



Highlands & Islands ENTERPRISE

Strengthening Communities



Developing Skills



Growing Businesses

EIGHTH REPORT

**HIE NETWORK
CONSOLIDATED ACCOUNTS
1998-99**

8th
Report
1998-99



Highlands & Islands Enterprise Network Consolidated Accounts 1998-99

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Foreword

STATUTORY BACKGROUND AND PRINCIPAL ACTIVITIES

Highlands & Islands Enterprise (HIE) was established in 1991 in accordance with the provisions of the Enterprise and New Towns (Scotland) Act 1990 for the purpose of preparing, concerting, promoting, assisting and undertaking measures for the economic and social development of the Highlands and Islands, maintaining and enhancing skills and capacities relevant to employment, assisting people to establish themselves as self-employed and furthering improvement of the environment in the Highlands and Islands.

RESULTS

The results for the year to 31 March 1999 are contained in the attached accounts which have been prepared in accordance with section 30 (1) of The Enterprise and New Towns (Scotland) Act 1990 and are in the form directed by the Secretary of State for Scotland with the approval of the Treasury.

The annual report provides more detailed information regarding the results for the year. A review of key performance targets is included in the appendix to the annual report. The White Paper Accounts include details of the Accounts Direction.

SOURCES OF FINANCE

Highlands & Islands Enterprise is mainly financed by the Secretary of State for Scotland through the Scottish Office Education and Industry Department. In addition, it has receipts in the form of rents, interest, loan repayments and proceeds received from the sale of assets. The funding provision and payments for the year ended 31 March 1999 on a cash basis were:

	Provision	Actual
	£m	£m
FUNDING		
Grant-in-aid	63.5	63.5
Receipts	16.2	14.2
Cash retained	–	0.4
	79.7	78.1
PAYMENTS		
Growing Businesses:		
Financial assistance to business	16.0	13.0
Business advisory services & skills training	1.9	1.1
Property construction & maintenance	10.3	18.2
Projects, marketing & research	11.2	9.8
Environmental renewal	4.2	3.2
Business start-up	1.5	1.0
Taxes	0.9	0.4
	46.0	46.7
Developing Skills:		
Skillseekers	7.6	7.1
Training for Work	4.4	3.4
Projects & marketing	5.3	4.3
	17.3	14.8
Strengthening Communities:		
Environmental renewal	0.9	0.7
Community Action Grants	1.2	1.2
Projects & marketing	2.1	2.5
	4.2	4.4
Administration & management charges	12.2	12.2
	79.7	78.1
The gross expenditure of £78.1m related to:		
Payments to Local Enterprise Companies:		£m
Argyll & the Islands Enterprise		5.8
Caithness & Sutherland Enterprise		5.0
Inverness & Nairn Enterprise		6.0
Lochaber Limited		2.5
Moray Badenoch & Strathspey Enterprise		3.8
Orkney Enterprise		2.3
Ross & Cromarty Enterprise		6.3
Shetland Enterprise		2.2
Skye & Lochalsh Enterprise		2.3
Western Isles Enterprise		4.9
		41.1
Payments made on behalf of Local Enterprise Companies		22.2
Highlands & Islands Enterprise		14.8
		78.1

FIXED ASSETS

During the year, Highlands & Islands Enterprise network spent £17 million on site development and construction of factory buildings.

At 31 March 1999 the net book value of Highlands & Islands Enterprise's tangible fixed assets was £25 million. The net book value of the Network's tangible fixed assets was £26 million. Commercial properties were valued at market value. Loans and share investments amounted to £4 million for Highlands & Islands Enterprise; the Network's investments amounted to £11 million.

EUROPEAN COMMUNITY

In addition to the funding from grant-in-aid, funds amounting to £8.4 million were received from the European Community in support of the operations of the Highlands & Islands Enterprise network. The Local Enterprise Companies received £2.4 million of the total European Community funding direct and the balance of £6.0 million was received by Highlands & Islands Enterprise.

PAYMENT TO CREDITORS

The HIE Network observes the Government's policy for prompt payment under the Better Payment Practice Code and is committed to paying suppliers within one month of receipt of a valid invoice, where no other contract timetable applies.

A major new Network accounting system was introduced from April 1998 which had an impact on payment performance in the initial three months of the period ended 31 March 1999.

During the nine-month period ended 31 March 1999 Highlands & Islands Enterprise paid 96 per cent of all invoices received within the terms of this payment policy; the Network paid 94 per cent of all invoices received within the terms of the same payment policy. These calculations were based on the method of calculating payment performance provided by HM Treasury.

Future Development

The HIE Network's stated aim is to enable the people of the Highlands & Islands to realise their full potential. In order to achieve this, the Network will continue to pursue three broad strategic objectives: strengthening communities, developing skills and growing businesses.

The annual report provides further details of the specific aims and strategy of the Network for 1999/2000.

Board Membership

Dr James Hunter, chairman (appointed October 1998)

Sir Fraser Morrison, chairman

Mr I A Robertson CBE, chief executive

Mrs A Banister (re-appointed October 1998)

Mrs M Campbell (appointed October 1998)

Mrs J Currie

Dr N Finlayson (appointed October 1998)

Mr J Goodlad (resigned September 1998)

Mr A Gray

Mr J Gray

Mr H Halcro-Johnston

Mr J A D Harrison OBE (resigned September 1998)

Mr J A Nicolson (resigned September 1998)

Mr C Paterson CBE

Mr W Roe (appointed October 1998)

Dr A Rutherford OBE (appointed October 1998)

Mr P Timms CBE (resigned September 1998)

Corporate Governance

THE BOARD

At 31 March 1999, the board of Highlands and Islands Enterprise comprised eleven non-executive members, including the chairman, and one executive member who is the chief executive. Board members are appointed by the Secretary of State for Scotland and their remuneration is determined by the Scottish Office Education and Industry Department.

The board meets at least eight times a year. The role of the board is the strategic oversight of the Network, 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.

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

AUDIT COMMITTEE

Highlands & Islands Enterprise has established an audit committee composed of four non-executive members of the board, one of whom acts as its chairman. The chief executive in his role as accounting officer, a representative of the Scottish Office departmental accounting officer, the finance director and the head of internal audit normally attend the meetings of the committee which are held not less than three times per year.

THE COMBINED CODE

While the remuneration and the service contracts of board members are set by the Scottish Office Education and Industry Department, the recommendations of the Combined Code have been applied in so far as they are appropriate to Highlands & Islands Enterprise. Full details of all elements in the remuneration package of each board member are disclosed in note 8 to the accounts.

CONFLICTS OF INTEREST PROCEDURES

The HIE Network operates strict and comprehensive procedures to deal with potential conflicts of interest. These include the HIE core and each LEC holding, and updating annually, registers of interests covering not only board members/directors but also senior 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.

Additional procedures are invoked when a LEC chairman declares an interest (such cases are referred to HIE for processing and decision). These procedures were also invoked when applications were received from, awards made to, or contracts entered into with the group of companies headed by the former HIE chairman, Sir Fraser Morrison. Such cases were either decided by the board of the appropriate LEC or by the HIE board sitting without the former chairman.

ACCOUNTABILITY THROUGH OPENNESS

The HIE Network's commitment to the effective handling of conflicts of interest and public accountability in its operations, is set out publicly in its 'Accountability Through Openness' policy which is outlined in the annual report.

CITIZEN'S CHARTER

The Network is committed to the principles of the Citizen's Charter and was re-awarded the Charter Mark in November 1997.

COMPUTERS – YEAR 2000

In response to the risks and uncertainties associated with the 'Year 2000' problem, the HIE Network has undertaken a review of all its computer systems and has established a project to address the issues which arise. It is currently working towards ensuring that all of the systems throughout the Network are 'Year 2000' compliant.

The Network's principal financial accounting and management information systems have been replaced or modified and are now 'Year 2000' compliant. Work continues on other, less critical, systems and on testing and business continuation planning. These tasks should be complete by September 1999. The incremental costs associated with this work are estimated not to exceed £0.5 million. Costs incurred to date have been charged to the Income and Expenditure Account.

STATEMENT OF HIGHLANDS & ISLANDS ENTERPRISE'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, Highlands & Islands Enterprise is required to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for Scotland, with the consent of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of Highlands & Islands Enterprise's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts, Highlands & Islands Enterprise is required to:

- Observe the accounts direction issued by the Secretary of State for Scotland, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

The accounting officer for the Scottish Office Education and Industry Development has designated the chief executive as the accounting officer for Highlands & Islands Enterprise. His relevant responsibilities as accounting officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

MANAGING DIVERSITY

The Highlands & Islands Enterprise network seeks to provide equality of opportunity for all individuals. We recognise the need for effective teams to be able to draw people together from different backgrounds who have diverse skills and experiences. Therefore, we aim to select, recruit, train, promote and reward on the basis of merit, ability and performance and to create a working environment which is free of discrimination on the grounds of age, colour, disability, ethnic or national origin, gender, marital status, religion or sexual orientation.

