

# Inverness and Nairn Local Enterprise Company

(Limited by Guarantee)

Report and Accounts

31 March 1997

ERNST & YOUNG

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# Inverness and Nairn Local Enterprise Company

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Registered No. 124797

## **DIRECTORS**

N G Cordiner (Chairman)  
J M Campbell (Vice Chairman)  
J R Asher  
E A Fraser  
G W Girvan  
H H MacBean  
G M R MacRae  
A G Sellar  
H B Sheerin  
R R W Stewart  
P A Thorn

## **SECRETARY**

F M Larg

## **AUDITORS**

Ernst & Young  
Moray House  
16 Bank Street  
Inverness  
IV1 1QY

## **BANKERS**

The Royal Bank of Scotland plc  
Chief Office  
29 Harbour Road  
Inverness  
IV1 1TW

## **SOLICITORS**

South Forrest  
8 Ardross Terrace  
Inverness  
IV3 5NW

## **REGISTERED OFFICE**

Castle Wynd  
Inverness  
IV2 3DW

ERNST & YOUNG

## CHAIRMAN'S REPORT

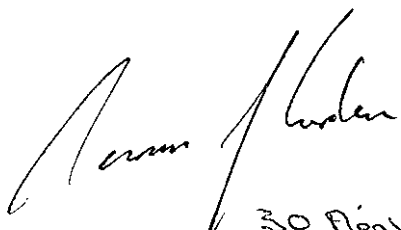
The future of Inverness and Nairn depends upon nurturing existing businesses, encouraging enterprise, attracting inward investment and enabling all parts of the area to realise their full potential.

In many cases, the constraints on these have nothing to do with the availability of finance or the quality of our workforce. We had, for example, expressed concern that the capacity of Inverness to broaden its business base was being threatened by a lack of zoned land. However, the rapid development of the 'Golden Mile' to the east of Inverness, is now opening up West Seafield for the creation of a new business park. Further sites have become available on the Longman with the completion of the road linking the harbour with the new football stadium.

As we prepare to launch an inward investment campaign targeted at the healthcare sector, the area's profile and facilities assume particular significance in helping us to compete with other major centres. That is why Inverness Caledonian Thistle's promotion to Division Two of the Scottish Football League, and the opening of the Inverness aquadome, should not be under-valued. They focus attention on the area and give us long-overdue facilities.

Nairn's profile is improving as local businesses respond to the Nairn Initiative, reversing decline and re-establishing the town as a busy and confident place. Much credit is due to INE director, Jimmy Asher, who led the initiative from 1994 to March of 1997.

While all parts of our area benefit from the performance of its key towns, some rural communities face continuing constraints on growth and opportunities. Our policies and programmes address these constraints, particularly in strengthening the resolve and ability of communities to tackle specific development problems.

  
Chairman 30 April, 1997

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1997.

### RESULTS

The net expenditure for the year, after taxation, amounted to £116,763.

### PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is to operate as a local enterprise company under an annual renewable operating contract with Highlands and Islands Enterprise. Under this contract the company delivers economic and social development and training services within the Inverness and Nairn area and aims to fully utilise its annual operating budget.

#### *The working year*

A recurring theme of our evolving strategies for the expansion of the Inverness and Nairn economy is the linkages between a variety of initiatives, and the relationships we have forged with a series of public and private interest to help achieve them.

This is particularly evident in the development of our Technology and Healthcare Initiative. Launched in the spring of 1996, it developed from the realisation of the importance of the healthcare sector to the local economy and clear opportunities for further economic growth.

Spearheading the initiative is the Highland Healthcare Partnership, led by INE and backed by a strong group of key players which includes Raigmore Hospital NHS Trust, Highland Communities NHS Trust, the Highland Health Board, Highlands and Islands Enterprise, the Highland Council, the University of the Highlands and Islands, Inverness College and the Highland Psychiatric Research Group.

Inverness Medical - the inward investment by the American company Selfcare Inc which is making excellent progress towards its expected staff complement of almost 400 - provided dramatic evidence of the potential. The Highland Healthcare Partnership has now identified a number of new opportunities in healthcare, and the related field of biotechnology, which offer prospects for building on this success.

