

WELSH DEVELOPMENT AGENCY

Accounts of the Welsh Development Agency, prepared pursuant to section 18(1) and paragraph 8 of Schedule 3 to the Welsh Development Agency Act 1975, for the year ended 31 March 1993, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 276 of 1992-93.)

Presented pursuant to Act 1975, c. 70, s. 18(1)

Welsh Development Agency Accounts 1992-93

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Foreword

Statutory Background

The Welsh Development Agency is a public body, established in 1976 under the Welsh Development Agency Act 1975. Under that Act the Agency may exercise a range of activities and initiatives to fulfil its purposes. These purposes are:

- to further the economic development of Wales or any part of Wales and in that connection to provide, maintain or safeguard employment;
- to promote industrial efficiency and international competitiveness in Wales; and
- to further the improvement of the environment in Wales, having regard to existing amenity.

The accounts have been prepared by the Agency pursuant to Schedule 3 paragraph 8 of the Welsh Development Agency Act 1975 and cover the period 1 April 1992 to 31 March 1993 in the form determined by the Secretary of State for Wales with the approval of the Treasury.

The Agency's activities are partially financed by payments made by the Secretary of State for Wales out of monies provided from Class XVI, Vote 2 Agricultural Services etc, Regional and Industrial Development, Wales, and by borrowings from the National Loans Fund, the European Coal and Steel Community and the European Investment Bank.

The Agency's wholly-owned subsidiary, Welsh Venture Capital Ltd undertakes investments in venture capital projects. The subsidiary prepares its accounts for the same accounting period as the Agency and uniform accounting policies are adopted.

Auditors

The accounts of the Agency are audited by the Comptroller and Auditor General as required under the Welsh Development Agency Act 1975.

Review of Activities and Future Developments

A review of the Agency's activities and future development plans are contained in the Chairman's statement and in the Chief Executive's statement which appear in the Annual Report.

Board Members

The following persons served as Board members of the Agency during the year:

Dr Gwyn Jones, Chairman
Sir Donald Walters, Deputy Chairman
to 31 December 1992
Dr Roy Bichan, Deputy Chairman
from 1 January 1993
Philip Head, Chief Executive
Richard Brewster
Glyn Davies
John Foley MBE
Dr Colyn Gardner to 31 December 1992
Dr Pamela Kirby
David Malpas
Tim Rees OBE to 31 December 1992
David Roberts OBE to 31 December 1992
Sir Donald Walters from 1 January 1993

Disabled Persons

As a responsible organisation the Agency is conscious of its obligations to encourage disabled persons to take up meaningful employment. The Agency's Equal Opportunities Policy makes clear this commitment.

The Agency encourages its managers to provide opportunities for the disabled wherever practicable. The Human Resources Department is responsible for co-ordinating activity in this area.

Employee Involvement

The Agency recognises the importance of keeping its employees fully up to date with developments and changes, both within the organisation and those with which the Agency is involved externally.

Improving its internal communication network is an ongoing objective, both through the involvement of all the staff and employee representatives.

The Agency will continue to consult with its staff representatives on all issues affecting terms and conditions.

Philip Head
Chief Executive
on behalf of the Board

29 June 1993

Statement of Accounting Policies

Basis of Accounting

These accounts are required, without limiting the information given, to meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate to the Agency.

The accounts have been prepared under the historical cost convention as modified by the open market valuation of industrial or commercial investment properties.

Consolidation

The consolidated accounts incorporate the results of Welsh Venture Capital Ltd, which is wholly-owned by the Agency. Hafren Investment Finance Ltd was wound up during the year.

As permitted by Section 230(4) of the Companies Act 1985, the Agency's income and expenditure account is not presented separately in the financial statements. Welsh Development Capital (Management) Ltd, being an associated undertaking, is accounted for under the equity method of accounting as required by SSAP 1. Other investments in companies where the Agency holds more than 20 per cent of the voting rights are not accounted for under the equity method of accounting as they are not considered to be associated undertakings.

Funding

Under the terms of the Welsh Development Agency Act 1975, the Agency is financed by grant-in-aid from the Welsh Office for its activities other than investment and the establishment of industrial undertakings. The whole of the grant-in-aid received is credited to reserves. Equity investment is financed by Public Dividend Capital and loan investment by borrowings from the National Loans Fund and the European Coal and Steel Community.

