

**ADVENTURE CAPITAL
FUND (A COMPANY
LIMITED BY GUARANTEE)**

FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED
31ST MARCH 2008**

Charity no 1117185
Company no 5777484



ADVENTURE CAPITAL FUND (A Company limited by guarantee)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH 2008

Officers and professional advisers

Company registration number:	5777484
Date of Incorporation	11 April 2006
Charity registration number:	1117185
Registered office:	Ground Floor, Ibex House 42 - 47 Minories London EC3N 1DY
Board of Trustees (Trustees and directors):	S Bubb (Chair) M J Baker A Cann S Crofton S Davidson M Gill R Peters J Tizard A Tutt F Worth S Wyler
Chief Executive:	J Lewis
Company Secretary:	S T Peters

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Officers and professional advisers

Stephen Bubb, Trustee & Chair	Stephen is Chief Executive of ACEVO, the Association of Chief Executives in Voluntary Organisations and Secretary General of Euclid, the network for third sector leaders in Europe. Stephen is also the Chair of Futurebuilders England Fund Management Limited, ACF's wholly owned subsidiary.
Mike Baker, Trustee & member of the Investment Committee	Mike is the Chief Executive of The Social Enterprise Loan Fund (TSELF), formerly known as the Local Investment Fund and a founder member of the Adventure Capital Fund. Mike is also a Director of Futurebuilders England Fund Management Limited.
Anthony Cann, Trustee & member of the Investment Committee and Audit Committee	Anthony is a solicitor, now non-practising, and was from 2001-2006 the worldwide Senior Partner of Linklaters, an international law firm. He is also a director of Smiths News PLC and of Panmure Gordon & Co. plc and Chairman of Changing Faces. Anthony is also a Director of Futurebuilders England Fund Management Limited.
Simone Crofton, Trustee	Simone is Chief Executive of Borough Market, a registered charity. Simone previously worked as a venture capitalist and worked at the Catalyst Fund Management and Research Ltd.
Simon Davidson, Trustee, Vice Chair, Chair of Audit Committee & member of the Investment Committee	Simon is a private equity investor in the retail, consumer and leisure sectors. He currently works for Exponent Private Equity, having previously worked for Apax Partners. His investments have included Travellex, Somerfield, Dreams and Radley. Simon is also a Director of Futurebuilders England Fund Management Limited.
Manjeet Gill, Trustee	Manjeet is Chief Executive of Salisbury District Council. Prior to that Manjeet was Corporate Director of Neighbourhood Services at Nottingham City Council. Manjeet is also a Director of Futurebuilders England Fund Management Limited.
Russ Peters, Trustee & member of the Investment Committee and Audit Committee	Russ is a former Main Board Director of P&O. Russ is also a Director of Futurebuilders England Fund Management Limited.
John Tizard, Trustee	John is Director of the Centre for Public Service Partnerships at the University of Birmingham. John was previously the Group Director of Government and Business Engagement for The Capita Group plc. John is also a Director of Futurebuilders England Fund Management Limited.
Anne Tutt, Trustee and Treasurer, member of the Investment Committee and Audit Committee	Anne is an experienced Finance Director currently with a portfolio of consulting / non executive interests across the government, charity and the private sector. Anne is also a Director of Futurebuilders England Fund Management Limited.

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Fred Worth, Trustee & Chair of Investment Committee	Fred was Finance Director of two technology businesses and is a Non-Executive Director of North Staffs Combined Healthcare NHS Trust, a Trustee of Royal Mencap and a Director of Acqsys Supply Chain Solutions Ltd. Fred is also a Director of Futurebuilders England Fund Management Limited.
Steve Wyler, Trustee & member of the Investment Committee	Steve is Director of the Development Trusts Association, a founder member of the Adventure Capital Fund.
Jonathan Lewis, Chief Executive	Prior to joining ACF Jonathan was Director of ITV Digital Channels. He was appointed as ACF's Chief Executive on 10 th September 2007. Jonathan is also Chief Executive of Futurebuilders England.
Sue Peters, Managing Director, Investments and Company Secretary	Sue previously ran Culture Finance, an initiative supported by Arts Council England and the Northwest Development Agency to help make finance available to businesses in the creative industries. Sue was appointed as Company Secretary for the Adventure Capital Fund on its date of incorporation, 11 April 2006. Sue is also Managing Director, Investments of Futurebuilders England.

This page forms part of the Report of the Board of Trustees on pages 3 - 9.

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Officers and professional advisers

Bankers: Bank of Ireland plc
20 Berkeley Square
London W1J 6LL

Solicitors: Bates Wells & Braithwaite
Solicitors
2-6 Cannon Street
London
EC4M 6YH

Auditor: Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

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CHAIRMAN'S STATEMENT

FOR THE PERIOD ENDED 31ST MARCH 2008

These are the 2007/8 Financial Statements for the Adventure Capital Fund. These statements have been prepared under the Guidelines in the Accounting and Reporting by Charities: Statement of Recommended Practice, SORP 2005.