EMPLOYEE INVOLVEMENT AND COMMUNICATIONS

The Highlands & Islands Enterprise network is committed to maximising the contribution made by all of the people who have chosen to work here. We are an Investor in People and place a high degree of importance on ensuring that staff are given every opportunity possible to be involved actively in their own development.

Staff in the HIE core are kept up to date on issues affecting the Network through weekly briefings which summarise the main issues discussed and decisions reached by the management group. In addition, staff have the opportunity to attend at least 4 presentations each year outlining future targets and reviewing past performance across the Network. These meetings also give staff the opportunity to raise other issues with the chief executive and/or senior management. Regular updates and office notices also help in the process of keeping staff informed of developments.

Formal consultation with staff also takes place through the Whitley Council which meets twice each year. These meetings involve HIE management, local staff representatives and full-time officials of the Public and Commercial Services Union (PCS).

APPOINTMENT OF AUDITORS

The accounts of Highlands & Islands Enterprise are audited by the Comptroller and Auditor General.

Iain A Robertson CBE

Highlands & Islands Enterprise

7 July 1999

Statement on the System of Network Internal Financial Control

As accounting officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the HIE Network.

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.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

Highlands & Islands Enterprise has an internal audit service, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit service is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the body's audit committee and approved by me. At least annually, the head of internal audit provides me with a report on the internal audit activity in the body. The report includes the head of internal audit's independent opinion on the adequacy and effectiveness of the Network's systems of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the audit committee which oversees the work of the internal auditor, the executive managers within the Network who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letters and other reports.

Iain A Robertson CBE
Accounting Officer

7 July 1999

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 71 to 90 under the Enterprise and New Towns (Scotland) Act 1990. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 74 to 75.

RESPECTIVE RESPONSIBILITIES OF BOARD MEMBERS, THE CHIEF EXECUTIVE AND AUDITOR

As described on page 69, the Board Members of Highlands & Islands Enterprise and Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Board Members and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the HIE Network has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 70 reflects the HIE Network's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet with the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from audit of the financial statements.

BASIS OF OPINION

I conducted my 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, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board Members and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the HIE Network circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Highlands and Islands Enterprise and of the Highlands & Islands Enterprise Network at 31 March 1999 and of the Network's excess of expenditure over income after taxation, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
13 July 1999

National Audit Office,
22 Melville Street,
Edinburgh EH3 7NS

Network Income and Expenditure Account for the year ended 31 March 1999

	Notes	1999 £000	1998 £000
Income from operating activities	2	11,652	9,937
Expenditure on operating activities	3	(62,485)	(60,763)
Administration and management charges	4	(13,195)	(13,994)
Deficit on operating activities		(64,028)	(64,820)
Share of associate's operating loss		(112)	(171)
Notional interest charge	5	(2,365)	(2,285)
Investment income	6	1,302	4,250
Share of associate's investment income		60	82
Interest payable	7	(7)	(5)
Deficit on ordinary activities before taxation		(65,150)	(62,949)
Taxation	12	(176)	(294)
Deficit on ordinary activities after taxation		(65,326)	(63,243)
Notional interest credit	5	2,365	2,285
Deficit for the year	22	(62,961)	(60,958)

All income and expenditure for each of the two years ended 31 March 1999 arises from continuing activities.

Network Statement of Total Recognised Gains and Losses for the year ended 31 March 1999

	1999 £000	1998 £000
Deficit for the year	(62,961)	(60,958)
Unrealised surplus/(loss) on revaluation of property	13	(265)
Share of unrealised surplus on revaluation of investments by associated undertaking	–	197
European Regional Development Fund received during the year	829	2,485
Grant-in-aid received during the year	63,538	62,907
Total recognised gains and losses for the year	1,419	4,366

Network and Highlands and Islands Enterprise Balance Sheets as at 31 March 1999

	Notes	NETWORK		HIE	
		1999 £000	1998 £000	1999 £000	1998 £000
FIXED ASSETS					
Tangible assets	13	26,131	23,699	25,368	22,897
Investments	14	11,318	12,881	4,153	5,950
Investment in associate		512	567	–	–
		37,961	37,147	29,521	28,847
CURRENT ASSETS					
Stocks	15	87	131	87	131
Debtors	16	8,475	7,099	17,657	14,659
Cash at bank and in hand	17	3,306	4,905	2,770	4,358
		11,868	12,135	20,514	19,148
CURRENT LIABILITIES					
CREDITORS: amounts falling due within one year					
	18	7,441	6,224	8,725	6,057
NET CURRENT ASSETS		4,427	5,911	11,789	13,091
TOTAL ASSETS LESS CURRENT LIABILITIES					
		42,388	43,058	41,310	41,938
CREDITORS: amounts falling due after more than one year					
	19	5,964	7,224	5,951	7,203
NET ASSETS		36,424	35,834	35,359	34,735
RESERVES					
Revaluation reserve	22	725	712	648	635
Other reserve	22	202	202	–	–
General reserve	22	35,497	34,920	34,711	34,100
		36,424	35,834	35,359	34,735

Iain A Robertson CBE

Accounting Officer

7 July 1999

Network Cash Flow Statement for the year ended 31 March 1999

	Notes	1999 £000	1998 £000
Net cash outflow from operating activities	23	(52,706)	(58,864)
Returns on investments and servicing of finance	24	1,255	1,653
Taxation		(174)	(564)
Capital expenditure and financial investment	24	(13,263)	(7,970)
NET CASH OUTFLOW BEFORE FINANCING		(64,888)	(65,745)
Financing (DECREASE)/INCREASE IN CASH	24	63,289 (1,599)	66,903 1,158
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash		(1,599)	1,158
Cash outflow from lease financing		11	11
MOVEMENT IN NET FUNDS		(1,588)	1,169
NET FUNDS AT 1 APRIL 1998		4,873	3,704
NET FUNDS AT 31 MARCH 1999	25	3,285	4,873

Notes to the Accounts

I. ACCOUNTING POLICIES

BASIS OF PREPARATION

The accounts have been prepared in a form determined by the Secretary of State for Scotland with the approval of Treasury, in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990.

The accounts are prepared under the historical cost convention, modified to include the open market value of land and buildings held for industrial and commercial use.

They are prepared on a basis that takes account of the functions and objectives of Highlands & Islands Enterprise and its subsidiaries which, without limiting the information given, meet the requirements of the Companies Act 1985 and applicable accounting standards.

BASIS OF CONSOLIDATION

The Network accounts consolidate the accounts of Highlands & Islands Enterprise and all its subsidiary undertakings drawn up to 31 March each year. One of these, Moray Badenoch & Strathspey Enterprise, is funded in partnership with Scottish Enterprise. The consolidated accounts include the results of Moray Badenoch & Strathspey Enterprise in respect of its activities relating to the Highlands & Islands Enterprise network. The activities of Moray Badenoch & Strathspey Enterprise relating to Scottish Enterprise are consolidated within the Network accounts of Scottish Enterprise.

No income and expenditure account is presented for Highlands & Islands Enterprise as permitted by section 230 of the Companies Act 1985 and with the approval of the Secretary of State for Scotland and the Treasury.

Undertakings, other than subsidiary undertakings, in which the Network has an investment representing 20 per cent or more than 20 per cent of the voting rights and over which it exerts significant influence are treated as associated undertakings. The Network accounts include Highlands & Islands Enterprise's share of the results and reserves of HIE Ventures Limited, based on audited accounts to 31 March 1999. In the opinion of Highlands & Islands Enterprise, none of the other minority investments conform to the definition of associated companies contained in the Financial Reporting Standard number 9.

BASIS OF OPERATIONS

Highlands & Islands Enterprise contracts with ten Local Enterprise Companies (LECs), which are companies limited by guarantee, for the creation and delivery of business development, training and environmental programmes at a local level. Business Information Source Limited, which is a wholly-owned subsidiary, was formed to provide an information service to the Highlands and Islands. HIE Ventures Limited is a venture capital company aimed at companies operating in the Highlands and Islands.

ACCOUNTING FOR GRANT-IN-AID

Highlands & Islands Enterprise receives grant-in-aid from the Secretary of State to finance its capital expenditure and the excess of its revenue expenditure over attributable income. Grant-in-aid is credited to general reserves and the net expenditure set against this on the basis that grant-in-aid cannot be allocated between revenue and capital expenditure as disclosed in the accounts.

EUROPEAN UNION FUNDING AND OTHER GRANTS

Claims for funding relating to investments and capital building works in respect of assets, is deducted from the additions to fixed assets. This is not in strict accordance with Schedule 4 to the Companies Act, which requires assets to be shown at their purchase price or cost and hence grants and contributions would be shown as deferred income. This departure is considered necessary to give a true and fair view as the assets involved are non-depreciating fixed assets and contributions would not be taken to the income and expenditure account. No funding relating to investment additions was received in the years ended 31 March 1998 and 31 March 1999. Additions to tangible fixed assets are reduced by £829,000 in the year to 31 March 1999, additions in the year to 31 March 1998 were £2,485,000 lower than they would otherwise have been.

Grants receivable in respect of operating expenditure are credited to income in the period to which they relate.

