

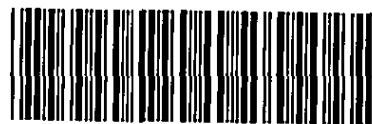
Birmingham Chamber of Commerce and Industry

Report and Accounts

31st March 2007

Registered Number 78731

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COMPANIES HOUSE

OPERATING AND FINANCIAL REVIEW

Our Business and Strategy

Birmingham Chamber of Commerce & Industry (BCI) includes Birmingham Chamber Training Limited and BDG Direct Limited (BDG), both wholly owned subsidiary undertakings. BCI also 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

The core services which are provided to members are only partly paid for by membership subscription income. To enable the enhancement of these core services, the Chamber operates other elements of its business on a commercial basis. Membership subscription income was only 3% of total income for the year.

BCI continued to be contracted by Advantage West Midlands (AWM) in 2006/07 to operate the Small Business Service (SBS) contract for the Birmingham & Solihull sub-region under the Business Link brand. 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 international trade services, business start-up assistance & advice, conference & meeting facilities, export documentation services and translations services.

BCI had integrated the various elements of its business to provide a "one-stop shop" for all of the above services, enabling members and customers to access a wide range of business assistance with minimum effort. However, following the transfer of responsibility for the SBS contract to AWM, provision of small business services was regionalised with effect from 1st April 2007 under the management of West Midlands Brokerage Services Limited. Whilst the Chamber will no longer manage the operation of Business Link in Birmingham and Solihull, BCI holds 20% of the issued shares of WMBS through which the Chamber will continue to influence the delivery of business support in the region.

Our Financial Performance and Development

The Group's income for the year was £28.5 million, a £715,000 (2%) decrease on the previous year. Income included £10.6 million (2005/06 £11.0 million) relating to European and Government funding received to support Business Link subsidised consultancy and other services to businesses in the sub-region. Managing the Regional Projects involved allocating funding to the value of £10.9 million (2005/06 £12.4 million) to provide subsidised assistance to SMEs on a non-profit basis. Income from other

non-funded business services totalled £5.4 million in the year (2005/06 £4.9 million). Income relating to Business Link (now a discontinued activity) totalled £11.1 million.

The group operating deficit for the year of £46,000 is after charging additional depreciation of £109,000 on the revalued amount of leasehold property. Leasehold property was included in the accounts at valuation for the first time as at 31st March 2007 to reflect its market value following the securing of planning consent for redevelopment. The increase in property value of £4 million is shown in a Revaluation Reserve and will be released to Revenue Reserves over the life of the property to offset the effect of the increased depreciation. Without the additional depreciation charge the group operating surplus was £63,000 (2005/06 £41,000).

BCI has again had to deal with a number of operating exceptional costs during the year which had a significant impact on the operating deficit. These items totalled £601,000 (2006/07 £538,000) and as shown in note 6 to the accounts related mainly to

- £388,000 (2006/07 £444,000) relating to non-recoverable VAT following a change in the VAT status of Business Link funded activity with effect from 1st April 2005, and
- £222,000 (2006/07 £98,000) administration costs relating to BCI's Defined Benefit Pension Scheme which were borne by the Chamber for the first time in 2005/06.

In addition, non-operating exceptional costs arose during the year which totalled £410,000 (2006/07 income £58,000) and increased the deficit to the before tax amount of £271,000. As shown in note 7 to the accounts, the non-operating exceptional costs related mainly to the closure of the Business Link division. The closure costs of £354,000 include a provision of £245,000 for costs expected to arise after 31st March 2007. The costs will be financed from the reserves generated by the operation of the SBS contract.

Membership is a key performance indicator for the Chamber. At 31st March 2007 the total number of Chamber members was 3,368, a decrease over the year of 2%. This mirrored to a lesser extent a general trend of reducing membership experienced by many Chambers of Commerce in the UK. Subscription income increased by 5% from £793,000 in 2005/06 to £832,000, a good performance achieved by a new management in the membership department.

Achievement of outputs required under the SBS contract was also a critical performance target. As in previous years, BCI made a significant contribution during the year towards delivering regional Business Link services. Outputs in the three key areas of customer satisfaction, overall market penetration and significant consultancy interventions were on or exceeded target.

OPERATING AND FINANCIAL REVIEW (continued)

Factors affecting Future Performance

As noted above, provision of Small Business Services was regionalised with effect from 1st April 2007 on which date BCI's Business Link operation was transferred to WMBS. Business Link had formed a substantial part of BCI's operations since the inception of the SBS contract in March 2001. In anticipation of this reduction in activity, in April 2006 BCI formed the Business Development Group to develop commercial opportunities for the Chamber. The Group was incorporated into BDG Direct Limited on 1st July 2007. Much of the Chamber's future financial success now relies upon the performance of BDG.

