

# **Birmingham Chamber of Commerce and Industry**

## **Report and Accounts**

31<sup>st</sup> March 2009

*Registered Number 78731*

## OPERATING AND FINANCIAL REVIEW

### Our Business and Strategy

The Birmingham Chamber of Commerce & Industry (BCI) group includes Birmingham Chamber Training Limited, Birmingham Chamber Business Services Limited (BCBS) and Skills4Auto Limited, all wholly owned subsidiary undertakings. BCI also includes the Solihull Chamber of Commerce and the Institute of Asian Business. BCBS changed its name from BDG Direct Limited during the year.

BCI is primarily a business membership organisation with the main functions of:

- representing members' views through lobbying activity;
- providing support and growth opportunity for member businesses, in particular networking opportunities; 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, which represented only 5% of total income for the year. To enable the enhancement of member services, the Chamber operates other elements of its business on a commercial basis. Business services provided by the Chamber to its members and customers include international trade services, business start-up assistance & advice, conference & meeting facilities, export documentation services and translations services.

The Chamber's mission is "To recruit every Birmingham and Solihull business to Chamber membership". In order to deliver on this Mission, the Chamber has defined what the Chamber brand stands for. The over-arching brand idea recognises that at the heart of our offer, is our ability to "make connections". This is encapsulated in the following Brand Promise:

"Helping Birmingham and Solihull businesses and their people to be successful by connecting them to opportunity"

In order to deliver the Mission and the Brand Promise, the Chamber's strategy is to be:

- The natural membership choice of businesses in the Sub-region;
- The voice of local business;
- The leading UK Chamber for business and international trade services

The Chamber's 2009/10 business plan concentrates on achieving financial targets whilst maintaining the resources necessary to grow the business over the following years. This will be achieved by:

- a clearer definition of our Mission which places more emphasis on Members;
- a Marketing Plan which responds to our Mission and the major issues we currently face;
- rationalising Business Services by reducing the number of products and concentrating on those which have been successful in 2008/09;

- moving towards commission based services to reduce the Chamber's cost base exposure;
- carefully selecting bids for new public funded contracts to replace projects which have come to an end;
- restructuring the Institute of Asian Businesses to give it clearer goals, widen its membership market and increase its financial contribution;
- maximising rental income from Chamber of Commerce house and reducing service costs.

### Our Financial Performance and Development

The Group's income for the year of £15.6 million was a £3.2m (17%) decrease on the previous year. The decrease was mainly in European and Government funding received to support business in the region. Income relating to such Regional Projects decreased by £2.9m. Income from non-funded business services totalled £3.9 million, a decrease of £300k on the previous year. However, rental income increased during the year by £88k to £275k.

The Group's operating deficit for the year of £809k does not appear to compare well with the surplus of £53,000 for 2007/08. However, it should be noted that the operating deficit is after charging exceptional items of £1,050k, compared to a credit of £262k in the previous year. As explained in note 6 to the accounts, the exceptional items were:

- £750k provision for funding clawback, relating to possible repayments of funding received in respect of completed legacy projects.
- £182k Defined Benefit Pension Fund administration costs. These include legal and actuarial costs relating to agreement of funding with the Fund trustee.
- £118k reorganisation costs relating to redundancy and other similar costs.

The group operating deficit is after charging additional depreciation of £28,000 (2007/08: £120,000) on the revalued amount of leasehold property. Leasehold property was included in the accounts at valuation for the first time as at 31<sup>st</sup> March 2007 to reflect the increase in its market value following the securing of planning consent for redevelopment. An interim valuation was carried out at 31<sup>st</sup> March 2009 to recognise recent falls in market values. Movements in property values are 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 deficit was £781,000 (2007/08: surplus £173,000).

Membership is a key performance indicator for the Chamber. At 31<sup>st</sup> March 2009 the total number of Chamber members was 2,588 (a decrease over the year of 600 or 19%) and subscription income decreased by 5% from £804,000 in 2007/08 to £764,000. The reduction in membership numbers reflected the economic situation and was affected by the non-renewal of a large number of members in a discontinued discounted scheme.

## OPERATING AND FINANCIAL REVIEW (continued)

Achievement of outputs required under funded contracts was also a critical performance target. As in previous years, BCI has performed very well in achieving these targets.

### Factors affecting Future Performance

The Small Business Service (SBS) contract operated by the Chamber under the Business Link brand for the Birmingham & Solihull sub-region ceased on 31<sup>st</sup> March 2007. Operating the SBS contract previously occupied a large proportion of the Chamber's resources and as a result of its cessation BCI entered into a transitional process which is still continuing, requiring a business strategy with a focus on non-funded commercial activity. This transition has not been helped by the current severe economic recession. The Chamber has responded to the downturn by reducing its normal working week to 35 hours, cutting its staff costs by over 5% p.a. Staff costs are the biggest single cost to the Chamber and this action has enabled us to budget for adequate surpluses over the next 3 years.

The Chamber continued to manage funded regeneration and regional projects during 2008/09, including Accelerate which supported the automotive supply chain. The majority of these contracts came to an end in December 2008 and the Chamber now faces the challenge of replacing funded activity which has now ceased.

In common with many organisations in the UK, BCI is managing an actuarial 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 the methodology prescribed by the standard showed a deficit at the year end of £584,000 net of deferred tax (2008: surplus £466,000). How this liability is reflected in the Chamber's balance sheet depends largely on factors that are outside BCI's control, being principally long-term investment returns and mortality rates. However, following an actuarial valuation of the fund as at 30<sup>th</sup> June 2008, agreement has been reached with the fund's trustee on future funding within a recovery plan which the Chamber believes to be affordable.

In December 2006 preliminary conditions of planning consent were satisfied for the redevelopment of the Chamber of Commerce House site. The development to construct new buildings containing Grade-A office space would be separately funded and would not draw on reserves generated by past membership activity. The current economic conditions make such funding unavailable and the scheme has therefore been shelved until market conditions improve. In the meantime, the Chamber has been very successful in renting office space in the existing building and in reducing ongoing operating costs.

### 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 has adopted FRS17 "Retirement Benefits" to account for its Defined Benefit Pension Scheme. This accounting policy has continued to be applied consistently in 2008/09.

