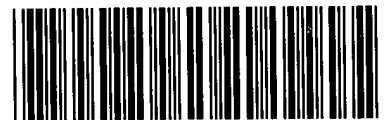


**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

Annual Report and Financial Statements

For the Year Ended 31 March 2015

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**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

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**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr A J Fielder (Chair)
Mr G M Hodgson
Ms K L H Winskell OBE

REGISTERED OFFICE

3rd Floor,
Baltimore House
Abbots Hill
Gateshead
NE8 3DF

BANKERS

Barclays Bank plc
Barclays House
5 St Ann's Street
Quayside
Newcastle upon Tyne
NE1 3DX

AUDITOR

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

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company together with the financial statements and auditor's report for the year ended 31 March 2015.

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

PRINCIPAL ACTIVITIES

The principal activities of the company are to operate the NEIF3 Fund and the NEIF3B Fund and to act as the custodian of the ERDF Objective 2 Funding Programme 2002/06 and Single Programme monies invested in each of those funds.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The NEIF3 Fund is an £18m mezzanine fund that made commercial investments through the provision of risk capital to small and medium sized businesses based in the North East of England. The company is the custodian of the ERDF Objective 2 Funding Programme 2002/06 and Single Programme monies invested in that fund. The fund is now closed, with its legacy entirely held in cash.

The NEIF3B Fund is a £12m mezzanine fund that made commercial investments through the provision of risk capital to small and medium sized businesses based in the North East of England. The company is the custodian of the ERDF Objective 2 Funding Programme 2002/06 and Single Programme monies invested in that fund. The fund is now closed, with its legacy entirely held in cash.

The Department for Business, Innovation and Skills ("BIS") has taken over the monitoring rights in relation to One North East's Single Programme investments which include funding provided to the company in prior years to operate and manage the NEIF3 and NEIF3B funds.

The financial statements include an amount of £8,063,275 (2014: £8,021,979) within creditors falling due after more than one year, described as Legacy Funds. This amount, which is matched by cash balances derived from the realisations up to the balance sheet date of investments, represents monies held on behalf of the NEIF 3 and NEIF3B Funds.

Following agreement with BIS, £254,000 was transferred from the unused Single Programme funding in NEIF3 and NEIF3B during the year to cover operating costs of the parent company, North East Access to Finance Limited.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the annual report and financial statements and this is disclosed in the accounting policies in note 1.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in detail on page 7.

The company made no profit or loss for the year (2014: £Nil) and no transfers to or from reserves have been made in the year (2014: £Nil).

DIRECTORS

The directors who served throughout the year were as follows:

Mr A J Fielder (Chair)
Mr G M Hodgson
Ms K L H Winskell OBE

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

DIRECTORS' REPORT (CONTINUED)

AUDITOR

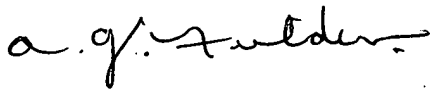
Each of the persons who is a director at the date of approval of this report confirms that:

- as far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

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



A J Fielder

Chair

27 August 2015

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF NORTH EAST REGIONAL INVESTMENT FUND THREE LIMITED (A COMPANY LIMITED BY GUARANTEE)

We have audited the financial statements of North East Regional Investment Fund Three Limited for the year ended 31 March 2015 which comprise the Profit and Loss account, Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. 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 member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

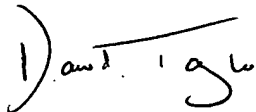
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF NORTH EAST
REGIONAL INVESTMENT FUND THREE LIMITED (A COMPANY LIMITED
BY GUARANTEE) (Continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.



David Taylor FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne, United Kingdom

Date: 27 August 2015

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

**PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2015**

	Note	£	2015 £	£	2014 £
TURNOVER					
Investment income	2		-		1,194
			-		1,194
Administrative expenses		(27,869)		(43,631)	
Other operating income - movement in provision against fixed asset investments		-		23,623	
			(27,869)		(20,008)
OPERATING LOSS	4		(27,869)		(18,814)
Interest receivable and similar income	5		56,035		78,784
Other recharges	6		(28,166)		(59,970)
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION			-		-
Tax on result on ordinary activities	7		-		-
RESULT FOR THE FINANCIAL YEAR	13		-		-

All activities are derived from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2015**

	Note	2015 £	2014 £
Result for the financial year		-	-
Total result recognised in the year		-	-

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

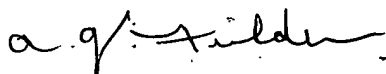
**BALANCE SHEET
As at 31 March 2015**

	Note	£	2015 £	£	2014 £
CURRENT ASSETS					
Debtors	8	4,277		1,608	
Cash investments		3,996,957		3,511,541	
Cash at bank and in hand		4,179,862		4,894,205	
		<u>8,181,096</u>		<u>8,407,354</u>	
CREDITORS: amounts falling due within one year	9	<u>(21,733)</u>		<u>(278,157)</u>	
NET CURRENT ASSETS			<u>8,159,363</u>		<u>8,129,197</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			8,159,363		8,129,197
CREDITORS: amounts falling due after more than one year	10		<u>(8,159,363)</u>		<u>(8,129,197)</u>
TOTAL NET ASSETS			<u><u>-</u></u>		<u><u>-</u></u>
CAPITAL AND RESERVES					
Called-up share capital	12		-		-
Profit and loss account	13		-		-
TOTAL MEMBER'S FUNDS	13		<u><u>-</u></u>		<u><u>-</u></u>

These financial statements have been prepared in accordance with the special provisions relating to small companies under Section 415a of the Companies Act 2006.

