

SIGNED

NVM PRIVATE EQUITY LLP

FINANCIAL STATEMENTS

31 March 2017

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MEMBERS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

The members have pleasure in presenting their annual report and the audited financial statements for the year ended 31 March 2017.

Members

The members of the partnership during the year and up to the date of this report were as follows:

J V Arrowsmith
M A Biagioni
A M Conn*
M I Green*
P S Hodson
A W Leach
T R Levett
C D Mellor*
D M Rolfe
Project NVM Limited

*denotes designated member for the purposes of the relevant legislation

Members' responsibilities statement

The members are responsible for preparing the strategic report, the members' report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ("the Regulations") require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under Regulation 8 of the Regulations, members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of its profit or loss for the year.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

Under Regulation 6 of the Regulations, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

NVM PRIVATE EQUITY LLP

MEMBERS' REPORT FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Profit for the year

The group profit on ordinary activities available for discretionary division among members for the year, after providing for members' remuneration charged as an expense, was £4,124,607 (2016 £3,095,244).

Members' drawings and capital

Drawings are made on a monthly basis and from time to time as working capital allows. Such drawings are based on the members' entitlements as set out in the Members' Agreement.

Members' capital is subscribed in accordance with the current Members' Agreement.

Provision of information to auditor

The members at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the partnership's auditor is unaware; and each member has taken all the steps that he ought to have taken as a member to make himself aware of any relevant audit information and to establish that the partnership's auditor is aware of that information.

Fixed assets

Movements in tangible fixed assets during the year are set out in Note 6 to the financial statements.

Auditor

KPMG LLP have expressed their willingness to continue in office as auditor and are deemed to be reappointed in accordance with the Members' Agreement and Section 487 of the Companies Act 2006.

On behalf of the members



A M Conn
Designated Member

21 June 2017

NVM PRIVATE EQUITY LLP

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

This strategic report is presented by the members in accordance with the requirements of Section 414 of the Companies Act 2006.

Review of the business

The partnership's principal activity during the year was the management of venture capital funds, comprising three listed VCTs (Northern Venture Trust PLC, Northern 2 VCT PLC and Northern 3 VCT PLC), a listed investment trust (Northern Investors Company PLC) and two private limited partnerships (NV1 LP and NV2 LP).

The members have a policy of maintaining a high level of free cash reserves and consider that the financial position of the group and the partnership is satisfactory.

NVM Private Equity LLP is an authorised person for the purposes of the Financial Services and Markets Act 2000 and is regulated by the Financial Conduct Authority.

Going concern

After making the necessary enquiries, the members believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The group finances its activities entirely from members' funds and had no debt funding during the year. Surplus funds are held on bank deposit and earn interest at market rates. The group's revenues and expenses are all denominated in sterling and consequently there is no exposure to currency risk.

The majority of the group's revenue is derived from investment management contracts with its client funds, which are subject to up to 12 months' notice of termination. The loss of one or more of these contracts could have a significant effect on the group's profitability and financial position. The group is responsible for the day-to-day monitoring of its listed fund clients' compliance with the qualifying conditions laid down by HM Revenue & Customs for the maintenance of VCT or investment trust approved status; the loss of such status could lead to its appointment as investment manager being terminated without notice. As a regulated investment management firm, the group maintains a strong compliance culture and operates a closely monitored system of internal controls in relation to its own and its clients' business.

On behalf of the members



A M Conn
Designated Member

21 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NVM PRIVATE EQUITY LLP

We have audited the group and LLP financial statements ("the financial statements") of NVM Private Equity LLP for the year ended 31 March 2017 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the members' responsibilities statement set out on page 1, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

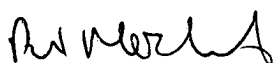
In our opinion the financial statements:

- give a true and fair view of the state of affairs of the group and of the LLP as at 31 March 2017 and of the profit of the group for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the LLP's individual financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
319 St Vincent Street
Glasgow G2 5AS

21 June 2017

NVM PRIVATE EQUITY LLP**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017**

	<u>Notes</u>	<u>Year ended 31 March 2017</u>	<u>Year ended 31 March 2016</u>
TURNOVER		10,371,820	10,769,728
Administrative expenses	2	(3,212,839)	(2,660,520)
OPERATING PROFIT		7,158,981	8,109,208
Interest receivable		29,888	3,377
Interest payable		–	–
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,188,869	8,112,585
Tax on profit on ordinary activities	5	–	2,182
PROFIT FOR THE YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES		7,188,869	8,114,767
Members' remuneration charged as an expense	4	(3,064,262)	(5,019,523)
PROFIT FOR THE YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		£4,124,607	£3,095,244

The results of the year are derived wholly from continuing operations.

The group has no recognised gains and losses other than those included in the income statement above and therefore no separate statement of comprehensive income has been presented.