LAND AND BUILDINGS

Land and buildings held for industrial and commercial use are accounted for in accordance with the principles of Statement of Standard Accounting Practice 19 (SSAP 19) 'Accounting for Investment Properties', being included in the balance sheet on the basis of open market value as defined by the guidance notes issued by the Royal Institution of Chartered Surveyors. Professional, external valuations are carried out annually.

Deficits arising on revaluation which are considered to be of a permanent nature are charged to the income and expenditure account under the commercial property revaluation adjustment (Note 11). Surpluses on revaluation are credited to a revaluation reserve after eliminating any accumulated deficit originally charged to the income and expenditure account in accordance with SSAP 19 (revised).

TENANTS' IMPROVEMENTS

Tenants' improvements are depreciated on a straight line basis over their useful life at a rate of 4-17 per cent per annum.

PLANT AND EQUIPMENT

Plant and equipment are depreciated on a straight line basis over the useful life of the asset at a rate of 15-33 per cent per annum, with the exception of the assets belonging to Moray Badenoch and Strathspey Enterprise which depreciates assets on a reducing balance basis at 25 per cent. However, depreciation on these assets is not materially different from that which would arise if a straight line method was adopted and accordingly no adjustments have been made.

INVESTMENTS AND LOANS

Investments are shown at cost less provision for any diminution in value. No investments are valued at more than cost even although the underlying value may have increased. Loans are shown at the amount outstanding at the balance sheet date less provision for estimated losses.

LOCAL ENTERPRISE COMPANY ASSETS AND INVESTMENTS

Tangible fixed assets and investments purchased by Local Enterprise Companies, in their own name with funds provided under the operating contract with Highlands & Islands Enterprise, are included in the accounts of the relevant Local Enterprise Company at cost or valuation less depreciation and provisions as appropriate. Under the terms of the operating contract, all sums due from the disposal of these assets and investments and income arising from these assets fall to be repaid to Highlands & Islands Enterprise. The net book value of these assets and investments is included in the balance sheet of Highlands & Islands Enterprise under debtors.

STOCKS

Stocks are stated at market value.

IRRECOVERABLE INCOME

Irrecoverable debts are written off at the earliest opportunity. Provision is made for debts which are considered unlikely to be recovered.

LEASES

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element of the rental obligations is charged to the income and expenditure 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 the income and expenditure account on a straight line basis over the life of the lease.

RESEARCH EXPENDITURE

All research expenditure is charged against revenue in the year it occurs.

INSURANCE

In line with central government policy, Highlands & Islands Enterprise bears its own liability for all risks except for statutory obligations. The Local Enterprise Companies are fully insured for all usual risks including employers' liability, public liability, directors' and officers' liability, property and contents cover and professional indemnity. Business Information Source Limited is insured for contents, public liability and employers' liability.

TAXATION

The companies in the Network are subject to corporation tax on their annual surplus as computed for taxation purposes. Provision is made for deferred taxation only when material liabilities are expected to arise in the foreseeable future. Provision for corporation tax is made on gains, profits and losses, as computed for tax purposes, arising from business activities.

PENSION COSTS

Contributions are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives. A provision has been created to reflect the difference between employer's pension costs and the indicative funding level required by SSAP 24. This provision relates to those pensions which are met from grant-in-aid.

2. INCOME FROM OPERATING ACTIVITIES

Income, which is shown net of Value Added Tax (VAT), is made up of receipts from various bodies as detailed below:

	NETWORK	
	1999	1998
	£000	£000
European Regional Development Fund	1,241	1,276
European Social Fund	1,753	1,307
Other European contributions	4,581	3,742
Scottish Office receipts	231	108
Property income (note 11)	3,125	2,836
Other external income	721	668
	11,652	9,937

All income shown relates to continuing activities.

3. EXPENDITURE ON OPERATING ACTIVITIES

Expenditure is shown net of Value Added Tax (VAT) except where the VAT is irrecoverable.

	Growing Businesses	Developing Skills	Strengthening Communities	Total £000	1998 £000
	£000	£000	£000		
Highlands & Islands Enterprise	18,533	2,244	1,395	22,172	19,509
Argyll & the Islands Enterprise	4,315	1,760	638	6,713	8,326
Caithness & Sutherland Enterprise	2,923	1,148	318	4,389	4,089
Inverness & Nairn Enterprise	2,511	1,731	335	4,577	4,449
Lochaber Limited	1,641	582	293	2,516	2,747
Moray Badenoch & Strathspey Enterprise	2,744	577	235	3,556	3,506
Orkney Enterprise	1,764	776	140	2,680	2,222
Ross & Cromarty Enterprise	3,396	1,578	741	5,715	4,628
Shetland Enterprise	1,509	799	270	2,578	2,816
Skye & Lochalsh Enterprise	2,190	409	183	2,782	2,547
Western Isles Enterprise	3,322	1,083	402	4,807	5,924
Network	44,848	12,687	4,950	62,485	60,763
1998	38,297	16,790	5,676	60,763	

The comparative figures for 1998 have been amended to reflect the adoption of a new strategy.

Property revaluation and management costs of £12,621,000 (1998 – £8,165,000) are included within growing businesses expenditure above (note 11).

Under the provision of Section 2(4) of the Enterprise and New Towns (Scotland) Act 1990, Highlands & Islands Enterprise bear the cost of allowances paid to participants on youth and adult training schemes administered by Local Enterprise Companies.

The adult training allowance is paid by the Employment Services Agency acting in their capacity as agents of Highlands & Islands Enterprise. The allowance is currently equivalent to an individual's benefit entitlement plus £10 per week training supplement. The total cost of adult training allowance, paid by the Employment Service on this basis for the year ended 31 March 1999, is £1,818,000 (1998 – £2,050,000) which is included in developing skills expenditure above.

4a. ADMINISTRATION AND MANAGEMENT CHARGES – BY ORGANISATION

	NETWORK	
	1999 £000	1998 £000
Highlands & Islands Enterprise	6,034	7,002
Argyll & the Islands Enterprise	873	942
Caithness & Sutherland Enterprise	764	775
Inverness & Nairn Enterprise	948	881
Lochaber Limited	568	470
Moray Badenoch & Strathspey Enterprise	440	465
Orkney Enterprise	489	500
Ross & Cromarty Enterprise	836	913
Shetland Enterprise	409	362
Skye & Lochalsh Enterprise	477	467
Western Isles Enterprise	824	824
Other	533	393
Network	13,195	13,994

4b. ADMINISTRATION AND MANAGEMENT CHARGES

This consists of:

	NETWORK		HIE	
	1999 £000	1998 £000	1999 £000	1998 £000
Staff costs (note 9)	8,652	8,765	4,178	4,488
Travel and subsistence – board members	37	27	37	27
Travel and subsistence – staff	669	626	279	295
Accommodation	926	1,145	629	629
Hospitality – board members	17	7	16	7
Hospitality – staff	49	55	25	30
Audit fees	152	160	93	100
Non-audit fees paid to auditors	54	36	–	–
Operating lease rentals – equipment	114	97	69	58
Depreciation of fixed assets	303	318	27	43
Equipment and furnishings	194	179	188	160
Provision for irrecoverable debts and losses	210	784	(9)	645
Other administration costs	1,818	1,795	502	520
	13,195	13,994	6,034	7,002

5. NOTIONAL CHARGES

In accordance with HM Treasury paper 'Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance' issued in March 1996, the Network is required to account for the full cost of its activities.

The following notional charges have been included in the accounts:

	1999 £000	1998 £000
Interest charge	2,365	2,285

The notional interest charge is shown separately on the face of the Income & Expenditure Account and the corresponding credit is shown at the bottom of the same account. The charge is calculated on the basis of 6% on the average capital employed in the year, in accordance with Treasury Guidelines.

6. INVESTMENT INCOME

	NETWORK	
	1999 £000	1998 £000
Dividends received	27	21
Loan interest receivable	892	1,328
Bank interest receivable	375	385
Surplus on disposal of investments	8	2,516
	1,302	4,250

7. INTEREST PAYABLE

	NETWORK	
	1999 £000	1998 £000
Bank overdraft	5	2
Finance lease charges	2	3
	7	5

8. BOARD MEMBERS' REMUNERATION

	NETWORK	
	1999	1998
	£000	£000
Sir Fraser Morrison (chairman – to August 1998)	10	23
Dr James Hunter (chairman – from October 1998)	11	–
Chief executive	98	94
14 other members	82	80
	201	197
Social security costs	15	15
Pensions to former members of the Highlands and Islands Development Board	67	66
	283	278

Board members received remuneration in the following ranges:

	1999	1998
	Number	Number
£1 – 5,000	8	8
£5,001 – 10,000	7	6
£20,001 – 25,000	1	–
£85,001 – 90,000	–	1
£90,001 – 95,000	–	1
£95,001 – 100,000	1	–

The remuneration of the chief executive includes £7,899 (1998 – £6,141) relating to pensions contributions and £11,560 (1998 – £11,250) to a performance-related bonus in respect of 1997/98, paid during the current year. The chief executive is an ordinary member of the Highlands & Islands Enterprise superannuation scheme. Under the terms of the chief executive's contract of employment, an annual bonus, subject to performance review, of up to 15 per cent of basic salary is payable. The review, conducted by the chairman, measures the chief executive's performance during the financial year against a series of targets set at the beginning of that year and relates to the performance of the HIE Network as a whole. The chief executive's contract expired on 31 March 1999 and was renewed for a further three years from that date. Highlands & Islands Enterprise is required to meet the pension benefits due to former full-time chairmen and board members of Highlands & Islands Development Board and those of Highlands & Islands Enterprise who were not members of the superannuation scheme (as referred to in note 10).