This has been a successful period for the Adventure Capital Fund. We started the period with ambitious plans to grow our activities and to build on the success of previous years by making new investments and further supporting the existing investments in our portfolio. Our core aim is to support the development of financially viable Community Enterprises. We do this by providing patient capital investments which are designed to achieve social benefit as well as generate a financial return. During the period we made 9 new investment commitments to community enterprises and a further 4 to organisations already in our investment portfolio. We also expanded our business development grant programme which is aimed at fledgling community enterprises that need finance to develop their enterprise ideas. 27 organisations benefited from grants and support under this programme and we hope that the work that they do with ACF support will provide them with a solid base to develop strong and successful businesses.

We believe that patient capital linked with the type of tailored support programmes that we provide to all our investees has an important role to play in building strong and sustainable community enterprises and makes them better placed to deliver social returns for the communities they serve. In early 2008 we were pleased to see the publication of the interim report from our independent evaluators, the Centre for Social Evaluation Research at London Metropolitan University, which supported this belief. The report showed how successful the patient capital model can be. Taken as a group, it found that the turnover of the ACF's investees more than doubled, growing their aggregate turnover from £3.3 million to £6.9 million in the two years after their offer of an ACF investment – a 109% growth rate. In the previous two years, turnover of the same group of investees had grown by less than 50%. Our investees also significantly increased their capital assets, which in the subsequent two years after the ACF investments, increased from £1.3 million to almost £6 million, an increase of nearly 400%.

An important milestone for the Adventure Capital Fund as an independent company, was the transfer of funds held by The Social Enterprise Loan Fund (TSELF), Adventure Capital Fund's accountable body. The total value of the assets transferred to the Adventure Capital Fund on 1st June 2007 was £13.6m. With our independent status formally completed we have been able to look at raising new sources of funds and concentrate on implementing our plans for growth.

In February 2008 ACF's wholly owned subsidiary, Adventure Capital Fund Management Ltd, was appointed by the Cabinet Office, to deliver the second phase of the Futurebuilders England Fund; ACFM will be the fund manager for a £215 million fund. The role of the Fund is to invest in third sector organisations to deliver public services. We are pleased to have won the contract for such an important scheme for third sector organisations. We are looking to build on the success of the programme and plan to bring about a dramatic increase in the number of third sector organisations contracting with the public sector to deliver public services. We are confident that with the staff team at FBE and the diverse and dynamic Board we have recruited to run the fund, we will be able to achieve this.

In the year ahead we will be seeking to tender for new funding opportunities to support our core activity of investing in and supporting community enterprises. Our independent evaluation report showed that there is significant demand for the type of investments we make and we hope to be able to meet this demand in the future by successfully bidding for funds such as Communitybuilders. Our ambition is to become the leading provider of finance and specialist support for community enterprises in England and we hope to make significant progress towards this in the coming year.



STEPHEN BUBB
CHAIRMAN

DATE: 11 December 2008

ADVENTURE CAPITAL FUND (A Company limited by guarantee)
REPORT OF THE BOARD OF TRUSTEES

The Trustees present their report together with the financial statements for the period ended 31 March 2008.

OBJECTIVES AND ACTIVITIES

The Adventure Capital Fund was established as a company limited by guarantee in April 2006 and as a registered charity in December 2006. The Objectives of the Charity are to promote charitable purposes by the making of social investments by means of loans, grants and other financial assistance, advice and support. Our investees are charities or other community enterprises for charitable purposes. They are looking to develop their enterprise activities but many are not yet ready or able to access finance from high street lenders. We provide a mixed financial package with both loan and grant elements tailored to the needs of each individual organisation. In addition to the finance element we also provide expert support and mentoring to all our investee organisations.

Organisations applying to us have to meet the following criteria:

- be working with a community of place, e.g. inner city, small town, rural district, possibly working with a specific community of interest in that geographical area such as local refugees or groups of disadvantaged young people.
- be independent and community-led, not controlled by the private or public sector, and able to demonstrate local impact and engagement both practically and via governance.
- be working in England.
- be involved in enterprise which can be trade or any other income-generating activity through which the organisation intends to make surpluses that will be reinvested for the benefit of the community.
- have at least a one year track record of delivering to the community.
- be able to plan and deliver successful community-based enterprise activity.

We are particularly interested in working with:

- Organisations that are or could become 'community anchors'. (i.e. organisations that are controlled by local residents and/or representatives of local groups, address the needs of their area in a multi-purpose, holistic way, are committed to the involvement of all sections of their community, including marginalised groups and facilitate the development of the communities in their area.)
- Organisations led by members of black and/or minority ethnic communities.
- Rural organisations.
- Organisations that are pioneering new ways of working.
- Organisations that can demonstrate excellence in what they do and inspire best practice in others, for example, some of our investors act as mentors.

We believe that by investing in community enterprises to build capacity and enable them to achieve entrepreneurial success we are able to foster community transformation.

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REPORT OF THE BOARD OF TRUSTEES

PUBLIC BENEFIT STATEMENT

The primary purpose of the Adventure Capital Fund is to champion community enterprise through strategic use of our investment funds to support the development of the sector and its organisations; to fund the development of services and projects of benefit to those organisation's communities; and to promote community ownership. We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives they have set.

