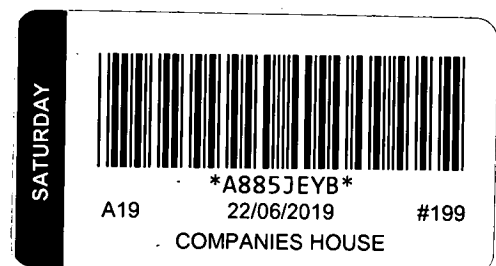


# NORTH EAST ENGLAND CHAMBER OF COMMERCE

(A company limited by guarantee)

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2018



# **North East England Chamber of Commerce**

## **Contents**

Company Information	1
President's Report	2 to 3
Chairman's Report	4 to 5
Chief Executive's Report	6 to 7
Strategic Report	8 to 9
Directors' Report	10 to 12
Statement of Directors' Responsibilities	13
Independent Auditor's Report	14 to 16
Consolidated Income Statement	17
Consolidated Statement of Financial Position	18
Balance Sheet	19
Consolidated Statement of Changes in Equity	20
Statement of Changes in Equity	21
Consolidated Statement of Cash Flows	22
Notes to the Financial Statements	23 to 41

# **North East England Chamber of Commerce**

## **Company Information**

<b>Directors</b>	JDA Ramsbotham CBE M Matthews MBE JS Gault L Moody MBE (President) KLH Winskell OBE (Chairman) RJL Swart PB Moran (Chair of Audit Committee) G Courtney MBE JPB Marshall GJ Sanger DJ Langley WH Moran (Chair of Investment Committee)
<b>Company secretary</b>	DJ Langley
<b>Registered office</b>	Aykley Heads Business Centre Aykley Heads Durham DH1 5TS
<b>Auditor</b>	Tait Walker LLP Chartered Accountants & Statutory Auditor Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS

# **North East England Chamber of Commerce**

## **President's Report for the Year Ended 31 December 2018**

*Due to John McCabe's decision to stand for North of Tyne Mayor (as an Independent candidate) he stood down in early March. Lesley Moody, (AES Digital Solutions), formerly Vice President, has taken over the role on an interim basis until the Chamber AGM in May.*

When I sat in the extraordinary setting of Durham Cathedral for our Annual Dinner, surrounded by 650 of our members, to celebrate our fantastic business community and region, it gave me perfect opportunity to reflect on 2018.

My first thoughts were how the world of politics continued to impact on our businesses in an unprecedented way, right from the start of year, with the lack of clarity on Brexit taking away our ability to make concrete financial plans.

We have tackled this issue with the typical Chamber tenacity which makes me so proud to play my part in this organisation.

Our principal campaign, the comprehensive Stronger North East, had getting firm details on a Brexit trade deal at its heart as well as growing the region's influence in the national corridors of power, namely Westminster.

This campaign work also covered every important aspect of what our members need to be successful including infrastructure, skills, exporting support and being competitive.

Through Stronger North East we supported vital investment proposals for key regional projects, one of the most important being the Government's decision to award Nexus funding for a new fleet of much-needed Metro trains.

Chamber expertise and partnership working was put to good use in the Spring with the tremendous fund of knowledge that came out of our Brexit Summit. Through the expertise from Square One Law, our members were able to tap into an invaluable source of advice on how to prepare for leaving the EU.

Where we can, we always take advantage of opportunities to talk up our region and the re-launch of Great Reasons to Build Your Career with Nifco was a perfect example of this. Our businesses stress the importance of getting our young people to put down roots in the region and growing their career here, ensuring we have the right skilled workforce for the future.

The Chamber's President's Club was established to ensure our leading companies have a regular opportunity to network and hear outstanding speakers.

Last year was no exception we hosted Lord Adonis, County-Durham born Nigel Wilson, head of Legal & General and HRH Prince Edward. All of these speakers were gracious in their praise of our region and full of insights on the business world.

For me one of the highlights of the Chamber's business calendar is our Annual General Meeting. I was truly inspired by the Prima Cheese exporting success story, told by director of this North East family business Nagma Ebanks-Beni. She is a true powerhouse of entrepreneurial drive. It was fascinating to hear her experience of learning how to export from a standing start (supported by the Chamber) to the current global reach of her business, supplying a wide range of customers in markets as far away as Asia.

Our AGM also gave many of you the opportunity to network and make connections through the exhibition displays, which I know many businesses found invaluable.

## **North East England Chamber of Commerce**

### **President's Report for the Year Ended 31 December 2018 (continued)**

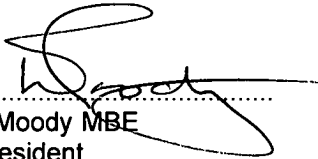
Mental health well-being has been at the forefront of our work in the last two years. This campaign has been very well supported by our members, indeed the Chamber itself signed the Time to Change pledge. I'm very proud of the awareness and positive attitude by our whole business community who have taken the need to support their employees in their mental health as much as their physical health. I would particularly like to thank Partner member Square One Law who have been very supportive of this work.

The end of 2018 was a particularly successful one for PC Henderson, who won the British Chambers of Commerce exporter of the year award in London. Our members Learning Curve Group and Whitewash Laboratories were also finalists and did the region proud.

I think we can all reflect on this year as being one which presented some us with some testing times but opportunities which we seized with alacrity.

In conclusion, on behalf of Chamber members, I want to take this opportunity to thank John McCabe for his hard work over the past two years. It is an honour to be President of the Chamber and follow on from his determination to help you grow your businesses.

Approved by the Board on 27 March 2019 and signed on its behalf by:



L Moody MBE  
President

# **North East England Chamber of Commerce**

## **Chairman's Report for the Year Ended 31 December 2018**

It gives me great pleasure to present to you the financial review for 2018 which has been one of the most successful years in the Chamber's recent history.