Additional information as required by the Combined Code:

	Basic salary	Performance-related bonus	Pension	Total emolument
	£	£	£	£
Dr James Hunter (chairman – appointed October 1998)	11,142	–	–	11,142
Sir Fraser Morrison (chairman – resigned August 1998)	9,767	–	–	9,767
I A Robertson (chief executive)	78,991	11,560	7,899	98,450
Mrs A. Banister	8,246	–	–	8,246
Mrs M Campbell (appointed October 1998)	3,901	–	–	3,901
Mrs J Currie	8,246	–	–	8,246
Dr N Finlayson (appointed October 1998)	3,879	–	–	3,879
J Goodlad (resigned September 1998)	4,103	–	–	4,103
A Gray	8,246	–	–	8,246
J Gray	8,246	–	–	8,246
H Halcro-Johnston	8,246	–	–	8,246
J A D Harrison (resigned September 1998)	4,103	–	–	4,103
J A Nicolson (resigned September 1998)	4,103	–	–	4,103
C Paterson	8,246	–	–	8,246
W Roe (appointed October 1998)	3,879	–	–	3,879
Dr A Rutherford (appointed October 1998)	3,879	–	–	3,879
P Timms (resigned September 1998)	4,103	–	–	4,103
	181,326	11,560	7,899	200,785

- The above figures represent emoluments earned as directors during the relevant financial year with the exception of performance related payments which are disclosed above on a paid basis.
- The amount showing for pensions are the contributions made by Highlands & Islands Enterprise to the scheme for the year ended 31 March 1999.
- At 31 March 1999, Mr I A Robertson had an accrued pension entitlement of £8,118 per annum together with an accrued cash sum entitlement of £24,354 (payable from the superannuation scheme).

9. STAFF COSTS

	NETWORK	
	1999	1998
	£000	£000
Wages and salaries	8,567	8,308
Social security costs	692	670
Other pension costs	788	981
	10,047	9,959
Board members' remuneration (note 8)	283	278
	10,330	10,237

Of the total above, £8,652,460 (1998 – £8,764,523) relates to complement staff and board members. The balance relates to project staff.

Average number of employees was as follows:

	NETWORK 1999 number		NETWORK 1998 number	
	Complement staff	Total	Complement staff	Total
Senior management	45	46	43	45
Training function	49	63	50	56
Enterprise function	117	177	129	196
Administration	84	94	80	86
Support staff	56	65	58	62
	351	445	360	445

The totals include project staff who work on fixed short-term contracts in support of a number of special initiatives which include Investors in People, information technology advisors and other European Community initiatives such as LEADER II which provide a contribution towards specific salary costs.

Higher paid staff received remuneration in the following ranges:

	NETWORK	
	1999 Number	1998 Number
£40,001 - £50,000	10	13
£50,001 - £60,000	2	–

10. STAFF PENSIONS

Staff are members of the Highlands & Islands Enterprise superannuation scheme or local government pension schemes, with the exception of Caithness & Sutherland Enterprise. Caithness & Sutherland Enterprise contributes to defined contribution personal pension schemes on behalf of certain employees; the assets of the schemes are held in independently administered funds. The local government pension schemes are defined benefit schemes, the assets of which are held in independently administered funds.

The Highlands & Islands Enterprise superannuation scheme provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of Highlands & Islands Enterprise and are invested with independent investment managers agreed by the scheme's trustees. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the organisation. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 6 April 1998. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.8 per cent per annum on assets held, 7 per cent per annum on future investments, that salary increases would average 4.6 per cent per annum and that present and future pensions would increase at the rate of 3 per cent per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £26.8 million and that the actuarial value of those assets represented 112 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pensions for previous members of the Highlands and Islands Development Board with no service contracts, as well as the increases due to pensions for the members of the scheme who retired prior to 1 April 1991, are met from grant-in-aid. No allowance has been made for these pensions which are met from grant-in-aid in calculating the figure of 112 per cent shown above.

Employer contributions of 10.0 per cent, together with employee contributions of 1.5 per cent of pensionable salaries, have been paid during the year. The employer contribution will remain at 10 per cent of pensionable salaries for the year commencing April 1999.

The pension charge for the period was £796,000 (1998 – £987,000).

A provision of £3.236 million (1998 – £3.311 million) in respect of the period to 31 March 1999 is included in the balance sheet being the excess of the accumulated pension cost over the amount funded. The provision relates primarily to those pensions which are met from grant-in-aid.

11. COMMERCIAL PROPERTY

	Notes	NETWORK	
		1999 £000	1998 £000
INCOME			
Rent receivable – operating leases		3,274	2,764
Less: rent concessions		(456)	(431)
		2,818	2,333
Profit on sales		307	503
	2	3,125	2,836
EXPENDITURE			
Maintenance and factoring		824	616
Provision for bad debts		50	(60)
Revaluation adjustment – properties added during the year		10,331	7,000
Revaluation adjustment – properties held throughout the year		1,209	511
Share of operating and management costs		207	98
	3	12,621	8,165
Deficit		(9,496)	(5,329)
RECONCILIATION OF PROFIT ON SALES:			
		NETWORK	
		1999 £000	1998 £000
Sales value of disposals		2,520	2,343
Net book value of disposals		2,213	1,840
Profit on sales		307	503

12. TAXATION

	NETWORK	
	1999 £000	1998 £000
Corporation tax at 21 or 31%	287	265
Corporation tax (over)/under provided in previous years	(114)	19
Share of taxation of associated undertaking	3	10
	176	294

Corporation tax is charged at 31 per cent on the taxable surplus of Highlands & Islands Enterprise and taxed at the lower rate of 21 per cent on the chargeable income of its subsidiaries.

Where liabilities for earlier years have not been finally agreed with the Inland Revenue, provision has been made for material estimated liabilities outstanding.

13. TANGIBLE FIXED ASSETS

At 31 March 1999, industrial and commercial properties were valued on an open market value basis, in accordance with the guidance notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors, at £25,601,900 (1998 – £23,113,550). The valuations were carried out by Finlayson Hughes, surveyors and valuers, Graham and Sibbald, chartered surveyors, and Souter and Jaffrey, chartered surveyors.

NETWORK

	Industrial and commercial property £000	Tenants' improvements £000	Vehicles & equipment £000	Total £000	1998 £000
COST OR MARKET VALUE					
At 1 April 1998	23,114	150	1,972	25,236	20,842
Additions	17,057	–	250	17,307	16,575
Disposals	(2,213)	–	(188)	(2,401)	(1,920)
European Regional Development Fund	(829)	–	–	(829)	(2,485)
Revaluations	(11,527)	–	–	(11,527)	(7,776)
At 31 March 1999	25,602	150	2,034	27,786	25,236
DEPRECIATION					
At 1 April 1998	–	41	1,496	1,537	1,275
Charge for the year	–	10	293	303	318
Disposals	–	–	(185)	(185)	(56)
Write downs	–	–	–	–	–
At 31 March 1999	–	51	1,604	1,655	1,537
NET BOOK VALUE					
At 31 March 1999	25,602	99	430	26,131	23,699
At 1 April 1998	23,114	109	476	23,699	19,567

Of the total net book value of £25,602,000 (1998 – £23,114,000) relating to industrial and commercial property as at 31 March 1999, £436,350 (1998 – £414,000) relates to leasehold sites. The net book value of vehicles and equipment above includes an amount of £24,542 (1998 – £33,990) in respect of assets held under finance leases and hire purchase contracts.

HIE

	Industrial and commercial property £000	Tenants' improvements £000	Vehicles & equipment £000	Total £000	1998 £000
COST OR MARKET VALUE					
At 1 April 1998	22,844	–	452	23,296	19,016
Additions	17,057	–	10	17,067	16,418
Disposals	(2,213)	–	(122)	(2,335)	(1,877)
European Regional Development Fund	(829)	–	–	(829)	(2,485)
Revaluations	(11,527)	–	–	(11,527)	(7,776)
At 31 March 1999	25,332	–	340	25,672	23,296
DEPRECIATION					
At 1 April 1998	–	–	399	399	393
Charge for the year	–	–	27	27	43
Disposals	–	–	(122)	(122)	(37)
Write downs	–	–	–	–	–
At 31 March 1999	–	–	304	304	399
NET BOOK VALUE					
At 31 March 1999	25,332	–	36	25,368	22,897
At 1 April 1998	22,844	–	53	22,897	18,623

Of the total net book value of £25,332,000 (1998 – £22,844,000) relating to industrial and commercial property as at 31 March 1999, £436,350 (1998 – £414,000) relates to leasehold sites.

