

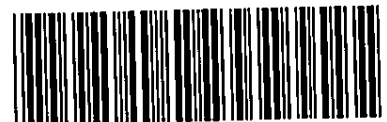
**FINANCE SOUTH EAST LTD AND SUBSIDIARY  
COMPANIES**

**Company Limited by Guarantee**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**Company Registration No 4463599 (England & Wales)**

**SATURDAY**



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**COMPANIES HOUSE**

# **FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES**

Company Limited by Guarantee

## **CONTENTS FOR THE YEAR ENDED 31 MARCH 2009**

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	<b>Pages</b>
Directors and advisers	1
Directors' report	2 - 4
Independent auditors' report	5 - 6
Consolidated income and expenditure account	7
Balance sheets	8
Consolidated cash flow statement	9
Notes to the consolidated cash flow statement	10 - 11
Notes to the financial statements	12 - 26

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# **FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES**

Company Limited by Guarantee

**DIRECTORS AND ADVISERS  
FOR THE YEAR ENDED 31 MARCH 2009**

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## **Directors**

J Alexander  
G Baker  
S Goodsell  
A Martin  
C Reid  
R Spencer  
R French  
M Thomas

## **Secretary**

J Neal

## **Company Number**

4463599

## **Bankers**

Barclays Bank plc  
Tunbridge Wells  
Kent

Bank of Scotland  
38 St Andrew Square  
Edinburgh

Clydesdale Bank  
5 Peveril Court  
6-8 London Road  
Crawley  
West Sussex

## **Registered Office**

Harbour Court  
Compas Road  
North Harbour  
Portsmouth  
Hampshire

## **Registered Auditors**

Tenon Audit Limited  
Registered Auditors  
Clifton House  
Bunnian Place  
Basingstoke  
Hampshire

## **Accountants**

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

# **FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES**

**Company Limited by Guarantee**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2009**

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The Directors present their report and financial statements for the year ended 31 March 2009.

### **Principal activities**

During the year the group continued to trade in three activities of

- a) investment readiness advice, fund management and the provision of mentoring services
- b) provision of finance for small and medium-sized enterprises and
- c) acting as fund manager and administrator for certain government funds. The company is a not for profit organisation supported by the South East England Development Agency (SEEDA) and the region's Business Link providers.

### **Review of business activities and future developments**

In 2008/09 Finance South East (FSE) continued to supply funding and funding advice to innovative businesses in South East England. We further developed the concept of the funding escalator and through the expansion of our fund management activities we have been able to enhance the delivery of a 'joined-up' funding escalator in the region.

We completed 97 funding transactions during the year providing over £6.2m of funding for South East based businesses. We further assisted SMEs to raise nearly £12m of external funding and supported more than 400 companies through our various programmes. We also won a number of awards for our Business Angel training & development, and Women's Enterprise projects.

In 2008 we launched the South East Seed Fund, a £5m fund that makes equity investments of between £50,000 and £250,000 in small and medium sized businesses including university spin-outs / spin-ins. This year saw the first such investments being made.

During the year the Accelerator Fund continued to make good progress and it is pleasing to note that since launching the Fund in June 2004 we have offered loans across a very broad range of business sectors - including food retailing, sports coaching, publishing and designer clothing. We will continue to expand the loan portfolio over the next few years.

We have continued with our successful proof of concept funds during the year which have been enhanced through offering some sector specific funds. A new Commercialisation fund encompassing our existing PoCKeT and Catalyst funds will now be rolled out aimed at facilitating the progress to market of business ideas with clear potential for high growth.

We continued to streamline the Funding Advisory Team's focus during the year in anticipation of the simplified business support environment that the Department for Business, Enterprise and Regulatory Reform (BERR) and SEEDA will be implementing over the next few years. In the short term the changes we have made will facilitate the integration of our investment readiness and mentoring areas.

Other projects over the period included SECA, our well developed regional business angel network which has almost 200 registered investors and has held regular investor forums. Our mentoring and business coaching projects have expanded during the year and we have managed a number of interesting Government / European led initiatives in the areas of womens' enterprise, investment readiness and mentoring.

