

Gateshead Trading Company Limited

**Directors' report and financial
statements**

Registered number 06873659

31 March 2019



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Company Information

Directors	M Barker	
	D Collins	
	C Huntington	appointed 1 April 2019
	A Tose	appointed 8 November 2019
	M Morley	appointed 8 November 2019

Registered office Civic Centre
Regent Street
Gateshead Council
NE8 1HH

Auditor KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Bankers Barclays Bank
Percy Street
Newcastle upon Tyne
NE1 4QL

Registered number 06873659

Directors' Report

The directors present their directors' report and financial statements for the year ended 31 March 2019.

Directors' responsibilities statement

The directors are responsible for preparing the directors' 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 they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', Section 1A, Small Entities.

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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activities of the company are property development, the provision of construction and design services and other service activities to Gateshead Council and third parties.

Business review

The results for the year are set out on page 9.

Proposed dividend

The directors have declared no dividend in respect of the year ended 31 March 2019 (2018: nil).

Directors

The directors who held office during the year were as follows:

M Barker	
D Collins	
C Huntington	Appointed 1 April 2019
A Tose	Appointed 8 November 2019
M Morley	Appointed 8 November 2019
A Alder	Resigned 31 March 2019
P Dowling	Resigned 12 November 2018

Political contributions

The company made no political contributions during the year (2018: £nil).

Small companies note

This report has been prepared in accordance with the small companies' regime of the Companies Act 2006.

The directors' report has been prepared taking advantage of the small companies' exemption under Section 415A of the Companies Act 2006.

Disclosure of information to auditor

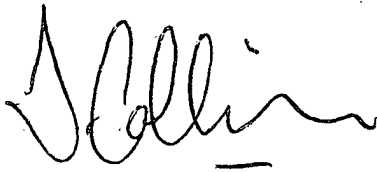
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

The directors' report has been prepared taking advantage of the small companies' exemption under Section 415A of the Companies Act 2006.

This report was approved by the Board on 18 December 2019 and signed on its behalf.



D Collins
Director

Civic Centre
Regent Street
Gateshead
NE8 1HH

18 December 2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATESHEAD TRADING COMPANY LIMITED

Opinion

We have audited the financial statements of Gateshead Trading Company Ltd ("the company") for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.



Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report and were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.



The purpose of our audit work and to whom we owe our responsibilities

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.

A handwritten signature in black ink, appearing to read 'T. Stonehouse', written over a horizontal line.

Tara Stonehouse (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

18 December 2019

Statement of Comprehensive Income
for the year ended 31 March 2019

	<i>Note</i>	2019 £	2018 £
Turnover	4	835,420	1,472,705
Cost of sales	5	(949,046)	(1,454,509)
Gross (loss) / profit		(113,626)	18,196
Administrative expenses		(223,393)	(55,225)
Operating loss	6	(337,019)	(37,029)
Interest expense	7	(615)	(4,687)
Loss before tax		(337,634)	(41,716)
Tax on loss	9	(4,099)	7,091
Loss for the financial year		(341,733)	(34,625)
Other comprehensive income		-	-
Total comprehensive income		(341,733)	(34,625)

There are no recognised gains or losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 12 to 19 form part of the financial statements

Statement of Financial Position
at 31 March 2019

	<i>Note</i>	2019 £	2018 £
Current Assets			
Debtors	10	236,406	737,783
Inventories	11	<u>5,159,619</u>	<u>487,020</u>
		5,396,025	1,224,803
Creditors: amounts falling due within one year	12	<u>(1,278,241)</u>	<u>(604,286)</u>
Net current assets		<u>4,117,784</u>	<u>620,517</u>
Total assets less current liabilities		4,117,784	620,517
Creditors: amounts falling due in more than one year	13	<u>(4,339,000)</u>	<u>(500,000)</u>
Net (liabilities) / assets		<u>(221,216)</u>	<u>120,517</u>
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account		(221,217)	120,516
Shareholders' funds		<u>(221,216)</u>	<u>120,517</u>

The financial statements have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime and in accordance with the provisions of FRS 102, Section 1A, Small Entities.

These financial statements were approved by the board of directors on 18 December 2019 and were signed on its behalf by:



D Collins
Director

The notes on pages 12 to 19 form part of these financial statements.

