

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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

COMPANY INFORMATION

DIRECTORS	P Scott (resigned 9 December 2009) J Carlyle R Djang D Prais A Simon M E Rodriguez-Piza (Chief Executive Officer) (appointed 7 September 2009) S Ebanja (resigned 23 April 2010) M Alloway (appointed 10 September 2010)
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 1 Malet Street London WC1E 7JN Company Guides Venture Partners Limited 13 Christopher Street London EC2A 2BS 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 New City Court, 20 St Thomas Street London SE1 9RS

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 2010

The directors present their report and the financial statements for the year ended 31 March 2010

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 inexperienced entrepreneurs
- Seed capital for very early stage commercialisation of intellectual property

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. More recently, the company has added a loan fund targeted at established businesses which were experiencing funding difficulties as a result of the credit crisis, the Economic Recovery Loan Fund. Funding for the ERLF was provided by the LDA as part of the measures taken by the Mayor of London to assist businesses during the financial crisis.

As most of its funds have now closed to new investments, the company is in discussions with potential investors with a view to setting up a new fund to assist London's SMEs to be launched during the first half of 2011.

Loan Funds

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

The Objective 2 Funds

The Objective 2 funds (Micro, Growth, Mezzanine and Social Enterprise) closed on 31 December 2008 having lent a total of £7.85m. Activity for the financial year has focused on the collection of repayments from Objective 2 borrowers. To date, the company has received loan repayments representing 50% of funds lent. This has enabled the repayment in full, in April 2010, of the facility from Barclays Bank which supported these funds.

Fund	Funds lent £(000's)	Repayments to date £(000's)
Micro	1,826	845
Growth	3,447	1,922
Mezzanine	777	496
Social Enterprise	1,795	659
Total	7,845	3,922

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010

PRINCIPAL ACTIVITIES (CONTINUED)

The sluggish nature of the economic recovery and the severity of the private sector spending cuts announced by the new Government continue to affect the prospects of the businesses supported by the company's loan funds. Overall, the bad debt provision at year end for the Objective 2 funds was 23% (22%) for the Growth Loan Fund, 28% (26%) for the Start-up Mico Loan Fund, 9% (5%) for the Mezzanine loan fund and 13% (no change) for Social loan fund.

Although it is disappointing that these levels continued to increase during the financial year, the degree of increase has levelled off significantly in comparison with that experienced between 2008 and 2009. The company continues to work closely with the fund managers to minimise further deterioration in the portfolio. In particular, the company has recently agreed a number of modifications to the fee arrangements to ensure that resources are focused on helping businesses in difficulties during the next nine to twelve months.

The Economic Recovery Loan Fund

The Economic Recovery Loan Fund (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 7%, within the expected levels for this portfolio.

Equity Funds

As at 31 March 2010 the investment activity of the equity funds is summarised as follows:

	Investments	<i>Value £(000)'s</i>
Creative Capital Fund	39	<i>3,864</i>
London Technology Fund	20	<i>5,893</i>

The private sector leverage achieved by the Creative Capital Fund is £7,946,000 and that by the London Technology Fund is £16,867,000.

As is the case with the loan portfolio borrowers, the investee companies have experienced significant slowdown in meeting business plan targets. This is in particular given that most corporate clients have reigned in spending to date.

To date, there have been six investee companies where investments have been written off by the equity fund managers. However, a number of companies in the equity portfolios have shown positive developments within the last six months, and there are prospects for exit within the next 12 to 24 months for a few, provided the M&A environment continues to improve.

Post balance sheet events

The Barclays Facility was repaid in April 2010.

The London Technology Fund completed the disposal of Acrobot in August 2010.

Barclays Bank has been replaced as a member of the company effective from 10 September 2010. We are pleased to welcome Mark Alloway as a member and non executive director. Mark brings a wealth of experience in relation to equity investments and financial markets projects.

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010

DIRECTORS

The directors who served during the year were

P Scott (resigned 9 December 2009)

J Carlyle

R Djang

D Prais

A Simon

M E Rodriguez-Piza (Chief Executive Officer) (appointed 7 September 2009)

S Ebanja (resigned 23 April 2010)

M Alloway (appointed 10 September 2010)

AUDITORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

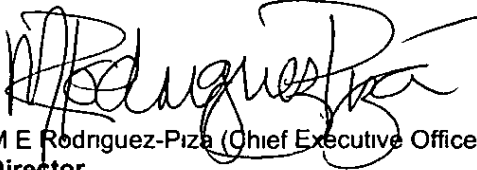
- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing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

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

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010**

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 18 October 2010 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 2010, set out on pages 7 to 17. 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 Statement of Directors' Responsibilities, 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 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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standards - Provisions Available for Small Entities, in the following circumstances:

- In common with many other businesses of this size and nature, the company uses our firm to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of 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.

