

GOVAN INITIATIVE LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 1997

Company number: SC108565  
Scottish Charity number: SC023930



## GOVAN INITIATIVE LIMITED

(A Company limited by guarantee and not having a share capital)

### MEMBERS OF THE COMPANY

Glasgow Development Agency  
Gray Dunn and Company Limited  
City of Glasgow Council

### REGISTERED OFFICE

Broomloan House  
170 Edmiston Drive  
Glasgow  
G51 2YS

### BANKERS

TSB Bank Scotland plc  
21 Blythswood Square  
Glasgow  
G2 4BL

### SOLICITORS

Boys  
146 West Regent Street  
Glasgow  
G2 2RZ

### AUDITORS

Moore Rowland  
Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL

### DIRECTOR OF THE ORGANISATION

Ronald Culley

### COMPANY SECRETARY

Ronald Culley

GOVAN INITIATIVE LIMITED  
REPORT AND ACCOUNTS  
YEAR ENDED 31 MARCH 1997

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## GOVAN INITIATIVE LIMITED

### **Management Committee report**

The Management Committee submit their ninth Report and Accounts covering the year from 1 April 1996 to 31 March 1997.

### **Activities of the Company**

Govan Initiative Limited is engaged in developing and managing projects in the fields of business development, training and education, physical development and community development which are designed to regenerate the local economy of the Greater Govan Area.

The company is recognised by the Inland Revenue as a charity.

### **Review of business**

This year has again been a particularly effective one in terms of company performance particularly against a backdrop of public sector financial constraints. The Initiative has shown itself to be very strong in its efforts to find partners in developing property and infrastructure and in beginning to address environmental concerns. The focus of the Business Development Unit upon ninety selected companies has proved effective and has resulted in significant improvements in the turnover of these companies. The commitment shown to staff development by these companies, supported by the Industrial Training Unit, continues to be impressive.

Whilst the small and medium sized business sector continues to thrive, a number of large scale employers - notably Scottish Pride and Kvaerner shipyards have experienced significant problems which appear to be a harbinger of a continuing decline of larger companies in the area which will lead to demanning, downscaling and potentially closure.

The company itself has secured the endorsement of Investors in People, Scottish Quality Management Systems, Scotvec and City & Guilds accreditation and has consolidated its strategic planning approach which will steer the company and chart its progress through the Millennium.

### **Results and dividends**

The deficit for the year on ordinary activities after taxation was £1,504 (1996: surplus £1,030). In accordance with Article IV of the Memorandum of Association, no income or property of the company shall be distributed to the Members, Officers and Servants of the Company and accordingly the entire deficit after taxation is carried to the Profit and Loss Account as a Reserve.

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## GOVAN INITIATIVE LIMITED

**Management Committee report (cont'd)****Management Committee and their interests**

The Management Committee during the year were, and at the date of this report are:

**Members:**

Archie Simpson	(Chairman)
John McLaughlin	(Vice Chairman)
Euphemia McClymont	(Vice Chairwoman)
Deirdrie Gaughan	
John McDonagh	
Linda Anne Smith	
Robert Gould	(Resigned 1/8/96)
Daniel Whitelaw	
Scott Christie	(Resigned 22/5/97)
Alistair McManus	
Iris Gibson	
Mohammad Sarwar	(Appointed 24/10/96)
Shaukut Butt	(Appointed 28/6/96, Resigned 24/10/96)
Stephen Dornan	(Appointed 28/6/96)
Paul Martin	(Appointed 28/6/96)
Ian Robertson	(Appointed 28/6/96)
Isabelle Robertson	(Appointed 28/6/96)
Richard Carabine	(Appointed 28/6/96)
Jane McKay	(Appointed 28/6/96)
Norman Shanks	(Appointed 28/6/96, Resigned 22/5/97)
Alistair Watson	(Appointed 24/10/96)
Michael Mallon	(Appointed 22/5/97)
Robert McCann	(Appointed 22/5/97)
Douglas Strachan	(Appointed 22/5/97)

Under the terms of Clause 34 of the Articles of Association the Nominated Members shall remain as Members of the Management Committee for a period of three years provided they are nominated representatives of their nominating bodies. Clause 33 specifies the numerical limitation of the various nominating bodies. Thereafter under Clause 34 (d) such persons as are co-opted by the Nominated Members of the Management Committee may be appointed until the date of the Annual General Meeting following the end of the Financial Year of the Company following the date of co-option but shall remain eligible for further annual periods of co-option without limit.