# **FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES**

**Company Limited by Guarantee**

## **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2009**

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### **Principal risks and uncertainties**

FSE relies on core funding from SEEDA to support the infrastructure of the organisation. We have secured further core funding until March 2011 and all other contracts have either been renewed, or revised and re-issued in line with expectations. Most of our fund management activities are inherently longer term in nature, e.g. the Accelerator Fund is not due to finish until 2014.

The next year will be one of transition while we await the outcome of SEEDA's review of business support activities in the South East. We fully expect to be at the centre of delivering the funding escalator for the region, although at this stage we anticipate that demand side activities such as mentoring and investment readiness will be delivered by other Business Support partners.

### **Future prospects**

During the year FSE's business activities have widened and deepened. Fund management is fundamental to the Group and this is where we see considerable scope for increased activity in the future. We are aiming to increase the size of the South East Seed Fund, launch the new Commercialisation Fund, continue to expand the Accelerator Fund portfolio and bid for additional Funds that will enhance the supply of appropriate funding as part of the overall SE funding escalator.

However FSE is uniquely positioned to offer a wider range of services to support innovative SMEs in the region through close collaboration with SEEDA's new Innovation and Growth Teams and we will aim to further enhance our funding support services through this changed structure as we expand our funds under management.

### **Directors**

The following directors have held office during the period:

J Alexander  
G Baker  
M L Burch (resigned 17/11/2008)  
S Goodsell  
C Reid  
R Spencer  
R French  
J O'Neill (appointed 10/10/2008, resigned 04/02/2009)  
M Thomas (appointed 10/10/2008)  
A Martin (appointed 10/10/2008)

### **Directors' Indemnities**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### **Auditors**

In accordance with Section 379 of the Companies Act 1985, the directors have dispensed with the need to reappoint auditors annually and Tenon Audit Limited are deemed reappointed for the ensuing year.

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

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### 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 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

In so far as the directors are, individually, 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.

Signed on behalf of the directors

J Neal  
Secretary

Approved by the directors on ..... 20 May 2009

# **FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES**

**Company Limited by Guarantee**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINANCE SOUTH EAST LIMITED**

**YEAR ENDED 31 MARCH 2009**

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We have audited the financial statements on pages 7 to 26 for the year ended 31 March 2009. 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 AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINANCE SOUTH EAST LIMITED YEAR ENDED 31 MARCH 2009

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### 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 affairs of the group and company as at 31 March 2009 and of the result of the group 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  
Registered Auditor  
Clifton House  
Bunnian Place  
Basingstoke  
Hampshire

Date:- 20/5/09



# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £	2008 £
<b>Turnover</b>	<b>2</b>	2,352,794	2,429,998
Cost of sales		(908,595)	(699,923)
<b>Gross surplus</b>		1,444,199	1,730,075
Administrative expenses		(1,495,660)	(1,740,933)
Specific provisions for diminution of investments		(373,659)	(199,207)
<b>Operating deficit</b>	<b>3</b>	(425,120)	(210,065)
Other interest receivable and similar income	<b>5</b>	19,720	26,986
<b>Deficit on ordinary activities before taxation</b>		(405,400)	(183,079)
Tax on deficit on ordinary activities	<b>6</b>	-	-
<b>Deficit for the financial year</b>	<b>18</b>	<b>(405,400)</b>	<b>(183,079)</b>

The income and expenditure account has been prepared on the basis that all operations are continuing.

There are no recognised gains and losses other than those passing through the income and expenditure account.