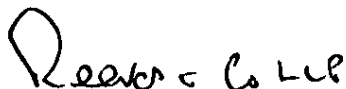
SME WHOLESALE FINANCE (LONDON) LIMITED
(A company limited by guarantee)

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



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

Date 12 October 2012

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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 £	2009 £
TURNOVER	1	1,713,172	2,587,050
Administrative expenses		<u>(4,367,975)</u>	<u>(5,103,686)</u>
OPERATING LOSS	2	(2,654,803)	(2,516,636)
Interest receivable	4	26,745	556,648
Interest payable		<u>(112,857)</u>	<u>(301,777)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,740,915)	(2,261,765)
Tax on loss on ordinary activities	5	-	-
LOSS FOR THE FINANCIAL YEAR	12	<u>(2,740,915)</u>	<u>(2,261,765)</u>

The notes on pages 10 to 17 form part of these financial statements

SME WHOLESALE FINANCE (LONDON) LIMITED
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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2010

	2010	2009
	£	£
LOSS FOR THE FINANCIAL YEAR	(2,740,915)	(2,261,765)
Grants utilised for investments and loans	3,148,636	3,994,403
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	407,721	1,732,638

The notes on pages 10 to 17 form part of these financial statements

SME WHOLESALE FINANCE (LONDON) LIMITED

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REGISTERED NUMBER 05165896

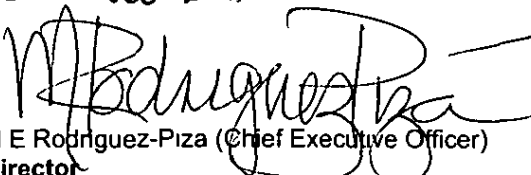
**BALANCE SHEET
AS AT 31 MARCH 2010**

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible fixed assets	6		904		-
Fixed asset investments	7		4,881,804		5,793,626
			<u>4,882,708</u>		<u>5,793,626</u>
CURRENT ASSETS					
Debtors	8	5,645,495		11,403,697	
Cash at bank		11,785,488		9,736,533	
		<u>17,430,983</u>		<u>21,140,230</u>	
CREDITORS: amounts falling due within one year	9	(4,560,573)		(1,018,210)	
NET CURRENT ASSETS			<u>12,870,410</u>		<u>20,122,020</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>17,753,118</u>		<u>25,915,646</u>
CREDITORS: amounts falling due after more than one year	10		(7,047,160)		(15,617,409)
NET ASSETS			<u>10,705,958</u>		<u>10,298,237</u>
CAPITAL AND RESERVES					
Capital reserve	12		12,015,159		10,676,981
Profit and loss account	12		(1,309,201)		(378,744)
			<u>10,705,958</u>		<u>10,298,237</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

13 October 2010


M E Rodriguez-Piza (Chief Executive Officer)
Director

The notes on pages 10 to 17 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 2010**

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

Office equipment	-	20% straight line
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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
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

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 contributes towards 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

The operating loss is stated after charging

	2010 £	2009 £
Depreciation of tangible fixed assets		
- owned by the company	98	-
Auditors' remuneration	9,710	10,483
Auditors' remuneration - non-audit	1,553	2,300
Pension costs	675	-
Impairment of fixed asset investments	2,835,513	3,811,602
	<u> </u>	<u> </u>

SME WHOLESALE FINANCE (LONDON) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

3 DIRECTORS' REMUNERATION

	2010 £	2009 £
Aggregate emoluments	<u>45,538</u>	<u>-</u>

4 INVESTMENT INCOME

	2010 £	2009 £
Bank interest receivable	<u>26,745</u>	<u>556,648</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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

6 TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment £
COST	
At 1 April 2009	-
Additions	1,002
	<u>1,002</u>
At 31 March 2010	<u>1,002</u>
DEPRECIATION	
At 1 April 2009	-
Charge for the year	98
	<u>98</u>
At 31 March 2010	<u>98</u>
NET BOOK VALUE	
At 31 March 2010	<u>904</u>
At 31 March 2009	<u>-</u>

