

NEL Fund Managers Limited
Financial Statements
31 March 2019

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NEL Fund Managers Limited

Financial Statements

Year ended 31 March 2019

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report to the members	7
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14

NEL Fund Managers Limited

Officers and Professional Advisers

The board of directors

Y Gale
G S Thrower
D Whitmell

Company secretary

D I Chambers

Registered office

4 Enterprise House
Kingsway
Gateshead
England
NE11 0SR

Auditor

RSM UK Audit LLP
Chartered Accountants & Statutory Auditor
1 St James Gate
Newcastle upon Tyne
NE1 4AD

Bankers

Barclays Bank Plc
Regional Large Corporate Banking Centre
Newcastle upon Tyne
United Kingdom

NEL Fund Managers Limited

Strategic Report

Year ended 31 March 2019

The directors present their strategic report for the year ended 31 March 2019.

Fair review of business

The principal activity of the company is acting as an investment manager to investment funds that provide risk capital to unquoted small and medium sized enterprises typically in the North East of England. These funds address gaps in access to finance and are designed to deliver financial, socio-economic and environmental benefits that align with our funds' investors objectives.

The renewal of activities and refocusing of resources as new funds commence investing and older funds close is a normal function of our operations. These long term cycles can create variations in the year to year performance. We review fund management resources regularly and use scenario planning to manage our resources to provide strong fund management services to existing and expected new clients.

In this financial year, we have commenced investing two new 10 year funds. The results for this year show an increase in turnover from £459,315 to £1,172,297 which was expected with two new funds starting during the period. Net current assets increased from £394,586 to £614,429 and remained strong as cash is preserved at £618,869 (2018: £271,986).

Performance that meets investor objectives is a key criterion in both maintaining current fund management fee income and winning future fund management contracts. Investors measure impact through an extensive list of performance criteria. We continue to devote extensive resources to delivering the satisfying and exceeding investor performance objectives and manage our business decision making using the same measures of performance.

Raising funds can be episodic, protracted and with fund start dates prone to many external factors. We maintain close professional relationships with key stakeholders to understand and actively manage such factors.

Business sustainability to ensure continuity of service to our clients is important to us. The key measures we monitor are net profitability and cash liquidity. A profit before tax for the year of £267,059 (2018: 233,092 loss) meets expectations given the commencement of new funds in the year. Cash holdings at £618,869 (2018: £271,986) are reviewed regularly by us to ensure we have sufficient resources for liquidity, fund management cycles and strategic developments.

The key internal resources of the business are its team of dedicated professionals. To ensure we are all fully aligned with the successful operation of the business and the delivery of a high-quality client service, the team are the owners of the business through our Employee Ownership Trust. During the year a distribution to our Employee Ownership Trust was made.

Going concern

Securing two new 10 year funds to manage, reviewing the company's forecast and cash flow 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. Management have therefore adopted the going concern basis in preparing these financial statements. See note 3 (Accounting Policies).

NEL Fund Managers Limited

Strategic Report *(continued)*

Year ended 31 March 2019

Principal risks and uncertainties

The company operates within a highly regulated environment, with the Financial Services and Market Act 2000 laying down stringent rules for investment management business. NEL Fund Managers Limited is authorised and regulated in the UK by the Financial Conduct Authority. We place compliance with these regulations at the centre of all our business processes.

Governance and control are regarded as paramount by the Board and NEL has detailed compliance procedures to ensure that all process, reporting and controls are robust and fit for purpose. This is actively reviewed by the Audit Committee.

This report was approved by the board of directors on 4 July 2019 and signed on behalf of the board by:



D I Chambers
Company Secretary

NEL Fund Managers Limited

Directors' Report

Year ended 31 March 2019

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

Directors

The directors who served the company during the year were as follows:

Y Gale	
D Whitmell	
G S Thrower	(Appointed 3 May 2018)
B S Hensby	(Resigned 30 June 2018)

Dividends

The directors do not recommend the payment of a dividend.

Financial instruments

Information about the use of financial instruments by the company is given in note 3 of the financial statements.

Principal activities

The principal activity of the company is acting as an investment manager to three live investment funds that provide risk capital to unquoted small and medium sized enterprises in the North East of England.

