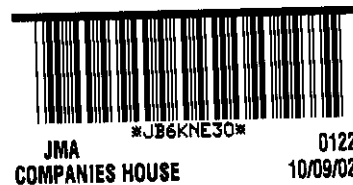


26926

THE MANCHESTER CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT

◆ *Year ended 31 March 2002* ◆



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COMPANY INFORMATION

Directors

Honorary officers

Ms F Goodey CBE DL, President
Mr A K Ruia OBE LLB ACA JP Vice President
Mr G Yeung, Vice President (appointed 11 October 2001)
Mr F A P Martin CEng FIEE FIMgt FMS, Honorary Treasurer
Mr J C McGuire FCIB, Immediate Past President

Elected and Co-opted Directors

Professor J Arnold MSc MA(Econ) FCA
Mr L B Barnett (resigned 11 October 2001)
Mr J S Buckley MBIAT FFB MIMgt ACIOB
Mr C F Carter ACMA (appointed 26 October 2001)
Mr W Doherty ACIB (appointed 26 October 2001)
Mr A S Goldstone OBE DL FCA (resigned 11 October 2001)
Mr P Heginbotham LLB
Mr A Mullington (appointed 26 October 2001)
Mrs A Robinson
Mr J G Thomas (appointed 26 October 2001)
Sir David Trippier RD JP DL
Mr E Viner BA (appointed 26 October 2001)
Mr J P Wainwright MA FRICS
Mr A G Whitehead FCA
Mr J C W Williams BA MBA (appointed 26 October 2001)
Mr D G Wilson OBE DL (resigned 11 October 2001)

Secretary

Miss J Rowe BA ACCA

Registered office

56 Oxford Street
Manchester M60 7HJ

Registered number

26926

Auditors

RSM Robson Rhodes
Chartered Accountants
Colwyn Chambers
19 York Street
Manchester M2 3BA

Bankers

National Westminster Bank plc
115 Deansgate
Manchester M3 2NW

REPORT OF THE DIRECTORS

The directors present their report and the Chamber's audited financial statements for the year ended 31 March 2002.

Principal activities

The Chamber is a company limited by guarantee and its main activities are that of a business representation body and the delivery of business services. The Chamber has the prime representational and lobbying role on behalf of the business community in Manchester, Salford, Trafford and Tameside.

Business services are delivered to Chamber members through Chamber Business Enterprises Limited, a joint venture company owned by the Chamber and Manchester Enterprises.

Business review and future developments

The Chamber has continued to grow in terms of the number and quality of its staff, and most importantly, in terms of its profile, activity and membership. Revised operational structures are in place and at the AGM in October 2001 an associate council was introduced, widening the business input to the Chamber on significant policy matters.

Chamber Business Enterprises Limited has had its second successful year of trading offering all Chamber services to members alongside additional publicly funded activity including the Small Business Service contract for Business Link Services.

The Chamber is the strategic representative of the private sector in Manchester Enterprises (the economic development body for the city pride area). In addition, the Chamber is actively involved with the public and private agencies locally, regionally, nationally and internationally.

Results

The financial statements show a surplus for the year after taxation of £177,768 resulting in reserves carried forward of £615,960.

Presentation of results

In addition to the Company results and balance sheet required by UK GAAP, the directors have also presented the income and expenditure account and balance sheet on a proforma basis. The proforma income and expenditure account shows the Chamber's 50% share of the results of Chamber Business Enterprises Limited, while the proforma balance sheet shows the effect of including the Company's share of the joint venture's results and net assets.

Directors

The names of directors who served during the year are shown on page 1.

Corporate Governance

Manchester Chamber of Commerce and Industry is committed to best practice in all aspects of corporate governance. The summary below describes the manner in which the company has applied the principles of the Combined Code on Corporate Governance issued by the London Stock Exchange insofar as they relate to a private company limited by guarantee.

The Board of Directors

The Board has four meetings per annum and meets bi-annually to review board development and strategy. It currently comprises seventeen non-executive directors including the President, two Vice Presidents, the Immediate Past President, the Honorary Treasurer and one executive director. The directors are nominated by the Council and are representatives of members. The directors bring to the Board a wide range of experience and skills and participate fully in strategic decisions facing the company.

