

Business Link Tees Valley Limited
Annual report
for the year ended 31 March 2005

Registered Number: 02992061



Business Link Tees Valley Limited

Annual report

for the year ended 31 March 2005

Contents

Directors' report for the year ended 31 March 2005	1
Independent auditors' report to the members of Business Link Tees Valley Limited.....	5
Income and expenditure account for the year ended 31 March 2005	6
Balance sheet as at 31 March 2005.....	7
Statement of accounting policies.....	8
Notes to the financial statements for the year ended 31 March 2005	9

Business Link Tees Valley Limited

Directors' report for the year ended 31 March 2005

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

Principal activity and business review

The company is a company limited by guarantee not having a share capital.

Its principal activity is to provide, or to provide access to, a comprehensive range of support services to business, including the provision of information advice, financial support and other facilities as will enhance business performance and economic well being.

Results and dividends

There was a surplus for the year after taxation amounting to £273,666 (2004: surplus of £479,425) which has been transferred to reserves.

Review of the business and future developments

The company had its application to be granted the franchise for Small Business Service in the Tees Valley area extended. The franchise is effective from 1 April 2004 for three years.

Directors

The directors during the year are listed below:

Terry Owens	(Chairman)
Caroline Hughes	
Professor Brian Hobbs	
David Simpson	
John Wright	
Michael Hall	
Ken Walker	
John McCullagh	
Malcolm Taylor	
George Ringrow	(resigned 16 April 2004)
Councillor Eric Empson	(appointed 8 July 2004)
David Coleman	(resigned 13 July 2004)
David Layonette	(resigned 26 July 2004)
Julie Lathan	(resigned 5 February 2005)
Alistair Waite	(resigned 7 March 2005)

Directors and their interests

During the year certain directors had material interests in contracts which were significant in relation to the company's business (See note 18).

Business Link Tees Valley Limited

Corporate Governance

The company has complied, where applicable, with The Combined Code of Corporate Governance throughout the year. The following sections summarise how the principles of Corporate Governance are applied in practice.

Audit committee responsibilities

An Audit Committee is established with completely separate responsibilities to those of the Finance and General Purposes Committee. It consists of three Board Directors and meets at least twice a year. Their responsibilities include reviewing the company's accounting, financial and operating controls and its compliance with statutory responsibilities relating to accounting policies and disclosure. The company's internal and external auditors are invited to attend these meetings.

The Combined Code and corporate governance

Application of the Principles of Good Governance and Code of Best Practice

Whilst the company is not formally required to comply with the system of corporate governance embodied in the Combined Code, the directors are committed to implementing standards of best practice and use the Principles of the Combined Code as a guide to achieving this, as appropriate, within the company.

The Board of Directors

The Board of Directors, which leads and controls the company, consists of the Chief Executive Officer of the Sub-regional Business Link, nine other directors representing a broad range of SMEs and business organisations, and four directors representing public sector organisations. The CEO of Business Link acts as an executive director with responsibility for the operation of the Company's activities, supported by the remaining directors who bring knowledge and experience from organisations.

The Chairman is a director appointed by the SME directors and the functions of the Chairman and the executive director are separate.

The Board has access to the advice of the Company Secretary and takes independent professional advice where necessary, at the Company's expense. The Board meets bi-monthly, and the management accounts and other relevant information are circulated to all Board members in advance of these meetings. The management accounts allow the performance of the business to be monitored against budget and revised forecasts.

Member organisations are entitled, by giving notice in writing, to appoint one director. The appointment of Directors representing SMEs is a matter for the Nomination Committee, which is chaired by the Tees Valley Partnership. One third of the Directors (being three directors appointed by SME members and one director appointed by the public sector organisations) retire and are eligible for re-election at the last Board meeting of each year.

The CEO's remuneration is approved by the Board.

Internal control

The Directors have responsibility for adopting and maintaining an effective system of internal control and for regularly reviewing that system. The system of internal control established by the directors is intended to be comprehensive, although the limitations of any system of control are such that it is designed to manage rather than eliminate the risk of failure to achieve business objectives, rather than provide absolute assurance against material misstatement or loss.

