

**Leicester Shire Economic Partnership Limited
Company Limited by Guarantee**

Financial statements

For the year ended 31 March 2004

Grant Thornton 

Company No. 4536903

Company information

Company registration number	4536903
Registered office	20 New Walk Leicester LE1 6TX
Directors	N J Townsend (Chairman) M J D Traynor (Vice Chairman) K Taylor (Chief Executive) Councillor D R Parsons Councillor R Blackmore Professor R G Burgess Professor J Coyne P T Hammersley N A Morris Right Reverend T J Stevens K J Liles A Mistry B Greaves Councillor R Totten Y Dassu Ms R Elliott
Secretary	R Botterill
Bankers	Royal Bank of Scotland Leicester Market Street Branch Market Street Leicester LE1 6DN
Solicitors	Harvey Ingram Owston 20 New Walk Leicester LE1 6TX
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 8 West Walk Leicester LE1 7NH

Index

Chairman's statement	3 - 4
Report of the directors	5 - 8
Report of the independent auditors	9 - 10
Principal accounting policies	11
Income and expenditure account	12
Balance sheet	13
Cash flow statement	14
Notes to the financial statements	15 - 18

Chairman's statement

I am delighted to present our second annual report. The report covers the period 1 April 2003 to 31 March 2004, our first full year of operation.

During this year our activities have centred around the implementation of the Economic Regeneration Strategy which was adopted by the Board in November 2002. The strategy set out our vision for ten years up to 2012, and focused on the approach needed to improve the performance of the sub-regional economy.

The LSEP's overarching vision is to create the right economic conditions in order to improve the quality of people's lives and the environment within which we live. The LSEP's economic regeneration strategy has four key themes: people and skills, enterprise and innovation, land and buildings and sustainable communities. The strategy is underpinned by two cross cutting themes of ICT and research.

During the year we supported more than 50 projects, across all our themes. These ranged from a project for developing a Leicester wide construction labour market, through various support schemes for young businesses to new workspace developments in Leicester, Hinckley and Ibstock and the provision of new community access centres in Beaumont Leys and Measham.

We helped to create or safeguard more than 75 jobs, recycled more than 6 hectares of disused land, supported the formation of 15 new businesses and funded the development of nearly 1,250 sq metres of new or refurbished workspace. About 30% of our investment was in projects which had a sub-region wide remit, approximately 30% in projects within Leicester and the remainder in schemes through the rest of the sub-region.

During the year we achieved a spend of £4.4 million against an original budget of £3.4 million, thus exceeding our performance by 20%. Our main source of funding was EMDA who deserve a special mention, not just because they are our paymasters, but for the bold decision they took in creating sub-regional strategic partnerships. After a full year of operation the fruits of their investment can be seen from the impact we are making in the sub-region. Not only are we achieving our targets but most importantly we are contributing to the region's target of being in the top 20 EU regions by 2010. We have established a strong working relationship with EMDA, both at an executive and Board level. My thanks to EMDA.

The LSEP also took a lead on a number of strategic fronts. We began a process of engaging key companies. The top 200 companies in the sub-region contribute significantly to sub-regional GDP and they are also major providers of jobs. We want to ensure that we support their efforts to retain and grow their business here. Around 30 of the largest private sector companies were visited and senior managers of these companies were involved in a series of meetings with the LSEP Board.

We have continued to develop other networks. One in particular that I would like to mention is the network of chairs of key organisations in the region. This allows for priority issues to be debated and for actions to be agreed and implemented. One such issue to emanate from these meetings was for the LSEP to lead partnership efforts to attract government office relocations to this sub-region.

We responded to this challenge, and set up a project team, in collaboration with partners, to drive forward this work. Our initial work has raised the profile of the sub-region among civil servants and government; a strategy has been developed and action is now underway. These efforts will now be accelerated following confirmation in the Chancellor's recent spending review, of the plans to relocate up to 20,000 jobs from

Chairman's statement

London and South East. We want to ensure that we draw some of these jobs to the sub-region to help with our regeneration efforts. They will help to diversify the type of jobs in the sub-region.

No report can be complete without mentioning the excellent support of the Board and Observers. They have worked hard not only at board meetings but also on the various sub-committees to assist in the delivery of the Company's business. It is with their help that we have created a leadership organisation in the sub-region, the sort of organisation that can help take forward the growth of the sub-region.