The deficit arising on revaluation at 31 March 1999 consisted of:

	NETWORK		HIE	
	1999 £000	1998 £000	1999 £000	1998 £000
Deficit on properties added during the year	10,331	7,295	10,331	7,295
Decrease in valuation of property held throughout the year	1,196	481	1,196	481
	11,527	7,776	11,527	7,776

The deficit on properties added during the year is directly affected by the level of properties under construction at the year end. The valuation of such properties is made in accordance with standard Royal Institution of Chartered Surveyors statements of asset valuation and practice whereby each property is valued at an open market value on completion with an abatement for estimated costs to completion.

14. INVESTMENTS

NETWORK	Shares	Loans	Total	1998
COST	£000	£000	£000	£000
At 1 April 1998	4,385	13,196	17,581	20,848
Additions	1,178	451	1,629	2,154
Repayments	–	(2,893)	(2,893)	(4,523)
Disposals	(156)	–	(156)	(380)
Written off	–	(167)	(167)	(518)
At 31 March 1999	5,407	10,587	15,994	17,581

DIMINUTION IN VALUE:

At 1 April 1998	727	3,973	4,700	4,786
Additions	248	(85)	163	442
Disposals	(20)	–	(20)	(15)
Written off	–	(167)	(167)	(513)
At 31 March 1999	955	3,721	4,676	4,700

NET BOOK VALUE:

At 31 March 1999	4,452	6,866	11,318	12,881
At 1 April 1998	3,658	9,223	12,881	16,062

At 31 March 1999, share investments of £4,452,000 (1998 – £3,658,000) consisted of equities of £761,000 (1998 – £573,000) and preference shares of £3,691,000 (1998 – £3,085,000).

At 31 March 1999, loan instalments due for repayment within one year amounted to £2.1 million (1998 – £2.8 million).

HIE	Shares	Loans	Total	1998
COST	£000	£000	£000	£000
At 1 April 1998	1,284	7,780	9,064	12,599
Additions	–	–	–	36
Repayments	–	(1,829)	(1,829)	(3,215)
Disposals	(37)	–	(37)	(130)
Written off	–	(56)	(56)	(226)
At 31 March 1999	1,247	5,895	7,142	9,064

DIMINUTION IN VALUE:

At 1 April 1998	314	2,800	3,114	3,000
Additions	25	(74)	(49)	355
Disposals	(20)	–	(20)	(15)
Written off	–	(56)	(56)	(226)
At 31 March 1999	319	2,670	2,989	3,114

NET BOOK VALUE:

At 31 March 1999	928	3,225	4,153	5,950
At 1 April 1998	970	4,980	5,950	9,599

At 31 March 1999 share investments of £928,000 (1998 – £970,000) consisted of equities of £446,000 (1998 – £349,000) and preference shares of £482,000 (1998 – £621,000).

At 31 March 1999, loan instalments due for repayment within one year amounted to £1.1 million (1998 – £1.6 million).

Details of subsidiary undertakings: all held by Highlands & Islands Enterprise unless indicated.

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Argyll & the Islands Enterprise Company	Scotland	n/a	n/a	Local Enterprise Company
Caithness & Sutherland Enterprise Company Limited	Scotland	n/a	n/a	Local Enterprise Company
Inverness & Nairn Local Enterprise Company	Scotland	n/a	n/a	Local Enterprise Company
Lochaber Limited	Scotland	n/a	n/a	Local Enterprise Company
Moray Badenoch & Strathspey Enterprise Company Limited*	Scotland	n/a	n/a	Local Enterprise Company
Orkney Enterprise Limited	Scotland	n/a	n/a	Local Enterprise Company
Ross & Cromarty Enterprise Limited	Scotland	n/a	n/a	Local Enterprise Company
Shetland Enterprise Company Limited	Scotland	n/a	n/a	Local Enterprise Company
Skye & Lochalsh Local Enterprise Company Limited	Scotland	n/a	n/a	Local Enterprise Company
Western Isles Enterprise Company Limited	Scotland	n/a	n/a	Local Enterprise Company
Business Information Source Limited	Scotland	Ordinary Shares	100%	Provision of information service to Highlands and Islands.

* Moray Badenoch & Strathspey Enterprise is funded by Highlands & Islands Enterprise in partnership with Scottish Enterprise. The consolidated accounts include the results of Moray Badenoch & Strathspey Enterprise only in respect of its activities relating to the Highlands & Islands Enterprise network.

Details of associated undertakings: held by Highlands & Islands Enterprise.

Name of company	Country of incorporation	Holding	Proportion of shares held	Nature of business
HIE Ventures Limited	Scotland	Preference Shares	40%	Venture capitalist
		Ordinary Shares	30%	
		'A' Ordinary Shares (non voting)	80%	

During the year HIE Ventures Limited received revenue grants from Highlands & Islands Enterprise of £nil (1998 – £40,000).

Details of investments in companies in which the Network total investment in shares and loans:

- (a) equals 20% or more than 20% of the voting rights and exceeds £100,000
 (b) the total investment exceeds £1,000,000

Name of company – activity	% of voting rights	Holding as at 31 March 1999	Shares value paid £000	Loan outstanding £000
HIE Ventures Ltd – Venture capitalist	30%	60,000 ordinary shares	60	*
	–	400,000 preference shares	400	–
	–	40,000 'A' non voting ordinary shares	40	–
Inverness Medical – Bio-medical research and production	–	2,000,000 preference shares	2,000	–
Investment in 709 other businesses			2,452	6,866
			4,952	6,866

* Loans of £1,000,000 netted off by ERDF received.

15. STOCKS

Stocks comprise sheep, sheep quota and animal feedstuffs which are held on Orbest Estate.

16. DEBTORS

	NETWORK		HIE	
	1999 £000	1998 £000	1999 £000	1998 £000
Assets and investments held by Local Enterprise Companies (see below)	–	–	8,298	8,098
Other debtors	7,922	6,296	6,578	4,112
Provision for bad debts	(945)	(903)	(900)	(820)
	6,977	5,393	5,678	3,292
Taxation recoverable	888	1,221	836	1,100
Accrued income and prepayments	610	485	206	328
Owed by subsidiary undertakings	–	–	2,639	1,841
	8,475	7,099	17,657	14,659

Local Enterprise Companies purchase, in their own name, tangible fixed assets and investments with funds provided under the operating contract with Highlands & Islands Enterprise. Under the terms of the operating contract their value falls to be repaid to Highlands & Islands Enterprise on the disposal of such assets and investments. The sums due from these assets are attributable to the following:

	HIE	
	1999 £000	1998 £000
Land and property	193	193
Investments	7,664	7,430

Equipment			343	367
Tenants' improvements			98	108
			8,298	8,098

17. CASH AT BANK AND IN HAND

	NETWORK		HIE	
	1999 £000	1998 £000	1999 £000	1998 £000
Network and HIE funds	591	1,019	55	472
European scheme funds held	2,715	3,886	2,715	3,886
	3,306	4,905	2,770	4,358

The balance sheet includes funds held by Highlands & Islands Enterprise relating to the following European schemes:

	NETWORK		HIE	
	1999 £000	1998 £000	1999 £000	1998 £000
Leader II	2,258	3,028	2,258	3,028
PESCA	440	848	440	848
SME	1	10	1	10
Nordic	16	–	16	–
	2,715	3,886	2,715	3,886

Highlands & Islands Enterprise has been appointed by the Scottish Office to act as the implementing authority for the European Union LEADER II, PESCA, SME and Nordic initiatives in the Highlands and Islands.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	NETWORK		HIE	
	1999 £000	1998 £000	1999 £000	1998 £000
Other creditors	5,618	4,453	3,292	1,152
Accruals	1,251	1,206	675	229
Corporation tax	299	300	200	150
Income tax, social security and other taxes	–	25	–	–
Prepaid rental income	265	229	262	229
Obligations under finance leases/HP contracts	8	11	–	–
Owed to subsidiary undertakings	–	–	4,296	4,297
	7,441	6,224	8,725	6,057

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	NETWORK		HIE	
	1999 £000	1998 £000	1999 £000	1998 £000
Deferred income – European schemes	2,715	3,886	2,715	3,886
Pensions provision	3,236	3,311	3,236	3,311
Obligations under finance leases/HP contracts	13	21	–	–
Other obligations	–	6	–	6
	5,964	7,224	5,951	7,203

20. PROVISIONS FOR LOSS

NETWORK

	Investments	Loan capital	Revenue debts	Total	1998
	£000	£000	£000	£000	£000
At 1 April 1998	727	3,973	903	5,603	5,636
Written off	–	(167)	(75)	(242)	(757)
	727	3,806	828	5,361	4,879
Provisions for year:					
General	228	(85)	67	210	784
Commercial property	–	–	50	50	(60)
At 31 March 1999	955	3,721	945	5,621	5,603

During the year ending 31 March 1999 £104,000 (1998 – £348,000) in grants recoverable, 5 cases (1998 – 16 cases), were also written off.

