

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

COMPANY INFORMATION

DIRECTORS

J Carlyle
D Prais
A Simon
M Alloway
M E Rodriguez-Piza (Chief Executive Officer)
R Morley (appointed 1 July 2011)
A Collinge (appointed 1 April 2012)

COMPANY SECRETARY

EPS Secretaries Limited

COMPANY NUMBER

05165896

REGISTERED OFFICE

Lacon House
84 Theobalds Road
London
WC1X 8RW

AUDITORS

Reeves & Co LLP
Statutory Auditors & Chartered Accountants
Third Floor
24 Chiswell Street
London EC1Y 4YX

FUND MANAGERS

AXM Venture Capital Limited
57G Randolph Avenue
London W9 1BQ

Company Guides Venture Partners Limited
1A Eastwood Avenue
Glasgow G46 6LS

Industrial Common Ownership Finance Limited
Burnswick Court
Burnswick Square
Bristol BS2 8PE

East London Small Business Centre Limited
Universal House, 88-94 Wentworth Street
London E1 7SA

oneLondon Limited
10-12 Queen Elizabeth Street
London SE1 2JN

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

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SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012

The directors present their report and the financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITIES

The company's principal activity is to provide finance by way of loan or equity to small and medium enterprises (SMEs) in the London area. Since its inception the company has received grant funding for this purpose from various government agencies and from the EU.

The company's mission is to address the significant funding gap that exists for SMEs whose financing needs are as described below:

- Debt finance up to £250,000
- Equity finance below £2 million
- Start up capital for entrepreneurs
- Seed capital for very early stage commercialisation of intellectual property
- Growth capital for early stage businesses with high growth potential

These gaps are even more marked where the entrepreneurs are young, black, Asian or belong to other ethnic minorities with little track record or where the businesses' assets are largely intellectual property. These groups are also less likely to be able to put together high quality financing proposals which, in turn, does not sit well within the credit scoring criteria of traditional lenders.

Since its inception in 2004, the company has addressed these problems by providing a combination of equity and loan funds targeting the above segments. The company is in the advanced stages of the process to launch a new venture capital fund to support London's early stage businesses. The fund will be financed via a £6m grant from the European Regional Development Fund (2007-2013 Programme) together with a further £5.6m from the company's legacy funds.

Loan Funds

All of the company's loan funds are now closed to new borrowers.

The Objective 2 Funds

Activity for the financial year has continued to focus on the collection of repayments from borrowers. As at 31 March 2012, the company has received loan repayments representing 62.5% of funds lent. Of this, £3,138,191 has been used to repay fully the Barclays Bank facility which supported these funds. The balance of repayments (net of costs) in the Growth, Mezzanine and Social Enterprise funds (backed by ERDF grant) is to be reinvested into the new venture capital fund. The legacy from the Micro loan fund (backed by an ESF grant) has already been reinvested into the new £500,000 London Legacy Loan Fund (see further information in post balance sheet events).

Fund	Funds lent	<u>Repayments to</u>
	£(000's)	<u>31 March 2012</u>
		£(000's)
Micro	1,826	1,053
Growth	3,447	2,420
Mezzanine	777	543
Social Enterprise	1,795	883
	<hr/>	<hr/>
Total	7,845	4,899
	<hr/>	<hr/>

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012

PRINCIPAL ACTIVITIES (CONTINUED)

Since the second half of 2011, there has been a marked deterioration in the prospects for the UK economy culminating in a return to recession during the first quarter of 2012. This has affected the remaining borrowers in the Objective 2 loan portfolios as business confidence has suffered and consumer spending remains subdued.

The bad debt provision at the year end for the Objective 2 funds was 27% (25%) for the Growth Loan Fund, 34% (no change) for the Start-up Micro Loan Fund, 29% (26%) for the Mezzanine loan fund and 16% (no change) for the Social loan fund.

Our fund managers expect that there may be further deterioration of the portfolio within the calendar year 2012.

The Economic Recovery Loan Fund

The ERLF was launched in May 2009 and closed in March 2010 having lent the entirety of its funds in the space of nine months. The fund lent £2.99m to 88 SMEs. Arrears levels at the year-end stood at 22% (19%). The target maximum arrears level for this portfolio is 15% and the fund managers expect that through careful management of the borrowers in arrears they will achieve a reduction in arrears over the medium term.

