

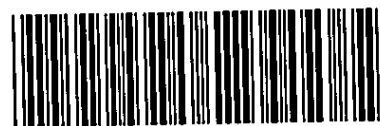
**North East Regional Investment Fund Two
Limited (Limited by Guarantee)**

**Director's report and financial
statements**

Registered number 04257647

31 March 2009

THURSDAY



A8BRGCR3

A30

27/08/2009

338

COMPANIES HOUSE

Contents

Director and advisors	1
Director's report	2
Statement of director's responsibilities in respect of the Director's Report and the financial statements	4
Independent auditors' report to the members of North East Regional Investment Fund Two Limited (Limited by Guarantee)	5
Profit and Loss Account	7
Balance Sheet	8
Notes	9

Director and advisors

Company registration number: 04257647 .

Registered office: Ground Floor
Victoria House
Hampshire Court
Newcastle Business Park
Newcastle upon Tyne
NE4 7YJ

Director: BS Hensby BSc MBA C Dir

Secretary: KS Charlton BSc MSc ACA

Bankers: Barclays Bank plc
Regional Large Corporate Banking Centre
PO Box 378
71 Grey Street
Newcastle upon Tyne
NE99 1JP

Solicitors: Eversheds Solicitors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3XX

Auditors: KPMG Audit Plc
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Director's report

The director presents his director's report and financial statements for the year ended 31 March 2009.

Principal activities and business review

The company operates the North East Regional Investment Fund Two ('NERIF2') and provides unsecured loans and redeemable preference shares for small and medium sized businesses based in the North East of England. During the year the company continued to manage its investment portfolio.

Proposed dividend

The director does not recommend the payment of a dividend (2008: £nil).

Directors and directors' interests

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

BS Hensby BSc MBA C Dir	
HRV Morgan-Williams	(resigned 27 January 2009)
Sir DRM Chapman BI DL B Comm	(resigned 27 January 2009)
AI Fielder	(resigned 27 January 2009)
KLH Winskell	(resigned 27 January 2009)

The director who held office throughout the year and at the end of the financial year had no disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to the directors or their immediate family, or exercised by them, during the financial year.

Political and charitable contributions

The company made no political or charitable contributions during the year.

Disclosure of information to auditors

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and the 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 auditors are aware of that information.

Director's report *(continued)*

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board



KS Charlton BSc MSc ACA
Secretary

Ground Floor
Victoria House
Hampshire Court
Newcastle Business Park
Newcastle upon Tyne
NE4 7YJ

29th July 2009

Statement of director's responsibilities in respect of the Director's Report and the financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditors' report to the members of North East Regional Investment Fund Two Limited (Limited by Guarantee)

We have audited the financial statements of North East Regional Investment Fund Two Limited (Limited by Guarantee) for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of North East Regional Investment Fund Two Limited (Limited by Guarantee) (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of the company's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

KPMG Audit Re.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 July 2009

Profit and Loss Account
for the year ended 31 March 2009

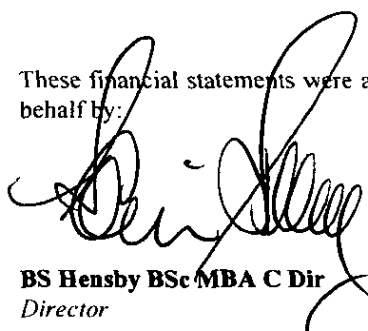
	<i>Note</i>	2009 £	2008 £
Income	<i>1</i>		
Fees and other income		5,000	-
Investment income		-	6
		<hr/>	<hr/>
		5,000	6
 Administrative expenses			
Other administrative expenses	(420)	(5,806)	
Provision against fixed asset investments	-	(818)	
Barclays loan waiver	-	277,596	
		<hr/>	<hr/>
		(420)	270,972
 Operating profit	<i>2</i>	4,580	270,978
Other interest receivable and similar income	<i>4</i>	18	115
Interest payable and similar charges	<i>5</i>	-	(3,673)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2-5</i>	4,598	267,420
Tax on profit on ordinary activities	<i>6</i>	(420)	(23)
		<hr/>	<hr/>
Profit for the financial year	<i>10</i>	4,178	267,397
		<hr/>	<hr/>

The company has no recognised gains or losses (2008: £nil) other than those included in the profit and loss account.

Balance Sheet
at 31 March 2009

	Note	2009	2008
		£	£
Fixed assets			
Investments	7	-	-
Current assets			
Cash at bank and in hand		2,939	3,141
Creditors: amounts falling due within one year	8	(1,225)	(5,605)
Net current assets/(liabilities)		1,714	(2,464)
Total assets less current liabilities		1,714	(2,464)
Total net assets/ (liabilities)		1,714	(2,464)
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	1,714	(2,464)
Shareholders' funds		1,714	(2,464)

These financial statements were approved by the board of directors on 29th July 2009 were signed on its behalf by:



BS Hensby BSc MBA C Dir
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

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 NEL Fund Managers 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 NEL Fund Management Group Limited, within which this company is included, can be obtained from the address given in note 11.