As you will see in the accounts presented in this annual report we have generated an operating profit for this past year and as a result are able to deliver even more of the services that you told us you need. The more income we generate, the more we are able to support you and in turn contribute to the economic prosperity of our region.

### **Membership Update**

There have been challenges for many businesses including our own, such as Brexit, but despite these pressures I'm delighted to report that we took the bold decision to expand our membership team. As a result our numbers have grown for the first time in the last few years, up 3% on the previous year.

Much of our increase has come from a shift in emphasis for new business through a team of dedicated membership executives. Last year we began our expansion of this team and have continued to do so during 2018 to great effect.

These Chamber colleagues support the existing relationship managers to engage with potential members. They have also widened their scope to be responsible for our Essentials members. Julie Digman, who previously looked after this portfolio has changed roles and now leads our relationship with the Medium membership and is working to expand the offer to these businesses.

During 2018 we increased our membership with the biggest growth in our Small portfolio, which rose by 155. There were also healthy increases in the Large membership which grew by 11.

The previous Global membership offer has been reviewed and as a result these companies now have relationship managers who work in their own specific geographical areas.

Our Partner membership offering is similarly growing at steady rate and I'm delighted to say we welcomed two new Partner members, Venator and Newcastle Building Society.

Due to our continuing profitability and in response to our survey of what you want from your Chamber, we now have even more opportunities for you to connect with us, and each other. 2018 saw the launch of more Chamber locals and a comprehensive programme of knowledge events led by Arlen Pettitt. All of these played a key part in 2,000 more people attending our events than the previous year.

The President's Club, one of our flagship networking opportunities, has also two new managers at the helm, with Tom Warnock and Michelle Ord, both picking up Eamonn Leavey's mantle, as he retired from the Chamber at Christmas.

I would also like to particularly thank Brewin Dolphin for their support of the President's Club in 2018.

### **International Trade**

Overseas markets have always been an important part of our overall support of members and this year has been no exception.

It was an honour to be part of the successful trade mission to Boston, where 19 companies had unrivalled opportunities to learn about the US marketplaces for their products and services. This international trade visit was in its fifth year and was started by an initiative by this Chamber. The trips have grown to be more and more successful with a track record of positive results including a number of North East businesses opening offices there.

# **North East England Chamber of Commerce**

## **Chairman's Report for the Year Ended 31 December 2018 (continued)**

### **Policy Team**

Our policy director, Ross Smith, was appointed business partner manager with Northumbrian Water at the start of the year and as a result, it gave us an opportunity to restructure our policy team. I'm delighted to report that both Jonathan Walker and Rachel Anderson have been promoted to assistant directors of policy.

### **Chamber Premises**

This has been a year of substantial, positive changes within the Chamber, not just in terms of our team but also in the physical presence in our three locations.

I'm delighted to say our Durham head office is now transformed and a fitting base for us to build our business in the future. This investment has created a working environment second to none, with views to match. The refurbishment has also created modern space for another tenant on the first floor which is currently being marketed.

Together with the centrally-located and transformed Commerce House office in the heart of Middlesbrough and the redeveloped Stamp Exchange, we now have premises totally in keeping with our business values.

### **Marketing**

We continued our strategic marketing 'Power Up' campaign last year which contributed to our growth and helped us hit a record number of hits on our website, up to 21,000 in December.

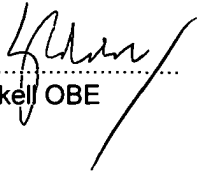
### **Financial Overview**

Your Chamber is in a strong position at the end of 2018 and is ready to exploit all opportunities for expansion in a lean and effective way. Thank you for your continued support, helping to build a stronger North East.

### **John McCabe**

On behalf of the board I give huge thanks to John McCabe for his hard work on our Board and Council as well as his time as President. It's been a very great pleasure working with John over the last two years and I am grateful for the support, insight and wisdom he has brought to the Board. I welcome Lesley into the role and am looking forward to working with her, and wish her every success.

Approved by the Board on 27 March 2019 and signed on its behalf by:

  
.....  
KLH Winskell OBE  
Chairman

# **North East England Chamber of Commerce**

## **Chief Executive's Report for the Year Ended 31 December 2018**

We have worked tirelessly to support our members to make sense of the political chaos taking place in our country at present and to protect our regional economy.

International trade is the lifeblood of the North East and the Chamber, indeed, we were born out of a need for businesses to work together to export successfully.

We have thriving ports in the North East all facing the EU, providing easy access to potential marketplaces but they are not going to be as effective if we have no deal to trade with our neighbours.

In the last 12 months I have been to Hong Kong, Southern China and Boston, physically building connections from our region to the rest of the world to encourage trading relationships.

Our colleagues in the Department of International Trade have also supported over a hundred businesses on trade missions to a range of countries including Germany, China, USA and India. These visits are already creating growth and new opportunities.

I'm delighted to report that our membership number grew by 3% last year which in the light of the uncertain economic times is a significant achievement. Here is a brief outline of some of the ways we have supported our members and championed our region to good effect.

We pride ourselves on giving expert knowledge and advice on important issues. One of these was the need to adhere to the new 'GDPR' requirements focused minds in early 2018. This legislation set out parameters on how businesses used data and was potentially worrying for many organisations who had to adapt systems and behaviours.

We held very well attended seminars to ensure members were well informed and capable to prepare fully. The events were so popular that the estimated 200 guests turned out to be nearer 650. Who would have anticipated that data regulations would draw the biggest crowds?

We are only as strong and successful as our members. A tremendously effective way of building our members' connections with each other are the two Expos we arrange with Fresh Start Events. These are the North East's largest business-to-business exhibitions and both of these events in 2018 were extremely successful with over 2,800 people attending and many Chamber members exhibiting.