SME Wholesale Finance contributed £2.25m of funding towards the ERLF via a loan investment. As at 31 March 2012, SME Wholesale Finance had received repayments of principal totalling £389,059 with a further £291,684 received during April 2012. This brings the total balance of repayments to £680,743. Interest payments in respect of the loan investment were £320,392 at 31 March with a further £46,260 received during April 2012 bringing total interest payments to £366,652. These amounts are now committed to the new venture capital fund to be launched this autumn.

Equity Funds

All the equity funds are now closed to new applicants. As at 31 March 2012 the investment activity of the equity funds is summarised as follows:

	Investments	Value £000s	Leverage £000s	<u>Exit proceeds</u> <u>£000s</u>
Creative Capital Fund	45	4,075	9,383	618,828
London Technology Fund	23	6,437	24,480	3,316,661

As at today, there have been eleven investee companies where investments have been either written off or fully impaired by the equity fund managers. Despite this, a number of companies in the equity portfolios continue to progress in a positive manner. Dexela was sold in June 2011 for a multiple of 1.83 times invested amounts plus contingent deferred consideration to come in the three years following the sale. In this respect, £305,904 is now payable for the year to June 2012.

In the Creative Capital Fund, Channel Flip was sold and proceeds generated for the fund represent a multiple of 2.3 times invested amounts.

As the equity funds are now at the later stages of life, the focus has shifted towards pursuing exit opportunities, where appropriate, and to eventually maximise returns from exits. Furthermore, during the financial year it was decided to liquidate the Pan London Technology Fund and more recently in June 2012, the liquidation of the Objective 2 London Technology Fund has been agreed.

The exits achieved through our equity funds, combined with the proceeds from loan repayments, underpin our legacy to support future SME funds.

SME WHOLESALE FINANCE (LONDON) LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012

Result for the year

The loss for the year reflects the impact of one off restructuring costs

Post balance sheet events

Deferred consideration for the Dexela exit of £305,904 will be payable at the end of August 2012

The Pan London Technology Fund is in the final stages of being liquidated. In accordance with the Limited Partnership Agreement, the remaining assets in the fund have now been transferred to SME Wholesale Finance

The process to liquidate the Objective 2 London Technology Fund began at the end of June 2012

On 31 March 2012, the London Development Agency was abolished. As a result, its membership in the company was transferred to the Greater London Authority pursuant to section 191(2) of the Localism Act 2011. Concurrent with the LDA's abolition, Lurene Joseph tendered her resignation as director and Andrew Collinge of the GLA was appointed as director with effect from 1 April 2012.

On 10 May 2012, the London Legacy Loan Fund was launched. The fund aims to make small loans of up to £10,000 to start-up businesses in the Objective 2 areas of London. The fund is managed by East London Small Business Centre and is financed via a £400,000 grant from SME Wholesale Finance which is equivalent to the company's available legacy from its Objective 2 Micro Loan fund. ELSBC has contributed a further £100,000 to the fund.

DIRECTORS

The directors who served during the year were

J Carlyle
D Prais
A Simon
M Alloway
M E Rodriguez-Piza (Chief Executive Officer)
R Morley (appointed 1 July 2011)
L Joseph (appointed 1 April 2011 & resigned 31 March 2012)
R Djang (resigned 1 July 2011)

AUDITORS

The auditors, Reeves & Co LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012**

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

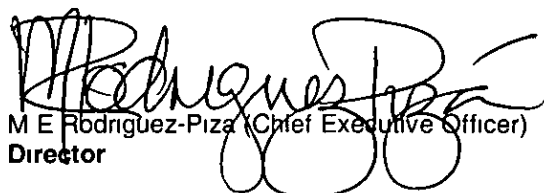
PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 21 September 2012 and signed on its behalf


M E Rodriguez-Piza (Chief Executive Officer)
Director

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SME WHOLESALE FINANCE (LONDON) LIMITED

We have audited the financial statements of SME Wholesale Finance (London) Limited for the year ended 31 March 2012, set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the 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 Directors' report to identify material inconsistencies with the audited financial statements. 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 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, 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.

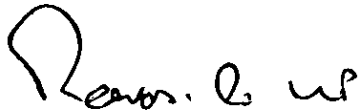
SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SME WHOLESALE FINANCE (LONDON) LIMITED

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 and the Directors' Report in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report



James O'Brien FCA (Senior statutory auditor)
for and on behalf of
Reeves & Co LLP
Statutory Auditors & Chartered Accountants
Third Floor
24 Chiswell Street
London EC1Y 4YX