There have been some changes to the Board directors during the year. In accordance with the agreed rotation strategy, Cllr Max Hunt has been replaced by Cllr Robin Totten, and the Board has welcomed Rachel Elliot, following a recruitment process through public advertisement. The process attracted over 20 applications, which indicated the level of interest being generated in the organisation.

The success of the Company and its achievements can be largely attributed to the excellent executive team. The team is now fully staffed and is led by Kishor Tailor our Chief Executive. He has blended together a team of experts who have the experience of programme development and implementation. A programme manager leads each of the six key themes in our strategy. Their role is to develop strategy, create and develop partnerships, develop programmes and oversee their implementation. This is a complex role and the team has performed that difficult task with a great deal of professionalism. LSEP operates internally the accountable body function. This has been performed by our finance, monitoring and administrative staff. The Board joins me in thanking our small executive team for their enthusiasm and hard work.

The word partnership can be overused, but for us the success of LSEP in achieving our objectives will be largely due to partnership commitment. Partner commitment is drawn in through the Board and also in the delivery of our programmes. Whilst our resources are limited it is the main programme investment of our partners that will make the difference. Our public sector partners alone spend in the region of £2.5 billion a year. The private sector contribution is also significant.

As I write this statement, we are already on our way to delivering the programme for 2004/05. Our allocation for this year is £7.25 million and we have already committed more than £6m of our funds. The emphasis this year is on quality and delivery of outputs.

This report sets out the overall position of the LSEP both as an Economic Programme implementer and as a strategic body. We exist to promote the economic interest of Leicester and Leicestershire. We need the continued engagement and support of partner organisations to make our success a sub-regional success. We have made a good start but there is a lot more to achieve. Please support us in our efforts to make Leicester and Leicestershire a great place to work, live and play.

N Townsend

Chairman
2 September 2004

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2004.

Principal activities and business review

The company is principally engaged in the planning, promotion and delivery of economic development and regeneration with a view to achieving economic prosperity, improving quality of life and social inclusion to achieve more sustainable and integrated communities within Leicester and Leicestershire.

Significant income for the company has been derived from the East Midlands Development Agency.

A review of the business has been included in the Chairman's Statement.

Results

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

Directors

The directors who served the company during the period were as follows:

N J Townsend (Chairman)
M J D Traynor (Vice Chairman)
K Tailor (Chief Executive)
Councillor D R Parsons
Councillor R Blackmore
Professor R G Burgess
Professor J Coyne
P T Hammersley
N A Morris
Right Reverend T J Stevens
K J Liles
A Mistry
B Greaves
Councillor R Totten
Councillor M Hunt
Y Dassu
Ms R Elliott

All directors are non-executive, apart from the Chief Executive, K Taylor. All directors served throughout the period, apart from Ms R Elliott who was appointed on 18 December 2003 and the District Councillors as noted below.

In accordance with the Articles of Association the District Council nominated director changes on an annual cycle. This year Councillor M Hunt (Charnwood Borough Council) was replaced by Councillor Robin Totten (Harborough District Council). These changes in directorships took place on 8 April 2004.

Also in accordance with the Articles of Association one third of the board will be required to retire by rotation at the second Annual General Meeting. This will be held on 14 October 2004.

Corporate Governance

As a public interest body responsible for distributing a variety of funds, the company takes its corporate governance responsibilities very seriously. A Code of Conduct has been developed and approved by the Board. Members of the Board have corporate responsibility for ensuring that the company complies with its Memorandum and Articles and any statutory or administrative requirements including the use of public funds. Other important responsibilities of Board Members include:-

- establishing the overall strategic direction of the company and ensuring consistent decision making;
- formulating a strategy for implementing the Code of Conduct and a communications strategy including prompt response to public requests for information;
- ensuring that high standards of corporate governance are observed at all times;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets;
- ensuring that, in reaching decisions, the Board has taken into account any guidance issued by EMDA or any other relevant body;
- ensuring that the Board operates within the limits of its statutory authority; within the limits of the Board's delegated authority agreed with EMDA; and in accordance with any other conditions relating to the use of public funds;
- overseeing issues that are delegated to Committees;
- reviewing Board processes and practices to ensure continuing compliance with its obligations and discharging of its responsibilities.

At all times Board members will follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life (the Nolan Committee). Directors must act with the care and skill expected of an experienced professional. They will not use information gained in the course of their service for personal gain or for political purposes; nor seek to use the opportunity of public service to promote their private interests or those of connected persons, firms, business or other organisations. All Board members will be expected to disclose any gifts or hospitality which may be considered likely to affect their judgement as a director of the company. In particular Board members must within 28 days of receiving any gift or hospitality over the value of £25 provide written notification to the Board of the existence and nature of that gift or hospitality.