In 2017 we were a vigorous supporter of Heathrow's bid to have a third runway which was given the green light by the Government. The airport is a staunch supporter of our business community, in particular through its huge supply chain. In 2018 we hosted a Heathrow Business Summit to enable companies to meet airport representatives and identify how they can get access to these valuable contracts.

We have a barometer of our progress in relation our own economic climate as well as the anecdotal evidence that we gather at our various networking events and meeting our members. The statistical information is collected in our Quarterly Economic Survey which has been relatively positive during the last few months, although the final quarter did show worrying signs of record level concerns about skill shortages and staff costs.

The statistics on employment figures have been more consistently positive with the highest rate of employment since comparable records began in 1992, achieved in the summer.

Another success in the middle of the year was the Great Exhibition of the North which helped to attract visitors and put a spotlight on our region.



## **North East England Chamber of Commerce**

### **Chief Executive's Report for the Year Ended 31 December 2018 (continued)**

We place great emphasis on working with our Partner members to produce substantial work on issues that will generate more success for our region. In the past year we delivered an important piece of work with Womble Bond Dickinson on setting out the best way to ensure all our businesses get access to procurement opportunities. Our larger members such as local authorities have been supportive in looking at ways to enable SMEs, for example, to get access to the many contracts awarded very year.

Our work with Lichfields into what is needed to revitalise town centres, was also influential and the results presented to a Parliamentary select committee.

In terms of more local politics, North of Tyne devolution also offers a chance for the area to work in a different way and adapt to local needs. We have been submitting our views about this process evolves and will continue to ensure business voices are at the forefront of its work.

One of the crowning moments in our own year was our Chamber Annual Dinner which was held in Durham Cathedral's nave for the first time. North East-born architect George Clarke was our guest speaker and the event raised £75k for the Cathedral's fundraising campaign to protect it for the future.

This prestigious event is an important part of our work to promote the many great aspects of our region as are the North East Business Awards.

Earlier in this Annual Report Lesley Moody has mentioned the NEBA winners which I had the pleasure of taking to the BCC national awards. I also attended the Businesswomen of the Year awards in November where there were many examples of great entrepreneurship and a fierce determination to achieve success. We were delighted to support them and the fine example they show to the next generation of female entrepreneurs.

This year has been a difficult one to navigate for many of our members, especially those trading with the EU but there has still huge achievements to be taken from 2018 and plenty to build upon for 2019.

In conclusion I want to say thank you to two Chamber stalwarts. Firstly, Eamonn Leavey for all his work on the development of our President's Club which is now a mainstay of our membership offer to the leading North East business community.

Secondly on behalf of the Chamber team, I want to thank John McCabe so much for his tremendous hard work on our behalf over the last two years. He has been an outstanding President and devoted so much time and energy to ensure the Chamber delivers successful campaigns and first-class support for all our members across the whole of the North East. In particular, the ambitious drive, spearheaded by him, to raise greater awareness of mental health issues in the workplace has been of huge benefit to many individuals and businesses and has made a tangible difference in several ways.

Approved by the Board on 27 March 2019 and signed on its behalf by:



JDA Ramsbotham CBE  
Chief Executive

# North East England Chamber of Commerce

## Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

### Principal activity

The principal activity of the company is to provide independent representation of the interests of its members and, together with its subsidiary companies, contribute to the improvement of the conditions and trading environment in which businesses operate in the region through its representational activities and the provision of business support services.

The company has one trading subsidiary, North East Worldwide Limited, whose principal activities are the provision of international trade services funded by The Department for International Trade, and the European Regional Development Fund.

### Fair review of the business

The result for the year is set out on page 17. The group has reported a profit of £205,000 (2017: profit of £327,000) for the financial year, with a positive operating cashflow of £38,000 (2017: £376,000) with an increase in working capital of £156,000 (2017: reduction of £7,000). The overall decrease in cash of £372,000 (2017: increase of £298,000) is stated after investments of £616,000 (2017: £82,000) in tangible, intangible and investment property assets as the group completed a programme of substantial investments in its Aykley Heads office, and upgrades to its CRM and finance systems during the year.

We are delighted to report that total membership numbers increased in 2018 for the first time in a number of years and ended the year at 2,732 (2017: 2,641), with membership income also increasing to £1,632,000 (2017: £1,576,000). We continue to adapt and invest in our membership proposition to ensure that it remains attractive and relevant to North East businesses across the full spectrum of size and sector now and in the future. The position of the group and company are shown in the Balance Sheets on pages 18 and 19, which remain strong and the group has no borrowings.

North East Worldwide Limited, a wholly owned subsidiary of North East England Chamber of Commerce has delivered International Trade Services under a contract from the Department of International Trade (formerly UK Trade and Investment) since 1 April 2016 and has been successfully delivering against the contract targets since that date. North East Worldwide also successfully bid for funding from the European Regional Development Fund, to broaden the range of support that we can offer exporters in the North East of England over the period 2017 to 2019.

The Chamber holds significant investment property assets, which were valued at £1,829,000 on the 31 December 2018 (2017: £1,521,000). Investment property rentals make a significant contribution to support our work, generating rental income of £117,000 during 2018 (2017: £152,000), however changes in the fair value of these properties can also result in volatility in our profit and loss account. During 2018 such fair value movements increased our reported profits by £61,000 (2017: £79,000).

The company's key financial and other performance indicators during the year were as follows:

	Unit	2018	2017
Membership numbers		2,732	2,641
Member retention	%	85	82
Cash and current assets investments at year end	£	1,479,000	2,048,000
Revenue per employee	£	60,294	58,671
Debtor weeks (trade debtors)		9	9
Staff turnover	%	5	12
Staff absence	%	2	3

# **North East England Chamber of Commerce**

## **Strategic Report for the Year Ended 31 December 2018 (continued)**

### **Principal risks and uncertainties**

The principal risks and uncertainties are presented in the Directors' Report on page 10 - 12.

