

ADVENTURE CAPITAL FUND
(A Company Limited by Guarantee)

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 March 2009

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| Charity no | 1117185 |
| Company no | 5777484 |

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ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2009

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ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
MARCH 2009

Officers and Professional Advisers

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| Company Registration Number: | 5777484 |
| Date of Incorporation | 11 April 2006 |
| Charity Registration Number: | 1117185 |
| Registered Office: | 5th Floor 6 St Andrew Street London EC4A 3AE |
| Board of Trustees (Trustees and Directors): | S Bubb (Chair) S Ahmed (appointed 11 December 2008) M J Baker A Cann S Crofton (resigned 3 March 2009) S Davidson M Gill B Hughes (appointed 11 December 2008) J Kohli (appointed 11 December 2008) R Peters D Platt (appointed 11 December 2008) J Tizard A Tutt F Worth S Wyler |
| Chief Executive: | J Lewis |
| Company Secretary: | S T Peters |

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009****Officers and Professional Advisers (Continued)**

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| Stephen Bubb, Trustee & Chair | Stephen is Chief Executive of ACEVO, the Association of Chief Executives in Voluntary Organisations and Secretary General of Euclid Network, the network for third sector leaders in Europe. Stephen is also the Chair of Futurebuilders England Fund Management Ltd, ACF's wholly owned subsidiary. |
| Saeeda Ahmed, Trustee | Saeeda established Trescom in 2001, as a 'community regeneration company' and social enterprise that works on improving economic, social and civic inclusion and accessibility for diverse groups in society. Saeeda is a Social Enterprise Ambassador for the Cabinet Office. |
| 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 was until recently a Director of Futurebuilders England Fund Management Ltd. |
| 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 2007-09. Anthony is also a Director of Futurebuilders England Fund Management Ltd. |
| Simone Crofton, Trustee * (see page 3) | Simone was Chief Executive of Borough Market, a registered charity and previously worked as a venture capitalist 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 Ltd. |
| Manjeet Gill, Trustee | Manjeet Gill was until recently Executive Director, Business Transformation at Bournemouth Borough Council, with responsibility for corporate strategy including third sector and community development. She is also a Non Executive Director of Hertfordshire Partnership Mental Health Foundation Trust. She has previously been Chief Executive at Salisbury District Council and a Director of Futurebuilders England Fund Management Ltd. |
| Ben Hughes, Trustee | Ben Hughes is Chief Executive of Bassac, a membership organisation with over 90 community based organisations nationwide. Ben has been actively involved in a range of sector development programmes and community policy work and is a member of a number of government advisory groups and taskforces. Ben has over 20 years experience of working in the voluntary and community sector including environmental organisations and community arts and advice. |

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009****Officers and Professional Advisers (Continued)**

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| Jitinder Kohli, Trustee | Jitinder is Director General for Strategy and Communications of the Department for Business, Innovation and Skills (BIS). He is chair of EPIC Trust - a social care charity working in London and the South East, and is also on the board of Circle 33 Housing Group. |
| Russ Peters, Trustee & member of the Audit Committee ** | Russ is a former Main Board Director of P&O. Russ is also a Director of Futurebuilders England Fund Management Ltd. |
| Dame Denise Platt, Trustee | Denise has held a variety of posts both nationally and locally, in local government and social care. She has wide ranging interests in the third and public sectors. Until recently she was Chair of the Commission for Social Care Inspection, she is a current member of the Audit Commission. |
| John Tizard, Trustee | John is Director of the Centre for Public Service Partnerships at the Local Government Information Unit. 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 Ltd. |
| 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 Ltd. |
| 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 Ltd. |
| Steve Wyler, Trustee ** | 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. Jonathan is also Chief Executive of Futurebuilders England Ltd. |
| 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 Ltd. |

*Simone Crofton resigned 3 March 2009

** Russ Peters and Steve Wyler resigned from the Investment Committee during 2009/10

Pages 7 to 17 form the Report of the Board of Trustees

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
MARCH 2009**

Officers and Professional Advisers (Continued)

Bankers:

Bank of Ireland plc
20 Berkeley Square
London
W1J 6LL

Co-operative Bank
80 Cornhill
London
EC3V 3NJ

Lloyds TSB Bank plc
Faryners House
25 Monument Street
London
EC3R 8BQ

Solicitors:

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

Auditors:

PricewaterhouseCoopers LLP
Chartered Accountants
Registered Auditors
80, Strand
London
WC2R 0AF

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

These are the 2008/09 Annual Report and Consolidated Financial Statements for the Adventure Capital Fund (ACF) Group. The group is made up of the Adventure Capital Fund Ltd (registered charity and company limited by guarantee), Futurebuilders England Fund Management Ltd (FBEFM - company limited by guarantee) and Futurebuilders England Ltd (FBE - company limited by guarantee). FBEFM and FBE now trade under the name of The Social Investment Business. These statements have been prepared under the Guidelines in the Accounting and Reporting by Charities: Statement of Recommended Practice, 2005.

This is the first year that we have produced consolidated accounts for the group of companies of which ACF is the parent company and it comes at a point in our development and growth which warrants some reflection. We as a Board, and I as Chair, are extremely proud of the progress made. I became Chair of the ACF in September 2006. At that point we had £15m of funds under management and four members of staff with ACF at a fledgling stage in its existence as an independent company. We set about recruiting a strong and talented Board and Chief Executive, evidence of which you can see on the earlier pages of this report. We then looked to develop a vision for growth which would meet the needs of the community sector which ACF was established to serve but which we also knew would have resonance for the wider third sector as a whole. At the heart of our vision for social investment was the ambition to grow the company into a large and powerful financial institution of and for the third sector, an institution that could meaningfully capitalise the third sector and help the sector to use finance more strategically to achieve its ends – the betterment of society and its most vulnerable citizens in good times and in bad.

In April 2008 ACF took over the management of the Futurebuilders Fund (£215m) and I am delighted that the group has built on this success by winning two further fund management tenders in 2009, £100m for the management of the Social Enterprise Investment Fund (SEIF) on behalf of the Department of Health and Communitybuilders, a £70m programme which we are delivering for the Department of Communities and Local Government and Office of the Third Sector. We were also pleased that the scope of the Futurebuilders contract was extended to include the Modernisation Fund – a £9.5m fund to help modernise third sector organisations and prepare them for the future. This means that we now have more than £409m of funds (this figure includes management fees) under management and, as the largest social investor in the UK, we are uniquely placed to support the third sector in meeting the challenges and making the most of the opportunities offered to them.

Delivery of the Communitybuilders programme has particular resonance to ACF, focusing as it does on locally controlled community based organisations that serve a particular geographic neighbourhood. ACF's own investment funds which are shown separately in the annual accounts continue to deliver much needed support and investment to the community sector and the advent of Communitybuilders means that we are ideally placed to continue this work but on a much greater scale.

One of the other key elements of our focus in the last year has been the development of partnerships to support and enhance our role as a fund manager. With the SEIF we are working in partnership with Partnerships UK who bring specialist health knowledge and expertise to support social enterprises that spin out from the NHS. On Communitybuilders we have developed a consortium which sees the two main companies within the group, ACF and FBE, working closely with the Community Alliance to deliver a programme of investment and support tailor-made to the needs of community anchor type organisations. We recognise that working in partnership with other organisations is essential to our work and enables us to access specialist market expertise and knowledge which strengthens what we can offer organisations and also results in more effective investment and support.

In July 2009 we consolidated the activities of the two main companies under one roof at our new head office base near Holborn Circus. This is an important step in integrating the work of the companies in the group and in providing an improved service to our investees. Our office in Newcastle continues to play an important role in ensuring that we have a regional presence for both business development and investment activities.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
CHAIRMAN'S STATEMENT (CONTINUED)

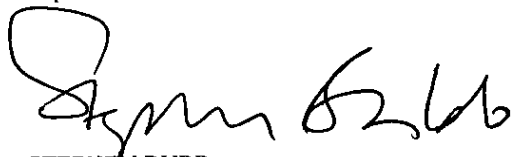
FOR THE YEAR ENDED 31 MARCH 2009

Given the group's position as the largest social investor in the country we also want to work towards streamlining the process for organisations who approach us for investment. With the number of different funds that we now have under management we are well placed to make the process of applying to any of our funds a more seamless process and to help organisations identify which fund will best meet their needs.

Since ACF was established as a demonstration programme we have been taking part in a real-time evaluation of our activities led by Stephen Thake from the London Metropolitan University's Centre for Social and Evaluation Research. This process has proved enormously valuable both for the management and delivery of our original funds but also in informing our approach to management of all our funds. The evaluation team completed their work this year and we are using many of their recommendations in the delivery of the Communitybuilders programme in particular. On behalf of the ACF Board I would like to extend our thanks to Stephen Thake and his team for all their hard work, insights and recommendations.

My final thoughts relate to our group vision which is to build a strong, well capitalised and thriving third sector to enrich the lives of the people and communities it serves. We recognise that there are no quick fixes for third sector organisations during times of recession but we also see it as a time of opportunity for many. We have sought to reflect this in our approach to investment and support and strongly believe that we can play a transformative role in not only helping organisations to survive but also to grow and thrive. This conviction will continue to inform our activities in the coming year as we seek to build and consolidate the investment and support services that we offer. We are ambitious for ourselves and for the sector and hope that our legacy will be a sector that is more sustainable and better able to weather changing economic and political climates.

Finally I would like to thank the Boards and Committees of ACF and FBEM and the staff of ACF and FBE for their energy and commitment in the last year. They have played a crucial role in the development of the ACF group and the implementation of our vision for social investment.



STEPHEN BUBB

CHAIRMAN

DATE: 12 JANUARY 2010

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)

REPORT OF THE BOARD OF TRUSTEES

FOR THE YEAR ENDED 31 MARCH 2009

The Trustees present their report together with the group financial statements for the year ended 31 March 2009. The information on officers and professional advisers on pages 1 to 4 forms part of this report.