We meet our purpose through our investment programmes, the Main Investment Fund (including the Managed Workspace Fund) and the Business Development Programme. The Main Investment Programme is for community organisations that seek to run enterprise activities that will provide them with a financial surplus which they will be able to plough back into the services they provide for their local community. Through this programme in 2007/8 we have made investments in 9 different organisations, bringing our total number of main investments to 51. The majority of the organisations we invest in are registered charities (85% of our investment portfolio) and those that are not have charitable aims, including such as providing work based activities and training for adults with learning disabilities and/or physical disabilities.

We work across all the English regions.

As part our investment process we look at the potential social returns that the organisations we invest in plan to deliver to their community. A recent review of our investment portfolio shows amongst the intended social outputs the creation of 755 jobs and 242 volunteer posts, 2,325 people receiving training and a total of 57,250 people accessing services and facilities, demonstrating the substantial and vital public benefits that are made possible as a result of ACF's investments. But the statistics only tell part of the story and we believe that the most effective way of demonstrating the public benefit is through the organisations that we invest in. Below are some short case studies on just a few of the investments we made in 2007/8.

Alt Valley Community Trust

Located in an economically deprived area of north east Liverpool, the trust and its sister organisations, the Neighbourhood Services Company (NSC) and Neighbourhood Services Company Training, have developed a range of training courses and job opportunities through its innovative learning project, Communiversity. Housed in a former old people's home, this community-based training facility offers a broad curriculum, including IT, construction, digital design, and mechanics. In 2002, rapid growth led the trust to approach the ACF. The trust was awarded a £100,000 grant and a £100,000 loan, which it used to develop the Communiversity site to build a recording studio, conference centre, café, crèche and study support rooms, and to lease a former supermarket to develop as a base for NSC's building and environmental sections.

Since then, it has continued to expand. In 2006, it secured external funding to build a new Skills Centre and a 100 acre farm. A further investment from ACF in 2007 of £290,000 loan and £75,000 grant was used to purchase a parade of shops which contains the supermarket base formally leased by NSC. The vacant units at the parade are being used as a catering training facility. Besides financial assistance, the ACF also funded a supporter to provide mentoring on business planning and finance. Today, its finances are in good health. AVCT and its sister organisations have taken loans to pay for new capital investments, but the rest of their revenue is earned by delivering training and building environmental maintenance contracts.

The three organisations now employ over 80 people full-time, provide 45 paid training opportunities and have a combined turnover in excess of £3 million. For the local community, this growth has resulted in better and more diverse training and education facilities, and a greater chance of securing employment.

Chopsticks

Chopsticks is a community-benefit organisation owned by its disabled service users. As well as receiving day care, Chopsticks' owners also help run its local kindling wood and garden maintenance services. Adopting the social

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REPORT OF THE BOARD OF TRUSTEES

enterprise model, the profits are then reinvested back into the organisation to deliver yet more social returns.

The day care includes using machines in Chopsticks' workshop to cut firewood from scrap timber, which is sold locally. They also tend gardens as part of Chopsticks' garden maintenance business, which helps 75 elderly and disabled people to continue living in their own homes rather than moving into residential care.

For several years, Chopsticks operated from a 1950s workshop that was unfit for purpose - it couldn't accommodate wheelchair users and only had workspace for 15 people. By September 2007, Chopsticks had bought and moved into a larger, more accessible building at Northallerton Business Park. The building will double Chopsticks' working capacity and potentially its average annual £30,000 surplus, which will be put back into improving and creating more business.

The new building, which was partly acquired with a finance package put together by the ACF (£196,680 loan and a £40,500 grant), includes modern, more efficient wood cutting machinery that will help Chopsticks to win more public sector contracts and become self-sustainable. In August 2007, Chopsticks drew on the ACF finance to help make its final building payments. The ACF money was crucial because it was the largest single funding Chopsticks received. ACF is also providing expertise to help Chopsticks to achieve its business targets and ultimately help more people with disabilities.

Burton Street Foundation

The Burton Street Project in Sheffield provides community activities for more than 1,500 people a week, from art classes to dance groups. More than 70 people with learning disabilities come to sessions every week, attending the day services and running a restaurant. ACF has made a total investment of £850,000, initially to support the development of the restaurant and subsequently to provide further working capital to help Burton Street restructure and place it in a good position for long-term sustainability.

In addition to the main investments which help organisations to start trading we run a Business Development Programme which is designed to help potential community enterprises to carry out some of the planning and internal capacity building they need to do to be ready to trade. In 2007/8 we have made 28 development grants with a total value of £415,500. Alongside the actual grant we also provide organisations with 5 days of time from one of our supporters. We have a pool of supporters specially recruited for their practical knowledge and experience of community enterprises. Their expertise is invaluable in helping organisations to understand and address the many challenges they will face in running enterprise activities at the same time as supporting and empowering the communities which they work for and with.

Below are a few examples of development grants that we made during 2007/8:

Elite Youth

Elite Youth is a youth and community organisation based in Tower Hamlets that works with the disadvantaged and disengaged ethnic minority community of Tower Hamlets, providing activities such as a youth club, football in the community, a healthy futures project and a youth volunteering scheme. With a development grant and mentoring support from ACF they were able to complete the business planning process and feasibility study work for a new building. They have recently received confirmation of finance of £3.7million from Tower Hamlets Council for the new building which will house a crèche, employment advice surgeries, multifunction hall, a gymnasium, office units and youth enterprise projects.

