

Business Link Tees Valley Limited
Annual report
for the year ended 31 March 2003

Registered Number: 02992061



Business Link Tees Valley Limited

Annual report

for the year ended 31 March 2003

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Business Link Tees Valley Limited

Directors' report for the year ended 31 March 2003

The directors present their report and the audited financial statements of the company for the year ended 31 March 2003.

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 period after taxation amounting to £31,658 (2002: surplus of £54,514) 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 2003 for three years.

Directors

The directors during the year are listed below:

Alan Pearson	(Retired 16 April 2003)
Araf Din	(Retired 16 April 2003)
Professor Brian Hobbs	
Brian Coady	(Retired 16 April 2003)
Caroline Hughes	
David Simpson	(Appointed 16 April 2003)
Eric Lloyd	(Resigned 19 November 2002)
John Wright	(Appointed 16 April 2003)
Julie Latham	(Appointed 16 April 2003)
Malcolm Taylor	
Michael Hall	(Appointed 16 April 2003)
Rob Shotton	
Steve Cochrane	(Appointed 16 April 2003)
Terry Owens	
Valda Morris	(Resigned 11 February 2003)
Veronica Wilkie	
Councillor Robert Cooke	

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 21).

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

The company is currently in the process of widening the responsibilities of the Finance and General Purposes Committee to include those responsibilities normally accepted by an Audit Committee. This will 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 auditors will be 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

than eliminate the risk of failure to achieve business objectives, rather than provide absolute assurance against material misstatement or loss.

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 (2002: £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 period. 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 2003 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.

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Auditors

Following the conversion of our auditors, PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 8 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

By order of the Board

Director

A handwritten signature in black ink, appearing to read 'J. Day', is written over the 'Director' label.

31 July 2003

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 profit and loss account, the balance sheet, the cashflow statement and the related notes which have been prepared under the historical cost convention 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 2003 and of its surplus and cash flows 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

31 July 2003

Business Link Tees Valley Limited

Income and expenditure account for the year ended 31 March 2003

	Note	2003 £	2002 £
Income		5,056,241	4,031,113
Direct costs		(4,319,548)	(3,269,920)
Gross surplus		736,693	761,193
Administrative expenses before reorganisation costs		(705,901)	(672,181)
Reorganisation costs	2	-	(40,016)
Administrative expenses		(705,901)	(712,197)
Operating surplus	1	30,792	48,996
Interest receivable	5	454	5,645
Surplus on ordinary activities before taxation		31,246	54,641
Taxation	6	412	(127)
Retained surplus for the year	13	31,658	54,514

All the activities of the company are continuing.

The company has no recognised gains or losses other than those reported in the above income and expenditure account.

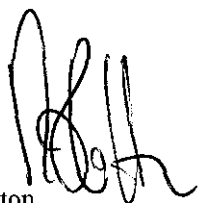
There is no material difference between the reported surplus and the historical cost surplus.

Business Link Tees Valley Limited

Balance sheet as at 31 March 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	7		294,237		153,634
Current assets					
Debtors	8	1,262,062		1,705,106	
Cash at bank and in hand		32,144		216	
		1,294,206		1,705,322	
Creditors: amounts falling due within one year	9	(1,239,139)		(1,546,678)	
Net current assets			55,067		158,644
Total assets less current liabilities			349,304		312,278
Creditors : amounts falling due after more than one year	10		(77,282)		(71,914)
Net assets			272,022		240,364
Reserves	13		272,022		240,364

The financial statements on pages 6 to 22 were approved by the Board of directors on 31 July 2003 and signed on its behalf by:



Rob Shotton
Chairman

Business Link Tees Valley Limited

Cash flow statement for the year ended 31 March 2003

	Note	2003 £	2002 £
Net cash inflow from operating activities	14	519,370	(542,441)
Returns on investment and servicing of finance			
Interest received		454	5,645
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(219,056)	(85,982)
Increase/(decrease) in net cash		300,768	(622,778)

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 provided on timing differences where the company has an obligation to pay more or less taxes in the future as a result of the reversal of those timing differences.

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Notes to the financial statements for the year ended 31 March 2003

1 Operating surplus

	2003	2002
	£	£
<hr/>		
The operating surplus is stated after charging/(crediting):		
Auditors' remuneration:		
- Audit services	6,000	5,500
- Non audit services	7,850	11,500
Depreciation of owned tangible fixed assets	78,210	64,278
Operating leases:		
- land and buildings	26,026	26,026
- other	7,980	5,104
Government grants released	(645,620)	(310,138)
<hr/>		

2 Reorganisation costs

	2003	2002
	£	£
<hr/>		
Relocation/transition costs	-	40,016
<hr/>		

Reorganisation costs, including redundancies, were incurred during the relocation of support services to the Middlesbrough office and during the transitional period of introduction of the Small Business Service franchise.

