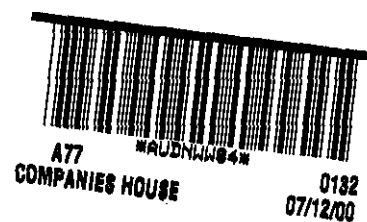


THE MERLIN VENTURE LIMITED
(A company limited by Guarantee and not having a share capital)

FINANCIAL STATEMENTS

31 MARCH 2000



THE MERLIN VENTURE LIMITED

INDEX
31 MARCH 2000

	Page
COMPANY INFORMATION	1
REPORT OF THE DIRECTORS	2 to 4
REPORT OF THE AUDITORS	5
PROFIT AND LOSS ACCOUNT	6
BALANCE SHEET	7
NOTES TO THE FINANCIAL STATEMENTS	8 to 11

THE MERLIN VENTURE LIMITED

COMPANY INFORMATION

DIRECTORS:

Ian Bingham
John Cooper
Peter Daniels
Ian Good
Rod Griffin
Jacqui Gumbley
Christopher Hasluck
Karen Mahon
David Owen

SECRETARY:

Mark Cook

REGISTERED OFFICE:

Anthony Collins Solicitors
St Philips Gate
5 Waterloo Street
Birmingham
B2 5PG

REGISTERED NUMBER:

3615422

AUDITORS:

Mazars Neville Russell
The Broadway
Dudley
West Midlands
DY1 4PY

BANKERS:

Barclays Bank Plc
Erdington Branch
P O Box 3650
Erdington
Birmingham
B23 6XU

THE MERLIN VENTURE LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 March 2000.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is designed to tackle the following issues directly and at a local level to complement national, regional and citywide policies:

- Job creation and access
- Social and economic exclusion
- Local jobs for local people
- Social and economic capacity building
- Local services for local people

The Merlin Venture Limited is now in its second year of operation and operates as:

- An employment business with social objectives
- A direct employer while sub contracting work from the public, private and voluntary sectors
- A project manager for Castle Vale Housing Action Trust
- A provider of local services
- An incubator and holding company for businesses and community businesses
- A community development trust initially dedicated to identifying and securing local jobs for local people.

The level of business is such that the projects currently operational are:

- Valescapes - a landscaping company
- Tiggy Winkles Day Nursery - a 55 place day nursery catering for 0-5 year olds
- Fresh Start Decorators - a tenant decorating service
- Community Transport - a community bus project
- Enterprise Park - a complex of 46 units, for both incubator and established businesses
- Managed Labour Market Programme - an employment business model enabling unemployed individuals access to temporary employment
- Job Route Destination Employed - a BCC initiative targeting 16-60 aged unemployed people in Priority 1 areas.

The year-end financial position was satisfactory and the Directors expect the current level of activity to continue.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in the financial statements.

THE MERLIN VENTURE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FIXED ASSETS

Details of changes in fixed assets are given in the financial statements.

DIRECTORS

The directors set out below have held office during the whole of the period from 1 April 1999 to the date of this report unless otherwise stated.

Philip Barratt	(resigned August 1999)
Ian Bingham	(appointed November 1999)
Diane Carter	(removed November 1999)
Steve Carter	(appointed November 1999, resigned March 2000)
John Cooper	(appointed July 1999)
Peter Daniels	
Ian Good	
Rod Griffin	
Jacqui Gumbley	(appointed November 1999)
Christopher Hasluck	
Mary Kennedy	(resigned June 1999)
Karen Mahon	
David Owen	

RESPONSIBILITIES OF DIRECTORS

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

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

THE MERLIN VENTURE LIMITED

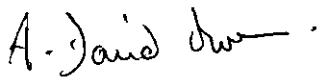
REPORT OF THE DIRECTORS (CONTINUED)

AUDITORS

The auditors, Mazars Neville Russell, have signified their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Approved by the board on 8th November 2000
and signed on its behalf by

A handwritten signature in black ink, appearing to read 'A. David Owen'.

David Owen
Director

**AUDITORS' REPORT TO THE
MEMBERS OF THE MERLIN VENTURE LIMITED**

We have audited the financial statements on pages 6 to 11 which have been prepared following the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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. 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.

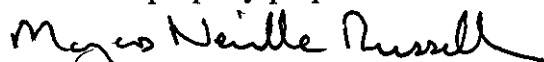
Basis of opinion

We conducted our audit in accordance with 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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors
The Broadway
Dudley
West Midlands
DY1 4PY

8th November 2000

THE MERLIN VENTURE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000**

	Notes	2000 £	7 Months to 31 March 1999 £
TURNOVER	2	221,571	13,588
Administrative expenses		(420,721)	(37,265)
Other operating income	3	241,408	15,666
		<hr/>	<hr/>
OPERATING PROFIT		42,258	(8,011)
Other interest receivable and similar income		16,701	57
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR BEFORE TAXATION		58,959	(7,954)
Tax on profit for the year	7	(13,000)	(-)
		<hr/>	<hr/>
Profit for year after tax		45,959	(7,954)
RETAINED LOSSES AT BEGINNING OF YEAR		(7,954)	(-)
		<hr/>	<hr/>
ACCUMULATED PROFIT AT END OF YEAR		38,005	(7,954)
		<hr/>	<hr/>

The company's turnover and expenses all relate to continuing operations.