One of the most exciting projects involves the ongoing work of the Highland Psychiatric Research Group, a groundbreaking unit based at Craig Dunain Hospital which is funded by Government bodies and Scotia Pharmaceuticals, the multinational drugs firm. In pioneering work on schizophrenia, the group is helping to develop a new treatment for the illness using tailor-made compounds of fatty acids. The Highland Healthcare Partnership now aims to boost the work of the group by re-housing them in INE's proposed Business Technology Centre at Beechwood, adjacent to Raigmore Hospital and Inverness Medical.

The Business Technology Centre will stimulate the growth of new start businesses by providing workspace for technology-based enterprises. Assistance packages will combine grants, loans, property, training and guidance to help new companies through the formation process. The centre will create a focus for research which will enhance the reputation of the Highlands and Islands as one of the most enterprising and appealing places in the UK for companies involved in this modern and fast-moving industry.

## DIRECTORS' REPORT

Science and technology-based industries will underpin future wealth generation and the long term prosperity of Inverness and Nairn, and the Highlands and Islands as a whole. A pre-requisite is greater understanding and involvement in science, particularly by young people. To develop this linkage, we are working to establish a Science Centre in Inverness, creating a platform for the promotion of science and technology within the Highland community, and particularly within the education and business sectors.

The University of the Highlands and Islands, which will remove a major brake on progress caused by the lack of higher education facilities, offers another important link to the Technology and Healthcare Initiative. Its development of high-level research facilities, for example, could make a major contribution to the successful attraction and expansion of technology-based enterprises, as well as boosting the quality of the Inverness and Nairn workforce and raising the long-term aspirations of the area.

Co-operating with a variety of public and private organisations to achieve these aspirations was not confined to the Technology and Healthcare Initiative. In the last year we have forged and extended a range of relationships with organisations which make vital contributions to the economic health and welfare of Inverness and Nairn. As a result, we have achieved considerable progress in our strategic objectives of Growing Businesses, Developing People and Strengthening Communities.

The Highland Council plays a particularly important role in every aspect of life and work in the area. The new aquadome opened in Inverness in the spring of 1997 is a perfect example of co-operating between our two organisations. INE funding for the council-led project has produced high quality indoor leisure facilities - at least equalling the best available in other parts of the country - which benefit the Inverness and Nairn community and add a significant attraction to our tourism infrastructure.

The development of a fine new stadium for Inverness Caledonian Thistle Football Club - and associated road improvements which will open up further industrial land at the Longman - is another example of a highly successful multi-agency partnership. By working together, the football club, the former Inverness District Council and INE have released the full potential of Inverness on the Scottish sporting scene - potential clearly demonstrated by the club's promotion to the Second Division of the Scottish Football League.

As the tourism industry demonstrates signs of steady recovery, INE is working with various agencies to ensure that the ensuing economic gains continue to grow. We are making a strong contribution to the activities and ambitions of the Highlands of Scotland Tourist Board (HOST), whose work is of the utmost importance to securing the future of a vital industry.

Inverness Airport is a key element in tourism's continuing expansion. New London services by Air UK and easyJet have attracted new customers, stimulated more frequent trips and produced substantial increases in traffic.

Europeans are demonstrating a strong and rising interest in enjoying the unspoiled nature of the Highlands and Islands. Consequently, direct air charters from continental Europe to Inverness present major opportunities for building new business. To tap this potential, INE joined with Highlands and Islands Airports and The Highland Council to launch a marketing exercise to attract up to 10 new charter services over the next year or so. We achieved our first success when Swiss operator Falcon Travel announced a weekly charter service from Zurich to Inverness from May to September of 1997.

## DIRECTORS' REPORT

We assisted a series of hotel developments - in Nairn, Auldearn, Fort Augustus and Foyers - which will help deliver the quality facilities demanded by the charter market. Facilities such as these will help the area to offer the standards of service and value for money which will encourage return visits and prepare the way for more continental air charters. The Welcome Host and Scotland's Best programmes continue to help local businesses to improve the quality of their services to visitors.

As the football stadium and the aquadome give Inverness - still one of the fastest growing towns in the country - the infrastructure such a substantial Scottish community deserves, other developments have finally been triggered to add to this infrastructure and help the town's growth well into the next millennium.

Retail stores now under construction on the 'Golden Mile', to the east of Inverness, will generate considerable economic growth in themselves. The opening up of the West Seafield area will also bring an important bonus through a 40 acre business park, which will offer quality sites for new high-tech enterprises. Plans were also announced during the year for the creation of another business park at Milton of Leys.