BCI continues to participate as a partner in the provision of Business Link services to the West Midlands through its 20% ownership of WMBS.

In common with many organisations in the UK, BCI is managing a funding deficit in its Defined Benefit Pension Scheme. The deficit is accounted for in the Chamber's balance sheet under FRS17 (as explained below) and amounted to £201,000 net of deferred tax (2006 £645,000) at the year end. It is uncertain how this will affect the Chamber's finances in future years as the liability depends largely on factors that are outside BCI's control, being principally long-term investment returns and mortality rates. However, agreement has now been reached with the fund's trustee on future funding, as a result of which members' future service benefit accrual in the scheme will be terminated on 31st August 2007. The members have the option to join the Chamber's defined contribution scheme.

Three years ago the Chamber announced its intention to develop the Chamber of Commerce House site and conditional planning consent was received in September 2004 to construct new buildings containing Grade-A office space. The preliminary conditions of the planning consent were satisfied by December 2006. This is a highly complex project which presents both a great opportunity and a considerable risk for the Chamber. The development will be separately funded and will not draw on reserves generated by past membership activity. The value created by the investment in the development and the receipt of planning consent has been reflected by the inclusion in the accounts of a valuation surplus of £4 million.

Critical Accounting Policies

The Chamber's group accounts are prepared in accordance with UK Generally Accepted Accounting Principles which require the adoption of accounting policies most appropriate to BCI's circumstances for the accounts to give a true and fair view. In preparing the accounts, BCI's directors are required to make estimates and assumptions that affect the reported amounts of income, expenditure, assets and liabilities. Actual outcomes could differ from the estimates and assumptions used.

BCI adopted FRS17 "Retirement Benefits" in full in 2005/06. This accounting policy continued to be applied consistently in 2006/07.

Leasehold property was included in the accounts at valuation for the first time as at 31st March 2007. Consequently, the accounts have been prepared using a revised accounting policy for fixed assets. The effects of this change in accounting policy are set out in note 1 to the accounts and the comparative figures for 2005/06 have been restated accordingly.

With the exception of the change described above, the accounts have been prepared using accounting policies consistent with those used in the preparation of the previous year's accounts. The directors believe that the critical accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the accounts are in relation to revenue recognition, fixed assets, pensions, and provisions for costs.

The Financial Position of the Chamber

The Chamber is a company limited by guarantee and therefore does not have share capital. As a "Section 30" company, any surpluses generated by BCI cannot be distributed and have to be re-invested in the provision of business services for the benefit of members and customers. Reserves generated from SBS funding will be applied to the cost of closing the Business Link operation, subsequent reorganisation and provision of services to businesses in the sub-region, subject to agreement with AWM.

The main treasury risks faced by BCI relate to interest and liquidity. BCI manages its treasury function on a daily basis to maximise these positions without engaging in speculative activity. During the year, net interest received was £48,000 (2005/06 £81,000) and investment income was £15,000 (2005/06 £15,000). The market value of listed investments at 31st March 2007 was £423,000 (2006 £424,000).

BCI's year end cash position was £97,000 overdrawn (2006 £2.7 million positive). The strong 2006 position was mainly due to funding received in advance of service provision, which was utilised during 2006/07.

Loans reduced during the year from £1,485,000 to £1,386,000. It is anticipated that £758,000 of the loans may be repaid before 31st March 2008 and the balance after that date.

The directors are satisfied that the company has adequate financial resources to meet its operational needs for the foreseeable future and, accordingly, the going concern basis has been adopted in preparing these accounts.

REPORT OF THE DIRECTORS

The directors present their report and the group accounts for the year ended 31st March 2007

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 and BDG Direct Limited, both being a wholly owned subsidiary undertaking of BCI

The group deficit for the year, after taxation, amounted to £275,000 (2006 surplus £71,000) and has been carried to reserves. The deficit included additional depreciation of £109,000 (2006 £77,000) resulting from the revaluation of long leasehold property (see note 1)

Directors and their interests

The directors, including the Honorary Officers, as at 31st March 2007 and those who served during the year were as follows