Date 24 September 2012

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 £
TURNOVER	1	1,963,663	1,665,844
Administrative expenses		<u>(2,721,028)</u>	<u>(1,363,565)</u>
OPERATING (LOSS)/PROFIT	2	(757,365)	302,279
Interest receivable and similar income	4	37,553	28,802
Interest payable and similar charges		<u>-</u>	<u>(5,635)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(719,812)	325,446
Tax on (loss)/profit on ordinary activities	5	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(719,812)</u>	<u>325,446</u>

The notes on pages 10 to 18 form part of these financial statements

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £	2011 £
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(719,812)	325,446
Grants utilised for fixed asset investment loans		<u>96,040</u>	<u>659,912</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u><u>(623,772)</u></u>	<u><u>985,358</u></u>

The notes on pages 10 to 18 form part of these financial statements

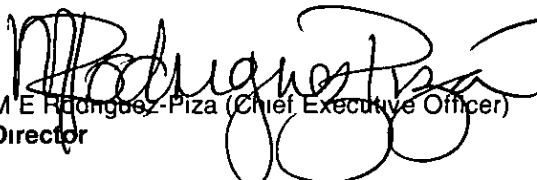
SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)
REGISTERED NUMBER. 05165896

BALANCE SHEET
AS AT 31 MARCH 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Investments	7		3,576,058		5,662,162
CURRENT ASSETS					
Debtors	8	2,761,519		3,941,090	
Cash at bank		7,982,187		7,229,878	
		<u>10,743,706</u>		<u>11,170,968</u>	
CREDITORS: amounts falling due within one year	9	(117,682)		(133,963)	
NET CURRENT ASSETS			<u>10,626,024</u>		<u>11,037,005</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,202,082</u>		<u>16,699,167</u>
CREDITORS amounts falling due after more than one year	10		(3,134,538)		(5,007,851)
NET ASSETS			<u>11,067,544</u>		<u>11,691,316</u>
CAPITAL AND RESERVES					
Capital reserve	12		13,747,255		13,669,955
Profit and loss account	12		(2,679,711)		(1,978,639)
			<u>11,067,544</u>		<u>11,691,316</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
21 September 2012


M E Rodriguez-Piza (Chief Executive Officer)
Director

The notes on pages 10 to 18 form part of these financial statements

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

1.2 TURNOVER

Turnover represents returns on interest receivable from loans made to unlisted companies, grant contributions to specific items of expenditure (see 1.7 below) and sundry investment income

1.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Furniture, fittings and equipment - 20% straight line

1.4 FIXED ASSET INVESTMENTS

Fixed Asset are stated at cost less any provision required against impairment

Capital investments in Limited Partnerships represent the company's capital contribution as a Limited Partner, in Limited Partnerships established to undertake commercial investments in micro, small and medium sized enterprises which have their principal place of business or a majority of their operations in the London Area

Investment loans to Limited Partnerships are loans made to finance equity investments by Limited Partnerships in which the company is a Limited Partner. When considering whether any impairment provision is required against these loans reference is made to the underlying investment portfolio these loans have been used to finance

Other loans to Limited Partnerships are loans made to fund the General Partners Share and other expenses incurred by the Limited Partnerships in which the company is a Limited Partner. The General Partners Share, in accordance with the Limited Partnership agreement, are amounts due to the General Partner, in respect of fund establishment and management fees. These loans are interest free and repayable out of the future profits of the partnership as they arise. Due to the uncertainty of the availability of future profits in the Limited Partnerships an impairment provision is made against these loans when they are drawdown

1.5 INTEREST RECEIVABLE

Interest receivable from loans made to unlisted companies is accounted for in accordance with 1.2 above

Interest earned on funds received from Government agencies is deferred in the accounts for future capital investments in small and medium sized enterprises where it has not been set against expenditure in any year. Interest earned on funds from Government agencies is accounted for on an accruals basis when receivable

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

1 ACCOUNTING POLICIES (continued)

1.6 LOANS

Loans are accounted for when cash is advanced to borrowers at fair value inclusive of transaction costs and are amortised over the period of the loan in accordance with the contractual terms. Loans are derecognised when the right to receive cash flows has expired.

1.7 GRANTS

Grants received from UK and European government agencies are deferred until utilised as a contribution towards specific items of expenditure or, by the making of loans or fixed asset investments in accordance with the conditions of the grant.

Contributions to specific items of expenditure are credited to the profit and loss account when the related expenditure is expensed.

Grants utilised by the making of loans or fixed asset investments are transferred to a Capital Reserve and are reported within the Statement of Total Recognised Gains and Losses.

1.8 CAPITAL RESERVES

The capital reserve consists of grants utilised for the funding of loans and the acquisition of fixed asset investments less any amounts subsequently written off loans or impairment provisions against fixed asset investments.

