

COMPANY NO: 26926

The Manchester Chamber of Commerce and Industry

Annual Report

Year ended 31 March 2004



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Company Information

Directors

Honorary officers

Mr G Yeung OBE, President
Mr J D Early, Vice President
Mrs B L Smith, Vice President
Mr F A P Martin CEng FIEE FIMgt FMS, Honorary Treasurer
Mr A K Ruia OBE LLB ACA JP, Immediate Past President

Elected and Co-opted Directors

Professor J Arnold MSc MA(Econ) FCA
Mr J S Buckley MBIAT FFB MIMgt ACIOB
Mr C F Carter ACMA
Mr W Doherty ACIB
Mr L Donnelly (Appointed 2 February 2004)
Mr P Dunne (Appointed 1 October 2003)
Dr A Gerrard
Ms F Goodey CBE DL
Mr P Heginbotham LLB
Mr J C McGuire FCIB
Mrs A Robinson
Ms S Robson (Appointed 30 October 2003)
Mr T Sheridan (Appointed 6 October 2003)
Mr J Shonfield (Appointed 24 June 2004)
Sir David Trippier RD JP DL
Mr G Villalon
Mr J P Wainwright MA FRICS

Secretary

Mr D J Williams FCMA (Appointed 3 August 2004)

Registered office

56 Oxford Street
Manchester M60 7HJ

Registered number

26926

Auditors

RSM Robson Rhodes LLP
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 2004.

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, Stockport and Wigan.

Business and certain membership 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 continues to grow and strengthen its position as a key business representation organisation for Manchester, Salford, Trafford, Tameside, Stockport and Wigan.

During the year, the Chamber merged with neighbouring Chambers (Wigan Borough Chamber of Commerce in October 2003 and Stockport Chamber of Commerce in February 2004) thereby creating the largest single Chamber in the UK.

The Chamber's joint venture business support company, Chamber Business Enterprises Limited has begun merger negotiations with North Manchester Business Link with a view to creating a single sub-regional entity in the Autumn of 2004. The Chamber and its Board are fully engaged in the process of establishing this.

The Board of Directors has produced a strategic plan for 2004-2009, outlining the company plans for growth.

Chamber Business Enterprises Limited has had its fourth 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 £120,902 (2003: £54,404) resulting in reserves carried forward of £791,266 (2003: £670,364).

Presentation of results

In addition to the Company results and balance sheet required by UK GAAP, the directors have also presented information concerning its interest in Chamber Business Enterprises Limited. A 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 directors at the date of this Report are those noted on page 1. Other directors who served during the year were, Mr A Mullington (resigned 16 July 2003) and Mr J C W Williams (resigned 18 May 2004). Ms J Rowe (resigned 7 November 2003) and Mr P Heginbotham (resigned 3 August 2004) also served as Company Secretary during the year.

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 insofar as they are appropriate to a private company limited by guarantee.

Report of the Directors (continued)

The Board of Directors

The Board has four meetings per annum and meets bi-annually to review board development and strategy. It currently comprises of twenty two 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.

Continuous review of directors' interests took place in which all potential conflicts of interests were considered. Based on this, 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 tasked with the 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 held a half day workshop to outline the priorities to update the corporate and business plans. This was followed by groups of Directors meeting as sub groups to develop the key stages of meeting these priorities.

The five strategic priorities are:

- Staff & Board
- Chambers
- Brand & Image
- Political Bodies
- Members

In terms of an ongoing review, Board away-days will take place in April and October, the latter focusing specifically on updating and renewing the Strategic Plan for future years on a five-year rolling basis. Agreed actions are set out on a quarterly basis for 2004/5 and yearly for subsequent years.

The Board has established an Audit Committee which operates 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 twice 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 commerce and industry 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 financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed 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 Chamber 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 Chamber 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 Chamber and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is available on the Chamber's website. The maintenance and integrity of the Chamber'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 financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

The directors propose a resolution to re-appoint RSM Robson Rhodes LLP as auditors to the company at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 6 August 2004 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 20.

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

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 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.

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

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

Manchester, England
6 August 2004

Income and Expenditure Account

for the year ended 31 March 2004

	Note	Proforma 2004 £	2004 £	Proforma 2003 £	2003 £
Operating income: continuing operations		7,945,946	799,272	6,904,607	713,348
Operating expenditure					
- staff costs	4	2,188,944	408,104	1,908,793	362,116
- depreciation		21,086	450	15,825	113
- other operating charges		5,619,172	345,882	4,845,818	374,401
		7,829,202	754,436	6,770,436	736,630
Operating surplus/(deficit): continuing operations	2	116,744	44,836	134,171	(23,282)
Income from participating interests		-	57,699	-	62,474
Net interest receivable	5	28,288	20,973	10,624	14,976
Surplus on ordinary activities before taxation		145,032	123,508	144,795	54,168
Taxation on surplus on ordinary activities	6	29,635	2,606	19,848	(236)
Surplus for the financial year		115,397	120,902	124,947	54,404
Retained reserves at the start of the period			670,364		615,960
Retained reserves at the end of the period			791,266		670,364

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 reported above.