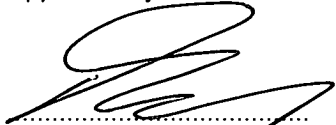
### **Gender pay reporting**

The Equality Act 2010 (Gender Pay Gap Information) Regulations now require employers with 250 or more employees to publish information on the differences between the average earnings of men and women. The Chamber is not required to make these disclosures but makes some disclosures on a voluntary basis.

Group mean hourly pay for male employees exceeds that of female employees by 30% (2017: 30%). The difference arises not because male and female employees are paid differently for the same work, but rather because male and female employees are not equally represented in different levels of jobs.

The Chamber have gathered examples of best practice on tackling the gender pay gap and have begun to implement these across the Group, although it is likely to take several years for these to begin having a significant impact.

Approved by the Board on 27 March 2019 and signed on its behalf by:



DJ Langley  
Company secretary and director

# **North East England Chamber of Commerce**

## **Directors' Report for the Year Ended 31 December 2018**

The directors present their report and the for the year ended 31 December 2018.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

JDA Ramsbotham CBE  
M Matthews MBE  
JS Goult (appointed 8 October 2018)  
L Moody MBE (President) (appointed 8 October 2018)  
KLH Winskell OBE (Chairman)  
RJL Swart  
PB Moran (Chair of Audit Committee)  
G Courtney MBE  
JPB Marshall (appointed 2 January 2018)  
J McCabe (resigned 4 March 2019)  
GJ Sanger  
M Pavlou (resigned 2 January 2018)  
DJ Langley - Company secretary and director  
WH Moran (Chair of Investment Committee)  
CP Beaumont (resigned 8 October 2018)

M Pavlou and CP Beaumont left the Board on completion of their term of office and we thank them for their service to the Chamber.

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

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and it is ultimately responsible for reviewing and approving the financial statements.

### **Principles of corporate governance**

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

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

### **Remuneration Committee**

The committee is chaired by KLH Winskell and includes PB Moran, JPB Marshall, J McCabe (resigned 4 March 2019) and M Pavlou (resigned 2 January 2018). The 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 in notes 7 and 8.

# **North East England Chamber of Commerce**

## **Directors' Report for the Year Ended 31 December 2018 (continued)**

### **Audit committee**

The Audit Committee is chaired by PB Moran and includes JPB Marshall, WH Moran and CP Beaumont (resigned 8 October 2018). The Committee's terms of reference include the review of the annual financial statements 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 auditors' programme.

### **Investment committee**

The Investment committee is Chaired by WH Moran and includes JPB Marshall, PB Moran and CP Beaumont (resigned 8 October 2018). The Committee is responsible for reviewing the financial assets of the Chamber and making recommendations to the Board on the investment strategy of the Group.

### **Principal risks and uncertainties**

#### **General Economic Conditions**

Trading conditions, whilst improving, remain a challenge not just for the Chamber but also our members. This continues to have an impact on member recruitment and retention and on the take up of services. In response we have undertaken further investment in training for our people and continued to refine our membership proposition and services. We recognise that our focus must remain on delivering high quality services and value for money for our members whilst controlling costs closely.

#### **Plans to exit the European Union**

Following the referendum vote to leave the European Union in June 2016 we remain in a period of uncertainty regarding the nature of the future relationship between the United Kingdom and Europe, with clarity still yet to emerge. This could directly impact on certain International Trade services provided by the Group, in particular, changes to our Export Documentation services, which are provided using EU documents, and certain export support services, which are funded by the European Regional Development Fund. Indirectly, any disruption to business growth and confidence may impact on member recruitment and retention.

#### **Political and funding risks**

Developments in public policy, and in particular the International Trade agenda, together with the related funding regimes are a key driver of the Group's business. In common with other areas of public expenditure, programmes to support international trade remain subject to ongoing change and spending constraints, not least because of Brexit related uncertainty. The company maintains an ongoing and constructive engagement with key stakeholders to mitigate and adapt to this changing funding landscape. The Department for International Trade contract delivered by the Group is due to end in 2020, and while the group currently intends to participate in the tender process for any similar replacement contract the outcome of such a process is naturally uncertain.

#### **Commercial property risk**

The Group holds commercial property assets both for its own use and as investments, the income from which supports the work of the Chamber. Ownership of these assets gives rise to a number of specific risks, and uncertainties, in particular changes in property valuation and the risk of void periods.

### **Financial instruments**

#### ***Objectives and policies***

The Group's financial instruments comprise cash and various items that arise directly from operations (such as trade debtors, trade creditors etc). The main purpose of these instruments is to fund the Group's operations.

# North East England Chamber of Commerce

## Directors' Report for the Year Ended 31 December 2018 (continued)

### *Interest rate risk, liquidity risk, foreign currency risk and credit risk*

#### Interest rate risk

As the Group has no borrowings and has cash reserves it is not considered to have significant interest rate risk.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to access the necessary funds to finance its operations. The Group finances operations through cash reserves which total £1,276,000 at the year end. The risk is managed by monitoring existing cash reserves against forecast future requirements.

#### Foreign currency risk

All transactions and cash balances are denominated in sterling therefore there is no foreign currency risk.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet their contractual obligations. Where appropriate, customers are analysed for credit worthiness before the Group's standard payment terms and conditions are offered and credit limits are set.

### **Future developments**

See disclosure within the fair review of the business within the Strategic Report along with the Reports of the President, Chairman and Chief Executive.

### **Directors' liabilities**

The Group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions will remain in force at the reporting date.