There are no members of the Management Committee with interests requiring disclosure under the Companies Act 1985.

**Fixed assets**

Movements in fixed assets are set out at note 8 to the accounts.

**GOVAN INITIATIVE LIMITED****Management Committee report (cont'd)****Events since the end of the year**

Since 31 March 1997 there have been no events which require to be reported or which necessitate any adjustment to the accounts.

Included within the additions to Buildings during the year, shown in note 8 to the accounts, is £1,864,265 relative to the construction of light industrial units for letting to local businesses. A contribution of £1,400,000 has been received towards the cost of these units. The Management Committee are pleased to note that the construction work has been completed since the balance sheet date and letting has commenced.

**Responsibility of the Management Committee in respect of the accounts**

Company Law requires the Management Committee 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 surplus or deficit of the company for that period. In preparing their accounts the Management Committee are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- prepare accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable it to ensure that the accounts comply with the Companies Act. It is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

**Auditors**

In accordance with Section 384 of the Companies Act 1985 a resolution to re-appoint Moores Rowland as auditors will be put to the Members at the Annual General Meeting.

**General**

The Management Committee wishes to express thanks to all those who provided support and assistance during the period under review, over and above the financial contributions recorded in the Accounts.

On behalf of the Management Committee



R CULLEY  
Secretary

10 July 1997

## GOVAN INITIATIVE LIMITED

## AUDITORS' REPORT

TO THE MEMBERS OF GOVAN INITIATIVE LIMITED

We have audited the accounts on pages 5 to 17.

**Respective responsibilities of the members of the management committee and auditors**

As described in the management committee report the company's management committee is responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We have 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 members of the management committee 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 that 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 the company's affairs as at 31 March 1997 and of its deficit for the year then ended and have been properly prepared in accordance with the requirements of the Companies Act 1985.

MOORES ROWLAND

Chartered Accountants  
Registered Auditors

25 Bothwell Street  
Glasgow G2 6NL

10 July 1997

GOVAN INITIATIVE LIMITED  
 PROFIT AND LOSS ACCOUNT  
 YEAR ENDED 31 MARCH 1997

	Note	1997 £	1996 £
Turnover	2	3,220,871	2,682,816
Other operating income	3	358,708	263,450
		<u>3,579,579</u>	<u>2,946,266</u>
Administrative expenses		3,506,244	2,877,730
OPERATING SURPLUS		<u>73,335</u>	<u>68,536</u>
Interest payable	4	74,839	67,506
(DEFICIT) SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(1,504)</u>	<u>1,030</u>
TAX ON ORDINARY ACTIVITIES	7	-	-
(DEFICIT) SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(1,504)</u>	<u>1,030</u>

All disclosures relate only to continuing operations. All recognised gains and losses are included in the Profit and Loss Account.

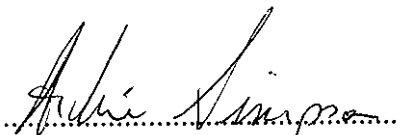
The statement of accounting policies and notes on pages 8 to 17 form part of these accounts.

## GOVAN INITIATIVE LIMITED

## BALANCE SHEET

AT 31 MARCH 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	8	3,159,077	2,675,559
Investments	9	66,130	111,130
		<u>3,225,207</u>	<u>2,786,689</u>
CURRENT ASSETS			
Loans	10	210,042	398,702
Debtors	11	863,741	726,442
Cash at bank and on hand		360,310	318,306
		<u>1,434,093</u>	<u>1,443,450</u>
CREDITORS: Amounts falling due within one year	12	1,114,582	1,157,186
		<u>319,511</u>	<u>286,264</u>
NET CURRENT ASSETS			
		<u>3,544,718</u>	<u>3,072,953</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: Amounts falling due after more than one year	15	758,237	772,423
DEFERRED CAPITAL GRANTS	17	2,222,154	1,656,419
		<u>564,327</u>	<u>644,111</u>
RESERVES			
Profit and loss account	18	164,018	165,522
Business Development Fund Reserve	18&19	400,309	478,589
		<u>564,327</u>	<u>644,111</u>

  
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 ARCHIE SIMPSON  
 CHAIRMAN OF MANAGEMENT COMMITTEE

10 July 1997

The statement of accounting policies and notes on pages 8 to 17 form part of these accounts.