North Sunderland and Seahouses Development Trust

The trust owns and runs a community resource centre from which it provides services for all the community but especially young people, the elderly and people with learning difficulties. They recently took over management of an existing sports centre in Seahouses and want to refurbish it to include a café, children's soft play area and office and function room space as well as additional sports facilities. The grant support from ACF is enabling them to

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complete some of the legal elements of the process, e.g. land registration and also cover professional fees for the redevelopment plans.

Young Potential

Based in the East Midlands, Young Potential works with young people who face learning barriers or have disabilities or behavioural problems. Young Potential wants to renovate the Circle Arts Centre as a base from which to provide services in Worksop and Bassetlaw, areas of deprivation with chronic poor health issues. These services will include community arts based training, social enterprise employment, supported placements for people with mental health problems and training opportunities for young people. The grant and support from ACF is helping them to explore the enterprise potential of the centre and to develop a business plan and detailed feasibility study.

GOVERNANCE AND DECISION MAKING

The Adventure Capital Fund is a company limited by guarantee that was incorporated on 11 April 2006. It is governed by a set of memorandum and articles of association. It is also a registered charity. The objects of the Charity are to make social investments by means of loans, grants, equity, near equity, guarantees or other financial assistance to charities or for charitable purposes and to promote the efficient and effective application of charitable resources by those charities and for charitable purposes by the provision of financial advice, support and related assistance to our investee organisations.

ACF's governance structures include the main Board of Trustees, Investment Committee and Audit Committee.

The Board of Trustees meets quarterly and holds an annual strategic planning day. Its key functions include:

1. reviewing and guiding ACF's corporate strategy, annual budget and business plans
2. monitoring the effectiveness of ACF's governance practices and making changes as necessary
3. setting and monitoring performance objectives
4. selection, remuneration and monitoring of key senior executives

The Investment Committee is authorised to make investments on behalf of the Fund in accordance with the Investment Policy agreed by the Board.

The Audit Committee is responsible for:

1. Ensuring the integrity of ACF's accounting and financial practices
2. Examining and reviewing all systems and methods of control including financial and risk management
3. Ensuring that the charity complies with all aspects of the law, relevant regulation and good practice.

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REPORT OF THE BOARD OF TRUSTEES

TRUSTEES

The trustees who served during the period were:

S Bubb, Chair
M J Baker
A Cann
S Crofton (appointed 30 November 2007)
S Davidson
M Gill (appointed 30 November 2007)
R Peters
J Tizard (appointed 30 November 2007)
A Tutt (appointed 31 October 2007)
F Worth (resigned 26 March 2008, re-appointed 23 October 2008)
S Wyler

None of the trustees are members of the company or have any beneficial interest in the company.

Two of the Trustees, S Wyler and M Baker represent two of ACF's members, the Development Trusts Association and The Social Enterprise Loan Fund. Each of these members agree to contribute £1 in the event of the charity winding up. The two members each have the right to nominate a representative to sit on the Board of Trustees.

RECRUITMENT, INDUCTION & TRAINING OF TRUSTEES

It is ACF policy that our Board will have the combination of skills necessary to support the effective provision of finance to charities and community enterprises. In particular we will ensure that our Board of Trustees includes skills and expertise in the following areas: banking and investment, community regeneration and social enterprise, commercial law and financial and risk management.

When we need to recruit new trustees we follow the process outlined below:

- Agree responsibility for overseeing the process and ensure complete impartiality
- Review the skills / expertise we most need to recruit
- Decide how to recruit e.g. advertising / agency services
- Broaden the diversity of the Board so long as that is consistent with obtaining the right skills
- Undertake appropriate background checks e.g. take up references
- Send an appointment letter detailing the terms and conditions of the appointment

Having selected the best individual, our induction and training process includes

- Providing copies of key ACF documents such as the Memorandum & Articles of Association, latest Audited Accounts, minutes of recent Board and Investment Committee Meetings and evaluation reports.
- Providing relevant Charity Commission publications e.g. "The essential Trustee – what you need to know".
- Arranging a familiarisation programme that includes time with Chair, Chief Executive, other ACF staff and trustees and at least one investee organisation.

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REPORT OF THE BOARD OF TRUSTEES

FINANCIAL REVIEW

The only activity of the Adventure Capital Fund during the period under review was the making of investments in community enterprises. A full analysis of our expenditure is given in Notes 3 & 4 under the headings of "Cost of generating Voluntary Income", "Direct Charitable Activities" and "Governance". During the period we spent a total of £4,223,179 on "Direct Charitable Activities", £21,103 on "Cost of generating voluntary income" and £83,567 on "Governance".

Our resources are closely focussed on supporting our existing clients and finding new community enterprises that need our support. This is demonstrated in grants during the period of £2,583,137 and a loan portfolio of £3,543,850 at the end of the period. Our support costs were £252,313 during the period which shows the increased level of engagement we have with our investees.

