

**REPORT OF THE BOARD AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
FOR
WESTERN ISLES TOURIST BOARD**

Mann Judd Gordon
Chartered Accountants
& Registered Auditors
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WESTERN ISLES TOURIST BOARD

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For the year ended 31 March 2005

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WESTERN ISLES TOURIST BOARD

Board Information

For the year ended 31 March 2005

MEMBERS

| | |
|--------------------------|---------------------------|
| Neil MacArthur | Local Trade, Lewis |
| Norman MacKenzie | Local Trade, Lewis |
| Kenneth MacKenzie | Local Trade, Lewis |
| Ms Eileen MacDonald | Local Trade, Lewis |
| Mrs Chris E Lawson | Local Trade, Harris |
| Mrs Catherine Morrison | Local Trade, Harris |
| Mrs Amanda Leveson-Gower | Local Trade, North Uist |
| Stephen Peteranna | Local Trade, Benbecula |
| Charles Peteranna | Local Trade, South Uist |
| Dr Peter Worthington | Local Trade, Barra |
| Iain Morrison | Councillor |
| Donald MacDonald | Councillor |
| Donald Manford | Councillor |
| Peter Carlin | Councillor |
| Angus MacCormack | Councillor |
| Keith Dodson | Councillor |
| Roderick MacDonald | Comhairle nan Eilean Siar |
| Ms Mary Anne Campbell | Caledonian MacBrayne |
| Ms Delia Holland | VisitScotland |
| Mrs Isabel MacDonald | Western Isles Enterprise |

ADDRESS

4 South Beach
Stornoway
Isle of Lewis
HS1 2XY

AUDITORS

Mann Judd Gordon
Chartered Accountants
& Registered Auditors
26 Lewis Street
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Isle of Lewis
HS1 2JF

BANKERS

Bank of Scotland
47 Cromwell Street
Stornoway
Isle of Lewis
HS1 2DE

WESTERN ISLES TOURIST BOARD

Report of the Executive Committee

For the year ended 31 March 2005

The Board presents its report with the financial statements of the Board for the year ended 31 March 2005.

PRINCIPAL ACTIVITY

The principal activity of the Board in the year under review was that of the operation of an area tourist board.

MEMBERSHIP

The membership of the Board is detailed on page 1. It comprises 10 trade members, 7 representatives of Comhairle nan Eilean Siar and three nominated members from relevant bodies.

STATEMENT OF MEMBERS' RESPONSIBILITIES

The Western Isles Tourist Board members are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of its income and expenditure for that year. In preparing those financial statements, the members 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 Board will continue in business.

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board and to enable them to ensure that the financial statements comply with the relevant statutes regulations and administrative procedures. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Western Isles Tourist Board members confirm that they have discharged the above responsibilities during the financial year in preparing the financial statements.

NEIL MACARTHUR

Chairman

27 February 2006

WESTERN ISLES TOURIST BOARD

We have audited the financial statements of Western Isles Tourist Board for the year ended 31 March 2005 on pages four to ten. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Board's members, as a body. Our audit work has been undertaken so that we might state to the Board'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 Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

As described on page two the Board's members are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirement 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 ATB Manual for Accounts. We also report to you if, in our opinion, the Foreward is not consistent with the financial statements, if the Board 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 Board members remuneration and transactions with the Board is not disclosed.

We read the Foreward and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes the 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 members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Board's affairs as at 31 March 2005 and of its deficit for the year then ended and have been properly prepared in accordance with the relevant statutes, regulations and administrative procedures.

Mann Judd Gordon
Chartered Accountants
& Registered Auditors
26 Lewis Street
Stornoway
Isle of Lewis
HS1 2JF

