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

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2004**

Company number: 2938084



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

COMPANY INFORMATION

For the year ended 31 December 2004

Company number: 2938084

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

Directors	R J Bottomley	N A Barker
and Council	Sir Kenneth Calman	R Cuffe
Members:	F D Holborn (resigned 4 October 2004)	J D Mowbray
	J G Irwin	A J Robinson
	D W Midgley	R Swart
	E M Nunn	D Coppock
	G Cowcher	R Evans
	N Sherlock (resigned 4 October 2004)	H Hasnain
	Sir Neville Trotter	A Hunter – Love
	D J M Wilson	D Icton
	N R Robson (resigned 4 October 2004)	D Middleton
	A Ferguson	M Pellew
	M Pavlou	M H Thurlbeck (appointed 4 October 2004)
	J Fryer	C Hodgson (appointed 4 October 2004)
	F Major	C P Beaumont (appointed 4 October 2004)
	M Fay (resigned 4 October 2004)	S J McGrath (appointed 4 October 2004)
	I S Robertson	C Jobe (appointed 4 October 2004)
	D J Hodgson (resigned 4 October 2004)	W J McGawley (appointed 4 October 2004)
	G M Hodgson (resigned 4 October 2004)	D O'Mahoney (appointed 4 October 2004)
		M K Davies (appointed 4 October 2004)
		G J Ford (appointed 13 December 2004)

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 Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

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

FINANCIAL STATEMENTS

For the year ended 31 December 2004

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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 2004

The members of the Council present their report together with the group financial statements for the year ended 31 December 2004.

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 company has two trading subsidiaries. North East Chamber of Commerce (Training) Limited whose principal activity is the provision of training courses and North East Chamber of Commerce Worldwide Trade Limited whose principal activity is the provision of International Trade Services.

The group has a joint venture agreement in Peat Rigg Training Centre Limited. The principal activity of this company is the provision of personal development services at its residential centre.

The group also has a joint venture in Aspire Partnership Limited. The principal activity of this company is to raise the educational and employment aspirations of young people in the region.

There was a profit for the year after taxation of £711,677 (2003: £23,930).

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 2004

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 A Ferguson (President) and includes Mr R J Bottomley and Mrs M Pavlou. 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 A Ferguson 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 the group 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 group 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 group 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 2004

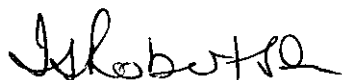
Land and Buildings

An independent valuation of freehold and long leasehold land and buildings on the basis of their open market value was undertaken in the year ended 31 December 2002. 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 offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE COUNCIL



I S Robertson
Secretary

18 April 2005

**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 2004 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 INDEPENDENT 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 2004 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Baker Tilly', is positioned above the printed name of the firm.

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

19 April 2005

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

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2004

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 a 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 undertakings drawn up to 31 December 2004. Profits or losses on intra-group transactions are eliminated in full.

A subsidiary undertaking, North East Chamber of Commerce (Training) Limited, 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 VENTURES

The group financial statements incorporate the joint ventures 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 international trade services including grant funding receivable to cover the costs allocated in providing certain international trade services and the provision of training courses and contracts. Training contracts are accounted for in the financial statements when training is delivered.

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	Straight line over 3 to 5 years
Motor vehicles	Straight line over 4 years

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 2004

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.

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 in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant accounts.

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 2004

	Note	2004 £	2003 £
Turnover: group and share of joint ventures		10,934,294	9,103,984
Less: share of joint ventures turnover		<u>(79,804)</u>	<u>(89,835)</u>
	1	10,854,490	9,014,149
Cost of sales		<u>(6,441,724)</u>	<u>(5,954,298)</u>
Gross profit		4,412,766	3,059,851
Administrative expenses		<u>(3,404,010)</u>	<u>(2,811,601)</u>
Other operating income		<u>63,966</u>	<u>144,081</u>
Operating profit		1,072,722	392,331
Share of operating loss of joint ventures		<u>(13,897)</u>	<u>(1,484)</u>
		1,058,825	390,847
Net interest	2	<u>(17,053)</u>	<u>(16,113)</u>
Profit on ordinary activities before taxation	1	1,041,772	374,734
Tax on profit on ordinary activities:			
Current year tax	4	<u>(330,095)</u>	<u>(144,904)</u>
Exceptional tax relating to prior years	5	<u>-</u>	<u>(205,900)</u>
		(330,095)	(350,804)
Profit for the year transferred to reserves	12	<u>711,677</u>	<u>23,930</u>