In June 2007 we received a transfer of funds of £13,648,341 from The Social Enterprise Loan Fund (TSELF). This sum represented the net assets from the restricted funds for the "Adventure Capital Fund", for which TSELF was the previous accountable body.

In this financial period, we received one grant of £100,000 from the London Development Agency and had disbursed or committed £82,500 of that to 6 recipients as grants made and provided £11,250 to 6 recipients as support funds. These grants and associated support enabled seven community based organisations to research and plan enterprise activities to underpin the development of sustainable and strong community businesses. We also received a grant of £200,000 from the Cabinet Office representing the agreed level of funding for 2007/8 and final contribution for running costs and business support.

DEVELOPMENTS

In February 2008 ACF agreed that its subsidiary company, Adventure Capital Fund Management (ACFM), which was formed on 31 January 2008, could enter into a contract to provide fund management services to the Cabinet Office. The contract had been the subject of a competitive tender process which was won by ACFM. The Adventure Capital Fund is the sole member of Adventure Capital Fund Management (company no. 6490609), a company limited by guarantee. On 1 April 2008 ACFM took over the running of Futurebuilders England. A Special Resolution dated 30th June, 2008 changed the name of ACFM to Futurebuilders England Fund Management Limited.

GRANT MAKING POLICY

ACF invites applications from community organisations that are undertaking or plan to undertake enterprise activity in England. No applications from individuals or private or public sector organisations are considered.

In this period ACF disbursed grants of £1,383,813. These grants were made as part of ACF's Main Investment Fund and Business Development Fund, £968,314 in the form of main investments and £415,500 as business development grants. We also committed a further £1,199,324 of grants. The Trustees' policy is to award grants on the basis of how an organisation meets ACF investment policy and criteria, full details of which are available on ACF's website, www.adventurecapitalfund.org.uk.

Applicants to the Main Investment Fund are asked to submit an application form, a business plan and a copy of their most recent audited accounts. The applications are reviewed and filtered against ACF criteria and those that do not meet the criteria are declined, usually within 4 weeks of receipt. Those applications that are found to meet the criteria undergo a detailed risk assessment. This includes an assessment meeting conducted by ACF staff and an independent assessor. If the assessment visit is positive then application is then considered by the ACF Investment Committee which makes the final decision. The Investment Committee is made up of ACF Trustees.

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Applicants for Business Development Grants (usually up to £15,000) are asked to submit an application form and a project summary. The applications are reviewed internally against ACF's Business Development Grant policy and a recommendation is made following consideration of the application by a minimum of 2 staff. If the recommendation is to approve a grant, this is written up for final approval by the Managing Director, Investments.

Regular contact is maintained with recipients of grants for monitoring purposes and Main Investment recipients receive six monthly or annual monitoring visits. All grant recipients are allocated an ACF supporter who works with them to build organisational capacity.

RELATED PARTIES

The Adventure Capital Fund has two members, The Social Enterprise Loan Fund (TSELF) and the Development Trusts Association. Payments totalling £20,020 were made to TSELF in the period for provision of book-keeping services. Payments totalling £109,836 were made to the Development Trusts Association for marketing, support and assessment services.

RISK REVIEW

The Trustees have recently completed a review of the major risks to which the Adventure Capital Fund is exposed and agreed a number of actions to mitigate these risks. The Trustees have agreed that the Audit Committee will be responsible for the annual review of major risks.

RESERVES POLICY

The Adventure Capital Fund's balance sheet shows cash at bank and in hand of £7,815,004 at 31 March 2008, of which 80% is allocated for direct investment in community enterprises. At 31 March 2008 39% of the £7.8 million was either legally committed or on offer. Our reserves need to be at least enough to continue to manage and monitor our investments. This policy will be reviewed on an annual basis.

INVESTMENT POLICY

The Trustees have considered the requirements and purpose of the charity and consider it appropriate for the funds not yet disbursed for investments to be held as cash and / or short term deposits with banks approved by the Trustees. Changes to this investment policy would be decided upon by the Board of Trustees.

FUNDING

The Trustees are satisfied that the charity's assets are available and adequate to fulfil its obligations.

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REPORT OF THE BOARD OF TRUSTEES

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of the Adventure Capital Fund for the purposes of company law) are responsible for preparing the Trustees Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company, and of the incoming resources and application of resources, including the income and expenditure of the charitable company for that period. In preparing these financial statements, the trustees 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 charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the trustees is aware:

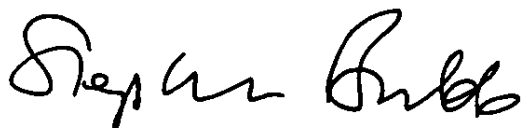
- there is no relevant audit information of which the charity's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

SMALL COMPANY PROVISIONS

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

Signed on behalf of the Board of Trustees



Stephen Bubb
Chairman

11 December 2008

ADVENTURE CAPITAL FUND

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE ADVENTURE CAPITAL FUND

We have audited the financial statements of the Adventure Capital Fund for the period ended 31 March 2008 which comprise the principal accounting policies, the statement of financial activities, the balance sheet and notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable 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 charitable 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of the Adventure Capital Fund for the purposes of company law) responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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, whether they are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable 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 trustees' remuneration and transactions with the charitable company is not disclosed.