**FINANCE SOUTH EAST LIMITED  
AND SUBSIDIARY COMPANIES**  
Company Limited by Guarantee

**BALANCE SHEETS  
AS AT 31 MARCH 2009**

		Group		Company	
	Note £	2009 £	2008 £	2009 £	2008
<b>Fixed Assets</b>					
Tangible assets	8	44,222	25,176	44,222	25,176
Investments	9	4,348,176	3,253,861	74,010	74,010
		<u>4,392,398</u>	<u>3,279,037</u>	<u>118,232</u>	<u>99,186</u>
<b>Current Assets</b>					
Debtors	10	427,997	218,649	193,483	261,089
Cash at bank and in hand		623,056	1,073,808	300,980	482,690
		<u>1,051,053</u>	<u>1,292,457</u>	<u>494,463</u>	<u>743,779</u>
<b>Balances in respect of fund manager activities</b>					
Cash balances held for Investment	11	3,779,324	2,402,881	2,275,581	491,667
Investments made		780,000	-	780,000	-
Liabilities to fund provider		<u>(4,559,324)</u>	<u>(2,402,881)</u>	<u>(3,055,581)</u>	<u>(491,667)</u>
		-	-	-	-
<b>Creditors: amounts falling due within one year</b>	12	<u>(782,674)</u>	<u>(769,535)</u>	<u>(468,869)</u>	<u>(707,660)</u>
<b>Net current assets</b>		<u>268,379</u>	<u>522,922</u>	<u>25,594</u>	<u>36,119</u>
<b>Total assets less current liabilities</b>		4,660,777	3,801,959	143,826	135,305
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(2,226,487)</u>	<u>(2,030,000)</u>	-	-
		<u><b>2,434,290</b></u>	<u><b>1,771,959</b></u>	<u><b>143,826</b></u>	<u><b>135,305</b></u>
<b>Subordinated borrowing</b>	14	3,964,757	2,897,026	-	-
<b>Capital and reserves</b>					
Income and expenditure account	18	<u>(1,530,467)</u>	<u>(1,125,067)</u>	143,826	135,305
<b>Members' (deficit)/funds</b>		<u>(1,530,467)</u>	<u>(1,125,067)</u>	143,826	135,305
		<u><b>2,434,290</b></u>	<u><b>1,771,959</b></u>	<u><b>143,826</b></u>	<u><b>135,305</b></u>

The financial statements on pages 7 to 26 were approved by the Board and authorised for issue on

R Spencer  
Director

20.05.09

**FINANCE SOUTH EAST LIMITED  
AND SUBSIDIARY COMPANIES**  
Company Limited by Guarantee

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 £	2008 £
Net cash flow from operating activities	1	(261,888)	302,407
Returns on investments & servicing of finance	2	231,989	250,290
Taxation		-	-
Capital expenditure and financial investment	2	(1,517,327)	(889,392)
Acquisitions & Disposals		(13)	-
Cash flow before management of liquid resources and financing		(1,547,239)	(336,695)
Financing	2	1,096,487	697,500
(Decrease)/Increase in cash in the period		(450,752)	360,805

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	Notes	2009 £	2008 £
(Decrease)/Increase in cash in the period		(450,752)	360,805
Cash (outflow)/inflow from debt and lease financing		(1,096,487)	(697,500)
Change in net debt resulting from cash flows		(1,547,239)	(336,695)
<b>Other non cash items</b>			
Accrued interest on subordinate debt		(167,731)	(138,552)
Movement in net debt in the period		(1,714,970)	(475,247)
Net debt at 1 April		(3,853,218)	(3,377,971)
Net debt at 31 March	3	(5,568,188)	(3,853,218)

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

### 1 Reconciliation of operating profit to net cash inflow from operating activities

	2009 £	2008 £
Operating loss	(425,120)	(210,065)
Depreciation charges	21,415	28,135
Specific provisions for diminution of investments	382,564	232,408
Interest received included in operating profit	(335,814)	(380,166)
Interest paid included in operating profit	291,276	295,414
Loss on disposal of fixed assets	-	1,030
Decrease in trade debtors	43,028	112,906
Increase in other debtors	(274,001)	(42,875)
Decrease/(Increase) in prepayments	21,625	(58,419)
Decrease in tax and social security	-	(7,204)
Increase in trade creditors	16,542	16,408
(Decrease)/Increase in accruals and deferred income	(3,403)	314,835
	<u>(261,888)</u>	<u>302,407</u>