We took considerable strides in building the knowledge, information and telecommunications sector which is essential to a growing and modern economy. Cap Gemini led with the creation of a new teleservice centre on the Longman Industrial Estate which will employ 120 people.

Our strengthened Investors in People team made excellent progress during the year, with 48 commitments and 11 recognitions. IIP a standard which builds stronger and more successful companies, continues to be one of our main business development tools.

Businesses in Nairn have demonstrated a heartening response to the Nairn Initiative, which is supported by a variety of district and local agencies and organisations. Environmental improvements to shops continue through Facelift while businesses combined their efforts to introduce Nairn 1st Choice, a retail loyalty scheme which rewards local people for shopping locally. The town is now well on the way to recovering its previous reputation for offering a special shopping experience.

In addition to the amounts dealt with in the enterprise's own income and expenditure account the enterprise's efforts and initiatives resulted in additional expenditure of £387,188 (1996 - £4,556,763) in the Inverness and Nairn area. This is dealt with in the accounts of Highlands and Islands Enterprise. The significant decrease compared to the prior year relates to funding in the prior year given to Inverness Medical Limited by Highlands and Islands Enterprise, totalling £3.6million. Similarly, Inverness and Nairn Enterprise provided funding of £2.6million to Inverness Medical Limited. The latter balance being recognised in the prior year's accounts of Inverness and Nairn Enterprise.

### FIXED ASSETS

During the year the company invested £28,387 in equipment as detailed in note 9 to the accounts. As detailed in note 10 to the accounts, a total of £85,000 was invested in loans and shares during the year before £1,114 was provided in respect of a diminution in the value of loan and share investments.

### DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 March 1997 were those listed on page 2. Each of the directors is a member of the company and undertakes in the event of the company being wound up to contribute to the assets of the company such amount as may be required, not exceeding £1.

At the annual general meeting of the company A G Sellar, P A Thorn and E A Fraser retire by rotation, and, being eligible, offer themselves for re-election.

# Inverness and Nairn Local Enterprise Company

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## DIRECTORS' REPORT


### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by section 310(3) of The Companies Act 1985.

### AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

  
Chairman

30 April, 1997

## Inverness and Nairn Local Enterprise Company

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts 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.



**REPORT OF THE AUDITORS**

to the members of Inverness and Nairn Local Enterprise Company

We have audited the accounts on pages 10 to 25, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 13 and 14.

**Respective responsibilities of directors and auditors**

As described on page 7 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

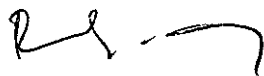
**Basis of opinion**

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1997 and of its net expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants  
Registered Auditor  
Inverness

30 April, 1997

# Inverness and Nairn Local Enterprise Company

## INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 1997

	Notes	1997 £	1996 £
<b>INCOME</b>	2	5,281,918	6,521,102
Operating expenditure		4,710,012	5,875,682
Administrative expenditure		720,274	790,043
<b>OPERATING EXPENDITURE</b>	3(a)	(148,368)	(144,623)
Interest receivable	6	42,084	70,228
Interest paid	7	(1,108)	(353)
<b>NET EXPENDITURE ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(107,392)	(74,748)
Tax on ordinary activities	8	9,371	16,397
<b>NET EXPENDITURE FOR THE FINANCIAL YEAR</b>	16	£(116,763)	£(91,145)

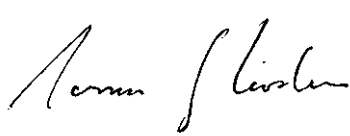
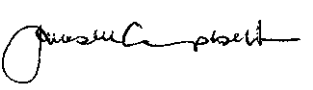
## STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the net expenditure of £116,763 in the year ended 31 March 1997 and the net expenditure of £91,145 in the year ended 31 March 1996.