Tangible Assets

Land and buildings held as industrial or commercial investment properties or in the course of development are revalued annually by independent professional valuers in accordance with SSAP 19. The overall surplus or deficit on revaluation is transferred to reserves. No depreciation is provided in respect of these properties. This is a departure from the Companies Act requirement to provide depreciation on any fixed asset with a limited useful economic life. It is the Agency's opinion, however that this departure is necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected

in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. Surpluses or deficits arising on the disposal of investment properties are derived by reference to the valuation as at the end of the previous financial year.

Finance Leases

Equipment that has been financed by leasing agreements that give rights approximating to ownership is capitalised and the corresponding leasing commitments are included in creditors.

Depreciation

Depreciation is not provided on land and buildings held as industrial or commercial investment properties. Other tangible fixed assets are depreciated on a straight line basis having regard to their expected useful lives.

Asset lives are adopted as follows :

Freehold buildings (occupied by the Agency)	50 years
Equipment and furniture	4 years
Computer equipment and purchased software	3 years

Investments and Interests in Joint Ventures

Investments and Interests in unincorporated joint ventures are shown at cost, less provisions for diminution in value. In the case of quoted investments, a provision is made when the market quotation is less than cost. No account is taken of unrealised profits except to the extent that provisions made in earlier years may be written back if circumstances no longer justify them.

Taxation and Deferred Taxation

Under the provisions of the Welsh Development Agency Act 1975 the Agency is subject to United Kingdom corporation tax on its annual profits as computed for taxation purposes. Provision is made for deferred taxation at the appropriate rate to take account of timing differences between the treatment of items for accounts purposes and that for taxation purposes to the extent that it is possible that a liability for taxation will crystallise as a result of the reversal of the timing differences.

Pension Costs

Contributions to the Mid Glamorgan County Council Superannuation Fund are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives.

Consolidated Income and Expenditure Account

For the year ended 31 March 1993

	Note	1993 £'000	1992 £'000
<i>Trading activities</i>			
Income			
Property services	1	32,158	35,295
Investment management	2	3,321	4,428
Total income		35,479	39,723
Expenditure			
Property services	1	9,209	8,476
Investment management	2	3,310	4,311
Total expenditure		12,519	12,787
Surplus on trading activities		22,960	26,936
<i>Other Operating activities</i>			
Expenditure	3	19,390	19,673
Recoveries	3	2,336	2,477
Net cost of other operating activities		17,054	17,196
Surplus of income over expenditure on operating activities before taxation		5,906	9,740
Taxation	18	(2,411)	1,515
Surplus of income over expenditure		8,317	8,225

The surplus of income over expenditure attributable to the Agency's own activities was £8,364,000 (1992 - £8,316,000).

The Accounting Policies on page 2 and the Notes on pages 7 to 21 form part of these accounts.

Grant Administration Account

For the year ended 31 March 1993

	1993 £'000	1992 £'000
<i>Grants Administered</i>		
Land reclamation	34,324	30,317
Urban development	20,704	11,241
Property development subsidy	15,593	3,665
Support to other organisations	3,268	2,075
Rural development	5,117	1,443
Total grants administered	79,006	48,741
Associated management costs	3,100	3,100
	82,106	51,841
<i>Recoveries</i>		
Enhanced values recovered and coal receipts	2,927	3,539
Net cost of grant administration	79,179	48,302

Statement of Reserves

	Agency £'000	Consolidated £'000
Balance at 1 April 1992	315,778	315,901
Grant-in-aid received during the year	78,359	78,359
Surplus on Income and Expenditure account	8,364	8,317
Net Cost of Grant Administration	(79,179)	(79,179)
Revaluation deficit	(49,515)	(49,515)
Movement in reserves during the year	(41,971)	(42,018)
Balance at 31 March 1993	273,807	273,883

Agency and Consolidated Balance Sheets

At 31 March 1993

	Note	Agency		Consolidated	
		1993 £'000	1992 £'000	1993 £'000	1992 £'000
Fixed Assets					
Tangible assets	10	259,694	299,824	259,694	299,824
Investments	11	23,416	25,931	22,356	24,232
Interests in joint ventures	12	8,070	14,527	8,070	14,527
Mortgages and other loans	13	1,247	1,408	1,247	1,408
		292,427	341,690	291,367	339,991
Current Assets					
Debtors	14	16,577	16,562	16,591	16,589
Investments	15	10	313	10	313
Cash at bank and in hand		2,353	3,702	3,499	4,983
		18,940	20,577	20,100	21,885
Current Liabilities					
Creditors: amounts falling due within one year	16	12,103	18,485	12,127	17,971
Net current assets		6,837	2,092	7,973	3,914
Total assets less current liabilities		299,264	343,782	299,340	343,905
Creditors: amounts falling due after more than one year	16	121	-	121	-
		299,143	343,782	299,219	343,905
Financed by					
Public Dividend Capital	19	12,646	13,646	12,646	13,646
Loan capital	20	12,690	14,358	12,690	14,358
Reserves		273,807	315,778	273,883	315,901
		299,143	343,782	299,219	343,905