### 2 Analysis of cash flows for headings netted in the cash flow statement

Returns on investments and servicing of finance	2009 £	2008 £
Interest received	19,720	26,986
Interest received on investment loans	335,814	380,166
Interest paid	(123,545)	(156,862)
	<u>231,989</u>	<u>250,290</u>
 Capital expenditure and financial investment	 2009 £	 2008 £
Proceeds from sale of tangible fixed assets	-	425
Purchase of tangible fixed assets	(40,461)	(40,428)
Loan investments made in the year	(3,005,500)	(2,170,000)
Repayments received from investments in year	1,528,634	1,320,611
	<u>(1,517,327)</u>	<u>(889,392)</u>

**FINANCE SOUTH EAST LIMITED  
AND SUBSIDIARY COMPANIES**  
Company Limited by Guarantee

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

**2 Analysis of cash flows for headings netted in the cash flow statement (continued)**

<b>Financing</b>	<b>2009 £</b>	<b>2008 £</b>
Bank loan repayments	-	(1,395,000)
Bank loan advances	196,487	2,030,000
Increase in CFE subordinated loan	900,000	62,500
	<u>1,096,487</u>	<u>697,500</u>

**3 Analysis of net debt**

	<b>At 1 April 2008 £</b>	<b>Cash flow £</b>	<b>Non-cash changes £</b>	<b>At 31 March 2009 £</b>
<b>Net cash:</b>				
Cash at bank and in hand	1,073,808	(450,752)	-	623,056
	<u>1,073,808</u>	<u>(450,752)</u>	<u>-</u>	<u>623,056</u>
<b>Debt:</b>				
Bank loan	(2,030,000)	(196,487)	-	(2,226,487)
Subordinated borrowings	(2,897,026)	(900,000)	(167,731)	(3,964,757)
	<u>(4,927,026)</u>	<u>(1,096,487)</u>	<u>(167,731)</u>	<u>(6,191,244)</u>
<b>Net debt</b>	<u>(3,853,218)</u>	<u>(1,547,239)</u>	<u>(167,731)</u>	<u>(5,568,188)</u>

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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### 1 Accounting policies

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

#### Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to date of their disposal. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the group has gained control of the subsidiary, are charged to the post acquisition profit and loss account.

#### Investments

Investments are shown at cost less any provision for impairment.

#### Tangible fixed assets and depreciation

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

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

Office Equipment	20%-33% per annum on a straight-line basis
Leasehold Equipment	Over the life of the lease

Computer software expenditure is written off in the year of purchase.

#### Operating leases

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.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating surplus.

# **FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES**

**Company Limited by Guarantee**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**

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### **1 Accounting policies (continued)**

#### **Turnover**

The group derives turnover in a variety of ways. The accounting policies for each stream of income are as follows:

Grant income received from agencies in the South East of England and other fees charged for consultancy are credited to the income and expenditure account.

Management fees receivable under the terms of the funding which the company administers are included in the income and expenditure account.

Interest income and fees receivable for the period, on loans made since the inception of the fund are included in the income and expenditure account.

#### **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 majority of grant income is core funding. Other grant income received relates to the reimbursement of costs incurred for specific projects. It is intended to finance the activities of the organisation for specific periods of time specified in individual agreements.

#### **Cost of Sales**

Included within costs of sales are amounts which represent interest payable for the period, on funding directly relating to loans made since the inception of the fund.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **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 AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 1 Accounting policies (continued)

#### Investments

Investments represent loans made by the group. These are stated at cost less any provision for impairment. Impairments are not shown as an exceptional item under FRS3 as they are considered to be part of normal operating activities.

#### Investment funding

The group receives funding from SEEDA and other similar funding bodies for the purpose of investing in start up companies and proof of concept work. Until the funding is invested or granted, the funding is repayable.

Any return on investments is rolled into the funding available for investment, together with interest earned on cash balances held for investment. Any losses on investments reduce the value of the fund available for future investment. The funds are managed and invested on behalf of other parties.