WESTERN ISLES TOURIST BOARD**Income and Expenditure Account**

For the year ended 31 March 2005

| | Note | 31.3.05 | 31.3.04 |
|---|------|-------------|-------------|
| | | £ | £ |
| TURNOVER | | 495,722 | 555,867 |
| Cost of sales | | 67,743 | 64,328 |
| | | <hr/> | <hr/> |
| GROSS SURPLUS | | 427,979 | 491,539 |
| Administrative expenses | | 465,031 | 501,143 |
| | | <hr/> | <hr/> |
| | | (37,052) | (9,604) |
| Other operating income | | 318 | 19,547 |
| | | <hr/> | <hr/> |
| OPERATING (DEFICIT)/SURPLUS | 3 | (36,734) | 9,943 |
| Interest receivable and similar income | | 4,972 | 2,621 |
| | | <hr/> | <hr/> |
| (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (31,762) | 12,564 |
| Tax on interest received | 4 | - | 44 |
| | | <hr/> | <hr/> |
| (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR AFTER TAXATION | | (31,762) | 12,520 |
| APPROPRIATION | | | |
| Outer Hebrides Tourist Industry Association | | 30,000 | 30,000 |
| | | <hr/> | <hr/> |
| (DEFICIT AND APPROPRIATION)/RETAINED SURPLUS FOR YEAR | | (61,762) | 12,520 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONTINUING OPERATIONS

The Board's activities were discontinued at 31 March 2005.

TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than those shown in the income and expenditure account.

The notes form part of these financial statements.

WESTERN ISLES TOURIST BOARD**Balance Sheet**

31 March 2005

| | | 31.3.05 | | 31.3.04 | |
|---|------|---------|---------------|---------|----------------|
| FIXED ASSETS | Note | £ | £ | £ | £ |
| Tangible assets | 5 | | 3,805 | | 7,888 |
| CURRENT ASSETS | | | | | |
| Stocks | 6 | 40,412 | | 39,077 | |
| Debtors | 7 | 7,061 | | 18,983 | |
| Cash at bank and in hand | | 34,881 | | 173,617 | |
| | | | <u>82,354</u> | | <u>231,677</u> |
| CREDITORS | | | | | |
| Amounts falling due within one year | 8 | 6,501 | | 97,827 | |
| | | | <u>75,853</u> | | <u>133,850</u> |
| NET CURRENT ASSETS | | | | | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>79,658</u> | | <u>141,738</u> |
| ACCRUALS AND DEFERRED INCOME | | | | | |
| | 9 | | - | | 318 |
| | | | <u>79,658</u> | | <u>141,420</u> |
| RESERVES | | | | | |
| Net assets transferred from predecessor company | 10 | | 85,635 | | 85,635 |
| Income and expenditure account | 10 | | (5,977) | | 55,785 |
| | 12 | | <u>79,658</u> | | <u>141,420</u> |

The financial statements were approved on behalf of The Scottish Network 2 Tourist Board as statutory successor to the Western Isles Tourist Board

PETER LEDERER Chairman

PHILIP RIDDLE Chief Operating Officer

The notes form part of these financial statements.

WESTERN ISLES TOURIST BOARD

Notes to the Financial Statements

For the year ended 31 March 2005

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. All activities of the Board derive from activities which ceased on 31 March 2005.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax, plus commissions earned, membership fees and revenue funding.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-----------------------|------------------------------------|
| Freehold property | - 10% on cost |
| Short leasehold | - 20% on cost |
| Fixtures and fittings | - 20% on cost and - 10% on cost |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Pensions

The company operates a defined benefit pension scheme. The regular pension cost is charged to the income and expenditure account and is based on the expected pension costs over the service life of the employees. The current pension deficit is spread in the profit and loss account over the remaining service lives of current employees, currently estimated at twenty five years.

Eligible employees of the Board are members of the Highland Regional Council superannuation scheme. The pension scheme is a funded defined benefit scheme with employee contributions fixed by statute. The Board contributed 115% of employees' contributions in the year ended 31 March 2005.

| 2 STAFF COSTS | 31.3.05 | 31.3.04 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Wages and salaries | 192,527 | 172,008 |
| Social security costs | 13,328 | 11,521 |
| Other pension costs | 18,153 | 15,769 |
| | <u>224,008</u> | <u>199,298</u> |
| | <u><u>224,008</u></u> | <u><u>199,298</u></u> |
| The average number of employees during the year was as follows: | | |
| Management and administration (full-time) | 5 | 5 |
| Tourist Information Centres (seasonal) | 15 | 15 |
| | <u>20</u> | <u>20</u> |
| | <u><u>20</u></u> | <u><u>20</u></u> |

The members of the Board receive no remuneration except for reimbursement of expenses.

