

FINANCE SOUTH EAST LIMITED
Company Limited by Guarantee
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

Company Registration Number 4463599

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COMPANIES HOUSE

Tenon Limited
Accountants & Business Advisers
Clifton House
Bunnian Place
Basingstoke
Hampshire

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

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**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2007**

The board of directors

J Alexander
G Baker
M L Burch
G A Finch
S Goodsell
C Reid
R Spencer

Company secretary

J Edwards

Business address

Riverside House
4 Meadows Business Park
Station Approach
Camberley
Surrey

Registered office

Barnes Wallis Road
Segensworth East
Fareham
Hampshire

Auditor

Tenon Audit Limited
Clifton House
Bunnian Place
Basingstoke
Hampshire

Accountants

Tenon Limited
Accountants & Business Advisers
Clifton House
Bunnian Place
Basingstoke
Hampshire

Bankers

Barclays Bank plc
Tunbridge Wells
Kent

Bank of Scotland
38 St Andrew Square
Edinburgh

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2007

The directors present their report and the financial statements of the company for the year ended 31 March 2007

Principal activities

The company's principal activities are investment readiness advice, fund management and the provision of mentoring services. The company is a not for profit organisation supported by the South East England Development Agency (SEEDA) and the region's Business Link providers

Directors

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

J Alexander
G Baker
M L Burch
G A Finch
S Goodsell
C Reid
R Spencer

G A Finch resigned as a director on 18 July 2007

Directors' responsibilities

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). 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 surplus or deficiency 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 judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which 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 1985. 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

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2007

In so far as the directors, individually, are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Donations

During the year the company made the following contributions

| | 2007 | 2006 |
|------------|------|------|
| | £ | £ |
| Charitable | 500 | - |

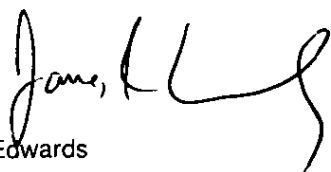
Auditor

Tenon Audit Limited have expressed their willingness to continue in office and a resolution to reappoint them as auditor will be proposed at the annual general meeting.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed on behalf of the directors


J Edwards

Secretary

Approved by the directors on 9th November 2007

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINANCE
SOUTH EAST LIMITED**

YEAR ENDED 31 MARCH 2007

We have audited the financial statements of Finance South East Limited on pages 6 to 13 for the year ended 31 March 2007. 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 auditor

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Directors' 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 directors' remuneration and other transactions is not disclosed.

We read the Directors' 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 judgements made by the directors 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.

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINANCE
SOUTH EAST LIMITED *(continued)***

YEAR ENDED 31 MARCH 2007

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements

Tenon Audit Limited

Tenon Audit Limited
Clifton House
Bunnian Place
Basingstoke
Hampshire

Date - 22 / 11 / 07

FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE
INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 MARCH 2007

| | Note | 2007 £ | 2006 £ |
|---|------|----------------------|----------------------|
| Turnover | 2 | 1,610,676 | 1,156,789 |
| Cost of sales | | (332,762) | (270,165) |
| Gross surplus | | <u>1,277,914</u> | <u>886,624</u> |
| Administrative expenses | | (1,586,680) | (1,122,918) |
| Other operating income | 3 | 349,511 | 250,000 |
| Operating surplus | 4 | <u>40,745</u> | <u>13,706</u> |
| Interest receivable and similar income | | 2,479 | 3,722 |
| Surplus on ordinary activities before taxation | | <u>43,224</u> | <u>17,428</u> |
| Tax on surplus on ordinary activities | 6 | — | — |
| Surplus for the financial year | | <u><u>43,224</u></u> | <u><u>17,428</u></u> |

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 8 to 13 form part of these financial statements

