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# Inverness and Nairn Local Enterprise Company

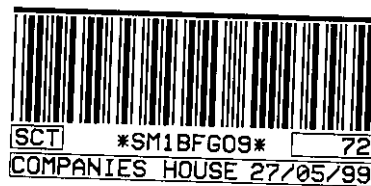
(Limited by Guarantee)

Report and Accounts

31 March 1999

ERNST & YOUNG

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# Inverness and Nairn Local Enterprise Company

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Registered No. 124797

## DIRECTORS

G M Sword	(Chairman)
G M R MacRae	(Vice Chairman)
N G Cordiner	(resigned 13 January 1999)
J M Campbell	
J R Asher	(resigned 3 June 1998)
G W Girvan	(resigned 3 June 1998)
H H MacBean	
A G Sellar	
H B Sheerin	(resigned 24 September 1998)
R R W Stewart	
P A Thorn	
I R M Urquhart	
P A G MacKenzie	(appointed 3 June 1998)
R R Cunningham	(appointed 3 June 1998)
K Mackie	(appointed 24 February 1999)
D K Shaw	(appointed 16 February 1999)

## SECRETARY

W P Sylvester	(appointed 18 January 1999)
F M Larg	(resigned 30 September 1998)

## 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

Moray House  
16 Bank Street  
Inverness  
IV1 1QY

## CHAIRMAN'S REPORT

Individuals, communities, businesses and organisations in the Inverness and Nairn area reported mixed fortunes. On the downside there was the closure of Fort Augustus Abbey, concerns about the future of the Barmac oil fabrication yard at Ardersier, confirmation that the Highlands and Islands will lose Objective 1 status, continuing problems in agriculture and, for some businesses at least, a difficult year for exports and for the tourism industry.

But there were positive developments, like more successes in the growth sectors of biotechnology and healthcare, further expansion at Balmakeith Business Park, and the opening of the Highland Conference Centre. Grounds for optimism were also to be found in the opening of the Learning Resource Centre at Inverness College, the on-going upgrade of the Official Loch Ness Monster Exhibition and the start of the consultation process for potential developments at Torvean Quarry, Craig Dunain, Nairn Town Centre and Sandown.

Our work with individuals and groups continued to make a positive impact in the communities we serve. We assisted 27 projects with our Community Action Grants. The European Leader programme further strengthened its community development support through its grant schemes, agent network and co-operation links with trans-national partners. The Nairn Initiative, a five year old multi-agency partnership continued to improve the local economy. Cap Gemini, an international IT and consultancy services provider, opened a new office in Balmakeith Business Park.

Companies continued to invest in their most important asset. Our range of training initiatives continued to help individuals to enhance their skills, secure new job opportunities and helped companies maintain and improve the quality of their products and services. Over 1,000 individuals and 450 companies participated in INE assisted training programmes. 40 companies achieved the Investors in People standard, contributing to the overall success of the Highlands and Islands in securing the highest proportion of standard achievement in Scotland.

25 new businesses started with help through our Business Start Up Programme. Our Technology and Healthcare Initiative made remarkable progress. Inverness Medical Limited doubled its factory space and now employs over 300. Westminster Healthcare, a leading provider of healthcare services in the UK, relocated head office functions from London. The years most exciting development took shape, INE's Green House (Business and Technology Centre) started construction and is due for completion in June 1999.

Leading towards the new millennium, there were replacement to board members. Bill Sylvester became the new chief executive, taking over from Fiona Larg and Douglas Yule (acting chief executive for the latter part of the year). Four new directors were appointed, bringing their expertise and local knowledge, Philip Mackenzie, Ritchie Cunningham, Donald Shaw and Ken Mackie. The new appointments, selected through the 'Appointability through Openness' process will lead the company into the 21<sup>st</sup> century.

I thank Norman Cordiner, Chairman since the company was established, and retiring directors Heather Sheerin, Wilson Girvan and James Asher, for their invaluable contributions. I must also thank Fiona Larg and Douglas Yule, who leave behind a company with a motivated and dedicated workforce.

