

THE MERLIN VENTURE LIMITED

INDEX
31 MARCH 2002

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THE MERLIN VENTURE LIMITED

COMPANY INFORMATION

DIRECTORS:

Alfred David Owen - Chair
Peter Daniels
Ian Good
Rod Griffin
Christopher Hasluck
Donald McIntosh
Richard Temple Cox
Nicholas Pitt
Peter Richmond
Derek Douglas
Cllr Don Blake
Paul Spooner

SECRETARY:

Robert Brown

REGISTERED OFFICE:

Venture House
Castle Vale Enterprise Park
Park Lane
Castle Vale
Birmingham
B35 6LJ

REGISTERED NUMBER:

3615422

AUDITORS:

Mazars
The Broadway
Dudley
West Midlands
DY1 4PY

BANKERS:

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

Merrill Lynch Investment Managers
New Century House
International Financial Services Centre
Dublin 1

THE MERLIN VENTURE LIMITED

REPORT OF THE DIRECTORS

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

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 exclusions
- Local jobs for local people
- Social and economic capacity building
- Local services for local people

The Merlin Venture Limited is now in its fourth 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 and other registered social landlords
- A provider of local services
- A developer and manager of social enterprises
- An incubator and holding company for businesses and community businesses
- A community development company 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 – two tenant decorating services
- Valley Travel – a range of community and public bus services
- Site management at Enterprise Park – a complex of 46 units, for both incubator and established businesses
- Merlin Recruitment - an employment business and temporary agency, incorporating the Managed Labour Market Programme (an employment business model enabling unemployed individuals to access temporary employment)

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

RESULTS

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

FIXED ASSETS

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

THE MERLIN VENTURE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS

The Directors set out below have held office during the whole of the period from 1 April 2001 to the date of this report unless otherwise stated.

Peter Daniels	Nicholas Pitt	(appointed 9 January 2002)
Ian Good	Peter Richmond	(appointed 9 January 2002)
Rod Griffin	Derek Douglas	(appointed 20 February 2002)
Christopher Hasluck	Cllr Ted Richards	(appointed 20 February 2002,
Alfred David Owen (Chairman)		resigned 17 June 2002)
Donald McIntosh	Cllr Don Blake	(appointed 31 July 2002)
Richard Temple Cox	Paul Spooner	(appointed 5 March 2002)
Cllr Michael Olley	(resigned 7 January 2002)	

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 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

AUDITORS

On 1 September 2002 our auditors, Mazars Neville Russell, changed their name to Mazars. A resolution to reappoint Mazars as auditors will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Approved by the board on 20 November 2002
and signed on its behalf by



Robert Brown
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE MERLIN VENTURE LIMITED

We have audited the financial statements of The Merlin Venture Limited for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory 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 and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes 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 the company's affairs as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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



2002

THE MERLIN VENTURE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002 £	2001 £
TURNOVER	2	382,044	337,337
Administrative expenses		(900,185)	(805,229)
Other operating income	3	<u>269,053</u>	<u>332,509</u>
OPERATING LOSS		(249,088)	(135,383)
Other interest receivable and similar income		<u>103,984</u>	<u>113,923</u>
LOSS FOR THE FINANCIAL YEAR BEFORE TAXATION		(145,104)	(21,460)
Tax on loss for the year	7	<u>-</u>	<u>745</u>
Loss for year after tax		(145,104)	(20,715)
RETAINED PROFIT AT BEGINNING OF YEAR		<u>17,290</u>	<u>38,005</u>
ACCUMULATED LOSS AT END OF YEAR		<u>(127,814)</u>	<u>17,290</u>

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.

