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**NORTH EAST CHAMBER OF
COMMERCE, TRADE AND
INDUSTRY
(LIMITED BY GUARANTEE)**

**CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

31 DECEMBER 2002

Company number: 2938084

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

COMPANY INFORMATION

For the year ended 31 December 2002

Company number: 2938084

Registered Office: Aykley Heads Business Centre
Aykley Heads
Durham
DH1 5TS

Directors	M S A Ballinger	J M Boyfield (resigned 17 June 2002)
and Council	R J Bottomley	A Ferguson
Members:	Sir Kenneth Calman	M Pavlou
	F D Holborn	P Thompson (resigned 16 December 2002)
	J G Irwin	J Fryer
	D W Midgley	P J Walsh
	Sir Paul Nicholson (resigned 11 June 2002)	F Major
	E M Nunn	M Fay (appointed 17 June 2002)
	T Robson (resigned 12 February 2003)	I S Robertson (appointed 11 June 2002)
	G Cowcher (appointed 1 January 2003)	M Bird (appointed 11 June 2002, resigned 31 December 2002)
	D L Davies (resigned 18 February 2002)	D J Hodgson (appointed 26 April 2002)
	M Lawlor (resigned 18 February 2002)	G M Hodgson (appointed 15 April 2002)
	N Sherlock	N A Barker (appointed 15 April 2002)
	I G Strother (resigned 18 February 2002)	R Cuffe (appointed 18 February 2002)
	Sir Neville Trotter	J D Mowbray (appointed 18 February 2002)
	D J M Wilson	A J Robinson (appointed 18 February 2002)
	N R Robson	R Swart (appointed 18 February 2002)
	P Slaughter	A Reynolds (resigned 18 February 2002)
	R Turnbull (resigned 21 October 2002)	

Secretary: I S Robertson

Bankers: Barclays Bank plc
Market Place Business Centre
6/7 Market Place
Durham
DH1 3ND

Solicitors: Eversheds
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3XX

Auditors: Baker Tilly
Registered Auditors
Chartered Accountants
8 Higham Place
Newcastle upon Tyne
NE1 8AF

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

FINANCIAL STATEMENTS

For the year ended 31 December 2002

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**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

REPORT OF THE DIRECTORS

For the year ended 31 December 2002

The members of the Council present their report together with the group financial statements for the year ended 31 December 2002.

The company is limited by guarantee. Each member of the company is liable to the extent of £1.00 in the event of the company being wound up and there being insufficient assets to pay off all the liabilities.

Principal activities and business review

The principal activity of the company is to provide independent representation of the interests of its members and generally contribute to the improvement of the conditions and trading environment in which businesses operate in the region.

The principal activity of the company's only trading subsidiary undertaking is the provision of training courses.

During the prior year the group entered into a joint venture agreement resulting in the formation of Peat Rigg Training Centre Limited. The principal activity of this company is the provision of personal development services at its residential centre.

There was a profit for the year after taxation of £162,395 (2001: £167,737).

The members of the Council consider the results for the year to be satisfactory.

Board structure

Members of the Council constitute directors of the company for the purposes of the Companies Act 1985. The directors who served during the year are detailed in the company information set out at the start of this report.

The Board of Directors mainly comprises non-executive directors. Therefore in exercising their responsibilities the Council rely on the competence and probity of the executives of the company and on proper professional advice.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

REPORT OF THE DIRECTORS

For the year ended 31 December 2002

Principles of corporate governance

The Council appreciates the value of good corporate governance. It believes that corporate governance principles should be applied in a sensible and pragmatic fashion having regard to the individual circumstances of the Chamber. The key objective is to enhance and protect members' interests.

The Council has established the following standing committees to assist the full Board in the exercise of its responsibilities.

Remuneration Committee

The remuneration committee is chaired by Mr J G Irwin (President) and includes Mr R J Bottomley and Mr M S A Ballinger. This Committee is responsible for reviewing and determining executive remuneration, having regard to a general policy framework for executive remuneration established by the Board. An analysis of directors' and employees' remuneration appears on page 14.

Audit Committee

The audit committee is chaired by Mr R J Bottomley and includes Mr M S A Ballinger, Mr N Sherlock and Mr J Fryer. The committee's terms of reference include the review of the annual accounts to be issued to the members, the accounting policies of the group, compliance with Financial Reporting Standards, internal controls and the planning, scope and conclusions of the external auditor's programme.

