Birmingham Chamber of Commerce and Industry

Report and Financial Statements

31st March 2005

Registered Number 78731

OPERATING AND FINANCIAL REVIEW

The Business and its Objectives

Birmingham Chamber of Commerce & Industry (BCI) incorporates the Solihull Chamber of Commerce and the Institute of Asian Business. BCI is a membership based organisation with the main objectives of:

- representing members' views through lobbying activity;
- providing networking opportunities for members; and
- adding value to member and local business organisations through the provision of business services.

BCI operates the Small Business Service contract for the Birmingham & Solihull sub-region under the Business Link brand. This contract includes the provision of international trade services under a separate agreement with the United Kingdom Trade and Investment agency. The Chamber also managed funded Regional Projects during the year, including Accelerate (supporting the automotive supply chain) and Mustard (supporting high growth start-ups).

Other business services provided by BCI to its members and customers included business information & advice, conference & meeting facilities, export documentation services and translations services.

Financial Review

The Group's income for the year was £32 million, a £4.36 million (12%) decrease on the previous year. Income included £13.3 million (2003/04: £14.8 million) relating to European and Government funding received by Business Link to support subsidised consultancy and other services to businesses in the region. Managing the Regional Projects involved allocating funding to the value of £9 million (2003/04: £10.9 million) to provide subsidised assistance to SMEs on a non-profit basis. Income from other business services including training totalled £8.6 million in the year (2003/04: £9.7 million).

The group responded to the anticipated decrease in income by managing costs down, leading to a £4.54 million decrease in expenditure. The resulting group operating surplus for 2004/05 was £501,000 (2003/04: £323,000). The operating surplus exceeded the budget for the year approved by the Chamber's Board.

The absence of significant non-operating exceptional items this year plus increased net interest received meant that the surplus before tax of £595,000 compared very favourably to £89,000 for the previous year. Tax of £165,000 arose on the surplus, with losses having been fully utilised in previous years.

Operating Review

The decrease in income referred to above arose mainly in three areas:

- A reduction in funding of £1.9 million for Regional Projects;
- A reduction in funding of £1.5 million for Business Link business support activities;
- Training income decrease of £0.7 million following the closure of government funded training activity.

The decrease in grant income used by Business Link and Regional Programmes during the year followed a significant increase in the Chamber's business support services provided to businesses in 2003/04, when BCI managed over 40 business support contracts. It was recognised last year that levels of funding had reached a peak and that projects coming to an end in 2004/05 would not be replaced. The Chamber is now managing 31 funded projects. However, the Business Services Division continued to provide the main contribution towards the group's overheads. The division brings together the Chamber's key customer facing operations including Membership, Business Link, Regional Programmes and Chamber Services to provide a unified approach to service provision and business support to members and customers, built around the Small Business Service contract.

A strategic decision was made not to renew contracts with the Learning & Skills Council (LSC) for the provision of government funded training with effect from 1st June 2004. This was managed in a way that had a minimum effect on BCT's trainees and employees. BCT returned an operating surplus for the year of £165,000 compared to £5,000 in the previous year.

Grant income received in advance towards the end of 2003/04 was applied to project delivery in 2004/05, leading to a net cash outflow of £2.3 million. Purchases of fixed assets totalled £867,000, mainly in respect of the capitalisation of property development costs as referred to below.

Investment for the future

Any surpluses generated by the Chamber (which is a Section 30 company) have to be re-invested in the provision of business services for the benefit of members and customers in Birmingham and Solihull. BCI is currently discussing with Advantage West Midlands how any reserves generated from SBS funding can be best applied to future business support.

Last year the Chamber announced its intention to develop the Chamber of Commerce House site and conditional planning consent was received in September 2004 to construct a new building containing Grade-A office space. This major venture for the Chamber will be separately funded and will not draw on reserves generated by past membership activity. A great deal of management time has been spent during the year progressing the development and it is hoped that construction will commence in 2005/06. From a financial perspective, the project represents both a great opportunity and a considerable risk, with development costs at the end of 2004/05 totalling £925,000. However, if successful, the development will take the Chamber forward into the future with a stronger financial base and a new modern image.