Business Link Tees Valley Limited

The principal features of the system of internal financial controls are:

- budgetary control measuring performance against pre-determined targets on at least a monthly basis;
- regular forecasting and reviews covering trading performance, assets, liabilities and cash flows;
- delegated limits of authority covering key financial commitments including capital expenditure and recruitment.

The Board also regularly reviews the effectiveness of other internal controls, including operational controls and risk management and compliance with relevant laws and regulations in accordance with published guidance, ("Internal Control: Guidance for Directors on the Combined Code"). Management assess that the key business risk facing the organisation continues to be the securement of future funding in order to provide services in the Tees Valley catchment area.

The principal features of operational control are:

- The application of a recognised organisational and management structure within which key individuals have responsibility for the day to day running of the business.
- Identification and management of key business and inherent risks.

The Directors are also responsible for safeguarding the assets of the company and for taking steps for the prevention and detection of fraud and other irregularities.

Charitable donations

During the year the company made no charitable donations (2004: £Nil).

Insurance

Insurance policies have been taken out to indemnify all officers of the company in respect of advice and counselling given.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Business Link Tees Valley Limited

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Terry Owens
Chairman

30 November 2005

Business Link Tees Valley Limited

Independent auditors' report to the members of Business Link Tees Valley Limited

We have audited the financial statements which comprise the income and expenditure account, the balance sheet, the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

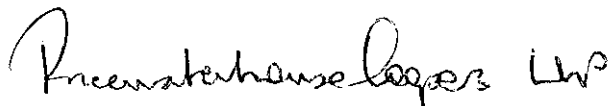
Basis of audit opinion

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

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

Opinion

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



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

30 November 2005

Business Link Tees Valley Limited

Income and expenditure account for the year ended 31 March 2005

	Note	2005 £	2004 £
Income		7,271,870	5,548,896
Direct costs		(5,770,513)	(4,061,399)
Gross surplus		1,501,357	1,487,497
Administrative expenses		(1,226,939)	(1,009,262)
Operating surplus	1	274,418	478,235
Interest receivable	4	1,115	1,314
Interest payable	5	(1,706)	-
Surplus on ordinary activities before taxation		273,827	479,549
Taxation	6	(161)	(124)
Retained surplus for the year	13	273,666	479,425

All of the activities of the company are continuing.

The company has no recognised gains or losses other than those reported in the income and expenditure account above and therefore no separate statement of total recognised gains and losses has been prepared.

There is no material difference between the surplus on ordinary activities before taxation and the surplus for the year stated above, and their historical cost equivalents.

Business Link Tees Valley Limited

Balance sheet as at 31 March 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	7		415,374		378,466
Current assets					
Debtors	8	2,200,569		1,701,629	
Cash at bank and in hand		313		310,898	
		2,200,882		2,012,527	
Creditors: amounts falling due within one year	9	(1,512,742)		(1,608,526)	
Net current assets			688,140		404,001
Total assets less current liabilities			1,103,514		782,467
Creditors : amounts falling due after more than one year	10		(78,401)		(31,020)
Net assets			1,025,113		751,447
Reserves	13		1,025,113		751,447

The financial statements on pages 6 to 20 were approved by the Board of directors on 30 November 2005 and signed on its behalf by:



Terry Owens
Chairman

Business Link Tees Valley Limited

Statement of accounting policies

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

The principal accounting policies of the company are set out below.

Turnover

Turnover is attributable to one activity, the provision of support services net of VAT, and arises solely in the United Kingdom. Turnover comprises grants receivable, sponsorship, subsidies and income from the provision of services to third parties.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets on a straight line basis to their estimated residual value from the month of purchase over their expected useful lives. The rates generally applicable are:

Furniture and fittings	10%
IT and communications equipment	20% to 33%

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the income and expenditure account by equal annual instalments over the expected useful lives of the relevant assets.