## GOVAN INITIATIVE LIMITED

## CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 1997

	Note	1997 £	1996 £
Net cash inflow from operating activities	20	103,252	587,865
Returns on investments and servicing of finance	21	(60,839)	(99,836)
		<u>42,413</u>	<u>488,029</u>
Capital expenditure	21	(589,140)	(151,122)
Financing	21	588,731	56,790
Increase in cash	22	<u>42,004</u>	<u>393,697</u>

The statement of accounting policies and notes on pages 8 to 17 form part of these accounts.

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**1. Accounting Policies***Basis of accounting*

The Accounts are prepared under the historical cost convention and in accordance with approved Accounting Standards.

*Group accounts*

The accounts present information about the company as an individual undertaking and not about its group.

Group accounts have not been prepared as permitted under Section 248(1) of the Companies Act 1985 on the grounds that the group qualifies as a medium sized group.

*Operating leases*

Rentals paid under operating leases are charged to profit and loss account as incurred. The obligation to pay future rentals on operating leases is shown by way of a note to the accounts

*Depreciation*

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

Office furniture and equipment	- over 4 to 6 years
Motor vehicles	- over 4 years
Capital purchases	- over term of project
Leasehold improvements	- the leasehold property has not been depreciated during the year as the project was still under construction at the year end
Buildings	- over 50 years

*Deferred capital grants*

Grants received and receivable are credited to a deferral account and are released to the Profit and Loss Account over the life of the asset.

*Pension scheme*

The company makes contributions to various personal pension arrangements for employees, up to a maximum of 6% of remuneration.

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**2. Turnover**

Turnover represents the amounts received and receivable from members and other sponsors:

	1997 £	1996 £
European Commission	677,783	156,448
City of Glasgow Council	722,400	-
Glasgow District Council	-	125,000
Glasgow Development Agency	1,014,777	824,946
Scottish Office (Urban Aid)	670,855	1,018,334
Strathclyde Regional Council	-	375,697
Rangers Football Club	10,000	10,000
Training courses	17,296	50,504
Employment service	13,125	14,117
Other	94,635	107,770
	<u>3,220,871</u>	<u>2,682,816</u>

**3. Other operating income**

Interest on money market deposit	46,326	19,323
Interest on loans	14,546	20,186
Rent	223,420	159,857
Fees - Business Advice Unit	(2,175)	8,714
Arts - Productions	11,482	20,428
Nurseries	25,109	14,942
Braehead Development	40,000	20,000
	<u>358,708</u>	<u>263,450</u>

**4. Interest payable**

Term loan	72,528	60,080
Bank overdraft	2,311	7,426
	<u>74,839</u>	<u>67,506</u>

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**5. Operating (deficit) surplus**

	1997 £	1996 £
Stated after charging or (crediting):		
Staff costs (note 6)	301,125	300,919
Depreciation on tangible fixed assets	105,622	105,726
Operating lease rentals on:		
property	176,641	121,825
equipment	16,715	12,797
Auditors remuneration	6,000	6,000
Capital grants released	(43,721)	(69,836)
	<u>          </u>	<u>          </u>

**6. Staff costs**

Direct wages and salaries	1,530,646	1,282,342
Social security and pension costs	168,384	147,848
	<u>          </u>	<u>          </u>
	1,699,030	1,430,190
Charge for seconded staff	69,000	69,183
	<u>          </u>	<u>          </u>
	1,768,030	1,499,373
Deduct recovered: Urban Aid and other projects	1,466,905	1,198,454
	<u>          </u>	<u>          </u>
	301,125	300,919
	<u>          </u>	<u>          </u>

No fees or other emoluments were paid directly, or indirectly, to any Member of the Management Committee.

The average weekly number of persons employed by the company during the year was:

	1997 Number	1996 Number
Administrative	15	15
Projects	126	90
	<u>      </u>	<u>      </u>

In addition, the salaries of certain members of staff were carried directly on payrolls outwith the company, and either re-charged or provided as a contribution-in-kind.

