THE ALCHEMISTS (NORTHERN) LIMITED COMPANY LIMITED BY GUARANTEE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2004

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unw LLP

Chartered Accountants & Registered Auditors
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors P R Allan
A J Fielder

A J Fielder S M l'Anson T Maxfield R A Shotton K Stephenson W Teasdale

Company secretary D M Brophy

Registered office Buisness and Innovation Centre

Wearfield

Sunderland Enterprise Park (East)

Sunderland SR5 2TA

Auditors unw LLP

Chartered Accountants & Registered Auditors

Citygate

St James' Boulevard Newcastle upon Tyne

NE1 4JE

Bankers National Westminster Bank

P.O. Box 1PY 87 Grey Street Newcastle upon Tyne

NE99 1PY

Solicitors Ward Hadaway

Sandgate House 102 Quayside

Newcastle Upon Tyne

NE1 3DX

THE DIRECTORS' REPORT

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

The directors have pleasure in presenting their report and the financial statements of the company for the period from 14 November 2002 to 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the company during the period was that of providing support, advice and assistance to businesses and commercial enterprises which may have potential for rapid growth. The company was incorporated on 14 November 2002 under the name The Alchemists (Northern) Limited. The company was formed as a private company limited by guarantee and not having a share capital.

The directors who served the company during the period were as follows:

P R Allan	(Appointed 26 November 2002)
A J Fielder	(Appointed 14 November 2002)
S M l'Anson	(Appointed 14 November 2002)
T Maxfield	(Appointed 26 November 2002)
R A Shotton	(Appointed 14 November 2002)
K Stephenson	(Appointed 14 November 2002)
W Teasdale	(Appointed 14 November 2002)
C S Thompson	(Served from 14 November 2002 to
O O Thompson	19 January 2004)

DIRECTORS' RESPONSIBILITIES

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 at the end of the period and of the surplus or deficiency for the period then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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 keeping 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. The directors 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

Having been appointed during the period, a resolution to re-appoint unw LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

THE DIRECTORS' REPORT (continued)

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office: Buisness and Innovation Centre Wearfield Sunderland Enterprise Park (East) Sunderland SR5 2TA Signed by order of the directors

D M Brophy Company Secretary

Approved by the directors on 20 July 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ALCHEMISTS (NORTHERN) LIMITED

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

We have audited the financial statements on pages 6 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on page 8.

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 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 misstatements 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ALCHEMISTS (NORTHERN) LIMITED (continued)

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

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 2004 and of its surplus for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

umuip

unw LLP

Citygate Chartered Accountants St James' Boulevard & Registered Auditors Newcastle upon Tyne

28 October 2004

NE1 4JE

INCOME AND EXPENDITURE ACCOUNT

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

	Period from 14 Nov 02 to 31 Mar 04	
	Note	£
TURNOVER		611,629
Cost of sales		193,030
GROSS SURPLUS		418,599
Administrative expenses		417,070
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,529
Tax on surplus on ordinary activities		-
RETAINED SURPLUS FOR THE FINANCIAL PERIOD		1,529

The notes on pages 8 to 11 form part of these financial statements.

BALANCE SHEET

31 MARCH 2004

	Note	£	31 Mar 04 £
FIXED ASSETS Tangible assets	4		8,526
CURRENT ASSETS Debtors Cash at bank and in hand	5	19,255 8,945	
CREDITORS: Amounts falling due within one year	6	28,200 35,197	
NET CURRENT LIABILITIES			(6,997) ———
TOTAL ASSETS LESS CURRENT LIABILITIES			1,529
RESERVES Income and expenditure account	9 10		1,529
MEMBERS' FUNDS			1,529

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the 20 July 2004 and are signed on their behalf by:

W Teasdale

Director

The notes on pages 8 to 11 form part of these financial statements.

BALANCE SHEET

31 MARCH 2004

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W Teasdale

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NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Income

Grants and contributions received and receivable in respect of specific project expenditure are credited to deferred income and recognised in the income and expenditure account in the same period as the related expenditure.

Project income is normally recognised immediately in the Income & Expenditure Account. Where it is contingent upon the satisfactory outcome of a specific initiative (eg payments to the providers of training are contingent upon the successful outcome of that training) payments and related funding income are only recorded on receipt of evidence of the successful outcome. It is the company's policy to adhere to all the reporting requirements of funding bodies. In the opinion of the directors it is unlikely that any of the funding recognised in the year will become repayable at a future date.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Equipment

33% Straight Line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.

Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS 19. Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Deferred tax assets are recognised when it is more likely than not that they will be recovered. The company has not adopted a policy of discounting deferred tax assets and liabilities. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Taxation

Following negotiations between the company and the Inland Revenue, it has been agreed that the inland revenue will not regard funding received from the Secretaries of state for education and skills, and trade and industry as liable to tax provided that it is not used to fund trading activities.

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

2. **OPERATING SURPLUS**

Operating surplus is stated after charging:

Period from 14 Nov 02 to 31 Mar 04 £ 1,705

Depreciation of owned fixed assets Auditors' fees

2,000

DIRECTORS' EMOLUMENTS 3.

The directors' aggregate emoluments in respect of qualifying services were:

Period from 14 Nov 02 to 31 Mar 04 £ 60,468

Aggregate emoluments

Equipment

TANGIBLE FIXED ASSETS

	£
COST Additions	10,231
At 31 March 2004	10,231
DEPRECIATION Charge for the period	1,705
At 31 March 2004	1,705
NET BOOK VALUE At 31 March 2004	8,526

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

DEBTORS 5.

	31 Mar 04
	£
Trade debtors	1,763
VAT recoverable	15,615
Other debtors	181
Prepayments and accrued income	1,696
	19,255

CREDITORS: Amounts falling due within one year

31 Mar 04
£
27,964
7,233
35,197

COMMITMENTS UNDER OPERATING LEASES

At 31 March 2004 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

31 Mar 04 £

Operating leases which expire:

Within 1 year

50,197

RELATED PARTY TRANSACTIONS 8.

In the ordinary course of business The Alchemists (Northern) Limited had transactions with other businesses or organisations with common directors or partners. During the year the company purchased services from the following organisations. None of these transactions, detailed below, are believed to be material to either the organisations or the individuals concerned.

Organisation	Common Director(s) or other such relation	2004 £
Seaham Hall	T Maxfield	3,920
Leighton Media Ward Hadaway	P Callaghan - Business Link Tyne & Wear P Allan	6,492 5,074

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 14 NOVEMBER 2002 TO 31 MARCH 2004

9. COMPANY LIMITED BY GUARANTEE

The company is limited by guarantee and therefore has no share capital. In the event of a winding up, every member undertakes to contribute to the payment of liabilities such amount as may be required not exceeding the total of £1.

The company has only one reserve account, being the retained surplus of the Income and Expenditure account.

10. RECONCILIATION OF FUNDS AND MOVEMENT ON RESERVES

Income and expenditure account £ 1,529

Retained surplus for the period Balance carried forward