The investments and corresponding liabilities are not recognised on the balance sheet, nor is the income in respect of these funds recognised in the profit and loss account as the company is acting, in substance, as an agent, administering these funds in return for a management fee.

Amounts held for investment and amounts due back to the funding provider are disclosed on the face of the balance sheet. Full disclosure of the activity on the funds for the year is included in note 11 to the financial statements.

### 2 Turnover

	2009 £	2008 £
Attributable to UK	2,370,464	2,291,488
Attributable to Europe	162,330	138,510
	<u>2,532,794</u>	<u>2,429,998</u>

### 3 Operating deficit

	2009 £	2008 £
Operating deficit is stated after charging:		
Depreciation of tangible fixed assets	21,415	28,135
Loss/ (profit) on disposal of tangible fixed assets	-	1,030
Operating lease rentals		
- Land and Buildings	66,758	52,084
Auditors' remuneration		
- audit services	25,390	31,265
- taxation services	5,495	4,200
	<u>112,958</u>	<u>116,674</u>



# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2009 £	2008 £
Aggregate emoluments	112,000	96,504
Value of company pension contributions to money purchase schemes	9,100	8,073
	<u>121,100</u>	<u>104,577</u>

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

	2009 No	2008 No
Money purchase schemes	<u>1</u>	<u>1</u>

### 5 Other interest receivable and similar income

	2009 £	2008 £
Bank interest	19,720	26,986
	<u>19,720</u>	<u>26,986</u>

### 6 Taxation

	2009 £	2008 £
<b>Current period taxation</b>		
UK corporation tax at 19%	-	-
	<u>-</u>	<u>-</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	(405,400)	(183,079)
	<u>(405,400)</u>	<u>(183,079)</u>
<i>Profit on ordinary activities before taxation multiplied by Standard rate UK corporation tax of 21%/19%</i>	(85,134)	(34,785)
	<u>(85,134)</u>	<u>(34,785)</u>
<b>Effects of:</b>		
Capital allowances for period in excess of depreciation	3,990	3,051
Unrelieved tax losses	86,560	50,198
Net effect of non-taxable grant income	477	-
Utilisation of tax losses	(6,523)	(18,464)
Expenditure disallowable for tax purposes	630	-
	<u>85,134</u>	<u>34,785</u>
<b>Current tax charge</b>	<u>-</u>	<u>-</u>

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 6 Taxation (continued)

Group relief is available for losses within the same 75% group. No payment is made for losses so relieved.

#### Factors that may affect future tax charges

The group has approximately £1,531,000 (2008 - £1,186,000) of tax losses available for carry forward.

A deferred tax has not been recognised due to inherent uncertainty over timing of future taxable profits.

### 7 Profit for the financial year

As permitted by Section 230 of Companies Act 1985, the parent undertaking's profit and loss account has not been included in these financial statements. The result of the parent undertaking was a profit of £8,521 (2008 - £46,196).

### 8 Tangible fixed assets

#### Group and Company

	Office equipment £	Leasehold improvements £	Total £
<b>Cost</b>			
At 1 April 2008	52,095	32,421	84,516
Additions	40,461	-	40,461
Disposals	-	-	-
At 31 March 2009	<u>92,556</u>	<u>32,421</u>	<u>124,977</u>
<b>Depreciation</b>			
At 1 April 2008	39,911	19,429	59,340
Charge for the year	8,423	12,992	21,415
Disposals	-	-	-
At 31 March 2009	<u>48,334</u>	<u>32,421</u>	<u>80,755</u>
<b>Net book value</b>			
At 31 March 2009	<u>44,222</u>	<u>-</u>	<u>44,222</u>
At 31 March 2008	<u>12,184</u>	<u>12,992</u>	<u>25,176</u>