Directors' responsibilities for the financial statements

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

REPORT OF THE DIRECTORS

For the year ended 31 December 2002

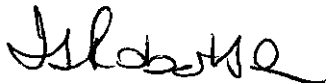
Land and Buildings

An independent valuation of freehold and long leasehold land and buildings on the basis of their open market value was undertaken in the year. The value attributed was £3,130,000, which is in excess of the book value. It is not the intention of the Directors to reflect this valuation within the financial statements.

Auditors

Baker Tilly were appointed auditors on 26 March 2003 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given a resolution to reappoint Baker Tilly as auditors will be prepared at the Annual General Meeting to be held on 10 June 2003.

ON BEHALF OF THE COUNCIL



I S Robertson
Secretary

30/4/03

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

We have audited the financial statements of North East Chamber of Commerce, Trade and Industry (Limited by Guarantee) for the year ended 31 December 2002 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the note of historical cost profits and losses and notes 1 to 21. 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 auditor's 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. 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 opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

REPORT OF THE AUDITORS TO THE MEMBERS OF

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE) (CONTINUED)**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company at 31 December 2002 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


**BAKER TILLY
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
NEWCASTLE UPON TYNE**

30 April 2003

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2002

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention except that certain of the freehold land and buildings are shown at their revalued amounts and the investment in the subsidiary undertaking is revalued in the parent company balance sheet.

The directors have reviewed the accounting policies in accordance with Financial Reporting Standard No 18 - Accounting Policies, and consider them to be the most appropriate policies and estimation techniques.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertaking drawn up to 31 December 2002. Profits or losses on intra-group transactions are eliminated in full.

The subsidiary undertaking is valued in the parent company balance sheet at the company's share of net assets. This represents a departure from the historic cost convention.

JOINT VENTURE

The group financial statements incorporate the joint venture under the gross equity method of accounting.

TURNOVER

Turnover is the total amount receivable for services provided, excluding VAT. Income is derived from members' subscriptions, business and export services and the provision of training courses and contracts. Training contracts are accounted for in the financial statements when funding is approved.

DEPRECIATION

No depreciation is provided on freehold land. Depreciation is calculated on other fixed assets to write down the cost or valuation less estimated residual value of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Freehold land and buildings	Straight line over fifty years
Leasehold properties	Straight line over the life of the lease up to a maximum of fifty years
Fixtures and fittings	20-33.33% Straight line
Motor vehicles	25% Straight line

The directors have taken advantage of the transitional rules of Financial Reporting Standard No 15 and have not updated the valuation of the freehold properties from the 1991 valuation.

LEASED ASSETS

Operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2002

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

In accordance with Financial Reporting Standard No 19 the recognition of deferred tax on timing differences resulting from the revaluation of the investment of the subsidiary undertaking, North East Chamber of Commerce (Training) Limited, where there is no commitment to sell the subsidiary has not been recognised. Had this policy not been adopted the potential deferred tax liability at 31 December 2002 is £833,495.

CONTRIBUTIONS TO DEFINED CONTRIBUTION PENSION SCHEMES

The pension costs charged against profits represent the amount of the contributions payable to two schemes in respect of the accounting period.

GRANTS

Grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover: group and share of joint ventures		8,496,987	7,827,448
Less: share of joint ventures turnover		<u>(87,259)</u>	<u>(3,739)</u>
	1	8,409,728	7,823,709
Cost of sales		<u>(5,964,474)</u>	<u>(5,549,403)</u>
Gross profit		2,445,254	2,274,306
Administrative expenses		<u>(2,430,604)</u>	<u>(2,245,356)</u>
Other operating income		<u>164,311</u>	<u>164,926</u>
Operating profit		178,961	193,876
Share of operating profit/(loss) of joint venture		<u>5,309</u>	<u>(1,695)</u>
		184,270	192,181
Net interest	2	<u>(31,978)</u>	<u>(25,120)</u>
Profit on ordinary activities before taxation	1	152,292	167,061
Tax on profit on ordinary activities	4	<u>10,103</u>	<u>676</u>
Profit for the financial year transferred to reserves	12	<u>162,395</u>	<u>167,737</u>

The group results incorporate the activities of the joint venture which was acquired during the prior year. All other activities of the group relate to continuing activities.