Leasehold property was included in the accounts at valuation for the first time as at 31<sup>st</sup> March 2007. As a result of the change in property market conditions during the year, an interim valuation has been obtained and is reflected in the accounts as at 31<sup>st</sup> March 2009.

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 any surpluses generated cannot be distributed but are re-invested for the benefit of members and customers.

During the year the Chamber's net assets reflected in the balance sheet fell from £3.5m to £1.3m. The main reasons for this £2.2m change were:

- £1,050k reduction in the pension fund surplus;
- £626k net increase in provisions for funding clawback;
- £325k reduction in the valuation of long leasehold property;
- £81k reduction in the market value of investments.

The main treasury risks faced by the Chamber relate to interest rates and liquidity. BCI manages its treasury function to maximise these positions without engaging in speculative activity. During the year, net interest received was £15,000 (2007/08: £12,000) and listed investment income was £14,000 (2007/08: £14,000). The market value of listed investments at 31<sup>st</sup> March 2009 was £209,000 (2008: £328,000).

The Chamber's year end cash position was £130,000 (2008: £672,000). Loans were reduced during the year from £1,278,000 to nil. Net funds improved by £736,000 during the year (2007/08: £877,000). Net current assets at the year end were £894,000 (2008: £1,428,000).

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 (see note 1 to the accounts).

## CORPORATE SOCIAL RESPONSIBILITY

Understanding how we impact our stakeholders and the communities in which we operate and then applying this knowledge in a responsible way to create a strong and successful business is essential to the Chamber's future. It enables us to add value to all of our stakeholders, ranging from members to employees, suppliers, local community partners and society in general. It does this by giving us a different and broader view of business issues, prompting us to consider ethical and sustainability issues and to understand our network more effectively to the benefit of all our stakeholders. Corporate Social Responsibility (CSR) is about creating the right culture for our business.

In common with many organisations operating CSR best-practice, the Chamber uses a simple model to divide our approach to CSR into seven main segments:

### **How we look after and work with the communities in which we operate**

The Chamber's core activities naturally involve it with local communities, both on a social and business basis. At a high level, the Chamber is represented amongst others on the boards of Be Birmingham and the City Region Group. At an operational level, the Chamber delivers around £10m of public funded business and training support each year with the aim of creating and safeguarding jobs in the most vulnerable industries and communities around the region. Here are a couple of examples:

- **Accelerate:** A 7-year programme helping the automotive supply chain to improve performance and safeguard and create jobs. Over the life of the programme Accelerate proactively responded to global economic and purchasing pressures that have impacted negatively on UK and West Midlands manufacturers. We are proud to have safeguarded jobs, upskilled individuals and helped secure new business through the programme. We actively promote business and school partnerships and promote engineering as an exciting and rewarding career option.
- **REALiSE:** This Social Enterprise support programme used clustering to enable the participating organisations to improve their services and offer a more complete solution to their customers. Social enterprises are businesses that have social objectives, for example, to help those disadvantaged by disability, location, gender, race and age into employment.

Many of our staff undertake voluntary work and are members of community organisations and we have assessed the extent of this work to enable the Chamber to encourage and facilitate such activities. As a result, the following initiatives are in place:

- BCI has a formal policy of releasing staff with pay to undertake appropriate voluntary work within the community.

- The Chamber's President launched "The 1% Challenge" in 2008, inviting businesses and their staff to allocate 1% of their time to activities that will benefit and develop Birmingham as a whole. We believe that the 1% Challenge will help to develop the business and civic leaders of the future, ensure that business contributes to community and civic development, and create opportunities for the personal development of individuals within Birmingham's business community. BCI's staff have been given two working days per year that can be dedicated to involvement in an external activity of their choice.
- Each year the Chamber's President selects a charity to benefit from the Chamber's various fund raising activities. Employees are encouraged to organise teams to support these charitable events.

### **How we protect, consider and improve our impact on the environment**

The Chamber recognises that its day-to-day operations and activities have an effect on the environment. Where possible, we have introduced measures such as recycling paper and purchasing consumables from environmentally-responsible sources to improve and protect the environment. BCI aims to identify, monitor and reduce any negative impact the Company may have on the environment through a process of continuous improvement and assessment of our day-to-day business operations. We continually seek new ways of purchasing and disposing of equipment in the most environmentally-friendly manner possible.

BCI is a signatory to the Birmingham Sustainable Procurement Compact, which has been drawn up in the context of national policy including the UK Government Sustainable Procurement Action Plan 2007. By signing up to this compact BCI has committed itself to staff training in sustainable procurement, the preparation of high-level endorsement of a procurement policy, identification of priorities for greater sustainability, and the establishment of a basic approach to measuring performance in these areas.

Other environmental initiatives taken by the Chamber include:

- An energy review has been carried out by the Carbon Trust on Chamber of Commerce House.
- The usage of lifts in Chamber of Commerce House has been changed to reduce energy consumption.
- Energy-saving light bulbs are used where possible. Fluorescent light tubes are disposed of via a recycling company.
- The usage of printers has been consolidated to reduce the number of waste cartridges, which are returned to the manufacturers.
- Where possible, redundant computer equipment is donated to charities working in the educational sector.

## **CORPORATE SOCIAL RESPONSIBILITY (continued)**

- The Chamber takes part in the Travelwise scheme, whereby staff can obtain annual travel passes at a reduced rate for use on West Midlands buses and trains.
- Non-confidential waste paper is collected and recycled by Brumcan, a social enterprise employing individuals with learning disabilities. For the year ended 31st March 2009, 11.2 tonnes (2008: 7.5 tonnes) of paper were recycled. This equates to a saving of 14.8 tonnes in CO2 emissions.
- Confidential waste is also recycled after shredding. Shredding is undertaken on-site on an annual basis to remove archive material.
- An initiative has been put in place to reduce the number of disposable plastic cups used by staff.
- Mains-fed water dispensers have been introduced to replace bottled water dispensers.
- Glass from our Conference and Catering business is recycled by our catering contractor, which has its own environmental policy. Bottled mineral water is no longer used at the Chamber's internal meetings.