REPORT OF THE DIRECTORS

The directors present their report and the group accounts for the year ended 31st March 2005.

Principal activities
The group's principal activities during the year continued to be the provision of services to members and the promotion of commerce and industry, including the management of the Small Business Service contract for the Birmingham and Solihull sub-region. The Birmingham Chamber of Commerce and Industry (BCI) is a s.30 company limited by guarantee and the liability of each member is limited to £1.05.

A business review of the year is set out in the Operating and *Financial Review.*

Results for the year
The group results include those of Birmingham Chamber Training Limited (BCT) being a wholly owned subsidiary undertaking of BCI.

The group surplus for the year, after taxation, amounted to £430,000 (2004 - £65,000) and has been added to reserves.

Directors and their interests
The directors, including the Honorary Officers, as at 31st March 2005 and those who served during the year were as follows:

C I Squires (President)
S Topman (Vice-president)
J R A Crabtree (Vice-president) – appointed 12/10/04
D L Grove (Immediate Past President)
J H Pratt (Immediate Past President) – resigned 12/10/04
S Battle OBE (Chief Executive, BCI)
M A Hibbert (Finance Director, BCI)
D Draycott (Director of Business Services, BCI)
D W Stevens (President, Solihull Chamber) – appointed 1/8/04
J Brayford (President, Solihull Chamber) – resigned 1/8/04
S Sahota (Chairman, Institute of Asian Businesses) – resigned 12/5/05
R D Murray (Chairman, Birmingham Chamber Training Limited)
N S Pountney (Co-opted Member) – appointed 14/5/04
R B M Way (Co-opted Member)
T Gateley (Elected Member) – resigned 12/10/04
E J Roberts CBE (Elected Member) – resigned 12/10/04
B Summers (Elected Member)
R H Wall (Elected Member)
D J Waller (Elected Member)
K S Ward (Elected Member)
K A George (Elected Member) – appointed 12/10/04
I G Greaves (Elected Member) – appointed 12/10/04

There are no directors' interests requiring disclosure under the Companies Act 1985.

Statement as to disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Political and charitable contributions
No contributions were made to any political or charitable organisations during the year.

Auditors
A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board

M A Hibbert
Company Secretary
8th July 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GROUP INCOME & EXPENDITURE ACCOUNT
for the year ended 31st March 2005

	Note	2005 £000	2004 £000
Income	2	**31,976**	36,333
Expenditure			
Administrative expenses		**31,475**	36,010
Operating surplus	3	**501**	323
Deficit on disposal and amounts provided against fixed asset investments	12	**(14)**	(75)
Provision for closure of the Government Funded Training Division	18	**9**	(226)
		496	22
Net interest receivable	7	**99**	67
Surplus on ordinary activities before taxation		**595**	89
Tax on surplus on ordinary activities	8	**(165)**	(24)
Surplus for the year	19	**430**	65

There are no recognised gains and losses other than the surplus of £430,000 for the year ended 31st March 2005 and of £65,000 for the year ended 31st March 2004.

BALANCE SHEETS
at 31st March 2005

	Note	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Fixed assets					
Tangible assets	10	**2,514**	1,929	**2,496**	1,864
Investments:					
Shares in subsidiary undertakings	11	**-**	-	**1**	1
Other investments	12	**373**	431	**373**	431
		2,887	2,360	**2,870**	2,296
Current assets					
Stocks		**5**	21	**5**	17
Debtors	13	**8,193**	9,970	**8,083**	9,499
Deferred taxation	14	**5**	7	**-**	-
Cash at bank and in hand	15	**3,851**	6,179	**3,434**	6,234
		12,054	16,177	**11,522**	15,750
Creditors: amounts falling due within one year	16	**10,559**	14,432	**10,522**	14,564
Net current assets		**1,495**	1,745	**1,000**	1,186
Total assets less current liabilities		**4,382**	4,105	**3,870**	3,482
Creditors: amounts falling due after more than one year					
Loans	17	**1,485**	1,577	**1,485**	1,577
Provisions for liabilities and charges					
Deferred tax	14	**-**	-	**7**	8
Other provisions	18	**721**	782	**652**	467
Net Assets		**2,176**	1,746	**1,726**	1,430
Represented by:					
Reserves	19	**2,176**	1,746	**1,726**	1,430