Results

The profit for the year before tax was £267,059 (2018: £233,092 loss).

Year end results for March 2019 show a return to profits. The comparator loss making in 2018 was the result of a year of intense preparation for the expected new funds.

Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be reappointed will be put at the next AGM.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

NEL Fund Managers Limited

Directors' Report *(continued)*

Year ended 31 March 2019

This report was approved by the board of directors on 4 July 2019 and signed on behalf of the board by:



D I Chambers
Company Secretary

NEL Fund Managers Limited
Directors' Responsibilities Statement
Year ended 31 March 2019

The directors are responsible for preparing the strategic report, 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 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 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 judgments and accounting 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.

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.

NEL Fund Managers Limited

Independent Auditor's Report to the Members of NEL Fund Managers Limited

Year ended 31 March 2019

Opinion

We have audited the financial statements of NEL Fund Managers Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

NEL Fund Managers Limited

Independent Auditor's Report to the Members of NEL Fund Managers Limited (continued)

Year ended 31 March 2019

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

NEL Fund Managers Limited

Independent Auditor's Report to the Members of NEL Fund Managers Limited

(continued)

Year ended 31 March 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Hugh Fairclough (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St James Gate
Newcastle upon Tyne
NE1 4AD

4 July 2019

NEL Fund Managers Limited
Statement of Comprehensive Income
Year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	4	1,172,297	459,315
Other operating income	5	22,061	85,044
		<u>1,194,358</u>	<u>544,359</u>
Staff costs	7	(749,916)	(690,246)
Depreciation and other amounts written off tangible and intangible fixed assets		(1,552)	(2,876)
Other operating expenses		<u>(203,378)</u>	<u>(139,461)</u>
Operating profit/(loss)	6	239,512	(288,224)
Income from participating interests	9	25,000	52,408
Income from other fixed asset investments	10	–	1,980
Other interest receivable and similar income	11	<u>2,547</u>	<u>744</u>
Profit/(loss) before taxation		267,059	(233,092)
Tax on profit/(loss)	12	<u>(45,005)</u>	<u>25,240</u>
Profit/(loss) for the financial year and total comprehensive income		<u>222,054</u>	<u>(207,852)</u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 28 form part of these financial statements.

NEL Fund Managers Limited

Statement of Financial Position

31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	9,101	6,208
Investments	14	<u>10</u>	<u>10</u>
		9,111	6,218
Current assets			
Debtors	15	98,231	275,829
Cash at bank and in hand		<u>618,869</u>	<u>271,986</u>
		717,100	547,815
Creditors: amounts falling due within one year	16	<u>102,671</u>	<u>153,229</u>
Net current assets		614,429	394,586
Total assets less current liabilities		<u>623,540</u>	<u>400,804</u>
Provisions	17	<u>682</u>	<u>—</u>
Net assets		<u>622,858</u>	<u>400,804</u>
Capital and reserves			
Called up share capital	21	400	400
Profit and loss account		<u>622,458</u>	<u>400,404</u>
Shareholders' funds		<u>622,858</u>	<u>400,804</u>

These financial statements were approved by the board of directors and authorised for issue on 4 July 2019, and are signed on behalf of the board by:



Y Gale
Director

Company registration number: 02564907

The notes on pages 14 to 28 form part of these financial statements.

NEL Fund Managers Limited

Statement of Changes in Equity

Year ended 31 March 2019

	Called up share capital £	Profit and loss account £	Total £
At 1 April 2017	400	628,256	628,656
Loss for the year		(207,852)	(207,852)
Total comprehensive income for the year	–	(207,852)	(207,852)
Distribution to NEL Employee Ownership Trust	–	(20,000)	(20,000)
Total investments by and distributions to owners	–	(20,000)	(20,000)
At 31 March 2018	400	400,404	400,804
Profit for the year		222,054	222,054
Total comprehensive income for the year	–	222,054	222,054
At 31 March 2019	400	622,458	622,858

The notes on pages 14 to 28 form part of these financial statements.