WESTERN ISLES TOURIST BOARD

Notes of the Financial Statements

For the year ended 31 March 2005

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| 3 OPERATING SURPLUS | | 31.3.05 | 31.3.04 | |
| | | £ | £ | |
| Depreciation – owned assets | | 4,083 | 23,679 | |
| Auditors remuneration | | 2,300 | 2,600 | |
| | | <u> </u> | <u> </u> | |
| Directors’ emoluments and other benefits etc | | - | - | |
| | | <u> </u> | <u> </u> | |
| 4 TAXATION | | | | |
| Analysis of the tax charge | | | | |
| The tax charge on the profit on ordinary activities for the year was as follows:- | | £ | £ | |
| Current tax: | | | | |
| UK corporation tax | | - | 44 | |
| | | <u> </u> | <u> </u> | |
| | | - | 44 | |
| | | <u> </u> | <u> </u> | |
| 5 TANGIBLE FIXED ASSETS | | | | |
| | Freehold | Short | Fixtures & | Totals |
| | Property | Leasehold | fittings | |
| | £ | £ | £ | £ |
| COST | | | | |
| At 1 April 2004 and 31 March 2005 | 40,829 | 26,043 | 179,281 | 246,153 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| DEPRECIATION | | | | |
| At 1 April 2004 | 32,943 | 26,042 | 179,280 | 238,265 |
| Charge for year | 4,083 | - | - | 4,083 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2005 | 37,026 | 26,042 | 179,280 | 242,348 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NET BOOK VALUE | | | | |
| At 31 March 2005 | 3,803 | 1 | 1 | 3,805 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2004 | 7,886 | 1 | 19,597 | 7,888 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 6 STOCKS | | | | |
| Goods for resale | | | 40,412 | 39,077 |
| | | | <u> </u> | <u> </u> |

WESTERN ISLES TOURIST BOARD

Notes of the Financial Statements

For the year ended 31 March 2005

| | | | |
|----|--|------------------------------|---|
| 7 | DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 31.3.05 | 31.3.04 |
| | | £ | £ |
| | Trade debtors | - | 3,915 |
| | Other debtors | 7,061 | 15,068 |
| | | <u>7,061</u> | <u>18,983</u> |
| | | <u><u>7,061</u></u> | <u><u>18,983</u></u> |
| 8 | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | |
| | Trade creditors | 2,001 | 8,791 |
| | Other creditors | 4,500 | 89,036 |
| | | <u>6,501</u> | <u>97,827</u> |
| | | <u><u>6,501</u></u> | <u><u>97,827</u></u> |
| 9 | ACCRUALS AND DEFERRED INCOME | | |
| | Deferred government grants | - | 318 |
| | | <u>-</u> | <u>318</u> |
| | | <u><u>-</u></u> | <u><u>318</u></u> |
| | | Income & Expenditure Account | Net assets transferred from Predecessor |
| | | Totals | |
| | | £ | £ |
| 10 | RESERVES | | |
| | At 1 April 2004 | 55,785 | 85,635 |
| | (Deficit and appropriation) | (61,762) | - |
| | | <u>(5,977)</u> | <u>85,635</u> |
| | At 31 March 2005 | <u><u>(5,977)</u></u> | <u><u>85,635</u></u> |
| | | <u><u>(5,977)</u></u> | <u><u>85,635</u></u> |
| 11 | PENSION COMMITMENTS | | |

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2002 and updated to 31 March 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

| | | | |
|---|---------|---------|---------|
| | 31.5.05 | 31.3.04 | 31.3.03 |
| Rate of increase in salaries | 4.4% | 4.4% | 4% |
| Rate of increase in pensions in payment | 2.9% | 2.9% | 2.5% |
| Rate of increase in deferred pensions | 2.9% | 2.9% | 2.5% |
| Discount rate for scheme liabilities | 5.4% | 5.5% | 5.4% |
| Inflation assumption | 2.9% | 2.9% | 2.5% |