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 9 Investments

#### Group

	Investment in partnership £	Loan investments £
<b>Cost</b>		
At 1 April 2008	-	3,516,269
Additions	13	3,005,500
Repaid in the year	-	(1,528,634)
Written off	-	(264,835)
At 31 March 2009	13	4,728,300
<b>Provisions</b>		
At 1 April 2008	-	(262,408)
Provision in year	-	(380,137)
Written off	-	262,408
At 31 March 2009	-	(380,137)
<b>Net book value</b>		
At 31 March 2009	13	4,348,163
At 31 March 2008	-	3,253,861

#### Maturity of loan investments

	2009 £	2008 £
Repayable within one year	1,657,087	1,319,935
Repayable after more than one year	3,071,213	2,196,334
Less: impairment	(380,137)	(262,408)
	<u>4,348,163</u>	<u>3,253,861</u>

#### Interests in group entities

Finance South East Limited has a 60% interest in a limited partnership (Seed fund (Carry Partner) Limited Partnership (Scotland)) which holds a 20% limited partner interest in South East Seed Fund Limited Partnership. The interest of the limited partner is limited to its capital contribution of £13.

Entity	Business	Description of contribution held	Effective interest
South East Seed Fund LP	Fund management	Capital	12%

The South East Seed Fund Limited Partnership is incorporated in England and Wales.

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 9 Investments (continued)

#### Company

	Investment in partnership	Investments in subsidiary undertakings
	£	£
<b>Cost</b>		
At 1 April 2008	8	74,002
Additions	-	-
At 31 March 2009	<u>8</u>	<u>74,002</u>
<b>Provisions</b>		
At 1 April 2008	-	-
At 31 March 2009	<u>-</u>	<u>-</u>
<b>Net book value</b>		
At 31 March 2009	<u>8</u>	<u>74,002</u>
At 31 March 2008	<u>8</u>	<u>74,002</u>

#### Interests in group undertakings

Subsidiary undertaking	Business	Description of shares held	Proportion of nominal value of issued capital
FSE Loan Management Limited	Provision of loans	Ordinary	100%
South East Fund Managers Limited	Fund management	Ordinary	100%
SEFM General Partner Limited	Fund management	Ordinary	100%
Seed Fund (Carry Partner) General Partner Limited	Fund management	Ordinary	100%

FSE Loan Management Limited, South East Fund Managers Limited and SEFM General Partner Limited are incorporated in England and Wales and Seed Fund (Carry Partner) General Partner Limited is incorporated in Scotland. All companies have been included in the consolidated accounts.

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 9 Investments (continued)

The company is also a partner in the following entities:

Subsidiary undertaking	Business	Value of contribution held	Proportion of nominal value of issued shares held
Seed Fund (Carry Partner) Limited Partnership	Fund management	£7.61	60%

Seed Fund (Carry Partner) Limited Partnership is incorporated in Scotland.

The Seed Fund (Carry Partner) Limited Partnership (Scotland) holds a 20% limited partner share in South East Seed Fund Limited Partnership. Finance South East Limited's effective holding is 12% in this fund. The limited partner's interest is limited to its capital contribution of £13.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2009 £	Results for the year 2009 £
FSE Loan Management Limited	(1,732,476)	(388,510)
South East Fund Managers Limited	130,820	(26,683)
SEFM General Partner Limited	1,365	1,272
Seed Fund (Carry Partner) General Partner Limited	1	-
Seed Fund (Carry Partner) Limited Partnership	13	-

### 10 Debtors

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Trade debtors	54,089	97,117	54,089	97,117
Amounts owed by group undertakings	-	-	52,219	103,482
Other debtors	335,354	61,353	48,621	311
Prepayments and accrued income	38,554	60,179	38,554	60,179
	<u>427,997</u>	<u>218,649</u>	<u>193,483</u>	<u>261,089</u>

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 11 Balances in respect of fund manager activities

The following funds are held on behalf of other parties and are not considered to be assets or liabilities of the Group.