HIE

	Investments	Loan capital	Revenue debts	Total	1998
	£000	£000	£000	£000	£000
At 1 April 1998	314	2,800	820	3,934	3,740
Written off	–	(56)	(30)	(86)	(391)
	314	2,744	790	3,848	3,349
Provisions for year:					
General	5	(74)	60	(9)	645
Commercial property	–	–	50	50	(60)
At 31 March 1999	319	2,670	900	3,889	3,934

During the year ending 31 March 1999 £nil (1998 – £30,000) in grants recoverable, nil cases (1998 – 4 cases), were also written off.

21. LOSSES STATEMENT

	NETWORK		HIE	
	No. of cases	£000	No. of cases	£000
Claims waived (amounts written off) during the year ended 31 March 1999	20	358	12	139

These write-offs relate to Scottish Office approved balances and Highlands & Islands Enterprise delegated authority.

There were no individual cases exceeding £100,000.

Highlands & Islands Enterprise network continues to pursue all outstanding debts.

22. RESERVES

NETWORK

	Revaluation reserve	Other reserve	General reserve	Total	1998
	£000	£000	£000	£000	£000
At 1 April 1998	712	202	34,920	35,834	33,953
Grant-in-aid received during the year	–	–	63,538	63,538	62,907
	712	202	98,458	99,372	96,860
Transfer from Income and Expenditure Account	–	–	(62,961)	(62,961)	(60,958)
Other movements	13	–	–	13	(68)
At 31 March 1999	725	202	35,497	36,424	35,834

HIE

	Revaluation reserve	Other reserve	General reserve	Total	1998
	£000	£000	£000	£000	£000
At 1 April 1998	635	–	34,100	34,735	32,832
Grant-in-aid received during the year	–	–	63,538	63,538	62,907
	635	–	97,638	98,273	95,739
Transfer from Income and Expenditure Account	–	–	(62,927)	(62,927)	(60,739)
Other movements	13	–	–	13	(265)
At 31 March 1999	648	–	34,711	35,359	34,735

The grant-in-aid funding of £63,538,000 (1998 – £62,907,000) was received from the Scottish Office during the year as published in the Appropriation Account Class XIII, Vote 3.

23. NET CASH FLOW FROM OPERATING ACTIVITIES

	NETWORK	
	1999	1998
	£000	£000
Operating deficit	(64,028)	(64,820)
Adjustment for items not involving movement of cash:		
(Increase)/decrease in debtors	(1,495)	136
Increase/(decrease) in creditors	1,131	(2,077)
Decrease/(increase) in stocks	44	(131)
Depreciation	303	318
Provisions and write offs	104	702
Profits on disposal of fixed assets	(305)	(503)
Revaluation of property	11,540	7,511
Net cash outflow from operating activities	(52,706)	(58,864)

24. ANALYSIS OF CASH FLOWS FOR HEADINGS IN THE CASH FLOW STATEMENT

	1999 £000	1998 £000
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	1,237	1,637
Dividends received	25	21
Interest paid	(7)	(5)
Net cash flow from returns on investments and servicing finance	1,255	1,653
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Loans advanced	(892)	(603)
Loans repaid	2,893	4,523
Payments to acquire shares	(1,178)	(1,032)
Receipts from the disposal of shares	164	2,891
Payments for the construction of property	(16,464)	(16,289)
Payments to acquire vehicles and equipment	(250)	(207)
Receipts from the disposal of tangible fixed assets	2,464	2,747
Net cash flow from capital expenditure and financial investment	(13,263)	(7,970)
FINANCING		
Repayment of capital element of finance lease rentals	(11)	(11)
Deferred income received	–	1,757
Deferred income repaid	(1,171)	–
Grant-in-aid received	63,538	62,907
European Regional Development Fund	933	2,250
Net cash flow from financing	63,289	66,903

25. ANALYSIS OF NET FUNDS

	NETWORK			
	At 1 April 1998 £000	Cash flow £000	Other changes £000	At 31 March 1999 £000
Cash at bank and in hand	4,905	(1,599)	–	3,306
Finance leases	(32)	11	–	(21)
	4,873	(1,588)	–	3,285

26. PROPERTY FUNCTION FINANCIAL DUTY

The Secretary of State has determined the financial duty for the property function. It will be the duty to earn the best practicable financial return from the purchase and development of land and the construction and letting of factories. To this end, in providing and letting industrial premises, the aim will be to achieve:-

- rental income from new and modernised premises completed during a rolling 3-year period at least equivalent to an agreed return on the all-in capital investment in such premises.
- an overall surplus or deficit per 1,000 sq metres of administered factory space, based on appropriate items from the commercial property general revenue account.

	HIE		HIE	
	Target 1999	Target 1998	Results for year 1999	Results for year 1998
(a) Annualised rent of units tenanted at 31 March as a percentage of the capital cost of all units falling within the definition of duty	5.42%	5.85%	5.45%	5.92%
(b) Overall surplus per 1,000 sq metre of administered factory space	£23,937	£21,099	£24,214	£25,066

27. COMMITMENTS AND CONTINGENT LIABILITIES

	NETWORK		HIE	
	1999 £000	1998 £000	1999 £000	1998 £000
COMMITMENTS				
Local Enterprise Companies	–	–	see note (1) below	–
Property	4,300	5,972	4,300	5,972
Grants and loans	22,052	18,308	–	–
GUARANTEES	see note (2) below	–	–	–
CONTINGENT LIABILITIES	–	–	–	–

- (1) Contracts with all ten Local Enterprise Companies were renewed. The budgets offered for 1999-2000 totalled £46.1m (1998-99 – £48.6m). Payments in respect of these budgets will be made partly by Highlands & Islands Enterprise on behalf of the Local Enterprise Companies.
- (2) Moray Badenoch & Strathspey Enterprise has entered into an agreement with Upland Tulloch Developments Limited to guarantee a minimum rental return, not exceeding £32,000 per guarantee period, in respect of an office development at Cairngorm Technology Park, Aviemore.

28. FINANCIAL COMMITMENTS

Payments due under non-cancellable operating leases:

NETWORK

	Property	Equipment	Total	1998
	£000	£000	£000	£000
Operating and similar leases which expire:				
Within one year	28	127	155	10
Within two to five years	28	71	99	143
In over five years	588	–	588	540
	644	198	842	693

HIE

	Property	Equipment	Total	1998
	£000	£000	£000	£000
Operating and similar leases which expire:				
Within one year	–	116	116	5
Within two to five years	–	32	32	53
In over five years	285	–	285	285
	285	148	433	343

29. TRANSACTIONS INVOLVING BOARD MEMBERS' REGISTERED INTERESTS

During the year the following transactions were made by the Highlands & Islands Enterprise network with businesses in which Highlands & Islands Enterprise board members had an interest:

Business	Approvals brought forward (£)	Amount approved in year (£)	Amount paid in year (£)	Nature of transaction	Board member and interest
Morrison Construction Ltd	–	15,173	15,173	Contract awarded after competitive tender for property redevelopment	Sir Fraser Morrison – Chairman, Morrison Construction Ltd
Morrison Construction Ltd	72,823	13,287	86,110	Contract awarded after competitive tender for property development	Sir Fraser Morrison – Chairman, Morrison Construction Ltd
Ackergill Ltd	10,900	–	–	Marketing and development grants	A Banister – Director, Ackergill Ltd
Ackergill Ltd	251	–	–	Skills development	A Banister – Director, Ackergill Ltd
Scotch Rocks (UK) Ltd	–	56,200	56,200	Project assistance	A Banister – Shareholder, Scotch Rocks (UK) Ltd
Shetland Catch Ltd	28,400	2,900	2,900	Development grants	J H Goodlad – Director, Shetland Catch Ltd
Ronas Fisheries Ltd	264	–	264	Development grant	J H Goodlad – Director, Ronas Fisheries Ltd
Shetland Fishing News Ltd	3,000	260	2,260	Project assistance	J H Goodlad – Director, Shetland Fishing News Ltd
Menzies Engineering Ltd	2,166	–	–	Training grant and promotional materials	J. Currie – Managing director Menzies Engineering Ltd
Midas Multi-media	1,505	–	1,436	Project grant	J. Currie – Sister-in-law of owner
Iomart Ltd	–	413,900	413,900	Project assistance	Dr N Finlayson – Director, Iomart Ltd
Ortak Jewellery Ltd	8,722	–	3,015	Training grants	A Gray – Director, Ortak Jewellery Ltd
Flexible Technology Ltd	6,039	–	–	Development grant	P Timms – Director, Flexible Technology Ltd
Barmac	–	3,300	3,300	Project assistance	J Gray – Convenor of AEEU at Barmac
James Johnston & Co (Elgin) Ltd	–	31,464	31,464	Building grant	J A D Harrison – Director, James Johnston & Co (Elgin) Ltd

Dr J Hunter was commissioned by Mainstream Publishing Limited to write a millennial history of the Highlands & Islands of Scotland in April 1997, some eighteen months prior to his appointment as chairman of the HIE board. Highlands & Islands Enterprise agreed to contribute towards the payment of Dr Hunter's advances. £15,000 was paid in the period ended 31 March 1999.