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

BALANCE SHEET

31 MARCH 2007

| | Note | 2007 £ | £ | 2006 £ | £ |
|---|------|------------------|---------------|------------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | 14,338 | | 17,402 |
| Investments | 8 | | 2 | | 2 |
| | | | <u>14,340</u> | | <u>17,404</u> |
| Current assets | | | | | |
| Debtors | 9 | 267,189 | | 137,482 | |
| Cash at bank | | 238,442 | | 268,794 | |
| | | <u>505,631</u> | | <u>406,276</u> | |
| Creditors' Amounts falling due within one year | 10 | <u>(430,862)</u> | | <u>(377,795)</u> | |
| Net current assets | | | <u>74,769</u> | | <u>28,481</u> |
| Total assets less current liabilities | | | <u>89,109</u> | | <u>45,885</u> |
| Reserves | 14 | | | | |
| Income and expenditure account | 15 | | 89,109 | | 45,885 |
| Members' funds | | | <u>89,109</u> | | <u>45,885</u> |

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985

These financial statements were approved by the directors and authorised for issue on 9/11/07, and are signed on their behalf by

R Spencer
Director

[Signature]
Chairman
9 November 2007

The notes on pages 8 to 13 form part of these financial statements

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

1. Accounting policies

Basis of accounting

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

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts

Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 "Cash flow statements" from the requirement to produce a cash flow statement on the grounds that it is a small company

Turnover

Turnover represents grant income received from agencies in the South East of England and other fees charged for consultancy

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows

Office equipment - 20%-33% per annum on a straight-line basis

Computer software expenditure is written off in the year of purchase

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income and expenditure account

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

1. Accounting policies (continued)

Government grants

The Grants received are of a revenue nature and are credited to the income and expenditure account in the period to which they relate

The grant income received relates to ongoing consultancy work and the reimbursement of costs previously incurred. It is intended to finance the activities of the organisation for specific periods of time specified in individual agreements.

2 Turnover

In the opinion of the directors 98% (2006 100%) of the turnover is attributable to geographic markets in the United Kingdom

3. Other operating income

| | 2007 | 2006 |
|-------------------------------|-------------|-------------|
| | £ | £ |
| Management charges receivable | 349,511 | 250,000 |

4. Operating surplus

Operating surplus is stated after charging

| | 2007 | 2006 |
|------------------------------------|-------------|-------------|
| | £ | £ |
| Staff pension contributions | 43,835 | 34,232 |
| Depreciation of owned fixed assets | 13,378 | 13,478 |
| Loss on disposal of fixed assets | - | 212 |
| Auditors remuneration | 4,500 | 4,000 |
| Operating lease costs | | |
| -Other | 30,188 | 28,284 |

5 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

| | 2007 | 2006 |
|--|-------------|-------------|
| | £ | £ |
| Aggregate emoluments | 90,639 | 87,614 |
| Value of company pension contributions to money purchase schemes | 7,800 | 8,378 |
| | 98,439 | 95,992 |

The number of directors on whose behalf the company made pension contributions was as follows

| | 2007 | 2006 |
|------------------------|-------------|-------------|
| | No | No |
| Money purchase schemes | 1 | 1 |

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

6. Taxation on ordinary activities

Factors affecting current tax charge

| | 2007 | 2006 |
|---|---------------|---------------|
| | £ | £ |
| Surplus on ordinary activities before taxation | <u>43,224</u> | <u>17,428</u> |
| Surplus on ordinary activities by rate of tax | 8,212 | 3,311 |
| Effects of | | |
| Capital allowances for period in excess of depreciation | 772 | 1,283 |
| Utilisation of tax losses | (8,388) | - |
| Unrelieved tax losses | - | 4,351 |
| Net effect of non-taxable grant income | (125) | (8,945) |
| Group transfer of tax losses | <u>(471)</u> | <u>-</u> |
| Total current tax | <u>-</u> | <u>-</u> |

Factors that may affect future tax charges

The company has approximately £7,900 (2006 - £52,000) of tax losses available for carry forward

7 Tangible fixed assets

| | Office equipment |
|-----------------------|-------------------------|
| | £ |
| Cost | |
| At 1 April 2006 | 39,754 |
| Additions | <u>10,314</u> |
| At 31 March 2007 | <u>50,068</u> |
| Depreciation | |
| At 1 April 2006 | 22,352 |
| Charge for the year | <u>13,378</u> |
| At 31 March 2007 | <u>35,730</u> |
| Net book value | |
| At 31 March 2007 | <u>14,338</u> |
| At 31 March 2006 | <u>17,402</u> |

FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2007

8. Investments

| | Shares in group undertakings £ |
|-----------------------------------|---|
| Cost | |
| At 1 April 2006 and 31 March 2007 | <u>2</u> |
| Net book value | |
| At 31 March 2007 | <u>2</u> |
| At 31 March 2006 | <u>2</u> |

The company owns 100% of the issued share capital of the companies listed below,

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| Aggregate capital and reserves | | |
| FSE Loan Management Limited | 1,627,458 | 1,313,851 |
| South East Fund Management Limited | 37,421 | 1 |
| Surplus/(deficit) for the period | | |
| FSE Loan Management Limited | (302,981) | (485,387) |
| South East Fund Management Limited | 37,420 | - |

The principal activity of FSE Loan Management Limited was that of the provision of loans. The principal activity of South East Fund Management Limited was that of fund management. Both companies are incorporated in England & Wales.

9 Debtors

| | 2007 £ | 2006 £ |
|------------------------------------|----------------|----------------|
| Trade debtors | 210,023 | 128,968 |
| Amounts owed by group undertakings | 40,134 | - |
| Other debtors | 17,032 | 8,514 |
| | <u>267,189</u> | <u>137,482</u> |

10 Creditors Amounts falling due within one year

| | 2007 £ | 2006 £ |
|------------------------------------|----------------|----------------|
| Trade creditors | 43,200 | 49,781 |
| Amounts owed to group undertakings | - | 26,249 |
| Other taxation and social security | 7,204 | 28,859 |
| Other creditors | 380,458 | 272,906 |
| | <u>430,862</u> | <u>377,795</u> |

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

11. Pensions

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| Contributions payable by the company for the year | 51,635 | 42,610 |

12. Commitments under operating leases

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as set out below:

| | <i>Land & buildings</i> 2007 £ | 2006 £ |
|-------------------------------|--|---------------|
| Operating leases which expire | | |
| Within 1 year | 4,750 | - |
| Within 2 to 5 years | - | 19,000 |
| | <u>4,750</u> | <u>19,000</u> |

13. Related party transactions

During the year expenses of £291,150 (2006 - £250,000) were recharged to FSE Loan Management Limited, a wholly owned subsidiary. A further £8,920 (2006 - £nil) was incurred on behalf of FSE Loan Management Limited by Finance South East Limited but not recharged in the year. At the year end £4,500 (2006 - £26,248 creditor) was owed by FSE Loan Management Limited to the company.

During the year expenses of £99,511 (2006 £nil) were charged to South East Fund Management Limited. At the year end £35,634 (2006 £nil) was owed to the company by South East Fund Management Limited.

C Reid, a director of the company, provided legal services to the value of £3,450 (2006 £nil) to the company during the year, no balance was outstanding at the year end.

The company receives income from SEEDA. J Alexander, a director of the company, carries the title of Executive Director within SEEDA and consequently has some control over the funds of SEEDA. During the year the company received income of £519,660 from SEEDA and a balance of £115,358 is included in trade debtors at the year end.

The company also receives income from Business Link Solutions Limited, a group of six companies. G Finch, a director of the company, is also a director of Business Link Solutions Limited. During the year the company received income of £272,000 from Business Link Solutions Limited and a balance of £22,667 is included in trade debtors at the year end.

**FINANCE SOUTH EAST LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

14. Company limited by guarantee

The company is limited by guarantee and does not have an issued share capital. No part of the company's income or capital may be distributed to members by dividend or other distribution, other than by reasonable and proper remuneration for services provided. On a winding-up any surplus must be paid to one or more companies, organisations or institutions that exist for purposes similar to those of the company.

15. Income and expenditure account

| | 2007 | 2006 |
|--------------------------------|---------------|---------------|
| | £ | £ |
| Balance brought forward | 45,885 | 28,457 |
| Surplus for the financial year | 43,224 | 17,428 |
| Balance carried forward | <u>89,109</u> | <u>45,885</u> |

16. Control

The company has no ultimate controlling party.