Government grants of a revenue nature are credited to the income and expenditure account in the same period as the related expenditure is incurred.

Pension costs

The employees who are directly employed by the company participate in a defined benefit pension scheme administered by the Teesside Pension Fund. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for as they become payable to the fund.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the income and expenditure account on a straight line basis over the lease term.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

The company has not prepared a cash flow statement as it has taken advantage of the exemption available for small companies under FRS1 (revised 1996).

Business Link Tees Valley Limited

Notes to the financial statements for the year ended 31 March 2005

1 Operating surplus

	2005	2004
	£	£
The operating surplus is stated after charging/(crediting):		
Auditors' remuneration:		
- Audit services	7,000	6,500
- Non audit services	19,911	8,043
Depreciation of owned tangible fixed assets	191,590	164,064
Operating leases:		
- land and buildings	52,702	26,026
- other	5,476	6,486
Government grants released	(843,320)	(680,013)

2 Directors emoluments

	2005	2004
	£	£
Aggregate emoluments	87,718	74,850

Retirement benefits are accruing to one (2004: one) director under a defined benefit scheme.

Business Link Tees Valley Limited

3 Employee information

	2005	2004
	£	£
Wages and salaries	2,090,941	1,563,984
Social security costs	156,439	117,204
Other pension costs	241,662	187,052
	2,489,042	1,868,240

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

By activity	2005	2004
Customer Facing	58	52
Administration	23	13
	81	65

4 Interest receivable

	2005	2004
	£	£
Bank interest receivable	1,115	1,314

5 Interest payable

	2005	2004
	£	£
Overdraft interest payable	1,706	-

Business Link Tees Valley Limited

6 Tax on surplus on ordinary activities

(a) Analysis of tax charge in the year

	2005 £	2004 £
Current tax		
UK Corporation tax on surplus of the year	-	250
Adjustment in respect of previous years	(124)	(126)
Total current tax	(124)	124
Deferred tax:		
Origination and reversal of timing differences	285	-
Total deferred tax	285	-
Tax on surplus on ordinary activities	161	124

(b) Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower than the starting rate of 0% (2004: lower than the small companies rate of 19%) of corporation tax in the UK. The differences are explained below:

	2005 £	2004 £
Surplus on ordinary activities before tax	273,827	479,549
Surplus on ordinary activities multiplied by starting rate in the UK 0% (2004: small companies rate of 19%)	-	91,114
Effects of:		
Non taxable income	-	(90,302)
Accelerated capital allowances/other timing differences	-	(562)
Adjustment to tax charge in respect of previous year	(124)	(126)
Current tax (credit)/charge for the year	(124)	124

(c) Factors that may affect future tax charges

The company has carried forward trading losses which may be available to set against future trading profits of the company.

Business Link Tees Valley Limited

(d) Deferred taxation

The deferred taxation asset is analysed as follows:

	Provided		Unprovided	
	2005	2004	2005	2004
	£	£	£	£
Short term timing differences	-	285	-	-
Losses	-	-	-	58,324
Pension	-	-	-	3,114
	-	285	-	61,438

7 Tangible assets

	IT and communications equipment	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 April 2004	1,225,829	102,840	1,328,669
Additions	119,430	109,068	228,498
Disposals	(771,540)	-	(771,540)
At 31 March 2005	573,719	211,908	785,627
Depreciation			
At 1 April 2004	883,912	66,291	950,203
Provided in the year	177,100	14,490	191,590
Disposals	(771,540)	-	(771,540)
At 31 March 2005	289,472	80,781	370,253
Net book amount at 31 March 2005	284,247	131,127	415,374
Net book amount at 31 March 2004	341,917	36,549	378,466

Business Link Tees Valley Limited

8 Debtors

	2005	2004
	£	£
Trade debtors	24,090	12,041
Grants receivable	1,999,647	1,571,681
Prepayments and accrued income	51,503	42,550
Deferred taxation	-	285
VAT recoverable	125,329	75,072
	2,200,569	1,701,629