3 Directors emoluments

	2003	2002
	£	£
<hr/>		
Aggregate emoluments	71,137	65,606
<hr/>		

Retirement benefits are accruing to Nil (2002: one) director under a defined benefit scheme.

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4 Employee information

	2003	2002
	£	£
Wages and salaries	1,298,935	1,117,102
Social security costs	94,658	82,293
Other pension costs	151,513	135,058
	1,545,106	1,334,453

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

By activity	2003	2002
Customer Facing	46	38
Administration	14	14
	60	52

5 Interest receivable

	2003	2002
	£	£
Bank interest receivable	454	5,645

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6 Tax on surplus on ordinary activities

(a) Analysis of tax (credit)/charge in the year

	2003 £	2002 £
Current tax		
UK Corporation tax on profits of the period	(124)	427
Adjustment in respect of previous periods	(303)	-
Total current tax	(427)	427
Deferred tax:		
Origination and reversal of timing differences	15	(300)
Total deferred tax	15	(300)
Tax on profit on ordinary activities	(412)	127

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

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

	2003 £	2002 £
Surplus on ordinary activities before tax	31,246	54,641
Surplus on ordinary activities multiplied by small companies rate in the UK 19% (2002: 20%)	5,937	10,928
Effects of:		
Expenses not deductible for tax purposes	(9,676)	(10,501)
Deferred tax not provided on losses	3,504	-
Tax at marginal rates	111	-
Adjustment to tax charge in respect of previous period	(303)	-
Current tax (credit)/charge for the period	(427)	427

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(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.

(d) Deferred taxation:

The deferred taxation asset is analysed as follows:

	Provided		Unprovided	
	2003	2002	2003	2002
	£	£	£	£
Short term timing differences	285	300	-	-
Losses	-	-	59,470	61,582
Pension	-	-	2,537	-
	285	300	62,007	61,582
As at 1 April 2002	300			
Deferred tax charge in income and expenditure account	(15)			
As at 31 March 2003	285			

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7 Tangible assets

	IT and communications equipment	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 April 2002	776,916	84,674	861,590
Additions	216,540	2,516	219,056
Disposals	-	(270)	(270)
At 31 March 2003	993,456	86,920	1,080,376
Depreciation			
At 1 April 2002	658,675	49,281	707,956
Provided in the year	70,062	8,148	78,210
Disposals	-	(27)	(27)
At 31 March 2003	728,737	57,402	786,139
Net book amount at 31 March 2003	264,719	29,518	294,237
Net book amount at 31 March 2002	118,241	35,393	153,634

8 Debtors

	2003	2002
	£	£
Trade debtors	48,141	73,654
Grants receivable	1,117,194	1,532,187
Prepayments and accrued income	37,649	26,030
Deferred taxation	285	300
VAT recoverable	58,793	72,935
	1,262,062	1,705,106

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9 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	-	268,840
Trade creditors	526,793	581,391
Social security and other taxes	36,330	32,781
Corporation tax	-	427
Accruals	29,025	33,252
Deferred income - Government grants (Note 11)	646,991	629,987
	1,239,139	1,546,678

10 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Deferred income - Government grants (Note 11)	77,282	71,914

11 Deferred income - government grants

	Capital	Revenue	2003	2002
	£	£	Total	Total
			£	£
Deferred grants at 1 April	214,819	487,082	701,901	423,760
Grants received in the year	-	667,992	667,992	588,279
Released to income and expenditure account	(57,141)	(588,479)	(645,620)	(310,138)
Deferred capital grants at 31 March	157,678	566,595	724,273	701,901

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The maturity profile is shown below:

	2003	2002
	£	£
Due within one year (Note 9)	646,991	629,987
Due after more than one year (Note 10)	77,282	71,914
	724,273	701,901

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 2003 the company had 9 members (2002: 11).

13 Reconciliation of movement in reserves

	2003	2002
	£	£
Balance at 1 April 2002	240,364	185,850
Surplus for the year	31,658	54,514
Balance at 31 March 2003	272,022	240,364

14 Reconciliation of operating surplus to net cash inflow from operating activities

	2003	2002
	£	£
Operating surplus	30,792	48,996
Depreciation	78,210	64,278
Loss on sale of tangible fixed assets	243	-
Decrease/(increase) in debtors	443,029	(1,145,653)
(Decrease)/increase in creditors	(32,904)	489,938
Net cash inflow/(outflow) from operating activities	519,370	(542,441)

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15 Analysis of net funds

	1 April 2002 £	Cashflow £	31 March 2003 £
Net cash:			
Cash at bank and in hand	216	31,928	32,144
Less: overdrafts	(268,840)	268,840	-
Net funds	(268,624)	300,768	32,144

16 Reconciliation of net cashflow to movement in net funds/(debt)

	2003 £	2002 £
Increase/(decrease) in net cash	300,768	(622,778)
Net (debt)/funds at start of year	(268,624)	354,154
Net funds/(debt) at end of year	32,144	(268,624)

17 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 profit and loss 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 2001. 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% per annum, pensionable earnings increases of 4.80% per annum and pension increases of 2.80% per annum.