### **Disclosure of information to the auditor**

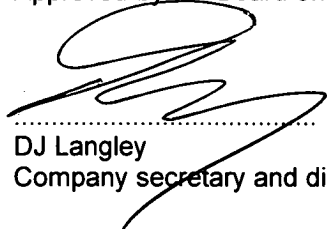
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

### **Reappointment of auditor**

During the year, PricewaterhouseCoopers LLP resigned as auditor and the directors appointed Tait Walker LLP to fill the vacancy arising.

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Tait Walker LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 27 March 2019 and signed on its behalf by:



DJ Langley  
Company secretary and director

# **North East England Chamber of Commerce**

## **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the surplus or deficit of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 England Chamber of Commerce**

## **Independent Auditor's Report to the Members of North East England Chamber of Commerce**

### **Opinion**

We have audited the financial statements of North East England Chamber of Commerce (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Reserves, Statement of Changes in Reserves, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



# **North East England Chamber of Commerce**

## **Independent Auditor's Report to the Members of North East England Chamber of Commerce (continued)**

We have nothing to report in this regard.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities [set out on page 13], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **North East England Chamber of Commerce**

### **Independent Auditor's Report to the Members of North East England Chamber of Commerce (continued)**

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



.....  
Christopher Potter BA (Hons) ACA (Senior Statutory Auditor)  
For and on behalf of Tait Walker LLP  
Chartered Accountants and Statutory Auditor  
Bulman House  
Regent Centre  
Gosforth  
Newcastle upon Tyne  
NE3 3LS

Date: 24/3/19 .....

# North East England Chamber of Commerce

## Consolidated Income Statement for the Year Ended 31 December 2018

	Note	Total 2018 £000	Continuing operations 2017 £000	Discontinued operations 2017 £000	Total 2017 £000
Turnover	3	5,125	4,987	-	4,987
Cost of sales		<u>(2,891)</u>	<u>(2,818)</u>	<u>44</u>	<u>(2,774)</u>
Gross profit		2,234	2,169	44	2,213
Administrative expenses		(2,181)	(2,049)	-	(2,049)
Other operating income	4	<u>178</u>	<u>231</u>	<u>-</u>	<u>231</u>
Operating profit	5	231	351	44	395
Other interest receivable and similar income	6	<u>9</u>	<u>4</u>	<u>-</u>	<u>4</u>
Profit before tax		240	355	44	399
Taxation	10	<u>(35)</u>	<u>(72)</u>	<u>-</u>	<u>(72)</u>
Profit for the financial year		<u>205</u>	<u>283</u>	<u>44</u>	<u>327</u>

The 2018 results were all derived from continuing operations.

The group has no other recognised income or expense for the year other than the results above.

The notes on pages 23 to 41 form an integral part of these financial statements.

# North East England Chamber of Commerce

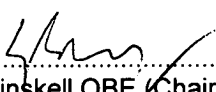
(Registration number: 02938084)

## Consolidated Balance Sheet as at 31 December 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	11	119	5
Tangible assets	12	696	516
Investment property	13	1,829	1,521
		<u>2,644</u>	<u>2,042</u>
<b>Current assets</b>			
Debtors	15	1,217	1,048
Investments	16	203	400
Cash at bank and in hand		1,276	1,648
		<u>2,696</u>	<u>3,096</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(1,374)</u>	<u>(1,412)</u>
<b>Net current assets</b>		<u>1,322</u>	<u>1,684</u>
<b>Total assets less current liabilities</b>		3,966	3,726
<b>Provisions for liabilities</b>	10	<u>(59)</u>	<u>(24)</u>
<b>Net assets</b>		<u>3,907</u>	<u>3,702</u>
<b>Capital and reserves</b>			
Other reserves		39	39
Profit and loss account		3,868	3,663
<b>Total reserves</b>		<u>3,907</u>	<u>3,702</u>

Approved and authorised by the Board on 27 March 2019 and signed on its behalf by:

  
 JDA Ramsbotham CBE  
 Director

  
 KLH Winskell OBE (Chairman)  
 Director

The notes on pages 23 to 41 form an integral part of these financial statements.


# North East England Chamber of Commerce

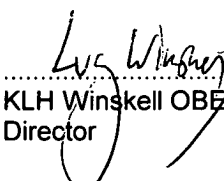
(Registration number: 02938084)

## Balance Sheet as at 31 December 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	11	119	5
Tangible assets	12	696	439
Investment property	13	1,829	1,617
		<u>2,644</u>	<u>2,061</u>
<b>Current assets</b>			
Debtors	15	954	825
Investments	16	203	400
Cash at bank and in hand		942	1,325
		<u>2,099</u>	<u>2,550</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(1,188)</u>	<u>(1,202)</u>
<b>Net current assets</b>		<u>911</u>	<u>1,348</u>
<b>Total assets less current liabilities</b>		3,555	3,409
<b>Provisions for liabilities</b>	10	<u>(59)</u>	<u>(24)</u>
<b>Net assets</b>		<u>3,496</u>	<u>3,385</u>
<b>Capital and reserves</b>			
Other reserves		39	39
Profit and loss account		3,457	3,346
<b>Total reserves</b>		<u>3,496</u>	<u>3,385</u>

Approved and authorised by the Board on 27 March 2019 and signed on its behalf by:

  
 JDA Ramsbotham CBE  
 Director

  
 KLH Winskell OBE (Chairman)  
 Director

The notes on pages 23 to 41 form an integral part of these financial statements.

# North East England Chamber of Commerce

## Consolidated Statement of Changes in Reserves for the Year Ended 31 December 2018

	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2017	39	3,336	3,375
Profit for the year	-	327	327
Total comprehensive income	-	327	327
At 31 December 2017	39	3,663	3,702

	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2018	39	3,663	3,702
Profit for the year	-	205	205
Total comprehensive income	-	205	205
At 31 December 2018	39	3,868	3,907

The notes on pages 23 to 41 form an integral part of these financial statements.