Balance Sheet

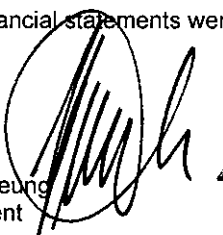
As at 31 March 2004

	Note	Proforma 2004 £	2004 £	Proforma 2003 £	2003 £
Fixed assets					
Tangible assets	9	787	787	1,237	1,237
Investments	10				
Participating Interests			1		1
Joint Venture:					
Share of gross assets		3,395,971	-	2,562,909	-
Share of gross liabilities		(2,846,950)	-	(2,071,587)	-
		<hr/>	<hr/>	<hr/>	<hr/>
		549,808	788	492,559	1,238
		<hr/>	<hr/>	<hr/>	<hr/>
Current assets					
Debtors	11	194,509	194,509	101,851	101,851
Cash at bank and in hand		798,341	798,341	687,213	687,213
		<hr/>	<hr/>	<hr/>	<hr/>
		992,850	992,850	789,064	789,064
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: Amounts falling due within one year	12	(202,372)	(202,372)	(119,938)	(119,938)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		790,478	790,478	669,126	669,126
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		1,340,286	791,266	1,161,685	670,364
		<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves:					
Income and expenditure account			791,266		670,364
			<hr/>		<hr/>

The proforma figures amalgamate results of the Company and its 50% interest in the joint venture as at 31 March 2004.

The financial statements were approved by the Board on 6 August 2004 and signed on its behalf by:

Mr G Yeung
President



Cash Flow Statement

for the year ended 31 March 2004

	Note	2004 £	2003 £
Net cash outflow from operating activities	14	(33,155)	(39,873)
Dividends received from joint venture		62,474	173,826
Returns on investment and servicing of finance			
Interest received		20,973	14,476
Taxation			
UK Corporation tax paid		-	(407)
Capital expenditure			
Purchase of tangible fixed assets		-	(1,350)
Acquisitions			
Purchase of a business	7	(2,261)	-
Cash acquired with business purchase	7	85,341	-
Overdraft acquired with business purchase	7	(22,244)	-
		<hr/>	<hr/>
		60,836	-
Management of liquid resources			
Purchase of liquid resources	16	(6,310)	(200,000)
		<hr/>	<hr/>
Increase/(decrease) in cash	16	<hr/> 104,818 <hr/>	<hr/> (53,328) <hr/>

Notes to the Financial Statements

31 March 2004

1. Accounting Policies

Accounting convention

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

In preparing the financial statements for the current year, the Company has adopted the transitional arrangements of FRS 17 "Retirement Benefits" which does not need to be applied in full until the 2006 accounts. As in the previous years, expenses have been charged under SSAP 24, but additional disclosure 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.

Goodwill

Goodwill is the difference between the fair value of consideration paid for an acquired business and the aggregate of the fair value of the acquired businesses identifiable assets and liabilities. In accordance with FRS 10, negative goodwill, arising on an acquisition made in the year, has been fully released to the income and expenditure account during the period.

Depreciation

Tangible fixed assets are depreciated on a straight line basis over the following periods:

Computer Equipment	-	3 years
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When there is evidence of impairment, fixed assets are written down to recoverable amount.

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, certain details concerning the joint venture results and balance sheet are shown in the proforma accounts.

Taxation

Deferred tax is provided on timing differences that have arisen but not reversed by the balance sheet date, in accordance with FRS 19, where the timing differences result in an obligation to pay more tax, or a right to pay less tax in the future. Timing differences arising because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Pensions

The Chamber operates a defined benefit pension scheme, which requires contributions to be made to a separately 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 (continued)

31 March 2004

2. Operating Deficit

The operating deficit is arrived at after charging/(crediting):

	2004 £	2003 £
Auditors' remuneration - audit work	5,000	4,900
- other	320	3,250
Depreciation of owned fixed assets	450	113
Release of negative goodwill	(44,513)	-
Operating lease rentals - land and buildings	18,097	14,563
- office equipment	2,600	2,600
	<hr/>	<hr/>

3. Directors' Remuneration

The aggregate directors' remuneration for the year ended 31 March 2004 was £77,981 (2003: £75,524). Contributions to the company pension scheme were made for one director in the year ended 31 March 2004 (2003: one).