BACKGROUND AND LEGAL STRUCTURE

In February 2008, following an open tender process, Adventure Capital Fund (ACF) won a contract to manage the Futurebuilders Fund. ACF agreed that its subsidiary company, Adventure Capital Fund Management Ltd (ACFM), which was incorporated on 1 February 2008, could enter into a contract to provide fund management services to the Cabinet Office. ACF is the sole member of Adventure Capital Fund Management Ltd (company no. 6490609), a company limited by guarantee. A Special Resolution dated 30 June 2008 changed the name of ACFM to Futurebuilders England Fund Management Ltd (FBEFM). ACF, as the sole member, has undertaken to contribute a sum not exceeding £1 to the assets of the company if it is wound up during its membership. FBEFM is the sole member of Futurebuilders England Ltd (FBE). On 1 April 2008 FBEFM took over the running of FBE. The new trading name for FBEFM and FBE - The Social Investment Business - was adopted on 28 July 2009.

OBJECTIVES AND ACTIVITIES

ACF 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. The focus for ACF investment activity is on local community enterprises that are looking to reduce their dependency on grants and develop long term financial viability through a diversity of income streams.

The other companies within the group are Futurebuilders England Fund Management Ltd (FBEFM) and Futurebuilders England Ltd (FBE), both of which are companies limited by guarantee. The principal activity of FBEFM is fund management, managing the delivery of financial assistance (loans and grants) and support to Third Sector Organisations (TSOs). Fund management includes engaging with TSOs, marketing, processing applications, offering of investment and giving ongoing support. The main objective of FBE is to improve public service delivery through long-term investment in the Third Sector in England. FBEFM is a wholly owned subsidiary of ACF and FBE is a wholly owned subsidiary of FBEFM.

When ACF was established as an independent company in 2006 with a full Board of Trustees, the Trustees reviewed ACF's overall progress and agreed a set of strategic objectives for the next three years and a statement of intent which included the aim of attracting new funding from the public sector, commercial organisations, individuals and trusts with the ambition of expanding funds in management by at least 300% by 2009. At that time ACF had received funds of just over £15m for investment. As at 31 March 2009 funds under management totalled £121m (represented by ACF's original £15m and FBE investment commitments of £106m, details of which are included in FBEs Annual Reports and Financial Statements, year ended 31 March 2009), showing an 800% expansion of funds under management for the group as a whole.

Our progress in the key strategic objectives set by the Board in 2007 is reported below. Whilst these objectives were set just for ACF at the time, our progress in achieving many of these objectives is reflected in the results of the group as a whole.

- be recognised as a leading investment funder of community enterprise.

Having successfully bid for the Communitybuilders Fund with its focus on investing in locally based community enterprises we feel we are well placed to be regarded as a leading investment funder of community enterprise as we now manage a significant slice of funds dedicated to community enterprise. We recognise that the amount of funds under management is not the only factor in achieving this objective. How we invest and how we support our investees is also important and we intend, particularly via the Communitybuilders Fund, to develop a range of innovative products and approaches which will help us to achieve this objective.

- have excellent relationships with government, local government and all key stakeholders at a national and sector level in order to shape future policy and resource allocation.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

The activities of the group as a whole have enabled us to develop relations with Government and a number of other stakeholders. Through the establishment of The Social Investment Business, the new trading name of FBEFM and FBE, the ACF group will build on this work and continue to make contributions to future policy and resource discussions that are significant to the third sector, e.g. the Office of the Third Sector's consultation exercise on the Social Investment Wholesale Bank.

- develop a measurable system of social value that will be acknowledged by communities, government and others and ensure that securing social value is a critical element of its investment strategy.

ACF's external evaluators concluded that the application of Social Return On Investment (SROI) to the ACF portfolio represented a premature attempt to apply a methodology under development to a group of organisations in the process of transition. They also recommended that we establish a partnership to develop an approach to the measurement of social benefit that is relevant to community-based organisations. We are currently exploring the possibility of working with partners to develop a sector based approach to SROI and we hope that such an approach will be of value to all the funds under group management and also to the sector as a whole.

- adopt key priority themes for investing in both capacity building and service/community action deliverables.

The establishment of a dedicated business support unit within FBE provides a focus for investment in capacity building within the sector and also enables us to consolidate the different elements of our approach to support which has evolved over time.

- require close monitoring of all investments with controls over the use and the release of funding against performance – with a will to say “no” and to make funds available on condition – holding recipients to account.

An “Engaged Investor” approach underpins all aspects of the management of our investment portfolio across the group. By close engagement with our clients we are able to go beyond the confines of a standard lender/borrower relationship and support them through a series of developments and interventions which will build their capacity as an organisation, and help them to develop into stable and soundly run businesses. Our approach is to accompany them on the journey from being an incipient business to a fully functioning and sustainable enterprise.

- raise the profile and reputation of ACF across the sector and with funders and to be recognised as an authoritative voice on community enterprise.

With our success in winning new contracts in the last year the profile of the ACF group has increased significantly and we have expanded our mission to encompass the third sector as a whole with a group mission of helping the third sector do more of what it does best – supporting people and communities most in need. We will help the sector prosper through better access to finance, business support and long term strategic thinking.

FBE's mission has been to improve public service delivery through long-term investment in the Third Sector in England.

FBE's strategic aims for the period were:

To receive high quality applications - Since we started to run the Futurebuilders contract, we have changed the way in which organisations engage with us. We have significantly increased the size of our marketing and business development department in an effort to bring in high quality applications. We have tried to reduce the administrative burden on those applicants (whilst still ensuring effective due diligence).

To invest well - We have tried to speed things up. Customer feedback told us that the erstwhile long, intensely time consuming and drawn out application process was frustrating, so we now aim to provide an initial response to customers within a week and to complete our appraisals within six weeks once we begin due diligence. We hold weekly internal investment committees for investments up to £350,000 and our external committee meets on a monthly basis to consider larger investments.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

To disburse the money - We knew from the outset that it would be a challenge to make investments quickly and responsibly. However, over the last year we have made offers of £42m (93 offers gross of variations) and paid out £22m. The results for the previous year were £21m, 55 offers and £21m paid out. This has been against a background of a turbulent economic climate and the credit crunch, which made the last six months of the year particularly challenging.

To achieve our KPIs and Customer Satisfaction - The FBE contract contains three KPIs:

The number of contracts won as a result of our investments – our target for the performance year to 31 December 2008 (nine months) was 65 and we achieved 90 valued at £16.4m.

The speed with which we disburse funds – our target was to disburse 70% of our funds within 2 years of making an offer – we achieved 86%.

Customer satisfaction – we achieved 79% against a target of 75%.

To run the Organisation well - When we started running the fund, we undertook an evaluation of all the processes and activities, with the result that we have re-organised the group so we are able to meet our clients' needs more effectively. We now have a much stronger marketing and business development team, who are responsible for reaching investees and helping them to develop good proposals. Our investment team now focuses on assessing deals and then working alongside investees using our engaged investor principles. We have also created a dedicated business support function to further increase the quality of support we offer to applicants and investees.

To lead thinking on Third Sector Investment - We believe that we are leading thinking on third sector investment. Our view is that the social investment market simply needs a large funder that will act as a magnet for other funding, create momentum and a greater common understanding of the concept amongst the general populace (as well as capture their imaginations) and thus help to begin to make social investing a daily activity for millions of people. In other words, we believe that making social finance stronger and more commonplace is more about scale and marketing than it is about complex financial products.

The group's investees are Third Sector Organisations (TSOs), many of them charities or other community or social enterprises working for charitable purposes. The organisations we invest in are looking to develop their enterprise activities but are not yet ready or able to access finance required from high street lenders. Through the funds under management in the year, 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 our investee organisations. This is a tangible demonstration of our commitment to the 'engaged investor' approach, which provides applicants and investees not simply with the business support to ensure that they have the greatest chance of achieving both their immediate plans and long-term sustainability. This commitment has led to the establishment of a dedicated business support team within the group which will enable us to provide consistently high quality support.

Organisations applying for any of the funds on offer have to meet the basic criteria for each fund. If an organisation meets the criteria they then have to demonstrate a robust and evidenced business plan with a clear plan for achievement of high social impact. As previously stated all our funds focus on investing in projects that organisations cannot raise all or part of the finance they need for them from the commercial sector – the group of organisations that fit into the category of "un-bankable" rather than "un-fundable".

The criteria for ACF's own funds are:

- 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.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

The criteria for the Futurebuilders Fund are:

- Be a third sector organisation committed to winning public sector contracts.
- Need an investment to help win new, or secure ongoing, income from public sector bodies.
- Intend that at least 51% of the project's (as opposed to the organisation's) long term income will come, directly or indirectly, from public funds.
- Part or all of the project is unbankable (i.e. unable to secure a loan for this project from a commercial bank).
- Providing a service mainly for the benefit of people living in England.

Although SEIF and Communitybuilders were not under management during the year the criteria for these two funds are included here for information.

The criteria for the SEIF are:

- Be a social enterprise according to the government definition - 'a business with primarily social objectives whose surpluses are principally invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners'.
- Proposed services have to deliver health and/or social care outcomes.
- Ultimate beneficiaries of the proposal must be based in England.
- Be unable to secure funding from a commercial bank.
- Be able to repay the investment and be able to show plans to do so.
- The proposal must help meet the aims of SEIF.

The criteria for the Communitybuilders Fund are:

- Aim to become more financially independent and less grant dependent through activities that have community relevance and social value.
- Be based and working in England.
- Be operating for the benefit of a defined neighbourhood.
- Be locally controlled with local people or representatives of local groups making the spending, staffing and other decisions around priorities.
- Be multi-purpose - providing or hosting a number of different activities and services.
- Work inclusively within the community, including marginalised groups.
- Have a track record of delivering to the community.
- Be an organisation; individuals cannot apply; neither can companies constituted for private gain.
- Empower, or plan to empower, your community through multi-purpose community development and stimulating community led action.