## North East England Chamber of Commerce

### Statement of Changes in Reserves for the Year Ended 31 December 2018

	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2017	39	3,111	3,150
Profit for the year	-	235	235
Total comprehensive income	-	235	235
At 31 December 2017	39	3,346	3,385

	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2018	39	3,346	3,385
Profit for the year	-	111	111
Total comprehensive income	-	111	111
At 31 December 2018	39	3,457	3,496

The notes on pages 23 to 41 form an integral part of these financial statements.

# North East England Chamber of Commerce

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Profit for the year		205	327
Adjustments to cash flows from non-cash items			
Depreciation and amortisation		75	56
Changes in fair value of investment property		(61)	(79)
Finance income		(9)	(4)
Income tax expense		35	72
		<u>245</u>	<u>372</u>
Working capital adjustments			
(Increase)/decrease in debtors		(169)	83
Increase/(decrease) in creditors		13	(76)
Cash generated from operations		<u>89</u>	<u>379</u>
Income taxes paid		<u>(51)</u>	<u>(3)</u>
Net cash flow from operating activities		<u>38</u>	<u>376</u>
<b>Cash flows from investing activities</b>			
Interest received		6	4
Acquisition of tangible assets	12	(313)	(45)
Acquisition of intangible assets	11	(133)	(7)
Acquisition of investment properties		<u>(170)</u>	<u>(30)</u>
Net cash flows from investing activities		<u>(610)</u>	<u>(78)</u>
<b>Cash flows from financing activities</b>			
Proceeds from redemption of fixed term deposit		<u>200</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>(372)</u>	<u>298</u>
Cash and cash equivalents at 1 January		<u>1,648</u>	<u>1,350</u>
Cash and cash equivalents at 31 December		<u><u>1,276</u></u>	<u><u>1,648</u></u>

The notes on pages 23 to 41 form an integral part of these financial statements.



# **North East England Chamber of Commerce**

## **Notes to the Financial Statements for the Year Ended 31 December 2018**

### **1 General information**

The company is a company limited by guarantee, incorporated in England and Wales, and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

The address of its registered office is Aykley Heads Business Centre, Aykley Heads, Durham, DH1 5TS.

The principal activity of the group is to provide independent representation of the interests of its members and, together with the subsidiary, contribute to the improvement of the conditions and trading environment in which businesses operate in the North East of England through its representational activities and the provision of business support services. The principal activity of the subsidiary is the provision of a broad range of advice, market intelligence and financial support to companies new to exporting or addressing new export markets (funded by The Department for International Trade and the European Regional Development Fund).

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except investment properties that are shown at fair value.

These financial statements are prepared in sterling which is the functional currency of the entity. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit for the financial year and total comprehensive income for the year was £111,000 (2017 - £235,000).

# **North East England Chamber of Commerce**

## **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

### **2 Accounting policies (continued)**

#### **Summary of disclosure exemptions**

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the parent company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

The Company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2018.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

# **North East England Chamber of Commerce**

## **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

### **2 Accounting policies (continued)**

#### **Going concern**

Further information on the group's business activities, together with the factors likely to affect its future development, performance and position are set out in the President's Report, the Chairman's Report, the Chief Executive's Report and also in the Directors' Report and Strategic Report.

The group had no borrowings at the year end or at any time during the year. The 2018 financial year resulted in a decrease in cash of £372,000 and the closing cash balance at the year end was £1,276,000. The group has prepared detailed financial forecasts and projections and these support that in 2019 the group will continue to generate cash from operations. Based on these forecasts the group does not anticipate utilising any external borrowings for the foreseeable future.

The Department for International Trade contract delivered by the Group is due to end in 2020, and while the group currently intends to participate in the tender process for any similar replacement contract the outcome of such a process is naturally uncertain. The group continues to monitor this risk and is confident that this is being managed both from an operational and a financial perspective.

After making enquiries based on the above factors, and taking into account reasonable possible changes in trading performance, the directors have a reasonable expectation that the group and company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

#### **Judgements**

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Value of investment property - The carrying value of the investment property is subject to review of the market value of the properties by an external valuer. The value is assessed on an annual basis and any changes in the market value of the properties is realised in the income statement.

#### **Key sources of estimation uncertainty**

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Useful economic lives of tangible assets - The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The carrying amount is £696,000 (2017 - £516,000).

# **North East England Chamber of Commerce**

## **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

### **2 Accounting policies (continued)**

#### **Revenue recognition**

Turnover is measured at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover from membership subscriptions is recognised on a straight line basis over the period of the membership and in line with the services rendered. Turnover from International trade contracts is recognised when it and the associated costs can be measured reliably and when there is certainty to the entitlement of benefits.

#### **Government grants**

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred, with the exception of those grants which are subject to explicit performance obligations which are recognised only when there is certainty to the entitlement of benefits.