All 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 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	7	2,997,734	3,096,006
Investments			
Joint ventures	8		
Share of gross assets		26,610	41,548
Share of gross liabilities		(20,532)	(21,573)
		6,078	19,975
		3,003,812	3,115,981
Current assets			
Debtors	9	3,686,821	1,960,635
Cash at bank and in hand		778,675	358,606
		4,465,496	2,319,241
Creditors: Amounts falling due within one year	10	(4,128,638)	(2,807,657)
Net current assets/(liabilities)		336,858	(488,416)
Total assets less current liabilities		3,340,670	2,627,565
Provision for liabilities and charges	11	(1,428)	-
		3,339,242	2,627,565
Reserves			
Revaluation reserve	12	24,507	26,087
Profit and loss account	12	3,314,735	2,601,478
		3,339,242	2,627,565

The financial statements were approved by the Council on 18 April 2005 and signed on its behalf by:

A Ferguson  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 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	7	904,590	880,791
Investments	8	4,594,505	3,874,456
		5,499,095	4,755,247
Current assets			
Debtors	9	1,249,195	793,670
Cash at bank and in hand		128,979	143,708
		1,378,174	937,378
Creditors: Amounts falling due within one year	10	(3,511,077)	(3,052,007)
Net current liabilities		(2,132,903)	(2,114,629)
Total assets less current liabilities		3,366,192	2,640,618
Reserves			
Revaluation reserve	12	4,594,504	3,874,455
Profit and loss account	12	(1,228,312)	(1,233,837)
		3,366,192	2,640,618

The financial statements were approved by the Council on 18 April 2005 and signed on its behalf by:

A Ferguson  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 2004

	Note	2004 £	2003 £
Net cash inflow from operating activities	13	1,153,106	602,743
Returns on investments and servicing of finance			
Interest received		10,246	2,559
Interest paid		(27,299)	(18,672)
Net cash outflow from returns on investments and servicing of finance		(17,053)	(16,113)
Taxation		(347,029)	-
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(146,418)	(151,766)
Sale of tangible fixed assets		10,246	8,153
Net cash outflow from capital expenditure and financial investment		(136,172)	(143,613)
Financing			
Repayment of borrowings		(232,783)	(322,344)
Net cash outflow from financing		(232,783)	(322,344)
Increase in cash	14	420,069	120,673

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 2004

	2004	2003
	£	£
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Profit on ordinary activities before taxation	1,041,772	374,734
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>1,043,352</u>	<u>376,314</u>
Historical cost profit retained	<u>713,257</u>	<u>25,510</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 2004

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is attributable to the following classes of continuing business:	2004	2003
	£	£
Membership subscriptions	1,005,279	959,622
Business services	1,018,798	910,978
International trade	1,257,873	693,658
Training	7,572,540	6,449,891
	<u>10,854,490</u>	<u>9,014,149</u>
The profit on ordinary activities is stated after:	2004	2003
	£	£
Auditors' remuneration:		
Audit - Group	12,000	8,025
Audit - Company	5,000	4,800
Depreciation – tangible fixed assets, owned	235,910	253,499
Operating lease rental:		
Land and buildings	223,841	166,153
Plant and machinery	78,033	90,451
Hire of equipment	34,904	31,414
Rent receivable	(63,966)	(64,417)
Government grants credited	<u>-</u>	<u>(57,047)</u>

2 NET INTEREST

	2004	2003
	£	£
On bank loans	-	(18,672)
Other interest	(27,299)	-
Bank and other interest receivable	<u>10,246</u>	<u>2,559</u>
	<u>(17,053)</u>	<u>(16,113)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2004 £	2003 £
Wages and salaries	4,055,161	3,565,643
Social security costs	378,267	328,035
Other pension costs	199,999	187,743
	<u>4,633,427</u>	<u>4,081,421</u>

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

	2004 Number	2003 Number
Chamber services	71	73
Training services	139	136
International trade	8	-
Administration	11	11
	<u>229</u>	<u>220</u>

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments	158,038	147,341
Pension contributions to money purchase pension scheme	16,060	15,016
	<u>174,098</u>	<u>162,357</u>

During the year two directors (2003: two) 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 2004

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
The tax (credit)/charge represents:		
Corporation tax at 30% (2003: 30%)	334,815	144,904
Deferred tax (note 11)	1,428	-
Deferred tax (note 9)	<u>(2,366)</u>	<u>-</u>
	333,877	144,904
Adjustments in respect of prior year:		
Corporation tax	(3,782)	-
Exceptional tax relating to prior years (note 5)	<u>-</u>	<u>205,900</u>
	<u>330,095</u>	<u>350,804</u>

Unrelieved tax losses of £94,000 (2003: £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 higher than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained as follows:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>1,041,772</u>	<u>376,218</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	312,532	112,865
Effect of:		
Expenses not deductible for tax purposes	22,762	32,759
Capital allowances for the period in excess of depreciation	847	7,216
Marginal relief	(60)	-
Short term timing differences	(2,287)	(1,220)
Other timing differences	<u>1,021</u>	<u>(6,716)</u>
Current tax change per year	<u>334,815</u>	<u>144,904</u>

5 EXCEPTIONAL TAX RELATING TO PRIOR YEARS

The exceptional item in the previous year of £205,900 represented a provision for tax on previously untaxed net income from grant aided training courses for the years ended 31 December 2000, 2001 and 2002. This tax was paid during the current year.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

6 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 profit for the year was £5,525 (2003: loss £111,530).