J R A Crabtree (President)
R M Ackrill (Vice-president)
B P Blow (Vice-president) – appointed 12/10/06
S M Topman (Immediate Past President and Chairman, Birmingham Chamber Training Limited)
C I Squires (Immediate Past President) – resigned 12/10/06
S Battle CBE (Chief Executive, BCI) – resigned 7/8/06
J B Blackett (Chief Executive, BCI) – appointed 7/8/06
M A Hibbert (Finance Director, BCI)
D Draycott (Director of Business Services, BCI) – resigned 30/9/06
D W Stevens (President, Solihull Chamber) – resigned 23/3/07
S A C Yates (President, Solihull Chamber) – appointed 23/3/07
G K Bains (Chairman, Institute of Asian Businesses) – resigned 8/3/07
Dr A Bajaj (Chairman, Institute of Asian Businesses) – appointed 8/3/07
R D Murray (Chairman, Birmingham Chamber Training Limited) – resigned 5/10/06
D L Grove (Co-opted Member)
N S Pountney (Co-opted Member) – resigned 14/3/07
R B M Way (Co-opted Member) – resigned 1/8/06
C Braddock (Elected Member)
K A George (Elected Member)

Directors and their interests (continued)

I G Greaves (Elected Member)
J G Lowson (Elected Member) – appointed 12/10/06
A R Manning Cox (Elected Member)
B Summers (Elected Member)
D J Waller (Elected Member) – resigned 12/10/06

There are no directors' interests requiring disclosure under the Companies Act 1985. During the year director's and officer's indemnity insurance cover of £2 million was provided by the Chamber as part of its professional indemnity insurance arrangements

Future Developments

The group's future developments are set out in Operating and Financial Review

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
6th July 2007

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 assessment 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 the management of identified business risks.

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 check functions 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.

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.

INDEPENDENT AUDITORS' REPORT

to the members of Birmingham Chamber of Commerce and Industry

We have audited the group and parent company accounts (the "accounts") of Birmingham Chamber of Commerce and Industry for the year ended 31st March 2007 which comprise the Group Income & Expenditure Account, Group Note of Historical Cost Surpluses and Deficits, Group Statement of Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes 1 to 25. These accounts have been prepared under 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

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Director's Responsibilities. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with the accounts. The information given in the directors' report includes that specific information presented in the Operating and Financial Review that is cross referred from the Future Developments section of the directors' report.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. This other information comprises only the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's and 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31st March 2007 and of the group's deficit for the year then ended, the accounts have been properly prepared in accordance with the Companies Act 1985, and the information given in the directors' report is consistent with the accounts.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham
14th August 2007

GROUP INCOME & EXPENDITURE ACCOUNT

for the year ended 31st March 2007

		2007	2006
		£000	<i>as restated</i> £000
	Note		
Income:	2		
Continuing operations		17,409	18,527
Discontinued operations		<u>11,092</u>	<u>10,689</u>
		28,501	29,216
Expenditure			
Administrative expenses		28,547	29,252
Operating deficit:	3		
Continuing operations		(361)	(408)
Discontinued operations		<u>315</u>	<u>372</u>
		(46)	(36)
Non-operating exceptional items:			
Surplus on disposal and amounts provided against fixed asset investments	7	17	58
Write-off of Property Development costs	7	(73)	-
Costs relating to the Business Link Division closure	7	<u>(354)</u>	<u>-</u>
		(456)	22
Net finance income	8	<u>185</u>	<u>106</u>
(Deficit)/surplus on ordinary activities before tax		(271)	128
Tax on (deficit)/surplus on ordinary activities	9	<u>(4)</u>	<u>(57)</u>
(Deficit)/surplus for the year	21	<u>(275)</u>	<u>71</u>

GROUP NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

for the year ended 31st March 2007

	2007	2006
	£000	<i>as restated</i> £000
Reported (deficit)/surplus on ordinary activities before tax	(271)	128
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>109</u>	<u>77</u>
Historical cost (deficit)/surplus on ordinary activities before tax	<u>(162)</u>	<u>205</u>
Historical cost (deficit)/surplus for the year after tax	<u>(166)</u>	<u>148</u>

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31st March 2007

		2007	2006
		£000	<i>as restated</i> £000
	Note		
(Deficit)/surplus for the year		(275)	71
Actuarial gain	24	465	1,183
Deferred tax on the actuarial gain	24	(88)	(225)
Unrealised surplus on revaluation of leasehold property	21	1,262	1,204
Total recognised gains relating to the year		1,364	2,233
Prior year adjustment on revaluation of leasehold property	1	2,844	-
Prior year adjustment on the full adoption of FRS 17		-	(1,663)
Total gains recognised since last annual report		4,208	570