The Accounting policies on page 2 and the Notes on pages 7 to 21 form part of these accounts

Philip Head
Accounting Officer 29 June 1993

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Consolidated Cash Flow Statement

For the year ended 31 March 1993

	1993 £'000	1992 £'000
<i>Cash Inflow</i>		
Operating activities		
Cash inflow from trading activities	32,532	34,245
Cash inflow from other operating activities	2,602	5,063
	35,134	39,308
Cash inflow from grant administration	1,868	5,287
Investing activities		
Sale of tangible assets	49,633	24,399
Sale of equity investments	1,000	1,270
Loan repayments received	4,150	3,976
Mortgage and other loan repayments received	156	519
	54,939	30,164
Total self generated cash inflow	91,941	74,759
<i>Cash Outflow</i>		
Operating activities		
Cash outflow on trading activities	(11,213)	(11,397)
Cash outflow on other operating activities	(21,758)	(19,055)
	(32,971)	(30,452)
Cash outflow on grants and grant administration	(64,179)	(51,591)
UK Corporation tax and unrecovered VAT	(1,144)	(5,676)
Investing activities		
Tangible assets and interests in joint ventures	(67,792)	(67,422)
Equity investments and loans made	(3,333)	(3,716)
	(71,125)	(71,138)
Total cash outflow	(169,419)	(158,857)
Net cash outflow before financing	(77,478)	(84,098)
<i>Financing</i>		
HM Government:		
Grant-in-aid	78,359	87,167
European funds	550	1,125
Loan capital repayments made	(2,218)	(3,099)
Payments made in reduction of Public Dividend Capital	(1,000)	(1,818)
Net cash inflow from financing	75,691	83,375
Decrease in cash and cash equivalents	(1,787)	(723)

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Notes to the Accounts

	1993 £'000	1992 £'000
1. Property Services		
Income		
Gross rents	29,443	29,459
Less rent concessions	56	226
Net rents	29,387	29,233
Interest	56	67
Miscellaneous income	924	707
Surplus on sale of property	1,791	5,288
Total income	32,158	35,295
Expenditure		
Estate maintenance	3,200	4,092
Dilapidations	509	(329)
Interest on land purchase		36
Rent guarantees	166	82
Abortive costs	64	70
Depreciation	41	41
Bad debts	14	330
Deficit on sale of property	717	67
Management	4,498	4,087
Total expenditure	9,209	8,476
Net surplus	22,949	26,819
2. Investment Management		
Income		
Interest receivable	2,170	2,794
Dividends	258	329
Fees, service charge and exchange risk	236	274
Surplus on disposals	660	1,033
Share of associated company	(3)	(2)
Total income	3,321	4,428
Expenditure		
Interest payable and similar charges	1,165	1,306
Exchange risk	171	196
Provisions and write-offs	549	1,018
Deficit on disposals	77	66
Management	1,348	1,725
Total expenditure	3,310	4,311
Net surplus	11	117
Interest payable and similar charges are analysed as follows :		
On loans repayable within 5 years	642	694
On other loans	523	612

	1993	1992
	£'000	£'000
3. Other Operating Activities		
Expenditure		
Business services		
Corporate development	3,179	1,303
Business skills	2,289	2,902
European business	1,817	898
Enterprise support	894	2,705
Total	8,179	7,808
Welsh Development International	4,321	4,175
Marketing services	5,901	6,534
Research services	989	1,156
Total expenditure	19,390	19,673
Recoveries		
Business services	1,211	1,270
Other recoveries	1,125	1,207
Total recoveries	2,336	2,477
Net cost of other operating activities	17,054	17,196