### **How we care for our staff, providing good working conditions and opportunities for development**

The Chamber is dedicated to ensuring that it is a great place to work through a commitment to managing the development and wellbeing of its staff:

- We retained our Investor in People accreditation in 2008, which signifies our good practices in relation to staff communication, training and development.
- We collect the views of our staff through regular staff attitude surveys, which allow us to respond to staff's opinions in several critical areas.
- A Staff Focus Group provides a formal process which allows staff to bring workplace issues to management's attention.
- BCI recognises the importance of work/life balance and operates a flexible working-hours system for its staff.
- Allowance is made under a formal policy for staff to work reduced hours where necessary to support caring needs for children or elderly relatives.

### **How we look after our customers, suppliers and all those who come into contact with us as a business**

Through our commitment to the Birmingham Sustainable Procurement Compact, the Chamber will re-assess its tendering processes and contracts to provide opportunities to small businesses and social enterprises, creating opportunities for work and helping deprived communities. We will work with suppliers and contractors to encourage them to develop their own sustainable practices.

The Chamber holds the ISO 9001 Quality Standard which helps to ensure consistent quality of service to all those who come into contact with us as a business. Under the standard we formally record our operational processes, which are audited to ensure continuing improvement.

BCI is also a British Chambers of Commerce Accredited Chamber. This sets the standards for all Chambers' core business competencies including governance and financial management and their core services such as membership and policy & representation. In some of these fields BCI was judged to be "excellent" during a 2009 reassessment.

### **How we operate an ethical approach to our work**

BCI maintains the expectation that all staff act according to the highest professional standards of conduct. These standards are included in many of our formal policies and procedures including those recorded and audited under our ISO 9001, IIP and BCC accreditations. Staff behaviours are evaluated as part of everyone's bi-annual Performance Improvement Reviews.

### **How we influence the behaviour of our members**

Perhaps the largest impact the Chamber can have on CSR is not through its own business but by influencing the behaviour of its members. BCI has been focusing on opportunities to highlight the CSR activities that small businesses are already engaged in. The Chamber network is at the forefront of moves to promote the advantages of CSR to small businesses through our involvement with the Small Business Consortium, together with Business in the Community, Lloyds TSB, BT and Serco. BCI is therefore well placed to facilitate the understanding and knowledge of SMEs around CSR. Other actions by the Chamber have been:

- BCI believes that legislative CSR requirements would place additional administrative burdens on businesses that would reduce both the time and resources that could be used to expand and develop CSR activities. BCI monitors Government developments both nationally and in the EU to ensure that SMEs are able to develop their CSR activities free of additional regulatory burdens.
- The need to address CSR issues for SMEs is highlighted at BCI's Council meetings.
- The Chamber's Policy Working Group has debated the importance of CSR to business. BCI continues to raise awareness of the level of CSR activities already undertaken by a large number of small businesses.
- CSR developments can be illustrated on three different levels: local, national and European. BCI continues to monitor legislation at all levels to ensure that the right business environment is created for SMEs to continue and develop CSR good practice.
- BCI commissioned Aston Business School to examine SMEs approach to CSR in September 2006. The research focused on SMEs knowledge and practices of CSR and identified the main drivers of CSR activity in SMEs. This work will inform BCI's policy positions moving forward.

## **CORPORATE SOCIAL RESPONSIBILITY (continued)**

### **How we contribute to CSR at a National level**

BCI contributes to CSR at a National level through its membership of the British Chambers of Commerce (BCC). The Small Business Consortium runs the Small Business Journey website, [www.smallbusinessjourney.com](http://www.smallbusinessjourney.com), designed to provide businesses with practical information and to inform policy makers. The site features a series of 'how to' guides on topics ranging from cause related marketing to employee training, and provides a comprehensive library of SME case studies. The group meets regularly to exchange best practice and identify how to help member businesses deal with the challenges of responsibility, sustainability and EU developments.

Other CSR national level past activities by the BCC have included:

- forwarding Chambers to pilot a new Business in the Community business adviser training module on CSR;
- establishing a Chamber CSR network as a forum for Chambers to share information and ideas;
- meeting Treasury officials working on the Government's review of the Third Sector to discuss the role of business in supporting the Third Sector.

## REPORT OF THE DIRECTORS

The directors present their report and the group accounts for the year ended 31<sup>st</sup> March 2009. The accounts have been prepared in accordance with the Companies Act 2006 and related regulation.

### 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. 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, Birmingham Chamber Business Services Limited and Skills4Auto Limited (being wholly owned subsidiary undertakings of BCI).

The group deficit for the year, after taxation, amounted to £798,000 (2008: surplus £81,000) and has been carried against reserves. The deficit included additional depreciation of £28,000 (2008: £120,000) resulting from the revaluation of long leasehold property (see note 1).

### Directors and their interests

The directors, including the Honorary Officers, as at 31<sup>st</sup> March 2009 and those who served during the year were as follows:

B P Blow (President)

P S Bassi (Vice-president)

C Braddock (Vice-president)

R M Ackrill (Immediate Past President)

J B Blackett (Chief Executive, BCI)

M A Hibbert (Finance Director, BCI)

S M Topman (Chairman, Birmingham Chamber Training Limited)

S A C Yates (President, Solihull Chamber) – resigned 20/3/09

P P Thandi (President, Solihull Chamber) – appointed 20/3/09

Dr A Bajaj (Chairman, Institute of Asian Businesses)

J R A Crabtree (Co-opted Member)

M F Ball (Elected Member) – resigned 20/3/09

A D Bland (Elected Member) – appointed 16/10/08

C R Cauty (Elected Member) – appointed 16/10/08

I G Greaves (Elected Member)

G J Lawson (Elected Member)

A R Manning Cox (Elected Member) – resigned 16/10/08

T S D Pile (Elected Member) – appointed 16/10/08

B Summers (Elected Member) – resigned 16/10/08

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.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 2 to 3.

The Group's short-term funding requirement can be met within its current uncommitted bank overdraft facility. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to operate without the use of this facility for a period of at least 12 months from the date of approval of these financial statements. In the current uncertain economic circumstances, it is possible that certain forecast assumptions may not be met and, as a consequence, this facility may be required. As this facility is uncommitted in nature, contingency plans and mitigating actions have been developed, should the need arise, which may include further cost reductions and renegotiations with the Group's bank. However, the group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that the overdraft facility may not be available on acceptable terms.

The Directors also note that the Group continues to hold a significant funding deficit on its defined benefit pension scheme. In the post balance sheet period the Group has successfully agreed a funding plan with the trustees of £120k per annum for a period of 13 years. This has been included in the above projections and the Directors are comfortable that these contributions can be adequately financed.