Signed on behalf of the Board:

C I Squires
President

8th July 2005

GROUP CASH FLOW STATEMENT
for the year ended 31st March 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Net cash (outflow)/inflow from operating activities	9		**(1,570)**		6,339
Returns on investments and servicing of finance					
Interest received		**128**		104	
Interest paid		**(29)**		(37)	
Dividends received		**16**		14	
Net cash inflow from returns on investments and servicing of finance			**115**		81
UK Corporation Tax paid			**(7)**		(11)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(867)**		(355)	
Sale of tangible fixed assets		**42**		4	
Purchase of investments		**(50)**		(46)	
Sale of investments		**94**		47	
Net cash outflow from capital expenditure and financial investment			**(781)**		(350)
Net cash (outflow)/inflow before financing			**(2,243)**		6,059
Financing					
Repayment of medium-term loan			**(85)**		(80)
(Decrease)/increase in cash in the year			**(2,328)**		5,979

Reconciliation of net cash flow to movement in net debt

	Note	2005 £000	2004 £000
(Decrease)/increase in cash in the year		**(2,328)**	5,979
Repayment of medium-term loan		**85**	80
Movement in net debt		**(2,243)**	6,059
Net funds/(debt) at beginning of the year		**4,516**	(1,543)
Net funds at end of the year	15	**2,273**	4,516

Cash flow relating to exceptional items
The 2005 operating cash outflows include an outflow of £43,000 (2004 - £44,000) relating to exceptional items (note 6).

NOTES TO THE ACCOUNTS
at 31st March 2005

1. Accounting policies

Basis of preparation
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Deferral of income
Membership subscription income is deferred to the extent that it relates to future years.

Basis of consolidation
The group accounts consolidate the accounts of BCI and all its subsidiary undertakings drawn up to 31st March 2005. No income and expenditure account is presented for BCI as permitted by s.230 of the Companies Act 1985.

Depreciation
Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Leasehold property	- 50 years
Fixtures and equipment	- 5 to 8 years
Computers	- 3 to 5 years

The carrying values of tangible assets are reviewed for impairment in years if events or changes in circumstances indicate the carrying value may not be recoverable.

Government grants
Government grants in respect of capital expenditure are credited to a deferred income account and are released over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Stocks
Stocks are valued at the lower of cost and net realisable value.

Investments
Listed investments are shown at cost less provision for impairment in value.

Pensions
The group operates a funded defined benefit pension scheme, a non-contributory defined contribution pension scheme and a contributory defined contribution pension scheme for its employees.

Contributions made to the group's defined benefit pension scheme are charged in the income and expenditure account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations in pension cost, which are identified by actuarial valuations using the projected unit credit method, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the income and expenditure account are treated as either provisions or prepayments in the balance sheet. The current status of the pension scheme is set out in note 22.

Contributions made to the defined contribution pension schemes are charged in the income and expenditure account as they become payable in accordance with the rules of the schemes.

Provisions for liabilities and charges
Provision for the advised cost of rectifying leased property dilapidations is charged in the income and expenditure account.

NOTES TO THE ACCOUNTS
at 31st March 2005

1. Accounting policies (continued)

Leasing
Operating lease rentals are charged in expenditure on a straight-line basis over the lease term.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Assets under construction
Costs relating directly to the proposed redevelopment of the Chamber of Commerce House site are capitalised under Property Development in note 10. The costs will be off-set against future profits arising from the scheme.

2. Income

Income represents the amounts derived from the provision of goods and services in the UK which fall within the group's continuing ordinary activities, stated net of value added tax. Income is attributable to the following business areas:

	2005	2004
	£000	£000
Membership subscriptions	**808**	683
Regional Projects	**9,057**	10,951
Grant income	**13,297**	14,792
General services	**8,030**	8,426
Training income	**595**	1,316
Rental income	**173**	151
Income from listed investments	**16**	14
	31,976	36,333

Regional Projects income and grant income relates to European and Government funding received to support subsidised consultancy and other services to businesses in the region.

