

F M Rapson (Resigned 1 April 2008)  
D Yule  
F Duthie

## **Secretaries**

A MacLeod

## **Auditors**

Ernst & Young LLP  
Barony House  
Stoneyfield Business Park  
Stoneyfield  
Inverness  
IV2 7PA

## **Bankers**

The Bank of Scotland  
2-6 Eastgate  
Inverness  
IV2 3NA

## **Solicitors**

Legal Services  
Highlands and Islands Enterprise  
Cowan House, Inverness Retail and Business Park  
Inverness  
IV2 7GF

## **Registered office**

Cowan House  
Inverness Retail and Business Park  
Inverness  
IV2 7GF

## Directors' report

The directors present their report and accounts for the year ended 31 March 2009.

### Results

The net deficit for the year, after taxation, amounted to £33,565 (2008: £84,628) and is dealt with as shown in note 16 to the accounts. The deficit arose from planned operational activity to utilise accumulated surpluses brought forward.

### Principal activity and review of the business

On 1 April 2008 the operations of HIE Inverness and East Highland, and all employees, were transferred to Highlands and Islands Enterprise.

Whilst the main business of HIE Inverness and East Highland has transferred to Highlands and Islands Enterprise there is a low level of residual activity in terms of administering some of the investments, loans and former activities which is planned will be ceased in the near future. The main activities within the areas of Inverness, Nairn, Badenoch & Strathspey and Easter Ross are now conducted by Highlands and Islands Enterprise. Interested parties are directed to the Highlands and Islands Enterprise website which can be found at [www.hie.gov.uk](http://www.hie.gov.uk) which also contains a link to the annual report and accounts.

### Disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

### Directors

The directors of the company during the year ended 31 March 2009 were those listed on page 1.

By order of the board



Secretary

21 August 2009

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

**to the member of HIE Inverness and East Highland**

We have audited the company's financial statements for the year ended 31 March 2009 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's member, 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 member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member 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' responsibilities for preparing Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

## Independent auditors' report

to the member of HIE Inverness and East Highland (continued)

### Opinion

*In our opinion:*

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its deficit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- and the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP  
Registered Auditor  
Inverness  
24/8/2009

## Income and expenditure account

for the year ended 31 March 2009

|  | Notes | 2009<br>£ | 2008<br>£  |
|--|-------|-----------|------------|
| <b>Income</b>                                      | 3     | -         | 12,536,666 |
| Operating expenditure                              |       | 2,875     | 10,359,592 |
| Administrative expenditure                         |       | 30,690    | 2,280,170  |
| <b>Net operating deficit</b>                       | 4     | (33,565)  | (103,096)  |
| Interest payable                                   | 7     | (39)      | (10,620)   |
| Interest receivable and other income               | 8     | 39        | 31,956     |
| <b>Net deficit on ordinary activities</b>          |       | (33,565)  | (81,760)   |
| Tax on ordinary activities                         | 9     | -         | 2,868      |
| <b>Net deficit retained for the financial year</b> |       | (33,565)  | (84,628)   |

## Statement of total recognised gains and losses

|   | Notes | 2009<br>£ | 2008<br>£ |
|---|-------|-----------|-----------|
| <b>Net deficit for the financial year</b> |       | (33,565)  | (84,628)  |
| Actuarial gain                            | 20(b) | -         | 3,000     |
| <b>Total recognised losses</b>            |       | (33,565)  | (81,628)  |

