

NEL FUND MANAGEMENT GROUP LIMITED

Report and Financial Statements

31 March 2012



REPORT AND FINANCIAL STATEMENTS 2012

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K S Charlton
Y Gale
A W Henfrey
B S Hensby

SECRETARY

K S Charlton

REGISTERED OFFICE

City Quadrant
11 Waterloo Square
Newcastle upon Tyne
NE1 4DP

BANKERS

Barclays Bank plc
Regional Large Corporate Banking Centre
Newcastle upon Tyne

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne
United Kingdom

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company together with the financial statements and auditor's report for the year ended 31 March 2012. The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of acting as a holding company to a group of companies which act as investment managers or partners to nine investment funds that provide risk capital to unquoted small and medium sized businesses based in the North East of England. When these funds realise their investments, they distribute the proceeds to the investors in the funds, thereby providing them with a return.

The company made a loss before tax of £1,000 for the year (2011: neither a profit nor a loss). The directors do not recommend the payment of a dividend (2011: £nil).

FUTURE OUTLOOK

The existing fund management contracts will continue to produce a significant amount of income that will underpin the group going forwards.

Based on the company's forecast and projections, and taking into account reasonable possible changes in trading performance, the directors are confident that the company has sufficient funding in place for the next twelve months and beyond to continue in operation.

DIRECTORS

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

K S Charlton	
Y Gale	(appointed 6 July 2012)
A W Henfrey	(appointed 1 April 2012)
B S Hensby	
S M I'Anson	(resigned 30 April 2012)
P J Haigh	(resigned 31 March 2012)
D C Stonehouse	(resigned 31 March 2012)

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- as far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the 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.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



K S Charlton
Secretary

Date 14 September 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible 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 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 estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEL FUND MANAGEMENT GROUP LIMITED

We have audited the financial statements of NEL Fund Management Group Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Reconciliation of Movement in Shareholders Funds and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

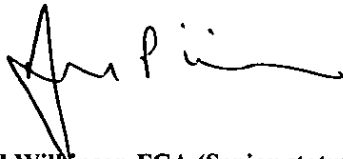
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NEL FUND MANAGEMENT GROUP LIMITED (continued)**

Matters on which we are required to report by exception

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, 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report, or
- we have not received all the information and explanations we require for our audit



David Wilkinson FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Newcastle upon Tyne

Date 14 September 2012

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2012

	Note	2012 £	2011 £
TURNOVER		-	-
Administrative expenses		(1,000)	(15,701)
OPERATING LOSS		(1,000)	(15,701)
Other income		-	15,701
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(1,000)	-
Tax on loss on ordinary activities	4	260	-
LOSS FOR THE FINANCIAL YEAR		(740)	-

All activities are derived from continuing operations

There are no recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account. Accordingly no separate statement of total recognised gains and losses is presented.

BALANCE SHEET
31 March 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Investments	5		7,501		7,867
CURRENT ASSETS					
Debtors	6	260		-	
Cash at bank and in hand		-		67	
		<u>260</u>		<u>67</u>	
CREDITORS: amounts falling due within one year	7	<u>(6,901)</u>		<u>(6,334)</u>	
NET CURRENT LIABILITIES			<u>(6,901)</u>		<u>(6,267)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>860</u>		<u>1,600</u>
NET ASSETS			<u>860</u>		<u>1,600</u>
CAPITAL AND RESERVES					
Called up share capital	8		600		600
Profit and loss account	9		<u>260</u>		<u>1,000</u>
SHAREHOLDERS' FUNDS			<u>860</u>		<u>1,600</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements of NEL Fund Management Group Limited, registered number 2238143, on pages 6 to 13 were approved by the Board of Directors and authorised for issue on **14 September 2012**

Signed on behalf of the Board of Directors


B S Hensby

Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 March 2012

	2012 £	2011 £
Loss for the financial year	(740)	-
Opening shareholders' funds	<u>1,600</u>	<u>1,600</u>
Closing shareholders' funds	<u><u>860</u></u>	<u><u>1,600</u></u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2012

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of NF Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of NF Holdings Limited, within which this company is included, can be obtained from the address given in note 10.