  
Chairman

25 May 1999

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1999.

### RESULTS

The company received funding of £5.4m from a variety of sources and the net result for the year was an excess of expenditure over the income amounting to £3,534. This reflected the Board's decision to reduce previous years' surpluses.

### 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*

The past year has been marked by a significant amount of work with partners to develop longer term plans, as well as some major investments in large scale projects.

Under the auspices of "Strengthening Communities", we assisted a number of worthwhile projects.

The people of Abriachan continued to make progress with their community managed forest, the largest of its kind in Scotland. Through LEADER support, the trust received an award of £17,820 to help local residents undertake woodland and business management training and other promotional and cultural projects.

As part of a series of initiatives designed to improve the quality of life in the South Kessock area of Inverness, we approved a grant of £11,161 to the South Kessock Community Safety Project for the provision of two all weather multi-sports pitches.

In Glenmoriston local people raised £25,000 towards the £232,000 cost of replacing their 70 year old public hall and made a successful bid for Millennium Commission funding of over £123,000. We contributed a grant of £15,000.

We assisted Radio Inverness to move to new studio facilities at Raigmore Hospital with a grant of £13,372 to replace outdated equipment and to furnish studio and reception areas.

The Highland Festival continued to have a major impact in promoting our culture. 60,000 people attended the festival, spending an estimated £4.27 million. We assisted the event with funding of £56,700, which enabled the expansion of events involving both established and emerging talent.

Under the heading of "Developing Skills" we continued to provide training initiatives for the Inverness and Nairn area.

40 companies in our area achieved the Investors in People standard, reinforcing IIP as an important tool in strengthening businesses and their performance.

From a standing start in 1996, over 650 young people are now involved in Skillseekers. Almost 90% are on employed status - a full time job with training - and approximately 45% have achieved a variety of vocational qualifications.

## DIRECTORS' REPORT

### PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Around 120 employers in our area have become involved in New Deal, which provides subsidised employment for 26 weeks. Over 40 New Deal clients entered full time education and training options in industries such as construction, engineering, childcare and sport and recreation management.

Our Adult Guidance programme run in conjunction with Inverness College, assisted over 500 people. The programme helps employed and unemployed persons over the age of 18 to assess and enhance their skills, and their employment and career prospects.

Under the heading of "Growing Businesses", we assisted a number of projects which will have a positive impact on the local economy.

Construction commenced on our business technology centre, The Green House. This centre will play a vital role in nurturing high tech businesses which will help drive the economy of Inverness and Nairn into the 21<sup>st</sup> Century. Managed by New Park Management Ltd, the facility will provide a supportive environment for innovation in business sectors such as biotechnology, healthcare and software development. Our own offices will be based there from June 1999.

The expansion of Inverness Medical Ltd continued, with over 300 currently employed and a projection of over 600 jobs in the medium term. An investment of £9.8 million was supported by a £2 million financial package from INE.

We also took the unusual step of vacating our own premises to assist the relocation of Westminster Health Care's head office function from London. A leading provider of healthcare services in the UK, Westminster Health Care's move to Inverness further strengthens our Healthcare Initiative.

American owned Whites Electronics made a long term commitment to the area by investing in new custom built premises, which will enable it to expand production and increase the size of the workforce. We provided a financial package of £29,500.

Cap Gemini, Europe's largest computer services and business consultancy, opened a new accountancy service in Nairn, creating 30 jobs. Cap Gemini is already a significant player in the Highland economy, with other offices in Inverness, Forres and Dingwall.

As part of a £180,000 project we awarded £45,000 to the Fish Vet Group, which provides specialist diagnostic and treatment services to aquaculture, and is the only practice of its kind in the UK.

A previously assisted project, The Official Loch Ness Monster Exhibition, benefited from an upgrade programme. The Highland Conference Centre in Nairn was also constructed, bringing a boost to the town.