7. FIXED ASSET INVESTMENTS

	Investments in associates £	Capital Investments in Limited Partnership £	Other Loans to Limited Partnership £	Investment Loans to Limited Partnership £	Total £
COST OR VALUATION					
At 1 April 2009	250,000	1,600	5,424,847	8,086,623	13,763,070
Additions	-	-	1,025,055	898,636	1,923,691
	<u>250,000</u>	<u>1,600</u>	<u>6,449,902</u>	<u>8,985,259</u>	<u>15,686,761</u>
At 31 March 2010	<u>250,000</u>	<u>1,600</u>	<u>6,449,902</u>	<u>8,985,259</u>	<u>15,686,761</u>
IMPAIRMENT					
At 1 April 2009	-	-	5,424,847	2,544,597	7,969,444
Charge for the year	187,500	-	1,025,055	1,622,958	2,835,513
	<u>187,500</u>	<u>-</u>	<u>6,449,902</u>	<u>4,167,555</u>	<u>10,804,957</u>
At 31 March 2010	<u>187,500</u>	<u>-</u>	<u>6,449,902</u>	<u>4,167,555</u>	<u>10,804,957</u>
NET BOOK VALUE					
At 31 March 2010	<u>62,500</u>	<u>1,600</u>	<u>-</u>	<u>4,817,704</u>	<u>4,881,804</u>
At 31 March 2009	<u>250,000</u>	<u>1,600</u>	<u>-</u>	<u>5,542,026</u>	<u>5,793,626</u>

SME WHOLESALE FINANCE (LONDON) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

7 FIXED ASSET INVESTMENTS (continued)

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 £	Profit/(loss) £
London Business Loans (Wholesale) Limited	352,191	(118,020)

The financial statements for London Business Loans (Wholesale) Limited for the year ended 31 March 2010 are yet to be completed. Therefore the figures shown above relate to the year ended 31 March 2009. The company's share of the associate's turnover and net assets at the previous Balance Sheet date was as follows

	£	£
Share of turnover		27,039
Share of assets		
Current assets		2,270,043
Share of liabilities		
Due within one year or less	(352,481)	
Due after more than one year	(1,744,988)	
		(2,097,469)
Share of net assets		172,574

8. DEBTORS

	2010 £	2009 £
Loans	4,465,337	3,563,776
Other debtors	1,180,158	7,839,921
	5,645,495	11,403,697

Debtors include an amount of £3,001,461 (2009 £2,103,752) which is due after more than one year

SME WHOLESALE FINANCE (LONDON) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

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

	2010 £	2009 £
Bank loans and overdrafts	4,000,000	-
Trade creditors	295,427	45,291
Other creditors	265,146	972,919
	<u>4,560,573</u>	<u>1,018,210</u>

The bank loan has been provided by Barclays Bank Plc in order to facilitate the match funding of loans to small and medium enterprises. As at 31 March 2010 £Nil (2009 £3,138,191) of match funding had been financed by this facility. This loan facility was repaid after the year end on 6 April 2010.

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

	2010 £	2009 £
Bank loans	-	4,000,000
Accruals and deferred income	7,047,160	11,617,409
	<u>7,047,160</u>	<u>15,617,409</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2010 £	2009 £
Repayable other than by instalments	<u>-</u>	<u>4,000,000</u>

Accruals and deferred income

	2010 £	2009 £
Deferred grants	<u>7,047,160</u>	<u>11,617,409</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

Analysis of deferred grants

	2010 £	2009 £
Creative Fund - LDA Pan London	644,361	1,044,627
Creative Fund - Industry investment readiness	446,241	728,160
Technology Fund - LDA Pan London	5,554,196	7,077,621
Pan London Wholesale Fund - LDA	267,001	267,001
Economic Recovery Loan Fund	135,361	2,500,000
Total	<u>7,047,160</u>	<u>11,617,409</u>

Analysis of deferred grants

	2010	2009
At 1 April 2009	11,617,409	7,509,122
Received during the year	-	2,500,000
Released to profit and loss account	(1,421,613)	(2,239,931)
Transferred to capital reserve	(3,148,636)	(3,994,403)
Additional grants receivable	-	7,632,713
Grants repayable	-	(751,423)
Overspends allocated to deferred interest	-	858,071
Overspend set off against creditors	-	103,260
At 31 March 2010	<u>7,047,160</u>	<u>11,617,409</u>