<b>Group</b>	<b>2009</b>	<b>2008</b>
<b>Funds received</b>	<b>£</b>	<b>£</b>
Balance brought forward	2,402,881	1,826,895
Funds received	3,370,050	1,286,667
Awards made	(952,364)	(909,750)
Investment loans	(1,055,000)	-
Fund transfer	(124,136)	-
Capital repayments	143,705	67,707
Net return on fund	111,438	131,362
Management fees	(117,250)	-
	<u>3,779,324</u>	<u>2,402,881</u>
Cash balances held for investment	3,779,324	2,402,881
Loans outstanding at the year end	780,000	-
	<u>4,559,324</u>	<u>2,402,881</u>
<b>Funds committed</b>		
Funds committed	1,313,280	277,319
Uncommitted funds	3,246,044	2,125,562
	<u>4,559,324</u>	<u>2,402,881</u>

The balances held at the year end on each fund were as follows:

<b>Balances in respect of fund manager activities:</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Transition Fund	2,688,050	-
PoCKeT fund	50,000	501,002
PoCKeT Nanotech fund	-	140,000
PoCKeT Emerging fund	-	248,585
Catalyst fund	13,858	658,996
Sepoc fund	-	-
Creative fund	-	362,631
South East Seed Fund Investor	367,531	491,667
Commercialisation Fund	1,439,885	-
	<u>4,559,324</u>	<u>2,402,881</u>

# **FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES**

**Company Limited by Guarantee**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**

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### **11 Balances in respect of fund manager activities (continued)**

#### **South East Seed Fund Investor (Group and Company)**

Prior to the funds being invested the funding is a liability to the fund provider. Interest earned on cash balances held for investment is subject to payment of applicable bank and other charges levied, paid to the investor annually in arrears.

Funds are invested in early stage businesses. Uncommitted funds represent funding yet to be allocated for specific projects. These funds are available for future investment in line with the fund criteria.

#### **Transition funds**

Prior to the funds being invested the funding is a liability to the fund provider. Investments are made by way of loans to businesses impacted by the current market conditions. Loans are repayable with interest. Interest is not accrued into the fund until receipt is certain. The liability to funders represents cash not invested and investment loans net of provisions.

#### **Other funds**

Prior to the funds being invested the funding is a liability to the fund provider. Interest earned on cash balances held for investment is rolled up into the fund. Interest earned on the group's own funds is credited to the profit and loss account as interest receivable.

After awards have been made, any return on awards is rolled up into the fund for re-investment.

Funds committed to investment represent amounts agreed with parties applying for funding yet to be drawn down. Funds are invested in start up and proof of concept businesses. Uncommitted funds represent funding yet to be allocated for specific projects. These funds are available for future investment in line with the fund criteria. If no investment is made, these funds are due back to the fund provider.

Repayment and fund returns are contingent upon the success of the project invested in and are not shown as recoverable investments repayable to funders.

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 11 Balances in respect of fund manager activities (continued)

Company	2009	2008
Funds received	£	£
Balance brought forward	491,667	-
Funds received	2,963,050	491,667
Investments made (South East Seed Fund)	(124,136)	-
Loan investments net of provisions (transition fund)	(1,055,000)	-
	<u>2,275,581</u>	<u>491,667</u>
Cash balances held for investment	2,275,581	491,667
Investments	780,000	-
	<u>3,055,581</u>	<u>491,667</u>
<b>Funds committed</b>		
Uncommitted funds	2,275,581	491,667
Committed funds	780,000	-
	<u>3,055,581</u>	<u>491,667</u>
Total	<u>3,055,581</u>	<u>491,667</u>

The balances held at the year end on each fund was as follows:

Balances in respect of fund manager activities:	2009	2008
	£	£
South East Seed Fund Investor	367,531	491,667
Transitional Fund	2,688,050	-
	<u>3,055,581</u>	<u>491,667</u>

### 12 Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade creditors	80,444	63,902	78,471	58,615
Amounts owed to group undertakings	-	-	8	8
Other taxation and social security	-	-	-	-
Accruals and deferred income	702,230	705,633	390,390	649,037
	<u>782,674</u>	<u>769,535</u>	<u>468,869</u>	<u>707,660</u>



# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 13 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Bank loans	<u>2,226,487</u>	<u>2,030,000</u>

The total loan of £2,226,487 is secured by a fixed and floating charge over all the assets of Finance South East Loan Management Limited (a subsidiary).

