

**NORTH EAST REGIONAL INVESTMENT FUND
LIMITED
(LIMITED BY GUARANTEE)**

Report and Financial Statements

31 March 2010

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**NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)**

REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS	Page
Officers and professional advisers	3
Directors' report	4
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9

**NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

B S Hensby

SECRETARY

K S Charlton

REGISTERED OFFICE

Akenside Studios
3 Akenside Hill
Newcastle upon Tyne
NE1 3UF

BANKERS

Barclays Bank plc
Regional Large Corporate Banking Centre
Newcastle upon Tyne

AUDITORS

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

**NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)**

DIRECTOR'S REPORT

The director presents his annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 March 2010

The director's report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company operates the North East Regional Investment Fund 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 and it is expected to do so for the foreseeable future.

DIRECTORS AND DIRECTORS' INTERESTS

The director who held office during the year was as follows

BS Hensby

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political or charitable contributions during the year

AUDITORS

The person who is a director at the date of approval of this report confirms that

- as far as the director 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are 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 auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Director
and signed on his behalf

 (K S CHARLTON)

Secretary

Date 27-07-2010

**NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)**

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Annual 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 the director has 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 director must not approve the financial statements unless 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 director is required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent, and
- (c) 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable the director to ensure that the financial statements comply with the Companies Act 2006. The director is 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 AUDITORS' REPORT TO THE MEMBERS NORTH EAST REGIONAL INVESTMENT FUND LIMITED (LIMITED BY GUARANTEE)

We have audited the financial statements of North East Regional Investment Fund Limited for the year ended 31 March 2010 which comprise the profit and loss account, the statement of total recognised gains and losses the balance sheet and the related notes 1 to 11. 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Director's Responsibilities Statement, the director is 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 director, and the overall presentation of the financial statements.

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 2010 and of the 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.

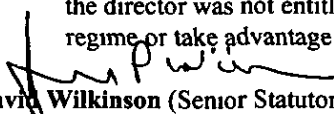
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's 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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime or take advantage of the small companies exemption in preparing the directors' report.


David Wilkinson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne, England
Date 27 May 2010

NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2010

	Note	£	2010 £	£	2009 £
Investment income	1		-		14,213
Administrative expenses					
Other administrative expenses		(2,263)		(391)	
Release of provision against fixed asset investments		1,552		5,079	
Northern Rock Loan Waiver		-		609,592	
			(711)		614,280
OPERATING (LOSS)/PROFIT	2		(711)		628,493
Other interest receivable and similar income	4		8		418
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(703)		628,911
Tax on profit on ordinary activities	5		88		(88)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	10		(615)		628,823

All activities are derived from continuing operations

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

NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)

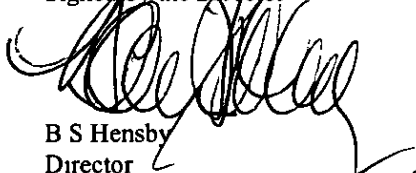
BALANCE SHEET
Year ended 31 March 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Investments	6		5,022		3,470
CURRENT ASSETS					
Cash at bank and in hand		7,882		21,582	
Debtors		88		-	
		<u>7,970</u>		<u>21,582</u>	
CREDITORS: amounts falling due within one year	8	<u>(2,338)</u>		<u>(13,783)</u>	
NET CURRENT ASSETS			<u>5,632</u>		<u>7,799</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>10,654</u>		<u>11,269</u>
NET ASSETS			<u>10,654</u>		<u>11,269</u>
CAPITAL AND RESERVES					
Capital (limited by guarantee)	9		-		-
Capitalised reserves – accumulated fund	10		<u>10,654</u>		<u>11,269</u>
SHAREHOLDERS' FUNDS			<u>10,654</u>		<u>11,269</u>

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

The financial statements of the North East Regional Investment Fund Limited, registered number 03868918, on pages 7 to 13 were approved by the Director and authorised for issue on 27 July 2010

Signed by the Director


B S Hensby
Director
A.S. HENSBY

**NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)**

**NOTES TO THE ACCOUNTS
Year ended 31 March 2010**

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 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 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

Due to the nature of the investments there is a risk that they may not be fully realised, however, based on latest forecasts, including reasonable possible changes in trading performance, it is expected that the company has sufficient resources to meet its' ongoing liabilities even if no further investments are realised. After making enquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the director continues to adopt the going concern basis in preparing the annual report and accounts.