During the year a full review of directors' interests took place in which all potential conflicts of interests were considered. Based on that review, all current non-executive directors are independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement.

The duties of the Board are set out in the director's handbook, but they are predominantly approval of the Chambers Corporate Plan and Annual Budget, together with monitoring monthly performance against budget. Directors are fully briefed in advance of Board meetings on all matters to be discussed and receive regular reports on the company's operating and financial position. The terms of reference provide that where necessary the directors may seek independent professional advice at the company's expense.

The Board has established an audit committee and a search and selection committee. Both committees operate within defined terms of reference and the minutes of the meetings are circulated to the Board.

Audit Committee

The audit committee comprises five non-executive directors appointed from the Board, including the Honorary Treasurer and the Vice President. The committee met three times in the year to assist the Board in discharging its duties on monitoring the effectiveness of the company's accounting and internal controls. It reviews the scope and results of external audit, its cost effectiveness and the objectivity of the auditors and meets regularly with them, reporting directly to the Board. It also reviews all accreditation arrangements.

Council

The Council consists of the board of directors together with the Committee Chairs of both local area groups and issue based committees, twenty-one elected members, six co-opted and the President of Manchester Junior Chamber of Commerce. The Council is a source and a sounding board to shape and influence Manchester Chamber policy on the needs of industry and commerce in the Manchester area.

REPORT OF THE DIRECTORS
(Continued)

Statement of directors' responsibilities in respect of the accounts

Company law in the United Kingdom requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Chamber and of the surplus or deficit of the Chamber for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom accounting standards; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Chamber will continue in business.

The directors confirm that the accounts comply with the above requirements. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Chamber and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Chamber and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the report of the directors and other information included in the accounts is prepared in accordance with company law in the United Kingdom.

The accounts are available on the Company's website. The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the accounts since they were initially presented on the website.

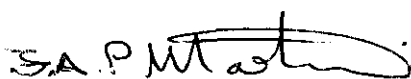
Legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

Auditors

RSM Robson Rhodes have indicated their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 6 August 2002 and signed on its behalf by:



Mr F A P Martin CEng FIEE FIMgt FMS
Honorary Treasurer

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE MANCHESTER CHAMBER OF COMMERCE AND INDUSTRY**

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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 the information contained in the Annual 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 information outside the Annual Report.

Basis of audit 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 2002 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes

RSM Robson Rhodes
Chartered Accountants and Registered Auditors

Manchester, England
6 August 2002

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2002

	Note	Proforma 2002 £	2002 £	Proforma 2001	2001 £
Operating income: continuing operations		6,350,474	588,443	5,492,231	763,180
Operating expenditure					
- staff costs	4	1,756,851	295,570	1,559,487	218,206
- depreciation		15,890	-	43,597	18,612
- other operating charges		4,254,463	299,596	3,556,019	423,203
		6,027,204	595,166	5,159,103	660,021
Operating (deficit)/surplus: Continuing operations	2	323,270	(6,723)	333,128	103,159
Income from fixed asset investments		-	173,826	-	117,521
Net interest receivable	5	23,782	11,308	11,915	9,012
Surplus on ordinary activities before taxation		347,052	178,411	345,043	229,692
Taxation on surplus on ordinary activities	6	(601)	643	110,000	36,245
Surplus for the financial year		347,653	177,768	235,043	193,447
Retained reserves at the start of the period			438,192		244,745
Retained reserves at the end of the period			615,960		438,192

The proforma figures represent the Chamber's 50% share of the results of Chamber Business Enterprises Limited.

There were no recognised gains or losses other than the results reported above.

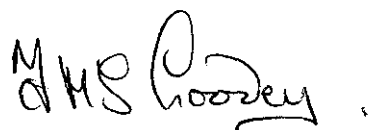
There were no movements in members' funds other than the results report above.