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

NVM PRIVATE EQUITY LLP

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

	Notes	31 March 2017	31 March 2016
FIXED ASSETS			
Tangible assets	6	102,613	126,464
CURRENT ASSETS			
Debtors	8	2,768,998	4,042,619
Cash at bank and in hand		2,667,234	4,100,959
		5,436,232	8,143,578
CREDITORS (amounts falling due within one year)	9	(2,894,978)	(4,862,372)
NET CURRENT ASSETS		2,541,254	3,281,206
NET ASSETS ATTRIBUTABLE TO MEMBERS		£2,643,867	£3,407,670
Represented by:			
Regulatory capital	10	5,000	5,000
Ordinary capital	10	495,001	495,001
Members' current accounts	10	2,143,866	2,907,669
MEMBERS' INTERESTS		£2,643,867	£3,407,670

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

NVM PRIVATE EQUITY LLP

PARTNERSHIP BALANCE SHEET AS AT 31 MARCH 2017

	Notes	31 March 2017	31 March 2016
FIXED ASSETS			
Tangible assets	6	102,613	126,464
Investments	7	114	114
		<u>102,727</u>	<u>126,578</u>
CURRENT ASSETS			
Debtors	8	2,768,998	4,042,620
Cash at bank and in hand		2,667,236	4,093,823
		<u>5,436,234</u>	<u>8,136,443</u>
CREDITORS (amounts falling due within one year)	9	<u>(2,895,094)</u>	<u>(4,857,533)</u>
NET CURRENT ASSETS		2,541,140	3,278,910
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>£2,643,867</u>	<u>£3,405,488</u>
Represented by:			
Regulatory capital	10	5,000	5,000
Ordinary capital	10	495,001	495,001
Members' current accounts	10	2,143,866	2,905,487
MEMBERS' INTERESTS		<u>£2,643,867</u>	<u>£3,405,488</u>

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

The financial statements on pages 5 to 17 were approved by the members on 21 June 2017 and are signed on their behalf by:



A M CONN
Designated Member

NVM PRIVATE EQUITY LLP

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

<u>Group</u>	<u>Year ended 31 March 2017</u>	<u>Year ended 31 March 2016</u>
Members' interests at 1 April 2016	3,407,670	724,029
Profit for the year before members' remuneration and profit shares	7,188,869	8,114,767
Members' drawings	(7,952,672)	(5,431,126)
Members' interests at 31 March 2017	<u>£2,643,867</u>	<u>£3,407,670</u>
<u>Partnership</u>	<u>Year ended 31 March 2017</u>	<u>Year ended 31 March 2016</u>
Members' interests at 1 April 2016	3,405,488	724,029
Profit for the year before members' remuneration and profit shares	7,191,051	8,112,585
Members' drawings	(7,952,672)	(5,431,126)
Members' interests at 31 March 2017	<u>£2,643,867</u>	<u>£3,405,488</u>

NVM PRIVATE EQUITY LLP

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year ended 31 March 2017	Year ended 31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before members' remuneration and profit shares	7,188,869	8,114,767
Adjustments:		
Depreciation	42,891	39,888
Interest received	(29,888)	(3,377)
Decrease/(increase) in debtors	1,273,621	(3,251,884)
Increase in creditors	68,912	91,998
NET CASH INFLOW FROM OPERATING ACTIVITIES	8,544,405	4,991,392
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	29,888	3,377
Fixed asset additions	(19,040)	(17,124)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	10,848	(13,747)
CASH FLOWS FROM FINANCING ACTIVITIES		
Members' drawings	(9,988,978)	(2,331,408)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(9,988,978)	(2,331,408)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,433,725)	2,646,237
Cash and cash equivalents at the beginning of the year	4,100,959	1,454,722
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	£2,667,234	£4,100,959

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

(a) Basis of accounting

The financial statements have been prepared under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The members have sought to prepare the financial statements so as to comply with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

The financial statements are prepared in £ sterling, which is the functional currency of the group.

The financial statements have been prepared on a going concern basis.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the partnership and its subsidiary undertakings made up to 31 March 2017. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

Under Section 408 of the Companies Act 2006 the partnership is exempt from the requirement to present its own income statement.

(c) Investments

In the partnership's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment.

(d) Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful economic lives, as follows:

Office furniture and equipment	3–7 years
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(e) Turnover

Turnover represents income from investment management and related services rendered, excluding value added tax. Performance fees are recognised when the relevant performance criteria are met.

(f) Interest receivable

Interest on short-term bank deposits is dealt with on an accruals basis.

(g) Interest payable

Interest payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument.

1 Accounting policies (continued)

(h) Leases

Operating lease payments are charged in the income statement on a straight line basis over the period of the lease.