Organisations which received funding in the year and in which the board members had a non-financial interest include:

Highland Council,
Eden Court Theatre,
University of the Highlands and Islands Limited,
Quality Scotland.

30. RELATED PARTY TRANSACTIONS

Highlands & Islands Enterprise is a Non-Departmental Public Body sponsored by the Scottish Office.

The Scottish Office is regarded as a related party. During the year, Highlands & Islands Enterprise has had various material transactions with the Scottish Office and with other entities for which the Scottish Office is regarded as the parent body.

In addition, Highlands & Islands Enterprise has had a small number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

Material transactions have taken place with the:

Employment Service	Scottish Tourist Board
Highland Council	Shetland Islands Council
North of Scotland Water Authority	University of the Highlands & Islands Limited
Objective 1 Secretariat	Western Isles Council
Scottish Enterprise	

None of the board members, key managerial staff or other related parties have undertaken any material transactions with Highlands & Islands Enterprise other than those disclosed in Note 29.

Appendices

HIE NETWORK 1993-1998: FIVE-YEAR SUMMARY OF TARGETS AND OUT-TURNS

	1999/2000	1998/99	1997/98	1996/97	1995/96	1994/95
	Target	Target	Target	Target	Target	Target
FINANCE FOR BUSINESS						
Value of approvals (£m)	20.6	16.0	17.8	16.1	16.7	17.5
Private investment (£m)	68.0	52.8	58.7	53.1	66.6	54.0
Jobs created/retained	3,200	3,150	3,050	3,000	3,451	2,900
Cost per job (£)	3,675	2,900	2,950	3,000	2,700	3,900
Leverage ratio	3.3	3.3	3.3	3.3	4.1	3.1
APPROVALS BY SECTOR (£m)						
Food & drink	-	-	3.4	-	5.5	-
Manufacturing & production	-	-	9.2	-	5.0	-
Tourism	-	-	3.1	-	3.2	-
Knowledge, information & telecommunications	-	-	2.3	-	1.4	-
Other sectors	-	-	0.8	-	1.5	-
INVESTORS IN PEOPLE						
Commitments	200	350	263	490	340	-
Recognitions	200	150	235	80	48	-
PROPERTY						
Occupancy rate (%)	89.5	90.5	89.6	92.5	92.7	93.5
New floorspace (sq m)	12,000	7,300	9,756	6,000	5,800	13,500
Floorspace sold (sq m)	10,000	12,000	12,289	14,000	21,370	14,000
Receipts from sales (£m)	2.5	2.0	2.46	3.0	3.1	4.5
Total jobs housed	2,840	2,880	2,970	2,980	2,977	2,965
Financial duty Part 1 (%)	4.49	5.42	5.45	5.89	5.36	4.20
Financial duty Part 2 (£)	18,925	23,937	24,329	20,250	20,370	16,440
ENVIRONMENTAL RENEWAL						
Area of land treated (hectares)	30	35	43	35	44	30
Area returned to economic use (%)	65	65	68	65	74	60
ENTERPRISE TRAINING						
BSU - Starts	266	280	227	320	294	390
SKILLSEEKERS						
Starts	1,350	2,150	1,930	2,001	2,011	1,963
Proportion with employed status (%)	75	75	79	32	49	-
Vocational Qualifications (VQs)	683	712	761	570	617	598
* Skillseeker output points	3,285	3,302	3,816	3,066	3,022	-
TRAINING FOR WORK						
Starts	750	993	916	1,400	1,596	1,265
** Jobs and other outcomes	182	261	252	334	335	285
* TFW output points	1,661	1,950	1,991	-	2,990	-
COMMUNITY ACTION GRANTS						
Number of projects	300	300	399	292	431	310
Average contribution (%)	30	30	15.1	30	16.6	30
Value of approvals (£m)	1.3	1.2	1.3	1.2	1.6	-
ADMINISTRATION						
Staff in HIE Core (%)	40	40	40	45	48	47

* Skillseeker output points reflect number and level of qualifications achieved. TFW output points reflect a combination of: number and level of qualifications achieved, jobs and other outcomes.

** Jobs and other outcomes reflect the numbers leaving training and entering a job, self employment or further education/training.

*** Basis for calculating administration costs changed with effect from 1/4/97 - contract posts now funded from payroll.

TARGETS AND OUT-TURNS 1998-99 BY LEC AREA

	Argyll & the Islands	Caithness & Sutherland	Inverness & Nairn	Lochaber Limited	Moray Badenoch & Strathspey	Lochaber	Ross & Cromarty	Shetland	Skye & Lochalsh	Western Isles	Network
GROWING BUSINESSES											
FINANCE FOR BUSINESS											
Business projects assisted	84	99	10	48	25	140	44	68	57	109	684
Jobs created or retained	419	390	315	166	193	153	852	272	191	372	3,322
Private investment (£)	4,559,700	11,898,000	8,395,600	2,193,400	3,541,000	2,704,900	22,730,400	4,348,500	4,764,600	10,470,800	75,606,800
Value of approvals (£)	1,262,400	4,349,300	1,801,700	562,900	1,142,500	979,300	4,266,700	1,275,100	926,600	2,295,300	18,861,700
Cost per job to the network (£)	1,882	6,815	1,577	2,116	3,229	3,968	3,009	2,616	3,032	3,845	3,253
Leverage ratio	3.6	2.7	4.7	3.9	3.1	2.8	5.3	3.0	5.1	4.6	4.0
INVESTORS IN PEOPLE											
Number of recognitions	37	24	40	25	14	10	30	13	17	25	235
Number of commitments	21	17	38	28	33	21	40	22	15	28	263
ENVIRONMENTAL RENEWAL											
Number of projects	28	34	7	15	19	2	19	5	6	13	148
LEC funding	309	169	84	822	485	80	294	550	70	1,363	4,226
Other sources	604	1,466	872	2,562	1,477	15	1,254	86	207	9,652	17,865
Area of land treated (hectares)	3.72	0.7	1.25	9.74	6.0	0.23	14.78	0.8	0.6	5.68	43.5
Area returned to economic use (%)	—	—	—	—	—	—	—	—	—	—	68
PROPERTY											
Occupancy rate (%)	86	97	91	99	74	100	75	74	88	95	89.6
ENTERPRISE TRAINING											
Number of Business Start-Ups	83	19	23	9	27	7	17	6	13	23	227
DEVELOPING SKILLS											
Number of starts	313	186	403	83	86	164	392	147	44	112	1,930
Percentage of Skillseekers in employment	79	86	84	74	90	61	73	96	90	59	79
Vocational Qualifications (VQs)	114	113	147	37	44	68	72	78	21	67	761
Output points	586	525	697.5	192	244	336	420	385	108	322	3,816
TRAINING FOR WORK											
Number of starts	108	104	226	43	91	47	107	24	35	131	916
Jobs and other positive outcomes	39	29	42	8	37	17	38	1	14	27	252
Output points	317	261	412	62	222	163	295.5	8	70	180	1,991
STRENGTHENING COMMUNITIES											
COMMUNITY ACTION GRANTS											
Number of projects	56	44	27	24	28	37	54	31	23	42	399
Value of approvals (£)	224,400	152,200	117,800	88,700	105,100	55,100	248,300	68,100	43,600	150,700	1,347,900
Average LEC contribution (%)	13.7	21.6	14.6	6.0	19.6	14.4	17.1	12.0	14.1	23.5	15.1

FINANCE FOR BUSINESS BY LEC AREA, APRIL 1998-MARCH 1999

LEC area	No of cases	Grant £	Loan/equity £	Private funding £	Jobs created & retained	Cost per job £
Argyll & the Islands Enterprise	84	1,262,390	0	4,559,710	419.50	1,882
Caithness & Sutherland Enterprise	99	4,302,909	46,400	11,898,033	390.25	6,815
Inverness & Nairn Enterprise	10	801,665	1,000,000	8,395,592	315.00	1,577
Lochaber Limited	48	562,900	0	2,193,350	166.00	2,116
Moray Badenoch & Strathspey Enterprise	25	963,201	179,300	3,540,967	192.75	3,229
Orkney Enterprise	140	972,340	7,000	2,704,850	152.75	3,968
Ross & Cromarty Enterprise	44	4,058,155	208,500	22,730,400	851.75	3,009
Shetland Enterprise	68	1,140,115	135,000	4,348,529	271.75	2,616
Skye & Lochalsh Enterprise	57	926,570	0	4,764,600	190.50	3,032
Western Isles Enterprise	109	2,295,259	0	10,470,784	371.75	3,845
HIE NETWORK TOTAL	684	17,285,504	1,576,200	75,606,815	3,322.00	3,253