Inverness Caledonian Thistle had another successful year, resulting in promotion to the First Division.

#### *Reports*

In conjunction with our partners who are involved in the social and economic well-being of the area, we undertook various studies.

The results of the study to examine the options for the future location of Inverness College were published previously. The independent study, initiated by ourselves with the support of the college, favoured relocating the college to Craig Dunain. Discussions are at an advanced stage to decide whether to instigate these recommendations.

## DIRECTORS' REPORT

### PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

A feasibility study has been commissioned for a new art and leisure complex at the Torvean Quarry site, owned by the Highland Council. If feasible, the aim would be to create a complex which integrates arts and leisure facilities to form one of the largest leisure parks in Europe.

We instigated a development study with The Highland Council and Cawdor Estate, for a detailed examination of Nairn town centre and the Sandown lands to the west of the town. The report will produce a sustainable development strategy for the town centre, including the promotion of new developments and related expansion plans.

The Highland Psychiatric Research Foundation was assisted to implement research into the development of diagnostic and monitoring aids, including a breath test to improve the monitoring of patients in the community.

The Moray Firth Partnership, a voluntary organisation, has produced an action plan for the management of the firth's marine and coastal resources, and has secured European funding from the LIFE environment programme, to implement the three year plan.

Also, consultants were appointed to provide recommendations for the 'office for the future'. These findings will be incorporated in our new offices at the Business Technology Centre.

### CORPORATE GOVERNANCE

The directors are pleased to report that the company has been in full compliance throughout the year with the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.

A statement of the directors' responsibilities in respect of the accounts is set out on page 9.

#### *The board*

At 31 March 1999, the board of Inverness and Nairn Local Enterprise Company comprised twelve non-executive members, including the chairman. New board members are appointed by the existing board and none received any remuneration for holding office during the year.

The board meets at least nine times a year. The role of the board is the strategic oversight of the enterprise company, ensuring that it is carrying through its statutory remit. The board has specific responsibility for approving the overall strategy and operating plans, ensuring that the executive has thorough arrangements for appraisal, monitoring and evaluation of programmes and seeing that targets are set and met.

#### *The chief executive*

The chief executive is aware of the need for effective internal financial control, and acknowledges his responsibility for the system of control to enable the efficient management of Inverness and Nairn Local Enterprise Company. This responsibility is undertaken in conjunction with the audit committee. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

## DIRECTORS' REPORT

### CORPORATE GOVERNANCE (continued)

The system of internal financial control is based on a framework of monthly management information, financial regulations, administrative procedures including the segregation of duties, and various levels of delegation specified by the Scottish Office and the board of Highlands and Islands Enterprise. In particular it includes strategic planning, identification of targets and annual operating plans all approved by the board.

The chief executive has a pivotal role in assisting the board to develop policies and priorities and in ensuring that they are implemented effectively.

#### *Audit and compliance*

Inverness and Nairn Local Enterprise Company has established an audit committee, composed of non-executive members of the board, one of whom acts as chairman. The committee provides a forum for reporting by the company's external and internal auditors. The meetings are also attended, by invitation, by the Chief Executive. Meetings are held at least four times a year.

The committee reviews reports by both external audit and Highlands and Islands Enterprise internal audit. On the basis of these reports the committee form a view on the effectiveness of the systems of internal control. Both the external auditors and Highlands and Islands Enterprise internal audit attend at least one audit committee meeting per year.

#### *The Greenbury report*

While none of the board members who held office during the year received any remuneration, the recommendations of the Greenbury Code of Best Practice have been applied in so far as they are appropriate to Inverness and Nairn Local Enterprise Company.

#### *Conflicts of interest procedures*

Inverness and Nairn Local Enterprise Company operates strict and comprehensive procedures to deal with potential conflicts of interest. These include holding, and updating annually, registers of interests covering not only board members/directors but also all members of staff. These registers are available to any member of the public who wishes to examine them. Interests which must be registered are rigorously defined as any contractual or financial relationship, or simply position of authority, with outside companies or organisations.