3. Operating Surplus

The Operating Surplus is stated after charging:

	2005	2004
	£000	£000
Staff costs (note 4)	**6,393**	6,258
Exceptional items (note 6)	**176**	44
Auditors' remuneration – audit services	**27**	26
Auditors' remuneration – non-audit services	**25**	22
Depreciation	**240**	240
Operating lease rentals - plant and machinery	**166**	81
- land and buildings	**34**	126

NOTES TO THE ACCOUNTS
at 31st March 2005

4. Staff costs

	2005 £000	2004 £000
Salaries and wages	**5,638**	5,486
Social security costs	**535**	538
Other pension costs	**220**	234
	6,393	6,258

The average number of persons employed by the group during the year was 201 (2004 - 225).

5. Directors' emoluments

	2005 £000	2004 £000
Emoluments (excluding pension contributions)	**305**	230

Non-executive directors did not receive any remuneration for their services. The emoluments, excluding pension contributions, of the highest paid director were £124,121 (2004 - £113,801). The highest paid director's accrued pension at the end of the year was £59,435 (2004 - £53,462).

	2005 No.	2004 No.
Members of defined benefit pension scheme	**2**	2

6. Exceptional items

	2005 £000	2004 £000
Recognised in arriving at operating surplus:		
Personnel costs and professional fees	**155**	-
Property dilapidation provision	**(50)**	-
Re-organisation costs	**71**	44
	176	44

Personnel costs and professional fees relate to provisions for claims from part-time employees for retrospective pension rights introduced by the Pensions Act. Release of part of the property dilapidation provision relating to the leased training centre in New Bartholomew Street has been made following agreement of the liability. Re-organisation costs relate to redundancy and other similar costs. There is no tax effect from the exceptional items.

7. Net interest receivable

	2005 £000	2004 £000
Interest paid on bank loan and overdrafts	**(29)**	(37)
Interest received	**128**	104
	99	67

NOTES TO THE ACCOUNTS
at 31st March 2005

8. Taxation

	2005 £000	2004 £000
Tax on surplus on ordinary activities:		
UK Corporation tax	**163**	11
Deferred tax (note 14):		
Origination and reversal of timing differences	**2**	13
	165	24

Factors affecting the tax charge for the year:
The tax assessed on the surplus on ordinary activities for the year is lower than the standard rate of corporation tax. The differences are explained below:

	2005 £000	2004 £000
Surplus on ordinary activities before taxation	**595**	89
Surplus on ordinary activities at the standard rate of tax of 30% (2004: 30%)	**178**	27
Effect of:		
Disallowed expenses and non-taxable income	**8**	48
Accounting loss on chargeable assets	**4**	5
Difference between capital allowances and depreciation	**15**	4
Short term timing differences	**(11)**	(10)
Utilisation of losses	**(7)**	(56)
Difference in company tax rates	**(18)**	-
Marginal relief	**(6)**	(7)
Current tax charge for the year	**163**	11

9. Net cash flow from operating activities

	£000	**2005 £000**	£000	2004 £000
Operating surplus		**501**		323
Add back:				
Depreciation		**240**		240
		741		563
Deduct:				
Dividends received		**(16)**		(14)
		725		549
(Decrease)/increase in deferred subscriptions income provision	**(76)**		78	
Increase in other provisions	**24**		-	
Loss on disposal of tangible fixed assets	**-**		7	
Decrease/(increase) in stocks	**16**		(4)	
Decrease in debtors	**1,777**		1,429	
(Decrease)/increase in creditors	**(4,036)**		4,280	
		(2,295)		5,790
Net cash (outflow)/inflow from operating activities		**(1,570)**		6,339