**Balance sheet**

as at 31 March 2009

|  | Notes | 2009<br>£       | 2008<br>£        |
|--|-------|-----------------|------------------|
| <b>Fixed assets</b>                                      |       |                 |                  |
| Tangible assets  | 10    | -               | 185,776          |
| Investments  | 11    | -               | 200,000          |
|  |       | <u>-</u>        | <u>385,776</u>   |
| <b>Current assets</b>                                    |       |                 |                  |
| Debtors  | 12    | 454,788         | 2,554,816        |
| Cash at bank and in hand                                 |       | 3,903           | 13,864           |
|  |       | <u>458,691</u>  | <u>2,568,680</u> |
| <b>Creditors:</b> amounts falling due within one year    | 13    | 502,202         | 2,302,626        |
|  |       | <u>(43,511)</u> | <u>266,054</u>   |
| <b>Net current assets</b>                                |       | <u>(43,511)</u> | <u>651,830</u>   |
| <b>Total assets less current liabilities</b>             |       | <u>(43,511)</u> | <u>651,830</u>   |
| <b>Provisions for liabilities and charges</b>            | 14    | -               | 385,776          |
|  |       | <u>(43,511)</u> | <u>266,054</u>   |
| <b>Net assets excluding retirement benefits</b>          |       | <u>(43,511)</u> | <u>266,054</u>   |
| Retirement benefits – liability                          | 20    | -               | (276,000)        |
|  |       | <u>(43,511)</u> | <u>(9,946)</u>   |
| <b>Net assets including retirement benefits</b>          |       | <u>(43,511)</u> | <u>(9,946)</u>   |
| <b>Capital and reserves</b>                              |       |                 |                  |
| Accumulated surpluses before retirement benefits deficit | 16    | (43,511)        | 152,054          |
| Retirement benefits deficit                              | 16    | -               | (162,000)        |
|  |       | <u>(43,511)</u> | <u>(9,946)</u>   |



)  
) Directors  
)

21 August 2009



## Statement of cash flows

for the year ended 31 March 2009

|  | Notes | 2009<br>£ | 2008<br>£ |
|--|-------|-----------|-----------|
| <b>Net cash outflow from operating activities</b>      | 17(a) | (7,093)   | (7,155)   |
| <b>Returns on investments and servicing of finance</b> | 17(b) | -         | 14,336    |
| <b>Taxation</b>  | 17(b) | (2,867)   | (1,911)   |
| <b>Capital expenditure and financial investment</b>    | 17(b) | -         | -         |
| <b>(Decrease)/increase in cash</b>                     | 17(c) | (9,960)   | 5,270     |

### Reconciliation of net cash flow to movement in net funds

|                                   |       | 2009<br>£ | 2008<br>£ |
|-----------------------------------|-------|-----------|-----------|
| (Decrease)/increase in cash       |       | (9,960)   | 5,270     |
| Movement in net funds             | 17(c) | (9,960)   | 5,270     |
| <b>Net funds at 1 April 2008</b>  | 17(c) | 13,863    | 8,593     |
| <b>Net funds at 31 March 2009</b> | 17(c) | 3,903     | 13,863    |

## Notes to the financial statements

at 31 March 2009

### 1 Fundamental accounting concept

The company is dependent on continuing finance being made available by its parent company, Highlands and Islands Enterprise to enable it to continue operating and to meet its liabilities as they fall due.

The parent company has agreed to provide sufficient funds to the company for these purposes; it has also agreed not to recall the amounts advanced to the company which at 31 March 2009 amounted to £497,012 (see note 13) until all other creditors have been met. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result should continuing finance not be made available.

### 2. Accounting policies

#### (a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### (b) Basis of operations

The company contracts with Highlands and Islands Enterprise to create and deliver business and social development, training and environmental renewal programmes throughout the Inverness, Nairn, Badenoch, Strathspey and Easter Ross area. Funding for the company's activities is provided principally by Highlands and Islands Enterprise and the annual accounts are prepared on the assumption that the company will continue to be contracted with Highlands and Islands Enterprise for the foreseeable future. Although the company is limited by guarantee and has no shareholders, in accordance with s258 of the Companies Act 1985 it is a subsidiary undertaking of Highlands and Islands Enterprise by virtue of the control exercised over it through the negotiated operating contract.

#### (c) Related parties transactions

The company is a wholly owned subsidiary of Highlands and Islands Enterprise, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of Highlands and Islands Enterprise.

#### (d) Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

|                       |   |  |
|-----------------------|---|--|
| Equipment             | - | 25% straight line                          |
| Tenants' improvements | - | Ranging between 4% and 12.5% straight line |

#### (e) Fixed asset funding

Under the operating agreement between the company and Highlands and Islands Enterprise the proceeds arising from the disposal of any Highlands and Islands Enterprise funded assets shall be immediately returned to that entity. Accordingly, funding received in respect of capital expenditure is credited to an asset repayment provision and is released to income over the expected useful lives of the relevant assets by instalments so as to match the depreciation charge.