Whenever a board member/director or member of staff has an interest in an application for assistance, he/she is required to declare the interest and thereafter to take no part in the investigation, processing or approval of the case. Such declarations by board members/directors are recorded in the minutes of the appropriate board meetings and in a register of interests.

Additional procedures such as referring to Highlands and Islands Enterprise for the processing and decision making are invoked when the chairman of Inverness and Nairn Local Enterprise Company declares an interest.

#### *Citizen's charter*

Inverness and Nairn Local Enterprise Company is committed to the principles of the Citizen's Charter and the HIE network was re-awarded the Charter Mark in November 1997.

DIRECTORS' REPORT

**CORPORATE GOVERNANCE** (continued)

*Computers - Year 2000*

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. Our operations depend not only on our own computer systems, but also to some degree on those of our providers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A director of the Board (Philip MacKenzie) takes responsibility for co-ordinating action on Year 2000 issues. A member of staff is responsible for taking the necessary follow-up work. An action plan identifying areas at risk through Year 2000 has been drawn up and the Board and Audit Committee review this plan. The company expects to be compliant by 31 August 1999.

**DIRECTORS AND THEIR INTERESTS**

The directors of the company during the year ended 31 March 1999 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 R R W Stewart retires.

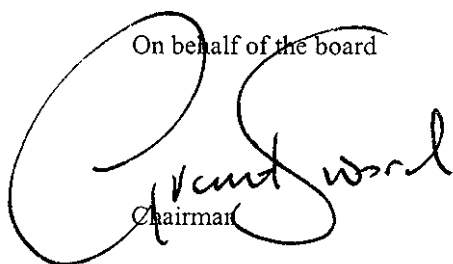
**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

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

25 May 1999



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 11 to 25 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 14 and 15.

**Respective responsibilities of directors and auditors**

As described on page 9 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.

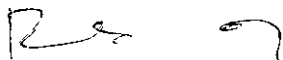
**Basis of opinion**

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 1999 and of its net expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor  
Inverness

25 May 1999

# Inverness and Nairn Local Enterprise Company

## INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 1999

	Notes	1999 £	1998 £
<b>INCOME</b>	2	5,458,089	5,215,618
Operating expenditure		4,626,074	4,661,151
Administrative expenditure		871,203	779,911
<b>OPERATING EXPENDITURE</b>	3(a)	(39,188)	(225,444)
Interest receivable	6	45,039	53,909
Interest paid	7	(171)	(611)
<b>NET EXPENDITURE ON ORDINARY ACTIVITIES</b>		5,680	(172,146)
Tax on ordinary activities	8	9,214	11,134
<b>NET EXPENDITURE FOR THE FINANCIAL YEAR</b>	16	£(3,534)	£(183,280)

## STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the net expenditure of £3,534 in the year ended 31 March 1999 and £183,280 in the year ended 31 March 1998.

# Inverness and Nairn Local Enterprise Company

## BALANCE SHEET

as at 31 March 1999

	Notes	1999 £	1998 £
<b>FIXED ASSETS</b>			
Tangible assets	9	135,823	107,407
Investments	10	2,285,595	1,444,711
		<u>2,421,418</u>	<u>1,552,118</u>
<b>CURRENT ASSETS</b>			
Debtors	11	963,208	864,962
Cash at bank		5,671	-
		<u>968,879</u>	<u>864,962</u>
<b>CREDITORS: amounts falling due within one year</b>	12	969,159	864,171
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(280)</u>	<u>791</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,421,138	1,552,909
<b>CREDITORS: amounts falling due after one year</b>			
Obligations under finance leases	13	-	373
		<u>2,421,138</u>	<u>1,552,536</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	2,421,046	1,548,910
		<u>£92</u>	<u>£3,626</u>
<b>CAPITAL AND RESERVES</b>			
Accumulated surplus	16	92	3,626

)  
) Directors  
)