With all our funds we are particularly interested in working with third sector organisations, community and social enterprises that are seeking to expand their activities and diversify their sources of income. This means that we want to work with ambitious organisations that see the benefits that unrestricted income can bring to their activities and help them to build long term financial viability and deliver sustainable social impact to the communities they seek to serve.

We believe that by investing in such enterprises to build capacity and enable them to achieve entrepreneurial success we are able to foster community and social transformation, which is a central principle of our mission.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

PUBLIC BENEFIT STATEMENT

ACF and the other companies within the group, FBEFM and FBE, aim to strengthen the third sector through social investment. In the last two years we have been able, via our group of companies and the increase in the number and value of funds we have at our disposal, to increase the public benefit that our investments have had and ensure that the organisations that we invest in are able to increase the social benefit they deliver. We have considered 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. With each of the funds under management within the group we look to develop a clear Investment Plan which ensures that the investments we make deliver not only the aims and objectives of the bodies letting the contracts but are also in line with the overall objectives of the ACF group of companies and can demonstrate a specific potential to deliver public benefit.

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. ACF's primary purpose is met through its own investment programmes, the Main Investment Fund (including the Managed Workspace Fund) and the Business Development Programme. The Main Investment Fund 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 2008/9 we have made investments in 9 different organisations, bringing our total number of main investments to 51.

The Futurebuilders Fund is a unique government-backed fund offering support and investment to TSOs to win public service contracts and deliver them successfully. FBE offers a combination of loans, grants and professional support to build the capacity of TSOs that want to deliver better public services. Most of these organisations have never borrowed before, so FBE provides sustained, flexible and individual support to ensure investees have the right financial, managerial and governance structures to take on a loan and successfully compete in the public sector. Like ACF, FBE is an 'engaged investor' to all its investees. Through direct investment in TSOs the fund aims to improve substantially the financial and strategic capability of the third sector so that it can play an ever greater role in improving the lives of the people and communities it serves.

With all the funds under management within the group of companies we work across all the English regions.

We think that the best way of demonstrating the public benefit that we deliver is through the organisations that we invest in. Below are two short case studies on investments made by ACF and FBE in 2008/09 which show the impact that our investments can have.

ACF

The Bootstrap Company manages three workspace buildings in Dalston which houses over 60 community and small business organisations. Bootstrap is a development trust based in Dalston in Hackney, the second most deprived council in England. The majority of Dalston is within the top 10% of the most deprived areas in the country, and a number of smaller areas (super output areas, or SOAs) are within the top 5% of deprived areas in England. In such an area Bootstrap plays an important role in supporting the development and sustainability of small community groups and enterprises. With an ACF investment of £379,000 (£199,000 loan and £181,000 grant) the company is now stronger and better placed to play a significant and pivotal role in the wider regeneration of a long deprived area.

FBE

Futurebuilders invested £50,000 in Waveney Mow & Grow to expand its gardening service provision. In partnership with local authorities, county councils and social services Mow & Grow helps vulnerable people with gardening while offering a series of horticultural qualifications to its employees. Its unique model of service delivery benefits the elderly, those disadvantaged in the labour market, the environment and the community in general. Mow & Grow also works in partnership with Norfolk Probation in support of the community payback programme, whereby it supervises over 5,000 hours of unpaid work by offenders in the local community. This initiative has proven to be a huge success; the reoffending rate in Norwich and its surrounding areas has reduced by 20% since 2007- effectively helping reduce crime and antisocial behaviour through knowledge, support and training.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

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 the 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

The ACF group of companies includes Futurebuilders England Fund Management Ltd (FBEFM), of which ACF is the sole member and owner, and Futurebuilders England Ltd (FBE), of which FBEFM is the sole member and owner. ACF formed FBEFM on 31 January 2008 and acquired FBE on 1 April 2008.

Both FBEFM and FBE are companies limited by guarantee. FBEFM has a non-executive Board, Investment Committee, Audit Committee and Remuneration Committee which retains governance rights and a supervisory role over FBE, as defined in FBEFM's Board and Committee Handbook. The governance and management of FBEFM are covered by its articles, the service agreement between the Cabinet Office and FBEFM and the subcontracts between FBEFM and FBE.

The governance and management arrangements for FBE during the year covered by these accounts were covered by the Articles of Association of FBE, the Grant Agreement with the Cabinet Office and the subcontracts between FBEFM and FBE.

TRUSTEES

Details of the ACF trustees who served during the period and up to the date of signing the accounts are shown on pages 2 and 3 of this report.

None of the Trustees is a member of ACF or have any beneficial interest in the company. Seven ACF trustees are also Directors of FBEFM.

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

In 2007/08 ACF had three members, the Development Trusts Association, The Social Enterprise Loan Fund and The Scarman Trust. As The Scarman Trust was dissolved in October 2009 ACF now has two members only.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

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.

During the year we recruited an additional four trustees bringing community, social care and cohesion experience to the ACF Board and enhancing our skills base to ensure that we are well placed to take a strategic role in the delivery of the Communitybuilders Fund in particular.

This policy and approach also applies to the recruitment, induction and training of Directors appointed to the Board of FBEFM. During the year 16 Directors were recruited to the FBEFM Board, seven of whom are also Trustees and Directors of ACF.

FINANCIAL REVIEW
GROUP

A full analysis of the group's expenditure is given in Note 6 and Note 9. During the period we spent a total of £9,375,000 on Non profit activities, £39,000 on Cost of generating funds and £622,000 on Governance. As this is the first year that we have prepared group accounts there are no comparative figures from 2007/08. The figures shown for 2007/08 are for the charity only.

ACF

The only activity of the Adventure Capital Fund during the period under review was the making of investments in community and social enterprises. A full analysis of the Charity's charitable activities is shown in Note 9. During the year we spent a total of £2,433,000 on "Direct Charitable Activities" (2007/08 £4,211,000).

Our resources are closely focused on supporting our existing clients and finding new community enterprises that need our support. This is demonstrated in grant commitments during the period of £1,584,000 (2007/08 £2,583,000) and a loan portfolio of £2,941,000 (2007/08 £3,543,000) at the end of the period. Our support costs were £349,000 (2007/08 £252,000) during the period which shows the increased level of engagement we have with our investees. These figures are shown in Note 9.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

The above was mainly funded from restricted reserves at 1 April 2008 which can be noted by the movement in the cash at bank and in hand balance. In this current financial year, we received investment income of £513,000 and we received one grant of £100,000 from the London Development Agency. Of this we disbursed or committed £104,000 from the London Development Agency as grants and support. These grants and associated support enabled 14 community based organisations in London to research and plan enterprise activities to underpin the development of sustainable and strong community businesses.

FBEFM and FBE

Details of FBEFM and FBE's individual accounts can be obtained from the Company Secretary of FBEFM and FBE at 5th Floor, 6 St. Andrew Street, London EC4A 3AE. FBE restricted balance at 31 March 2009 was £40,779,000 (2008: £25,002,000) and unrestricted balance was £175,000 (2008: £237,000) giving total funds of £40,954,000 (2008: £25,239,000). Grants paid during the year was £4,417,000 and loans disbursed amounted to £17,929,000. FBEFM unrestricted balance at 31 March 2009 was £36,000. Fund management income in FBEFM for the Futurebuilders fund was £3,815,000 with an additional amount of income for transition of £229,000, contingency share of £20,000 and performance bonus of £76,000.

The transfer of membership of FBE and the creation of FBEFM at the beginning of 2008/09 means that a legal group was formed, with ACF as the ultimate parent entity. ACF has control of both entities and is therefore required to prepare consolidated financial statements for the group. ACF group (via FBEFM) acquired FBE on 1 April 2008 when the membership transferred across. The treatment of this transfer in the group accounts has been through acquisition accounting. Under acquisition accounting, goodwill is calculated as the difference between the cost of acquisition of the entity and the aggregate of the fair value of that entity's assets and liabilities. Negative goodwill arises when the aggregate fair values of the consolidated entity's assets and liabilities exceed any acquisition cost. The practical application of this policy means that as FBEFM paid no consideration for the acquisition, negative goodwill of £23,911,000 was created and is included in the group balance sheet (note 14). Negative goodwill is recognised in the SOFA in the periods in which the nonmonetary assets acquired are amortised (£337,000 note 14) or sold.

DEVELOPMENTS

In the summer of 2008 we started the process of tendering for two new funds, the Social Enterprise Investment Fund (SEIF - provided by the Department of Health) and Communitybuilders (with funds from the Department of Communities and Local Government and the Office of the Third Sector). We were successful in both cases. Through FBEFM we started the transition phase of the management of the SEIF on 1 April 2009 and opened the fund to new applications on 1 July 2009. The SEIF is a £100 million Fund (including management fees) that provides loans, grants and professional support to social enterprises involved in the delivery of health and social care services. The tender process for the Communitybuilders contract was completed in June 2009 and we opened to applications on 7 September 2009. ACF holds the main contract for delivery of the Communitybuilders Fund and we will deliver the fund working closely with FBE who will act as the fund manager and the Community Alliance who will provide marketing and support services. Communitybuilders is a £70 million fund (including management fees) that provides loans, grants and business support to multi-purpose, inclusive, community-led organisations (sometimes known as Community Anchors).

GRANT MAKING POLICY

Grants are available through both the ACF funds and FBE.

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 year ACF made new grant commitments of £1,584,000. These grants were made as part of ACF's Main Investment Fund and Business Development Fund, £1,175,000 (2007/08 £968,000) in the form of main investments and £409,000 (2007/08 £416,000) as business development 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.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

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.

FBE full investments include a grant element which is always the smaller part of the investment. In this year FBE made £4,595,000 new grant commitments. These grants can be used for time-limited revenue funding while a new project is being set up. This could include start-up costs, staff costs or other transitional costs incurred before the investee starts earning from a contract.