BALANCE SHEETS

at 31st March 2007

		Group 2007 £000	Group 2006 <i>as restated</i> £000	Company 2007 £000	Company 2006 <i>as restated</i> £000
	Note				
Fixed assets					
Tangible assets	11	6,243	5,389	6,205	5,376
Investments					
Shares in subsidiary undertakings	12	-	-	1	1
Investment in associated undertaking	13	150	-	150	-
Other investments	14	341	354	341	354
		6,734	5,743	6,697	5,731
Current assets					
Stocks		7	7	7	7
Debtors	15	7,411	8,654	7,388	8,531
Deferred taxation	16	54	56	40	47
Cash at bank and in hand	17	31	2,740	31	2,180
		7,503	11,457	7,466	10,765
Creditors: amounts falling due within one year	18	6,917	10,187	6,903	10,115
Net current assets		586	1,270	563	650
Total assets less current liabilities		7,320	7,013	7,260	6,381
Creditors: amounts falling due after more than one year					
Loans	19	628	1,385	628	1,385
Provisions for liabilities and charges					
Other provisions	20	664	520	664	500
Net assets excluding pension liability		6,028	5,108	5,968	4,496
Net pension liability	24	201	645	201	645
Net assets including pension liability		5,827	4,463	5,767	3,851
Represented by:					
Revenue reserves	21	1,830	1,619	1,770	1,007
Revaluation reserve	21	3,997	2,844	3,997	2,844
		5,827	4,463	5,767	3,851

Signed on behalf of the Board

J R A Crabtree
President



6th July 2007

GROUP CASH FLOW STATEMENT

for the year ended 31st March 2007

	Note	2007 £000	2006 £000
Net cash outflow from operating activities	10	(2,446)	(798)
Returns on investments and servicing of finance			
Interest received		69	104
Interest paid		(21)	(23)
Dividends received		15	15
Net cash inflow from returns on investments and servicing of finance		63	96
UK Corporation Tax paid		(93)	(160)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(33)	(233)
Sale of tangible fixed assets		-	-
Purchase of investments		(4)	(63)
Sale of investments		34	140
Net cash outflow from capital expenditure and financial investment		(3)	(156)
Acquisitions and disposals			
Purchase of share in associated undertaking		(150)	-
Costs of closure of Business Link division		(109)	-
Net cash outflow from acquisitions and disposals		(259)	-
Net cash outflow before financing		(2,738)	(1,018)
Financing			
Repayment of medium-term loan		(99)	(93)
Decrease in cash in the year		(2,837)	(1,111)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		(2,837)	(1,111)
Repayment of medium-term loan		99	93
Movement in net funds		(2,738)	(1,018)
Net funds at beginning of the year		1,255	2,273
Net funds at end of the year	17	(1,483)	1,255

Cash flow relating to exceptional items

The 2007 operating cash outflows include an outflow of £882,000 (2006 £481,000) relating to exceptional items and include under discontinued activities an outflow of £950,000 (2006 £nil) which relates to the closure of the Business Link division

NOTES TO THE ACCOUNTS

at 31st March 2007

1. Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of leasehold property. The accounts are prepared 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 2007. No income and expenditure account is presented for BCI as permitted by s 230 of the Companies Act 1985.

Entities, other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method. However, the interest in West Midlands Brokerage Service Limited has not been accounted for using the equity method in these accounts because the increase in its net assets during the year was not material (note 13).

Prior year adjustment – Fixed assets

All fixed assets are initially recorded at cost. Leasehold property has subsequently been revalued as at 31st March 2007, with the revaluation surplus being taken to the revaluation reserve.

This change in accounting policy has resulted in a prior year adjustment for the group. Reserves at 1st April 2005 have increased by £1,717,000 and surplus before tax for the year ended 31st March 2006 has decreased by £77,000. Surplus before tax for the current year has been decreased by £109,000 as a result of the change in accounting policy.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost or valuation, 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

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to revenue reserves.

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.

Fixed asset investments

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

NOTES TO THE ACCOUNTS

at 31st March 2007

1. Accounting policies (continued)

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

The cost of providing benefits under the defined benefit pension scheme is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the charge in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income and expenditure account as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-market price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

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 continuing proposed redevelopment of the Chamber of Commerce House site are capitalised under Property Development in note 11.

NOTES TO THE ACCOUNTS

at 31st March 2007

2. Income

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

	Continuing £000	Discontinued £000	2007 £000	2006 £000
Membership subscriptions	832	-	832	793
Regional Projects	10,910	-	10,910	12,414
Grant income	645	10,589	11,234	10,966
General services	4,094	503	4,597	4,268
Training income	825	-	825	583
Rental income from operating leases	88	-	88	177
Income from listed investments	15	-	15	15
	17,409	11,092	28,501	29,216

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 deficit

The operating deficit is stated after charging

	2007 £000	2006 <i>as restated</i> £000
Staff costs (note 4)	6,116	6,454
Exceptional items (note 6)	601	538
Auditors' remuneration – audit services	39	29
Auditors' remuneration – non-audit services	27	33
Depreciation	243	279
Operating lease rentals – plant and machinery	152	167
– land and buildings	8	10

4. Staff costs

	2007 £000	2006 £000
Salaries and wages	5,163	5,476
Social security costs	531	545
Other pension costs		
Defined contribution	175	193
Defined benefit (note 24)	247	240
	6,116	6,454

The average number of persons employed by the group during the year was 176 (2006: 192).