*Robert A. Shaw*  
*John W. Shaw*

25 May 1999

<u>£92</u>	<u>£3,626</u>
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# Inverness and Nairn Local Enterprise Company

## STATEMENT OF CASH FLOWS for the year ended 31 March 1999

	Notes	1999 £	1998 £
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	3(b)	(18,331)	(249,256)
<b>RETURNS ON INVESTMENTS and SERVICING OF FINANCE</b>	17	44,868	53,298
<b>TAXATION</b>	17	(11,192)	(9,833)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	17	2,836	3,670
<b>FINANCING</b>	17	(2,836)	(3,670)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	17	£15,345	£(205,791)
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
		1999 £	1998 £
Increase/(decrease) in cash in period		15,345	(205,791)
Cash outflow from lease financing		2,836	3,670
<b>Movement in net funds in the period</b>		18,181	(202,121)
<b>Net funds at 1 April 1998</b>		(12,883)	189,238
<b>Net funds at 31 March 1999</b>		£5,298	£(12,883)

NOTES TO THE ACCOUNTS

at 31 March 1999

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*

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% per annum
Tenants' 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 1999

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 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.

(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 £1,064,379 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 1999

### 2. INCOME (continued)

An analysis of income by funding sources is given below:

	1999 £	1998 £
Highlands and Islands Enterprise	4,992,009	4,823,065
European Union	211,595	241,665
Other	254,485	150,888
	<u>£5,458,089</u>	<u>£5,215,618</u>

### 3. OPERATING EXPENDITURE

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

	1999 £	1998 £
Auditor's remuneration	6,250	7,875
Depreciation of owned fixed assets	31,679	20,918
Depreciation of assets held under finance leases and hire purchase contracts	1,448	1,930
Operating lease rentals - equipment	1,155	1,693
Property lease	139,770	124,000
Asset repayment provision released	(33,127)	(22,848)
Provision against investments	105,616	21,241
	<u></u>	<u></u>

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

	1999 £	1998 £
Operating expenditure	(39,188)	(225,444)
(Increase)/decrease in debtors	(98,246)	(521,086)
Increase in creditors	119,103	497,274
Depreciation	33,127	22,848
Decrease in asset repayment provision	(33,127)	(22,848)
Provision against investments	105,616	21,241
Decrease in investment repayment provision	(105,616)	(21,241)
	<u></u>	<u></u>
Net cash outflow from operating activities	<u>£(18,331)</u>	<u>£(249,256)</u>



# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS

at 31 March 1999

### 4. DIRECTORS' REMUNERATION

None of the directors who held office during the year received any remuneration (1998 - £Nil).

Payments to directors for travelling and subsistence expenses, necessarily incurred in discharging their duties totalled £Nil (1998 - £Nil).

### 5. STAFF COSTS

At 31 March 1999 the company had 9 (1998 - 15) 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 35 (1998 - 37).

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>1999</i>	<i>1998</i>
	<i>£</i>	<i>Core</i>	<i>Project</i>	<i>Total</i>	<i>Total</i>
		<i>£</i>	<i>£</i>	<i>£</i>	
Salaries	362,307	153,524	82,590	598,421	628,905
Social security costs	27,421	12,643	6,702	46,766	50,734
Other pension costs	32,882	4,291	2,271	39,444	42,215
	<u>£422,610</u>	<u>£170,458</u>	<u>£91,563</u>	<u>£684,631</u>	<u>£721,854</u>

### 6. INTEREST RECEIVABLE

	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>
Bank interest	29,398	33,072
Loan interest	15,641	20,837
	<u>£45,039</u>	<u>£53,909</u>

### 7. INTEREST PAID

	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>
Finance charges payable under finance leases and hire purchase contracts	£171	£611
	<u>£171</u>	<u>£611</u>

### 8. TAX ON ORDINARY ACTIVITIES

	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>
Corporation tax at 21%	9,422	11,400
Overprovided in previous year	(208)	(266)
	<u>£9,214</u>	<u>£11,134</u>

The charge for the year represents tax at 21% on interest received.