The financial statements of North East Regional Investment Fund Three Limited (registered number: 4386994), on pages 7 to 14 were approved by the Board of Directors and authorised for issue on 27 August 2015.

Signed on behalf of the Board of Directors



A.J. Fielder
Chair

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015**

1. ACCOUNTING POLICIES

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

Basis of accounting

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

Basis of preparation

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future.

As highlighted in the profit and loss account and balance sheet, the company made neither a profit or loss during the year and had net assets of £nil at 31 March 2015 (2014: £Nil). This is in line with the business plan and the funding provided to the company.

Based on the company's forecasts and projections and taking into account reasonably possible changes in trading performance, the directors are confident that the company has sufficient funding in place for the next twelve months and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Fixed asset investments

Fixed asset investments in the form of unsecured loans and equity investments are made in small and medium sized enterprises.

Investments are valued according to the International Private Equity and Venture Capital Valuation Guidelines issued by the British Venture Capital Association and the alternative valuation rules. In the case of unquoted investments, the value is established by using measurements of value such as the price of recent investments, earnings multiple and net assets; where no reliable value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary.

Investments by way of loans are stated at the amount advanced, less repayment of principal and amounts written off to reflect a provision for impairment.

Investment income

Investment income relates to interest on long term loans, dividend income and capital gains from equity investments made. Investment income is recognised as received.

Grants

The company received a grant of a revenue nature from the European Regional Development Fund (ERDF) and a loan which was later converted to a grant from Business Innovation and Skills (BIS). Grants are credited to the profit and loss account as the related expenditure is incurred.

Cash Investments and Cash at Bank

Cash investments represent cash held on deposit with a maturity date of seven days or more post year end. All other cash held with banks or financial institutions is disclosed as cash at bank and in hand.

Investment funding and legacy fund

The company received funding from Single Programme and the ERDF which was for the purpose of investing in SMEs through the NEIF3 and NEIF3B.

Until the funding is applied to investments the funding is repayable.

The funding is transferred into the legacy fund once investments are made. All interest and dividends received plus capital gains and impairment losses are rolled into the legacy fund. Interest received on invested funds is also rolled into the legacy fund. These investment related income and losses flow through the profit and loss account and are subsequently recharged to the legacy fund.

The funding from Single Programme and the ERDF has been treated as funding liabilities. The liabilities are stated at an amount that reflects the ongoing capital adjusted for investment income and gains less investment

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

losses. Such movements flow through the financial statements and are allocated to the resulting legacy funds as other recharges. The legacy funds are a liability which can only be applied under the direction of BIS/DCLG.

Taxation

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

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

Cash flow statement

The company has taken advantage of the exemptions of FRS 1 - Cash flow statements, not to prepare a cash flow statement on the basis that it is a small company as defined by Section 382 of the Companies Act 2006.

2. TURNOVER

	2015 £	2014 £
Investment income	-	1,194
	<u>-</u>	<u>1,194</u>

3. DIRECTORS AND EMPLOYEES

	2015 £	2014 £
Directors' remuneration	13,000	13,000

Three (2014: three) directors of the company received remuneration in the year. There were no other employees of the company.

4. OPERATING LOSS

	2015 £	2014 £
Operating loss is stated after (crediting)/charging:		
Provision against and write off of fixed asset investments	-	(23,623)
Auditor's remuneration		
- Audit fees payable to the company's auditor for the audit of the company's annual financial statements	4,000	4,000
- Non-audit fee payable to the company's auditor and their associates in respect of tax services	1,425	1,425

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2015

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Other interest receivable and similar income	56,035	78,784

6. OTHER RECHARGES

	2015 £	2014 £
Release of Single Programme Grants (note 10)	13,130	24,557
Transferred to Legacy Funds (note 10)	(41,296)	(84,527)
	<u>(28,166)</u>	<u>(59,970)</u>

7. TAX ON RESULT ON ORDINARY ACTIVITIES

i) Analysis of the tax charge on ordinary activities

	2015 £	2014 £
United Kingdom corporation tax at 21 % (2014: 23%) based on the result for the year	-	-
	<u>-</u>	<u>-</u>

ii) Factors affecting tax charge for the current year

The tax assessed for the year is the same as applying the standard rate of corporation tax in the UK: 21% (2014: 23%).

The differences are explained below:

	2015 £	2014 £
Result on ordinary activities before tax	-	-
Tax at 21% (2014: 23%) thereon:		
Income not taxable	(11,598)	(23,009)
Expenses not deductible	11,598	23,009
Current tax charge for the year	<u>-</u>	<u>-</u>

iii) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to revenue losses and capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £95,901 (2014: £95,901). The asset would be recovered if sufficient profits are generated in the next year to utilise the losses.