NOTES TO THE ACCOUNTS

at 31st March 2007

5. Directors' emoluments

	2007 £000	2006 £000
Emoluments (excluding pension contributions)	282	324

Non-executive directors did not receive any remuneration for their services. The emoluments, excluding pension contributions, of the highest paid director were £94,615 (2006 £131,049). The highest paid director's accrued pension at the end of the year was £13,436 (2006 £65,321).

	2007 No.	2006 No.
Members of defined benefit pension scheme	1	2

6. Operating exceptional items

	2007 £000	2006 £000
Recognised in arriving at operating surplus		
Personnel costs and professional fees	(75)	(18)
Property dilapidation provision	-	(30)
Non-recoverable VAT	388	444
Re-organisation costs	66	44
Pension fund administration costs	222	98
	601	538

Personnel costs and professional fees relates to the release of previous provisions for employment contract claims. Non-recoverable VAT arose due to a change of the VAT status of funded activity with effect from 1st April 2005. Re-organisation costs relate to redundancy and other similar costs. Defined Benefit Pension Fund administration costs were borne by the Chamber in 2005/06 for the first time and in 2006/07 includes legal and actuarial costs relating to agreement of funding with the Fund trustee. £306,000 of the non-recoverable VAT related to a discontinued activity. All other exceptional items relate to continued activities.

7. Non-operating exceptional items

	2007 £000	2006 £000
Surplus on disposal and amounts provided against fixed asset investments	(17)	(58)
Write-off of Property Development costs	73	-
Costs relating to the Business Link Division closure	354	-
	410	(58)

Property development costs previously capitalised have been written-off to the extent that they no longer relate to the continuing development project. Costs relating to the Business Link Division relate mainly to staff redundancy and operational wind-up costs.

NOTES TO THE ACCOUNTS

at 31st March 2007

8. Net finance income

	2007 £000	2006 £000
Interest on bank loan and overdrafts	(21)	(23)
Bank interest receivable	69	104
Expected return on assets in the pension scheme		
less interest on pension scheme liabilities (note 24)	137	25
	<u>185</u>	<u>106</u>

9. Taxation

	2007 £000	2006 £000
Tax on surplus on ordinary activities		
UK Corporation tax	(12)	95
Deferred tax (note 16)		
Origination and reversal of timing differences	2	(14)
Deferred tax on FRS 17 pension adjustments	14	(24)
	<u>4</u>	<u>57</u>

Factors affecting the tax charge for the year

The tax assessed on the (deficit)/surplus on ordinary activities for the year is lower than the standard rate of corporation tax. The differences are explained below:

	2007 £000	2006 <i>as restated</i> £000
(Deficit)/surplus on ordinary activities before taxation	<u>(271)</u>	<u>128</u>
(Deficit)/surplus on ordinary activities at the standard rate of tax of 19% (2006: 30%)	<u>(51)</u>	<u>38</u>
Effect of:		
Disallowed expenses and non-taxable income	24	11
Accounting profit on chargeable assets	(3)	(17)
Difference between capital allowances and depreciation	13	32
Short term timing differences	19	13
FRS17 pension	(14)	37
Pension restatement	-	-
Unrelieved tax losses carried forward	11	-
Difference in company tax rates	-	-
Prior year adjustments	(12)	9
Marginal relief	1	(28)
Current tax charge for the year	<u>(12)</u>	<u>95</u>

NOTES TO THE ACCOUNTS

at 31st March 2007

10. Net cash flow from operating activities

	Continued £000	Discontinued £000	2007 £000	2006 as restated £000
Operating (deficit)/surplus	(361)	315	(46)	(36)
Excess pension current service cost	55	-	55	150
Depreciation	229	14	243	279
Dividends received	(15)	-	(15)	(15)
(Decrease)/increase in deferred subscriptions income provision	(19)	-	(19)	47
Increase/(decrease) in other provisions	(82)	-	(82)	(248)
(Increase) in stocks	-	-	-	(2)
Decrease/(increase) in debtors	841	405	1,246	(659)
(Decrease) in creditors	(1,948)	(1,880)	(3,828)	(314)
Net cash outflow from operating activities	(1,300)	(1,146)	(2,446)	(798)