The Board is responsible for maintaining a sound system of internal control to safeguard stakeholders' investment and the company's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board have established the following Committees:

Audit Committee to oversee both internal and external audit. The Committee ensures compliance with statutory and administrative requirements of funders and programmes, and to ensure adequacy and effectiveness of risk management and internal controls.

Human Resources Committee to oversee staffing and related matters.

Communications Committee to support the Board to market the role and function of the company.

Programme Committee to oversee the management and delivery of the Programme.

Nominations and Governance Committee to advise the Board on constitutional and corporate governance matters.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the surplus or deficiency for the year then ended. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985. On 1 July 2004, the Grant Thornton partnership converted to a limited liability partnership called Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

BY ORDER OF THE BOARD

R Botterill
Secretary
2 September 2004

Report of the independent auditors to the members of Leicester Shire Economic Partnership Limited

We have audited the financial statements of Leicester Shire Economic Partnership Limited for the year ended 31 March 2004 which comprise the principal accounting policies, income and expenditure account, balance sheet, cash flow statement and notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with 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.

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 with the company is not disclosed.

We read other information contained in the Chairman's statement and the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 March 2004 and of its surplus for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LEICESTER
2 September 2004

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

In accordance with Section 262(2) of the Companies Act 1985, a statement of income and expenditure is presented as an alternative to the profit and loss account required by Schedule 4 of the act. The directors consider this gives a fairer presentation of the financial transactions of the company, which is non profit making.

Income

Income comprises contributions which are received from partners of the company in support of the company's aims and objectives and Government grant income received via EMDA.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	-	20%
Office and computer equipment	-	20%

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income and expenditure account.

Project expenditure

The company is designated as the accountable body in respect of grant income received from the East Midlands Development Agency. Expenditure on projects supported by the company is therefore included in these accounts. Any liabilities arising from the Accountable Body status of the company are included in the financial statements.

Income and expenditure account

	Note	Year to 31 Mar 04 £	Period from 17 Sep 02 to 31 Mar 03 £
Income	1	4,692,511	284,403
Direct expenditure		<u>4,251,230</u>	<u>49,314</u>
Gross surplus		441,281	235,089
Other operating charges	2	441,038	190,349
Surplus on ordinary activities before taxation		<u>243</u>	<u>44,740</u>
Tax on surplus on ordinary activities	6	–	–
Retained surplus for the financial year		<u>243</u>	<u>44,740</u>
Balance brought forward		<u>44,740</u>	–
Balance carried forward		<u><u>44,983</u></u>	<u><u>44,740</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	7	47,667	44,740
Current assets			
Debtors	8	24,417	4,633
Cash at bank		910,002	93,684
		<u>934,419</u>	<u>98,317</u>
Creditors: amounts falling due within one year	9	937,103	98,317
		<u>(2,684)</u>	<u>–</u>
Net current liabilities			
Total assets less current liabilities		44,983	44,740
		<u>44,983</u>	<u>44,740</u>
Reserves			
Income and expenditure account		44,983	44,740
		<u>44,983</u>	<u>44,740</u>
Members' funds			
		<u>44,983</u>	<u>44,740</u>

These financial statements were approved by the directors on 2 September 2004 and are signed on their behalf by:

.....
 N J Townsend (Chairman)

.....
 K Tailor (Chief Executive)

Cash flow statement

		Year to	Period from
		31 Mar 04	17 Sep 02 to
	Note	£	31 Mar 03
			£
Net cash inflow from operating activities	12	828,193	138,424
Capital expenditure			
Payments to acquire tangible fixed assets		(11,875)	(44,740)
Net cash outflow from capital expenditure		(11,875)	(44,740)
Increase in cash	12	816,318	93,684

Notes to the financial statements

1 Income

Income is attributable to the principal activity of planning, promotion and delivery of economic development and regeneration within Leicester and Leicestershire.