# Inverness and Nairn Local Enterprise Company

## BALANCE SHEET

as at 31 March 1997

	Notes	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	9	115,980	112,492
Investments	10	1,421,699	1,578,799
		<u>1,537,679</u>	<u>1,691,291</u>
<b>CURRENT ASSETS</b>			
Debtors	11	343,876	434,179
Cash at bank		196,117	323,286
		<u>539,993</u>	<u>757,465</u>
<b>CREDITORS: amounts falling due within one year</b>	12	356,757	454,985
<b>NET CURRENT ASSETS</b>		<u>183,236</u>	<u>302,480</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,720,915	1,993,771
<b>CREDITORS: amounts falling due after one year</b>			
Obligations under finance leases	13	3,209	682
		<u>1,717,706</u>	<u>1,993,089</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	1,530,800	1,689,420
		<u>£186,906</u>	<u>£303,669</u>
<b>CAPITAL AND RESERVES</b>			
Accumulated surplus	16	186,906	303,669
 			
) Directors )			
30 April, 1997		<u>£186,906</u>	<u>£303,669</u>

# Inverness and Nairn Local Enterprise Company

## STATEMENT OF CASH FLOWS for the year ended 31 March 1997

	Notes	1997 £	1996 £
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	3(b)	(152,597)	(164,588)
<b>RETURNS ON INVESTMENTS and SERVICING OF FINANCE</b>	17	41,110	64,385
<b>TAXATION</b>	17	(15,682)	(5,986)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	17	(5,007)	1,189
<b>FINANCING</b>	17	5,007	(1,189)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	17	<u>£(127,169)</u>	<u>£(106,189)</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
			£
Decrease in cash in period			127,169
Cash outflow from increase in lease financing			(4,069)
New hire purchase agreements			<u>9,077</u>
<b>Movement in net funds in the period</b>			132,177
<b>Net funds at 1 April 1996</b>			<u>321,415</u>
<b>Net funds at 31 March 1997</b>			<u>£189,238</u>

# Inverness and Nairn Local Enterprise Company

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## NOTES TO THE ACCOUNTS at 31 March 1997

### 1. 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 and Nairn 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) *Depreciation*

The cost of fixed assets is depreciated by equal annual instalments over the expected useful lives of the assets as follows:

Equipment	-	25% per annum
Tenant's improvements	-	4% per annum

#### (d) *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.

#### (e) *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 ACCOUNTS  
at 31 March 1997

1. ACCOUNTING POLICIES (continued)

(f) *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 fortunes of the company 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.

(g) *Leases and hire purchase commitments*

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

(h) *Pensions*

Seconded staff are members of Highlands and Islands Enterprise's defined benefit pension scheme. The scheme requires contributions to be made to a separately administered fund. Contributions to the fund are charged to the income and expenditure account so as, as far as is possible, to spread the cost of pensions over the secondees' working lives with the company.

(i) *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

2. 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. Income does not include £108,379 which was received from Highlands and Islands Enterprise to fund capital assets and is credited to either the loan/investment or asset repayment provision (see note 14).

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS

at 31 March 1997

### 2. INCOME (continued)

An analysis of income by funding sources is given below:

	1997 £	1996 £
Highlands and Islands Enterprise	5,058,416	6,031,733
European programmes	148,030	268,944
Other	75,472	220,425
	<u>£5,281,918</u>	<u>£6,521,102</u>

### 3. OPERATING INCOME/(EXPENDITURE)

(a) This is stated after charging/(crediting):

	1997 £	1996 £
Auditor's remuneration	7,500	7,500
Depreciation of owned fixed assets	21,716	42,043
Depreciation of assets held under finance leases and hire purchase contracts	3,183	914
Operating lease rentals - equipment	1,584	1,584
Property lease	124,000	124,000
Asset repayment provision released	(24,899)	(42,957)
Loan interest receivable provision	-	5,490
Loss on sale of investments	13,650	-
Provision against investments	1,114	-
	<u></u>	<u></u>

(b) Reconciliation of operating expenditure to net cash  
inflow from operating activities:

	1997 £	1996 £
Operating expenditure	(148,368)	(144,623)
Decrease in debtors	90,303	151,316
Decrease in creditors	(94,532)	(176,771)
Depreciation	24,899	42,957
Loss on disposal of asset	-	717
Loss on disposal of investments	13,650	-
Decrease in asset repayment provision	(24,899)	(43,674)
Provision against investments	1,114	35,672
Decrease in investment repayment provision	(14,764)	(35,672)
Provision for loan interest receivable	-	5,490
	<u></u>	<u></u>
Net cash outflow from operating activities	<u>£(152,597)</u>	<u>£(164,588)</u>

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS

at 31 March 1997

### 4. DIRECTORS' REMUNERATION

None of the directors who held office during the year received any remuneration (1996 - £nil).