	1993 £'000	1992 £'000
4. Management Costs		
Salaries, members' emoluments and related costs	10,196	10,028
Travel and subsistence	1,466	1,502
Professional fees	5,917	4,858
Operating lease rentals	1,460	1,179
Auditors' remuneration	50	49
Office and establishment costs	3,837	4,010
Total management costs	22,926	21,626
These costs are allocated as follows:		
Trading activities		
Property services	4,498	4,087
Investment management	1,348	1,725
Total trading activities	5,846	5,812
Other operating activities		
Business services		
Corporate development	2,404	1,115
Business skills	1,671	1,676
European business	1,535	477
Enterprise support	894	2,705
Total business services	6,504	5,973
Welsh Development International	4,221	4,175
Marketing services	1,317	769
Research services	804	758
Total other operating activities	12,846	11,675
Grant administration activities		
Land reclamation	1,087	1,163
Urban development	835	712
Rural development	1,178	1,225
Total grant administration activities	3,100	3,100
Capital projects	1,134	1,039
Total management costs	22,926	21,626

	1993 £	1992 £
5. Board Members' Emoluments		
Chairman	43,644	61,653
Deputy Chairman - Sir Donald Walters to 31 December 1992	16,372	20,734
Deputy Chairman - Dr Roy Bichan from 1 January 1993	8,184	-
Chief Executive	71,401	69,760
Four other members between £5,001 and £10,000	24,720	35,143
Four other members under £5,000	15,537	1,981
Total emoluments	179,858	189,271

The Chief Executive's emoluments include taxable benefits which comprise the lease car scale benefit as reduced by contributions for private use. The Chief Executive is an ordinary member of the Mid Glamorgan County Council Superannuation Fund. The Chairman of the Development Board for Rural Wales received no emoluments in his capacity as a board member of the Agency.

	£'000	£'000
Expenses :		
Travel and subsistence	49	100
Hospitality extended	4	6
The aggregate amount paid in respect of past and present board members' pensions (not provided from a contributory scheme) was	1	4

6. Board Members' Interests in Contracts

In accordance with standing orders, at Board meetings members are required to declare any interests, whether direct or indirect, in any transaction entered into by the Agency and take no further part in such discussions.

During the year the Agency entered into a number of transactions in which the following board members declared an interest and are considered material.

David Malpas

The Agency has a joint venture agreement with Spenhill Ltd a wholly owned subsidiary of Tesco plc. Spenhill Ltd have acquired a site at Nantgarw and to date the Agency has provided £6.4 million for infrastructure works and £1.5 million for the building of industrial units of which £370k was incurred during the year. David Malpas is the Managing Director of Tesco plc.

Dr Gwyn Jones

With regard to the above joint venture agreement with Spenhill Ltd, Dr Gwyn Jones is a Non-Executive Director of Tesco plc.

Tim Rees

During the year the Agency paid a total of £117k to Coopers & Lybrand for consultancy services including taxation advice. Tim Rees is joint senior partner of Coopers & Lybrand, South Wales.

	1993	1992
	£'000	£'000
7. Staff Costs		
Salaries and wages	8,691	8,582
Social security costs	721	616
Other pension costs	666	699
Total staff costs	10,078	9,897
	Nos	Nos
Average weekly number of employees during the year	458	478
Number of employees whose remuneration was between:		
	£30,001 - £40,000	40
	£40,001 - £50,000	8
	£50,001 - £60,000	5

8. Pension Costs

The Agency is an admitted body of the Mid Glamorgan County Council Superannuation Fund which is a defined benefit scheme. Contributions are determined by a qualified actuary on the basis of a valuation every three years employing the 'projected unit' actuarial method. The most recent valuation was at 31 March 1992. The main actuarial assumptions concern levels of remuneration, rates of return from investments and demographic factors affecting the membership. The most recent actuarial valuation shows the assets held at the valuation were sufficient to cover 84% of the accrued liabilities assessed on an ongoing basis. The contributions of the Agency and its employees during the year were 8.4% and 6.0% respectively.

9. Financial Duties

Factory buildings and property services

The financial duty for the factory buildings and property services function as determined by the Secretary of State for Wales consists of two parts :

a. Annualised rent of units tenanted by 31 March as a percentage of the capital costs of all completed or substantially modernised factories from 1 April 1989 to 31 March 1992.	Target	Results for year	
	1993 7.0%	1993 5.8%	1992 6.2%
b. Overall surplus per 1,000 sq.m. of administered factory space based on appropriate items from the property services account.	Target	Results for year	
	1993 £12,750	1993 £14,739	1992 £12,544

Investment management

The financial duty for investments as determined by the Secretary of State for Wales consists of two parts:

a. As from 1 April 1989 the Agency has been given targets which equate to achieving an annual real rate of return of 6% compound from its new equity investments taken over an 8 year cycle.