(i) Taxation

No provision for income tax is made in the financial statements of the partnership as all income tax liabilities are liabilities of the members, not the partnership.

UK corporation tax on the profits of the corporate subsidiaries of the consolidated group is provided at amounts expected to be paid using applicable tax rates. The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in future, or a right to pay less tax in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain.

(j) Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including members' contributions) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of members' contributions do not have any terms meeting the definition of a financial liability then this is classified as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to reserves.

All financial instruments are classed as basic financial instruments under FRS 102.

(k) Retirement benefits

The group operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

(l) Members' remuneration

Members are remunerated by way of profit shares. Where profit share is non-discretionary it is included as an expense within the income statement. Where profit share is discretionary it is debited to members' interests in the year in which the division of profit occurs.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017 (continued)

2 Administrative expenses

Administrative expenses for the group include the following charges:

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Depreciation	42,891	46,909
Operating lease rentals	164,997	114,551
Auditor's remuneration:		
Audit of these financial statements	13,250	13,000
Audit of subsidiary financial statements	9,000	6,500
Other audit related assurance services	4,000	1,510
Taxation services	14,880	10,000
Other	9,120	10,852

3 Staff numbers and costs

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Staff costs:		
Salaries	1,020,650	841,502
Social security costs	117,598	116,904
Contributions to defined contribution pension scheme	124,077	116,520

The average number of persons employed by the group during the year was 13 (2016 12).

4 Members' numbers and remuneration

The average number of members in the year was 10 (2016 10). The number of members at 31 March 2017 and 31 March 2016 was 10.

The remuneration of members charged as an expense for the year to 31 March 2017 was:

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Non-discretionary profit shares charged as an expense	3,064,262	5,019,523

The non-discretionary profit share of the highest paid member for the year to 31 March 2017 was £591,342 (2016 £1,044,302). Subsequent to the year end the partnership profit of £3,877,219 (2016 £3,093,062) available for discretionary division among members was allocated in accordance with the Members' Agreement.

NVM PRIVATE EQUITY LLP

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017 (continued)

5 Taxation

	Year ended 31 March 2017	Year ended 31 March 2016
(a) <u>Analysis of charge for the year</u>		
Corporation tax on income for the current year	–	–
Adjustment in respect of prior periods	–	(2,182)
Tax on profit on ordinary activities	£–	£(2,182)
(b) <u>Tax reconciliation</u>		
Profit on ordinary activities before taxation	7,188,869	8,112,585
Current tax at UK standard rate of 20.0% (2016 20.0%)	1,437,774	1,622,517
Factors affecting charge for the year:		
LLP profits not liable to corporation tax	(1,437,774)	(1,622,517)
Adjustment in respect of prior periods	–	(2,182)
Tax (credit)/charge on profit on ordinary activities	£–	£(2,182)

6 Tangible fixed assets

	Office furniture and equipment
<u>Cost</u>	
At 1 April 2016	173,373
Additions	19,040
Disposals	–
At 31 March 2017	192,413
<u>Depreciation</u>	
At 1 April 2016	46,909
Charge for the year	42,891
On disposals	–
At 31 March 2017	89,800
<u>Net book value</u>	
At 1 April 2016	£126,464
At 31 March 2017	£102,613

All tangible fixed assets held by the group are held by the partnership itself.

NVM PRIVATE EQUITY LLP

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017 (continued)

7 Fixed asset investments

Partnership

Shares in group
undertakings

Cost at 31 March 2017 and 31 March 2016

£114

Details of subsidiary undertakings owned directly or indirectly by the partnership, all of which are registered in England and Wales, are as follows:

Name	Share capital	Ownership	Activity
NVM Nominees Limited	£1 ordinary	100%	Dormant company
Northern Venture Managers Limited	£1 ordinary	100%	Dormant company
Northern VCT Managers Limited	£1 ordinary	100%	Dormant company
NV1 GP Limited	£1 ordinary	100%	Dormant company
NV1 CP Limited	£1 ordinary	100%	Carried interest partner in NV1 LP
NVM GP LLP	£1 ordinary	90%	General partner in NV1 LP and NV2 LP
NV2 CP Limited	£1 ordinary	100%	Carried interest partner in NV2 LP
NV2 Nominee Limited	£1 ordinary	100%	Partner in NVM GP LLP

The registered address for all subsidiaries listed above is Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4SN

8 Debtors

	Group 31 March 2017	Group 31 March 2016	Partnership 31 March 2017	Partnership 31 March 2016
Trade debtors	8,880	33,286	8,880	33,286
Other debtors and prepayments	2,760,118	4,009,333	2,760,118	4,009,334
	£2,768,998	£4,042,619	£2,768,998	£4,042,620

Other debtors and prepayments include no receivables due after more than one year (2016 20,000).