Payments to directors for travelling and subsistence expenses, necessarily incurred in discharging their duties totalled £533 (1996 - £188).

### 5. STAFF COSTS

At 31 March 1997 the company had 15 (1996 - 11) direct employees. Other staff members are employees of Highlands and Islands Enterprise who have been seconded to the company. The average weekly number of total staff during the year was 37 (1996 - 36).

Details of charges made for the services of secondees and details of direct employee costs were as follows:

	<i>Secondees</i>	<i>Employees</i>	<i>1997</i>	<i>1996</i>
	<i>£</i>	<i>£</i>	<i>Total</i>	<i>Total</i>
			<i>£</i>	<i>£</i>
Salaries	421,280	205,526	626,806	617,773
Social security costs	33,394	18,702	52,096	50,996
Other pension costs	37,134	-	37,134	27,041
	<u>£491,808</u>	<u>£224,228</u>	<u>£716,036</u>	<u>£695,810</u>

### 6. INTEREST RECEIVABLE

	<i>1997</i>	<i>1996</i>
	<i>£</i>	<i>£</i>
Bank interest	19,876	49,496
Loan interest	22,208	20,732
	<u>£42,084</u>	<u>£70,228</u>

### 7. INTEREST PAID

	<i>1997</i>	<i>1996</i>
Finance charges payable under finance leases and hire purchase contracts	<u>£1,108</u>	<u>£353</u>

### 8. TAX ON ORDINARY ACTIVITIES

	<i>1997</i>	<i>1996</i>
	<i>£</i>	<i>£</i>
Corporation tax at 24%	10,100	16,411
Overprovided in previous year	(729)	(14)
	<u>£9,371</u>	<u>£16,397</u>

The charge for the year represents tax at 24% on interest received.



# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS at 31 March 1997

### 9. TANGIBLE FIXED ASSETS

	<i>Equipment</i> £	<i>Tenants improvements</i> £	<i>Total</i> £
Cost:			
At 1 April 1996	162,148	60,490	222,638
Additions during the year	28,387	-	28,387
At 31 March 1997	190,535	60,490	251,025
Depreciation:			
At 1 April 1996	100,618	9,528	110,146
Provided during the year	22,479	2,420	24,899
At 31 March 1997	123,097	11,948	135,045
Net book value:			
At 31 March 1997	£67,438	£48,542	£115,980
At 1 April 1996	£61,530	£50,962	£112,492

The net book value of equipment above includes an amount of £7,721 (1996 - £1,827) in respect of assets held under finance leases and hire purchase contracts.

### 10. INVESTMENTS

	<i>Loans</i> £	<i>Unquoted shares</i> £	<i>Total</i> £
Cost:			
At 1 April 1996	474,300	1,176,403	1,650,703
Additions	5,000	80,000	85,000
Repayments	(64,586)	-	(64,586)
Amounts written off	(12,849)	-	(12,849)
Disposals	-	(176,400)	(176,400)
At 31 March 1997	401,865	1,080,003	1,481,868
Provisions:			
At 1 April 1996	71,904	-	71,904
Provided in year	1,114	-	1,114
Amounts written off	(12,849)	-	(12,849)
At 31 March 1997	60,169	-	60,169
Net book value:			
At 31 March 1997	£341,696	£1,080,003	£1,421,699
At 1 April 1996	£402,396	£1,176,403	£1,578,799

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS

at 31 March 1997.

### 10. INVESTMENTS (continued)

Details of the investments in which the company has a shareholding are as follows:

<i>Name of company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>	<i>Net book value £</i>
Inverness Medical Limited	Scotland	6% Cumulative redeemable preference shares	100%	Bio-medical research and production	1,000,000
Inverness Thistle & Caledonian FC Limited	Scotland	Ordinary	0.01%	Football club	3
Kingswood Linen Services Limited	Scotland	Preference Cumulative convertible preferred ordinary shares	25.9% 100%	Laundry services	70,000 10,000
					<u>£1,080,003</u>

The cumulative redeemable preference shares in Inverness Medical Limited carry an entitlement to dividend at the rate of 6p per annum. However, the directors believe that to show a true and fair view the cumulative preference dividend should only be recognised as accrued income once Inverness Medical Limited's profitability and cash flow has been established. These cumulative redeemable preference shares may be redeemed at £1.05 per share at any time at the option of Inverness Medical Limited on or prior to 23 June 2000. If Inverness Medical Limited is unable to redeem all or any of the preference shares on or prior to 23 June 2000, the company shall redeem the preference shares as soon as it may lawfully do so thereafter at a redemption price of £1.20 per share.