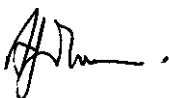
THE MERLIN VENTURE LIMITED

BALANCE SHEET AT 31 MARCH 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	85,539	146,291
CURRENT ASSETS			
Debtors	9	104,144	62,445
Cash at bank and in hand		2,217,004	2,382,282
		<u>2,321,148</u>	<u>2,444,727</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(82,431)	(84,954)
NET CURRENT ASSETS		<u>2,238,717</u>	<u>2,359,773</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,324,256	2,506,064
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(73,405)	(110,109)
NET ASSETS		<u>2,250,851</u>	<u>2,395,955</u>
CAPITAL AND RESERVES			
Restricted reserve	12	378,665	378,665
Designated reserve	13	2,000,000	2,000,000
Profit and loss account - deficit		(127,814)	17,290
		<u>2,250,851</u>	<u>2,395,955</u>

Approved by the board on 20 November 2002
and signed on its behalf

Director



THE MERLIN VENTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

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 (note 8)

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.

Capital Grants (note 11)

Capital 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

	2002 £	2001 £
Grants receivable - Castle Vale Housing Action Trust	250,659	270,369
- Mercian Housing Association Limited	18,394	62,140
	<u>269,053</u>	<u>332,509</u>

THE MERLIN VENTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

	2002 £	2001 £
4 RESULTS ON ORDINARY ACTIVITIES		
The results on ordinary activities are stated		
after charging:		
Staff costs (note 5)	552,425	457,750
Depreciation of owned tangible fixed assets (note 8)	83,316	68,672
Auditors' remuneration - audit fee	3,500	3,500
- other services	1,200	-
	<u>552,425</u>	<u>457,750</u>
5 STAFF COSTS		
Staff costs including directors:		
Wages and salaries	521,508	426,372
Social security costs	30,917	31,378
	<u>552,425</u>	<u>457,750</u>
Average number of persons including executive directors employed by the company during the year:	Number	Number
Managerial	6	2
Administration	3	3
Operatives	42	44
	<u>51</u>	<u>49</u>
6 DIRECTORS		
None of the directors received any emoluments.		
7 TAXATION	£	£
Corporation tax	-	-
Adjustment in respect of prior year	-	(745)
	<u>-</u>	<u>(745)</u>

THE MERLIN VENTURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

8 TANGIBLE FIXED ASSETS

	Leasehold property £	Fixtures & fittings £	Plant & equipment £	Motor vehicles £	Total £
COST					
At 1 April 2001	91,695	14,177	125,831	18,780	250,482
Additions	1,770	-	20,034	7,400	29,204
Disposals	(-)	(-)	(-)	(13,280)	(13,280)
	<u>93,465</u>	<u>14,177</u>	<u>145,865</u>	<u>12,900</u>	<u>266,406</u>
At 31 March 2002	93,465	14,177	145,865	12,900	266,406
ACCUMULATED DEPRECIATION					
At 1 April 2001	36,821	3,660	55,696	8,015	104,191
Charge for the year	18,693	2,835	50,263	11,525	83,316
Disposals	(-)	(-)	(-)	(6,640)	(6,640)
	<u>55,514</u>	<u>6,495</u>	<u>105,959</u>	<u>12,900</u>	<u>180,867</u>
At 31 March 2002	55,514	6,495	105,959	12,900	180,867
NET BOOK VALUES					
At 31 March 2001	<u>54,874</u>	<u>10,517</u>	<u>70,135</u>	<u>10,765</u>	<u>146,291</u>
At 31 March 2002	<u>37,951</u>	<u>7,682</u>	<u>39,906</u>	<u>-</u>	<u>85,539</u>

9 DEBTORS

	2002 £	2001 £
Due within one year:		
Trade debtors	64,562	30,580
Other debtors	2,988	1,760
Prepayments and accrued income	36,594	30,105
	<u>104,144</u>	<u>62,445</u>

THE MERLIN VENTURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

	2002 £	2001 £
10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	34,989	1,842
Other creditors	4,025	2,281
Other taxation and social security costs	5,642	27,867
Accruals and deferred income	20,275	35,464
Grant – Castle Vale Housing Action Trust	7,500	7,500
Loan – Castle Vale Housing Action Trust	10,000	10,000
	<u>82,431</u>	<u>84,954</u>
11 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Deferred income - Capital Grants		
At 1 April 2001	110,109	159,326
Released to profit and loss account	(36,704)	(49,217)
	<u>73,405</u>	<u>110,109</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.		
	2002 £	2001 £
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>

THE MERLIN VENTURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

15 OTHER FINANCIAL COMMITMENTS

The company is committed to paying the following under non-cancellable operating leases in the year to 31 March 2003.