NOTES TO THE ACCOUNTS
at 31st March 2005

10. Tangible fixed assets

	Property Development £000	Leasehold Property £000	Computers Fixtures & Equipment £000	Total £000
Group:				
Cost				
At 1st April 2004	180	1,362	2,058	3,600
Additions during the year	745	3	119	867
Disposals during the year	-	-	(557)	(557)
At 31st March 2005	**925**	**1,365**	**1,620**	**3,910**
Depreciation				
At 1st April 2004	-	111	1,560	1,671
Charge for the year	-	21	219	240
Eliminated on disposal	-	-	(515)	(515)
At 31st March 2005	**-**	**132**	**1,264**	**1,396**
Net book value at 31st March 2005	**925**	**1,233**	**356**	**2,514**
Net book value at 1st April 2004	180	1,251	498	1,929
Company:				
Cost				
At 1st April 2004	180	1,362	1,479	3,021
Additions during the year	745	3	112	860
At 31st March 2005	**925**	**1,365**	**1,591**	**3,881**
Depreciation				
At 1st April 2004	-	111	1,046	1,157
Charge for the year	-	21	207	228
At 31st March 2005	**-**	**132**	**1,253**	**1,385**
Net book value at 31st March 2005	**925**	**1,233**	**338**	**2,496**
Net book value at 1st April 2004	180	1,251	433	1,864

11. Shares in subsidiary undertakings

BCI holds the whole of the issued share capital in the following companies:

- Birmingham C.O.C. Pension Fund Trustee Company Limited being 100 shares of 5p each. The company acts as the trustee of the group's staff pension scheme and was dormant throughout the year.
- Birmingham Chamber Training Limited being 100 shares of £1 each. The company's principal activity is the provision of training services.
- Sandwell Chamber of Commerce and Industry Limited being 100 shares of £1 each. The company was dormant throughout the year.

BCI also holds 80 ordinary shares of £1 each in Central Chambers of Commerce and Industry Limited (a dormant company), being 80% of the issued capital.

Birmingham Chamber Training Limited holds the whole of the issued share capital in Birmingham Venture Enterprise Rehearsal Limited being 2 shares of £1 each. The company was dormant throughout the year.

NOTES TO THE ACCOUNTS
at 31st March 2005

12. Other investments

	Listed £000	Unlisted £000	Total £000
Group and company			
Cost:			
At 1st April 2004	531	5	536
Purchases during the year	50	-	50
Sales during the year	(93)	-	(93)
At 31st March 2005	**488**	**5**	**493**
Amounts provided:			
At 1st April 2004	105	-	105
Provided during the year	20	-	20
Utilised during the year	(5)		(5)
At 31st March 2005	**120**	**-**	**120**
Net book value at 31st March 2005	**368**	**5**	**373**
Net book value at 1st April 2004	426	5	431

The market value of listed investments as at 31st March 2005 was £418,000 (31st March 2004 - £414,000). Fifty per cent of the issued ordinary share capital of the National Exhibition Centre Limited, which is registered in England and Wales, consisting of 5,000 shares of £1 each, is included in unlisted investments. This company acts as the non-profit making managing agent for the National Exhibition Centre and is not consolidated on the grounds of materiality.

13. Debtors

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Trade debtors	**2,844**	3,346	**2,743**	3,086
Other debtors	**4,943**	6,235	**4,914**	6,171
Prepayments and accrued income	**406**	389	**402**	242
Amounts owed by group undertakings	**-**	-	**24**	-
	8,193	9,970	**8,083**	9,499

Included within prepayments and accrued income for the group is £198,000 (2004 - £139,000) in respect of pension accounting (company - £198,000 (2004 - £136,000)). These amounts fall due after more than one year.

14. Deferred taxation

The major components of the deferred tax asset/(liability) recognised in the accounts are as follows:

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Capital allowances	**38**	28	**26**	17
Other timing differences	**(33)**	(28)	**(33)**	(25)
Losses	**-**	7	**-**	-
	5	7	**(7)**	(8)

NOTES TO THE ACCOUNTS
at 31st March 2005

14. Deferred taxation (continued)

The major components of deferred tax not recognised in the accounts are as follows:

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Capital losses	**10**	6	**8**	5

Movement in the deferred tax asset/(liability) during the year:

	Group £000	Company £000
At 1st April 2004	7	(8)
Adjustment in respect of previous years	2	-
Current year	(4)	1
At 31st March 2005	**5**	**(7)**

15. Analysis of changes in net debt

	2003 £000	Cash flows £000	2004 £000	Cash flows £000	**2005 £000**
Cash at bank and in hand	200	5,979	6,179	(2,328)	**3,851**
Bank loan	(493)	80	(413)	85	**(328)**
Other loan	(1,250)	-	(1,250)	-	**(1,250)**
	(1,543)	6,059	4,516	(2,243)	**2,273**