Registered company number: 06873659

Statement of Changes in Equity
for the year ended 31 March 2019

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 April 2017	1	155,141	155,142
Total comprehensive income for the period			
Profit or loss	-	(34,625)	(34,625)
Transactions with owners recorded directly in equity			
Dividends declared	-	-	-
Balance at 31 March 2018	<u>1</u>	<u>120,516</u>	<u>120,517</u>
Balance at 1 April 2018	1	120,516	120,517
Total comprehensive income for the period			
Profit or loss	-	(341,733)	(341,733)
Transactions with owners recorded directly in equity			
Dividends declared	-	-	-
Balance at 31 March 2019	<u>1</u>	<u>(221,217)</u>	<u>(221,216)</u>

The notes on pages 12 to 19 form part of the financial statements

Notes

(forming part of the financial statements)

1. General information

Gateshead Trading Company Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in England and Wales. The registered number is 06873659 and the registered office is the Civic Centre, Regent Street Gateshead, NE8 1HH.

2. Accounting policies

Basis of preparation of the financial statements

These financial statements have been presented in pounds sterling which is the functional currency of the company and rounded to the nearest £.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Exemptions for qualifying entities under FRS 102

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- * Reconciliation of the number of shares outstanding from the beginning to end of the period;
- * Cash Flow Statement and related notes; and
- * Key Management Personnel compensation.

As the consolidated financial statements of Gateshead Council include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

Notwithstanding a pre-tax loss for the year then ended of £337,634 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of any reasonably possible downsides, the company will have sufficient funds, through its day to day means, to meet its liabilities as they fall due for that period. All cash received by the company is held in a pooled cash account held by Gateshead Council, and Gateshead Council has indicated that the company will continue to have access to this cash.

Those forecasts are dependent on Gateshead Council providing access to the rolling cash facility already held and not seeking repayment of any amounts currently made available. Gateshead Council has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

Notes (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue is recognised from the sale of goods when all the following conditions are satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation and measured, at the best estimate at the Statement of Comprehensive Income date, as the expenditure required to settle the obligation taking account of relevant risks and uncertainties. When payments are eventually made, they are charged to the provision in the Statement of Comprehensive Income. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to Statement of Comprehensive Income.

A bad debt provision has been added to the accounts to reflect a debt which is being disputed by the client.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Properties under construction are valued at the lower of cost and net realisable value.

Inventories have been reduced to reflect the latest projections of the sales value of the stock and total costs.

The cost of work in progress comprises construction costs relating to private housing developments, less any customer deposits received, and including project specific borrowing costs.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

2 Accounting policies (continued)

Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset. Impairment losses are recognised in profit or loss.

Financial Instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Debtors: Short term debtors are measured at transaction price, less any impairment.

Creditors: Short term creditors are measured at transaction price.

Classification and financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is tax payable (refundable) in respect of the taxable profit (tax loss) for the current period or past reporting periods.

Deferred tax represents future tax consequences of transactions and events recognised in the financial statements of the current and previous periods using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

3. Accounting estimates and judgements

Management is required to make certain estimates and judgements in the preparation of these financial statements. The most significant source of uncertainty relates to the estimate of costs in respect of long-term contracts. The most significant judgement relates to the method of recognising revenue.

4. Turnover

	2019	2018
	£	£
Rendering of services in the United Kingdom:		
Welfare to work schemes	709,645	914,968
Construction / gateway schemes	<u>125,775</u>	<u>557,737</u>
	<u>835,420</u>	<u>1,472,705</u>

5. Cost of Sales

Included within cost of sales is an impairment charge of £80,000 (2018: Nil) to reflect the net realisable value of inventory based on projected sales values and total costs in relation to one of the schemes.

6. Operating loss

Loss on ordinary activities before taxation is stated after charging:

	2019	2018
	£	£
Fees payable to the Company's auditor for other services:		
Audit of these financial statements	13,750	12,450
Taxation compliance services	2,400	2,275
Other assurance services	530	500

7. Net interest expense

	2019	2018
	£	£
<i>Interest receivable and similar income:</i>		
CIS interest on overpayment	12	-
<i>Interest payable and similar charges:</i>		
Bank interest paid	(627)	(4,687)
Net interest expense	<u>(615)</u>	<u>(4,687)</u>

Notes (continued)

8. Remuneration of directors and staff costs

The directors received no remuneration for their services to the company during the year (2018: £nil). In addition, the company employed no personnel other than directors and incurred no staff costs (2018: £nil).