#### **Other operating income**

Other operating income represents rents receivable under operating leases for the period, exclusive of Value Added Tax and gains on investment properties.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements. Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

#### **Tangible assets**

Tangible assets are stated in balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than freehold land and investment properties, over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold land and buildings	Straight line over 50 years
Leasehold land and buildings	Straight line over the life of the lease to a maximum of 50 years
Fixtures, fittings and equipment	Straight line over 3 to 5 years

#### Impairment of fixed assets

At each reporting end date, the group reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating units) from previous years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried in a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Investment property

Investment properties are initially measured at cost and subsequently are carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Software	Straight line over 3 to 5 years

#### Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

#### Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

### 3 Turnover

The analysis of the group's turnover for the year from continuing operations is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Rendering of services	<u>5,125</u>	<u>4,987</u>

The analysis of the group's turnover for the year by class of business is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Membership subscriptions	1,632	1,576
Business services	196	166
International trade services	<u>3,297</u>	<u>3,245</u>
	<u>5,125</u>	<u>4,987</u>

The analysis of the group's turnover for the year by geographical market is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
UK	<u>5,125</u>	<u>4,987</u>

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2018 £000	2017 £000
Gain on investment properties	61	79
Rent receivable	117	152
	<u>178</u>	<u>231</u>

### 5 Operating profit

Arrived at after charging

	2018 £000	2017 £000
Depreciation expense	56	39
Amortisation expense	19	17
	<u>75</u>	<u>56</u>

### 6 Other interest receivable and similar income

	2018 £000	2017 £000
Interest income on bank deposits	9	4
	<u>9</u>	<u>4</u>

### 7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £000	2017 £000
Wages and salaries	2,674	2,508
Social security costs	271	246
Pension costs, defined contribution scheme	132	141
	<u>3,077</u>	<u>2,895</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Chamber of Commerce and group services	52	51
International trade contract services	33	34
	<u>85</u>	<u>85</u>



# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Remuneration	222	224
Contributions paid to money purchase schemes	13	18
	<u>235</u>	<u>242</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Remuneration	134	127
Company contributions to money purchase pension schemes	<u>8</u>	<u>12</u>

### 9 Auditor's remuneration

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Audit of these financial statements	7	8
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>6</u>	<u>7</u>
	<u>13</u>	<u>15</u>
<b>Other fees to auditor</b>		
Audit-related assurance services	1	3
Taxation advisory services	<u>-</u>	<u>5</u>
	<u>1</u>	<u>8</u>

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 10 Taxation

Tax charged in the income statement

	2018 £000	2017 £000
<b>Current taxation</b>		
UK corporation tax	1	52
UK corporation tax adjustment to prior periods	(1)	(3)
	<u>-</u>	<u>49</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	32	15
Arising from changes from prior periods	3	8
Total deferred taxation	<u>35</u>	<u>23</u>
Tax expense in the income statement	<u>35</u>	<u>72</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £000	2017 £000
Profit before tax	<u>240</u>	<u>399</u>
Corporation tax at standard rate	46	77
Effect of revenues exempt from taxation	(12)	(15)
Effect of expense not deductible in determining taxable profit (tax loss)	3	1
UK deferred tax credit relating to changes in tax rates or laws	(4)	(2)
Decrease in UK and foreign current tax from unrecognised temporary difference from a prior period	(1)	(3)
Deferred tax expense from unrecognised temporary difference from a prior period	3	8
Tax increase from effect of capital allowances and depreciation	<u>-</u>	<u>6</u>
Total tax charge	<u>35</u>	<u>72</u>

### Deferred tax

#### Group

Deferred tax assets and liabilities

	Liability £000
<b>2018</b>	
Accelerated Capital Allowances	<u>59</u>

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 10 Taxation (continued)

	<b>Liability £000</b>
<b>2017</b>	
Accelerated Capital Allowances	<u>24</u>

There are £226,000 of unused tax credits (2017 - £238,000) for which no deferred tax asset is recognised in the Balance Sheet.

#### **Company**

Deferred tax assets and liabilities

	<b>Liability £000</b>
<b>2018</b>	
Accelerated Capital Allowances	<u>59</u>

	<b>Liability £000</b>
<b>2017</b>	
Accelerated Capital Allowances	<u>24</u>

### 11 Intangible assets

#### **Group and Company**

	<b>Software £000</b>
<b>Cost</b>	
At 1 January 2018	337
Additions	<u>133</u>
At 31 December 2018	<u>470</u>
<b>Amortisation</b>	
At 1 January 2018	332
Amortisation charge	<u>19</u>
At 31 December 2018	<u>351</u>
<b>Carrying amount</b>	
At 31 December 2018	<u>119</u>
At 31 December 2017	<u>5</u>

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 12 Tangible assets

#### Group

	Freehold land and buildings £000	Long leasehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2018	410	106	109	625
Additions	213	2	98	313
Transfers to investment property	(85)	-	-	(85)
At 31 December 2018	538	108	207	853
<b>Depreciation</b>				
At 1 January 2018	42	3	64	109
Charge for the year	9	3	44	56
Transfers to investment property	(8)	-	-	(8)
At 31 December 2018	43	6	108	157
<b>Carrying amount</b>				
At 31 December 2018	495	102	99	696
At 31 December 2017	368	103	45	516

Leasehold land and buildings are held under a 125 year lease.

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 12 Tangible assets (continued)

#### Company

	Freehold land and buildings £000	Long leasehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2018	325	106	109	540
Additions	213	2	98	313
At 31 December 2018	538	108	207	853
<b>Depreciation</b>				
At 1 January 2018	34	3	64	101
Charge for the year	9	3	44	56
At 31 December 2018	43	6	108	157
<b>Carrying amount</b>				
At 31 December 2018	495	102	99	696
At 31 December 2017	291	103	45	439

### 13 Investment properties

#### Group

	2018 £000
At 1 January	1,521
Additions	170
Transfer from tangible fixed assets	77
Fair value adjustments	61
At 31 December	1,829

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 13 Investment properties (continued)

#### Company

	<b>2018</b>
	<b>£000</b>
At 1 January	1,617
Additions	170
Fair value adjustments	42
At 31 December	<u>1,829</u>

During the year North East Worldwide Limited ceased to occupy a discrete part of one of the group's investment properties and therefore on consolidation there has been a transfer of property from tangible fixed assets to investment property.

The investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the cash flows is then applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in the Income Statement.