1.9 MATCH FUNDING

Bank finance provided for the matched funding of loans and acquisition of fixed assets is accounted for once the finance has been drawdown and utilised as match funding.

1.10 PENSIONS

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets - owned by the company	199	904
Auditors' remuneration	9,840	8,451
Auditors' remuneration - non-audit	2,160	6,480
Pension costs	2,700	2,700
Impairment of fixed asset investments	923,604	619,805
	<u>938,399</u>	<u>15,540</u>

SME WHOLESALE FINANCE (LONDON) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

3. DIRECTORS' REMUNERATION

	2012 £	2011 £
Aggregate emoluments	<u>94,017</u>	<u>91,358</u>

4 INVESTMENT INCOME

	2012 £	2011 £
Bank interest receivable	<u>37,553</u>	<u>28,802</u>

5 TAXATION

No taxation has been charged on interest received during the year and on monies advanced by various Government agencies which are ear-marked for equity and loan investments in small and medium sized enterprises

After taking professional advice on the grant conditions imposed by the various funders of the company the directors are of the opinion that interest earned on the funds provided by these agencies is due to these organisations and therefore not taxable on the company

This has been agreed with H M Revenue and Customs

6 TANGIBLE FIXED ASSETS

	Fixtures & fittings £
COST	
At 1 April 2011	1,002
Additions	199
At 31 March 2012	<u>1,201</u>
DEPRECIATION	
At 1 April 2011	1,002
Charge for the year	199
At 31 March 2012	<u>1,201</u>
NET BOOK VALUE	
At 31 March 2012	<u>-</u>
At 31 March 2011	<u>-</u>

SME WHOLESALE FINANCE (LONDON) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

7 FIXED ASSET INVESTMENTS

	Investments in associates £	Capital Investments in Partnership £	Other Loans to Limited Partnership £	Investment Loans to Limited Partnership £	Unlisted investments £	Total £
COST OR VALUATION						
At 1 April 2011	250,000	1,600	6,965,713	7,931,571	-	15,148,884
Additions	-	-	675,863	96,040	88,464	860,367
Loan repayment and transfer of shares	-	-	(1,063,403)	(2,512,973)	-	(3,576,376)
At 31 March 2012	250,000	1,600	6,578,173	5,514,638	88,464	12,432,875
IMPAIRMENT						
At 1 April 2011	243,949	-	6,131,310	3,111,463	-	9,486,722
Charge for the year	(31,493)	-	369,959	536,816	48,322	923,604
Impairment on repayments and transfer of shares	-	-	(229,000)	(1,324,509)	-	(1,553,509)
At 31 March 2012	212,456	-	6,272,269	2,323,770	48,322	8,856,817
NET BOOK VALUE						
At 31 March 2012	37,544	1,600	305,904	3,190,868	40,142	3,576,058
At 31 March 2011	6,051	1,600	834,403	4,820,108	-	5,662,162

The loans have been made to various Limited Partnerships established for the purpose of making and holding equity investments in SMEs

ASSOCIATES

Name	Class of shares	Holding	Principal activity
London Business Loans (Wholesale) Limited	Ordinary	49%	Business Loans Provider

Name	Aggregate of share capital and reserves £	Loss £
London Business Loans (Wholesale) Limited	76,621	(8,644)

SME WHOLESALE FINANCE (LONDON) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

7 FIXED ASSET INVESTMENTS (continued)

The company's share of the associate's turnover and net assets at the previous Balance sheet date was as follows

	2012	2011
	£	£
Share of turnover	37,576	48,891
Share of assets		
Current assets	2,779,341	3,057,658
Share of liabilities		
Due within one year or less	(1,328,524)	(106,538)
Due after more than one year	(1,413,273)	(2,909,340)
	(2,741,797)	(3,015,878)
Share of net assets	37,544	41,780

8 DEBTORS

	2012	2011
	£	£
Loans	1,996,923	3,354,780
Other debtors	764,596	586,310
	2,761,519	3,941,090

Loans include an amount of £1,126,668 (2011 £2,672,507) which is due after more than one year

**9 CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012	2011
	£	£
Trade creditors	86,383	90,122
Social security and other taxes	4,561	4,401
Other creditors	26,738	39,440
	117,682	133,963

SME WHOLESALE FINANCE (LONDON) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