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**7. Tax on (deficit) surplus on ordinary activities**

There is no liability to taxation as the company has obtained exemption under Section 505 of the Income and Corporation Taxes Act 1988 with effect from 30 June 1996. The Scottish Charity number for the company is SC023930.

**8. Fixed Assets**

	Buildings £	Leasehold Improvements £	Office Furniture & Equipment £	Vehicles £	Total £
<i>Cost:</i>					
At 1 April 1996	2,131,283	401,415	855,391	68,092	3,456,181
Additions	1,876,311	1,575	111,254	-	1,989,140
Contributions rec'd	(1,400,000)	-	-	-	(1,400,000)
At 31 March 1997	<u>2,607,594</u>	<u>402,990</u>	<u>966,645</u>	<u>68,092</u>	<u>4,045,321</u>
<i>Depreciation:</i>					
At 1 April 1996	50,185	-	662,345	68,092	780,622
Provided during year	42,867	-	62,755	-	105,622
At 31 March 1997	<u>93,052</u>	<u>-</u>	<u>725,100</u>	<u>68,092</u>	<u>886,244</u>
<i>Net Book Value:</i>					
At 31 March 1997	<u>2,514,542</u>	<u>402,990</u>	<u>241,545</u>	<u>-</u>	<u>3,159,077</u>
At 31 March 1996	<u>2,081,098</u>	<u>401,415</u>	<u>193,046</u>	<u>-</u>	<u>2,675,559</u>

Included within Buildings is bank interest capitalised of £80,224 (1996: £80,224), being interest charged up to date of completion.

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**8. Fixed Assets (cont'd)**

The Festival Business Centre, Brand Street, Govan has a net book value of £2,050,220 and a corresponding deferred capital grant balance of £1,206,509.

The building was valued on 29 May 1997 by Messrs D.T.Z Debenham Thorpe, Chartered Surveyors at £1,100,000 being the Open Market Value subject to sub-tenancies at that date.

The Management Committee are of the opinion that the revaluation does not represent a permanent diminution in value and therefore no account has been taken of the valuation within these accounts.

**9. Investments**

	Unlisted investments £	Shares in subsidiary undertaking £	Total £
At 1 April 1996	61,000	50,130	111,130
Provision against investment	(45,000)	-	(45,000)
At 31 March 1997	<u>16,000</u>	<u>50,130</u>	<u>66,130</u>

**a) Unlisted investments**

The company holds 45,000 6% Redeemable Preference shares in California Cake & Cookie Limited and 16,000 Preference shares in Caledonian Compressors Ltd. Both companies are based in Govan.

**b) Shares in subsidiary undertaking**

The company owns the entire share capital, being 50,130 ordinary shares of £1, of Digitlink Limited, a company registered in Scotland. The company's principal activity is the development and sale of electronic locking systems.

Group accounts have not been prepared as permitted by Section 248(1) of the Companies Act 1985. As at 31 March 1997 aggregate capital and reserves of the company were £44,383 (debit) and its loss for the year to 31 March 1997 was £93,503.

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**10. Loans**

Loans are advanced to local businesses from the Business Development Fund.

	1997 £	1996 £
Outstanding at 1 April 1996	398,702	457,115
Loans granted during year	51,500	154,750
Repaid during year	(206,880)	(169,858)
Written off	(33,280)	(43,305)
Outstanding at 31 March 1997	<u>210,042</u>	<u>398,702</u>

Of the outstanding balance at 31 March 1997 £55,636 is due to be repaid after more than one year (1996: £254,183).

**11. Debtors**

	1997 £	1996 £
Debtors	550,154	683,788
Prepayments	30,410	31,896
Amounts due from subsidiary undertaking	129,550	10,758
Other debtors	153,627	-
	<u>863,741</u>	<u>726,442</u>

**12. Creditors: Amounts falling due within one year**

Trade creditors	100,416	146,745
Bank term loan (notes 13 and 16)	17,926	24,465
Other taxation and social security costs	44,115	133,488
Accruals	152,598	175,037
Funds received in advance (note 14)	799,527	677,451
	<u>1,114,582</u>	<u>1,157,186</u>

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**13. Bank borrowings**

All bank borrowings are secured by a Standard Security over the company's property in Brand Street, Govan, and also by a Bond and Floating Charge over all assets of the company.