### 14 Investments

#### Company

##### Joint Ventures

Go Global North East Limited was incorporated in England on 13 February 2012, has a financial year end 31 March, and is limited by guarantee. The North East England Chamber of Commerce (Limited by Guarantee) has a 33% interest in the joint venture. The investment is held at the carrying amount of £Nil (2017 - £Nil), under the equity method.

Go Global North East Limited was awarded a contract to deliver International Trade Services in the North East from 31 March 2012. These services included the provision of a broad range of advice, market intelligence and financial support to companies new to exporting or addressing new export markets. The contract ended on 31 March 2016 and the company ceased trading on 31 December 2016.

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 14 Investments (continued)

#### Shares in group undertakings Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2018	2017
Subsidiary undertakings				
North East Worldwide Limited	Aykley Heads Business Centre, Aykley Heads, Durham, DH1 5TS England	Ordinary shares	100%	100%
Joint ventures				
Go Global North East Limited	Aykley Heads Business Centre, Aykley Heads, Durham, DH1 5TS England		33%	33%

The principal activity of North East Worldwide Limited is advice and support.

Go Global North East Limited is dormant.

### 15 Debtors

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Trade debtors	931	825	773	673
Amounts owed by group undertakings	-	-	29	91
Prepayments and accrued income	286	223	152	61
	<u>1,217</u>	<u>1,048</u>	<u>954</u>	<u>825</u>

### 16 Current asset investments

	2018	Group	2018	Company
	£000	2017	£000	2017
		£000		£000
Fixed term deposit	<u>203</u>	<u>400</u>	<u>203</u>	<u>400</u>

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 17 Creditors

	2018 £000	Group 2017 £000	2018 £000	Company 2017 £000
<b>Due within one year</b>				
Trade creditors	73	53	72	40
Social security and other taxes	214	234	121	128
Other creditors	8	2	7	2
Accruals	1,078	1,071	988	1,004
Corporation tax liability	1	52	-	28
	<u>1,374</u>	<u>1,412</u>	<u>1,188</u>	<u>1,202</u>

### 18 Pension and other schemes

#### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £132,000 (2017 - £141,000).

Contributions totalling £3,000 (2017 - £Nil) were payable to the scheme at the end of the year and are included in other creditors.

### 19 Capital and reserves

The company is a company limited by guarantee not having a called up share capital. Each member of the company is liable to the extent of £1 in the event of the company being wound up and therefore being insufficient assets to pay off the liabilities. Accordingly, the company has no shareholders' funds and no reconciliation of movements in shareholders' funds has been presented.

### 20 Obligations under leases and hire purchase contracts

#### Group and Company

#### Operating leases

The total of future minimum lease payments is as follows:

	2018 £000	2017 £000
Not later than one year	4	14
Later than one year and not later than five years	-	4
	<u>4</u>	<u>18</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £16,000 (2017 - £16,000).



# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 20 Obligations under leases and hire purchase contracts (continued)

#### Operating leases - lessor

The total of future minimum lease payments is as follows:

	2018 £000	2017 £000
Not later than one year	54	85
Later than one year and not later than five years	-	48
	<u>54</u>	<u>133</u>

### 21 Commitments

#### Group

##### Capital commitments

There was a contractual commitment for the acquisition of intangible assets at the year end. The total amount contracted for but not provided in the financial statements was £20,000 (2017 - £26,000).

### 22 Contingent liabilities

#### Group

The company has provided a performance guarantee in respect of its subsidiary North East Worldwide Limited for its contract with the Department for International Trade. No amounts have been provided in these financial statements in respect of these guarantees as the likelihood of them being called in is considered to be remote.

As disclosed within the accounts, North East England Chamber of Commerce has a 33% interest in Go Global North East Limited, a joint venture with RTC North Limited and the North East of England Process Industry Cluster Limited. The three joint venture partners, of which the Chamber is one, have entered into a joint and several performance guarantee in respect of this entity up to a maximum of £5 million each.

### 23 Related party transactions

#### Group

##### Key management compensation

	2018 £000	2017 £000
Salaries and other short term employee benefits	<u>366</u>	<u>380</u>

During the normal course of trade the company purchases goods and services and receives income from organisations in which directors have an interest. Any material transaction in the context of the financial statements is approved by the board.

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 23 Related party transactions (continued)

Board member	Organisation	Sales 2018 £000	Purchases 2018 £000	(Owed to)/ due from member 2018 £000	(Owed to)/ due from member 2017 £000
PB Moran	KPMG LLP	11	8	-	-
WH Moran	Northern Recruitment Group Limited	2	4	2	2
KLH Winskill, OBE	Northumbria University	7	-	-	-
CP Beamont	Clive Owen LLP	2	-	-	-
M Matthews, MBE	Nifco UK Limited	12	-	-	-
J McCabe	Fusion PR (UK) Limited	2	-	-	-
M Pavlou	People Gauge Limited	-	-	-	-
G Courtney, MBE	Wessington Cryogenics Limited	1	-	-	-
R J L Swart	Berger Closures	1	-	-	1
GJ Sanger	Pulsant Ltd	25	-	10	1
L Moody MBE	AES Digital Group	-	-	-	-
JPB Marshall	Newcastle Gateshead Initiative	-	-	-	-
JS Goult	Sembcorp	4	-	-	-

The amounts outstanding are unsecured non-interest bearing and will be settled in cash. No expense has been recognised in the year (2017 - £Nil) in respect of bad debts from related parties.

# North East England Chamber of Commerce

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 24 Financial instruments

#### Group

#### Categorisation of financial instruments

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Financial assets measured at amortised cost	2,410	2,873
Financial liabilities measured at amortised cost	<u>1,151</u>	<u>1,124</u>

### 25 Parent and ultimate parent undertaking

The company is controlled by its board of directors acting on behalf of its members.