16. Creditors

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Current instalment due on bank loan (note 17)	**93**	86	**93**	86
Trade creditors	**3,466**	5,951	**3,460**	5,933
Accruals and deferred income	**6,175**	7,938	**6,169**	7,885
Other creditors	**553**	282	**546**	282
Other taxes and social security costs	**105**	164	**105**	164
Corporation tax	**167**	11	**139**	11
Amounts owed to group undertakings	**-**	-	**10**	203
	10,559	14,432	**10,522**	14,564

NOTES TO THE ACCOUNTS
at 31st March 2005

17. Loans

	2005	2004
	£000	£000
Group and company:		
Wholly repayable within 5 years:		
Bank loan	**328**	413
Other loan	**1,250**	1,250
	1,578	1,663
Less amount falling due within one year	**(93)**	(86)
	1,485	1,577

An unsecured bank loan of £800,000 was received on 16th June 1998 and is repayable by quarterly repayments of £29,000 including interest at 7.68 % p.a. over 10 years. An unsecured interest free loan of £1,250,000 was received on 24th May 2001 and is repayable upon termination of the Chamber's Small Business Service contract.

	2005	2004
	£000	£000
Group and company:		
Amounts repayable:		
in one year or less	**93**	86
between one and two years	**100**	93
between two and five years	**1,385**	1,484
	1,578	1,663
in five years or more	**-**	-
	1,578	1,663

18. Provisions for liabilities and charges

	Group	Group	**Company**	Company
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Personnel costs	**261**	-	**261**	-
Deferred subscriptions income	**391**	467	**391**	467
Property dilapidation costs	**69**	89	**-**	-
Closure of GFP Training Division	**-**	226	**-**	-
	721	782	**652**	467

Movement in provisions during the year:

	Personnel Costs*	Deferred Income*	Property costs	Closure costs	Total costs
	£000	£000	£000	£000	£000
At 1st April 2004	-	467	89	226	782
Provided during the year	261	-	6	-	267
Utilised during the year	-	-	(26)	(217)	(243)
Released during the year	-	(76)	-	(9)	(85)
At 31st March 2005	**261**	**391**	**69**	**-**	**721**

* applies to the company as well as to the group.

NOTES TO THE ACCOUNTS
at 31st March 2005

19. Movement on reserves

Income and expenditure account:

	Group £000	Company £000
At 31st March 2003	1,681	1,154
Surplus for the year	65	276
At 31st March 2004	1,746	1,430
Surplus for the year	430	296
At 31st March 2005	**2,176**	**1,726**

The company operates under s.30 of the Companies Act and is unable to distribute surpluses or reserves. A certain amount of the company's reserves can only be used in connection with the delivery of Business Link services or wider business support activities in the sub-region, subject to the agreement of Advantage West Midlands.

20. Surplus attributable to the parent company

The surplus dealt with in the accounts of the parent company was £296,000 (2004 - £276,000). Advantage has been taken of the exemption from publication of the company's own income and expenditure account.

21. Other financial commitments

At the year end, the annual commitments under non-cancellable operating leases were as follows:

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Land and buildings leases expiring:				
within one year	-	45	-	-
in two to five years	**7**	-	-	-
Other leases expiring:				
within one year	**31**	27	**31**	27
in two to five years	**78**	96	**78**	96
	116	168	**109**	123

22. Pension commitments

SSAP 24 Disclosures

The group operates a funded defined benefit pension scheme, a non-contributory defined contribution pension scheme and a contributory defined contribution pension scheme for its employees.

The assets of the defined benefit pension scheme are held separately from those of the group and the pension scheme is administered by the Birmingham C.O.C. Pension Fund Trustee Company Limited. The most recent triennial valuation was undertaken as at 30th June 2002 by the Scheme Actuary using a market valuation approach and the projected unit credit method. The main assumptions made in the valuation were that the investment returns would be 6.5% per annum, that salary increases would average 4% per annum and that present and future pensions would increase by 1.25% per annum on that part of the pension in excess of the guaranteed minimum pension (on which the State provides full indexation). The most recent actuarial valuation showed that the market value of the scheme's assets, including AVC's, was £8,722,000 and that the actuarial value of those assets was sufficient to cover 102% of the benefits that had accrued to members, after allowing for future increases in earnings. The scheme was closed to new entrants on 30th September 2002. To the extent that the average age of the remaining members in the scheme increases over time as a result of this action, the pension cost for the defined benefit scheme (expressed as a percentage of salary for the remaining members) may be expected to rise. The disclosed costs presently make no allowance for this.