**14. Funds Received in Advance**

Where funds have been received for the purposes of core activities or projects and relate either to capital expenditure not expended by the end of the financial year or to revenue expenditure for periods falling outwith the financial year, these funds have been accounted for as funds in advance.

	1997 £	1996 £
Core	85,501	25,344
Project balances	714,026	652,107
	<u>799,527</u>	<u>677,451</u>

**15. Creditors: Amounts falling due after more than one year**

Bank term loan (note 16)	<u>758,237</u>	<u>772,423</u>
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**16. Bank Term Loan**

The loan is repayable in equal monthly instalments over 19 years. Interest on the loan will be charged at 3% per annum over the Bank's Base Rate.

	1997 £	1996 £
The loan is repayable as follows:		
In one year or less	17,926	24,465
Between one and two years	19,576	41,940
Between two and five years	72,451	125,820
In five years or more	666,210	604,663
	<u>776,163</u>	<u>796,888</u>

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**17. Deferred Capital Grants**

Where capital grants have been received, or have been claimed, these grants are treated as deferred and are released over the expected life of the assets concerned, or the length of the project if shorter.

	1997 £	1996 £
The movements during the year were:		
Balance at 1 April 1996	1,656,419	1,666,353
Grants receivable	609,456	59,902
Released to Profit and Loss Account	(43,721)	(69,836)
Balance at 31 March 1997	<u>2,222,154</u>	<u>1,656,419</u>

The balance comprises:

Learning centre	5,589	-
Freshstart (Nursery)	-	8,504
Festival Business Centre	1,206,509	1,231,899
Small Business Development Centre (Govan Town Hall)	400,000	400,000
Theatre Works	6,277	11,812
Konver	5,348	-
Buddy Project	-	4,204
Moorpark Business Centre	577,252	-
Teleworks	11,027	-
Sustainable environments	885	-
Govan works	9,267	-
	<u>2,222,154</u>	<u>1,656,419</u>

**18. Statement of reconciliation of reserves**

	Business Development Fund Reserve £	Profit and Loss Account £	Total £
Balance at 1 April 1996	478,589	165,522	644,111
Deficit for year	-	(1,504)	(1,504)
Bad debts written off	(33,280)	-	(33,280)
Provision against investment	(45,000)	-	(45,000)
Balance at 31 March 1997	<u>400,309</u>	<u>164,018</u>	<u>564,327</u>

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

**19. Business Development Fund Reserve**

The movements in this Reserve are set out in note 18. Grants are received through ERDF RENAVAL (and previously through Urban Programme) to fund the Business Development Fund (previously known as the Grants and Loan Scheme). The grants are used specifically to finance loans to local businesses. The grants are not repayable and have been shown as a Business Development Fund Reserve.

**20. Reconciliation of operating surplus to net cash inflow from operating activities**

	1997 £	1996 £
Operating surplus	73,335	68,536
Depreciation of tangible fixed assets	105,622	105,726
Decrease in debtors	51,361	242,949
(Decrease) increase in creditors	(50,065)	283,795
Release of deferred capital grants	(43,721)	(69,836)
Bad debts written off	(33,280)	(43,305)
	<u>103,252</u>	<u>587,865</u>

**21. Analysis of cash flows**

Interest paid	<u>60,839</u>	<u>99,836</u>
Payment to acquire tangible fixed assets	<u>589,140</u>	<u>151,122</u>
<b>Financing</b>		
Capital grants received	609,456	59,902
Loan repayment	(20,725)	(3,112)
	<u>588,731</u>	<u>56,790</u>

## GOVAN INITIATIVE LIMITED

## NOTES ON THE ACCOUNTS

YEAR ENDED 31 MARCH 1997

	At 1 April 1996	Cash flow	At 31 March 1997
<b>22. Analysis of changes in net funds</b>			
Cash in hand	318,306	42,004	360,310

**23. Capital commitments**

	1997 £	1996 £
Authorised but not contracted for	-	2,068,300
Contracted for	50,500	-

**24. Operating lease commitments**

The company had annual commitments under non-cancellable leases as set out below:

	1997		1996	
	Property £	Other £	Property £	Other £
Operating leases which expire:				
Within one year	91,441	4,703	21,950	3,355
In the second to fifth years inclusive	85,200	12,012	99,875	9,442
	<u>176,641</u>	<u>16,715</u>	<u>121,825</u>	<u>12,797</u>