BALANCE SHEET
at 31 March 2002

	Note	Proforma 2002 £	2002 £	Proforma 2001 £	2001 £
Fixed assets					
Investments	7				
Company			1	-	1
Joint Venture:					-
Share of gross assets		1,883,247	-	1,874,141	-
Share of gross liabilities		(1,591,898)	-	(1,756,620)	-
		<u>291,349</u>	<u>1</u>	<u>117,521</u>	<u>1</u>
Current assets					
Debtors	8	322,512	322,512	578,226	578,226
Cash at bank and in hand		540,541	540,541	154,020	154,020
		<u>863,053</u>	<u>863,053</u>	<u>732,246</u>	<u>732,246</u>
Creditors: Amounts falling due within one year	9	(247,094)	(247,094)	(294,055)	(294,055)
		<u>615,959</u>	<u>615,959</u>	<u>438,191</u>	<u>438,191</u>
Net current assets					
		<u>907,308</u>	<u>615,960</u>	<u>555,712</u>	<u>438,192</u>
Net assets					
			<u>615,960</u>		<u>438,192</u>
Capital and reserves:					
Income and expenditure account			615,960		438,192

The proforma figures amalgamate results of the Company and its 50% interest in the joint venture as at 31 March 2002.

The financial statements were approved by the Board on 6 August 2002 and signed on its behalf by:



F Goodey CBE DL
President

CASH FLOW STATEMENT
for the year ended 31 March 2002

	Note	2002 £	2001 £
Net cash inflow/(outflow) from operating activities	11	293,937	(415,157)
Dividends received from joint venture		117,521	-
Returns on investment and servicing of finance			
Interest received		11,308	9,012
Taxation paid			
UK Corporation tax		(36,245)	(5,500)
Capital expenditure and financial investment			
Proceeds from the sale of tangible fixed assets		-	41,463
		<hr/>	<hr/>
Increase/(decrease) in cash	13	386,521	(370,182)
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

New accounting standards

FRS 19 "Deferred Tax" has been adopted for the first time in these accounts. No adjustments were required to the accounts as a result of the adoption of the new standard. FRS 18 "Accounting Policies" has also been adopted. It did not cause any other changes in policy, as after careful review, the directors are satisfied that the current accounting policies are the most appropriate for the company. FRS 17 "Retirement Benefits" need not be applied in full until the 2003 accounts, so as in previous years expenses have been charged under SSAP 24. Some additional disclosures are given as required by FRS 17 (see note 4.)

Income

The principle source of income is from Chamber Business Enterprises Limited ("CBE") for membership subscriptions to fund the central unit costs and business costs incurred by the Company. The Company has a 50% interest in CBE. Amounts are invoiced and recognised as income as rechargeable costs are incurred.

Investments in joint ventures

The fixed asset investment is stated at cost less provision for impairment where necessary to reduce the book value to recoverable amount.

In addition to the information required by UK GAAP, the joint venture results and balance sheet are shown in the proforma accounts.

Taxation

The charge for taxation is based on the results for the year and takes into account tax deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Pensions

The Chamber operates a defined benefit pension scheme, which requires contributions to be made to a separate administered fund. Contributions to the fund are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Chamber. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the expected remaining working lives of employees in proportion to their expected payroll costs.

Differences between the amounts funded and the amounts charged to the income and expenditure account are treated as either provisions or prepayments in the balance sheet.

Operating lease rentals

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

2. OPERATING DEFICIT/SURPLUS

Operating deficit/surplus is arrived at after charging:

	2002 £	2001 £
Auditors' remuneration - audit work	4,900	6,500
- other	2,000	3,637
Depreciation of owned fixed assets	-	18,612
Operating lease rentals - land and buildings	12,869	95,940
- plant and machinery	2,600	-
	<u>22,369</u>	<u>124,089</u>

3. DIRECTOR'S REMUNERATION

The aggregate director's remuneration for the year ended 31 March 2002 was £88,235 (2001: £160,682 including £80,000 compensation for termination of employment). Contributions to the company pension scheme were made for one director in the year ended 31 March 2002. (2001: two)