Kingswood Linen Services Limited commenced trading in March 1997 and no audited accounts are available.

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS

at 31 March 1997

### 11. DEBTORS

	1997 £	1996 £
Highlands and Islands Enterprise	293,013	371,060
Amounts due from fellow subsidiary undertakings	335	7,808
Other debtors	15,716	11,032
Other taxes	26,966	35,210
Prepayments and accrued income	7,846	9,069
	<u>£343,876</u>	<u>£434,179</u>

### 12. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Highlands and Islands Enterprise	81,351	100,440
Trade creditors	250,937	328,199
Amounts due to fellow subsidiary undertakings	-	746
Current corporation tax	10,100	16,411
Accruals	10,699	8,000
Obligations under finance leases and hire purchase contracts (note 13)	3,670	1,189
	<u>£356,757</u>	<u>£454,985</u>

### 13. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1997 £	1996 £
Amounts payable:		
Within one year	3,670	1,189
Within two to five years	3,209	682
	<u>£6,879</u>	<u>£1,871</u>

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS

at 31 March 1997

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Loan/ investment repayment provision £</i>	<i>Asset repayment provision £</i>	<i>Total £</i>
At 1 April 1996	1,578,799	110,621	1,689,420
Funding from Highlands and Islands Enterprise	85,000	23,379	108,379
Funding repaid to Highlands and Islands Enterprise	(227,336)	-	(227,336)
	<u>1,436,463</u>	<u>134,000</u>	<u>1,570,463</u>
Depreciation for the year (note 9)	-	(24,899)	(24,899)
Provision against investments (note 10)	(1,114)	-	(1,114)
Loss on disposal of investments	(13,650)	-	(13,650)
	<u>£1,421,699</u>	<u>£109,101</u>	<u>£1,530,800</u>

### 15. SHARE CAPITAL

The company does not have a share capital and is limited by guarantee. The liability of the members is restricted to £1 each.

At 31 March 1997 the company had 20 members.

### 16. MOVEMENT ON RESERVES

	<i>Accumulated surplus £</i>
At 1 April 1995	394,814
Net expenditure for year	(91,145)
	<u>303,669</u>
At 31 March and 1 April 1996	(116,763)
Net expenditure for year	
	<u>£186,906</u>

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS at 31 March 1997

### 17. GROSS CASH FLOWS

	1997 £	1996 £
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(152,597)</b>	<b>(164,588)</b>
<b>RETURNS OF INVESTMENTS and SERVICING OF FINANCE</b>		
Interest received	42,218	64,738
Interest element of finance lease rental payments	(1,108)	(353)
	<u>41,110</u>	<u>64,385</u>
<b>TAXATION</b>		
Corporation tax paid	(15,682)	(5,986)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Loans advanced	(5,000)	(73,750)
Payment to acquire shares	(80,000)	(1,000,000)
Receipts from Highlands and Islands Enterprise to fund loans and shares	85,000	1,073,750
Loans repaid	64,586	48,263
Funding repaid to Highlands and Islands Enterprise in respect of loans	(64,586)	(48,263)
Payments to acquire fixed assets	(28,387)	(58,966)
Receipts from Highlands and Islands Enterprise to fund fixed assets	23,381	60,155
Proceeds from sale of investments	227,336	48,263
Funding repaid to Highlands and Islands Enterprise in respect of investments	(227,337)	(48,263)
	<u>(5,007)</u>	<u>1,189</u>
<b>FINANCING</b>		
Receipts from finance lease arrangements	9,076	-
Repayment of capital element of finance lease rentals	(4,069)	(1,189)
	<u>5,007</u>	<u>(1,189)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>£(127,169)</b>	<b>£(106,189)</b>

### 18. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1996	Cash flows	Other non- cash charges	At 31 March 1997
Cash in hand, at bank	323,286	(127,169)	-	196,117
Finance leases/HP liabilities	(1,871)	4,069	(9,077)	(6,879)
	<u>£321,415</u>	<u>£(123,100)</u>	<u>£(9,077)</u>	<u>£189,238</u>

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS

at 31 March 1997

### 19. MAJOR NON-CASH TRANSACTIONS

During the year the company entered into hire purchase arrangements in respect of assets with a total capital value at the inception of the agreements of £9,077.