Going concern

As highlighted in the profit and loss account and balance sheet the company made a small loss in the year. Although the company has net current liabilities it has received confirmation from its subsidiary company, NEL Fund Managers Limited, that it will not seek repayment of the amounts due to it for a period of at least 12 months from the date of approval of these financial statements.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Investments

Investments in subsidiary undertakings are stated at cost.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and the law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

NOTES TO THE ACCOUNTS
Year ended 31 March 2012

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2012 £	2011 £
Auditors remuneration		
Audit of statutory financial statements	1,350	1,300
Other services relating to taxation	1,425	1,000
	<u>2,775</u>	<u>2,300</u>

The fee and other services for the audit of its financial statements was borne by a fellow group company in the current year

3. DIRECTORS AND EMPLOYEES

During the current and preceding financial year there were no employees other than the directors. The directors received no remuneration during the current and preceding financial years in respect of services for this company. Directors are paid by the subsidiary NEL Fund Managers Limited.

The directors are also directors of the subsidiary company, NEL Fund Managers Limited, and the majority of their activities relate to services carried out in relation to NEL Fund Managers Limited and other group companies. Therefore the directors deem it inappropriate to directly allocate any of their costs to the profit and loss account of this company.

4. TAXATION

Factors affecting the tax charge for the current period

The differences between the current tax charge and the standard rate of corporation tax are explained below

	2012 £	2011 £
Current tax reconciliation		
Loss on ordinary activities before tax	(1,000)	-
Current tax at 26% (2011: 28%)	260	-
Effects of:		
Group relief at nil cost	-	-
Total current tax credit/(charge)	<u>260</u>	<u>-</u>

The company has not recognised a deferred tax asset of £2,735 (2011: £2,963) in relation to taxable losses of £2,963 (2011: £10,582) on the basis that it is not expected that the company will generate sufficient taxable profits.

NOTES TO THE ACCOUNTS
Year ended 31 March 2012

5. FIXED ASSET INVESTMENTS

	Subsidiary undertaking £	Other participating interests £	Total £
Cost			
At 1 April 2011	7,501	366	7,867
Disposals	-	(366)	(366)
	<u>7,501</u>	<u>-</u>	<u>7,501</u>
At 31 March 2012	7,501	-	7,501
	<u>7,501</u>	<u>-</u>	<u>7,501</u>
Net book value			
1 April 2011	7,501	366	7,867
31 March 2012	7,501	-	7,501
	<u>7,501</u>	<u>-</u>	<u>7,501</u>

The undertakings in which the company's interest at the year end is more than 20% are as follows

<i>Subsidiary undertakings</i>	Country of incorporation	Principal activity	Classes and percentage of shares held
NEL Fund Managers Limited	England and Wales	Fund Manager	100% of ordinary shares
* Northern Enterprise Limited	England and Wales	Limited partner to The First and Second HSBC Enterprise Funds for the North East, The North East Seed Capital Fund and Capital North East	100% of ordinary shares
* Team General Partner Limited	England and Wales	General partner to The First HSBC Enterprise Fund for the North East	Limited by guarantee
* Northern Enterprise (General Partner) Limited	England and Wales	General partner to The Second HSBC Enterprise Fund for the North East	100% of ordinary shares
* NES General Partner Limited	England and Wales	General partner to The North East Seed Capital Fund	100% of ordinary shares
* CNE General Partner Limited	England and Wales	General partner to Capital North East	100% of ordinary shares
* Seed Capital General Partner Limited	England and Wales	General partner to The NEL Growth Fund	100% of ordinary shares
* NEGF General Partner Limited	England and Wales	General partner to the North East Growth Fund	100% of ordinary shares
* Northern Enterprise Employee Benefit Trust Limited	England and Wales	Trustee of the Northern Enterprise Employee Benefit Trust	100% of ordinary shares

NOTES TO THE ACCOUNTS
Year ended 31 March 2012

5. FIXED ASSET INVESTMENTS (continued)

The undertakings in which the company's interest at the year end is more than 20% are as follows (continued)