11. Tangible fixed assets

	Property Development £000	Long Leasehold Property £000	Computers & Fixtures £000	Total £000
Group Cost or Valuation				
At 1 st April 2006 (as restated)	1,093	4,057	1,685	6,835
Additions during the year	-	7	93	100
Surplus on revaluation	-	1,133	-	1,133
Disposals and releases during the year	(265)	-	-	(265)
At 31st March 2007	828	5,197	1,778	7,803
Group Depreciation				
At 1 st April 2006 (as restated)	-	-	1,446	1,446
Charge for the year	-	129	114	243
Surplus on revaluation	-	(129)	-	(129)
At 31st March 2007	-	-	1,560	1,560
Group Net book value at 31st March 2007	828	5,197	218	6,243
Group Net book value at 1 st April 2006 (as restated)	1,093	4,057	239	5,389
Company Cost or Valuation				
At 1 st April 2006 (as restated)	1,093	4,057	1,655	6,805
Additions during the year	-	7	60	67
Surplus on revaluation	-	1,133	-	1,133
Disposals and releases during the year	(265)	-	-	(265)
At 31st March 2007	828	5,197	1,715	7,740
Company Depreciation				
At 1 st April 2006 (as restated)	-	-	1,429	1,429
Charge for the year	-	129	106	235
Surplus on revaluation	-	(129)	-	(129)
At 31st March 2007	-	-	1,535	1,535
Company Net book value at 31st March 2007	828	5,197	180	6,205
Company Net book value at 1 st April 2006 (as restated)	1,093	4,057	226	5,376

NOTES TO THE ACCOUNTS

at 31st March 2007

11. Tangible fixed assets (continued)

Capitalised Property Development costs relate to costs incurred in respect of the ongoing proposed development of Chamber of Commerce House

The long leasehold property was valued by King Sturge LLP as at 31st March 2007 on the basis of market value in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Standards. The historical cost of long leasehold property included at valuation is as follows

	Group £000	Company £000
At 31 st March 2007	1,372	1,372
At 1 st April 2006	1,365	1,365

12. Shares in subsidiary undertakings

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

- On 12th April 2006 the total share capital of Birmingham Venture Enterprise Rehearsal Limited (BVER) being 2 shares of £1 each was transferred from Birmingham Chamber Training Limited to BCI. BVER was dormant until the date of transfer, had never traded and had no assets or liabilities. On 22nd May 2006 BVER changed its name to BDG Direct Limited (BDG). BDG commenced trading on 1st July 2006.
- 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.

13. Investment in associated undertaking

During the year BCI purchased 150,000 shares of £1 each at par in West Midlands Brokerage Services Limited (WMBS), representing 20% of the issued share capital. At 31st March 2007, the value of 20% of WMBS's net assets was £150,732 (see note 1).

14. Other investments

	Listed £000	Unlisted £000	Total £000
Group and company			
Cost:			
At 1 st April 2006	426	5	431
Additions	4	-	4
Disposals	(31)	-	(31)
At 31st March 2007	399	5	404
Amounts provided:			
At 1 st April 2006	77	-	77
Released during the year	(9)	-	(9)
Utilised during the year	(5)	-	(5)
At 31st March 2007	63	-	63
Net book value at 31st March 2007	336	5	341
Net book value at 1st April 2006	349	5	354

NOTES TO THE ACCOUNTS

at 31st March 2007

14. Other investments (continued)

The market value of listed investments as at 31st March 2007 was £423,000 (31st March 2006 £424,000) 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. The company acts as the non-profit making managing agent for the National Exhibition Centre (NEC), the assets of which are owned by Birmingham City Council. The NEC is not consolidated because the company has no beneficial interest in its net assets.

15. Debtors

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Trade debtors	4,376	4,176	4,077	4,074
Other debtors	2,865	4,143	2,828	4,108
Prepayments and accrued income	167	335	144	330
Tax recoverable	3	-	3	-
Amounts owed by group undertakings	-	-	336	19
	7,411	8,654	7,388	8,531

16. Deferred taxation

The major components of the deferred tax asset recognised in the accounts are as follows

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Capital allowances	38	44	31	35
Other timing differences	16	12	9	12
	54	56	40	47

The major components of deferred tax (liability)/asset not recognised in the accounts are as follows

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Surplus on revaluation	(400)	10	(430)	9

Movement in the deferred tax asset during the year

	Group £000	Company £000
At 1 st April 2006	56	47
Adjustment in respect of previous years	-	-
Current year	(2)	(7)
At 31st March 2007	54	40