At the valuation date, the market value of the assets of the Plan was £1,101,900,000 and was sufficient to cover 94% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The total pension cost charged for the period was £151,513 (2002: £135,058).

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(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 2001 and updated to 31 March 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 March 2003	At 31 March 2002
Rate of increase in salaries	4.5%	4.8%
Rate of increase of pensions in payment	2.5%	2.8%
Discount rate	5.4%	5.9%
Inflation assumption	2.5%	2.8%

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

	Long term rate of return expected at 31 March 2003 %	Value at 31 March 2003 £'000	Long term rate of return expected at 31 March 2002 %	Value at 31 March 2002 £'000
Equities	8.0	589,600	7.5	787,413
Bonds	4.8	170,900	5.5	158,971
Property	6.0	54,900	6.0	53,110
Cash	4.0	96,300	4.0	112,177
Total market value of assets of whole scheme		911,700		1,111,671

	2003 £	2002 £
Company share of assets	346,000	192,000
Company share of present value of plan liabilities	(398,000)	(149,000)
Pension (liability)/asset	(52,000)	43,000
Related deferred tax asset/(liability)	10,400	(8,600)
Net pension (liability)/asset	(41,600)	34,400

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Had the above amounts been recognised in the financial statements, the company's net assets and reserves at 31 March 2003 would be as follows:

	2003 £	2002 £
Net assets excluding pension liability	272,022	240,364
Pension (liability)/asset	(41,600)	34,400
Net assets including pension liability	230,422	274,764

	2003 £	2002 £
Reserves excluding pension liability	272,022	240,364
Pension (liability)/asset	(41,600)	34,400
Reserves	230,422	274,764

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

	2003 £
Current service cost	128,000
Past service cost	1,000
Total operating charge	129,000

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

	2003
	£
Expected return on pension scheme asset	13,000
Interest on pension scheme liabilities	(9,000)
Net return	4,000

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

	2003
	£
Actual return less expected return on pension scheme assets	(89,000)
Experience gains and losses arising on the scheme liabilities	63,000
Changes in assumptions underlying the present value of the scheme liabilities	(95,000)
Actuarial loss recognised in STRGL	(121,000)

Movement in surplus/(deficit) during the year

	2003
	£
Surplus in scheme at start of year	43,000
Movement in year:	
Current service cost	(128,000)
Past service costs	(1,000)
Contributions	151,000
Net return on assets	4,000
Actuarial loss	(121,000)
Deficit in scheme at year end	(52,000)

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History of experience gains and losses

	2003
Difference between the expected and actual return on scheme assets:	
Amount (£)	(89,000)
Percentage of the scheme assets	(25.6)
Experience gains on scheme liabilities:	
Amount (£)	63,000
Percentage of the present value of the scheme liabilities	15.7
Total amount that would be recognised in statement of total recognised gains and losses:	
Amount (£)	(121,000)
Percentage of the present value of the scheme liabilities	(30.5)

18 Capital commitments

The company had no capital commitments at 31 March 2003 (2002: Nil).

19 Contingent liabilities

The company had no contingent liabilities at 31 March 2003 (2002: Nil).

20 Financial commitments

At 31 March 2003, the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Within one year	-	-	-	5,193
Within two to five years	26,026	-	5,806	-
After five years	-	26,026	-	-
	26,026	26,026	5,806	5,193

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21 Related party transactions

The following related party transactions have occurred during the year:

(1) 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. These contracts are likely to continue in the following financial year.

Associated Director	Associated organisation	Value of Contract	
		2003	2002
		£	£
Terry Owens	Inbiz	124,775	103,218
Brian Coady	Darlington Business Venture	132,085	164,260
Brian Coady	Stockton Business Venture	66,250	4,936
Brian Hobbs	University of Teesside	52,450	62,738

(2) Other

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

Associated director	Associated organisation
2003	
Araf Din	Interactive Net Solutions
Valda Morris	Access for Business North East Limited
Caroline Hughes	Click Here
Brian Coady	Darlington Business Venture
2002	
Valda Morris	Access for Business North East Limited
Eric Lloyd	Business Furniture Centre
Caroline Hughes	Click Here
Brian Coady	Darlington Business Venture
Terry Owens	Inbiz
Araf Din	Interactive Net Solutions