The company has no recognised gains or losses other than the result for the year which has been calculated on the historical cost basis.

THE MERLIN VENTURE LIMITED

BALANCE SHEET AT 31 MARCH 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	177,729	3,207
CURRENT ASSETS			
Debtors	9	69,986	4,278
Cash at bank and in hand		2,416,004	414,043
		<u>2,485,990</u>	<u>418,321</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(87,723)	(40,817)
		<u>2,398,267</u>	<u>377,504</u>
NET CURRENT ASSETS			
		<u>2,398,267</u>	<u>377,504</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,575,996	380,711
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(159,326)	(10,000)
		<u>(159,326)</u>	<u>(10,000)</u>
NET ASSETS			
		<u>2,416,670</u>	<u>370,711</u>
CAPITAL AND RESERVES			
Restricted reserve	12	378,665	378,665
Designated reserve	13	2,000,000	-
Profit and loss account		38,005	(7,954)
		<u>2,416,670</u>	<u>370,711</u>

Approved by the board on 8th November 2000
and signed on its behalf

A. David Jones

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of services to customers.

Depreciation

Depreciation is calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their estimated useful lives by equal annual instalments.

Government Grants

Government grants received are treated as deferred credits and released to the profit and loss account over the estimated useful life of the relevant fixed assets.

2 ACTIVITIES

The turnover, results and net assets are attributable to the principal activity.

The company operates in the United Kingdom and the whole of its turnover is to the United Kingdom market.

3 OTHER OPERATING INCOME

	2000 £	7 Months to 31 March 1999 £
Grants receivable - Castle Vale Housing Action Trust	241,408	15,666
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

	2000 £	7 Months to 31 March 1999 £
4 RESULTS ON ORDINARY ACTIVITIES		
The results on ordinary activities are stated after charging:		
Staff costs (note 5)	91,865	13,768
Depreciation of owned tangible fixed assets	35,707	171
Amortisation of goodwill	-	3,953
Auditors' remuneration - Audit Fee	5,500	1,000
	<u>91,865</u>	<u>13,768</u>
5 STAFF COSTS		
Staff costs including directors:		
Wages and salaries	87,017	12,920
Social security costs	4,848	848
	<u>91,865</u>	<u>13,768</u>
Average number of persons including executive directors employed by the company during the year:	Number	Number
Managerial	3	-
Administration	2	2
Operatives	23	-
	<u>28</u>	<u>2</u>
6 DIRECTORS		
None of the directors received any emoluments.		
7 TAXATION		
	£	£
Corporation tax @ 20% (1999 Nil)	<u>13,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

8 TANGIBLE FIXED ASSETS

	Leasehold property £	Fixtures & fittings £	Plant & equipment £	Motor vehicles £	Total £
COST					
At 1 April 1999	3,318	60	-	-	3,378
Additions	86,435	4,095	100,919	18,780	210,228
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2000	89,753	4,155	100,919	18,780	213,606
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ACCUMULATED DEPRECIATION					
At 1 April 1999	166	5	-	-	171
Charge for the year	18,316	1,383	12,688	3,320	35,707
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2000	18,482	1,388	12,688	3,320	35,877
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUES					
At 31 March 1999	3,152	55	-	-	3,207
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2000	71,271	2,767	88,231	15,460	177,729
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9 DEBTORS

Due within one year:

Trade debtors	32,631	-
VAT recoverable	19,086	1,358
Other debtors	-	2,920
Prepayments and accrued income	18,269	-
	<u> </u>	<u> </u>
	69,986	4,278
	<u> </u>	<u> </u>

THE MERLIN VENTURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000**

	2000 £	1999 £
10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank overdrafts	-	1,110
Trade creditors	47,412	-
Other creditors	-	968
Other taxation and social security costs	4,311	1,239
Corporation tax	13,000	-
Accruals and deferred income	5,500	-
Grant - EDDMLM	-	30,000
Grant - Castle Vale Housing Action Trust	7,500	7,500
Loan - Castle Vale Housing Action Trust	10,000	-
	<u>87,723</u>	<u>40,817</u>

**11 CREDITORS (AMOUNTS FALLING DUE
AFTER MORE THAN ONE YEAR**

Deferred income - Capital Grants	159,326	-
Loan - Castle Vale Housing Action Trust	-	10,000
	<u>159,326</u>	<u>10,000</u>

12 RESTRICTED RESERVE

This has arisen from the investment on 31 March 1999 by Castle Vale Housing Action Trust (CVHAT) for investment in projects for the furtherance of the company's objectives on the Castle Vale Estate.

13 DESIGNATED RESERVE

This has arisen from the investment on 31 March 2000 by CVHAT for operational costs and development of the company's objectives.

	2000 £	1999 £
14 CAPITAL COMMITMENTS		
Capital expenditure contracted for but not provided for in the financial statements	<u>-</u>	<u>-</u>
Capital expenditure authorised by the directors but not yet been contracted for	<u>-</u>	<u>-</u>

15 CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (1999 Nil).