NOTES TO THE ACCOUNTS

at 31st March 2007

17. Analysis of changes in net funds

	2005 £000	Cash flows £000	2006 £000	Cash flows £000	2007 £000
Cash at bank and in hand	3,851	(1,111)	2,740	(2,709)	31
Bank overdraft	-	-	-	(128)	(128)
Bank loan	(328)	93	(235)	99	(136)
Other loan	(1,250)	-	(1,250)	-	(1,250)
Net funds	2,273	(1,018)	1,255	(2,738)	(1,483)

18. Creditors: amounts falling due within one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Bank overdraft	128	-	467	-
Current instalment due on bank loan (note 19)	758	100	758	100
Trade creditors	2,205	3,041	2,016	3,036
Accruals and deferred income	2,895	6,063	2,873	6,055
Other creditors	578	635	466	635
Other taxes and social security costs	353	246	299	239
Corporation tax	-	102	-	40
Amounts owed to group undertakings	-	-	24	10
	6,917	10,187	6,903	10,115

19 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Loans – Group and company:		
Wholly repayable within 5 years		
Bank loan	136	235
Other loan	1,250	1,250
	1,386	1,485
Less amount falling due within one year	(758)	(100)
	628	1,385

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 was due for repayment on 1st April 2007. Negotiations are in progress regarding the amount and timing of repayment, the current status of which is that in the directors' opinion £650,000 may be repaid before 31st March 2008 and the balance after that date

	2007 £000	2006 £000
Group and company.		
Amounts repayable		
in one year or less	758	100
between one and two years	628	1,358
between two and five years	-	27
	1,386	1,485
in five years or more	-	-
	1,386	1,485

NOTES TO THE ACCOUNTS

at 31st March 2007

20. Provisions for liabilities and charges

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Personnel costs	-	82	-	62
Deferred subscriptions income	419	438	419	438
Business Link division closure costs	245	-	245	-
	664	520	664	500

Movement in provisions during the year

	Personnel Costs £000	Deferred Income £000	Closure Costs £000	Total costs £000
At 1 st April 2006	82	438	-	520
Provided during the year	-	-	245	245
Utilised during the year	-	-	-	-
Released during the year	(82)	(19)	-	(101)
At 31 st March 2007	-	419	245	664

All of the provisions apply to the company as well as to the group except for £20,000 of the Personnel Costs released during the year which relate to Birmingham Chamber Training Limited. The above provisions are expected to reverse in the next year.

Personnel Costs related to employment contract claims. Deferred Income relates to membership subscriptions received relating to future periods. Closure Costs relate to the closure of the Business Link division on 31st March 2007.

21. Movement on reserves

	Revaluation reserve		Revenue reserve	
	Group £000	Company £000	Group £000	Company £000
At 31 st March 2006 as previously stated	-	-	1,619	1,007
Prior year adjustment	2,844	2,844	-	-
At 31 st March 2006 as restated	2,844	2,844	1,619	1,007
Transfer during the year	(109)	(109)	109	109
Surplus on revaluation	1,262	1,262	-	-
Pension fund deficit movement net of tax	-	-	377	377
(Deficit)/surplus for the year	-	-	(275)	277
At 31 st March 2007	3,997	3,997	1,830	1,770

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 cost of closing the Business Link division or wider business support activities in the sub-region, subject to the agreement of Advantage West Midlands.

22. Surplus attributable to the parent company

The surplus dealt with in the accounts of the parent company was £277,000 (2006 deficit £14,000). Advantage has been taken of the exemption from publication of the company's own income and expenditure account.

NOTES TO THE ACCOUNTS

at 31st March 2007

23. Other financial commitments

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

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Land and buildings leases expiring				
within one year	7	-	-	-
in two to five years	-	7	-	-
Other leases expiring				
within one year	11	26	11	26
in two to five years	91	80	91	80
	109	113	102	106

24. Pension commitments

The group operates a funded defined benefit pension scheme ("DBPS"), a non-contributory defined contribution pension scheme and a contributory defined contribution pension scheme for its employees

The assets of the DBPS 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 scheme was closed to new entrants on 30th September 2002 and therefore the service cost as a percentage of pensionable earnings is expected to increase as the members approach their retirements. However, given the small number of active members, this may also be influenced by individual exits from active service.

Regular contributions by members of the DBPS were made during the year at the rate of 7% of contribution earnings (which is pensionable earnings less an offset of 150% of the single person's Basic State Pension). The Chamber contributed at the rate of 10% of pensionable earnings. The Chamber also made a special contribution of £100,000 in November 2006 and now meets the Fund's expenses.