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	6	3,208,072	3,238,488
Investments			
Joint ventures	7		
Share of gross assets		35,453	38,221
Share of gross liabilities		(14,001)	(36,916)
		21,452	1,305
		3,229,524	3,239,793
Current assets			
Debtors	8	1,597,191	1,553,117
Cash at bank and in hand		237,933	129,970
		1,835,124	1,683,087
Creditors: Amounts falling due within one year	9	(2,242,901)	(1,762,609)
Net current liabilities		(407,777)	(79,522)
Total assets less current liabilities		2,821,747	3,160,271
Creditors: Amounts falling due after more than one year	10	(218,112)	(718,454)
Provisions for liabilities and charges	11	-	(577)
		2,603,635	2,441,240
Reserves			
Revaluation reserve	12	27,667	29,247
Profit and loss account	12	2,575,968	2,411,993
		2,603,635	2,441,240

The financial statements were approved by the Council on 30/4/03 and signed on its behalf by:

J G Irwin



Director

R J Bottomley



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	6	953,498	1,040,657
Investments	7	3,737,518	3,279,456
		<u>4,691,016</u>	<u>4,320,113</u>
Current assets			
Debtors	8	857,615	746,457
Cash at bank and in hand		119,063	66,802
		<u>976,678</u>	<u>813,259</u>
Creditors: Amounts falling due within one year	9	<u>(3,052,483)</u>	<u>(2,689,816)</u>
Net current liabilities		<u>(2,075,805)</u>	<u>(1,876,557)</u>
Total assets less current liabilities		<u>2,615,211</u>	<u>2,443,556</u>
Reserves			
Revaluation reserve	12	3,737,518	3,279,456
Profit and loss account	12	(1,122,307)	(835,900)
		<u>2,615,211</u>	<u>2,443,556</u>

The financial statements were approved by the Council on 30/4/03 and signed on its behalf by:

J G Irwin  Director

R J Bottomley  Director

The accompanying accounting policies and notes form an integral part of these financial statements.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	13	649,445	331,545
Returns on investments and servicing of finance			
Interest received		4,696	17,180
Interest paid		(36,674)	(42,300)
Net cash outflow from returns on investments and servicing of finance		(31,978)	(25,120)
Taxation		-	(3,117)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(216,700)	(1,701,921)
Sale of tangible fixed assets		5,707	4,002
Net cash outflow from capital expenditure and financial investment		(210,993)	(1,697,919)
Acquisitions and disposals			
Purchase of investment in joint venture		(15,000)	(3,000)
Net cash outflow from acquisitions and disposals		(15,000)	(3,000)
Financing			
Receipts from borrowings		-	986,475
Repayment of borrowings		(283,511)	(147,837)
Net cash (outflow)/inflow from financing		(283,511)	838,638
Increase/(decrease) in cash	14	107,963	(558,973)

The accompanying accounting policies and notes form an integral part of these financial statements.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2002

	2002 £	2001 £
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Profit on ordinary activities before taxation	152,292	167,061
Difference between historical cost depreciation charge and depreciation charge based on the revalued amounts	<u>1,580</u>	<u>1,580</u>
Historical cost profit on ordinary activities before taxation	<u>153,872</u>	<u>168,641</u>
Historical cost profit retained	<u>154,287</u>	<u>169,317</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is attributable to the following classes of continuing business:	2002	2001
	£	£
Membership subscriptions	953,901	933,159
Business services	737,026	639,166
Export services	671,995	605,054
Training	6,046,806	5,646,330
	<u>8,409,728</u>	<u>7,823,709</u>
 The profit on ordinary activities is stated after:	 2002	 2001
	£	£
Auditors' remuneration:		
Audit - Group	7,800	7,700
Audit - Company	4,675	4,600
 Depreciation – tangible fixed assets, owned	 241,067	 210,747
 Operating lease rental:		
Land and buildings	151,366	146,546
Plant and machinery	94,843	92,172
Hire of equipment	32,195	33,791
 Government grants credited	 <u>(164,311)</u>	 <u>(164,926)</u>

2 NET INTEREST

	2002	2001
	£	£
On bank loans	(36,674)	(42,300)
Bank and other interest receivable	4,696	17,180
	<u>(31,978)</u>	<u>(25,120)</u>

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	3,232,190	3,115,175
Social security costs	283,155	254,349
Other pension costs	159,724	135,989
	<u>3,675,069</u>	<u>3,505,513</u>

The average number of employees of the group during the year was:

	2002 Number	2001 Number
Chamber services	72	64
Training services	140	136
Administration	11	16
	<u>223</u>	<u>216</u>

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Emoluments	73,384	-
Pension contributions to money purchase pension scheme	5,267	-
	<u>78,651</u>	<u>-</u>

During the year 2 directors (2001: none) participated in a money purchase pension scheme.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
The tax (credit)/charge represents:		
Corporation tax at 26.39% (2001: 18.84%)	-	9,688
Deferred tax (note 11)	(577)	(3,481)
Share of tax charge of joint ventures	<u>162</u>	<u>-</u>
	(415)	6,207
Adjustments in respect of prior year:		
Corporation tax	<u>(9,688)</u>	<u>(6,883)</u>
	<u>(10,103)</u>	<u>(676)</u>

The subsidiary undertaking, North East Chamber of Commerce (Training) Limited has an agreement with the Inland Revenue that certain income receivable by the company is not subject to taxation.

Unrelieved tax losses of £104,000 (2001: £104,000) remain available to offset against future taxable trading profits in respect of North East Chamber of Commerce, Trade and Industry.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK 26.39% (2001: 18.84%). The differences are explained as follows:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>146,983</u>	<u>168,756</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	44,095	(861)
Effect of:		
Expenses not deductible for tax purposes	94,609	(17,902)
Capital allowances for the period in excess of depreciation	11,301	(1,570)
Utilisation of tax losses	-	31,023
Short term timing differences	4,457	(1,002)
Other timing differences	(154,462)	-
Marginal rate relief	<u>-</u>	<u>-</u>
Current tax change per year	<u>-</u>	<u>9,688</u>

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

5 PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The company's loss for the year was £286,407 (2001: loss £346,116).

6 TANGIBLE FIXED ASSETS

The Group	Freehold land and buildings £	Leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
As at 1 January 2002	1,094,065	2,108,949	1,332,917	73,359	4,609,290
Additions	-	61,503	114,729	40,468	216,700
Disposals	-	(22,986)	(504,497)	(14,137)	(541,620)
As at 31 December 2002	<u>1,094,065</u>	<u>2,147,466</u>	<u>943,149</u>	<u>99,690</u>	<u>4,284,370</u>
Depreciation					
As at 1 January 2002	98,625	280,863	963,544	27,770	1,370,802
Charge for year	25,473	58,498	140,035	17,061	241,067
Eliminated on disposals	-	(22,986)	(501,687)	(10,898)	(535,571)
As at 31 December 2002	<u>124,098</u>	<u>316,375</u>	<u>601,892</u>	<u>33,933</u>	<u>1,076,298</u>
Net book value					
At 31 December 2002	<u>969,967</u>	<u>1,831,091</u>	<u>341,257</u>	<u>65,757</u>	<u>3,208,072</u>
At 31 December 2001	<u>995,440</u>	<u>1,828,086</u>	<u>369,373</u>	<u>45,589</u>	<u>3,238,488</u>

The figures stated above for cost or valuation include a valuation as follows:

	Land and buildings	
	2002	2001
	£	£
At cost	2,914,517	2,853,014
At 28 March 1991 valuation	350,000	350,000
	<u>3,264,517</u>	<u>3,203,014</u>

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

6 TANGIBLE FIXED ASSETS (CONTINUED)

Of the freehold properties held by the company, one property is stated at a valuation whilst the other properties are held at cost. The directors have not restated the properties to a consistent basis of either cost or valuation as they have taken advantage of the transitional arrangements of Financial Reporting Standard No 15.

Certain freehold land and buildings were professionally revalued on 28 March 1991 by a firm of Chartered Surveyors on the basis of their open market value.

If the above had not been revalued, they would have been included on the historical cost basis at the following amount:

	Land and building £
Cost	254,862
Accumulated depreciation	(47,449)
Net book value at 31 December 2002	<u>207,413</u>
Net book value at 31 December 2001	<u>212,510</u>