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2015

7. TAX ON RESULT ON ORDINARY ACTIVITIES (continued)

The Finance Act 2013, which was substantially enacted in July 2013, included provisions to reduce the main rate of UK corporation tax to 21% effective from 1 April 2014 and 20% with effect from 1 April 2015. Accordingly 20% has been applied when calculating the unrecognised deferred tax assets as at 31 March 2015. The Government has subsequently announced in the Summer Budget held on 8 June 2015 that the rates of corporation tax will be reduced to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. As the enabling legislation has yet not been substantively enacted these rates do not apply to the deferred tax position at 31 March 2015.

8. DEBTORS

	2015 £	2014 £
Prepayments	1,411	1,608
Other debtors	2,866	-
	<u>4,277</u>	<u>1,608</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Trade creditors	84	84
Amounts owed to group undertakings	1,139	1,563
Accruals and sundry creditor	6,510	6,510
Deferred income (note 10)	14,000	270,000
	<u>21,733</u>	<u>278,157</u>

An element of Single Programme grants has been transferred to current liabilities from long term liabilities as this is expected to cover a proportion of company overheads of North East Regional Fund Three Limited in the coming year.

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2015**

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £	2014 £
Deferred income	96,088	107,218
Legacy funds	8,063,275	8,021,979
	<u>8,159,363</u>	<u>8,129,197</u>

Deferred Income

Single Programme Grants

	NEIF 3 £	NEIF3B £	Total £
Grant Received			
As at 1 April 2015 and 31 March 2015	3,600,000	2,195,000	5,795,000
Utilised			
At 1 April 2015	3,378,126	2,039,656	5,417,782
Transfer to NEA2F (note 11)	177,764	76,236	254,000
Transferred to profit and loss	6,610	6,520	13,130
At 31 March 2015	<u>3,562,500</u>	<u>2,122,412</u>	<u>5,684,912</u>
Balance			
At 31 March 2015	<u>37,500</u>	<u>72,588</u>	<u>110,088</u>
At 31 March 2014	<u>221,874</u>	<u>155,344</u>	<u>377,218</u>

The balance of £110,088 (2014: £377,218) shown in Single Programme grants represents £14,000 (2014: £270,000) which falls due within one year and £96,088 (2014: £107,218) which falls due after more than one year.

Legacy Funds	NEIF3 £	NEIF 3B £	Total £
ERDF Investment			
As at 1 April 2015 and 31 March 2015	8,055,000	5,400,000	13,455,000
Utilised			
At 1 April 2015	2,851,236	2,581,785	5,433,021
Transfers from profit and loss account	(29,618)	(11,678)	(41,296)
At 31 March 2015	<u>2,821,618</u>	<u>2,570,107</u>	<u>5,391,725</u>
Balance			
At 31 March 2015	<u>5,233,382</u>	<u>2,829,893</u>	<u>8,063,275</u>
At 31 March 2014	<u>5,203,764</u>	<u>2,818,215</u>	<u>8,021,979</u>

The company has received funding which is ring-fenced. Prior to investments being made, the funding is a liability to the fund provider. After investments have been made, the ERDF liability transfers to a legacy fund. In addition to the transfer of the liability, investment income less investment losses together with other specific items of expenditure has been transferred to the legacy funds from the profit and loss account.

**NORTH EAST REGIONAL INVESTMENT
FUND THREE LIMITED
(A COMPANY LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2015

11. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in Financial Reporting Standard No. 8 'Related Party Disclosures', not to disclose transactions with entities that are part of the same group.

However it should be noted that following agreement with BIS, £254,000 was transferred from the unused Single Programme funding in NEIF3 and NEIF3B during the year to cover operating costs in the parent company, North East Access to Finance Limited.

12. CALLED-UP SHARE CAPITAL

The company does not have a share capital and is limited by guarantee. The liability of the member is limited to £1. At 31 March 2015, the company had one member which is North East Access to Finance Limited.

13. RECONCILIATION OF MOVEMENT IN RESERVES AND MEMBER'S FUNDS

	2015 £	2014 £
Result for the financial year	-	-
Opening member's funds	-	-
	<hr/>	<hr/>
Closing member's funds	-	-
	<hr/>	<hr/>

14. ULTIMATE CONTROLLING PARTY

North East Access to Finance Limited is the parent company as at 31 March 2015 and in the opinion of the directors, the ultimate controlling parties were the five members of North East Access to Finance Limited. These were Ms Susan Wilson CBE, Mr Graham Thrower, Ms Lucy Winskell OBE, Mr Mark Bridgeman and Mr Alan Hall. Since the year end, Ms Lucy Winskell OBE has resigned.

North East Access to Finance Limited is limited by guarantee of members and does not have a share capital. The liability of every member is limited to £1 (2014: £1). On winding up of the company, any surplus assets that exist must be transferred to another body or a charitable institution or other institutions having objects similar to the object of the company

The parent company of the largest and smallest group which includes the company, and for which group accounts are prepared, is North East Access to Finance Limited, a company registered in Great Britain. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.