4. Staff Costs

	2004 £	2003 £
Wages and salaries	352,283	315,236
Social security costs	29,639	24,367
Pension costs	26,182	22,513
	<hr/>	<hr/>
	408,104	362,116
	<hr/>	<hr/>

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

	17	15
	<hr/>	<hr/>

Externally funded staff – by third party

Aggregate payroll costs	4,966	15,671
Average number of employees	-	1
	<hr/>	<hr/>

The costs in respect of staff funded by a third party (Herbert Whitworth Scholarship Fund) are netted off the staff costs analysed above. The externally funded staff member left the company in August 2003.

Notes to the Financial Statements (continued)

31 March 2004

4. Staff Costs (continued)

Pensions

The Company operates a defined benefit scheme in the UK. 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%. A new valuation as at 1 July 2003 is currently being completed. During the year ended 31 March 2003 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 1 July 2000 and updated to 31 March 2004 by a qualified independent actuary using the projected unit method. The disclosures relate only to the defined benefit scheme and omit certain 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 2004 were £26,182 (2003: £22,513) and the employers rate has been fixed at 9% of pensionable salaries thereafter, subject to future actuarial valuations.

b) FRS 17 balance sheet information

	2004 £	Long term expected rate of return 2004	2003 £	Long term expected rate of return 2003	2002 £	Long term expected rate of value 2002
Equities	506,000	7.25%	423,000	7.25%	555,000	7.25%
Bonds (including Gilts)	37,000	5.75%	35,000	5.75%	45,000	5.75%
Property	83,000	7.25%	76,000	7.25%	75,000	7.25%
Cash	78,000	4.00%	20,000	4.00%	25,000	4.00%
	<hr/>		<hr/>		<hr/>	
Total market value of assets	704,000		554,000		700,000	
	<hr/>		<hr/>		<hr/>	
Present value of scheme liabilities	(1,433,000)		(1,272,000)		(970,000)	
	<hr/>		<hr/>		<hr/>	
Deficit in the scheme	(729,000)		(718,000)		(270,000)	
	<hr/>		<hr/>		<hr/>	
Net pension liability	(729,000)		(718,000)		(270,000)	
	<hr/>		<hr/>		<hr/>	

Notes to the Financial Statements (continued)
31 March 2004

4. Staff Costs (continued)

c) Assumptions

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

	2004	2003	2002
Rate of increase of salary	4.40%	4.10%	4.25%
Pension escalation payments	2.90%	2.60%	2.75%
Rates of increase in inflation linked deferred pensions	5.00%	5.00%	5.00%
Discount rate	5.40%	5.40%	6.00%
Inflation assumptions	2.90%	2.60%	2.75%

d) Net assets and income and expenditure reserve

If the company's pension scheme deficit had been recognised in the financial statements, the company's net assets and income and expenditure reserve would be follows:

	2004 £	2003 £	2002 £
Net assets			
Net assets as reported on SSAP 24 basis	791,266	670,364	615,960
FRS 17 pension deficit	(729,000)	(718,000)	(270,000)
	<hr/>	<hr/>	<hr/>
Net assets/(liabilities) on FRS 17 basis	62,266	(47,636)	345,960
	<hr/>	<hr/>	<hr/>

	2004 £	2003 £	2002 £
Income and expenditure reserve			
Income and expenditure reserve	791,266	670,364	615,960
FRS 17 pension deficit	(729,000)	(718,000)	(270,000)
	<hr/>	<hr/>	<hr/>
Income and expenditure reserve on FRS 17 basis	62,266	(47,636)	345,960
	<hr/>	<hr/>	<hr/>

e) Analysis of the amount that would have been charged to operating surplus/(deficit)

	2004 £	2003 £
Current service cost	33,000	19,000
	<hr/>	<hr/>
Total operating charge	33,000	19,000
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

31 March 2004

4. Staff Costs (continued)

f) Analysis of the amount that would have been credited to other finance income

	2004 £	2003 £
Expected return on pension scheme assets	40,000	48,000
Interest on pension scheme liabilities	(70,000)	(57,000)
Net return	30,000	(9,000)

g) Analysis of amount that would have been recognised in Statement of Total Surpluses and Deficits (STRSD)