Grants can also be used for capital funding to help meet all or part of the costs of buildings, vehicles or equipment. This would often be in cases where a loan would be premature as the organisation has not yet earned any income to pay it back. Grants are awarded in line with FBE's overall criteria and the decision on the size of the grant will be based on the level of loan that the organisation can afford.

RELATED PARTIES

The Adventure Capital Fund has two members, The Social Enterprise Loan Fund (TSELF) and the Development Trusts Association. Payments totalling £20,000 (2007/08 £20,000) were made to TSELF in the period for provision of book-keeping services and £29,000 (2007/08 £29,000) for rent and service charge. Payments totalling £12,000 (2007/08 £110,000) were made to the Development Trusts Association for support and assessment services. The figure for 2007/08 also included marketing activities.

Anne Longfield is a member of the FBEFM Board and Remuneration Committee and is also the Chief Executive Officer of 4 Children. During the year a loan of £500,000 and a grant of £276,000 was invested in 4 Children by Futurebuilders England Ltd; the balance outstanding on the loan at the year end is £444,000.

Rob Owen is a member of the FBEFM Board and was a member of the FBEFM Audit and Compliance Committee during the year. He is also Chief Executive of St Giles Trust. During the year St Giles Trust received a development grant of £33,000 from Futurebuilders England Ltd.

RISK REVIEW

ACF's Audit Committee has responsibility for reviewing the risks of ACF and reporting on these to the ACF Board. FBEFM's Audit Committee has responsibility for reviewing the risks of both FBEFM and FBE and reporting on these to the Board of FBEFM to ensure proper management of the company and the delivery of the Funds. We regularly review and mitigate against risk through our risk assurance framework, internal and external audits, and board sub-committees dealing with specific areas of challenge.

The four major risks identified for the group as a whole are:

1. **Reputational** – The final report by ACF's independent evaluation team stated that "As an organisation, ACF has established the organisational and intellectual infrastructure to deliver high-quality, fast-moving programmes" and that "ACF as an experimental programme has been highly effective." The expansion of ACF from a single company into a group with significant investment funds under management could present a reputational risk if we fail to maintain the standards we have set and consequently are unable to meet the contractual requirements and targets set of the funds we manage. A key factor in our ability to manage the growth of the group is the presence of strong and talented boards, committees and sub-groups, supported by robust governance policies and procedures. To mitigate this risk we have looked to strengthen our investment processes and activities across the group as a whole and by forming strong partnerships with external organisations who have specialist knowledge and expertise relevant to the new funds, e.g. on SEIF we are working with Partnerships UK and on Communitybuilders we are working with Community Alliance. To mitigate further this risk we have also developed an increased marketing and business development function which will play an important role in helping us to reach potential investees and ensure that we receive high quality applications. This also enables our investment staff to focus on assessing deals and work alongside our investees based on our principle of engaged investing. We have established a dedicated in-house business support function to ensure that the support we offer to prospective and existing investees is of a consistently high standard.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

2. Recession - The economic downturn is leading to huge uncertainty in the sector, but at the same time it offers real opportunities to some of our investees. We anticipate two issues for the group. Charities may be nervous about borrowing money in a recession and it is also possible that defaults will increase as TSOs run into difficulties. To mitigate these risks, we have significantly increased the size of the FBE marketing team and created a business support team to drive demand and to ensure that investees are well placed to survive potentially difficult trading environments. These changes will be of benefit to the group as a whole. At the same time, new reduced and nil interest rate products are being offered to encourage demand for some of the funds under management.

3. Annuality - The majority of funds we have under management (Futurebuilders, Social Enterprise Investment Fund and Communitybuilders) have defined quotas to be disbursed in each financial year, and as fund manager we need to ensure that these quotas are met. This brings a lessening in how flexible we can be when investees want to delay draw down and can make it more difficult to find appropriate investments. We are mitigating this risk in two ways. First, by driving demand so that there are more organisations that can draw funds within a defined period. Secondly, by working closely with applicants to ensure that they manage to draw down funds at the rate that was budgeted and that is consistent with the annual targets.

4. Loss of income - The FBE contract with the Cabinet Office identifies Service Improvement Events which if not rectified could lead to suspension or termination of the contract. The main risks are that FBEFM does not meet its KPIs (through the sub-contract to FBE) in any one performance year nor delivers value for money. Management believe these risks to be low as proven by meeting the KPIs set for the Futurebuilders Fund in the current period and within the contract base price. From the ongoing performance monitoring meetings with OTS no concerns have been raised which could lead to a Service Improvement Event in the future. This risk will also apply to SEIF and Communitybuilders in future years and we will follow the approach we have taken with the Futurebuilders Fund and embed a focus on KPIs and targets into the objectives, management information reporting and culture and communication of the group as a whole.

RESERVES POLICY

The ACF Board has agreed that the Charity's reserves need to be at least enough to continue to manage and monitor our investments on an ongoing basis and has made a commitment to retaining a portion of our funds to support our existing investment portfolio with further investments. This is considered to be particularly important in the current economic climate when access to additional financial support may be crucial to ensuring the long term survival of our investees. For the ACF portfolio a minimum amount of £1,000,000 (approximately 5-6% of overall portfolio size) was agreed for this purpose by the ACF Investment Committee and confirmed by the ACF Board. This amount is kept under review by the Investment Committee. At 31 March 2009 the total reserves for the group were £23,616,000 of which £8,218,000 related to ACF. Of these reserves £6,141,000 related to cash at bank and in hand of which 80% is allocated for direct investment in community and social enterprises leaving a balance of £1,228,000, therefore above the minimum amount required. The balance of reserves for the group is made up of £15,077,000 restricted Futurebuilders fund, designated for FBE to make investments in third sector organisations committed to winning public sector contracts, and £321,000 unrestricted funds. The unrestricted funds relates to surplus on FBE operating costs. Full details of the reserves held within the ACF group are shown in note 22.

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)
REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

TREASURY POLICY

The Group currently hold funds not yet disbursed in the form of cash or short term deposits with a number of banks approved by the Trustees. This Treasury Policy is reviewed on an ongoing basis by the Trustees to ensure that it meets the needs of the Group.

FUNDING

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

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

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 consolidated financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

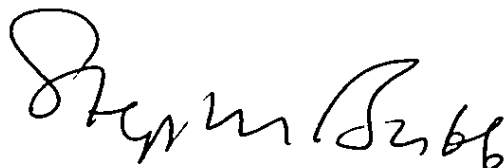
The Trustees confirm that they have complied with the above requirements in preparing the financial statements. The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company, and enable them to ensure 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 maintenance and integrity of the ACF website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Signed on behalf of the Board of Trustees'



Stephen Bubb
Chairman

12 January 2010



Anne Tutt
Treasurer

12 January 2010

ADVENTURE CAPITAL FUND (A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVENTURE CAPITAL FUND

FOR THE YEAR ENDED 31 MARCH 2009

We have audited the group and parent charity financial statements ("the financial statements") of Adventure Capital Fund for the year ended 31 March 2009 which comprise the consolidated statement of financial activities, the consolidated and parent balance sheets, the consolidated cashflow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the Trustees (who are also the directors of Adventure Capital Fund for the purposes of company law) for preparing the Report of the Board of Trustees 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). This report, including the opinion, has been prepared for and only for the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Report of the Board of Trustees is consistent with those financial statements.

We also 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 and other members of the group is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Board of Trustees and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and 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 (A Company Limited by Guarantee)

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ADVENTURE CAPITAL FUND
(CONTINUED)**

FOR THE YEAR ENDED 31 MARCH 2009

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 March 2009 and of the group's incoming resources, and application of resources, including its income and expenditure and cash flows, for the year ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practices, of the state of the parent company's affairs as at 31 March 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Board of Trustees is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

27 January 2010.

Adventure Capital Fund

Consolidated Statement of Financial Activities (Including an Income & Expenditure Account) for the year ended 31 March 2009

| | Notes | Unrestricted Funds 2009 £ '000 | Restricted Funds 2009 £ '000 | Group 2009 £ '000 | Charity 2008 £ '000 |
|---|-------|--------------------------------------|------------------------------------|-------------------------|---------------------------|
| Incoming resources | | | | | |
| Incoming Resources from Generated Funds: | | | | | |
| Transfer from LIF | | - | - | - | 13,648 |
| London Development Agency | | - | 100 | 100 | 300 |
| Investment Income | 11 | 14 | 2,351 | 2,365 | 527 |
| Charitable Activities (ACF Only) | | - | - | - | 45 |
| Non Profit Activities: | | | | | |
| Futurebuilders Fund* | | 4,140 | 18,978 | 23,118 | - |
| NPTSC Fund* | | - | 101 | 101 | - |
| SEIF Fund* | | 76 | - | 76 | - |
| Voluntary Income | 3 | - | 337 | 337 | - |
| Total incoming resources | | 4,230 | 21,867 | 26,097 | 14,520 |
| Resources expended | | | | | |
| Cost of Generating Funds | 6 | 11 | 28 | 39 | 21 |
| Charitable Activities (ACF Only) | 9 | - | 2,329 | 2,329 | 4,211 |
| London Development Agency | 9 | - | 104 | 104 | - |
| Governance Costs | 6 | 483 | 139 | 622 | 84 |
| Non Profit Activities: | | | | | |
| Futurebuilders Fund* | 6 | 3,566 | 5,710 | 9,276 | - |
| NPTSC Fund* | 6 | - | 101 | 101 | - |
| Total resources expended | | 4,060 | 8,411 | 12,471 | 4,316 |
| Net incoming resources before taxation and transfers | | 170 | 13,456 | 13,626 | 10,204 |
| Transfers between funds | 22 | 254 | (254) | - | - |
| Net incoming resources before taxation | | 424 | 13,202 | 13,626 | 10,204 |
| Corporation tax | 12 | (103) | (113) | (216) | - |
| Net income for the year | | 321 | 13,089 | 13,410 | 10,204 |
| Funds brought forward at 1 April | | - | 10,206 | 10,206 | 2 |
| Funds carried forward at 31 March | | 321 | 23,295 | 23,616 | 10,206 |

There were no recognised gains or losses in the current financial year other than those contained within the Consolidated Statement of Financial Activities, and accordingly a separate Statement of Total Recognised Gains and Losses has not been presented. All activities are continuing.