We read the Trustees' 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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.

ADVENTURE CAPITAL FUND

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2008 and of its incoming resources and application of resources for the period then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements for the period ended 31 March 2008.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
London

Date: *12 December 2008*

ADVENTURE CAPITAL FUND

Principal Accounting Policies

BASIS OF PREPARATION OF ACCOUNTS

The following policies, which have been consistently applied, are considered material in relation to the company's 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 January 2007) and follow the recommendations in the Statement of Recommended Practice: Accounting by Charities (the SORP) issued in 2005.

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiary, it qualifies as a small-sized group under section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

PROGRAMME RELATED INVESTMENTS

Programme related investment loans are recognised in the accounts when funds are drawn by the clients. Loans offered but not drawn down at the balance sheet date are disclosed at note 12.

Specific provisions are made against loans when, as a result of frequent monitoring, it is considered that recovery is doubtful. A general provision is also made and calculated at 5% of the period end outstanding loan balances. The specific and general provisions are deducted from the Programme Related Investment asset. Provisions made during the period, less amounts released, are charged to the Statement of Financial Activities.

GRANTS RECEIVED

All grants are credited to income on the earlier date of when they are received or when they are receivable, unless they relate to a specified future period, in which case they are deferred.

GRANTS PAYABLE

Grants payable are recognised when the offer is conveyed to the recipient except where the offer is conditional, such grants being recognised as expenditure when the conditions are fulfilled. Offers subject to conditions which have not been made at the balance sheet date are noted as committed but not accrued as expenditure.

INVESTMENT INCOME

Investment income, including associated tax recoveries, is recognised when receivable.

EXPENDITURE

Expenditure, which is charged on an accruals basis, is allocated between:

- expenditure incurred directly to the fulfilment of the charity's objectives (Charitable activities);
- expenditure incurred directly in the effort to raise voluntary contributions (Cost of generating voluntary income); and
- expenditure on the governance infrastructure which allows the charity to operate and to generate the information required for public accountability. This includes the strategic planning processes that contribute to future development of the charity. (Governance cost)

Within Governance Costs, staff time is attributed on an analysis of time spent on the various activities. Support costs and overheads are allocated as incurred and according to time spent. Premises and operational costs are allocated pro rata to staff time. Legal fees have been allocated specifically on the basis of work done.

Items of expenditure involving more than one cost category are apportioned on an appropriate basis.

ADVENTURE CAPITAL FUND

Principal Accounting Policies

FUND ACCOUNTING

Restricted funds are to be used for specific purposes laid down by the donor. Expenditure for these purposes is charged to the fund, together with a fair allocation of overheads, support costs and interest income.

PENSION CONTRIBUTIONS

The pensions costs charged in the income and expenditure account are contributions payable to personal pension schemes of members of staff in respect of the accounting period.

ADVENTURE CAPITAL FUND

Statement of Financial Activities

For the period ended 31st March 2008

		Restricted funds		Total funds	Total funds
				Period	Period
				ending	from 11
				31 March	April 2006
				2008	to 30 April
				£	2007
	Note	ACF General Fund £	London BDG Fund £		£
Incoming Resources					
Incoming resources from generated funds:					
Transfer from LIF	1	13,648,341	-	13,648,341	-
Other voluntary income	1	200,000	100,000	300,000	100,000
Bank interest		431,212	-	431,212	1,586
Incoming resources from charitable activities	2	151,093	-	151,093	-
Total incoming resources		14,430,646	100,000	14,530,646	101,586
Resources expended					
Cost of generating funds:					
Cost of generating voluntary income	3	21,103	-	21,103	-
Charitable activities	4	4,126,929	96,250	4,223,179	99,750
Governance costs	3	83,567	-	83,567	-
Total Resources Expended		4,231,599	96,250	4,327,849	99,750
Net incoming resources before transfers/net movement in funds		10,199,047	3,750	10,202,797	1,836
Balances brought forward at 30 th April 2007		-	1,836	1,836	-
Balances carried forward at 31 March 2008	10	10,199,047	5,586	10,204,633	1,836

All transactions arose from continuing operations.

All recognised gains and losses are included in the Statement of Financial Activities.

The accompanying accounting policies and notes form an integral part of these financial statements.

ADVENTURE CAPITAL FUND

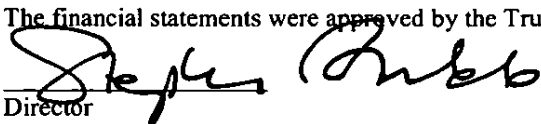
Balance Sheet

As at 31st March 2008

	Note	31 March 2008 £	30 April 2007 £
Fixed Assets			
Programme related Investments	7	3,543,850	-
Current assets			
Debtors	8	109,996	-
Cash at bank and in hand		7,815,004	101,586
Total current assets		<u>7,925,000</u>	<u>101,586</u>
Liabilities:			
Creditors: amounts falling due within one year	9	(1,264,217)	(99,750)
Net current assets		<u>6,660,783</u>	<u>1,836</u>
Net assets		<u>10,204,633</u>	<u>1,836</u>
The Funds of the Charity:			
Restricted Funds			
ACF General Fund	10	10,199,047	-
London BDG Fund	10	5,586	1,836
Total charity funds		<u>10,204,633</u>	<u>1,836</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2009).

