

# **Finance South West Limited**

## **Annual report and financial statements for the year ended 31 March 2013**

**Company registration number: 03774042**

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# Finance South West Limited

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# **Finance South West Limited**

## **Company Information**

### **Director**

Mr N B Buckland

### **Registered office**

68 Lemon Street  
Truro  
Cornwall  
TR1 2PN

### **Auditors**

Francis Clark LLP  
Lowin House  
Tregolls Road  
Truro  
Cornwall  
TR1 2NA

### **Principal bankers**

Barclays Bank plc  
The Business Centre  
P O Box 13  
Lemon Street  
Truro  
Cornwall  
TR1 2YY

### **Solicitors**

Stephens Scown  
Curzon House  
Southernhay West  
Exeter  
Devon  
EX1 1RS

# **Finance South West Limited**

## **Directors' Report for the year ended 31 March 2013**

The directors present their report and the financial statements of the Group and the group for the year ended 31 March 2013. Finance South West Limited is a company limited by guarantee.

### **Principal activities**

The group was specifically established to support and monitor investment funds to assist in the regeneration of businesses in the region. The company, via its affiliated Limited Partnerships, provided loan and venture capital to small- and medium-sized enterprises operating in the Objective Two areas of Devon, Somerset and some parts of Bristol. The company is supported and part-funded by the European Regional Development Fund via the Objective Two Programme administered by the Government Office for the South West.

### **Business review**

The investment period of the funds came to an end on 31 December 2008 and since then the principal activity of the company has been the realisation of its investments. Within the limited partnerships the focus has been and will continue to be the generation of cash, firstly to pay off the bank debt and then secondly to generate a legacy fund.

A claim for recovery of an ERDF capital grant in the sum of £3,993,851 (£165,955 in relation to the Business Loan Fund and £3,827,896 in relation to the Growth Fund) was received from the Department of Communities and Local Government. The claim alleges inappropriate use by the company of ERDF funds, and correspondence with the Treasury Solicitors' Department indicated their intention to pursue this claim. A provision in respect of this claim has been made in the accounts for the year ended 31 March 2012. A formal writ was issued on 7 November 2012.

During the year to 31 March 2013 there has been development on this position in relation to additional costs accruing; however, no formal assessment of these costs has been made by the Treasury solicitor. On the basis that no reliable estimate of these additional costs can be made, no further increase in the provision has been incorporated in the accounts.

The inclusion of this amount as a liability in the financial statements does not constitute acceptance by the company of either the claim or its value. The inclusion of the liability, at this point, however, does result in a position of net liabilities and negative reserves at 31 March 2013.

Notwithstanding the liability reflected in the financial statements, the board of directors believe that continued operation gives the company and its creditors the best prospect to achieve full repayment of the loans and settlement of the liability, if upheld, to the Department of Communities and Local Government.

### **Financial results**

The group's deficit for the year of £35,577 (2012: £31,602) has been transferred to reserves.

### **Directors**

The directors who served during the year and who were subsequently appointed were as follows:

Mr N B Buckland

The director of the Company has no interest in the Company within the meaning of the Companies Act 2006.

# Finance South West Limited

## Directors' Report for the year ended 31 March 2013

### Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the income and expenditure for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business,
- have regard to the substance of the reported transaction or arrangement in determining how amounts are presented within items in the income and expenditure account and balance sheet, in accordance with generally accepted accounting principles or practice

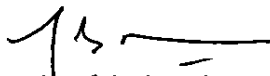
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditor

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Small company provisions

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



By order of the board  
N B Buckland  
Director

Date 20/12/2013

# Finance South West Limited

## Independent Auditors' Report to the members of Finance South West Limited

We have audited the financial statements of Finance South West Limited for the year ended 31 March 2013 which comprise the Consolidated Income and Expenditure account, Consolidated and Company Balance Sheet and related notes. 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 shareholders, 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 auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and the auditors

As explained more fully in the directors' responsibilities, 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 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 (APB'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 Directors' 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 in our report.

### Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group and company's affairs as at 31 March 2013 and of its deficit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the Companies Act 2006.

### Emphasis of matter – Basis of Preparation

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosure made in the accounting policies concerning the basis of preparation. The matters disclosed there indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

# Finance South West Limited

## Independent Auditors' Report to the members of Finance South West Limited (continued)

### Opinion on the 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

### 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
- we have not received all the information and explanations we require for our audit

*Francis Clark LLP*

Andrew Allen BSc, FCA (Senior Statutory Auditor)  
For and on behalf of Francis Clark LLP  
Chartered Accountants and  
Statutory Auditors