The 2008 comparatives represent the charity only as the group was formed on 1 April 2008.

* These activities were acquired by Adventure Capital Fund on 1 April 2008.

The accompanying accounting policies and notes on pages 23 to 31 form an integral part of these financial statements.

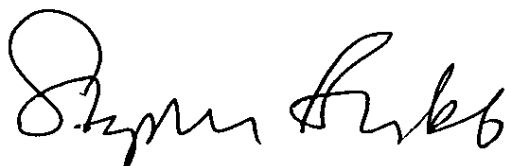
Adventure Capital Fund

Consolidated Balance Sheets

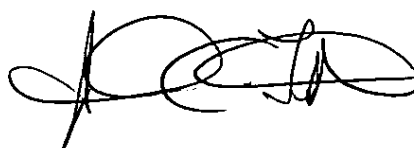
as at 31 March 2009

| | | Group | Charity | Charity |
|---|-------|----------------|----------------|----------------|
| | Notes | 2009 £ '000 | 2009 £ '000 | 2008 £ '000 |
| Fixed Assets | | | | |
| Intangible assets: | | | | |
| Negative goodwill | 14 | (23,574) | - | - |
| Tangible fixed assets | 15 | 11 | - | - |
| Financial investments | 16 | 43,373 | 2,941 | 3,543 |
| Investment in subsidiary | 29 | - | 0 | - |
| | | <u>19,810</u> | <u>2,941</u> | <u>3,543</u> |
| Current Assets | | | | |
| Debtors | 17 | 2,974 | 160 | 110 |
| Cash at bank and in hand | | 9,234 | 6,141 | 7,816 |
| | | <u>12,208</u> | <u>6,301</u> | <u>7,926</u> |
| Current Liabilities | | | | |
| Creditors: falling due within one year | 18 | (2,316) | (141) | (65) |
| Grants payable | 19 | (5,331) | (768) | (1,198) |
| Provisions | 20 | (136) | (77) | - |
| | | <u>(7,783)</u> | <u>(986)</u> | <u>(1,263)</u> |
| Net Current Assets | | <u>4,425</u> | <u>5,315</u> | <u>6,663</u> |
| Total Assets less Current Liabilities | | 24,235 | 8,256 | 10,206 |
| Creditors: falling due after more than one year | | | | |
| Grants payable | 19 | (619) | - | - |
| Net Assets | | <u>23,616</u> | <u>8,256</u> | <u>10,206</u> |
| Unrestricted | | 321 | - | - |
| Restricted | | 23,295 | 8,256 | 10,206 |
| Total Funds | 22 | <u>23,616</u> | <u>8,256</u> | <u>10,206</u> |

These financial statements were approved by the Board on 12 January 2010 and were signed on its behalf



STEPHEN BUBB
CHAIRMAN



ANNE TUTT
TREASURER

Adventure Capital Fund

Consolidated Cash Flow Statement

for the year ended 31 March 2009

| | | Group | Charity |
|--|-----------|---------------------|---------------------|
| | Notes | 2009 £ '000 | 2008 £ '000 |
| Net Cash Inflow from Operating Activities | 24 | 12,485 | 11,430 |
| Returns on Investments and Servicing of Finance | | | |
| Investment income | | 2,365 | 527 |
| Capital Expenditure | | | |
| Payments for fixed assets | | (17) | - |
| Payments for financial investments | | (18,737) | (4,490) |
| Repayments of financial investments | | <u>1,575</u> | <u>248</u> |
| | | (17,179) | (4,242) |
| Acquisitions | 14 | 3,747 | - |
| Increase in Cash | | <u>1,418</u> | <u>7,715</u> |
| Reconciliation of Movement in Net Funds | | | |
| Net funds at 1 April | | 7,816 | 101 |
| Increase in cash in the year | | 1,418 | 7,715 |
| Net funds at 31 March | | <u>9,234</u> | <u>7,816</u> |
| Net funds consist solely of cash at bank and in hand. | | | |

Adventure Capital Fund

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

1 Principal Accounting Policies

The following policies, which have been consistently applied, are considered material in relation to the consolidated financial statements.

a) Basis of Preparation

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost convention, except for investments which have been included at market valuation or the value considered appropriate by the Board of Trustees. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP), issued in March 2005 and the Companies Act 1985. The Charity has availed itself of paragraph 3(3) of schedule 4 of the Companies Act 1985 and adapted the Companies Act formats to reflect the special nature of the Charity's activities.

b) Basis of Consolidation

The accounts have been consolidated on a line by line basis in accordance with FRS 2: Accounting for Subsidiary Undertakings. Adventure Capital Fund set up a wholly owned subsidiary Futurebuilders England Fund Management Ltd, incorporated on 1 February 2008 and the membership of the existing company Futurebuilders England Ltd was transferred to Futurebuilders England Fund Management Ltd on 1 April 2008. Adventure Capital Fund appointed a new Futurebuilders England Ltd board and took over the administration of the company. The consolidated accounts have been prepared based on acquisition accounting in accordance with FRS 6. The results of subsidiary activities are consolidated from the date of acquisition.

c) Going Concern

The Trustees consider it appropriate to prepare consolidated accounts on a going concern basis. The Trustees consider that the cash and reserves position to be sufficient to support the group for at least 12 months from the date of signing these accounts.

Futurebuilders England Ltd:

The contract with Cabinet Office for the Futurebuilders England Fund is dated 5 February 2008 and runs to 31 March 2011 and the contract with Department of Health for the Social Enterprise Investment Fund (SEIF) is dated 5 March 2009 and runs to 31 May 2012. Delivery of the SEIF fund commenced 1 June 2009 but transition costs were incurred in the current year. Therefore, income for this period is guaranteed, and coupled with stringent cost control, the going concern basis is supported. The investment commitments for future years have been entered into, taking account of the terms of the current Futurebuilders grant agreement with the government. Restricted funds include a net current liability as a liability to pay a grant to a potential investee is recognised when that grant is offered and communicated. A corresponding debtor, representing the drawdown request from Cabinet Office, is not set up at this time. However an amount is included within the contingent asset and will be realised when a drawdown claim is raised to government in the short term.

Unrestricted funds relating to operating costs may provide a small surplus, above any gainshare threshold stated in the service agreements, providing the budget for fund management is achieved. Any negative balance against unrestricted funds at the year end will be taken into account when setting the budget for the following year and will be recouped in that next year.

d) Fund Accounting

Restricted funds are to be used for specific purposes either laid down by the donor or specified in each agreement for the benefit of identified beneficiaries. Expenditure incurred, by the Charity, for these purposes is charged to the fund, together with a fair allocation of overheads, support costs and interest income.

Unrestricted funds are available for use against operating costs in delivery of specific funds as stated in the service agreements in place and within the overall price therein, but at the directors discretion in how delivery is achieved within that price. Where gainshare thresholds are included in a specific contract, any saving on costs below that threshold is repayable to the appropriate funder on a proportionate basis per the agreement.

e) Incoming Resources

All incoming resources are included in the Statement of Financial Activities when the group is legally entitled to them, receipt is reasonably certain and the amount can be measured with sufficient reliability therefore on an accruals basis.

f) Investment Income

Investment income including associated tax recoveries, relating to both restricted and unrestricted funds is recognised when receivable.

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2009

g) Financial Investments (Restricted Funds)

Under the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP), investment loans are equivalent to programme related investments and are recognised in the accounts when the amounts are drawn down under loan agreements with investees. Loans offered and communicated but not drawn down by the investee at the balance sheet date are disclosed as contingent liabilities. Loans offered to potential investees, by Futurebuilders England Ltd, but not requested as drawn down from Cabinet Office at the balance sheet date are disclosed as contingent assets.

Specific provisions are made against loans when, as a result of frequent monitoring and review by the investment committee, it is considered that recovery is doubtful. These provisions are deducted from the related investment asset. Provisions made during the year, less amounts released, are charged to the consolidated statement of financial activities.

A general provision is made in those funds where management consider that the risk is greater as a result of the nature of the recipients and narrower spread across a smaller portfolio.

h) Social Return on Investments (SROI) repayments

Adventure Capital Fund offer, as part of an investment package, loans that are repayable by social return. The social return is measured over a specified period of time. The treatment of these in the accounts are as financial investments and if the loan is repaid by social return it is converted to a grant. If it is not it remains as a loan and becomes financially repayable.

If a loan, repayable by social return, is deemed likely to be repaid by social return and thus converted to a grant in the future, a provision is made in the consolidated statement of financial activities reducing the financial investment balance.

i) Grant Income and Grant Expenditure (Restricted Funds)

Grant income is recognised 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 are recognised at the point of offer and communication to the investee, as this gives rise to a constructive obligation, 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.

j) Resources Expended

Resources expended are recognised in the period in which they are incurred on an accruals basis. Resources expended include attributable VAT when this cannot be recovered.

Charitable Activities:

Expenditure is allocated between:

- expenditure incurred directly to the fulfillment of the charity's objectives
- expenditure incurred directly in the effort to raise voluntary contributions

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.

Non Profit Activities:

Costs of the two subsidiaries are allocated between expenditure incurred directly in the fulfillment of the company's not for profit activities and those incurred on the governance infrastructure, which allows the companies to operate and generate the information required for public accountability. This includes the strategic planning processes that contribute to the future development of the companies.