NEL Fund Managers Limited

Statement of Cash Flows

Year ended 31 March 2019

	Note	2019 £	2018 £
Cash generated from operations	22	323,781	(307,862)
Interest received		2,547	744
Tax paid		–	(12,944)
Net cash from/(used in) operating activities		<u>326,328</u>	<u>(320,062)</u>
Cash flows from investing activities			
Purchase of tangible assets		(4,445)	(329)
Proceeds from sale of tangible assets		–	230
Proceeds from sale of investments in participating interests		25,000	125,000
Purchases of other investments		–	(3)
Proceeds from sale of other investments		–	1,981
Net cash from investing activities		<u>20,555</u>	<u>126,879</u>
Cash flows from financing activities			
Distribution to NEL Employee Ownership Trust		–	(20,000)
Net cash used in financing activities		<u>–</u>	<u>(20,000)</u>
Net increase/(decrease) in cash and cash equivalents		346,883	(213,183)
Cash and cash equivalents at beginning of year		271,986	485,169
Cash and cash equivalents at end of year		<u>618,869</u>	<u>271,986</u>

The notes on pages 14 to 28 form part of these financial statements.

NEL Fund Managers Limited

Notes to the Financial Statements

Year ended 31 March 2019

1. Company information

The company is a private company limited by shares, registered in England and Wales and incorporated in the United Kingdom. The address of the registered office is 4 Enterprise House, Kingsway, Gateshead, NE11 0SR, England.

The company's principal activities and nature of its operations are disclosed in the Director's Report.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (FRS 102') and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

3. Accounting policies

Basis of preparation

The financial statements contain information about NEL Fund Managers Limited as an individual company and do not contain consolidated information as the parent of a group. The Company is exempt from the requirement to prepare consolidated financial statement.

Turnover

All turnover is attributable to the company's principal activity and arises solely in the United Kingdom. Turnover comprises management fees, monitoring fees, arrangement fees and other fees receivable during the year. Turnover is recognised as the related service is performed.

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Going concern

The company's forecasts include reasonable possible changes in trading performance that demonstrates the company will be able to operate without seeking any additional funding for the foreseeable future. NEL Fund Managers Limited will not seek repayment of debt owed by fellow subsidiaries within 12 months of the signing of these accounts.

After making enquiries and taking into account the two new 10 year fund management contracts secured during the year, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors are of the view that the loss and reduction in net assets in the year are due to cyclical factors inherent in the nature of the trading activities. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Income tax *(continued)*

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

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	- 25% reducing balance
Equipment	- 25% reducing balance

Investments in subsidiaries

Investments in subsidiaries accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in participating interests

Investments in joint ventures accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in the investment fair value adjustment account. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Impairment of fixed assets

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

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

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

4. Turnover

Turnover arises from:

	2019 £	2018 £
Provision of investment management services	<u>1,172,297</u>	<u>459,315</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2019 £	2018 £
Salary recharges	1,436	82,044
Financial due diligence	18,000	3,000
Other operating income	2,625	—
	<u>22,061</u>	<u>85,044</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2019 £	2018 £
Loss on disposal of tangible assets	—	871
Impairment of trade debtors	(500)	(12,000)
Fees payable for the audit of the financial statements	11,500	11,500
Depreciation of tangible assets	1,552	2,005
Operating lease charges	<u>13,740</u>	<u>20,696</u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019 No.	2018 No.
Distribution staff	12	11
Management staff	3	2
	<u>15</u>	<u>13</u>

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

7. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	627,182	573,606
Social security costs	52,961	51,887
Other pension costs	69,773	64,753
	<u>749,916</u>	<u>690,246</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	126,915	152,184
Company contributions to defined contribution pension plans	14,043	14,156
	<u>140,958</u>	<u>166,340</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2019	2018
	No.	No.
Defined contribution plans	<u>1</u>	<u>2</u>

9. Income from participating interests

	2019	2018
	£	£
Income from participating interests	–	(40,000)
Gain/(Loss) on disposal of participating interests	25,000	92,408
	<u>25,000</u>	<u>52,408</u>

The above income amounts were received from WhiteRock Capital Partners LLP as part of the terms of the disposal of the company's investment on the 31 March 2018.