Date *20 December 2013*

Lowin House  
Tregolls Road  
Truro  
Cornwall  
TR1 2NA

# Finance South West Limited

## Consolidated Income and Expenditure Account for the year ended 31 March 2013

	Notes	2013 £	2012 £
<b>Income</b>			
Fees and other income		-	-
		<u>-</u>	<u>-</u>
Administrative and investment expenses		(35,577)	(31,602)
Impairment losses including provisions	5	-	-
		<u>-</u>	<u>-</u>
<b>Operating deficit</b>		<b>(35,577)</b>	<b>(31,602)</b>
Other interest receivable and similar income		-	-
Interest payable on bank loans and overdrafts		-	-
		<u>-</u>	<u>-</u>
<b>Deficit on ordinary activities before taxation</b>	2	<b>(35,577)</b>	<b>(31,602)</b>
Taxation	3	-	-
		<u>-</u>	<u>-</u>
<b>Deficit for the year</b>	9	<b>(35,577)</b>	<b>(31,602)</b>
		<u><u>-</u></u>	<u><u>-</u></u>

All operations are continuing

There is no difference between the deficit on ordinary activities before taxation and the retained deficit for the period stated above and their historical cost equivalents

The company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 9 to 12 form an integral part of these financial statements



# Finance South West Limited

Balance Sheets as at 31 March 2013

	Notes	2013 £	Group 2012 £	2013 £	Company 2012 £
<b>Fixed assets</b>					
Investment in Limited Partnerships	5	-	-	4	4
		<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
<b>Current assets</b>					
Debtors	6	-	1,002	-	1,002
Cash at bank and in hand		447	524	447	524
		<u>447</u>	<u>1,526</u>	<u>447</u>	<u>1,526</u>
<b>Creditors, amounts falling due within one year</b>	7	(4,044,220)	(4,009,722)	(4,044,224)	(4,009,726)
<b>Net current (liabilities)</b>		<u>(4,043,773)</u>	<u>(4,008,196)</u>	<u>(4,043,773)</u>	<u>(4,008,196)</u>
<b>Net (liabilities)</b>		<u>(4,043,773)</u>	<u>(4,008,196)</u>	<u>(4,043,773)</u>	<u>(4,008,196)</u>
<b>Reserves</b>					
Accumulated (deficit)	9	(4,043,773)	(4,008,196)	(4,043,773)	(4,008,196)

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the Financial Reporting Standard for Smaller Entities (effective 2008)

The financial statements on pages 7 to 12 were approved by the board of directors on 20/12/13 and were signed on its behalf by

  
N B Buckland  
Director

# Finance South West Limited

## Notes to the Financial Statements for the year ended 31 March 2013

### 1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### 1.1 Basis of preparation

These financial statements have been prepared on the going concern basis. The directors have considered the position regarding the realisation of investments, the formal claim for recovery of the ERDF capital grant and the impact on settlement of the company's liabilities (set out in the Business Review section of the Directors' Report). As explained in the Directors' Report, the board of directors believe that continued operation gives the company and its creditors the best prospect to achieve full repayment of the loans and settlement of the liability, if upheld, to Department of Communities and Local Government.

As the financial statements recognise all known liabilities and do not provide for any amounts that might be recoverable through a counter claim, and investments have already been written down to their recoverable amount, the directors consider that there are no significant adjustments would be required if the company ceased to be a going concern.

#### 1.2 Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). The Company has utilised the exemption afforded by section 408 of the Companies Act 2006 not to present its own income and expenditure account. The loss made by the company for the year-ended 31 March 2013 is £35,577.

#### 1.3 Basis of consolidation

The consolidated income and expenditure account and balance sheet include the accounts of the holding company and its subsidiary undertakings. The subsidiary undertakings invest in limited partnerships. Neither the subsidiary nor its parent company seek to influence the financial and operating policies of these investments and does not exercise significant influence. On this basis, the limited partnerships have not been consolidated within these accounts.

#### 1.4. Grants received

##### a) Revenue

Revenue grants received in respect of the Money with Management scheme are credited to income when earned.

##### b) Capital

Capital grants received in advance of investment are carried forward on the balance sheet as 'grants received in advance' within accruals and deferred income.

Capital grants and contributions relating to investments in Limited Partnerships are recognised at the point at which investments are made. This is released to the income and expenditure account to match any provision for impairment or other losses in respect of the investments to which the grants relate.

#### 1.5. Fees and other income

Fees and other income represent amounts receivable for services provided in the UK, excluding value added tax.

#### 1.6. Fixed asset investments

Investments in Limited Partnerships are stated at cost less provision for impairment.

The Limited Partnerships agreements provide for the appropriation of surpluses and deficits to the partners on the ultimate realisation of the investments. Deficits will be borne by the subsidiaries only to the extent of their investment in, and the loans provided to, the Limited Partnerships.

Any surplus over written down value arising on the final realisation of the investment in the Limited Partnerships is taken to income when received and transferred to a reserve for future investment.