In May 2007 the Chamber entered into an agreement with the scheme Trustee for the future funding of the DBPS. The agreement was conditional upon active members of the scheme consenting to the cessation of accrual of future service benefits with effect from 1st September 2007. Consent was received in August 2007.

The group adopted FRS 17 "Retirement Benefits" in full for the year ended 31st March 2006 onwards. The following disclosures are required under FRS 17. These disclosures, which relate to the 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.

NOTES TO THE ACCOUNTS

at 31st March 2007

24. Pension commitments (continued)

A full actuarial valuation of the defined benefit pension scheme was carried out as at 30th June 2005. An updated actuarial valuation of the liabilities was obtained as at 31st March 2007 and the principal actuarial assumptions used were

	2007 % p.a.	2006 % p.a.	2005 % p.a.
Price inflation	3.10	2.90	2.75
Rate of increase in pay	4.35	4.15	4.00
Rate of increase of pensions in payment with statutory increases	3.10	2.90	2.75
Rate of increase of pensions in payment with discretionary increases	Nil	Nil	1.35
Rate of increase for deferred pensioners (in excess of any Guaranteed Minimum Pension element)	3.10	2.90	2.75
Discount rate	5.40	5.00	5.40

The assets and liabilities of the defined benefit pension scheme as at 31st March 2007 and the expected long-term rate of return were

	2007 Fair value £000	2007 Return % p.a.	2006 Fair value £000	2006 Return % p.a.	2005 Fair value £000	2005 Return % p.a.
Equities	6,045	8.00	6,363	8.00	5,308	8.10
Bonds	2,752	4.85	2,691	4.40	2,509	4.80
Property	241	6.40	196	6.20	122	6.50
Cash	428	4.00	110	3.80	340	3.80
Fair value of fund assets	9,466	6.86	9,360	6.88	8,279	6.90
Actuarial value of scheme liabilities	(9,716)		(10,156)		(10,133)	
Deficit in the scheme	(250)		(796)		(1,854)	
Deferred tax	49		151		352	
Deficit after tax	(201)		(645)		(1,502)	

Analysis of amounts charged to operating surplus

	2007 £000	2006 £000
Current service cost	247	240

Analysis of amount credited to other finance income

	2007 £000	2006 £000
Interest on pension scheme liabilities	489	535
Expected return on assets in the pension scheme	(626)	(560)
Net credit to other finance income	(137)	(25)

NOTES TO THE ACCOUNTS

at 31st March 2007

24. Pension commitments (continued)

Analysis of amounts included in the Statement of Recognised Gains and Losses

	2007 £000	2006 £000	2005 £000
Gain on assets	7	(847)	(140)
Experience (gain)/loss on liabilities	(41)	(290)	(74)
(Gain)/loss on change of assumption	(431)	(46)	554
Total actuarial (gain)/loss	(465)	(1,183)	340

History of experience gains and losses

	2007	2006	2005	2004	2003
(Gain)/loss on assets (£000's)	7	(847)	(140)	(912)	2,697
as a % of scheme assets at the end of the year	0.1%	9.1%	1.7%	11.5%	38.2%
Experience (gain)/loss on liabilities (£000's)	(41)	(290)	(74)	320	118
as a % of scheme liabilities at the end of the year	0.4%	2.9%	0.7%	3.4%	1.4%
Total actuarial (gain)/loss (£000's)	(465)	(1,183)	340	(326)	2,659
as a % of scheme liabilities at the end of the year	4.8%	11.6%	3.4%	3.5%	30.5%

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

	2007 £000	2006 £000
Deficit in the scheme at the beginning of the year	(796)	(1,854)
Contributions paid	191	90
Current service cost	(247)	(240)
Other finance income	137	25
Actuarial gain/(loss)	465	1,183
Deficit in the scheme at the end of the year	(250)	(796)

NOTES TO THE ACCOUNTS

at 31st March 2007

25. 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

	2007 £000	2007 £000	2006 £000	2006 £000
	Value for the year	Balance at year end	Value for the year	Balance at year end
The British Chambers of Commerce & Industry (Related Party Director S Battle and S M Topman)	90	60	84	61
The Confederation of West Midlands Chambers of Commerce (Related Party Director S Battle)	21	-	68	16
Emprima (Related Party Director N S Pountney)	-	-	52	6
KPMG LLP (Related Party Director I G Greaves)	12	-	-	-
Pinsent Masons (Related Party Director J G Lowson)	35	-	-	-
Wragge & Co (Related Party Director A Manning Cox)	19	-	-	-

In each case the price charged was the normal market price