<i>Subsidiary undertakings</i>	Country of incorporation	Principal activity	Classes and percentage of shares held
* North East Regional Investment Fund Limited	England and Wales	Investment fund	Limited by guarantee
* White Rock Capital Partners Limited	Scotland	Fund Manager for the NI Growth Loan Fund	33 3%
* NI Growth Fund General Partner Limited	Scotland	General Partner to the NI Growth Loan Fund	33 3%
*BCN Carried Interest Limited	Scotland	Limited Partner in the NI Growth Loan Fund	33 3%

* Interests held indirectly

	Country of incorporation	Principal activity	Percentage of ordinary shares held	
<i>Participating interests</i>			Group*	Company
The North East Seed Capital Fund	England and Wales	Provider of risk capital	26 42%	-
Capital North East	England and Wales	Provider of risk capital	20%	-
The NEL Growth Fund	England and Wales	Provider of risk capital	20 9%	-

* Interests held indirectly

6. DEBTORS

	2012 £	2011 £
Amounts due from group undertaking	260	-
	<u>260</u>	<u>-</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Accruals and deferred income	-	2,300
Amounts due to group undertaking	6,901	4,034
	<u>6,901</u>	<u>6,334</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2012

8. CALLED UP SHARE CAPITAL

	2012	2011
	£	£
Allotted, called up and fully paid 600 ordinary shares of £1 each	<u>600</u>	<u>600</u>

9. RESERVES

	£
As at 1 April 2011	1,000
Loss for the year	<u>(740)</u>
At 31 March 2012	<u>260</u>

10. ULTIMATE PARENT COMPANY

At 31 March 2012, the parent company and controlling party was NF Holdings Limited. The financial statements of this company can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

At 31 March 2012 and in the opinion of the directors, the ultimate controlling parties are the members of NF Holdings Limited. These are Mr R H Maudslay CBE, Mr N Mundy, Mr H R V Morgan Williams OBE and Mr M J Stephenson MBE.

ADDITIONAL INFORMATION

The additional information consisting of the detailed profit and loss account, consolidated profit and loss account and consolidated balance sheet have been prepared from the accounting records of the company. While these are not audited and do not form part of the statutory financial statements, they should be read in conjunction with them and the responsibilities of the auditors' report thereon.

COMPANY PROFIT AND LOSS ACCOUNT
Year ended 31 March 2012

	2012 £	2011 £
Administrative expenses	(1,000)	(15,701)
Operating loss	(1,000)	(15,701)
Other income	-	15,701
Loss on ordinary activities before taxation	(1,000)	-
Tax on loss on ordinary activities	260	-
Loss for the financial year transferred to reserves	(740)	-

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2012

	2012	2011
	£	£
Turnover	1,251,739	1,764,506
Administrative expenses	<u>(1,136,352)</u>	<u>(1,670,868)</u>
Operating profit	115,387	93,638
Other interest receivable and similar income	806	1,143
Interest payable and similar charges	<u>-</u>	<u>(762)</u>
Profit on ordinary activities before taxation	116,193	94,019
Tax on profit on ordinary activities	<u>(25,815)</u>	<u>(33,499)</u>
Profit after tax	<u>90,378</u>	<u>60,520</u>

CONSOLIDATED BALANCE SHEET
Year ended 31 March 2012

	2012	2011
£	£	£
FIXED ASSETS		
Tangible assets	10,284	17,654
Investments	10,281	2,828
	<u>20,565</u>	<u>20,482</u>
CURRENT ASSETS		
Debtors	215,686	746,597
Cash at bank and in hand	453,012	286,613
	<u>668,698</u>	<u>1,033,210</u>
CREDITORS: amounts falling due within one year	<u>(250,219)</u>	<u>(705,026)</u>
NET CURRENT ASSETS	<u>418,479</u>	<u>328,184</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>439,044</u>	<u>348,666</u>
CREDITORS: amounts falling due after more than one year	<u>-</u>	<u>-</u>
NET ASSETS	<u>439,044</u>	<u>348,666</u>
CAPITAL AND RESERVES		
Called up share capital	600	600
Profit and loss account	438,444	348,066
SHAREHOLDERS' FUNDS	<u>439,044</u>	<u>348,666</u>