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.

k) Tangible Fixed Assets

Tangible fixed assets are recorded at cost less depreciation, except for items costing less than £2,000 which are written off to the consolidated statement of financial activities in the year of purchase.

l) Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost, less estimated residual value, over their expected useful lives on a straight line basis, as follows:

| | |
|-----------------------------------|--|
| - IT and office equipment | 3 - 5 years |
| - Leasehold fixtures and fittings | shorter of expected useful life and lease period |

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2009

m) Taxation

Deferred taxation, where applicable, is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in consolidated financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Futurebuilders England Ltd is liable for corporation tax on investment income receivable. The grant agreement allows for a tax reserve whereby Cabinet Office absorb corporation tax due on loan interest received but not accrued. The amount applicable to loan interest accrued is charged to the unrestricted resources expended.

n) Operating Leases

Total rentals payable under operating leases are charged to the consolidated statement of financial activities over the term of the lease on a straight line basis.

o) Pension Costs

The Charity and Futurebuilders England Ltd both operate defined contribution pension schemes. All pension contributions are charged to the statement of financial activity as and when the cost is incurred.

p) Goodwill

Goodwill is calculated as the difference between the cost of acquisition of the entity and the aggregate of the fair value of that entity's assets and liabilities. Negative goodwill arises when the aggregate fair values of the consolidated entity's assets and liabilities exceed any acquisition cost and is included in the consolidated balance sheet. Negative goodwill is amortised in the statement of financial activities in the periods in which the non-monetary assets acquired are amortised or sold. Negative goodwill arising from the acquisition of Futurebuilders England Ltd is amortised in line with any diminution in value of the non-monetary assets, specifically the financial investments. Investments made in subsidiaries are stated at cost.

2 Local Investment Fund Transfer

On 1 June 2007 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 £13,600,000. 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.

3 Voluntary Income

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|---|-------------------------|---------------------------|---------------------------|
| Amortisation of negative goodwill (note 14) | 337 | - | - |

4 Net Income

Net income is stated after charging:

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|--|-------------------------|---------------------------|---------------------------|
| Depreciation | 53 | - | - |
| Operating lease charges - land and buildings | 182 | 29 | 29 |
| Auditors' remuneration - audit services | 62 | 40 | 19 |
| Auditors' remuneration - non audit services | 9 | - | - |
| Amortisation of negative goodwill (note 14) | 337 | - | - |

Staff costs are detailed in note 5 below.

5 Staff Costs

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity (restated) 2008 £ '000 |
|------------------------------|-------------------------|---------------------------|---|
| Permanent Staff | | | |
| Wages and salaries | 1,655 | 148 | 213 |
| Social security costs | 184 | 18 | 26 |
| Pension costs | 152 | 34 | 22 |
| | <u>1,991</u> | <u>200</u> | <u>261</u> |
| Highest Paid Employee | | | |
| Emoluments | 131 | | |
| Pension | 14 | | |

The wages and salaries and social security costs shown for 2008 have been reduced by £9,000 from those shown in 2008 accounts. The figures shown in the 2008 accounts included the salary and social security costs for the Chair, which are now disclosed within trustee costs.

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2009

5 Staff Costs (continued)

Pensions

Adventure Capital Fund operates a group personal pension scheme open to all staff employees, administered by Aviva, and pays an employer's contribution of 11.33%. Futurebuilders England Ltd operates a stakeholder pension scheme open to all staff employees (including directors), administered by Friends Provident, and pays an employer's contribution of 11.33%.

The assets of the schemes are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the group to the fund.

The average number of Full Time Equivalent Employees during the year was as follows:

| | Group 2009 No | Charity 2009 No | Charity 2008 No |
|-------------------|---------------------|-----------------------|-----------------------|
| Operational staff | 29 | 3 | 3 |
| Management staff | 10 | 2 | 2 |
| | <u>39</u> | <u>5</u> | <u>5</u> |

| Senior employees staff salary range: | Group 2009 No | Charity 2009 No | Charity 2008 No |
|--------------------------------------|---------------------|-----------------------|-----------------------|
| £70,000 - £79,999 | 1 | - | 1 |
| £80,000 - £89,999 | 2 | - | - |
| £90,000 - £99,999 | 2 | 1 | 1 |
| £120,000 - £129,999 | 1 | 1 | - |
| | <u>6</u> | <u>2</u> | <u>2</u> |

The pension contributions for the above senior employees staff totalled £32,000 in the year (2008: £29,000). The number of senior employees staff to whom retirement benefits are accruing under the defined contribution scheme is four (2008: two).

Outstanding pension contributions for the group at the year end were £28,000 (2008: £nil).

6 Analysis of Cost of Generating Funds, Non Profit Activities and Governance

| | Cost of generating funds £ '000 | Non profit activities £ '000 | Governance £ '000 | Group 2009 £ '000 | Charity 2008 £ '000 |
|---|--|------------------------------------|----------------------|-------------------------|---------------------------|
| Staff costs | 32 | 1,731 | 77 | 1,840 | 38 |
| Premises and operational | 7 | - | 10 | 17 | 8 |
| Legal and other professional | - | - | - | - | 21 |
| Board and investment committee costs | - | - | 121 | 121 | - |
| Trustees' costs | - | - | 60 | 60 | 19 |
| Depreciation | - | 51 | 2 | 53 | - |
| Auditors' remuneration - audit services | - | - | 62 | 62 | 19 |
| Auditors' remuneration - non audit services | - | - | 9 | 9 | - |
| Operating leases for land and buildings | - | 176 | 6 | 182 | - |
| Business consultants - investee support | - | 79 | - | 79 | - |
| Futurebuilders transition costs | - | 229 | - | 229 | - |
| Other consultancy | - | - | 233 | 233 | - |
| Other direct costs | - | 1,226 | 42 | 1,268 | - |
| | <u>39</u> | <u>3,492</u> | <u>622</u> | <u>4,153</u> | <u>105</u> |
| SEIF Transition | - | 76 | - | 76 | - |
| Grants approved - Futurebuilders Fund | - | 4,494 | - | 4,494 | - |
| Investment provisions/write off | - | 1,214 | - | 1,214 | - |
| | <u>39</u> | <u>9,276</u> | <u>622</u> | <u>9,937</u> | <u>105</u> |
| Grants approved - NPTSC | - | 101 | - | 101 | - |
| | <u>39</u> | <u>9,377</u> | <u>622</u> | <u>10,038</u> | <u>105</u> |

The 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.

7 Board and Investment Committee Costs

Board and investment committee costs, in relation to Futurebuilders England Fund Management Ltd, are payments to the board as remuneration for their services. Total of board and investment committee costs are £121,000 of which Stephen Bubb is the highest paid at £25,000.

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2009

8 Trustees' Costs

Note 6 above shows a total of £60,000 (2008: £19,000) was paid out in Trustee costs in 2008/09. This includes remuneration (including social security costs) of £11,000 (2008: £9,000) paid to the Chair of the board and a contribution of £9,000 (2008: £4,000) for secretarial and administrative support. These payments were made in accordance with the authority granted by the Charity Commission on 8 December 2006. £32,000 (2008: £nil) was paid for the costs of recruiting four new additional Trustees, £4,000 (2008: £nil) for an independent board evaluation during the year and £2,000 (2008: £nil) for trustee indemnity insurance. The remaining £2,000 (2008: £6,000) represents trustees' expenses, mainly travel, paid to four trustees' during the period.

9 Analysis of Charitable Activities (Adventure Capital Fund only)

| | Charity 2009 £ '000 | Charity 2008 £ '000 |
|--|---------------------------|---------------------------|
| Investment in Community Enterprise: | | |
| Staff costs | 152 | 279 |
| Other direct costs | 365 | 410 |
| Investment provision | 396 | 699 |
| Grants made | 1,584 | 2,583 |
| Refund of grant paid | (40) | (12) |
| Grant commitments withdrawn | (373) | - |
| Support cost | 349 | 252 |
| | <u>2,433</u> | <u>4,211</u> |

Included within the above grants made is £104,000 (2008: £96,000) which is in relation to the London Development Agency.

10 Investment Provisions/Write off (Capital and Interest)

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|---|-------------------------|---------------------------|---------------------------|
| Provisions brought forward | 1,162 | 649 | - |
| Increase in provisions | 2,392 | 192 | 699 |
| Potentially repayable by social outputs | 204 | 204 | - |
| Provisions written off during the year | (513) | - | (50) |
| Provisions carried forward | <u>3,245</u> | <u>1,045</u> | <u>649</u> |

Adventure Capital Fund shows a movement in provision in the year of £192,000. This represents a specific provision of £136,000 and £56,000 additional general provision (2008: £187,000 general provision). The general provision in 2008 was set at 5% of the value of the loan book but has been increased to 7.5% to reflect the increased risks faced by our investee organisations during the recession.

Futurebuilders England Limited has written off two investments totalling £337,000 and made specific provisions for one investment of £70,000.

A general provision of 5% has been made against the Futurebuilders England Ltd financial investments. The financial investments at 31 March 2009 were £42,561,000 resulting in a general provision of £2,128,000 and a fair value adjustment in regards to the opening financial investments of £1,328,000 (5% of £26,562,000). These adjustments have been made in the balance sheet and netted off against financial investments (note 14 and note 16).

11 Investment Income

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|--|-------------------------|---------------------------|---------------------------|
| Interest on investments | 1,817 | 183 | 96 |
| Interest on bank deposits - restricted | 527 | 329 | 431 |
| Interest on bank deposits - unrestricted | 13 | - | - |
| Other investment income | 8 | - | - |
| | <u>2,365</u> | <u>512</u> | <u>527</u> |

12 Taxation - Factors Affecting the Current Tax Charge for the period

Futurebuilders England Ltd is not subject to corporation tax on Futurebuilders Fund income on drawn down requests re investments to Third Sector Organisations. Corporation tax is chargeable to the restricted fund (Cabinet Office tax reserve) where it relates to loan interest received. Corporation tax relating to interest accrued is borne by Futurebuilders England Ltd and is included as a charge against the unrestricted management fee.