The Company	Freehold land and buildings £	Leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
As at 1 January 2002	819,927	86,683	843,696	55,908	1,806,214
Additions	-	-	9,540	40,468	50,008
Disposals	-	(22,986)	(504,497)	(14,137)	(541,620)
Transferred to subsidiary undertaking	-	-	-	(16,971)	(16,971)
As at 31 December 2002	<u>819,927</u>	<u>63,697</u>	<u>348,739</u>	<u>65,268</u>	<u>1,297,631</u>
Depreciation					
As at 1 January 2002	40,089	82,298	619,764	23,406	765,557
Charge for year	20,286	1,839	85,423	10,842	118,390
Eliminated on disposal	-	(22,986)	(501,687)	(10,898)	(535,571)
Eliminated on transfer to subsidiary undertaking	-	-	-	(4,243)	(4,243)
As at 31 December 2002	<u>60,375</u>	<u>61,151</u>	<u>203,500</u>	<u>19,107</u>	<u>344,133</u>
Net book value					
At 31 December 2002	<u>759,552</u>	<u>2,546</u>	<u>145,239</u>	<u>46,161</u>	<u>953,498</u>
At 31 December 2001	<u>779,838</u>	<u>4,385</u>	<u>223,932</u>	<u>32,502</u>	<u>1,040,657</u>

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

7 FIXED ASSET INVESTMENTS

The Group

	Joint venture £
Fixed asset investment comprises, at valuation:	
As at 1 January 2002	1,305
Additions	15,000
Share of profits of joint venture	5,147
	<u>21,452</u>
As at 31 December 2002	<u>21,452</u>

At 31 December 2002 the group had an interest in the following joint venture:

	Country of incorporation	Class of share capital held	Proportion held	Aggregate of capital and reserves £	Profit for the financial year £	Nature of business
Peat Rigg Training Centre Limited	England	Ordinary	33.33%	64,357	15,929	Personal development services

The Company

	Investment in group undertaking £
Fixed asset investment comprises, at valuation:	
As at 1 January 2002	3,279,456
Increase in valuation	458,062
	<u>3,737,518</u>
As at 31 December 2002	<u>3,737,518</u>

At 31 December 2002 the company held more than 20% of the allotted share capital of the following:

	Country of incorporation	Class of share capital held	Proportion held	Aggregate of capital and reserves £	Profit for the financial year £	Nature of business
North East Chamber of Commerce (Training) Limited	England	Ordinary	100%	3,737,518	443,655	Training company

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7 FIXED ASSET INVESTMENTS (CONTINUED)

The group's share of the results, assets and liabilities of the joint venture was:

	2002 £	£	2001 £
Turnover		<u>87,259</u>	<u>3,739</u>
Profit/loss before tax		<u>5,309</u>	<u>(1,695)</u>
Taxation		<u>(162)</u>	<u>-</u>
Profit/loss after tax		<u>5,147</u>	<u>(1,695)</u>
Fixed assets	242		
Current assets	<u>35,211</u>	<u>35,453</u>	<u>38,221</u>
Liabilities due within one year		<u>(14,001)</u>	<u>(36,916)</u>
Net assets		<u>21,452</u>	<u>1,305</u>

If the investment in the joint venture had been included at cost it would have been included at the following amount:

	2002 £	2001 £
Cost of investment	<u>18,000</u>	<u>3,000</u>

8 DEBTORS

	The Group		The Company	
	2002 £	2001 £	2002 £	2001 £
Trade debtors	735,310	666,948	464,335	332,714
Amounts owed by joint venture	3,765	12,235	-	-
Other debtors	222,338	258,695	222,338	258,695
Prepayments and accrued income	<u>635,778</u>	<u>615,239</u>	<u>170,942</u>	<u>155,048</u>
	<u>1,597,191</u>	<u>1,553,117</u>	<u>857,615</u>	<u>746,457</u>

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loan (note 10)	337,015	120,184	-	-
Payments received in advance	54,947	18,938	54,947	18,938
Trade creditors	414,725	291,707	208,638	190,608
Amounts owed to subsidiary undertaking	-	-	2,056,149	1,922,483
Amounts owed to joint venture	1,739	32,152	-	-
Corporation tax	-	9,688	-	-
Other taxes and social security costs	139,798	95,000	72,125	45,351
Accruals and deferred income	1,294,677	1,194,940	660,624	512,436
	<u>2,242,901</u>	<u>1,762,609</u>	<u>3,052,483</u>	<u>2,689,816</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The Group

	2002	2001
	£	£
Bank loan	<u>218,112</u>	<u>718,454</u>

The bank loan is repayable as follows:

	2002	2001
	£	£
Within one year	337,015	120,184
After one and within two years	218,112	125,263
After two and within five years	-	312,789
After five years	-	280,402
	<u>555,127</u>	<u>838,638</u>

The bank loan is secured by a legal charge over a leasehold property at Westgate Road, Denton Chare, Newcastle upon Tyne.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

11 PROVISIONS FOR LIABILITIES AND CHARGES

The Group

	Deferred tax £
At 1 January 2002	577
Provided during the year (note 4)	<u>(577)</u>
At 31 December 2002	<u>-</u>

No provision for deferred taxation arises on the results of the company.