#### (f) Loans

Loans advanced by the company are shown at the amount outstanding at the balance sheet date less provisions for any anticipated losses. Where loans have been funded by Highlands and Islands Enterprise a reduction in annual funding will be made to reflect the loan repayments received by the company. Accordingly, funding received in respect of loan advances is credited to a loan repayment provision.

## Notes to the financial statements

at 31 March 2009

### 2. Accounting policies (continued)

#### (g) *Unquoted investments*

Investments made by the company are included at cost unless, in the opinion of the directors, there has been a permanent diminution in value in which case an appropriate adjustment is made. Such investments are deemed permanently impaired where there is no prospect of improvement in the fortunes of the investment in the foreseeable future. Where investments have been funded by Highlands and Islands Enterprise a reduction in annual funding will be made to reflect investment realisations made by the company. Accordingly, funding received in respect of investments is credited to an investment repayment provision.

#### (h) *Operating leases*

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

#### (i) *Pensions*

Seconded staff are members of Highlands and Islands Enterprise's defined benefit pension scheme. Direct employees are members of The Highland Council Pension Plan.

On the advice of an independent qualified actuary, contribution payments are made to the plans to ensure that the plans' assets are sufficient to cover future liabilities. Pension plan assets are measured using market values. Pension plan liabilities are measured using the projected unit method and discounted by the yield available on long-dated, high quality corporate bonds. Any increase in the present value of the liabilities of the defined benefit pension plans expected to arise from employee service in the period is charged against operating surplus. The expected return on the plans' assets and the increase during the period in the present value of the plans' liabilities arising from the passage of time are included in interest receivable and other income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

### 3. Income

Income, which is stated net of value added tax, represents funding for continuing activities received and accrued under the operating contract with Highlands and Islands Enterprise, together with amounts received and due from third parties.

An analysis of income by funding sources is given below:

|                                  | 2009     | 2008              |
|----------------------------------|----------|-------------------|
|                                  | £        | £                 |
| Highlands and Islands Enterprise | -        | 11,188,573        |
| European Union                   | -        | 469,972           |
| Other                            | -        | 878,121           |
|                                  | <u>-</u> | <u>12,536,666</u> |

## Notes to the financial statements

at 31 March 2009

### 4. Net operating (deficit)/surplus

This is stated after charging/(crediting):

|   | 2009   | 2008     |
|---|--------|----------|
|   | £      | £        |
| Auditor's remuneration - audit services | 3,500  | 7,120    |
| - non audit services – tax compliance   | 690    | 690      |
| Depreciation of owned fixed assets      | -      | 28,250   |
| Asset repayment provision released      | -      | (28,250) |
| Operating lease rentals - equipment     | -      | 6,549    |
| Property leases                         | 20,018 | 305,503  |

### 5. Directors' remuneration

None of the directors who held office during the year received any remuneration (2008: £nil).

Payments to directors for travelling and subsistence expenses, necessarily incurred in discharging their duties totalled £nil (2008: £360).

### 6. Staff costs

Details of charges made for employee costs during the year were as follows:

|                       | <i>Employees</i> |                | 2009         | 2008         |
|-----------------------|------------------|----------------|--------------|--------------|
|                       | <i>Core</i>      | <i>Project</i> | <i>Total</i> | <i>Total</i> |
|                       | £                | £              | £            | £            |
| Wages and salaries    | -                | -              | -            | 1,237,527    |
| Social security costs | -                | -              | -            | 78,143       |
| Other pension costs   | -                | -              | -            | 238,277      |
|                       | -                | -              | -            | 1,553,947    |

The average monthly number of full time equivalent staff, including seconded staff, during the year was as follows:

|                            | 2009 | 2008 |
|----------------------------|------|------|
|                            | No.  | No.  |
| Senior management          | -    | 4    |
| Operational                | -    | 30   |
| Administration and support | -    | 9    |
|                            | -    | 43   |

## Notes to the financial statements

at 31 March 2009

### 7. Interest payable

|  | 2009      | 2008          |
|--|-----------|---------------|
|  | £         | £             |
| Loan and other interest repaid to Highlands and Islands Enterprise | 39        | 620           |
| Dividends repaid to Highlands and Islands Enterprise               | -         | 10,000        |
|  | <u>39</u> | <u>10,620</u> |