	Targets		Results for year	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
For new investments made :				
Year ended 31 March 1993	258.1	-	256.2	-
Year ended 31 March 1992	757.1	817.4	671.8	706.1
Year ended 31 March 1991	253.6	239.4	291.1	235.8
Year ended 31 March 1990	633.3	552.0	141.7	137.0

b. Recognising the Agency's limited ability to enhance the return from equity investments made in previous years, a separate annual duty is specified each year for the portfolio existing at 31 March 1989. The return is linked to surviving equity investments with due allowance being made for provisions as at 31 March 1989.

	Targets		Results for year	
	1993	1992	1993	1992
Equity portfolio at 31 March 1989	18.0%	13.0%	18.9%	32.0%

10. Tangible Assets

The Secretary of State for Wales has directed that investment properties should be included in the balance sheet at their open market value. Accordingly at 31 March 1993 the Agency's industrial and commercial investment properties were valued on that basis, in accordance with the Guidance notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors.

The valuation was carried out by King Sturge Chartered Surveyors

	Industrial and commercial investment properties £'000	Property occupied by Agency £'000	Plant and machinery £'000	Equipment held under Finance leases £'000	Total £'000
Cost and Valuation					
At 1 April 1992	297,342	2,051	3,950		303,343
Additions	53,243		1,141	184	54,568
Disposals	(44,283)				(44,283)
Revaluation adjustment	(49,515)				(49,515)
At 31 March 1993	256,787	2,051	5,091	184	264,113
Depreciation					
At 1 April 1992		420	3,099		3,519
Charge for year		41	859		900
Disposals					-
At 31 March 1993		461	3,958	-	4,419
Net Book Amounts					
At 31 March 1993	256,787	1,590	1,133	184	259,694
At 31 March 1992	297,342	1,631	851	-	299,824
A summary of the valuation of investment properties excluding properties owned and occupied by the Agency valued at £1,570,000 (1992 - £1,780,000) is as follows :					
			Positive valuations £'000	Negative valuations £'000	
Freehold			240,952	(40)	
Long leasehold			7,555		
Short leasehold			1,063		
Under construction			8,014	(757)	
At 31 March 1993			257,584	(797)	
At 31 March 1992			302,398	(5,056)	
Negative values arise where the anticipated costs of completing a development exceed the estimated value on completion.					

	1993 £'000	1992 £'000
10. Tangible Assets (continued)		
Revaluation adjustment reconciliation		
The following table shows the historical cost of the investment properties and the adjustments required to bring the original cost to valuation.		
Cost		
At 1 April	523,416	490,085
Additions	53,243	58,494
Disposals	(57,552)	(25,163)
At 31 March	519,107	523,416
Revaluation deficit		
Net deficit at 1 April	(226,074)	(191,201)
(Decrease) / increase in valuation at 31 March of developed investment properties held throughout the year.	(24,455)	4,254
Decrease in net book amount in respect of undeveloped land and developments contracted or in progress during the year.	(25,060)	(44,695)
Revaluation adjustment	(49,515)	(40,441)
Disposals	13,269	5,568
Net deficit at 31 March	(262,320)	(226,074)
Net book amount at 31 March	256,787	297,342

	Agency	Consolidated
	£'000	£'000
11. Investments		
Cost		
At 1 April 1992	30,936	29,732
Additions	3,753	3,750
Repayments	(4,254)	(4,254)
Disposals	(1,014)	(307)
Written off, less recoveries	(1,432)	(1,432)
At 31 March 1993	27,989	27,489
Diminution in Value		
At 1 April 1992	5,005	5,500
Additions to provisions	1,000	1,065
Provisions set against write-offs	(1,432)	(1,432)
At 31 March 1993	4,573	5,133
Net Book Values		
At 31 March 1993	23,416	22,356
At 31 March 1992	25,931	24,232
The consolidated results include the share of the net assets of an associated company amounting to £14,245 (1992 - £15,764)	Loans due for repayment within one year total £3,012,000 (1992 - £3,384,852)	
	£'000	