NOTES TO THE ACCOUNTS
at 31st March 2005

22. Pension commitments - SSAP 24 Disclosures (continued)

The assets of the defined contribution pension schemes are held separately from those of the group in an independently administered fund. Included in other creditors (note 16) were unpaid contributions relating to the defined contribution pension scheme at the year end of £15,000 (2004 – £18,000).

FRS 17 Disclosures

The following disclosures by way of note are required under the transitional arrangements for FRS 17. These disclosures, which relate to the defined benefit pension scheme ("DBPS"), do not reflect the longer-term nature of pension schemes. In particular, the market value of the equity element of the DBPS fund is required to be included at market value at the balance sheet date. In the short term, such values may fluctuate to a material extent.

Contributions by members of the DBPS were made during the year at the rate of 7% of contribution earnings. The Chamber contributed at the rate of 10% of pensionable earnings.

A full actuarial valuation of the defined benefit pension scheme was carried out as at 30th June 2002. An updated actuarial valuation of the liabilities was obtained as at 31st March 2005 and the principal actuarial assumptions used were:

	2005 % p.a.	2004 % p.a.	2003 % p.a.
Price inflation	**2.75**	2.75	2.25
Rate of increase in pay	**4.00**	4.25	3.75
Rate of increase of pensions in payment with statutory increases	**2.75**	2.75	2.25
Rate of increase of pensions in payment with discretionary increases	**1.35**	1.35	1.10
Rate of increase for deferred pensioners (in excess of any Guaranteed Minimum Pension element)	**2.75**	2.75	2.25
Discount rate	**5.40**	5.50	5.25

The assets and liabilities of the defined benefit pension scheme as at 31st March 2005 and the expected long-term rate of return were:

	2005 Fair value £000	**2005 Return % p.a.**	2004 Fair value £000	2004 Return % p.a.	2003 Fair value £000	2003 Return % p.a.
Equities	**5,308**	**8.10**	5,014	8.40	4,234	8.40
Bonds	**2,509**	**4.80**	2,485	4.90	2,625	4.75
Property	**122**	**6.50**	113	6.65	157	6.60
Cash	**340**	**3.80**	350	3.80	44	3.80
Fair value of fund assets	**8,279**	**6.90**	7,962	7.08	7,060	6.97
Actuarial value of scheme liabilities	**(10,133)**		(9,417)		(8,711)	
Deficit in the scheme	**(1,854)**		(1,455)		(1,651)	

The amount which would be charged to operating surplus was as follows:

	2005 £000	2004 £000
Current service cost	**199**	225

There are no other amounts which would be charged to the Income & Expenditure account.

NOTES TO THE ACCOUNTS
at 31st March 2005

22. Pension commitments - FRS 17 Disclosures (continued)

The amount which would be charged to other finance income was as follows:

	2005	2004
	£000	£000
Interest on pension scheme liabilities	**506**	442
Expected return on assets in the pension scheme	**(554)**	(475)
Net credit to other finance income	**(48)**	(33)

The amounts which would be included in the Statement of Recognised Gains and Losses and the history of experience gains and losses were as follows:

	2005	2004	2003
	£000	£000	£000
(Gain)/loss on assets	**(140)**	(912)	2,697
Experience (gain)/loss on liabilities	**(74)**	320	118
Loss/(gain) on change of assumption	**554**	266	(156)
Total actuarial loss/(gain)	**340**	(326)	2,659

	2005	2004	2003
	%	%	%
(Gain)/loss on assets as a % of scheme assets at the end of the year	1.7	11.5	38.2
Experience (gain)/loss on liabilities as a % of scheme liabilities at the end of the year	0.7	3.4	1.4
Total actuarial loss/(gain) as a % of scheme liabilities at the end of the year	3.4	3.5	30.5