### 8. Interest receivable and other income

|  | 2009      | 2008          |
|--|-----------|---------------|
|  | £         | £             |
| Bank interest                          | -         | 14,336        |
| Loan interest                          | 39        | 620           |
| Dividends                              | -         | 10,000        |
|  | <u>39</u> | <u>24,956</u> |
| Expected return on pension plan assets | -         | 67,000        |
| Interest on pension plan liabilities   | -         | (60,000)      |
|  | <u>39</u> | <u>31,956</u> |

### 9. Tax

(a) The tax charge is made up as follows:

|                              | 2009     | 2008         |
|------------------------------|----------|--------------|
|                              | £        | £            |
| <i>Current tax:</i>          |          |              |
| UK corporation tax           | -        | 2,867        |
| Underprovided in prior years | -        | 1            |
|                              | <u>-</u> | <u>2,868</u> |

## Notes to the financial statements

at 31 March 2009

### 9. Tax (continued)

#### (b) Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21% (2008: 20%). The differences are reconciled below:

|  | 2009<br>£ | 2008<br>£    |
|--|-----------|--------------|
| Net deficit for the financial year before tax  | (33,565)  | (81,760)     |
| Net deficit for the financial year multiplied by standard rate of corporation tax in the UK of 21% (2008: 20%) | (7,049)   | (16,352)     |
| Disallowed expenses and non-taxable income   | 7,049     | 19,219       |
| Underprovided in prior years   | -         | 1            |
|  | <u>-</u>  | <u>2,868</u> |

The tax charge relates to bank interest only.

### 10. Tangible fixed assets

|                          | Equipment<br>£ | Tenants'<br>improve-<br>ments<br>£ | Total<br>£ |
|--------------------------|----------------|------------------------------------|------------|
| <i>Cost:</i>             |                |                                    |            |
| At 1 April 2008          | 437,394        | 174,127                            | 611,521    |
| Disposals                | (437,394)      | (174,127)                          | (611,521)  |
| At 31 March 2009         | -              | -                                  | -          |
| <i>Depreciation:</i>     |                |                                    |            |
| At 1 April 2008          | 403,603        | 22,142                             | 425,745    |
| Provided during the year | -              | -                                  | -          |
| Disposals                | (403,603)      | (22,142)                           | (425,745)  |
| At 31 March 2009         | -              | -                                  | -          |
| <i>Net book value:</i>   |                |                                    |            |
| At 31 March 2009         | -              | -                                  | -          |
| At 1 April 2008          | 33,791         | 151,985                            | 185,776    |

## Notes to the financial statements

at 31 March 2009

### 11. Investments

|                        | <i>Loans</i><br>£ | <i>Unquoted<br/>shares</i><br>£ | <i>Total</i><br>£ |
|------------------------|-------------------|---------------------------------|-------------------|
| <i>Cost:</i>           |                   |                                 |                   |
| At 1 April 2008        | 205,463           | 47,700                          | 253,163           |
| Repayments             | (269)             | -                               | (269)             |
| Transfer to parent     | (200,000)         | -                               | (200,000)         |
| At 31 March 2009       | 5,194             | 47,700                          | 52,894            |
| <i>Provisions:</i>     |                   |                                 |                   |
| At 1 April 2008        | 5,463             | 47,700                          | 53,163            |
| Released in year       | (269)             | -                               | (269)             |
| At 31 March 2009       | 5,194             | 47,700                          | 52,894            |
| <i>Net book value:</i> |                   |                                 |                   |
| At 31 March 2009       | -                 | -                               | -                 |
| At 1 April 2008        | 200,000           | -                               | 200,000           |

### 12. Debtors

|                                  | <i>2009</i><br>£ | <i>2008</i><br>£ |
|----------------------------------|------------------|------------------|
| Highlands and Islands Enterprise | 452,289          | 2,330,306        |
| Other debtors                    | -                | 174,897          |
| Other taxes                      | 2,499            | 23,845           |
| Prepayments and accrued income   | -                | 25,768           |
|                                  | 454,788          | 2,554,816        |