After making enquiries, the directors have reasonable expectation that the Company and the Group will have adequate resources to continue its operation existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis for preparing the annual report and accounts.

### 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.

**REPORT OF THE DIRECTORS (continued)**

**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  
26<sup>th</sup> March 2010

## 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 the President 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT**

to the members of Birmingham Chamber of Commerce and Industry

We have audited the group and parent company financial statements (the "financial statements") of Birmingham Chamber of Commerce and Industry for the year ended 31<sup>st</sup> March 2009 which comprise the Group Income and Expenditure Account, the Group Note of Historical Cost Surpluses and Deficits, the Group Statement of Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 26. These financial statements 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the directors' report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the directors' report.

In addition we 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 financial statements. This other information comprises only the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31<sup>st</sup> March 2009 and of the group's deficit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP  
Registered auditor  
Birmingham  
16 April 2010

**GROUP INCOME & EXPENDITURE ACCOUNT**

for the year ended 31<sup>st</sup> March 2009

		<b>2009</b>	2008
		<b>£000</b>	£000
<b>Income</b>	Note 2	<b>15,631</b>	18,803
<b>Expenditure</b>			
Administrative expenses		<b>(15,390)</b>	(19,012)
		<b>241</b>	(209)
Operating exceptional items	6	<b>(1,050)</b>	262
<b>Operating (deficit)/surplus</b>	3	<b>(809)</b>	53
<b>Non-operating exceptional items:</b>			
Deficit on disposal and amounts provided against fixed asset investments	7	<b>(69)</b>	(5)
Costs relating to the Business Link Division closure	7	<b>-</b>	(14)
		<b>(878)</b>	34
Net finance income	8	<b>76</b>	147
<b>(Deficit)/surplus on ordinary activities before tax</b>		<b>(802)</b>	181
Tax on (deficit)/surplus on ordinary activities	9	<b>4</b>	(100)
<b>(Deficit)/surplus for the year</b>	21	<b>(798)</b>	81

**GROUP NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

for the year ended 31<sup>st</sup> March 2009

	<b>2009</b>	2008
	<b>£000</b>	£000
Reported (deficit)/surplus on ordinary activities before tax	<b>(802)</b>	181
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<b>28</b>	120
Historical cost (deficit)/surplus on ordinary activities before tax	<b>(774)</b>	301
Historical cost (deficit)/surplus for the year after tax	<b>(770)</b>	201

**GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES**

for the year ended 31<sup>st</sup> March 2009

		<b>2009</b>	2008
		<b>£000</b>	£000
(Deficit)/surplus for the year	Note	<b>(798)</b>	81
Actuarial (loss)/gain	24	<b>(1,452)</b>	379
Deferred tax on the actuarial (loss)/gain	24	<b>305</b>	(76)
Unrealised deficit on revaluation of leasehold property	21	<b>(284)</b>	<u>(2,673)</u>
Total recognised losses relating to the year		<b><u>(2,229)</u></b>	<u>(2,289)</u>

**BALANCE SHEETS**

at 31<sup>st</sup> March 2009

		<b>Group 2009 £000</b>	Group 2008 £000	<b>Company 2009 £000</b>	Company 2008 £000
	Note				
<b>Fixed assets</b>					
Tangible assets	11	<b>3,054</b>	3,438	<b>3,026</b>	3,398
Investments:					
Shares in subsidiary undertakings	12	-	-	<b>1</b>	1
Other investments	13	<b>5</b>	5	<b>5</b>	5
		<b>3,059</b>	3,443	<b>3,032</b>	3,404
<b>Current assets</b>					
Investments	14	<b>184</b>	265	<b>184</b>	265
Stocks		<b>5</b>	6	<b>5</b>	6
Debtors	15	<b>3,285</b>	6,247	<b>2,944</b>	5,754
Deferred taxation	16	<b>86</b>	46	<b>72</b>	37
Cash at bank and in hand	17	<b>130</b>	672	<b>737</b>	1,040
		<b>3,690</b>	7,236	<b>3,942</b>	7,102
<b>Creditors: amounts falling due within one year</b>	18	<b>2,796</b>	5,808	<b>2,372</b>	5,451
<b>Net current assets</b>		<b>894</b>	1,428	<b>1,570</b>	1,651
<b>Total assets less current liabilities</b>		<b>3,953</b>	4,871	<b>4,602</b>	5,055
<b>Creditors: amounts falling due after more than one year</b>	19				
Loans		-	1,250	-	1,250
Deferred income		<b>948</b>	-	<b>948</b>	-
<b>Provisions for liabilities and charges</b>					
Other provisions	20	<b>1,112</b>	549	<b>1,091</b>	549
<b>Net assets excluding pension (liability)/asset</b>		<b>1,893</b>	3,072	<b>2,563</b>	3,256
<b>Net pension (liability)/asset</b>	24	<b>(584)</b>	466	<b>(584)</b>	466
<b>Net assets including pension liability</b>		<b>1,309</b>	3,538	<b>1,979</b>	3,722
<b>Represented by:</b>					
Revenue reserves	21	<b>417</b>	2,334	<b>1,087</b>	2,518
Revaluation reserve	21	<b>892</b>	1,204	<b>892</b>	1,204
		<b>1,309</b>	3,538	<b>1,979</b>	3,722

The accounts have been prepared in accordance with the Companies Act 2006 and related regulation. The accounts were approved by the Board on 26<sup>th</sup> March 2010.