10. Income from other fixed asset investments

	2019	2018
	£	£
Gain/(loss) on disposal of other fixed asset investments	<u>–</u>	<u>1,980</u>

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

11. Other interest receivable and similar income

	2019 £	2018 £
Interest on cash and cash equivalents	<u>2,547</u>	<u>744</u>

12. Tax on profit/(loss)

Major components of tax expense/(income)

	2019 £	2018 £
Current tax:		
UK current tax expense	29,226	–
Adjustments in respect of prior periods	(12,960)	1,341
Total current tax	<u>16,266</u>	<u>1,341</u>
Deferred tax:		
Origination and reversal of timing differences	<u>28,739</u>	<u>(26,581)</u>
Tax on profit/(loss)	<u>45,005</u>	<u>(25,240)</u>

Reconciliation of tax expense/(income)

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit/(loss) on ordinary activities before taxation	<u>267,059</u>	<u>(233,092)</u>
Profit/(loss) on ordinary activities by rate of tax	50,741	(44,287)
Adjustment to tax charge in respect of prior periods	(12,960)	1,341
Effect of expenses not deductible for tax purposes	207	696
Effect of different UK tax rates on some earnings	(2,286)	3,127
Rounding on tax charge	–	1
Deferred tax not recognised	9,303	–
Other permanent differences	–	91
Adjustment in respect of joint venture profit	–	7,090
Chargeable gains/(losses)	4,750	24,635
Income not taxable for tax purposes	(4,750)	(17,934)
Tax on profit/(loss)	<u>45,005</u>	<u>(25,240)</u>

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

13. Tangible assets

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 April 2018	7,625	27,545	35,170
Additions	–	4,445	4,445
Disposals	(4,046)	–	(4,046)
At 31 March 2019	<u>3,579</u>	<u>31,990</u>	<u>35,569</u>
Depreciation and impairment			
At 1 April 2018	6,668	22,294	28,962
Charge for the year	239	1,313	1,552
Disposals	(4,046)	–	(4,046)
At 31 March 2019	<u>2,861</u>	<u>23,607</u>	<u>26,468</u>
Carrying amount			
At 31 March 2019	<u>718</u>	<u>8,383</u>	<u>9,101</u>
At 31 March 2018	<u>957</u>	<u>5,251</u>	<u>6,208</u>

14. Investments

	Shares in group undertakings £	Other investments other than loans £	Total £
Cost			
At 1 April 2018 and 31 March 2019	<u>8</u>	<u>2</u>	<u>10</u>
Impairment			
At 1 April 2018 and 31 March 2019	<u>–</u>	<u>–</u>	<u>–</u>
Carrying amount			
At 31 March 2019	<u>8</u>	<u>2</u>	<u>10</u>
At 31 March 2018	<u>8</u>	<u>2</u>	<u>10</u>

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

14. Investments *(continued)*

Investments in associates and joint ventures

The undertaking in which the company has an interest is as follows;

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Northern Enterprise Limited	England and Wales	Limited partner to The North East Seed Capital Fund and Capital North East	100% ordinary shares
Seed Capital General Partner Limited	England and Wales	General partner to the NEL Growth Fund	100% ordinary shares
NEGF General Partner Limited	England and Wales	General partner to the North East Growth Fund	100% ordinary shares
NEL EOT Limited	England and Wales	Trustee of the NEL Employee Ownership Trust	100% voting rights
NE Small Loan (ERDF) General Partner Limited	England and Wales	General partner to the NE Small Loan (ERDF) Fund	100% ordinary shares
NE Growth (ERDF) Carried Interest Partner Limited	England and Wales	Carried interest partner in the Limited Partnership trading as NE Growth (ERDF) Fund	100% ordinary shares
NE Growth (ERDF) General Partner Limited	England and Wales	General partner to the NE Growth (ERDF) Fund	100% ordinary shares

The company has taken advantage of the exemption available under FRS102 14.15A from the requirement to disclose summary financial information about the investments in associated undertakings.