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 £2 million 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.

Investment Income

Investment income is recognised as received.

Fixed Asset Investments

Investments are stated at cost less provision for impairment. 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 account in line with the expected risk of loss to the fund.

The provisions against investments will be increased if the provision basis shown above 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.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing difference 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 FRS 19.

NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)

NOTES TO THE ACCOUNTS
Year ended 31 March 2010

2. NOTES TO THE PROFIT AND LOSS ACCOUNT

(Loss)/profit on ordinary activities before taxation is stated after crediting:

	2010	2009
	£	£
Release of provision against fixed asset investments	1,552	5,079
Loan waiver	-	609,592
	<u> </u>	<u> </u>
Auditors remuneration:		
Fees payable for the audit of the company's annual accounts	1,250	-
Non audit fee payable for tax services	1,000	-
	<u> </u>	<u> </u>

3. DIRECTOR AND EMPLOYEES

During the current or preceding financial year there were no employees other than the director. The director received no remuneration during the current or preceding financial year.

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	£	£
Bank interest receivable	8	418
	<u> </u>	<u> </u>

NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)

NOTES TO THE ACCOUNTS
Year ended 31 March 2010

5. TAXATION

Analysis of charge in period

	2010 £	2010 £	2009 £	2009 £
UK corporation tax				
Current tax (credit)/charge on for the period	(88)		88	
Total current tax		(88)		88
Tax on (loss)/profit on ordinary activities		(88)		88

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2009 lower) than the standard rate of corporation tax in the UK 21% (2009 21%) The differences are explained below

	2010 £	2009 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(703)	628,911
Current tax at 21% (2009 21%)	(148)	132,071
Effects of:		
Utilisation of tax losses and other deductions	-	(128,999)
Income not subject to tax	(326)	(2,985)
Effects of other tax creditors	-	1
Tax losses not utilised	386	-
Total current tax (credit)/charge (see above)	(88)	88

Factors that may not 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 £49,459 (2009 £49,042)

NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)

NOTES TO THE ACCOUNTS
Year ended 31 March 2010

6. FIXED ASSET INVESTMENTS

	Redeemable preference shares £	Loans £	Total £
Cost			
At 1 April 2009	69,311	59,443	128,754
Write off	(25,000)	(59,443)	(84,443)
	<u>44,311</u>	<u>-</u>	<u>44,311</u>
At 31 March 2010			
Depreciation			
At 1 April 2009	65,841	59,443	125,284
Released in year	(26,552)	(59,443)	(85,995)
	<u>39,289</u>	<u>-</u>	<u>39,289</u>
At 31 March 2010			
Net book value			
At 31 March 2010	<u>5,022</u>	<u>-</u>	<u>5,022</u>
At 31 March 2009	<u>3,470</u>	<u>-</u>	<u>3,470</u>

All of the above investments are unlisted

7. DEBTORS

	2010 £	2009 £
Corporation tax	<u>88</u>	<u>-</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Amounts owed to group undertakings	88	12,890
Corporation tax	-	88
Accruals and deferred income	2,250	805
	<u>2,338</u>	<u>13,783</u>

9. CAPITAL (LIMITED BY GUARANTEE)

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

NORTH EAST REGIONAL INVESTMENT FUND LIMITED
(LIMITED BY GUARANTEE)

NOTES TO THE ACCOUNTS
Year ended 31 March 2010

10. CAPITAL AND RESERVES – ACCUMULATED FUNDS

	Profit and loss account
	£
At 1 April 2009	11,269
Retained loss for the year	(615)
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At 31 March 2010	10,654
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11. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP

The company's ultimate parent company is NF Holdings Limited, a company registered in England and Wales. The company's intermediate parent company is NEL Fund Managers Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by NF Holdings Limited. The consolidated accounts are available to the public on application to the Registrar of Companies, Companies House, Cardiff, CF14 3UZ.