Signed on behalf of the Board:

J B Blackett  
Chief Executive

(Company Number 78731)

**GROUP CASH FLOW STATEMENT**

for the year ended 31<sup>st</sup> March 2009

	Note	2009 £000	2008 £000
<b>Net cash (outflow)/inflow from operating activities</b>	10	<b>(508)</b>	485
<b>Returns on investments and servicing of finance</b>			
Interest received		17	20
Interest paid		(2)	(8)
Dividends received		14	104
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>29</b>	116
<b>UK Corporation Tax paid</b>		<b>(2)</b>	-
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(45)	(127)
Purchase of investments		(21)	(15)
Sale of investments		33	229
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<b>(33)</b>	87
<b>Acquisitions and disposals</b>			
Costs of closure of Business Link division		-	(14)
Net inflow from acquisitions		-	203
<b>Net cash inflow from acquisitions and disposals</b>		<b>-</b>	189
<b>Net cash (outflow)/inflow before financing</b>		<b>(514)</b>	877
<b>Financing</b>			
Repayment of loan		(28)	(108)
<b>(Decrease)/increase in cash in the year</b>		<b>(542)</b>	769
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year		(542)	769
Repayment of loan		28	108
Commutation of loan to deferred income		1,250	-
Movement in net funds		736	877
Net funds at beginning of the year		(606)	(1,483)
<b>Net funds at end of the year</b>	17	<b>130</b>	(606)

**Cash flow relating to exceptional items**

The 2009 operating cash inflow includes outflows of £365,000 (2008: £186,000) relating to exceptional items.

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> March 2009

### 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.

#### *Going concern*

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 2 to 3.

The Group's short-term funding requirement can be met within its current uncommitted bank overdraft facility. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to operate without the use of this facility for a period of at least 12 months from the date of approval of these financial statements. In the current uncertain economic circumstances, it is possible that certain forecast assumptions may not be met and, as a consequence, this facility may be required. As this facility is uncommitted in nature, contingency plans and mitigating actions have been developed, should the need arise, which may include further cost reductions and renegotiations with the Group's bank. However, the group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that the overdraft facility may not be available on acceptable terms.

The Directors also note that the Group continues to hold a significant funding deficit on its defined benefit pension scheme. In the post balance sheet period the Group has successfully agreed a funding plan with the trustees of £120k per annum for a period of 13 years. This has been included in the above projections and the Directors are comfortable that these contributions can be adequately financed.

After making enquiries, the directors have reasonable expectation that the Company and the Group will have adequate resources to continue its operation existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis for preparing the annual report and accounts.

#### *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 31<sup>st</sup> March 2009. 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.

#### *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.

#### *Leasing*

Operating lease rentals are charged in expenditure on a straight-line basis over the lease term.

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> March 2009

### 1. Accounting policies (continued)

#### *Fixed assets*

All fixed assets are initially recorded at cost. Leasehold property was revalued as at 31<sup>st</sup> March 2008, with the revaluation surplus being taken to the revaluation reserve. An interim valuation was carried out as at 31<sup>st</sup> March 2009 and the revaluation deficit arising has been set against the revaluation reserve.

#### *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.

#### *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.

#### *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 change 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.

**NOTES TO THE ACCOUNTS**

at 31<sup>st</sup> March 2009

**1. Accounting policies (continued)**

*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.

*Provisions for liabilities*

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**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:

	<b>2009</b>	2008
	<b>£000</b>	£000
Membership subscriptions	764	804
Regional Projects	4,921	7,837
Grant income	3,508	3,646
General services	3,920	4,194
Training income	2,229	2,031
Rental income from operating leases	275	187
Income from listed investments	14	14
Income from other investments	-	90
	<b>15,631</b>	<b>18,803</b>

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/(crediting):

	<b>2009</b>	2008
	<b>£000</b>	£000
Staff costs (note 4)	4,232	4,299
Exceptional items (note 6)	1,050	(262)
Auditors' remuneration – audit services	33	31
Auditors' remuneration – non-audit services	26	15
Depreciation	146	260
Foreign currency exchange differences	62	56
Operating lease rentals – plant and machinery	101	114
– land and buildings	11	9

**NOTES TO THE ACCOUNTS**

at 31<sup>st</sup> March 2009

**4. Staff costs**

	<b>2009</b>	2008
	<b>£000</b>	£000
Salaries and wages	3,723	3,725
Social security costs	375	390
Other pension costs:		
Defined contribution	134	96
Defined benefit (note 24)	-	88
	<b>4,232</b>	<b>4,299</b>

The average number of persons employed by the group during the year was 119 (2008: 122).

**5. Directors' emoluments**

	<b>2009</b>	2008
	<b>£000</b>	£000
Emoluments (excluding pension contributions)	<b>221</b>	222

Non-executive directors did not receive any remuneration for their services. The emoluments, excluding pension contributions, of the highest paid director were £126,755 (2008: £126,794).

	<b>2009</b>	2008
	<b>No.</b>	No.
Members of defined benefit pension scheme	-	-

**6. Operating exceptional items**

	<b>2009</b>	2008
	<b>£000</b>	£000
Recognised in arriving at operating deficit:		
Write-off of negative goodwill arising on acquisition of Skills4Auto Limited	-	(275)
Provisions for funding clawback	750	145
Pension fund administration costs	182	178
Pension Fund curtailment adjustment	-	(318)
Re-organisation costs	118	8
	<b>1,050</b>	<b>(262)</b>

Provisions for funding clawback relate to possible repayments of funding received in respect of completed legacy projects. Defined Benefit Pension Fund administration costs borne by the Chamber in 2008/09 and 2007/08 included legal and actuarial costs relating to agreement of funding with the Fund trustee and the cessation of future service benefits from 1<sup>st</sup> September 2007. The curtailment adjustment arose as a result of the cessation of benefits. Re-organisation costs relate to redundancy and other similar costs.

**7. Non-operating exceptional items**

	<b>2009</b>	2008
	<b>£000</b>	£000
Deficit on disposal and amounts provided against fixed asset investments	69	5
Costs relating to the Business Link Division closure	-	14
	<b>69</b>	<b>19</b>

**NOTES TO THE ACCOUNTS**

at 31<sup>st</sup> March 2009

**8. Net finance income**

	<b>2009</b>	2008
	<b>£000</b>	£000
Interest on bank loan and overdrafts	(2)	(8)
Bank interest receivable	17	20
Expected return on assets in the pension scheme		
less interest on pension scheme liabilities (note 24)	<b>61</b>	135
	<b>76</b>	<b>147</b>

**9. Taxation**

	<b>2009</b>	2008
	<b>£000</b>	£000
Tax on (deficit)/surplus on ordinary activities:		
UK Corporation tax	3	2
Deferred tax (note 16):		
Origination and reversal of timing differences	(36)	9
Effect of changes in tax rate	(4)	-
Deferred tax on FRS 17 pension adjustments	27	89
Effect of changes in tax rate	<b>6</b>	-
	<b>(4)</b>	<b>100</b>