Income can be analysed as follows:

	2004 £	2003 £
Leicestershire County Council	63,500	38,000
Leicester City Council	40,000	40,000
Blaby District Council	2,880	2,880
Charnwood District Council	5,200	5,200
Harborough District Council	2,500	2,500
Melton District Council	1,560	1,560
North-West Leicestershire District Council	2,820	2,820
Hinkley & Bosworth Borough Council	3,240	3,240
Oadby & Wigston Borough Council	1,780	1,780
Learning & Skills Council	50,000	20,000
Business Link	25,000	25,000
Connexions	20,000	–
Total contribution income for the year	<u>218,480</u>	142,980
East Midlands Development Agency grants	4,395,454	220,000
Add/(less): deferred element of grants	78,577	(78,577)
Total income for the year	<u><u>4,692,511</u></u>	<u><u>284,403</u></u>

2 Other operating income and charges

	Year to 31 Mar 04 £	Period from 17 Sep 02 to 31 Mar 03 £
Administrative expenses	<u><u>441,038</u></u>	<u><u>190,349</u></u>

3 Operating surplus

Operating surplus is stated after charging/(crediting):

	Year to 31 Mar 04	Period from 17 Sep 02 to 31 Mar 03
	£	£
Directors' emoluments	75,000	40,834
Auditors' remuneration:		
Audit fees	7,050	1,763
Operating lease costs:		
Plant and equipment	7,954	1,544
	<u>75,000</u>	<u>40,834</u>

4 Directors and employees

The average number of employees of the company during the period was 6 (2003: 2).

The aggregate payroll costs of the above were:

	Year to 31 Mar 04	Period from 17 Sep 02 to 31 Mar 03
	£	£
Wages and salaries	265,575	47,951
Social security costs	27,223	5,113
Other pension costs	16,929	6,593
	<u>309,727</u>	<u>59,657</u>

5 Directors

Remuneration in respect of the executive director was as follows:

	Year to 31 Mar 04	Period from 17 Sep 02 to 31 Mar 03
	£	£
Emoluments receivable	81,489	40,834
Value of company pension contributions to money purchase schemes	6,862	6,592
	<u>88,351</u>	<u>47,426</u>

6 Tax on surplus on ordinary activities

Corporation tax is payable on investment income. The company received no investment income in the year and hence the tax charge for the year is £nil (2003: £nil).

7 Tangible fixed assets

	Fixtures & Fittings £	Equipment £	Total £
Cost			
At 1 April 2003	25,187	19,553	44,740
Additions	4,543	7,332	11,875
At 31 March 2004	<u>29,730</u>	<u>26,885</u>	<u>56,615</u>
Depreciation			
Charge for the year	5,037	3,911	8,948
At 31 March 2004	<u>5,037</u>	<u>3,911</u>	<u>8,948</u>
Net book value			
At 31 March 2004	<u>24,693</u>	<u>22,974</u>	<u>47,667</u>
At 31 March 2003	<u>25,187</u>	<u>19,553</u>	<u>44,740</u>

8 Debtors

	2004 £	2003 £
Prepayments and accrued income	<u>24,417</u>	<u>4,633</u>

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	913,724	17,977
Other taxation and social security	16,329	–
Accruals and deferred income	7,050	80,340
	<u>937,103</u>	<u>98,317</u>

Within accruals and deferred income in the prior period is £78,577 relating to funds received in the period ended 2003 but not utilised until 2004.

10 Related party transactions

In the normal course of its business the company may either receive funds from, or fund projects for, local organisations with whom directors may be connected. In such situations, the Company has systems in place to ensure that the individual director is not involved in the decision - making process and that all decisions are made on an arms length basis. The directors therefore do not believe that there are any transactions which fall to be disclosed as related party transactions in the year.

11 Company limited by guarantee

The company is limited by guarantee and does not have share capital. The liability of each member is limited to £1. The number of members is 16.

12 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	Year to 31 Mar 04	Period from 17 Sep 02 to 31 Mar 03
	£	£
Operating surplus	243	44,740
Depreciation	8,948	–
Increase in debtors	(19,784)	(4,633)
Increase in creditors	838,786	98,317
	<u>828,193</u>	<u>138,424</u>
Net cash inflow from operating activities	<u>828,193</u>	<u>138,424</u>

Reconciliation of net cash flow to movement in net funds

	2004	2003
	£	£
Increase in cash in the period	816,318	93,684
Movement in net funds in the period	816,318	93,684
Net funds at 1 April 2003	93,684	–
Net funds at 31 March 2004	<u>910,002</u>	<u>93,684</u>

Analysis of changes in net funds

	At 1 Apr 2003	Cash flows	At 31 Mar 2004
	£	£	£
Net cash:			
Cash in hand and at bank	93,684	816,318	910,002
Net funds	<u>93,684</u>	<u>816,318</u>	<u>910,002</u>