4. STAFF COSTS

	2002 £	2001 £
Wages and salaries	255,655	188,120
Social security costs	21,159	15,236
Pension costs	18,756	14,850
	<u>295,570</u>	<u>218,206</u>

The average monthly number of administrative employees during the period was:

11	10
----	----

Externally funded staff - by third party

Aggregate payroll costs	12,981	14,475
Average number of employees	1	1

The costs in respect of one member of staff funded by a third party (Herbert Whitworth Scholarship Fund) are netted off the staff costs analysed above.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

4. STAFF COSTS (Continued)

Pensions

Triennial actuarial valuations of the pension scheme are performed by a qualified actuary using the projected unit method. The most recent formal actuarial review of the defined benefit pension scheme was at 1 July 2000. The market value of the scheme assets at that date was £1,098,000 and the level of funding was 125%. During the year ended 31 March 2002 the employers contribution rate was 10% of pensionable salary.

The main actuarial assumptions used in the valuation were:

Investment returns	8% p.a.
Salary increases	6% p.a.
Future pension increases	5% p.a.

The disclosures above are given on the basis of Statement of Standard Accounting Practise 24. SSAP 24 is going to be replaced by Financial Reporting Standard 17. The additional disclosures, which follow, are given in preparation for FRS 17 being adopted. They are based on a full actuarial review at 31 March 2002, relate only to the defined benefit scheme and omit comparative figures in accordance with the transitional rules of FRS 17.

Supplementary pension disclosure under FRS 17

a) Contributions

The defined benefit scheme employer contributions for the year ended 31 March 2002 were £18,756 and the employers rate has been fixed at 9% of pensionable salaries thereafter, subject to future actuarial valuations.

b) FRS 17 balance sheet information

	Value at 31 st March 2002	Expected return for 2002/3
	£	
Equities	555,000	
Bonds (including Gilts)	45,000	5.75%
Property	75,000	7.25%
Cash	25,000	4.00%
	<hr/>	
Total market value of assets	700,000	
	<hr/>	
Present Value of Scheme Liabilities	(970,000)	
	<hr/>	
Deficit in the scheme	(270,000)	
	<hr/>	
Net pension liability	(270,000)	
	<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

4. STAFF COSTS (Continued)

The £270,000 would have been shown as a liability had the company's balance sheet been prepared under FRS 17.

c) Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on a FRS 17 basis were:

	At 31 st March 2002
Pensionable Salary Growth	4.25%
Pension Escalation Payments - pensions earned before October 2001	5.00%
- pensions earned after October 2001	2.75%
Pension revaluation in deferment (in excess of GMP)	5.00%
Discount rate	6.00%
Inflation rate	2.75%

5. NET INTEREST

	2002 £	2001 £
Interest receivable	11,308	9,012

6. TAXATION

	2002 £	2001 £
Taxation charge for the year		
Corporation tax charge at 10% (2001: 30%)	643	36,245
Current tax reconciliation		
	2002 £	2001 £
Profit on ordinary activities before taxation	178,411	229,692
Theoretical tax at UK corporation tax rate 10% (2001 30%)	17,841	68,908
Effects of:		
Income not taxable	(17,383)	(35,256)
Expenditure not tax deductible	808	6,696
Movement on deferred tax not provided	(623)	13,081
Difference in tax rates	-	(17,184)
Actual current taxation charge	643	36,245

The Chamber has a deferred tax asset of £9,700 (2001 : £29,000) carried forward, in respect of accelerated capital allowances and the timing differences, which has not been recognised in the accounts.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

7. INVESTMENTS

**Joint Venture
Undertakings
£**

At 31 March 2002 and 1 April 2001

1

The company has 50% of the ordinary share capital of Chamber Business Enterprises Limited, a joint venture company with Manchester Enterprises Limited. Chamber Business Enterprises is incorporated in England and Wales. The Company's share of the results for the year and the shareholders' funds as at 31 March 2002 and 31 March 2001 can be found on the proforma income and expenditure account and balance sheet.