WESTERN ISLES TOURIST BOARD

Notes of the Financial Statements

For the year ended 31 March 2005

11 PENSION COMMITMENTS - continued

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

| | Long-term rate of return expected at 31.3.05 £ | Value at 31.3.05 | Long-term rate of return expected at 31.3.04 | Value at 31.3.04 £ | Long-term rate of return expected at 31.3.03 | Value at 31.3.03 £ |
|---|--|------------------------|---|-----------------------------|---|-----------------------------|
| Equities | 7.7% | 210,000 | 7.7% | 172,000 | 8% | 125,000 |
| Bonds | 4.8% | 54,000 | 5.1% | 46,000 | 4.8% | 32,000 |
| Property | 5.7% | 26,000 | 6% | 10,000 | 6% | 4,000 |
| Cash | 4.8% | 6,000 | 4% | 5,000 | 4% | 6,000 |
| | | <hr/> | | <hr/> | | <hr/> |
| Total market value of assets | | 296,000 | | 233,000 | | 167,000 |
| Present value of scheme liabilities | | (380,000) | | (318,000) | | (251,000) |
| | | <hr/> | | <hr/> | | <hr/> |
| Deficit in scheme | | (84,000) | | (85,000) | | (84,000) |
| | | <hr/> | | <hr/> | | <hr/> |
| Net pension liability | | (84,000) | | (85,000) | | (84,000) |
| | | <hr/> <hr/> | | <hr/> <hr/> | | <hr/> <hr/> |
| Analysis of the amount that will be included within operating profit under FRS 17 | | | | | | |
| | | | | | 31.3.05 | 31.3.04 |
| | | | | | £ | £ |
| Current service costs | | | | | 24,000 | 18,000 |
| | | | | | <hr/> | <hr/> |
| Total operating charge | | | | | 24,000 | 18,000 |
| | | | | | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of the amount that will be included as other finance income under FRS 17 | | | | | | |
| Expected return on pension scheme assets | | | | | 17,000 | 13,000 |
| Interest on pension scheme liabilities | | | | | (18,000) | (14,000) |
| | | | | | <hr/> | <hr/> |
| Net return | | | | | (1,000) | (1,000) |
| | | | | | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of the amount that will be included within the statement of total recognised gains and losses under FRS 17 | | | | | | |
| Actual return less expected return on pension scheme assets | | | | | 18,000 | 28,000 |
| Experience gains and losses arising on the scheme liabilities | | | | | - | (1,000) |
| Changes in assumptions underlying the present value of the scheme liabilities | | | | | (10,000) | (26,000) |
| | | | | | <hr/> | <hr/> |
| Actuarial gain | | | | | 8,000 | 1,000 |
| | | | | | <hr/> <hr/> | <hr/> <hr/> |

WESTERN ISLES TOURIST BOARD

Notes of the Financial Statements

For the year ended 31 March 2005

11 PENSION COMMITMENTS - continued

| | | |
|---|-----------------|----------------|
| Movement in deficit during the year | 31.3.05 | |
| | £ | |
| Deficit in scheme at start of year | (85,000) | |
| Movement in year: | | |
| Current service cost | (24,000) | |
| Contributions | 18,000 | |
| Other finance costs | (1,000) | |
| Actuarial gain | 8,000 | |
| Deficit in scheme at end of year | <u>(84,000)</u> | |
| History of experience gains and losses | 31.3.05 | 31.3.04 |
| | £ | £ |
| Difference between the expected and actual return on scheme assets: | | |
| Amount (£) | 18,000 | 28,000 |
| Percentage of scheme assets | 6% | 12% |
| Experience gains and losses on scheme liabilities: | | |
| Amount (£) | - | (1,000) |
| Percentage of the present value of the scheme liabilities | - | 0% |
| Total actuarial gain or loss: | | |
| Amount (£) | 8,000 | 1,000 |
| Percentage of the present value of the scheme liabilities | - | 0% |
| 12 RECONCILIATION OF MOVEMENTS IN RESERVES | £ | £ |
| (Deficit)/surplus for the financial year after appropriation | <u>(61,762)</u> | <u>12,520</u> |
| Net (reduction from) addition to reserves | (61,762) | 12,520 |
| Opening reserves | <u>141,420</u> | <u>128,900</u> |
| Closing reserves | <u>79,658</u> | <u>141,420</u> |