9. Tax on profit on ordinary activities

Analysis of charge in period

	2019	2018
	£	£
Current tax	(2,992)	-
Deferred tax	<u>7,091</u>	<u>(7,091)</u>
Tax on profit on ordinary activities	<u>4,099</u>	<u>(7,091)</u>

Provision for deferred tax

	2019	2018
	£	£
Movement in deferred tax:		
Provision at the start of period	(7,091)	-
Deferred tax charged in the Statement of comprehensive income for the period	<u>7,091</u>	<u>(7,091)</u>
Provision at end of period	<u>-</u>	<u>(7,091)</u>
Deferred tax (asset)/liability not recognised	<u>(60,741)</u>	<u>-</u>

The company has an unprovided deferred tax asset of £60,741 (2018: £Nil) at 31 March 2019 in respect of tax losses carried forward. These losses have not been recognised as their recovery cannot be determined with reasonable certainty.

Reconciliation of tax charge

	2019	2018
	£	£
Loss for the year	(341,733)	(34,625)
Tax on profit on ordinary activities	<u>4,099</u>	<u>(7,091)</u>
Loss on ordinary activities before tax	<u>(337,634)</u>	<u>(41,716)</u>
Tax on loss at the UK corporation rate of 19% (2018: 19%)	(64,150)	(7,926)
Under / over provision in previous years	(450)	-
Adjustments to average rate of 19.00%	7,958	835
Deferred tax not recognised	<u>60,741</u>	<u>-</u>
Tax charge/(credit) for the period	<u>4,099</u>	<u>(7,091)</u>

Notes (continued)

9. Tax on profit on ordinary activities (continued)

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Any deferred tax at 31 March 2019 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

10. Debtors

	2019	2018
	£	£
Trade debtors	166,477	273,233
Bad debt provision	(134,978)	-
Amounts due from related parties	4,680	278,029
Prepayments and accrued income	57,196	128,736
CIS tax recoverable	-	4,635
VAT debtor	143,031	46,059
Deferred tax asset	-	7,091
	<u>236,406</u>	<u>737,783</u>

11. Inventories

	2019	2018
	£	£
Work in progress of properties under construction	5,159,619	487,020

Work in progress is stated after an impairment charge of £80,000 (2018: £Nil) reflecting the reduction to bring inventory to the lower of cost and net realisable value (Note 5).

12. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	34,344	47,691
Amounts due to related parties	1,239,798	556,595
Corporation tax	4,099	-
	<u>1,278,241</u>	<u>604,286</u>

13. Loans and other borrowings

	2019	2018
	£	£
Amounts owed to parent undertaking	4,339,000	500,000

Notes (continued)

13. Loans and other borrowings (continued)

The Company has two rolling credit facilities with Gateshead Council, the parent undertaking, as detailed below:

Credit Facility 1 up to a maximum of £2,229,000 to fund development site known as Derwentside APU. Drawdowns must be made within a 2-year period from the date of the first drawdown. The full facility has been utilised to date and repayment will commence within 2019/20. Annual interest is charged quarterly at 7.15%. It is the Company's accounting policy to capitalise borrowing costs against specific projects and interest of £72,108 is included in Work in Progress on the balance sheet.

Credit Facility 2 up to a maximum of £5,294,000 to fund development site known as Valley View. Drawdowns must be made within a 2-year period from the date of the first drawdown. £2,110,000 has been drawn to date and repayment of this, and any drawdowns made in 2019/20, will commence within 2019/20. Annual interest is charged quarterly at 7.23%. It is the Company's accounting policy to capitalise borrowing costs against specific projects and interest of £23,802 is included in Work in Progress on the balance sheet.

For both facilities' voluntary repayments, of part or all of the loan, can be made at any time at the discretion of the Company. Payment in full must be made no later than 3 years from practical completion of each development and must include any outstanding accrued interest.

14. Financial instruments

The carrying amount of financial assets and liabilities include:

	2019	2018
	£	£
Assets measured at amortised cost		
Trade debtors	31,499	273,233
Amounts owed from related parties	4,680	278,029
CIS tax recoverable	-	4,635
VAT debtor	143,031	46,059
Deferred tax asset	-	7,091
	<u>-</u>	<u>7,091</u>
Liabilities measured at amortised cost		
Trade creditors	(34,344)	(47,691)
Amounts owed to related parties	<u>(1,239,798)</u>	<u>(556,595)</u>

15. Called up share capital

	2019	2018
	£	£
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

Notes *(continued)*

16. Controlling party

The ultimate parent undertaking is Gateshead Council by virtue of its 100% shareholding in the Company. There is no individual controlling party.

The Company's ultimate parent undertaking, Gateshead Council, discloses its holding in the Company in its financial statements. The only group in which the results of the company are consolidated is that headed by Gateshead Council (subject to materiality). The financial statements of Gateshead Council may be obtained from Gateshead Council, Civic Centre, Regent Street Gateshead, NE8 1HH.