FINANCE FOR BUSINESS BY SECTOR, APRIL 1998-MARCH 1999

	No of economic cases approved	Grant £	Loans & equity £	Jobs created and retained	Cost per job £
Food and drink	272	3,102,973	337,600	687.75	2,865
Manufacturing and production	112	8,179,901	1,058,600	1,410.00	3,609
Knowledge, information and telecommunications	29	2,214,358	60,000	548.00	2,528
Tourism	183	2,969,426	100,000	500.50	3,699
Other sectors	88	818,846	20,000	175.75	2,909
HIE NETWORK TOTAL	684	17,285,504	1,576,200	3,322.00	3,253

INVESTORS IN PEOPLE PROGRAMME: COMMITMENTS AND RECOGNITIONS BY LEC AREA

COMMITMENTS	1998-99 target	1998-99 out-turn	Percentage of target	1991-99 cumulative total
Argyll & the Islands Enterprise	100	21	21.0	185
Caithness & Sutherland Enterprise	40	17	43.0	78
Inverness & Nairn Enterprise	100	38	38.0	219
Lochaber Limited	25	28	112.0	135
Moray Badenoch & Strathspey Enterprise	50	33	66.0	100
Orkney Enterprise	25	21	84.0	70
Ross & Cromarty Enterprise	40	40	100.0	200
Shetland Enterprise	25	22	88.0	105
Skye & Lochalsh Enterprise	15	15	100.0	97
Western Isles Enterprise	25	28	112.0	144
HIE NETWORK TOTAL	-	263	-	1,333

RECOGNITIONS	1998-99 target	1998-99 out-turn	Percentage of target	1991-99 cumulative total
Argyll & the Islands Enterprise	40	37	92.5	60
Caithness & Sutherland Enterprise	22	24	109.1	44
Inverness & Nairn Enterprise	40	40	100.0	80
Lochaber Limited	25	25	100.0	47
Moray Badenoch & Strathspey Enterprise	15	14	93.3	21
Orkney Enterprise	10	10	100.0	19
Ross & Cromarty Enterprise	30	30	100.0	60
Shetland Enterprise	20	13	65.0	26
Skye & Lochalsh Enterprise	17	17	100.0	45
Western Isles Enterprise	25	25	100.0	45
HIE NETWORK TOTAL	-	235	-	447

HIE AREA EMPLOYMENT, 1997

	Full-time	Part-time	Total
Agriculture, fishing and forestry	5,542	2,831	8,378
Energy and water supply	1,493	46	1,539
Manufacturing	11,910	1,688	13,594
Construction	8,374	677	9,050
Hotels and catering	6,762	6,890	13,648
Public administration, education, health	20,990	17,330	38,318
All other services	32,849	17,010	49,854
All sectors	87,920	46,472	134,381

Source: Annual Employment Survey 1997 (NOMIS), 1997 Agricultural Census (ONS)

Note: Column and Row totals may not agree due to rounding. Figures exclude self-employment.

UNEMPLOYMENT BY LEC AREA, MARCH 1999

LEC area	Male No	Male Rate %	Female No	Female Rate %	Persons No	Persons Rate %
Argyll & the Islands Enterprise	1,513	8.0	589	4.3	2,102	6.5
Caithness & Sutherland Enterprise	1,053	9.3	329	4.3	1,382	7.3
Inverness & Nairn Enterprise	1,456	7.0	456	2.8	1,912	5.2
Lochaber Limited	346	6.1	208	5.0	554	5.7
Moray Badenoch & Strathspey Enterprise	1,560	5.6	645	3.4	2,205	4.7
Orkney Enterprise	238	4.1	103	2.7	341	3.5
Ross & Cromarty Enterprise	882	6.3	340	3.7	1,222	5.3
Shetland Enterprise	239	3.5	75	1.6	314	2.7
Skye & Lochalsh Enterprise	346	10.5	186	8.4	532	9.7
Western Isles Enterprise	953	11.4	194	3.8	1,147	8.5

Source: Office for National Statistics (NOMIS); HIE Estimates

Notes: The unemployment rates above are estimates produced by HIE, being based upon the number of Economically Active from the 1991 Population Census. Official rates are available for Shetland, Orkney and Lochaber and are 2.1%, 3.5% and 5.7% respectively. Figures for Moray, Badenoch and Strathspey Enterprise area include the Scottish Enterprise part of the LEC area.

UNEMPLOYMENT AND SEASONALITY BY LEC AREA

LEC Area	Unemployment rate June 1998	Unemployment rate January 1999	Difference percentage points
Argyll & the Islands Enterprise	5.3	7.3	2.0
Caithness & Sutherland Enterprise	7.1	7.8	0.7
Inverness & Nairn Enterprise	4.9	5.7	0.8
Lochaber Limited	3.5	6.9	3.4
Moray Badenoch & Strathspey Enterprise	4.3	4.7	0.4
Orkney Enterprise	2.9	3.6	0.7
Ross & Cromarty Enterprise	5.3	6.3	1.0
Shetland Enterprise	2.7	2.3	-0.4
Skye & Lochalsh Enterprise	6.1	10.3	4.2
Western Isles Enterprise	7.7	8.3	0.6
HIE area	4.9	5.8	0.9
Scotland	5.6	6.0	0.4
Great Britain	4.5	4.8	0.3

Source: Office for National Statistics (NOMIS)

Notes: Figures for Moray, Badenoch & Strathspey include the Scottish Enterprise part of the LEC area.

The difference in unemployment rates between June and January illustrate the degree of seasonality. It is greatest in Skye & Lochalsh and Lochaber.

VALUE OF EXPORTS FROM THE HIGHLANDS AND ISLANDS

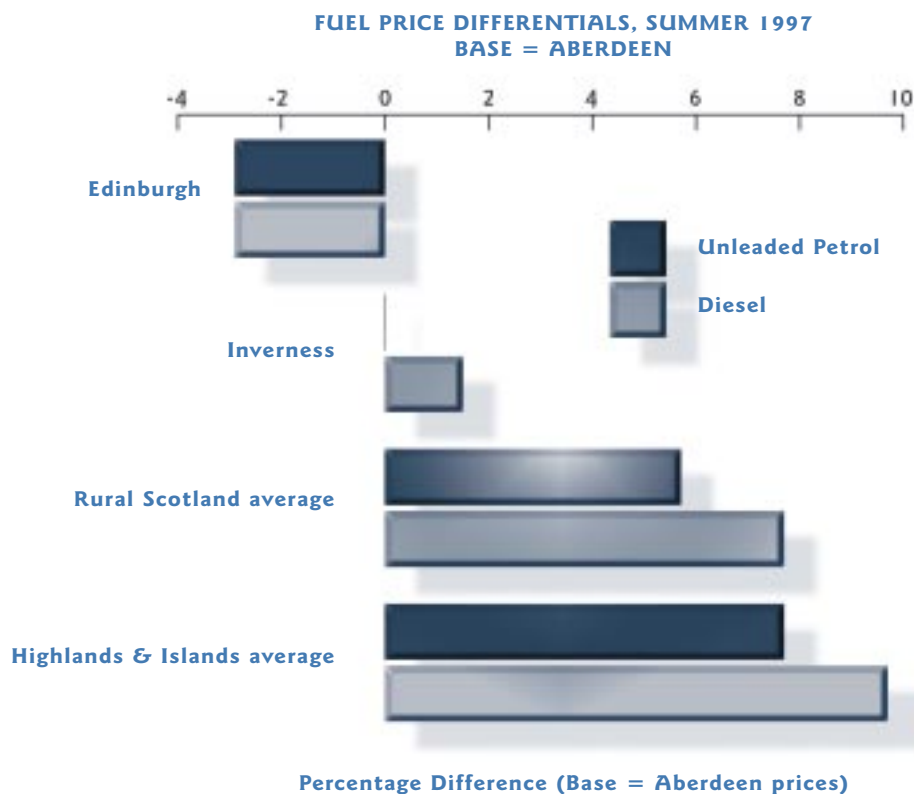
	1995 £ million	1996 £ million	1997 £ million	Percentage change '96-97
Fishing/fish farms	49.3	46.0	50.6	10.0
Food and drink (excl whisky)	74.0	78.5	81.3	3.6
Machinery and equipment	13.9	16.1	20.5	27.3
Transport equipment	7.8	13.4	2.9	-78.4
Manufacture of textiles	21.7	14.7	17.8	21.1
Other*	57.6	65.0	64.8	-0.3
TOTAL HIE	224.2	233.7	237.9	1.8

Source: Survey of Highlands and Islands Manufacturing and Exports 1996-97 (SCDI/HIE)
 Notes: *Other includes wood and wood products, chemicals, medical and optical instruments, fabricated metal products and wholesale.

**NEW EARNINGS SURVEY, 1998
 AVERAGE GROSS WEEKLY EARNINGS**

Full-time employees	Highlands & Islands	Scotland	Great Britain
All	£319	£350	£385
Male	£364	£395	£427
Female	£245	£277	£310
Manual male	£327	£323	£329
Manual female	£191	£201	£211
Non-manual male	£411	£462	£506
Non-manual female	£260	£298	£330

Source: New Earnings Survey



Source: Rural Scotland Price Survey