12 RESERVES

The Group

	Revaluation reserve £	Profit & loss account £
At 1 January 2002	29,247	2,411,993
Retained profit for the year	-	162,395
Transfer from revaluation reserve	<u>(1,580)</u>	<u>1,580</u>
At 31 December 2002	<u>27,667</u>	<u>2,575,968</u>

The Company

	Revaluation reserve £	Profit & loss account £
At 1 January 2002	3,279,456	(835,900)
Retained loss for the year	-	(286,407)
Increase in value of subsidiary undertaking	<u>458,062</u>	<u>-</u>
At 31 December 2002	<u>3,737,518</u>	<u>(1,122,307)</u>

The balance on the revaluation reserve may not be distributed legally under section 263 of the Companies Act 1985.

**NORTH EAST CHAMBER OF COMMERCE, TRADE AND INDUSTRY
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

13 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	178,961	193,876
Depreciation	241,067	210,747
Loss/(profit) on sale of tangible fixed assets	342	(329)
Increase in debtors	(44,074)	(218,304)
Increase in creditors	273,149	145,555
Net cash inflow from operating activities	<u>649,445</u>	<u>331,545</u>

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	2002 £	2001 £
Increase/(decrease) in cash in year	107,963	(558,973)
Cash outflow/(inflow) from financing	<u>283,511</u>	<u>(838,638)</u>
Change in net funds/(debt) in year	391,474	(1,397,611)
Net (debt)/funds at 1 January 2002	<u>(708,668)</u>	<u>688,943</u>
Net debt at 31 December 2002	<u>(317,194)</u>	<u>(708,668)</u>

15 ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS

	At 1 January 2002 £	Cashflow £	At 31 December 2002 £
Cash at bank and in hand	129,970	107,963	237,933
Debt	<u>(838,638)</u>	<u>283,511</u>	<u>(555,127)</u>
	<u>(708,668)</u>	<u>391,474</u>	<u>317,194</u>

16 CAPITAL COMMITMENTS

Neither the group nor the company had any capital commitments at 31 December 2001 or 31 December 2002.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

17 CONTINGENT LIABILITIES

The company is the guarantor to the terms of a lease entered into by the joint venture, Peat Rigg Training Centre Limited, in respect of the property occupied by the joint venture. Under the terms of the lease, which expires on 18 September 2006, the company has indemnified the Landlord against all losses, damages, costs and expenses reasonably and properly incurred as a result of the joint venture failing to comply with the terms of the lease.

18 DEFINED CONTRIBUTION PENSION SCHEMES

The group operates two defined contribution pension schemes for the benefit of the employees. The assets of the schemes are held separately from those of the group in an independently administered fund for the benefit of the employees. Contributions by the group amounted to £159,724 (2001: £135,989). Outstanding contributions at the year end amounted to £6,381 (2001: £7,957).

19 LEASING COMMITMENTS

Operating lease payments amounting to £204,248 (2001: £217,107) are due within one year. The leases to which these amounts relate expire as follows:

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	14,734	8,572	8,482	16,582
Between one and five years	75,661	87,215	89,462	84,516
In five years or more	18,066	-	18,065	-
	<u>108,461</u>	<u>95,787</u>	<u>116,009</u>	<u>101,098</u>

20 TRANSACTIONS INVOLVING DIRECTORS

During the normal course of trade the company purchases goods and services and receives contributions from organisations in which directors have a material interest. All goods and services so provided are at arm's length and on normal commercial terms. In view of their number it would be inappropriate to disclose such transactions in these accounts. A register of transactions is available for inspection at the company's Registered Office. Any material transaction in the context of the accounts is approved by the Executive Board.

21 CAPITAL

The company is a company limited by guarantee not having a share capital. Each member of the company is liable to the extent of £1.00 in the event of the company being wound up and there being insufficient assets to pay off all the liabilities. Accordingly, the company has no shareholders' funds and no reconciliation of movements in shareholders' funds has been presented.