The financial statements were approved by the Trustees on 11th December 2008.


Director

The accompanying accounting policies and notes form an integral part of these financial statements.

ADVENTURE CAPITAL FUND

NOTE TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2008

1 VOLUNTARY INCOME

Grants and other donations receivable during the period were as follows:

Category	Source	Period Ending 31 March 2008 £	Period from 11 April 2006 to 30 April 2007 £
LIF Transfer	The Local Investment Fund	13,648,341	-
Grant funding for Adventure Capital Fund	Cabinet Office	200,000	-
London BDG Fund	London Development Agency	100,000	100,000
Total		13,948,341	100,000

On 1st June 2008 the net assets of the restricted fund known as "the Adventure Capital Fund", previously included in the accounts of The Local Investment Fund were transferred to the Adventure Capital Fund. The total value of the assets transferred was £13.6million. This fund has been accounted for as a restricted fund in accordance with the terms attaching to the original grants made by the Office of the Third Sector (OTS) to The Local Investment Fund, as agreed by OTS.

2 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES.

	Restricted Funds			Period from 11 April 2006 to 30 April 2007
	ACF General Fund £	London BDG Fund £	Period Ending 31 March 2008 £	
Refund of grant paid	12,225	-	12,225	-
Client interest	95,605	-	95,605	-
Futurebuilders	43,263	-	43,263	-
Total	151,093	-	151,093	-

In February 2008 the Adventure Capital Fund was appointed by the Cabinet Office to deliver the second phase of the Futurebuilders fund, a £215 million fund aimed at developing and supporting third sector delivery of public services. Funding shown above was received in respect of transition costs incurred prior to the contract start date on 1 April 2008.

ADVENTURE CAPITAL FUND

NOTE TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2008

3 ALLOCATION OF SUPPORT COSTS AND OVERHEADS:

	Cost of generating voluntary income	Direct charitable activities	Governance	Period Ending 31 March 2008	Period from 11 April 2006 to 30 April 2007
	£	£	£	£	£
Supporter's Fees	-	252,313	-	252,313	-
Staff Costs (note 6)	15,861	279,156	22,206	317,223	-
Premises & Operational	3,362	59,162	4,706	67,230	-
Consultancy Fees	-	8,773	-	8,773	-
Marketing & Advertising	-	176,212	-	176,212	-
Legal & Other Professional Services	1,880	78,546	18,795	99,221	-
External Audit	-	-	18,814	18,814	-
External Evaluation	-	87,362	-	87,362	-
Trustees Costs (note 5)	-	-	19,046	19,046	-
Total	21,103	941,524	83,567	1,046,194	-

The support costs and overheads are allocated as incurred and according to time spent. Premises and operational costs have been allocated on the basis of staff time. Legal fees have been allocated specifically on the basis of work done. Staff costs includes indirect costs including recruitment and travel. Note 6 shows direct costs only.

4 ANALYSIS OF CHARITABLE ACTIVITIES.

	Staff Costs	Other Direct Costs	Grants made	Supporters Cost	Period Ending 31 March 2008	Period from 11 April 2006 to 30 April 2007
	£	£	£	£	£	£
Investment in Community Enterprise	279,156	1,108,573	2,583,137	252,313	4,223,179	99,750
Total	279,156	1,108,573	2,583,137	252,313	4,223,179	99,750

The staff costs figure includes payroll and recruitment costs. Other direct costs include provision made for bad debt and loan write off. The grants made figure includes both grants disbursed and grants committed.

ADVENTURE CAPITAL FUND

NOTE TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2008

5 TRUSTEES COSTS

Note 3 above shows a total of £19,046 was paid out in Trustee costs in 2007/8. This includes remuneration of £8,860 paid to the Chair of the board and a contribution of £3,952 for secretarial and administrative support. These payments were made in accordance with the authority granted by the Charity Commission on 8 December 2006. The remaining £6,234 represents Trustees' expenses paid to 3 Trustees during the period. (2007 £nil)

6 STAFF COSTS

	Wages & Salaries	Pension Cost	Social security Cost	Period Ending 31 March 2008	Period from 11 April 2006 to 30 April 2007
	£	£	£	£	£
Total	221,886	21,802	26,679	270,367	-

The average number of employees of the company during the period was:

	2008	2007
Employees	5	4

Two employees earned £60,000 or more in the current period. (2007: 2)

7 PROGRAMME RELATED INVESTMENTS

	Period Ending 31 March 2008	Period from 11 April 2006 to 30 April 2007
	£	£
LIF transfer	2,392,469	-
Net bad debt provision	(648,518)	-
Loan written off	(50,000)	-
Repayments received	(247,584)	-
New loans made in the period	2,097,504	-
Closing balance net of bad debt provision	3,543,850	-

The LIF transfer represents the outstanding programme related investments made through the Local Investment Fund prior to the transfer of assets in June 2007 (note 1).