Grants, contributions and accumulated surplus

The company has raised investment funds for small and medium sized enterprises in the Objective 2 area of the North East. A separate company has been contracted to manage those funds.

The company has received a £750,000 European Regional Development Fund grant to enable it to provide unsecured loans to small and medium sized businesses in the North East of England in circumstances where normal commercial finance is unavailable.

The European Regional Development Fund grant has been provided to underwrite the high risk nature of the lending and is released to the income and expenditure account in line with the level of funds invested in small and medium sized enterprises. Any surplus arising over the life of the fund can only ultimately be used for further investment in the North East by North East Regional Investment successor funds.

Investment Income

Investment income is recognised as received.

Fixed asset investments

Fixed asset investments in the form of unsecured loans and redeemable preference shares are made in small and medium sized enterprises which are high risk.

Provisions against investments are charged to the profit and loss in line with the expected risk of loss to the fund.

The provisions against investments will be increased if the provision basis shown does not reflect an adequate provision in the financial statements. The increase in the provision will only be made if specific investments are seen as not being fully recoverable.

Investments are stated at cost less provision for impairment.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) 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.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 otherwise required by FRS19.

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)

2 Notes to the profit and loss account

	2009 £	2008 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
<i>Auditors' remuneration:</i>		
Audit	-	3,000

3 Directors and employees

The directors received no remuneration during the current or preceding financial year. There were no other employees of the company.

4 Other interest receivable and similar income

	2009 £	2008 £
Bank interest receivable	18	115

5 Interest payable and similar charges

	2009 £	2008 £
Bank loan interest	-	3,673

Notes (continued)

6 Taxation

Analysis of charge in period

	2009		2008	
	£	£	£	£
<i>UK corporation tax</i>				
Current tax on income for the period	420		23	
	<hr/>		<hr/>	
Total current tax		420		23
		<hr/>		<hr/>
Tax on profit on ordinary activities		420		23
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2008: lower) than the standard rate of corporation tax in the UK (21%, 2008: 30%). The differences are explained below.

	2009	2008
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,598	267,420
	<hr/>	<hr/>
Current tax at 21% (2008: 30%)	966	80,226
	<hr/>	<hr/>
<i>Effects of:</i>		
Utilisation of tax losses	(546)	(80,192)
Other timing differences	-	(11)
	<hr/>	<hr/>
Total current tax charge (see above)	420	23
	<hr/>	<hr/>

Factors that may affect future current and total tax charge.

A deferred tax asset has not been recognised in respect of timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £nil (2008: £728).

Notes (continued)

7 Investments

	Loans £
Cost	
At 31 March 2008 and 31 March 2009	92,116
	<hr/>
Provisions	
At 31 March 2008 and 31 March 2009	92,116
	<hr/>
Net book value	
At 31 March 2008 and 31 March 2009	-
	<hr/>

8 Creditors: amounts falling due within one year

	2009 £	2008 £
Corporation tax	420	23
Accruals and deferred income	805	5,582
	<hr/>	<hr/>
	1,225	5,605
	<hr/>	<hr/>

9 Called up share capital

The company is limited by guarantee and has no share capital. In the event of a winding up, the member undertakes to contribute such amounts and may be required for the payment of liabilities not exceeding a total of £1.

10 Reserves

	Profit and loss account £
At 31 March 2008	(2,464)
Profit for the year	4,178
	<hr/>
At 31 March 2009	1,714
	<hr/>

11 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's ultimate parent company is NEL Fund Management Group Limited, a company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by NEL Fund Management Group Limited. The consolidated accounts are available to the public on application to the Registrar of Companies, Companies House, Cardiff, CF14 3UZ.

Detailed profit and loss account
for the year ended 31 March 2009

The following analysis does not form part of the audited financial statements and is provided for management purposes only.

	2009	2008
	£	£
Operating income		
Gross interest received on loans made	-	6
Other bank interest receivable	18	115
One North East contribution to costs	5,000	-
	<hr/>	<hr/>
	5,018	121
Other expenditure		
Directors fees	(150)	-
Audit, accountancy and taxation fees	511	5,710
Sundry expenses	30	59
Bank charges	29	37
Bank interest payable	-	3,673
	<hr/>	<hr/>
	(420)	(10,297)
Bank loan waiver	-	277,596
	<hr/>	<hr/>
Net profit	4,598	267,420
	<hr/>	<hr/>