	2004 £	2003 £
Actual return less expected return on pension scheme assets	76,000	(152,000)
Experience gains and losses arising on the scheme liabilities	13,000	(77,000)
Changes in assumptions underlying the present value of the scheme liabilities	(62,000)	(212,000)
Actuarial gain/(loss) recognised in the STRGL	27,000	(441,000)

h) Movement in pension scheme surplus during the year

	2004 £	2003 £
Deficit in scheme at beginning of the year	(718,000)	(270,000)
Movement in the year:		
Current service cost	(33,000)	(19,000)
Contributions	25,000	21,000
Other finance costs	(30,000)	(9,000)
Actuarial gain/(loss)	27,000	(441,000)
Deficit in scheme at end of the year	(729,000)	(718,000)

i) History of experience gain and losses

	2004	2003
Difference between the expected and actual return on scheme assets		
Amount (£)	(76,000)	(152,000)
% of scheme assets	(10.8%)	(27.4%)
Experience gains and losses on scheme liabilities		
Amount (£)	13,000	(77,000)
% of present value of scheme liabilities	0.9%	(6.1%)
Total amount recognised in statement of total recognised gains and losses		
Amount (£)	27,000	(441,000)
% of present value of scheme liabilities	1.9%	(34.7%)

Notes to the Financial Statements (continued)
31 March 2004

5. Net Interest

	2004 £	2003 £
Interest receivable	20,973	14,976
	<u>20,973</u>	<u>14,976</u>

6. Taxation

	2004 £	2003 £
Taxation charge for the year		
Current tax on income for the year	2,606	-
Adjustment in respect of prior year	-	(236)
	<u>2,606</u>	<u>(236)</u>
Tax on surplus on ordinary activities	2,606	(236)
	<u>2,606</u>	<u>(236)</u>
Current tax reconciliation		
	2004 £	2003 £
Surplus on ordinary activities before taxation	123,508	54,168
	<u>123,508</u>	<u>54,168</u>
Theoretical tax at UK corporation tax rate of 19% (2003: 10%)	23,467	5,417
Effects of:		
Income not taxable	(21,083)	(6,247)
Expenditure not tax deductible	4,432	1,387
Movement on deferred tax not provided	(2,831)	(557)
Adjustment in respect of prior year	-	(236)
Differences in UK tax rates	(1,379)	-
	<u>2,606</u>	<u>(236)</u>
Actual current taxation charge	2,606	(236)
	<u>2,606</u>	<u>(236)</u>

The Chamber has a deferred tax asset of £14,306 (2003: £8,487) 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 (continued)

31 March 2004

7 Business Combinations

- 7 (i) On the 1 February 2004, the Manchester Chamber of Commerce and Industry merged the business and assets of the Stockport Chamber of Commerce and Industry into its operations. Acquisitions accounting has been adopted. The book and provisional fair values on the combination were as follows:

	Book Value £	Accounting policy alignment £	Provisional fair value £
Tangible fixed assets	7,958	(7,958)	-
Debtors	99,908	-	99,908
Stocks	144	-	144
Cash at bank	85,341	-	85,341
Bank overdraft	(22,244)	-	(22,244)
Trade and other creditors	(25,625)	-	(25,625)
Accruals & deferred income	(90,750)	-	(90,750)
Net assets acquired	54,732	(7,958)	46,774
Negative goodwill arising			(44,513)
Consideration			2,261
Satisfied by:			
Cash consideration			1
Acquisition costs			2,260
			2,261

The accounting policy alignment arises due to all acquired fixed asset having a cost below the Chambers established capitalisation limit. There were no other fair value adjustments.

As the trade and business of the Stockport Chamber of Commerce and Industry have been subsumed into the company's trading activities it is not possible to separate out the post acquisition trade of the Stockport Chamber of Commerce and Industry. The summarised trading of the Stockport Chamber of Commerce and Industry for the 10 month period prior to acquisition and the financial year ended 31 January 2004 are summarised below.

	10 month period ended 31 January 2004 £	15 month period ended 31 March 2003 £
Turnover	253,287	372,128
Surplus before tax	5,375	9,218
Retained surplus for the period	5,366	9,180

As with the existing operations of the Manchester Chamber of Commerce and Industry, the business services for Stockport's members are, since the merger, delivered through Chamber Business Enterprises Limited.

- 7 (ii) On 1 October 2003, the trade of Wigan and Borough Chamber of Commerce Limited was merged with the activities of the Manchester Chamber of Commerce and Industry for nil consideration. No assets were transferred to the Manchester Chamber of Commerce and Industry and no goodwill arose on the transaction. The business services for Wigan's members are, since the merger, delivered through Chamber Business Enterprises Limited.