Programme related investments are repayable in the following manner:

ADVENTURE CAPITAL FUND

NOTE TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2008

	Period Ending 31 March 2008 £	Period from 11 April 2006 to 30 April 2007 £
Within one year	73,253	-
After one and within two years	121,136	-
After two and within five years	512,198	-
After five years	2,337,263	-
Potentially repayable by social outputs	500,000	-
	3,543,850	-

Three of the loans totalling £500,000 may, in the future, be converted into grant, either in whole or in part, if the recipients deliver and evidence social impact equivalent to the financial value of the loan.

Movement in provision for bad debts

	Period Ending 31 March 2008 £	Period from 11 April 2006 to 30 April 2007 £
Opening Balance	-	-
Provision in year	698,518	-
Provision released	-	-
Amounts written off	(50,000)	-
Closing Balance	648,518	-

The provision in period of £698,518 represents: £50,000 loan written off, specific provision of £462,000 and £186,518 general provision which represents 5% of the loan book at period end.

ACF makes investments which present relatively high levels of risk, operating as we do in a sector of the social investment market where community enterprises are fundable but not by commercial lenders such as mainstream banks. Given this we expect to have a relatively high level of write-offs but seek to mitigate this through developing a close relationship with the organisations in our portfolio to maximise their chances of success, manage the risks and protect our investments. At the period end, our portfolio was performing broadly in line with our original expectations

ADVENTURE CAPITAL FUND

NOTE TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2008

8 DEBTORS

	Period Ending 31 March 2008 £	Period from 11 April 2006 to 30 April 2007 £
Client Interest Receivable	26,482	-
Bank interest accrued and FBE transition costs	83,514	-
Total	109,996	-

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Period Ending 31 March 2008 £	Period from 11 April 2006 to 30 April 2007 £
Taxation and social security	11,349	-
Commitments given	1,199,324	54,750
Other creditors	3,978	45,000
Accruals	49,566	-
Total	1,264,217	99,750

Commitments given of £1,199,324 represent grants offered but not advanced as at 31st March 2008, (2007: £54,760).

10 RESTRICTED FUNDS

	Balance brought forward £	LIF Transfer (note 1) £	Other income £	Total incoming resources £	Outgoing £	31 March 2008 £	30 April 2007 £
ACF General Fund	-	13,648,341	782,305	14,430,646	(4,231,599)	10,199,047	-
London BDG Fund	1,836	-	100,000	101,836	(96,250)	5,586	1,836
Total	1,836	13,648,341	882,305	14,532,482	(4,327,849)	10,204,633	1,836

The purpose of the ACF General Fund is to make investments in and support community enterprises to build capacity and enable them to achieve entrepreneurial success. This includes, with OTS agreement, payment of related overhead costs.

The London BDG Fund is for grants and support to community organisations in London to develop enterprise activities.

ADVENTURE CAPITAL FUND

NOTE TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2008

11 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Current assets	Programme related investments	Current liabilities	Net assets
	£	£	£	£
Restricted Funds:				
ACF General Fund	7,919,414	3,543,850	(1,264,217)	10,199,047
London BDG Fund	5,586	-	-	5,586
Total	7,925,000	3,543,850	(1,264,217)	10,204,633

12 OTHER FINANCIAL COMMITMENTS

As at 31st March 2008, the charity had offered but not advanced £1,851,384 in the form of new loans. (2007:£nil)

13 CONTINGENT LIABILITIES

If an investee of the Adventure Capital Fund sells an asset purchased with those funds, the Home Office could require a partial repayment of their grant to the extent of any sales proceeds received by the Adventure Capital Fund under any security it holds over the investee. This could be regarded as a contingent liability but any obligation to pay the Home Office would be matched by funds received from the investee.

14 GRANT PAYMENTS

Adventure Capital Fund made 73 grant commitments during the period under review, of which 43 were disbursed (2007: 7). All grants were made to institutions and are accounted for when the offer is communicated to the organisation.

	Balance brought forward 1 April 2007	Grants payable during the period	Grants paid during the period	Grant commitments carried forward 31 March 2008
	£	£	£	£
Total	45,000	2,583,137	1,428,813	1,199,324

ADVENTURE CAPITAL FUND

NOTE TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2008

An analysis of the purposes for which the grants were to be used, the number of organisations to which grants were paid and the total value of grants made in respect of each such purpose is set out below.

Charitable Purposes	Organisations	Value
		£
Education and training	9	125,853
Medical/health	-	-
Disability	6	248,888
Environment	8	317,045
Economic/community development/employment	42	1,511,930
General charitable purposes	8	379,421
Total	73	2,583,137

15 INVESTMENTS IN SUBSIDIARIES

Adventure Capital Fund is the parent company and sole member of Futurebuilders England Management (FEM), incorporated on 5th February 2008. ACF formed FEM, a company limited by guarantee, to administer the Futurebuilders Fund.

Prior to 30th June 2008, FEM was registered as Adventure Capital Fund Management Limited (ACFM). On 30th June 2008 a special resolution of the company approved a change of company name from ACFM Limited to Futurebuilders England Fund Management Limited.

The first accounts for FEM will be prepared for the period up to 31st March 2008.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.