	2002 £	2001 £
Other operating leases which expire within 2 to 5 years	<u>13,020</u>	<u>-</u>

16 CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2001 Nil).

THE MERLIN VENTURE LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	Community Transport £	Managed Labour Market £	Tiggy Winkles £	Vale- Scapes £	Fresh Start Decorators £	Merlin Venture £	Total 2002 £	Total 2001 £
SALES	65,643	39,027	168,970	61,025	38,970	8,409	382,044	337,337
OTHER INCOME								
Grants receivable	129,839	75,000	7,892	24,145	28,394	3,783	269,053	332,509
Interest received	-	-	-	-	-	103,984	103,984	113,923
TOTAL INCOME	195,482	114,027	176,862	85,170	67,364	116,176	755,081	783,769
EXPENDITURE								
Rent & rates	15,054	-	-	8,622	4,549	12,373	40,598	45,646
Wages & salaries	76,552	82,408	141,916	54,031	60,584	136,934	552,425	457,750
Sundries	1,432	1,088	1,372	920	20	1,261	6,093	373
Insurance	13,675	993	1,156	3,412	2,762	3,486	25,484	21,221
Bank charges	-	-	-	-	-	1,179	1,179	1,213
Stationery & printing	(15)	57	1,018	81	80	5,211	6,432	10,856
Adverts & marketing	687	989	-	620	866	2,503	5,665	6,285
Telephone	-	-	963	-	966	7,377	9,306	13,737
Materials	670	-	2,192	8,122	4,764	-	15,748	24,197
Motor expenses	26,512	-	-	3,135	2,310	-	31,957	11,802
Subscriptions & reference books	473	-	151	-	-	1,306	1,930	2,429
Plant hire	-	-	-	8,060	-	3,950	12,010	59,292
Vehicle hire	51,135	-	-	3,453	-	-	54,588	5,064
Repairs and renewals	-	-	2,486	-	-	-	2,486	880
Food & drink	-	-	6,841	-	-	59	6,900	6,536
Postage	-	12	51	-	-	1,254	1,317	1,786
Cleaning & hygiene	-	-	5,438	-	-	228	5,666	8,053
Training	22	1,336	-	562	1,210	426	3,556	9,138
Recruitment	401	-	3,189	1,516	-	82	5,188	1,300
Legal and professional	-	-	(120)	-	-	2,329	2,209	26,463
Accountancy	-	-	-	-	-	4,700	4,700	3,500
Depreciation leasehold Improvements	-	-	18,693	-	-	-	18,693	18,339
Depreciation on fixtures & fittings	-	-	718	-	-	2,117	2,835	2,282
Depreciation plant and equipment	38,127	-	1,543	979	-	9,614	50,263	43,356
Depreciation motor vehicles	-	-	-	4,500	7,025	-	11,525	4,695
Security & safety	-	-	553	-	-	-	553	4,677
Workwear & tools	-	497	922	2,120	403	-	3,942	712
Premises & utilities	-	-	3,062	-	-	2,213	5,275	8,263
Profit on disposals	-	-	-	(360)	-	-	(360)	(456)
Room hire	-	-	-	-	-	-	-	991
Software support	-	-	-	-	-	1,457	1,457	2,130
Interest payable	-	-	-	-	-	149	149	420
Disallowed VAT	-	-	-	-	-	9,596	9,596	1,247
Travel	-	117	-	-	-	703	820	802
Charitable donations	-	-	-	-	-	-	-	250
TOTAL EXPENDITURE	224,725	87,497	192,144	99,773	85,539	210,507	900,185	805,229
NET PROFIT/(LOSS) FOR THE YEAR	(29,243)	26,530	(15,282)	(14,603)	(18,175)	(94,331)	(145,104)	(21,460)