The following group undertakings have claimed exemption from audit of their financial statements under section 479a of the Companies Act 2006:

Subsidiary undertakings	Company number
Northern Enterprise Limited	02808521
Seed Capital General Partner Limited	05654028
NEGF General Partner Limited	07107465
NEL EOT Limited	09698658
NE Small Loan (ERDF) General Partner Limited	10661218
NE Growth (ERDF) Carried Interest Partner Limited	10660804
NE Growth (ERDF) General Partner Limited	10660721

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

15. Debtors

	2019	2018
	£	£
Trade debtors	–	13,986
Amounts owed by group undertakings	61,723	68,588
Deferred tax asset	–	28,057
Prepayments and accrued income	33,293	146,594
Other debtors	3,215	18,604
	<u>98,231</u>	<u>275,829</u>

16. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	9,442	8,656
Amounts owed to group undertakings	22,508	22,508
Accruals and deferred income	39,377	92,558
Corporation tax	16,274	8
Social security and other taxes	15,070	29,499
	<u>102,671</u>	<u>153,229</u>

17. Provisions

	Deferred tax (note 18) £
At 1 April 2018	–
Additions	682
At 31 March 2019	<u>682</u>

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £	2018 £
Included in debtors (note 15)	–	28,057
Included in provisions (note 17)	(682)	–
	<u>(682)</u>	<u>28,057</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019 £	2018 £
Accelerated capital allowances	682	69
Unused tax losses	–	(26,745)
Deferred tax - short term timing differences	–	(1,381)
	<u>682</u>	<u>(28,057)</u>

Finance Act 2016, which was substantively enacted on 6 September 2016, includes provisions to reduce the corporation tax to 17% with effect from 1 April 2020. Accordingly these rates have been applied when calculating the unrecognised deferred tax liabilities as at 31 March 2019.

As stated in the draft corporation tax computation there are unused tax losses of £nil (2018:£157,325) to carry forward as at 31 March 2019.

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £55,730 (2018: £50,597).

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

20. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2019 £	2018 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>733,557</u>	<u>522,467</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>68,405</u>	<u>153,121</u>

21. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary 'A' shares of £0.01 each	30,004	300	30,004	300
Ordinary 'B' shares of £0.01 each	7,501	75	7,501	75
Preference shares of £0.01 each	2,500	25	2,500	25
	<u>40,005</u>	<u>400</u>	<u>40,005</u>	<u>400</u>

The company has three different classes of shares, none of which carry a right to fixed income.

Holders of the ordinary shares have the right to return of capital on sale of the business, pro rata to the number of A shares and B shares held.

Cumulative redeemable preference shares carry no entitlement to dividend. The shares can be redeemed at any time at the option of the company in the amount of £90 per share for each redeemable preference share in issue. The redeemable preference shares can be redeemed in tranches of £25,020 (or 278 redeemable preference shares).

Holders of the redeemable preference shares have the right to return on capital on sale of the business, in priority to any other classes of shares, the sum of £90 per share together with any arrears and accruals of dividend.

Each class of share is entitled to one vote per share held.

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

22. Cash generated from operations

	2019 £	2018 £
Profit/(loss) for the financial year	222,054	(207,852)
<i>Adjustments for:</i>		
Depreciation of tangible assets	1,552	2,005
Income from participating interests	(25,000)	(92,408)
Income from other fixed asset investments	–	(1,980)
Other interest receivable and similar income	(2,547)	(744)
Loss on disposal of tangible assets	–	871
Tax on profit/(loss)	45,005	(25,240)
Accrued expenses/(income)	60,219	(16,463)
<i>Changes in:</i>		
Trade and other debtors	36,141	20,527
Trade and other creditors	(13,643)	13,422
	<u>323,781</u>	<u>(307,862)</u>

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019 £	2018 £
Not later than 1 year	13,740	13,740
Later than 1 year and not later than 5 years	54,962	54,960
Later than 5 years	45,801	59,540
	<u>114,503</u>	<u>128,240</u>

24. Related party transactions

During the year £10,800 (2018: £10,877) was paid to Novocastria Consulting Limited. This company is wholly owned by D Whitmell, a director of NEL Fund Managers Limited.

Key management personnel

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £305,769 (2018: £174,188).

NEL Fund Managers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

25. Controlling party

The immediate and ultimate parent company is NEL EOT Limited. The financial statements of this company can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

At 31 March 2019 and in the opinion of the directors, the ultimate controlling parties are the directors of NEL EOT Limited. These are P Deans, Y Gale, J Luke and D Thomas.

NEL EOT Limited holds the legal title of NEL Fund Managers Limited on behalf of the NEL Employee Ownership Trust, however it passes the beneficial interest to the NEL Employee Ownership Trust.