Notes to the Financial Statements (continued)

31 March 2004

8. Negative Goodwill

	Negative Goodwill £
Cost	
At 1 April 2003	-
Additions (note 7)	44,513
	<hr/>
At 31 March 2004	44,513
	<hr/>
Amortisation	
At 1 April 2003	-
Released in the year	(44,513)
	<hr/>
At 31 March 2004	(44,513)
	<hr/>
Net Book Value	
At 31 March 2004 and 31 March 2003	-
	<hr/>

9. Tangible Fixed Assets

	Computer Equipment £
Cost	
At 1 April 2003 and 31 March 2004	1,350
	<hr/>
Depreciation	
At 1 April 2003	113
Charge in the year	450
	<hr/>
31 March 2004	563
	<hr/>
Net Book Value	
31 March 2004	787
	<hr/>
31 March 2003	1,237
	<hr/>

Notes to the Financial Statements (continued)

31 March 2004

10. Investments

Joint Venture
Undertakings
£

At 31 March 2004 and 1 April 2003

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 can be found on the proforma income and expenditure account. The Company's share of the shareholders' funds as at 31 March 2004 is £549,021 (2003 : £491,322).

11. Debtors

	2004 £	2003 £
Trade debtors	105,455	15,638
Other debtors	57,699	62,474
Accrued income	886	500
Prepayments	30,469	23,239
	<u>194,509</u>	<u>101,851</u>

Included within trade debtors is £68,430 (2003: £Nil) due from Chamber Business Enterprises Limited. See also note 16 – Analysis of Net funds.

12. Creditors: Amounts Falling Due Within One Year

	2004 £	2003 £
Trade creditors	101,191	27,183
Corporation tax	2,606	-
Other taxes and social security	39,171	23,449
Other creditors	1	1
Accruals	59,403	69,305
	<u>202,372</u>	<u>119,938</u>

Included within trade creditors is £80,103 (2003: £2,144) due to Chamber Business Enterprises Limited.

Notes to the Financial Statements (continued)

31 March 2004

13. Financial Commitments

Operating Lease Commitments

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

	2004 £	2003 £
Property leases expiring:		
two to five years	899	-
after five years	16,947	14,563
	<hr/>	<hr/>
	2004 £	2003 £
Office equipment leases expiring:		
within one year	2,600	-
two to five years	2,016	2,600
	<hr/>	<hr/>

Capital Commitments

As at 31 March 2004, there were no amounts authorised but not provided in the accounts.

14. Reconciliation Of Operating Surplus To Net Cash Outflow From Operating Activities

	2004 £	2003 £
Operating surplus/(deficit)	44,836	(23,282)
Depreciation	450	113
Amortisation	(44,513)	-
Movement in stocks	144	-
Movement in debtors	2,475	109,809
Movement in creditors	(36,547)	(126,513)
	<hr/>	<hr/>
Net cash outflow from operating activities	(33,155)	(39,873)
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

31 March 2004

15. Reconciliation of Net Cash Flow to Movement in Net Funds

	2004 £	2003 £
Increase/(decrease) in cash	104,818	(53,328)
Increase in liquid resources	6,310	200,000
	<hr/>	<hr/>
	111,128	146,672
Net funds at 31 March 2003	687,213	540,541
	<hr/>	<hr/>
Net funds at 31 March 2004	798,341	687,213
	<hr/>	<hr/>

16. Analysis Of Net Funds

	2003 £	Cash flow £	2004 £
Cash at bank and in hand	487,213	104,818	592,031
Liquid resources	200,000	6,310	206,310
	<hr/>	<hr/>	<hr/>
Net funds	687,213	111,128	798,341
	<hr/>	<hr/>	<hr/>

Liquid resources comprise short-term deposits with banks which mature within 12 months of the date of inception. They are included within cash at bank and in hand on the balance sheet.

17. 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 (continued)

31 March 2004

18. 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 £680,474 (2003: £610,633) 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 (2003: £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 £21,844 (2003: £68,839).

Other related party transactions were:

Body receiving income	Nature of Income	2004 Amount £	2003 Amount £	Director/senior employee related to body receiving income
Manchester Enterprises	Services	59,216	41,501	Mr John McGuire Professor John Arnold Mr Peter Heginbotham
Manchester Chamber & Chamber Business Enterprises Staff Pension Scheme	Pensions	42,579	35,771	Mr Peter Heginbotham Mrs Angela Robinson Mr Chris Carter
North West Chambers Ltd	Subscriptions and Events	6,565	4,470	Mrs Angela Robinson
Davis Blank Furniss	Professional Fees	7,260	2,159	Mr Peter Heginbotham
Marketing Manchester	Events	-	17,309	Mr John McGuire Mrs Angela Robinson
Manchester Business School	Events & Consulting	966	6,254	Professor John Arnold

Refer also to Notes 11 and 12 for related party balances.