*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:

	<b>2009</b>	2008
	<b>£000</b>	£000
(Deficit)/surplus on ordinary activities before taxation	<b>(802)</b>	181
(Deficit)/surplus on ordinary activities at the standard rate of tax of 21% (2008: 20%)	<b>(168)</b>	36
Effect of:		
Disallowed expenses and non-taxable income	<b>19</b>	(32)
Accounting loss/(profit) on chargeable assets	<b>14</b>	(6)
Difference between capital allowances and depreciation	<b>14</b>	(5)
Group relief	<b>(5)</b>	-
FRS17 pension	<b>(27)</b>	(91)
Unrelieved tax losses carried forward	<b>153</b>	100
Prior year adjustments	<b>3</b>	-
Current tax charge for the year	<b>3</b>	<b>2</b>

**NOTES TO THE ACCOUNTS**  
at 31<sup>st</sup> March 2009

**10. Net cash flow from operating activities**

	<b>2009</b>	2008
	<b>£000</b>	£000
Operating (deficit)/surplus	<b>(809)</b>	53
Excess pension current service cost	<b>(70)</b>	-
Pension fund curtailment adjustment	-	(318)
Depreciation	<b>146</b>	260
Amortisation of negative goodwill	-	(275)
Dividends received	<b>(14)</b>	(104)
(Decrease) in deferred subscriptions provision	<b>(38)</b>	(4)
Increase/(decrease) in other provisions	<b>601</b>	(111)
Decrease in stocks	<b>1</b>	6
Decrease in debtors	<b>2,959</b>	1,356
(Decrease) in creditors	<b>(3,284)</b>	(378)
Net cash (outflow)/inflow from operating activities	<b>(508)</b>	485

**11. Tangible fixed assets**

	Property Development £000	Long Leasehold Property £000	Computers & Fixtures £000	Total £000
<b>Group Cost or Valuation</b>				
At 1 <sup>st</sup> April 2008	848	2,402	1,862	5,112
Additions during the year	7	-	38	45
Deficit on revaluation	-	(332)	-	(332)
<b>At 31<sup>st</sup> March 2009</b>	<b>855</b>	<b>2,070</b>	<b>1,900</b>	<b>4,825</b>
<b>Group Depreciation</b>				
At 1 <sup>st</sup> April 2008	-	-	1,674	1,674
Charge for the year	-	49	97	146
Deficit on revaluation	-	(49)	-	(49)
<b>At 31<sup>st</sup> March 2009</b>	<b>-</b>	<b>-</b>	<b>1,771</b>	<b>1,771</b>
<b>Group Net book value at 31<sup>st</sup> March 2009</b>	<b>855</b>	<b>2,070</b>	<b>129</b>	<b>3,054</b>
Group Net book value at 1 <sup>st</sup> April 2008	848	2,402	188	3,438
<b>Company Cost or Valuation</b>				
At 1 <sup>st</sup> April 2008	848	2,402	1,779	5,029
Additions during the year	7	-	31	38
Deficit on revaluation	-	(332)	-	(332)
<b>At 31<sup>st</sup> March 2009</b>	<b>855</b>	<b>2,070</b>	<b>1,810</b>	<b>4,735</b>
<b>Company Depreciation</b>				
At 1 <sup>st</sup> April 2008	-	-	1,631	1,631
Charge for the year	-	49	78	127
Deficit on revaluation	-	(49)	-	(49)
<b>At 31<sup>st</sup> March 2009</b>	<b>-</b>	<b>-</b>	<b>1,709</b>	<b>1,709</b>
<b>Company Net book value at 31<sup>st</sup> March 2009</b>	<b>855</b>	<b>2,070</b>	<b>101</b>	<b>3,026</b>
Company Net book value at 1 <sup>st</sup> April 2008	848	2,402	148	3,398

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> March 2009

### 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 at £2,925,000 (including the development costs) by King Sturge LLP as at 31<sup>st</sup> March 2009 on the basis of existing use 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 <sup>st</sup> March 2009	1,395	1,395
At 1 <sup>st</sup> April 2008	1,395	1,395

A fixed charge over the long leasehold property was granted to the Trustee of the Chamber's defined benefit pension scheme in August 2007.

### 12. Shares in subsidiary undertakings

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

- Birmingham Chamber Business Services Limited being 2 shares of £1 each. The company's principal activity is the provision of business services.
- 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 is the sole member of the following companies which are limited by guarantee:

- Skills4Auto Limited – principal activity is the provision of training services to industry.
- West Midlands Chamber of Commerce – 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. Other investments

	Unlisted £000
Cost at 31 <sup>st</sup> March 2009	5
Cost at 1 <sup>st</sup> April 2008	5

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.

**NOTES TO THE ACCOUNTS**

at 31<sup>st</sup> March 2009

**14. Current investments**

Listed investments were reclassified as current assets at 31<sup>st</sup> March 2008. The market value of listed investments as at 31<sup>st</sup> March 2009 was £209,000 (31<sup>st</sup> March 2008: £328,000).

**15. Debtors**

	<b>Group 2009 £000</b>	Group 2008 £000	<b>Company 2009 £000</b>	Company 2008 £000
Trade debtors	<b>2,942</b>	3,832	<b>2,342</b>	3,255
Other debtors	<b>141</b>	2,316	<b>84</b>	2,301
Prepayments and accrued income	<b>202</b>	96	<b>195</b>	83
Tax recoverable	-	3	-	3
Amounts owed by group undertakings	-	-	<b>323</b>	112
	<b>3,285</b>	6,247	<b>2,944</b>	5,754

**16. Deferred taxation**

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

	<b>Group 2009 £000</b>	Group 2008 £000	<b>Company 2009 £000</b>	Company 2008 £000
Capital allowances	<b>86</b>	41	<b>72</b>	32
Other timing differences	-	5	-	5
	<b>86</b>	46	<b>72</b>	37

The major components of deferred tax asset not recognised in the accounts are as follows:

	<b>Group 2009 £000</b>	Group 2008 £000	<b>Company 2009 £000</b>	Company 2008 £000
Accelerated capital allowances	<b>5</b>	-	-	-
Tax losses	<b>200</b>	133	<b>10</b>	-
Surplus on revaluation	<b>31</b>	622	<b>31</b>	622
	<b>236</b>	755	<b>41</b>	622