WESTERN ISLES TOURIST BOARD
DETAILED INCOME AND EXPENDITURE ACCOUNT

11

For the year ended 31 March 2005

| | 31.3.05 | | 31.3.04 | |
|---|---------|----------|---------|---------|
| | £ | £ | £ | £ |
| Turnover | | | | |
| Retail sales | 112,313 | | 109,516 | |
| Commission and fees | 4,434 | | 11,313 | |
| Other | 1,894 | | 427 | |
| Internet and sign rental income | 15,113 | | 12,347 | |
| Membership fees | 52,348 | | 50,832 | |
| Advertising in brochures | 24,981 | | 29,229 | |
| Comhairle nan Eilean Siar Core Funding | 104,000 | | 104,000 | |
| Comhairle nan Eilean Siar Project Marketing | 25,000 | | 25,000 | |
| VisitScotland grant | 115,000 | | 115,000 | |
| Niche marketing income | - | | 46,000 | |
| Gaelic tourism | 23,799 | | 26,663 | |
| VisitScotland modernisation | 9,512 | | 14,268 | |
| Western Isles Enterprise grant | 7,328 | | 11,272 | |
| | <hr/> | | <hr/> | |
| Cost of sales | | 495,722 | | 555,867 |
| Purchases | | 67,743 | | 64,328 |
| | | <hr/> | | <hr/> |
| GROSS SURPLUS | | 427,979 | | 491,539 |
| Other income | | | | |
| Capital grant release | 318 | | 19,547 | |
| Deposit account interest | 4,972 | | 2,621 | |
| | <hr/> | | <hr/> | |
| | | 5,290 | | 22,168 |
| | | <hr/> | | <hr/> |
| | | 433,269 | | 513,707 |
| Expenditure | | | | |
| Wages | 192,527 | | 172,008 | |
| Social security | 13,328 | | 11,521 | |
| Pensions | 18,153 | | 15,769 | |
| Premises related costs | 39,588 | | 39,308 | |
| Telephone | 4,984 | | 7,513 | |
| Post and carriage | 320 | | 338 | |
| Stationery, printing and office supplies | 5,865 | | 5,268 | |
| Travel and meeting expenses | 23,177 | | 18,452 | |
| Equipment maintenance | 9,204 | | 5,621 | |
| Staff uniforms | 706 | | 252 | |
| Staff training | 3,331 | | 2,991 | |
| General expenses | 5,444 | | 144 | |
| Professional fees | 2,097 | | 984 | |
| Auditors remuneration | 2,850 | | 2,600 | |
| Marketing and promotional expenses | 118,470 | | 105,208 | |
| Research and development | 3,918 | | 16,429 | |
| VS.com costs | 14,426 | | 11,898 | |
| Niche marketing expenses | - | | 57,047 | |
| Irrecoverable Input VAT | - | | 1,882 | |
| | <hr/> | | <hr/> | |
| | | 458,388 | | 475,233 |
| | | <hr/> | | <hr/> |
| Carried forward | | (25,119) | | 38,474 |

This page does not form part of the statutory financial statements.

WESTERN ISLES TOURIST BOARD**DETAILED INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2005

| | 31.3.05 | | 31.3.04 | |
|--------------------------------|----------|------------------------|---------------|----------------------|
| | £ | £ | £ | £ |
| Brought forward | | (25,119) | | 38,474 |
| Finance costs | | | | |
| Bank and credit card charges | | 2,560 | | 2,231 |
| | | <u>(27,679)</u> | | <u>36,243</u> |
| Depreciation | | | | |
| Freehold property | 4,083 | | 4,083 | |
| Furnishings and equipment | <u>-</u> | | <u>19,596</u> | |
| | | 4,083 | | 23,679 |
| NET (DEFICIT)/SURPLUS FOR YEAR | | <u><u>(31,762)</u></u> | | <u><u>12,564</u></u> |

This page does not form part of the statutory financial statements.