## Notes to the financial statements

at 31 March 2009

### 13. Creditors: amounts falling due within one year

|                                  | 2009<br>£      | 2008<br>£        |
|----------------------------------|----------------|------------------|
| Highlands and Islands Enterprise | 497,012        | 1,301,708        |
| Other creditors                  | -              | 981,091          |
| Current corporation tax          | -              | 2,868            |
| Accruals and deferred income     | 5,190          | 16,959           |
|                                  | <u>502,202</u> | <u>2,302,626</u> |

### 14. Provisions for liabilities and charges

|   | <i>Loan/investment<br/>repayment<br/>provision<br/>£</i> | <i>Asset<br/>repayment<br/>provision<br/>£</i> | <i>Total<br/>£</i> |
|---|--|--|--------------------|
| At 1 April 2008                                     | 200,000  | 185,776  | 385,776            |
| Transfers to Highlands and Islands Enterprise       | (200,000)  | (185,776)                                      | (385,776)          |
|   | <u>-</u>   | <u>-</u>                                       | <u>-</u>           |
| Depreciation for the year (note 10)                 | -  | -  | -                  |
| Movement in provision against investments (note 11) | -  | -  | -                  |
|   | <u>-</u>   | <u>-</u>                                       | <u>-</u>           |
| At 31 March 2009                                    | <u>-</u>   | <u>-</u>                                       | <u>-</u>           |

### 15. Share capital

The company does not have a share capital and is limited by guarantee. The liability of the member is restricted to £1. Highlands and Islands Enterprise is the sole member of the company.



## Notes to the financial statements

at 31 March 2009

### 16. Movement on reserves

|                             | <i>Accumulated<br/>surpluses</i> | <i>Retirement<br/>benefits<br/>deficit</i> | <i>Total</i> |
|-----------------------------|----------------------------------|--|--------------|
|                             | £                                | £  | £            |
| At 31 March 2007            | 236,682                          | (165,000)                                  | 71,682       |
| Net deficit for the year    | (84,628)                         | -  | (84,628)     |
| Actuarial gain (note 21(b)) | -                                | 3,000                                      | 3,000        |
| At 31 March 2008            | 152,054                          | (162,000)                                  | (9,946)      |
| Net deficit for the year    | (33,565)                         | -  | (33,565)     |
| Actuarial gain (note 21(b)) | (162,000)                        | 162,000                                    | -            |
| At 31 March 2009            | (43,511)                         | -  | (43,511)     |

### 17. Notes to the statement of cash flows

(a) Reconciliation of net operating surplus to net cash (outflow)/inflow from operating activities:

|   | <i>2009</i> | <i>2008</i> |
|---|-------------|-------------|
|   | £           | £           |
| Net operating deficit                                 | (33,565)    | (103,096)   |
| FRS 17 pension adjustments                            | -           | 121,000     |
|   | (33,565)    | 17,904      |
| Decrease in debtors                                   | 2,100,028   | 45,940      |
| Decrease in creditors                                 | (2,073,556) | (70,999)    |
| Depreciation  | -           | 28,250      |
| Decrease in asset repayment provision                 | -           | (28,250)    |
| Decrease/(increase) in provision against investments  | 269         | (97,125)    |
| (Increase)/decrease in investment repayment provision | (269)       | 97,125      |
| Net cash outflow from operating activities            | (7,093)     | (7,155)     |

## Notes to the financial statements

at 31 March 2009

### 17. Notes to the statement of cash flows (continued)

(b) Analysis of cash flows for headings netted in the statement of cash flows:

|   | 2009<br>£ | 2008<br>£     |
|---|-----------|---------------|
| <i>Returns on investments and servicing of finance:</i> |           |               |
| Interest received                                       | 39        | 14,956        |
| Interest paid   | (39)      | (620)         |
| Dividends received                                      | -         | 10,000        |
| Dividends repaid to Highlands and Islands Enterprise    | -         | (10,000)      |
|   | <u>-</u>  | <u>14,336</u> |

|                      | 2009<br>£      | 2008<br>£      |
|----------------------|----------------|----------------|
| <i>Taxation:</i>     |                |                |
| Corporation tax paid | (2,867)        | (1,911)        |
|                      | <u>(2,867)</u> | <u>(1,911)</u> |

|  | 2009<br>£ | 2008<br>£ |
|--|-----------|-----------|
| <i>Capital expenditure and financial investment:</i>                   |           |           |
| Loans repaid   | 269       | 3,085     |
| Funding repaid to Highlands and Islands Enterprise in respect of loans | (269)     | (3,085)   |
| Payments to acquire fixed assets                                       | -         | 42,694    |
| Receipts from Highlands and Islands Enterprise to fund fixed assets    | -         | (42,694)  |
|  | <u>-</u>  | <u>-</u>  |