9 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank overdraft	918,019	-
Trade creditors	113,219	573,317
Social security and other taxes	65,837	47,181
Corporation tax	-	124
Accruals	116,116	135,056
Deferred income - Government grants (Note 11)	299,551	852,848
	1,512,742	1,608,526

10 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Deferred income - Government grants (Note 11)	78,401	31,020

Business Link Tees Valley Limited

11 Deferred income – government grants

	Capital	Revenue	2005 Total	2004 Total
	£	£	£	£
Deferred grants at 1 April	81,384	802,484	883,868	724,273
Grants received in the year	94,693	292,000	386,693	915,902
Released to income and expenditure account	(49,289)	(843,320)	(892,609)	(756,307)
Deferred capital grants at 31 March	126,788	251,164	377,952	883,868

The maturity profile is shown below:

	2005 £	2004 £
Due within one year (Note 9)	299,551	852,848
Due after more than one year (Note 10)	78,401	31,020
	377,952	883,868

12 Share capital

The company is limited by guarantee and has no share capital. The liability of members is limited to £1 each. At 31 March 2005 the company had 9 members (2004: 9).

13 Reconciliation of movement in reserves

	2005 £	2004 £
Opening reserves	751,447	272,022
Surplus for the year	273,666	479,425
Closing reserves	1,025,113	751,447

Business Link Tees Valley Limited

14 Pensions

(a) Pension costs under SSAP 24

Employees participate in the Teesside Pension Fund. This provides benefits based on final pensionable earnings, but the benefits can be varied at the date of retirement if benefits calculate on a defined contribution basis provide a greater pension. The assets of the Plan are held in separate trustee administered funds.

Contributions to the Plan are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The most recent valuation of the Plan was carried out as at 31 March 2004. The valuation used the projected unit method of valuation, with the Plan's assets being valued at market value. The main assumptions adopted in this valuation were an investment return of 6.5% per annum, pensionable earnings increases of 4.9% per annum and pension increases of 2.9% per annum.

At the valuation date, the market value of the assets of the Plan was £1,231,000,000 and was sufficient to cover 81% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The total pension cost charged for the year was £241,662 (2004: £187,052).

(b) Pension disclosures under FRS17 transitional arrangements

The FRS 17 calculations for disclosure purposes have been based on the actuarial valuation carried out on 31 March 2004 and updated to 31 March 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 March 2005	At 31 March 2004	At 31 March 2003
Rate of increase in salaries	4.9%	4.9%	4.5%
Rate of increase of pensions in payment	2.9%	2.9%	2.5%
Discount rate	5.4%	5.5%	5.4%
Inflation assumption	2.9%	2.9%	2.5%

Business Link Tees Valley Limited

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 March 2005 %	Value at 31 March 2005 £'000	Long term rate of return expected at 31 March 2004 %	Value at 31 March 2004 £'000	Long term rate of return expected at 31 March 2003 %	Value at 31 March 2003 £'000
Equities	7.5	1,046,349	7.7	861,587	8.0	589,600
Bonds	5.3	184,955	5.1	177,758	4.8	170,900
Property	7.0	66,245	6.5	59,155	6.0	54,900
Cash	4.3	124,506	4.0	106,427	4.0	96,300
Total market value of assets of whole scheme		1,422,055		1,204,927		911,700

	2005 £	2004 £	2003 £
Company share of assets	950,000	720,000	346,000
Company share of present value of plan liabilities	(1,291,000)	(742,000)	(398,000)
Pension liability	(341,000)	(22,000)	(52,000)
Related deferred tax asset at the starting tax rate of 0% (2004 and 2003: small company tax rate of 19%)	-	4,180	9,880
Net pension liability	(341,000)	(17,820)	(42,120)

Had the above amounts been recognised in the financial statements, the company's net assets and reserves at 31 March 2005 would be as follows:

	2005 £	2004 £
Net assets excluding net pension liability	1,025,398	751,447
Net pension liability	(341,000)	(17,820)
Net assets including net pension liability	684,398	733,627

	2005 £	2004 £
Reserves excluding net pension liability	1,025,398	751,447
Net pension liability	(341,000)	(17,820)
Reserves including net pension liability	684,398	733,627

Business Link Tees Valley Limited

Analysis of the amount that would be charged to operating surplus:

	2005 £	2004 £
Current service cost	302,000	175,000
Past service cost	-	-
Total operating charge	302,000	175,000

Analysis of the amount that would be charged to other finance income:

	2005 £	2004 £
Expected return on pension scheme asset	48,000	33,000
Interest on pension scheme liabilities	(55,000)	(28,000)
Net return	(7,000)	5,000

Analysis of amount that would be recognised in statement of total recognised gains and losses (STRGL):

	2005 £	2004 £
Actual return less expected return on pension scheme assets	37,000	78,000
Experience gains and losses arising on the scheme liabilities	(263,000)	(4,000)
Changes in assumptions underlying the present value of the scheme liabilities	(23,000)	(57,000)
Actuarial (loss)/gain recognised in STRGL	(249,000)	17,000

Movement in surplus/(deficit) during the year

	2005 £	2004 £
Deficit in scheme at start of year	(22,000)	(52,000)
Movement in year:		
Current service cost	(302,000)	(175,000)
Contributions	239,000	183,000
Net return on other finance income	(7,000)	5,000
Actuarial (loss)/gain	(249,000)	17,000
Deficit in scheme at year end	(341,000)	(22,000)

Business Link Tees Valley Limited

History of experience gains and losses

	2005	2004
Difference between the expected and actual return on scheme assets:		
Amount (£)	37,000	78,000
Percentage of the scheme assets	4.0%	10.9%
Experience (losses)/gains on scheme liabilities:		
Amount (£)	(263,000)	(4,000)
Percentage of the present value of the scheme liabilities	(20.4%)	(0.5%)
Total amount that would be recognised in statement of total recognised gains and losses:		
Amount (£)	(249,000)	17,000
Percentage of the present value of the scheme liabilities	(19.3%)	2.3%

15 Capital commitments

The company had no capital commitments at 31 March 2005 (2004: Nil).

16 Contingent liabilities

The company had no contingent liabilities at 31 March 2005 (2004: Nil).

17 Financial commitments

At 31 March 2005, the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Within one year	-	-	-	5,404
Within two to five years	52,702	52,052	6,593	-
After five years	-	-	-	-
	52,702	52,052	6,593	5,404

Business Link Tees Valley Limited

18 Related party transactions

The following related party transactions have occurred during the year:

a) Start Right in Business Contracts

Certain directors were associated with organisations which received funded contracts for the delivery of Start Right in Business programme activity during the year.

Associated Director	Associated organisation	Value of Contract	
		2005	2004
		£	£
Terry Owens	Inbiz	225,954	225,953
Brian Coady	Darlington Business Venture	-	116,722
John Wright	Cleveland Accredited Training	-	4,494

b) Other

Certain directors were associated with organisations which took advice from the company. These are set out below. All advice given was in accordance with normal agreements with clients.

Associated director	Associated organisation
2005	
Caroline Hughes	Click Here
John McCullagh	Marske Machine Company
Michael Hall	QBM Precision
Terry Owens	Inbiz
David Simpson	Simpson Business Solutions
George Ringrow	Hosch GB
Julie Lathan	Calibre Recruitment
Alastair Waite	Onyx Limited
John Wright	C.A T C.

Business Link Tees Valley Limited

Associated director

2004

John McCullagh

Caroline Hughes

Nigel Williams

Alastair Waite

Terry Owens

Julie Lathan

John Wright

George Ringrow

Steve Cochrane

Veronica Wilkie

Associated organisation

Marske Machine Company

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Inbiz

Calibre Recruitment

Cleveland Accredited Training

Hosch GB

Psyche

ADS Creative