7 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 2004	1,098,910	2,202,061	1,035,475	74,891	4,411,337
Additions	5,494	(83,153)	224,077	-	146,418
Disposals	-	-	-	(30,179)	(30,179)
As at 31 December 2004	<u>1,104,404</u>	<u>2,118,908</u>	<u>1,259,552</u>	<u>44,712</u>	<u>4,527,576</u>
Depreciation					
As at 1 January 2004	147,602	373,340	757,260	37,129	1,315,331
Charge for year	22,660	56,524	143,337	13,389	235,910
Eliminated on disposals	-	-	-	(21,399)	(21,399)
As at 31 December 2004	<u>170,262</u>	<u>429,864</u>	<u>900,597</u>	<u>29,119</u>	<u>1,529,842</u>
Net book value					
At 31 December 2004	<u>934,142</u>	<u>1,689,044</u>	<u>358,955</u>	<u>15,593</u>	<u>2,997,734</u>
At 31 December 2003	<u>951,308</u>	<u>1,828,721</u>	<u>278,215</u>	<u>37,762</u>	<u>3,096,006</u>

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

	Land and buildings	
	2004	2003
	£	£
At cost	2,873,312	2,950,971
At 28 March 1991 valuation	350,000	350,000
	<u>3,223,312</u>	<u>3,300,971</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

7 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	(57,643)
Net book value at 31 December 2004	<u>197,219</u>
Net book value at 31 December 2003	<u>202,316</u>

The Company	Freehold land and buildings £	Leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
As at 1 January 2004	819,927	63,697	403,616	40,469	1,327,709
Additions	-	-	110,354	-	110,354
As at 31 December 2004	<u>819,927</u>	<u>63,697</u>	<u>513,970</u>	<u>40,469</u>	<u>1,438,063</u>
Depreciation					
As at 1 January 2004	78,127	62,326	291,707	14,758	446,918
Charge for year	16,368	1,175	58,895	10,117	86,555
As at 31 December 2004	<u>94,495</u>	<u>63,501</u>	<u>350,602</u>	<u>24,875</u>	<u>533,473</u>
Net book value					
At 31 December 2004	<u>725,432</u>	<u>196</u>	<u>163,368</u>	<u>15,594</u>	<u>904,590</u>
At 31 December 2003	<u>741,800</u>	<u>1,371</u>	<u>111,909</u>	<u>25,711</u>	<u>880,791</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

8 FIXED ASSET INVESTMENTS

The Group

Fixed asset investments comprise, at valuation:	Joint ventures
	£
As at 1 January 2004	19,975
Share of loss of joint ventures:	(13,897)
	<u>6,078</u>

As at 31 December 2004

At 31 December 2004 the group had an interest in the following joint ventures:

	Country of incorporation	Class of share capital held	Proportion held/ guaranteed	Aggregate of capital and reserves £	Loss for the financial year £	Nature of business
Peat Rigg Training Centre Limited	England	Ordinary A	33.33%	25,560	(34,389)	Personal development services
The Aspire Partnership Limited	England	Limited by Guarantee	50%	(4,868)	(4,868)	Raise educational and employment aspirations

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

	2004 £	2003 £
Turnover	<u>79,804</u>	<u>89,835</u>
(Loss)/profit before tax	(13,897)	(1,484)
Taxation	-	7
(Loss)/profit after tax	<u>(13,897)</u>	<u>(1,477)</u>
Fixed assets	327	
Current assets	<u>26,283</u>	26,610
Liabilities due within one year	(20,532)	(21,573)
Net assets	<u>6,078</u>	<u>19,975</u>

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

	2004 £	2003 £
Cost of investments	<u>18,000</u>	<u>18,000</u>

**NORTH EAST CHAMBER OF COMMERCE TRADE AND INDUSTRY
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For the year ended 31 December 2004

8 FIXED ASSET INVESTMENTS (CONTINUED)

The Company

	Investment in group undertakings £
Fixed asset investment comprises, at valuation:	
As at 1 January 2004	3,874,456
Increase in valuation	<u>720,049</u>
As at 31 December 2004	<u>4,594,505</u>