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

	2012 £	2011 £
Accruals and deferred income	<u>3,134,538</u>	<u>5,007,851</u>

Accruals and deferred income

	2012 £	2011 £
Deferred grants	<u>3,134,538</u>	<u>5,007,851</u>

Analysis of deferred grants

	2012 £	2011 £
Creative Fund - LDA Pan London	19,561	235,936
Creative Fund - Industry investment readiness	96,084	222,985
Technology Fund - LDA Pan London	2,751,892	4,237,459
Pan London Wholesale Fund - LDA	267,001	267,001
Economic Recovery Loan Fund	-	44,470
Total	<u>3,134,538</u>	<u>5,007,851</u>

Analysis of deferred grants

	2012	2011
At 1 April 2011	5,007,851	7,047,160
Released to profit and loss account	(1,197,450)	(1,379,397)
Transferred to capital reserve	(675,863)	(659,912)
At 31 March 2012	<u>3,134,538</u>	<u>5,007,851</u>

Analysis of deferred interest

	2012	2011
At 1 April 2011	-	-
Received during the year	37,553	28,802
Released to profit and loss account	(37,553)	(28,802)
At 31 March 2012	<u>-</u>	<u>-</u>

SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

11. LIMITED LIABILITY

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

12. RESERVES

	Capital reserve £	Profit and loss account £
At 1 April 2011	13,669,955	(1,978,639)
Loss for the year	-	(719,812)
Transfer between reserves	(18,740)	18,740
Grants utilised for investments and loans	96,040	-
	<u>13,747,255</u>	<u>(2,679,711)</u>
At 31 March 2012		

The above consists of the following

	2012	2011
Cash	2,708,842	874,438
Due from Limited Partnerships	329,000	-
Loans made to SMEs	7,133,355	7,133,355
Capital investment in Associates after impairment	37,544	6,051
Capital investment in Limited Partnerships	1,600	1,600
Investment Loans made to Limited Partnerships after impairment	3,190,868	4,820,108
Other loans to Limited Partnership after impairment	305,904	834,403
Unlisted investments	40,142	-
	<u>13,747,255</u>	<u>13,669,955</u>
Total		

13. PENSION COMMITMENTS

The company made pension contributions of £2,700 (2011 £2,700) in the current year. Of this amount £225 (2011 £230) is outstanding as at the year end and is included within 'Other creditors' in Note 9.

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FOR THE YEAR ENDED 31 MARCH 2012

14 RELATED PARTY TRANSACTIONS

As at the year end £1,860,941 (2011 £2,250,000) was due from London Business Loans (Wholesale) Limited, an associate of the company, and is included within Debtors 'Loans' in Note 8 of these accounts

An impairment provision for bad debts has been set against this balance totalling £641,494 (2011 £401,494) which is calculated by reference to the underlying loans made by the Economic Recovery Loan Fund. This is set against the balance included within Debtors 'Loans' in Note 8

Interest was charged on this loan in the year of £114,446 (2011 £164,251) of which £46,260 (2011 £76,929) is outstanding at the balance sheet date. This is included within 'Other debtors' in Note 8 to these accounts

During the year Richard Morley, a director of the company, charged consultancy fees of £13,769 (2011 £Nil)

15. AMOUNTS RECEIVED FROM DISPOSALS OF INVESTMENTS

In June 2011, the investment in Dexela was sold to Perkin Elmer, with the company receiving the following amounts

Date	Details	Amount
13 June 2011	Initial proceeds on disposal	1,663,693
13 June 2011	Initial proceeds on disposal	111,437
11 August 2011	Release of working capital adjustment	55,574
11 August 2011	Release of working capital adjustment	3,699
	Total received in period	<u>1,834,403</u>

Under the Dexela Sale and Purchase Agreement, the company is also entitled to payment of an amount held in Escrow to cover warranty claims and deferred consideration for the Earn Out period ended 30 June 2012. The deferred consideration is payable if certain sales targets are met, subject to the terms of the Earn Out agreement. There is an inherent uncertainty in forecasting the amount that will be received for these deferred payments. Since the year end the company has received £305,904 which has been included in the financial statements. The company's best estimate of the unrecognised deferred payment not included in the financial statements, based on the information available at the date of these financial statements, is set out below

Date	Details	Amount
September 2012	Release of warranty provision in Escrow	<u>184,777</u>
	Total unrealised gain	<u>184,777</u>

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15. AMOUNTS RECEIVED FROM DISPOSALS OF INVESTMENTS (continued)

Further deferred consideration payments totalling £615,922 are potentially due for the Earn Out periods ending 30 June 2013 and 30 June 2014 subject to Dexela achieving certain sales targets and the terms of the Earn Out agreement. Due to the inherent uncertainty and long lead time until the final position is known, the company considers it imprudent to account for those payments in these accounts.