Movement in the deferred tax asset during the year:

	Group £000	Company £000
At 1 <sup>st</sup> April 2008	46	37
Adjustment in respect of previous years	-	-
Current year	40	35
<b>At 31<sup>st</sup> March 2009</b>	<b>86</b>	<b>72</b>

**NOTES TO THE ACCOUNTS**  
at 31<sup>st</sup> March 2009

**17. Analysis of changes in net funds**

	2007	Cash flows	2008	Cancelled loan	Cash flows	2009
	£000	£000	£000	£000	£000	£000
Cash at bank and in hand	31	641	672	-	(542)	<b>130</b>
Bank overdraft	(128)	128	-	-	-	-
Bank loan	(136)	108	(28)	-	28	-
Other loan	(1,250)	-	(1,250)	1,250	-	-
Net funds	<u>(1,483)</u>	<u>877</u>	<u>(606)</u>	<u>1,250</u>	<u>(514)</u>	<b>130</b>

**18. Creditors: amounts falling due within one year**

	<b>Group</b> <b>2009</b> <b>£000</b>	Group 2008 £000	<b>Company</b> <b>2009</b> <b>£000</b>	Company 2008 £000
Current instalment due on bank loan (note 19)	-	28	-	28
Trade creditors	<b>730</b>	2,741	<b>502</b>	2,599
Accruals and deferred income	<b>1,245</b>	2,054	<b>1,181</b>	2,024
Other creditors	<b>625</b>	607	<b>582</b>	485
Corporation tax	-	2	-	-
Other taxes and social security costs	<b>197</b>	376	<b>97</b>	284
Amounts owed to group undertakings	-	-	<b>10</b>	31
	<u><b>2,796</b></u>	<u>5,808</u>	<u><b>2,372</b></u>	<u>5,451</u>

**19. Creditors: amounts falling due after more than one year**

	<b>2009</b> <b>£000</b>	2008 £000
<b>Loans – Group and company:</b>		
Wholly repayable within 5 years:		
Bank loan	-	28
Other loan	-	1,250
	-	<u>1,278</u>
Less amount falling due within one year	-	<u>(28)</u>
	-	<u>1,250</u>
	<b>2009</b> <b>£000</b>	2008 £000
<b>Loans – Group and company:</b>		
Amounts repayable:		
in one year or less	-	28
between one and two years	-	1,250
between two and five years	-	-
	-	<u>1,278</u>
in five years or more	-	-
	-	<u>1,278</u>

An unsecured interest free loan of £1,250,000 was received on 24<sup>th</sup> May 2001. Repayment of the loan was discharged on 1<sup>st</sup> January 2009 by an agreement with the lender to provide business support services to the value of the loan.

	<b>2009</b> <b>£000</b>	2008 £000
<b>Deferred income – Group and company:</b>		
Funding received to be utilised in 2010/11 and beyond	<b>948</b>	-

**NOTES TO THE ACCOUNTS**  
at 31<sup>st</sup> March 2009

**20. Provisions for liabilities and charges**

	<b>Group 2009 £000</b>	Group 2008 £000	<b>Company 2009 £000</b>	Company 2008 £000
Project funding costs	735	109	714	109
Deferred subscriptions income	377	415	377	415
Business Link division closure costs	-	25	-	25
	<b>1,112</b>	549	<b>1,091</b>	549

Group movement in provisions during the year:

	Project Costs £000	Deferred Income £000	Closure Costs £000	Total costs £000
At 1 <sup>st</sup> April 2008	109	415	25	549
Provided during the year	750	-	-	750
Utilised during the year	(124)	-	(24)	(148)
Released during the year	-	(38)	(1)	(39)
<b>At 31<sup>st</sup> March 2009</b>	<b>735</b>	<b>377</b>	<b>-</b>	<b>1,112</b>

Company movement in provisions during the year:

	Project Costs £000	Deferred Income £000	Closure Costs £000	Total costs £000
At 1 <sup>st</sup> April 2008	109	415	25	549
Provided during the year	711	-	-	711
Utilised during the year	(106)	-	(24)	(130)
Released during the year	-	(38)	(1)	(39)
<b>At 31<sup>st</sup> March 2009</b>	<b>714</b>	<b>377</b>	<b>-</b>	<b>1,091</b>

Project Funding Costs relate to possible repayment of funding received. Deferred Income relates to membership subscriptions received relating to future periods.

**21. Movement on reserves**

	Revaluation reserve		Revenue reserve	
	Group £000	Company £000	Group £000	Company £000
At 31 <sup>st</sup> March 2007	3,997	3,997	1,830	1,770
Transfer during the year	(120)	(120)	120	120
Deficit on revaluation	(2,673)	(2,673)	-	-
Pension fund deficit movement net of tax	-	-	303	303
Surplus for the year	-	-	81	325
At 31 <sup>st</sup> March 2008	1,204	1,204	2,334	2,518
Transfer during the year	(28)	(28)	28	28
Deficit on revaluation	(284)	(284)	-	-
Pension fund surplus movement net of tax	-	-	(1,147)	(1,147)
Deficit for the year	-	-	(798)	(312)
<b>At 31<sup>st</sup> March 2009</b>	<b>892</b>	<b>892</b>	<b>417</b>	<b>1,087</b>

The company operates under s.30 of the Companies Act and is unable to distribute surpluses or reserves.

**NOTES TO THE ACCOUNTS**

at 31<sup>st</sup> March 2009

**22. Deficit attributable to the parent company**

The deficit dealt with in the accounts of the parent company was £312,000 (2008: surplus £325,000). Advantage has been taken of the exemption from publication of the company's own income and expenditure account.

**23. Other financial commitments**

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

	<b>Group 2009 £000</b>	Group 2008 £000	<b>Company 2009 £000</b>	Company 2008 £000
Land and buildings leases expiring:				
within one year	<b>5</b>	-	-	-
in two to five years	-	5	-	-
Other leases expiring:				
within one year	<b>13</b>	19	<b>13</b>	15
in two to five years	<b>83</b>	80	<b>83</b>	68
	<b>101</b>	104	<b>96</b>	83

**24. Pension commitments**

The group operates a funded defined benefit pension scheme ("DBPS") and a 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 30<sup>th</sup> September 2002. 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 consent which was received from active members of the scheme to the cessation of accrual of future service benefits with effect from 1<sup>st</sup> September 2007. Regular contributions by members of the DBPS therefore ceased on that date. The Chamber contributes at the rate of £70,000 p.a. plus a percentage of certain surpluses. The Chamber meets the Fund's expenses.