Any tax-adjusted surplus arising in the Futurebuilders England Ltd and Futurebuilders England Fund Management Ltd on the payment they receive to cover operational and management costs will be taxable. The tax charge arising on the payment received to cover operational and management costs differs from the surplus/deficit on that payment as follows:

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2009

12 Taxation - Factors Affecting the Current Tax Charge for the period (continued)

| | Subsidiaries 2009 £ '000 |
|--|--------------------------------|
| Incoming resources | |
| Net incoming resources before taxation | 13,626 |
| Tax at 28% thereon | 3,815 |
| Effects of: | |
| Expenses not deductible for tax purposes | 1,288 |
| Capital allowances in excess of depreciation | 6 |
| Movement in short term timing differences | (1) |
| Non taxable income | (4,687) |
| Utilisation of tax losses | (205) |
| Actual current tax charge | <u>216</u> |

Factors that may affect the future tax charge:

A potential deferred tax asset of £18,000 exists at the year end relating to fixed asset timing differences. This has not been recognised due to doubts over future recoverability. The asset would be recovered if a tax-adjusted surplus were to arise on the payment for operational and management costs, against which it were to reverse.

The above corporation taxation liability is reduced as Futurebuilders England Fund Management Ltd gift aided £38,000 to the Adventure Capital Fund.

13 Parent Charity Statement of Financial Activities

The following is the Statement of Financial Activities for the ultimate parent charity only:

| | 2009 £ '000 | 2008 £ '000 |
|-----------------------------------|----------------|----------------|
| Incoming resources | | |
| Transfer from LIF | - | 13,648 |
| London Development Agency | 100 | 300 |
| Investment income | 512 | 527 |
| Charitable activities | - | 45 |
| Gift Aid from subsidiary | 38 | - |
| Total incoming resources | <u>650</u> | <u>14,520</u> |
| Resources expended | | |
| Cost of generating funds | 28 | 21 |
| Charitable activities | 2,329 | 4,211 |
| London Development Agency | 104 | - |
| Governance | 139 | 84 |
| Total resources expended | <u>2,600</u> | <u>4,316</u> |
| Net incoming resources | <u>(1,950)</u> | <u>10,204</u> |
| Funds brought forward at 1 April | <u>10,206</u> | <u>2</u> |
| Funds carried forward at 31 March | <u>8,256</u> | <u>10,206</u> |

14 Acquisition of Futurebuilders England Limited

On 1 April 2008, the membership of Futurebuilders England Limited (FBE) was transferred to Futurebuilders England Fund Management Limited (FBEFM), a wholly owned subsidiary of Adventure Capital Fund. At this stage FBE became a 100% subsidiary undertaking of ACF group for accounting purposes, by virtue of changes to its board of directors. FBE's mission has been to improve public service delivery through long term investment in the Third Sector in England. This has been accounted for using the acquisition method of accounting.

The Trustees considered it necessary to make an adjustment to the balance sheet to reflect the fair value of FBE's assets at acquisition, in light of a difference in accounting policies, specifically general bad debt provision.

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued) for the year ended 31 March 2009

14 Acquisition of Futurebuilders England Limited (continued)

The fair values of the assets and liabilities of FBE at the date of acquisition were as follows:

| | Total book value at 1 April 2008 £ '000 | Total adjustments at 1 April 2008 £ '000 | Total fair value at 1 April 2008 £ '000 |
|--|--|--|--|
| Tangible fixed assets | 47 | - | 47 |
| Financial investments | 26,562 | (1,328) | 25,234 |
| Debtors | 708 | - | 708 |
| Cash at bank and in hand | 3,747 | - | 3,747 |
| Creditors: amounts falling due within one year | (4,929) | - | (4,929) |
| Creditors: amounts falling due after one year | (896) | - | (896) |
| Net assets | 25,239 | (1,328) | 23,911 |

The excess of the fair value of the assets acquired over the value of the liabilities assumed amounted to £23,911,000 and is recognised as negative goodwill in the balance sheet. This mainly represents investment (loans) to the third sector which has now risen to £41,000,000. Negative goodwill arising from the acquisition of Futurebuilders England Ltd is amortised in line with any diminution in value of the non-monetary assets, specifically any provisions made in the year against the opening financial investments. For the year ended 31 March 2009 £337,000 was released to the consolidated statement of financial activities.

The performance of FBE and FBEFM is shown in note 29. The net incoming resources of FBE were £15,916,000 for the year.

Negative goodwill:

| | |
|--|----------------|
| | 2009 £ '000 |
| Negative goodwill at acquisition | 25,239 |
| Fair value adjustment | (1,328) |
| Amortisation re provisions against financial investments | (337) |
| Negative goodwill at 31 March | <u>23,574</u> |

15 Tangible Fixed Assets

| | Leasehold Fixtures & Fittings £ '000 | Office Equipment & IT £ '000 | Total £ '000 |
|-----------------------|---|------------------------------------|-----------------|
| Cost | | | |
| at 1 April 2008 | 156 | 69 | 225 |
| Additions | 15 | 2 | 17 |
| at 31 March 2009 | <u>171</u> | <u>71</u> | <u>242</u> |
| Depreciation | | | |
| at 1 April 2008 | 113 | 65 | 178 |
| Charge for year | 49 | 4 | 53 |
| at 31 March 2009 | <u>162</u> | <u>69</u> | <u>231</u> |
| Net book value | | | |
| at 31 March 2009 | <u>9</u> | <u>2</u> | <u>11</u> |
| at 1 April 2008 | <u>43</u> | <u>4</u> | <u>47</u> |

All tangible fixed assets are held by Futurebuilders England Ltd.

16 Financial Investments

Financial investments are in the form of loans. This year the group have made specific provisions against three loans (2008: two) which may be non-performing.

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|---|-------------------------|---------------------------|---------------------------|
| Opening balance (net of bad debt provision) | 30,105 | 3,543 | - |
| LIF transfer | - | - | 2,392 |
| New loans made in year | 18,737 | 808 | 2,098 |
| Repayments received in year | (1,575) | (430) | (248) |
| Loan repayment received (Social Return on Investment) | (296) | (296) | - |
| Transfer loan to grant | (688) | (288) | - |
| Movement in bad debt provision (note 10) | (2,596) | (396) | (649) |
| Loan written off | (314) | - | (50) |
| Closing balance (net of bad debt provision) | <u>43,373</u> | <u>2,941</u> | <u>3,543</u> |

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

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2009

16 Financial Investments (continued)

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|---------------------------------|-------------------------|---------------------------|---------------------------|
| Maturity of loans and advances: | | | |
| Within 1 year | 1,107 | 128 | 73 |
| Over 1 year to 5 years | 40,294 | 946 | 1,133 |
| Over 5 years | 1,867 | 1,867 | 2,337 |
| Bank guarantees - deposits | 105 | - | - |
| | <u>43,373</u> | <u>2,941</u> | <u>3,543</u> |

At 31 March 2009 there are £204,000 (2008: £500,000) loans which are potentially repayable by social outputs.

At 31 March 2008 Adventure Capital Fund's investment portfolio included three loans totaling £500,000 which may 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. During the period under review, £296,000 of one loan for £300,000 was converted into grant on receipt of evidence of the social impact delivered to this value.

All investments are UK based.

17 Debtors: Amounts Falling Due within one year

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|---|-------------------------|---------------------------|---------------------------|
| Amount due from subsidiary undertakings | - | 38 | - |
| Trade debtors | 1,529 | - | - |
| Prepayments | 100 | 9 | - |
| Investee interest receivable | 1,242 | 79 | 26 |
| Other debtors and accrued income | 103 | 34 | 84 |
| | <u>2,974</u> | <u>160</u> | <u>110</u> |

18 Creditors: Amounts Falling Due within one year

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|------------------------------------|-------------------------|---------------------------|---------------------------|
| Trade creditors | 154 | - | - |
| Other taxation and social security | 742 | 19 | 11 |
| Other creditors | 28 | 19 | 4 |
| Accruals | 222 | 99 | 50 |
| Deferred income | 1,170 | 4 | - |
| | <u>2,316</u> | <u>141</u> | <u>65</u> |

All of the above deferred income has been released since the balance sheet date as it relates to the next financial year.

19 Grants Payable

| | Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|---|-------------------------|---------------------------|---------------------------|
| Grants payable at 1 April | 1,198 | 1,198 | 45 |
| Grants payable transferred at 1 April (note 14) | 5,404 | - | - |
| Grants payable during the period | 6,178 | 1,583 | 2,582 |
| Grants paid during the period | (6,417) | (1,600) | (1,417) |
| Refund of grant paid | (40) | (40) | (12) |
| Grant commitments withdrawn | (373) | (373) | - |
| Grants payable at 31 March | <u>5,950</u> | <u>768</u> | <u>1,198</u> |
| Less than one year | 5,331 | 768 | 1,198 |
| Over 1 year to 5 years | <u>619</u> | <u>-</u> | <u>-</u> |
| | <u>5,950</u> | <u>768</u> | <u>1,198</u> |

An analysis of Adventure Capital Fund grants paid during the year, 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.

| Grants Awarded | No of Organisations | Value £,000 |
|-----------------------------|---------------------|----------------|
| Education and training | 6 | 145 |
| Medical/health | 1 | 10 |
| Disability | 6 | 337 |
| Environment | 1 | 8 |
| Economic/community | 21 | 986 |
| General charitable purposes | 11 | 98 |
| | <u>46</u> | <u>1,584</u> |

Futurebuilders England Ltd disclose the above information on the company website. This information is unaudited by PricewaterhouseCoopers LLP.