Analysis of deferred interest

	2010	2009
At 1 April 2009	-	1,029,849
Received during the year	318,304	384,870
Released to profit and loss account	(213,868)	(556,648)
Grant overspends allocated to deferred interest	(104,436)	(858,071)
At 31 March 2010	<u>-</u>	<u>-</u>

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

12 RESERVES

	Capital reserve £	Profit and loss account £
At 1 April 2009	10,676,981	(378,744)
Loss for the year	-	(2,740,915)
Transfer between reserves	(1,810,458)	1,810,458
Grants utilised for investments and loans	3,148,636	-
At 31 March 2010	<u>12,015,159</u>	<u>(1,309,201)</u>

The above consists of the following

	2010	2009
Loans made to SMEs	7,133,355	4,883,355
Capital investment in Associates after impairment	62,500	250,000
Capital investment in Limited Partnerships	1,600	1,600
Loans made to Limited Partnerships after impairment	4,817,704	5,542,026
Total	<u>12,015,159</u>	<u>10,676,981</u>

13 PENSION COMMITMENTS

The company made pension contributions of £675 (2008 £nil) in the current year. Of this amount £225 (2008 £nil) is outstanding as at the year end and is included within 'Other creditors' in Note 9.

14. RELATED PARTY TRANSACTIONS

During the year, a new loan was made to London Business Loans (Wholesale) Limited, an Associate of the company, in order to create the Economic Recovery Loan Fund. The terms of the agreement are that London Business Loans (Wholesale) Limited will create a total loan fund of £3m assisted by the company who will provide 75% of this fund. The balance will be raised by London Business Loans (Wholesale) Limited itself. As at the year end £2,250,000 (2008 £nil) was due from London Business Loans (Wholesale) Limited and is included within 'Trade debtors' in Note 8. An impairment provision for bad debts has been set against this balance totalling £93,328 (2008 £nil) which is calculated by reference to the underlying loans made by the Economic Recovery Loan Fund. This is set against the balance included within 'Trade debtors' in Note 8.

15 POST BALANCE SHEET EVENTS

Since the year end the Investment Loans to Limited Partnerships, included in Note 7, have suffered further impairments amounted to £157,813, due to the underlying investments on which the loans have been utilised suffering further falls in value.

Registered number 05165896

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

DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2010

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

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	Page	2010 £	2009 £
Turnover	20	1,713,172	2,587,050
Less Overheads			
Administrative expenses	20	(4,367,975)	(5,103,686)
Operating loss		(2,654,803)	(2,516,636)
Interest receivable	21	26,745	556,648
Interest payable	21	(112,857)	(301,777)
Loss for the year		(2,740,915)	(2,261,765)

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

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2010**

	2010 £	2009 £
Turnover		
Loan interest received	291,559	345,542
Mezzanine loan turnover levy	-	1,577
Other income - UK	1,421,613	2,239,931
	<u>1,713,172</u>	<u>2,587,050</u>
	2010 £	2009 £
Administrative expenses		
Directors national insurance	5,185	-
Directors salaries	45,538	-
Staff salaries	16,349	-
Staff national insurance	1,257	-
Staff pension costs	675	-
Printing and stationery	59	1,193
Telephone and fax	480	-
Legal and professional	133,017	39,330
Recruitment expenses	38,229	-
Auditors' remuneration	9,710	10,483
Auditors' remuneration - non-audit	1,553	2,300
Accountancy fees	-	48,225
Office desk rental	5,550	-
Bank charges	(47,772)	13,394
Bad debts	382,583	572,200
Sundry expenses	2,084	-
Public relations	-	63
Insurances	3,998	3,718
Depreciation - office equipment	98	-
Provision against other loans made to funds	1,025,055	1,928,581
SME Business Support	281,919	292,833
Fund Manager Fees	651,950	308,345
Provisions for diminution in value of capital investment loans	1,622,958	1,883,021
Provision for impairment of investment in associates	187,500	-
	<u>4,367,975</u>	<u>5,103,686</u>

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

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2010

	2010 £	2009 £
Interest receivable		
Bank interest receivable	26,745	556,648
	<hr/>	<hr/>
	2010 £	2009 £
Interest payable		
Other loan interest payable	112,857	301,777
	<hr/>	<hr/>