The maximum bank loan facility is £3.5 million. The company will enter a maximum three-year run-off period no later than 31 March 2011, with full repayment of the loan to be made no later than the 31 March 2014. No fixed repayments are scheduled prior to this date. Interest is payable at a rate of 3% over bank base rate per annum throughout the period of the loan.

### 14. Subordinated Loans

	2009 £	2008 £
CFE funding loan	3,439,077	2,539,077
CFE accrued interest	525,680	357,949
Total	<u>3,964,757</u>	<u>2,897,026</u>

The Capital for Enterprise (CFE) Funding of £3,964,757 (2008 - £2,897,026) is repayable on 31 March 2014 to the extent that the company has sufficient funds available at that time. Interest accrues on the loan at a rate of 5% per annum, but the payment of interest is contingent on sufficient funds being available, following repayment of the funding on 31 March 2014.

A provision of £525,680 has been made in respect of interest due (2008 - £357,949) and is included in the above figure.

### 15. Pension costs

#### 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.

	2009 £	2008 £
Contributions payable by the company for the year	<u>43,309</u>	<u>54,512</u>

# **FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES**

**Company Limited by Guarantee**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**

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### **16. Related Party Transactions**

C Reid, a director of the company, provided legal services to the value of £2,000 (2008 - £25,831) to the company during the year, £nil (2008 - £2,679) was outstanding at the year end.

R Spencer, a director of the company, provided consultancy services to the value of £5,000 (2008 - £nil) to the company during the year, £nil (2008 - £nil) was outstanding at the year end.

The group 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 £790,470 (2008 - £1,055,931) from SEEDA and a balance of £44,721 (2008 - £63,356) is included in trade debtors at the year end.

The company also receives income from Business Link providers in the South East. R French, a director of the company, is also a director of Business Link Surrey Limited. During the year the company received income of £102,000 (2008 - £115,823) from Business Link Surrey Limited.

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 17. 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

### 18 Income and expenditure account

Group	2009 £	2008 £
Balance brought forward	(1,125,067)	(941,988)
(Deficit)/ Surplus for the financial year	(405,400)	(183,079)
Balance carried forward	<u>(1,530,467)</u>	<u>(1,125,067)</u>
Company	2009 £	2008 £
Balance brought forward	135,305	89,109
Surplus for the financial year	8,521	46,196
Balance carried forward	<u>143,826</u>	<u>135,305</u>

### 19 Capital commitments

At 31 March 2009 the group and company had no outstanding capital commitments (2008 - £nil).

### 20 Financial Commitments

At 31 March 2009 the group and the company had annual commitments under other non-cancellable operating leases as follows:

	Land & Buildings	
	2009 £	2008 £
Expiring between two and five years inclusive	66,369	66,369
	<u>66,369</u>	<u>66,369</u>

### 21 Contingent Liabilities

Two group companies are general partners in Limited Partnerships. As general partners the companies are (on an unlimited basis) fully liable for such of the Limited Partnerships' debts, liabilities and obligations as exceed the total liability of the respective Limited Partners.

# FINANCE SOUTH EAST LIMITED AND SUBSIDIARY COMPANIES

Company Limited by Guarantee

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 22 Employees

#### Number of employees

The average monthly number of persons (including executive directors) employed during the year was:

Group	2009 Number	2008 Number
Administration	6	4
Management	15	12
	<u>21</u>	<u>16</u>

#### Employment costs

	2009 £	2008 £
Wages and salaries	861,752	999,252
Social security costs	94,438	111,737
Other pension costs	43,309	54,512
	<u>999,499</u>	<u>1,165,501</u>

### 23 Ultimate controlling party

The company is jointly controlled by SEEDA and Business Link. The directors do not consider there to be an ultimate controlling party.