8. DEBTORS

	2002 £	2001 £
Trade debtors	87,217	349,453
Amounts owed by undertakings in which the company has a participating interest	-	61,221
Other debtors	173,826	128,761
Accrued income	-	9,929
Prepayments	61,469	12,463
Other taxes and social security	-	16,399
	322,512	578,226

Included within trade debtors is £80,442 (2001: £262,248) due from Chamber Business Enterprises Limited.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Trade creditors	105,077	102,239
Corporation tax	643	36,245
Other taxes and social security	19,204	-
Other creditors	4,576	6,893
Accruals	114,661	107,968
Deferred subscription and other income	2,933	40,710
	247,094	294,055

Included within trade creditors is £34,687 (2001: £3,752) due to Chamber Business Enterprises Limited.

10. FINANCIAL COMMITMENTS

Operating Lease Commitments

The annual commitments under operating leases are analysed according to the period in which lease expires, as follows:

	2002	2001
	£	£
Property, leases expiring after five years	12,869	-
	2002	2001
	£	£
Office equipment and motor vehicles, leases expiring within one year	2,600	-
two to five years	11,050	-
	13,650	-

Capital Commitments

There were no amounts authorised but not provided in the accounts.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

11. RECONCILIATION OF OPERATING SURPLUS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating (deficit)/surplus	(6,723)	103,159
Depreciation	-	18,612
Decrease/(increase) in debtors	312,019	(118,837)
Decrease in creditors	(11,359)	(418,091)
	<u>293,937</u>	<u>(415,157)</u>
Net cash inflow/(outflow) from operating activities	<u>293,937</u>	<u>(415,157)</u>

12. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002 £	2001 £
Increase/(decrease) in cash	386,521	(370,182)
	<u>154,020</u>	<u>524,202</u>
Net funds at 31 March 2001	154,020	524,202
	<u>540,541</u>	<u>154,020</u>
Net funds at 31 March 2002	540,541	154,020

13. ANALYSIS OF NET FUNDS

	2001 £	Cash flow £	2002 £
Cash at bank and in hand	154,020	386,521	540,541
	<u>154,020</u>	<u>386,521</u>	<u>540,541</u>
Net funds	154,020	386,521	540,541

14. COMPANY STATUS

The Company is incorporated under the Companies Act 1985 as a company limited by guarantee and not having any share capital. In the event of a winding up each member undertakes to contribute such an amount as may be required (not exceeding £2) to the Company's assets if it should be wound up while he is a member, or within one year after he ceases to be a member, for payment of the Company's debts and liabilities contracted before he ceased to be a member and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributions among themselves.

NOTES TO THE FINANCIAL STATEMENTS**31 March 2002****15. RELATED PARTY TRANSACTIONS**

The following related party transactions have occurred between the Chamber and its joint venture, Chamber Business Enterprises Limited.

Included within income for the year is £488,583 (2001: £698,841) which relates to Chamber Business Enterprises Limited. The income has been derived from premises and services charges.

Included within other operating charges for the year is £8,000 (2001: £8,000) which relates to Chamber Business Enterprises Limited. The operating charges occurred due to service charges.

During the year there were net recharges from Manchester Chamber of Commerce and Industry to Chamber Business Enterprises Limited of £14,946 (2001: net recharge from Chamber Business Enterprises Ltd £600,994).

Other related party transactions were:

Body receiving income	Nature of Income	Amount £	Director/senior employee related to body receiving income
Marketing Manchester	Events	22,163	Mr John McGuire Mrs Angela Robinson
Manchester Enterprises	Services Recharges	29,892 156,423	Mr John McGuire Professor John Arnold Mr Peter Heginbotham
Manchester Chamber Staff Pension Scheme	Pensions	18,756	Mr Peter Heginbotham Mrs Angela Robinson Mr Chris Carter
Excellence North West	Events	2,177	Professor John Arnold Mrs Felicity Goodey
Precise Communications	Advertising / PR	32,150	Ms Felicity Goodey
Manchester Business School	Sponsorship	2,000	Professor John Arnold

Refer also to Notes 8 and 9 for related party balances.