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2009

20 Provisions

| Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|-------------------------|---------------------------|---------------------------|
|-------------------------|---------------------------|---------------------------|

| | | | |
|---------------------------|-----|----|---|
| Onerous lease commitments | 136 | 77 | - |
|---------------------------|-----|----|---|

Adventure Capital Fund moved from Ground Floor, Ibex House, 42-47 Minories, on 1 July 2009 to 5th Floor, 6 St Andrew Street. There is a contractual commitment to pay rent, service charge and other property related costs at Ibex House for a future period.

Futurebuilders England Ltd has an onerous lease for Rathbone Place of £60,000 in relation to the period 1 April 2009 to the date the lease was surrendered, 21 September 2009. The financial statements of Futurebuilders England Ltd showed a provision of £131,000 which has subsequently been decreased.

21 Commitments under Operating Leases

Annual commitments under non-cancellable operating leases as follows:

| Group 2009 £ '000 | Charity 2009 £ '000 | Charity 2008 £ '000 |
|-------------------------|---------------------------|---------------------------|
|-------------------------|---------------------------|---------------------------|

Operating leases on land and buildings which expire:

| | | | |
|---------------------|----|----|----|
| Within 1 year | - | - | - |
| Within 2 to 5 years | 84 | 29 | 29 |
| | 84 | 29 | 29 |

The Charity commitments in 2009 have been included within the £77,000 onerous lease provision (note 20).

22 Reserves/Funds - Group

| | Balance at 1 April 2009 £,000 | Incoming Resources £,000 | Resources Expended £,000 | Transfers between funds £,000 | 31 March 2009 £,000 | 31 March 2008 £,000 |
|---|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|---------------------------|---------------------------|
| Restricted funds: | | | | | | |
| ACF general fund | 10,200 | 512 | (2,496) | - | 8,216 | 10,200 |
| London BDG fund | 6 | 100 | (104) | - | 2 | 6 |
| Futurebuilders fund | - | 21,154 | (5,823) | (254) | 15,077 | - |
| NPTSC fund | - | 101 | (101) | - | - | - |
| Restricted funds carried forward | 10,206 | 21,867 | (8,524) | (254) | 23,295 | 10,206 |
| Unrestricted funds | - | 4,230 | (4,163) | 254 | 321 | - |
| Total funds carried forward | 10,206 | 26,097 | (12,687) | - | 23,616 | 10,206 |

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.

The Futurebuilders fund is a unique government fund offering support and investment to third sector organisations to win public service contracts and deliver them successfully.

The NPTSC fund is to increase the involvement of the third sector in public services.

Of the transfers between restricted and unrestricted £237,000 represents the opening unrestricted funds of Futurebuilders England Ltd acquired by the group on 1 April 2008. The balance of £17,000 relates to a transfer of capital grant received from Cabinet Office.

23 Analysis of Net Assets Between Funds

| | Fixed and current assets £,000 | Financial investments £,000 | Current liabilities £,000 | Long term liabilities £,000 | Negative goodwill £,000 | Total funds £,000 |
|---------------------------|--------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|-------------------------------|----------------------|
| Group | | | | | | |
| ACF general fund | 6,262 | 2,941 | (987) | - | - | 8,216 |
| London BDG fund | 2 | - | - | - | - | 2 |
| Futurebuilders fund | 3,485 | 40,432 | (4,647) | (619) | (23,574) | 15,077 |
| NPTSC fund | 101 | - | (101) | - | - | - |
| Restricted funds | 9,850 | 43,373 | (5,735) | (619) | (23,574) | 23,295 |
| Unrestricted funds | 2,369 | - | (2,048) | - | - | 321 |
| Total Group | 12,219 | 43,373 | (7,783) | (619) | (23,574) | 23,616 |
| Parent | | | | | | |
| ACF general fund | 6,299 | 2,941 | (986) | - | - | 8,254 |
| London BDG fund | 2 | - | - | - | - | 2 |
| | 6,301 | 2,941 | (986) | - | - | 8,256 |

The parent fixed and current assets includes £38,000 of Gift Aid payable by Futurebuilders England Fund Management Ltd.

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued) for the year ended 31 March 2009

24 Cash Flow Statement - Reconciliation of Net Incoming Resources to Net Cash Inflow from Operating Activities

| | Group 2009 £ '000 | Charity 2008 £ '000 |
|---|-------------------------|---------------------------|
| Net incoming resources | 13,410 | 10,204 |
| Investments income and bank interest received | (2,365) | (527) |
| Depreciation | 53 | - |
| Onerous lease provision | 136 | - |
| Amortisation of negative goodwill (note 14) | (337) | - |
| Increase in financial investment provisions | 1,581 | 699 |
| Financial investments repaid by social return | 296 | - |
| Financial investments transferred to grant | 688 | - |
| (Increase) in debtors | (2,156) | (110) |
| Increase in creditors | 1,179 | 1,164 |
| Net cash inflow from operating activities | 12,485 | 11,430 |

25 Contingent Asset

Futurebuilders England Ltd has a contingent asset of £46,000,000 (2008: £46,000,000) owing from Cabinet Office relating to offers in respect of loans and grants made to future investees, which have been approved by the board, where a commitment is measurable and there is reasonable certainty of disbursement. These offers have not been disbursed or drawn down by the beneficiaries. The amount of loans not drawn down by the beneficiaries as at 1 April 2009 is £39,000,000 (2008: £42,000,000) which represents a contingent liability of the Futurebuilders fund.

26 Contingent Liabilities

Adventure Capital Fund

i) The charity offered, but did not advance, £1,007,000 (2008: £1,851,000) of new loans as at 31 March 2009.

ii) If an investee of the charity sells an asset purchased with those funds, the Home Office could require a partial repayment of its 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.

Futurebuilders England Ltd

i) The company has contingent liabilities of £590,000 in respect of Futurebuilders Fund bank guarantees made on behalf of investees (2008: £985,000). The bank guarantees become contingent liabilities once the bank guarantee agreement has been signed by Futurebuilders England Ltd.

ii) Futurebuilders England Ltd's contract with Cabinet Office to deliver the Futurebuilders Fund expires on 31 March 2011 with the possibility of an extension after that time, subject to mutual agreement. For the duration of the contract, income is being acknowledged in the statement of financial activities and the loan book represented on balance sheet. At the end of the contract and in the absence of an extension, the Fund, which is shown as a separate restricted fund (note 23) will revert to Cabinet Office. The total fund value (both pre and post acquisition) at 31 March 2009 is £41,000,000 (2008: £25,000,000).

27 Related Party Transactions

The Charity has taken the exemption available under FRS 8 not to disclose any transactions between the charity and its subsidiaries.

The Adventure Capital Fund has two members, The Social Enterprise Loan Fund (TSELF) and the Development Trusts Association. Payments totalling £20,000 (2007/08 £20,000) were made to TSELF in the period for provision of book-keeping services and £29,000 (2007/08 £29,000) for rent and service charge. Payments totalling £12,000 (2007/08 £110,000) were made to the Development Trusts Association for support and assessment services. The figure for 2007/08 also included marketing activities.

Anne Longfield is a member of the FBEFM Board and Remuneration Committee and is also the Chief Executive Officer of 4 Children. During the year a loan of £500,000 and a grant of £276,000 was invested in 4 Children by Futurebuilders England Ltd; the balance outstanding on the loan at the year end is £444,000.

Rob Owen is a member of the FBEFM Board and was a member of the FBEFM Audit and Compliance Committee during the year. He is also Chief Executive of St Giles Trust. During the year St Giles Trust received a development grant of £33,000 from Futurebuilders England Ltd.

The group maintains a register of interests for Board, Investment Committee members and staff. At a meeting, where any investment or purchase decisions are taken, which would reasonably be seen as giving rise to a conflict of interest (principally over investments) the Chair of the meeting ensures at the outset that disclosure is made. The interest is agreed to be either declarable or disqualifying and is recorded as such in the minutes and, if appropriate, the individual withdraws from the meeting for the duration of any discussion of the relevant item. The company's procedures also ensure that senior staff are not engaged in purchasing goods or services from suppliers in which they would have an interest.

28 Holding Company

There is no ultimate holding company of Adventure Capital Fund.

Adventure Capital Fund

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2009

29 Investment in Subsidiary

Adventure Capital Fund is the parent company and sole member of Futurebuilders England Fund Management Ltd (FBEFM), incorporated on 1 February 2008 and formed to administer the Futurebuilders Fund. Futurebuilders England Fund Management Ltd is the parent company of Futurebuilders England Ltd (FBE), which it subcontracts the service delivery to. Both companies are limited by guarantee and have registered offices at, 5th Floor, 6 St Andrew Street, London EC4A 3AE.

Prior to 30 June 2008, Futurebuilders England Fund Management Ltd was registered as Adventure Capital Fund Management. On 30 June 2008 a special resolution of the company approved a change of company name from Adventure Capital Fund Management to Futurebuilders England Fund Management Ltd.

A summary of the financial results of the subsidiaries are below:

Profit and Loss Account

| | FBEFM for the period end 31 March 2009 £'000 | FBE for the year end 31 March 2009 £'000 |
|--|---|--|
| Incoming resources | 4,222 | 24,821 |
| Resources expended | (4,131) | (8,905) |
| Net incoming resources | 91 | 15,916 |
| Gift aid | (38) | - |
| Corporation tax | (17) | (201) |
| Net incoming resources for the period after taxation | 36 | 15,715 |

Balance Sheet as at 31 March 2009

| | FBEFM 2009 £'000 | FBE 2009 £'000 |
|--|------------------------|----------------------|
| Fixed Assets | - | 42,972 |
| Current Assets | | |
| Debtors | 1,441 | 2,088 |
| Cash at bank and in hand | 684 | 2,408 |
| | 2,125 | 4,496 |
| Current Liabilities | (2,089) | (5,764) |
| Net Current Assets/(Liabilities) | 36 | (1,268) |
| Total Assets less Current Liabilities | 36 | 41,704 |
| Grants payable | - | (619) |
| Provision | - | (131) |
| | - | (750) |
| Net Assets | 36 | 40,954 |