12. Interests in Joint Ventures

Agency and Consolidated		
At 1 April 1992	14,527	
Additions	3,474	
Disposals	-	
Diminutions in value	(9,931)	
At 31 March 1993	8,070	

13. Mortgages and Other Loans

Agency and Consolidated		
At 1 April 1992	1,408	
Additions	15	
Repayments	(161)	
Provisions and write-offs	(15)	
At 31 March 1993	1,247	
Amount falling due within one year	72	

	Agency		Consolidated	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
14. Debtors				
Trade debtors	5,738	4,133	5,738	4,133
Other debtors	9,617	9,694	9,631	9,721
Prepayments and accrued income	1,222	2,735	1,222	2,735
	16,577	16,562	16,591	16,589
15. Investments - Current Assets				
Short-term investment of funds awaiting on-lending to clients	10	313	10	313
16. Creditors				
Amounts falling due within one year				
Payments received on account	5,254	5,510	5,254	5,510
Trade creditors	172	959	172	959
Taxation and social security	1,317	4,218	1,340	4,218
Other creditors	1,890	2,082	1,891	1,568
Accruals	3,470	5,716	3,470	5,716
	12,103	18,485	12,127	17,971
Amounts falling due after more than one year				
Obligations under finance leases	121	-	121	-
17. Obligations under Finance Leases				
Obligations under finance leases are repayable as follows:				
Within 1 year	61		61	
Between 1 and 5 years	121		121	
After 5 years	-		-	

	1993	1992
	£'000	£'000

18. Taxation and Deferred Taxation

Agency and Consolidated

Based on the results for the year:

UK Corporation Tax at 33%	1,102	3,031
Tax suffered on Franked investment income	-	175
	1,102	3,206

Based on the results of prior years:

UK Corporation Tax	(3,224)	(1,697)
Tax suffered on Franked investment income	(289)	6

Taxation charge	(2,411)	1,515
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The tax charge relates primarily to corporation tax on rental income which cannot be offset by losses brought forward from prior years.

At 31 March 1993 there were trading losses of approximately £14m (1992 £20m) available to be carried forward and set off against future trading profits and capital losses of approximately £67m (1992 £38m) available to be carried forward and set off against future capital gains.

In accordance with the accounting policy no provision has been made for deferred taxation.

The full potential liability to deferred taxation at 31 March 1993 is £ Nil (1992 £ Nil).

		£'000
19. Public Dividend Capital		
Balance at 1 April 1992		13,646
Public Dividend Capital repaid		(1,000)
Balance at 31 March 1993		12,646
Public Dividend Capital is paid by the Secretary of State for Wales out of money provided by Parliament.	No payment in consideration of receiving Public Dividend Capital has been made by the Agency.	

20. Loan Capital

	National Loans Fund £'000	European Loans £'000	Total £'000
Balance at 1 April 1992	1,832	12,526	14,358
Borrowings during year	-	550	550
Repayments during year	1,832 (362)	13,076 (1,856)	14,908 (2,218)
Balance at 31 March 1993	1,470	11,220	12,690
Amounts falling due within one year	287	1,669	1,956

The National Loans Fund loans are repayable over periods of up to 10 years. They bear interest rates between 8.75% and 14.25%.
The European loans are repayable by instalments over periods of up to 8 years. They bear interest at between 5.25% and 10%.

		£'000
Amounts repayable by instalments, some of which fall due after five years:		
Total amount		11,607
Instalments due after five years		1,705

	1993 £'000	1992 £'000	
21. Net cash inflow from operating activities			
Cash inflow from trading activities	32,532	34,245	
Cash inflow from other operating activities	2,602	5,063	
Cash outflow from trading activities	(11,213)	(11,397)	
Cash outflow on other operating activities	(21,758)	(19,055)	
Net cash inflow from operating activities	2,163	8,856	
22. Reconciliation of income and expenditure to net cash inflow from operating activities			
Surplus of income over expenditure on operating activities before taxation	5,906	9,740	
Surplus on sale of property and investments	(1,657)	(6,188)	
Investment and mortgage capital losses and provisions	1,000	1,129	
Depreciation	900	749	
(Increase)/decrease in debtors	(1,346)	4,839	
Decrease in creditors	(2,640)	(1,413)	
Net cash inflow from operating activities	2,163	8,856	
23. Analysis of changes in cash and cash equivalents during the year			
Balance at 1 April	5,296	6,019	
Net cash outflow	(1,787)	(723)	
Balance at 31 March	3,509	5,296	
24. Analysis of balances of cash and cash equivalents as shown in the balance sheets			
	Change in year		
Cash at bank and in hand	(1,484)	3,499	4,983
Investments - current assets	(303)	10	313
Balance at 31 March	(1,787)	3,509	5,296

	1993	1992
	£'000	£'000

25. *Contingent Liabilities*

Agency and Consolidated		
Guarantees and conditional undertakings	1,995	500
Other contingent liabilities	1,515	575
At 31 March	3,510	1,075

'Other contingent liabilities' refer to legal proceedings being pursued against the Agency. The Agency does not consider that there is any basis for such claims.