### 20. 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.

### 21. CONTINGENT ASSET

A grant of £350,000 paid by the company, £275,000 in the year to 31 March 1993 and £75,000 in the year to 31 March 1994, may be repayable together with a premium thereon of £350,000, making a total repayable sum of £700,000.

The repayable sum shall be paid to the company, in instalments of £17,500 per machine if the grant obligant manufactures and assembles its product outside the Highlands and Islands area.

### 22. FINANCIAL COMMITMENTS

At 31 March 1997 the company had annual commitments under non-cancellable operating and similar leases as set out below:

	<i>Property</i>		<i>Equipment</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating and similar leases which expire:				
within two to five years	-	-	1,584	-
in over five years	124,000	124,000	-	1,584
	<u>£124,000</u>	<u>£124,000</u>	<u>£1,584</u>	<u>£1,584</u>

### 23. OTHER COMMITMENTS

	<i>1997</i>	<i>1996</i>
	<i>£</i>	<i>£</i>
Approved funding	2,133,853	2,026,108
Guarantees	-	-
	<u>£2,133,853</u>	<u>£2,026,108</u>

The above commitments represent future programme expenditure where approval has been granted at the year end. These commitments will be met through funding from Highlands and Islands Enterprise in the next financial year.

NOTES TO THE ACCOUNTS

at 31 March 1997

**24. PENSION COMMITMENTS**

Staff seconded from Highlands and Islands Enterprise (HIE) are members of a defined benefit pension scheme which is funded by Highlands and Islands Enterprise and recharged to the company. The assets of the scheme are held separately from those of the company.

The accounts of Highlands and Islands Enterprise for the year ended 31 March 1997, include details of the actuarial valuation and of the assumptions used therein.

## NOTES TO THE ACCOUNTS

at 31 March 1997

## 25. TRANSACTIONS INVOLVING DIRECTORS

(a) During the year the following grant and assistance payments were made to businesses in which the company's directors had an interest/relationship:

<i>Business/organisation</i>	<i>Approvals brought forward</i>	<i>Amount approved in year</i> £	<i>Amount paid in year</i>	<i>Nature of transaction</i>	<i>%</i>	<i>Director and interest</i>
Inverness Precast Concrete Company Ltd	-	1,154.00	1,000.00	Marketing grant	33	James Campbell, managing director shareholder
Inverness Precast Concrete Company Ltd	-	2,864.00	2,864.00	Business Consultancy (not paid direct to company)		
Strathaird Salmon Ltd	3,568.92	-	1,418.41	Company Training Grant	15	Phillip Thorn, chairman and indirect shareholder
Lovat Arms Hotel	2,431.00	-	312.00	Finance for business Interest relief grant	1	Ann Fraser, partner



NOTES TO THE ACCOUNTS  
at 31 March 1997

25. TRANSACTIONS INVOLVING DIRECTORS (continued)

- (b) Local organisations which received funding in the year and in which the directors have a non-financial interest include:

The Highland Council  
Inverness Nairn & Badenoch & Strathspey Education Business Partnership  
Inverness Harbour Trust  
Inverness College  
Nairn Initiative  
Inverness & District Chamber of Commerce  
Highlands of Scotland Tourist Board  
The Quality Partnership  
Nairn Golf Club  
Inverness & District Choral Society  
Moray Firth Radio  
Inverness Pony Club

In the instances of Inverness, Nairn & Badenoch & Strathspey Education Business Partnership and Inverness College the directors only have an interest by way of their appointment to the board/committee of the foregoing as a representative of Inverness and Nairn Local Enterprise Company.

The directors noted in part (a), above, were not involved in the decision making process of the payment of the relevant grant or other assistance.

26. 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. Inverness and Nairn Local Enterprise Company has been included in the group accounts prepared by Highlands and Islands Enterprise, copies of which can be obtained from Highlands and Islands Enterprise, Bridge House, 20 Bridge Street, Inverness IV1 1QR.