(c) Analysis of changes in net funds:

|                          | At 1 April<br>2008<br>£ | Cash<br>flows<br>£ | At 31 March<br>2009<br>£ |
|--------------------------|-------------------------|--------------------|--------------------------|
| Cash at bank and in hand | 13,863                  | (9,960)            | 3,903                    |
|                          | <u>13,863</u>           | <u>(9,960)</u>     | <u>3,903</u>             |

### 18. Contingent liability

Under the terms of the operating contract with Highlands and Islands Enterprise the company granted a floating charge over the whole of its assets to Highlands and Islands Enterprise.

## Notes to the financial statements

at 31 March 2009

### 19. Financial commitments

At 31 March 2009 the company had annual commitments under non-cancellable operating and similar leases as set out below:

|  | <i>Property</i> |         | <i>Equipment</i> |      |
|--|-----------------|---------|------------------|------|
|  | 2009            | 2008    | 2009             | 2008 |
|  | £               | £       | £                | £    |
| Operating and similar leases which expire: |                 |         |                  |      |
| Within one year                            | -               | -       | -                | -    |
| within two to five years                   | -               | 124,468 | -                | -    |
| in over five years                         | -               | 125,026 | -                | -    |
|  | -               | 249,494 | -                | -    |

The annual commitments under non-cancellable operating leases will be met by Highlands and Islands Enterprise from 1 April 2008 onwards.

### 20. Pension commitments

From 1 April 2008 HIE Inverness and East Highland ceased to be an operational Local Enterprise Company. As a result seconded staff from Highlands and Islands Enterprise were transferred back to Highlands and Islands Enterprise and remained as members of a defined pension scheme which is funded by Highlands and Islands Enterprise.

Direct employees of the company were transferred to Highlands and Islands Enterprise and continued to be members of the Highland Council Pension Plan, a defined benefit pension scheme. The scheme liabilities attributed to these staff at 31 March 2008 were transferred to Highlands and Islands Enterprise on 1 April 2008.

The assets of both schemes are held separately from those of the company.

## Notes to the financial statements

at 31 March 2009

### 20. Pension commitments (continued)

(a) FRS 17 disclosures (relating to The Highland Council Pension Plan):

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2005 and updated by a qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2009. Scheme assets are stated at their market value at 31 March 2009:

|  | 31 March<br>2009 | 31 March<br>2008 | 31 March<br>2007 |
|--|------------------|------------------|------------------|
| Main assumptions:                      |                  |                  |                  |
| Rate of salary increases (% per annum) | -                | 5.2%             | 4.7%             |
| Rate of pension increase (% per annum) | -                | 3.2%             | 3.2%             |
| Discount rate (% per annum)            | -                | 6.6%             | 5.4%             |
| Inflation rate (% per annum)           | -                | 3.7%             | 3.2%             |

HIE Inverness and East Highland's share of the assets in the Highland Council scheme and the expected rate of return were:

|                                       | Long-term<br>rate of return<br>expected at<br>31 March<br>2009<br>% | Value at<br>31 March<br>2009<br>£ | Long-term<br>rate of return<br>expected at<br>31 March<br>2008<br>% | Value at<br>31 March<br>2008<br>£ | Long-term<br>rate of return<br>expected at<br>31 March<br>2007<br>% | Value at<br>31 March<br>2007<br>£ |
|---------------------------------------|---|-----------------------------------|---|-----------------------------------|---|-----------------------------------|
| Equities                              | -   | -                                 | 7.7%  | 650,000                           | 7.8%  | 655,000                           |
| Gilts                                 | -   | -                                 | 4.3%  | 84,000                            | 4.9%  | 142,000                           |
| Other Bonds                           | -   | -                                 | 6.6%  | 77,000                            | -   | -                                 |
| Property                              | -   | -                                 | 5.7%  | 108,000                           | 5.8%  | 107,000                           |
| Cash                                  | -   | -                                 | 5.0%  | 17,000                            | 4.9%  | 17,000                            |
| Estimated employer assets             | -   | -                                 |   | 936,000                           |   | 921,000                           |
| Present value of scheme liabilities   | -   | -                                 |   | (1,077,000)                       |   | (1,033,000)                       |
| Present value of unfunded liabilities | -   | -                                 |   | (135,000)                         |   | (53,000)                          |
| Deficit in the scheme                 | -   | -                                 |   | (276,000)                         |   | (165,000)                         |
| Related deferred tax liability        | -   | -                                 |   | -                                 |   | -                                 |
| Net pension liability                 | -   | -                                 |   | (276,000)                         |   | (165,000)                         |

## Notes to the financial statements

at 31 March 2009

### 20. Pension commitments (continued)

(b) Analysis of amount recognised in statement of total recognised gains and losses:

|  | 2009<br>£ | 2008<br>£ |
|--|-----------|-----------|
| Actual return less expected return on pension scheme assets                        | -         | (118,000) |
| Experience gains and losses arising on the scheme liabilities                      | -         | -         |
| Changes in assumptions underlying the present value of the scheme liabilities      | -         | 121,000   |
| Actuarial (loss)/gain recognised in statement of total recognised gains and losses | -         | 3,000     |

(c) Movement in deficit during the year:

|   | 2009<br>£ | 2008<br>£ |
|---|-----------|-----------|
| Share of (deficit)/surplus in scheme at beginning of the year | (276,000) | (165,000) |
| Movement in year:   |           |           |
| Transfer of Ross & Cromarty FRS 17 deficit at 3 April 2006    | -         | -         |
| Current service costs   | -         | (53,000)  |
| Contributions   | -         | 49,000    |
| Contributions in respect of unfunded benefits                 | -         | 14,000    |
| Past service costs  | -         | (102,000) |
| Net return on assets  | -         | 7,000     |
| Settlements/curtailments                                      | -         | (29,000)  |
| Actuarial gains   | -         | 3,000     |
| Transfer of deficit to Highlands and Islands Enterprise       | 276,000   | -         |
| Share of deficit in scheme at end of the year                 | -         | (276,000) |

(d) History of experience gains and losses:

|   | 2009<br>£ | 2008<br>£ | 2007<br>£ | 2006<br>£ | 2005<br>£ |
|---|-----------|-----------|-----------|-----------|-----------|
| Difference between the actual and expected return on scheme assets        | -         | (118,000) | 14,000    | 16,000    | 5,000     |
| Value of assets   | -         | 935,000   | 921,000   | 119,000   | 101,000   |
| Percentage of scheme assets   | -         | (12.6%)   | 1.5%      | 13.4%     | 5.1%      |
| Experience gains and losses on scheme liabilities                         | -         | -         | 4,000     | 29,000    | (1,000)   |
| Present value of liabilities  | -         | 1,211,000 | 1,086,000 | 102,000   | 117,000   |
| Percentage of the present value of scheme liabilities                     | -         | -         | 0.4%      | 28.4%     | (0.9%)    |
| Total amount recognised in statement of total recognised gains and losses | -         | 3,000     | (153,000) | 32,000    | 1,000     |
| Present value of liabilities  | -         | 1,211,000 | 1,086,000 | 102,000   | 117,000   |
| Percentage of the present values of the scheme liabilities                | -         | 0.2%      | (14.1%)   | 31.4%     | 0.9%      |

## Notes to the financial statements

at 31 March 2009

### 21. Parent undertaking

The parent undertaking of the group of undertakings of which the company is a member is Highlands and Islands Enterprise, a body established in Scotland. HIE Inverness and East Highland has been included in the group accounts prepared by Highlands and Islands Enterprise, copies of which can be obtained from Highlands and Islands Enterprise, Cowan House, Inverness Retail and Business Park, Inverness, IV2 7GF.