The group adopted FRS 17 "Retirement Benefits" in full for the year ended 31<sup>st</sup> 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.

A full actuarial valuation of the defined benefit pension scheme was carried out as at 30<sup>th</sup> June 2008. An updated actuarial valuation of the liabilities was obtained as at 31<sup>st</sup> March 2009 and the principal actuarial assumptions used were:

	<b>2009 % p.a.</b>	2008 % p.a.	2007 % p.a.
Price inflation	<b>3.10</b>	3.60	3.10
Rate of increase in pay	<b>n/a</b>	n/a	4.35
Rate of increase of pensions in payment with statutory increases	<b>3.10</b>	3.60	3.10
Rate of increase of pensions in payment with discretionary increases	<b>Nil</b>	Nil	Nil
Rate of increase for deferred pensioners (in excess of any Guaranteed Minimum Pension element)	<b>3.10</b>	3.60	3.10
Discount rate	<b>6.80</b>	6.80	5.40

**NOTES TO THE ACCOUNTS**  
at 31<sup>st</sup> March 2009

**24. Pension commitments (continued)**

The assets and liabilities of the defined benefit pension scheme as at 31<sup>st</sup> March 2009 and the expected long-term rate of return were:

	<b>2009</b>	<b>2009</b>	2008	2008	2007	2007
	<b>Fair value</b>	<b>Return</b>	Fair value	Return	Fair value	Return
	<b>£000</b>	<b>% p.a.</b>	£000	% p.a.	£000	% p.a.
Equities	<b>2,956</b>	<b>8.20</b>	4,975	8.50	6,045	8.00
Bonds	<b>3,814</b>	<b>4.70</b>	3,339	5.10	2,752	4.85
Property	<b>28</b>	<b>6.50</b>	267	6.80	241	6.40
Cash	<b>529</b>	<b>3.90</b>	420	4.50	428	4.00
Fair value of fund assets	<b>7,327</b>	<b>6.06</b>	9,001	7.00	9,466	6.86
Actuarial value of scheme liabilities	<b>(8,066)</b>		(8,419)		(9,716)	
(Deficit)/surplus in the scheme	<b>(739)</b>		582		(250)	
Deferred tax	<b>155</b>		(116)		49	
(Deficit)/surplus after tax	<b>(584)</b>		466		(201)	

Analysis of amounts charged to operating surplus:

	<b>2009</b>	2008
	<b>£000</b>	£000
Current service cost	-	88
Gain on curtailment	-	(318)
Net (gain)/loss charged to operating surplus	-	(230)

Analysis of amount credited to other finance income:

	<b>2009</b>	2008
	<b>£000</b>	£000
Interest on pension scheme liabilities	<b>556</b>	503
Expected return on assets in the pension scheme	<b>(617)</b>	(638)
Net credit to other finance income	<b>(61)</b>	(135)

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

	<b>2009</b>	2008	2007
	<b>£000</b>	£000	£000
Loss on assets	<b>1,840</b>	760	7
Experience gain on liabilities	<b>(365)</b>	0	(41)
Gain on change of assumption	<b>(23)</b>	(1,139)	(431)
Total actuarial loss/(gain)	<b>1,452</b>	(379)	(465)

**NOTES TO THE ACCOUNTS**  
at 31<sup>st</sup> March 2009

**24. Pension commitments (continued)**

History of experience gains and losses:

	<b>2009</b>	2008	2007	2006	2005
(Gain)/loss on assets (£000's)	<b>1,840</b>	760	7	(847)	(140)
as a % of scheme assets at the year end	<b>25.1%</b>	8.4%	0.1%	9.1%	1.7%
Experience (gain)/loss on liabilities (£000's)	<b>(365)</b>	0	(41)	(290)	(74)
as a % of scheme liabilities at the yearend	<b>(4.5%)</b>	0.0%	0.4%	2.9%	0.7%
Total actuarial (gain)/loss (£000's)	<b>1,452</b>	(379)	(465)	(1,183)	340
as a % of scheme liabilities at the year end	<b>18.0%</b>	(4.5%)	4.8%	11.6%	3.4%

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

	<b>2009</b>	2008
	<b>£000</b>	£000
Surplus/(deficit) in the scheme at the beginning of the year	<b>582</b>	(250)
Contributions paid	<b>70</b>	88
Current service cost	-	(88)
Curtailement gain	-	318
Other finance income	<b>61</b>	135
Actuarial (loss)/gain	<b>(1,452)</b>	379
(Deficit)/surplus in the scheme at the year end	<b>(739)</b>	582

**25. Contingent liabilities**

The Company is party to a cross guarantee with certain other Group companies in connection with its day-to-day cash pooling arrangements. Any potential liability is capped at the level of on hand balances held by the Company and any net overdraft of the Group companies subject to the group banking arrangement. At 31 March the Company had cash balances within the group banking arrangement of £735,000 (2008: £616,000) and the Group of Companies had net cash balances within the group banking arrangement of £135,000 (2008: £253,000). Therefore the company has a contingent liability at the year end date of £600,000 (2008: £363,000).

**26. Transactions with Related Parties**

During the year the company made payments in the normal course of business and at normal market price to the following companies which had certain directors who were also directors of the Chamber of Commerce:

	<b>2009</b>	<b>2009</b>	2008	2008
	<b>£000</b>	<b>£000</b>	£000	£000
	<b>Value for the year</b>	<b>Balance at year end</b>	Value for the year	Balance at year end
The British Chambers of Commerce & Industry (Related Party Director: S M Topman)	<b>85</b>	-	57	-
The Confederation of West Midlands Chambers of Commerce (Related Party Director: J B Blackett)	<b>90</b>	<b>9</b>	38	-
Fierce Earth Limited (Related Party Director: M F Ball)	-	-	3	-
Pinsent Masons (Related Party Director: G J Lowson)	<b>20</b>	<b>1</b>	56	1
Wragge & Co (Related Party Director: A Manning Cox)	<b>2</b>	-	33	-