At 31 December 2004 the company held or guaranteed more than 20% of the following:

	Country of incorporation	Class of share capital held	Proportion held/guaranteed	Aggregate of capital and reserves £	Profit/(loss) for the financial year £	Nature of business
Subsidiaries						
North East Chamber of Commerce (Training) Limited	England	Ordinary	100%	4,594,504	720,049	Training company
North East Chamber of Commerce Worldwide Trade Limited	England	Ordinary	100%	1	-	Internationa l trade services
Joint Ventures						
The Aspire Partnership Limited	England	Limited by Guarantee	50%	(4,868)	(4,868)	Raise educational and employment aspirations

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

For the year ended 31 December 2004

9 DEBTORS

	The Group		The Company	
	2004	2003	2004	2003
		£		£
Trade debtors	855,494	689,574	465,558	410,216
Amounts owed by group undertakings	-	-	154,845	22,616
Amounts owed by joint venture	27,773	5,096	4,868	-
Other debtors	2,044,445	208,317	545,335	208,317
Prepayments and accrued income	756,743	1,057,648	78,589	152,521
Deferred tax asset	2,366	-	-	-
	<u>3,686,821</u>	<u>1,960,635</u>	<u>1,249,195</u>	<u>793,670</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loan	-	232,783	-	-
Payments received in advance	29,595	27,078	29,595	27,078
Trade creditors	630,903	437,133	235,999	233,121
Amounts owed to subsidiary undertaking	-	-	2,442,196	1,982,251
Amounts owed to joint venture	-	1,739	-	-
Corporation tax	334,815	350,811	-	-
Other taxes and social security costs	170,843	156,222	75,188	79,671
Other creditors	273,931	-	-	-
Accruals and deferred income	2,688,551	1,601,891	728,099	729,886
	<u>4,128,638</u>	<u>2,807,657</u>	<u>3,511,077</u>	<u>3,052,007</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

11 PROVISIONS FOR LIABILITIES AND CHARGES

The Group	Deferred tax £	
At 1 January 2004	-	
Provided during the year	1,428	
At 31 December 2004	<u>1,428</u>	
	Amount provided 2004 £	Amount provided 2003 £
Accelerated capital allowances	6,900	-
Other timing differences	<u>(5,472)</u>	<u>-</u>
	1,428	-

For deferred tax asset see note 9.

12 RESERVES

The Group	Revaluation reserve £	Profit & loss account £
At 1 January 2004	26,087	2,601,478
Retained profit for the year	-	711,677
Transfer from revaluation reserve	(1,580)	1,580
At 31 December 2004	<u>24,507</u>	<u>3,314,735</u>
The Company	Revaluation reserve £	Profit & loss account £
At 1 January 2004	3,874,455	(1,233,837)
Retained profit for the year	-	5,525
Increase in value of subsidiary undertaking	720,049	-
At 31 December 2004	<u>4,594,504</u>	<u>(1,228,312)</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 2004

13 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £	2004 £
Operating profit	1,072,722	392,331
Depreciation	235,910	253,499
(Profit)/loss on sale of tangible fixed assets	(1,466)	2,180
Increase in debtors	(1,723,820)	(363,444)
Increase in creditors	1,569,760	318,177
Net cash inflow from operating activities	<u>1,153,106</u>	<u>602,743</u>

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

	2004 £	2003 £
Increase in cash in year	420,069	120,673
Cash outflow from financing	<u>232,783</u>	<u>322,344</u>
Change in net funds in year	652,852	443,017
Net funds/(debt) at 1 January 2004	<u>125,823</u>	<u>(317,194)</u>
Net funds at 31 December 2004	<u>778,675</u>	<u>125,823</u>

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2004 £	Cashflow £	At 31 December 2004 £
Cash at bank and in hand	358,606	420,069	778,675
Debt	(232,783)	<u>232,783</u>	<u>-</u>
	<u>125,823</u>	<u>652,852</u>	<u>778,675</u>

16 CAPITAL COMMITMENTS

Neither the group nor the company had any capital commitments at 31 December 2003 or 31 December 2004.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

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 £199,999 (2003: £187,743). Outstanding contributions at the year end amounted to £nil (2003: £nil).

19 LEASING COMMITMENTS

Operating lease payments amounting to £246,215 (2003: £220,357) are due within one year. The leases to which these amounts relate expire as follows:

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	13,549	9,265	7,210	15,330
Between one and five years	117,250	72,871	48,310	64,353
In five years or more	33,280	-	85,154	-
	<u>164,079</u>	<u>82,136</u>	<u>140,674</u>	<u>79,683</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.