NOTES TO THE ACCOUNTS  
at 31 March 1999

9. TANGIBLE FIXED ASSETS

	<i>Equipment</i> £	<i>Tenants improvements</i> £	<i>Total</i> £
Cost:			
At 1 April 1998	204,810	60,490	265,300
Additions during the year	61,543	-	61,543
At 31 March 1999	266,353	60,490	326,843
Depreciation:			
At 1 April 1998	143,525	14,368	157,893
Provided during the year	30,707	2,420	33,127
At 31 March 1999	174,232	16,788	191,020
Net book value:			
At 31 March 1999	£92,121	£43,702	£135,823
At 1 April 1998	£61,285	£46,122	£107,407

The net book value of equipment above includes an amount of £4,342 (1998 - £5,790) 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 1998	408,234	1,080,003	1,488,237
Additions	-	1,000,000	1,000,000
Repayments	(64,482)	-	(64,482)
Amounts written off	(7)	-	(7)
At 31 March 1999	343,745	2,080,003	2,423,748
Provisions:			
At 1 April 1998	43,526	-	43,526
Provided in year	25,616	80,000	105,616
Repaid in year	(10,989)	-	(10,989)
At 31 March 1999	58,153	80,000	138,153
Net book value:			
At 31 March 1999	£285,592	£2,000,003	£2,285,595
At 1 April 1998	£364,708	£1,080,003	£1,444,711

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS at 31 March 1999

### 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>Cost £</i>
Inverness Medical Limited	Scotland	6% Cumulative redeemable preference shares	100%	Bio-medical research and production	2,000,000
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	80,000 =====

During the year the company invested a further £1,000,000 in Inverness Medical Limited, bringing the total investment to £2,000,000.

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 and 28 October 2003. If Inverness Medical Limited is unable to redeem all or any of the preference shares on or prior to 23 June 2000 and 28 October 2003, 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.

# Inverness and Nairn Local Enterprise Company

## NOTES TO THE ACCOUNTS at 31 March 1999

### 11. DEBTORS

	1999 £	1998 £
Highlands and Islands Enterprise	883,235	717,986
Amounts due from fellow subsidiary undertakings	353	-
Other debtors	43,213	53,779
Other taxes	23,886	80,969
Prepayments and accrued income	12,521	12,228
	<u>£963,208</u>	<u>£864,962</u>

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

	1999 £	1998 £
Bank overdraft	-	9,674
Highlands and Islands Enterprise	811,249	379,140
Trade creditors	134,390	446,673
Amounts due to fellow subsidiary undertakings	-	406
Current corporation tax	9,422	11,400
Accruals	13,725	14,042
Obligations under finance leases and hire purchase contracts (note 13)	373	2,836
	<u>£969,159</u>	<u>£864,171</u>

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

The maturity of these amounts is as follows:

	1999 £	1998 £
Amounts payable:		
Within one year	373	2,836
Within two to five years	-	373
	<u>£373</u>	<u>£3,209</u>

NOTES TO THE ACCOUNTS  
at 31 March 1999

14. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Loan/ investment repayment provision £</i>	<i>Asset repayment provision £</i>	<i>Total £</i>
At 1 April 1998	1,444,711	104,199	1,548,910
Funding from Highlands and Islands Enterprise	1,000,000	64,379	1,064,379
Funding repaid to Highlands and Islands Enterprise	(64,482)	-	(64,482)
Amounts written off	(7)	-	(7)
	<hr/>	<hr/>	<hr/>
	2,380,222	168,578	2,548,800
Depreciation for the year (note 9)	-	(33,127)	(33,127)
Provision against investments (note 10)	(94,627)	-	(94,627)
	<hr/>	<hr/>	<hr/>
At 31 March 1999	£2,285,595	£135,451	£2,421,046
	<hr/>	<hr/>	<hr/>

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 1999 the company had 22 members.