	Tangible assets £'000	Invest- ments £'000	Total 1993 £'000	Total 1992 £'000
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26. *Capital Commitments*

Agency and Consolidated				
Contracted but not yet provided for	17,092		17,092	22,342
Authorised but not yet contracted for	45,909	993	46,902	37,765

27. *Operating Lease Commitments*

Operating lease commitments falling due within 12 months are analysed as follows:

Land and Buildings

Commitments that expire:

Within 1 year	17	-
Between 1 and 5 years	455	395
After 5 years	-	-

Other assets

Commitments that expire:

Within 1 year	258	30
Between 1 and 5 years	426	1,035
After 5 years	-	-

28. *Financial Limit*

By Section 18 of the Welsh Development Agency Act 1975, as amended by Section 1 of the Welsh Development Agency Act 1991, the aggregate amount of finance outstanding by the Agency, otherwise than by way of interest should not exceed the limit of £950 million. The amount outstanding as at 31 March 1993 was £735,396,000 (1992 - £673,935,000).

29. *Grant in Aid*

Since its inception, the Agency has received a total of £863,337,000 (1992 - £784,978,000) in grant-in-aid.

30. Results of Related Companies

In accordance with the accounts direction from the Secretary of State for Wales, where the Agency's interest exceeds 20% of the issued ordinary shares and convertible preference shares of a company and £100,000, the following information taken from the latest audited annual accounts is given.

Agency holdings at 31 March 1993					
Name of company	Description of investment	Proportion held %	Year to	Share capital and reserves £'000	Retained profit/(loss) for the year £'000
Haeffner Holdings Ltd.	50,000 ordinary shares 44,445 cumulative redeemable participating preference shares	28.0	30.04.91	758.0	(25.2)
Protyprint Ltd.	67,128 'A' ordinary shares 132,872 cumulative redeemable 'A' preference shares	25.1	31.12.91	494.9	21.2
Rimer - Alco International Ltd.	13,333 'A' ordinary shares 130,000 cumulative redeemable 'A' preference shares	20.0	31.03.92	241.5	16.3
Secretsplit Ltd.	25,341 'C' ordinary shares 68,449 cumulative redeemable participating preference shares	29.6	30.04.91	(60.0)	(138.8)
Oakdale Batteries Ltd.	200,000 cumulative redeemable convertible 'A' preference shares	25.0	31.03.92	752.8	34.8

Certificate and Report of the Comptroller and Auditor General

I certify that I have examined the financial statements on pages 2 to 21, in accordance with the Welsh Development Agency Act 1975 and the National Audit Office auditing standards.

In my opinion the financial statements give a true and fair view of the state of affairs of the Welsh Development Agency and the Group at 31 March 1993 and of the surplus, net cost of grant administration and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Welsh Development Agency Act 1975 and determinations made thereunder by the Secretary of State for Wales with the approval of the Treasury.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General

National Audit Office

8 July 1993

Five Year Summary

	1993	1992	1991	1990	1989
	£'000	£'000	£'000	£'000	£'000
Surplus/(Deficit) on trading activities					
Property services	22,949	26,819	25,078	24,985	16,091
Investment management	11	117	90	(302)	(7,038)
Net Cost					
Other operating activities	17,054	17,196	11,587	11,796	12,047
Grant administration	79,179	48,302	42,058	30,811	21,980
Fixed Assets (at year end)					
Tangible assets	259,694	299,824	301,170	313,562	251,880
Investments	22,356	24,232	26,078	24,204	22,700
Interests in joint ventures	8,070	14,527	9,950	5,589	
Funding					
HM Government :					
Grant-in-aid	78,359	87,167	81,233	69,455	61,910
Other			229	1,283	1,778
European sources	550	1,125	3,413	1,457	2,712

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