#### 1.7. Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRSSE.

# Finance South West Limited

## Notes to the Financial Statements for the year ended 31 March 2013

### 2. Deficit on ordinary activities before taxation

The deficit on ordinary activities before taxation is after charging/(crediting)

	2013 £	2012 £
Provision against investments in Limited Partnerships (note 5)	-	-
Auditors' remuneration for Audit fees (Group £5,000, 2012 £5,000)	5,000	5,000

### 3. Taxation

The result for the year has not given rise to a taxation charge due to the exempt status of grants received

The group has an accumulated deficit for the period to 31 March 2013 available to be carried forward for tax purposes which are still to be agreed with HM Revenue & Customs. Due to nature of the business and the inherent uncertainty of future surplus generation no deferred tax asset has been recognised by the company in respect of losses carried forward

### 4. Directors' emoluments

	2013 £	2012 £
Aggregate emoluments	16,364	2,826
Sums paid to third parties for directors' services	-	15,349
	<u>16,364</u>	<u>18,174</u>

### 5. Fixed asset investments

#### Group

Investments in Limited Partnerships made by other group companies

	Investment in Limited Partnerships Capital £	Loan £	Capital grants recognised £
<b>Cost</b>			
At 1 April 2012	8,875	9,658,405	(8,875,000)
Advances made/(grant released) during the year	-	-	-
<b>At 31 March 2013</b>	<u>8,875</u>	<u>9,658,405</u>	<u>(8,875,000)</u>
<b>Amounts (written-off)/released</b>			
At 1 April 2012	(8,875)	(9,658,405)	
Movement during the year	-	-	
<b>At 31 March 2013</b>	<u>(8,875)</u>	<u>(9,658,405)</u>	
<b>Net book value</b>			
At 31 March 2013	<u>-</u>	<u>-</u>	
At 31 March 2012	<u>-</u>	<u>-</u>	

Investments comprise partnership capital and loans made to Finance South West Business Loan Fund Limited Partnership and Finance South West Growth Fund Limited Partnership. Loans only become repayable on the final distribution of partnership assets

#### Company

	2013 £	2012 £
Interests in group undertakings at cost	4	4

# Finance South West Limited

## Notes to the Financial Statements for the year ended 31 March 2013

### 5 Fixed asset investments (cont'd)

As at the year end the company held the entire ordinary share capital of the following principal subsidiaries. All subsidiaries are registered in England, and have been consolidated into the financial statements

Name of undertaking	Principal activity
Finance South West Business Loan Fund Limited	Investment Company
Finance South West Growth Fund Limited	Investment Company
FC Growth Limited	Investment Company (dominant)
Finance South West GP Limited	General Partner to the Limited Partnerships

### 6 Debtors

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
<b>Amounts falling due within one year:</b>				
Other debtors	-	1,002	-	1,002
Amounts owed by group undertakings	-	-	-	-
	<u>-</u>	<u>1,002</u>	<u>-</u>	<u>1,002</u>

### 7 Creditors amounts falling due within one year

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
<b>Amounts falling due within one year:</b>				
Trade creditors	39	9,371	39	9,371
Amounts owed to group undertakings	-	-	4	4
ERDF capital grant repayable	3,993,851	3,993,851	3,993,851	3,993,851
Other creditors	42,214	-	42,214	-
Other taxes and social security	275	-	275	-
Accruals	7,841	6,500	7,841	6,500
	<u>4,044,220</u>	<u>4,009,722</u>	<u>4,044,224</u>	<u>4,009,726</u>

During the year to 31 March 2013 there has been development on this position in relation to additional costs accruing however no formal assessment of these costs has been made by the Treasury solicitor. On the basis that no reliable estimate of these additional costs can be made no further increase in the provision has been incorporated in the accounts

### 8. Called-up share capital

The company does not have a share capital as it is limited by guarantee. The liability of the members is limited to a maximum of £100 each. At 31 March 2013 the company had 3 members (2012: 3)

### 9. Accumulated surplus/(deficit) – income and expenditure account

	Group 2013 £	Company 2013 £
Balance brought forward	(4,008,196)	(4,008,196)
(Deficit) for the year	(35,577)	(35,577)
Balance carried forward	<u>(4,043,773)</u>	<u>(4,043,773)</u>

# **Finance South West Limited**

## **Notes to the Financial Statements for the year ended 31 March 2013**

### **10. Related party transactions**

The company has taken advantage of the exemption available under Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with other group companies on the grounds that these are eliminated on consolidation

Transactions with the Limited Partnerships are not considered to be related party transactions, as the company does not gain any economic benefit from these vehicles, and any return on these investments must be reinvested

The sums paid to third parties relate to amounts payable to Stephens Scown for the provision of services by Mr G P E Curry (2012 £4,462) and to Belstone Fox Limited for the services of Mr T M Jones (2012 £10,887)