16. MOVEMENT ON RESERVES

	<i>Accumulated surplus £</i>
At 1 April 1997	186,906
Net expenditure for year	(183,280)
	<hr/>
At 31 March and 1 April 1998	3,626
Net expenditure for year	(3,534)
	<hr/>
At 31 March 1999	£92
	<hr/>

NOTES TO THE ACCOUNTS  
at 31 March 1999

17. GROSS CASH FLOWS

	1999 £	1998 £
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	(18,331)	(249,256)
<b>RETURNS OF INVESTMENTS and SERVICING OF FINANCE</b>		
Interest received	45,039	53,909
Interest element of finance lease rental payments	(171)	(611)
	44,868	53,298
<b>TAXATION</b>		
Corporation tax paid	(11,192)	(9,833)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Loans advanced	-	(150,000)
Payment to acquire shares	(1,000,000)	-
Receipts from Highlands and Islands Enterprise to fund loans and shares	1,000,000	150,000
Loans repaid	64,482	105,747
Funding repaid to Highlands and Islands Enterprise in respect of loans	(64,482)	(105,747)
Payments to acquire fixed assets	(61,543)	(14,275)
Receipts from Highlands and Islands Enterprise to fund fixed assets	64,379	17,945
	2,836	3,670
<b>FINANCING</b>		
Repayment of capital element of finance lease rentals	(2,836)	(3,670)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	£15,345	£(205,791)

18. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1998	Cash flows	Other non- cash charges	At 31 March 1999
Cash in hand and at bank	(9,674)	15,345	-	5,671
Finance leases/HP liabilities	(3,209)	2,836	-	(373)
	£(12,883)	£18,181	£ -	£5,298

NOTES TO THE ACCOUNTS  
at 31 March 1999

19. 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.

20. 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 unit if the grant obligant manufactures and assembles its product outside the Highlands and Islands area. The criteria agreed for the repayment of this grant have not yet occurred.

21. FINANCIAL COMMITMENTS

At 31 March 1999 the company had annual commitments under non-cancellable operating and similar leases as set out below:

	<i>Property</i>		<i>Equipment</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	£	£	£	£
Operating and similar leases which expire:				
Within one year	9,191	-	-	-
within two to five years	-	-	2,129	1,877
in over five years	201,175	124,000	-	-
	<u>£210,366</u>	<u>£124,000</u>	<u>£2,129</u>	<u>£1,877</u>

22. OTHER COMMITMENTS

	<i>1999</i>	<i>1998</i>
Approved funding	<u>£1,087,258</u>	<u>£1,166,868</u>

The above commitments represent future programme expenditure where approval has been granted for Finance for Business, Community Action Grants and Environmental Renewal Projects, at the year end. These commitments will be met through funding from Highlands and Islands Enterprise in the next financial year.

23. 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 1999, include details of the actuarial valuation and of the assumptions used therein.

NOTES TO THE ACCOUNTS  
at 31 March 1999

## 24. 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>
Strathaird Salmon Limited	651	-	-	Company training grant	15	P Thorn, chief executive indirect shareholder
Strathaird Salmon Limited	9,970	-	9,504	Finance for business grant	21	"
Strathaird Salmon Limited	-	3,000	1,062.50	Project funding	30	"
Ashers Bakery Limited	4,460	-	-	Finance for business Grant	20	J Asher, director
Ashers Bakery Limited	358	-	-	Marketing grant	33	"
Ashers Bakery Limited	-	3,705	-	Consultancy assistance programme	25	"
Morton Hotels Limited	241,201	-	188,336	Finance for business grant	28	G Sword, managing director
Hugh MacRae & Company	5,000	-	-	Consultancy assistance programme	50	G MacRae, managing director



NOTES TO THE ACCOUNTS

at 31 March 1999

24. 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 College  
Glenurquhart 2000  
Drumnadrochit Chamber of Commerce  
Inverness Golf Club  
Highland Communities NHS Trust  
Glenurquhart Out of School Club  
Nairnshire Farming Society  
Highland Careers Service

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.

25. 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.