The movement in the scheme deficit during the year was as follows:

	2005	2004
	£000	£000
Deficit in the scheme at the beginning of the year	**(1,455)**	(1,651)
Contributions paid	**92**	62
Current service cost	**(199)**	(225)
Other finance income	**48**	33
Actuarial (loss)/gain	**(340)**	326
Deficit in the scheme at the end of the year	**(1,854)**	(1,455)

Reconciliation to reserves:

	2005	2004
	£000	£000
Profit and loss reserve	**2,176**	1,746
Eliminate SSAP 24 prepayment	**(198)**	(139)
Scheme deficit (FRS 17)	**(1,854)**	(1,455)
Profit and loss reserve (FRS 17)	**124**	152

NOTES TO THE ACCOUNTS
at 31st March 2005

23. Transactions with Related Parties

During the year the company made payments in the normal course of business to the following companies which had certain directors who were also directors of the Chamber of Commerce:

	Value of transactions £000	Balance at 31/3/05 £000
The British Chambers of Commerce & Industry	54	0
The Confederation of West Midlands Chambers of Commerce	25	1
Neil Pountney Consultancy Limited	30	3
Ove Arup Limited	14	10

In each case the price charged was the normal market price.

INDEPENDENT AUDITORS' REPORT
to the members of Birmingham Chamber of Commerce and Industry

We have audited the group's financial statements for the year ended 31st March 2005 which comprise the Group Income & Expenditure Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes 1 to 23. These financial statements have been prepared on the basis of 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
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

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 Directors' Report, the Operating and Financial Review and Corporate Governance statement and consider the implications for our report if we become aware of any apparent misstatements within them.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 and of the group as at 31st March 2005 and of the surplus of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

8th July 2005

CORPORATE GOVERNANCE

The Board is responsible for establishing and maintaining the group's system of internal financial control. Internal control systems are designed to meet the particular needs of the group concerned and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The directors have established the following with a view to providing effective internal financial control:

- **The Board**
  The Board has overall responsibility for the group and there is a formal schedule of matters specifically reserved for decision by the Board. The executive directors constitute the Executive Committee, which meets fortnightly to discuss day-to-day operational matters.

  The Board is responsible for identifying the major business risks faced by the group and for agreeing with the Executive Committee the appropriate courses of action to manage those risks. Risk management forms part of the annual business plan which is approved by the Board with the annual budget. Performance is monitored and relevant action taken throughout the year through the reporting to the Board of variances from the budget and forecasts together with progress on risk management.

  In addition, the Board supports three formal committees as follows:

- **Audit Committee**
  The Audit Committee is chaired by the senior Vice-president and consists of the junior Vice-president and two non-executive directors, with the Chief Executive and Finance Director in attendance. The Committee has written terms of reference which include the following responsibilities:
  - monitoring the integrity of the company's financial statements and reviewing significant financial reporting judgements contained within them;
  - reviewing the company's internal control and risk management systems and forming an opinion on their appropriateness and effectiveness;
  - monitoring the effectiveness of the internal audit function and reviewing the results of non-statutory audits;
  - monitoring the independence, objectivity and effectiveness of the external auditor and approving their terms of engagement and remuneration;
  - making recommendations to the board on the appointment of the external auditor and establishing policy on the engagement of the external auditor to provide non-audit services;
  - ensuring that suitable arrangements are in place for investigating Protected Disclosures raised by company staff about possible financial reporting improprieties;
  - receiving Protected Disclosures from Chamber staff and considering appropriate follow-up action.

- **Remuneration Committee**
  The Remuneration Committee is comprised of the President and nominated Board members. The committee determines the overall remuneration package for executive directors in order to attract and retain high quality executives capable of achieving the group's objectives.

- **Property Development Committee**
  The Board has created a committee to monitor and report on the project for the redevelopment of Chamber of Commerce House in recognition of the significant business risks inherent in such a scheme. The Property Development Committee is chaired by David Grove and is comprised of the Honorary Officers, nominated Executive Directors and external experts. The Committee reports to the Board at each of its meetings.