NVM PRIVATE EQUITY LLP

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017 (continued)

9 Creditors (amounts falling due within one year)

	Group	Group	Partnership	Partnership
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
Trade creditors	270,293	226,439	270,293	226,439
Other tax and social security	67,224	67,308	67,224	67,308
Accruals and deferred income	1,435,660	1,410,518	1,435,660	1,405,204
Remuneration due to partners	1,121,801	3,158,107	1,121,801	3,158,107
Amounts due to other group undertakings	–	–	116	475
	<u>£2,894,978</u>	<u>£4,862,372</u>	<u>£2,895,094</u>	<u>£4,857,533</u>

10 Reconciliation of members' interests

<u>Group</u>	Regulatory capital	Ordinary capital	Members' current accounts	Total
At 1 April 2016	5,000	495,001	2,907,669	3,407,670
Members' remuneration charged as an expense	–	–	3,064,262	3,064,262
Profit for the year available for discretionary division among members	–	–	4,124,607	4,124,607
Members' interests after profit for the year	5,000	495,001	10,096,538	10,596,539
Members' drawings	–	–	(7,952,672)	(7,952,672)
At 31 March 2017	<u>£5,000</u>	<u>£495,001</u>	<u>£2,143,866</u>	<u>£2,643,867</u>
	Regulatory capital	Ordinary capital	Members' current accounts	Total
At 1 April 2015	5,000	495,001	224,028	724,029
Members' remuneration charged as an expense	–	–	5,019,523	5,019,523
Profit for the year available for discretionary division among members	–	–	3,095,244	3,095,244
Members' interests after profit for the year	5,000	495,001	8,338,795	8,838,796
Members' drawings	–	–	(5,431,126)	(5,431,126)
At 31 March 2016	<u>£5,000</u>	<u>£495,001</u>	<u>£2,907,669</u>	<u>£3,407,670</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017 (continued)

10 Reconciliation of members' interests (continued)

<u>Partnership</u>	<u>Regulatory capital</u>	<u>Ordinary capital</u>	<u>Members' current accounts</u>	<u>Total</u>
At 1 April 2016	5,000	495,001	2,905,487	3,405,488
Members' remuneration charged as an expense	–	–	3,064,262	3,064,262
Profit for the year available for discretionary division among members	–	–	4,126,789	4,126,789
Members' interests after profit for the year	5,000	495,001	10,096,538	10,596,539
Members' drawings	–	–	(7,952,672)	(7,952,672)
At 31 March 2017	£5,000	£495,001	£2,143,866	£2,643,867

	<u>Regulatory capital</u>	<u>Ordinary capital</u>	<u>Members' current accounts</u>	<u>Total</u>
At 1 April 2015	5,000	495,001	224,028	724,029
Members' remuneration charged as an expense	–	–	5,019,523	5,019,523
Profit for the year available for discretionary division among members	–	–	3,093,062	3,093,062
Members' interests after profit for the year	5,000	495,001	8,336,613	8,836,614
Members' drawings	–	–	(5,431,126)	(5,431,126)
At 31 March 2016	£5,000	£495,001	£2,905,487	£3,405,488

11 Pension commitments

During the year the group operated a defined contribution pension scheme for its employees, the assets of the scheme being held separately from those of the group under independent administration. Contributions by the group were charged to the income statement as they fell due. There were no contributions payable to the scheme at 31 March 2017 (2016: contributions amounting to £7,483).

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017 (continued)

12 Operating lease rentals

At the balance sheet date the group was committed to making the following operating lease rental payments within the next year in respect of leasehold office premises:

	31 March 2017	31 March 2016
Lease commitments expiring:		
Within one year	76,535	–
In between one and five years	116,642	127,687
After five years	–	–
	<u>£193,177</u>	<u>£127,687</u>

13 Financial instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. The group's financial instruments comprise cash and cash equivalents, trade receivables, trade payables and accruals which arise directly from operations. The group's policy is to finance its operations through retained earnings. The group has a policy of not holding financial instruments for speculative purposes.

The group's activities expose it to a variety of financial risks: market risk (including cash flow risk, interest rate risk and price risk), credit risk and liquidity risk. The group's management strategy is to minimise the potential impact of these risks on its financial performance.

Market risk

Market risk is the risk of changes to the group's financial condition caused by variables such as changes in the net asset values of its funds under management and interest rates.

The group does not operate outside the UK and therefore there is no foreign exchange risk for the partnership.

Credit risk

Credit risk represents the loss which the group would suffer from the failure of a debtor to meet its contractual obligations. At 31 March 2017 the group's main exposure to credit risk was the £2,667,236 (2016 £4,100,359) cash held on deposit by a major UK clearing bank of which £2,667,236 (2016 £4,093,823) was held in accounts of the partnership itself.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group has adequate short term deposits to ensure that it has sufficient funds to carry on its principal activity, the management of venture capital funds.