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# Capital for Enterprise Ltd Consolidated Annual Report and Accounts 2010-2011

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**CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES**

Registered number: 06179047

**CAPITAL FOR ENTERPRISE LIMITED CONSOLIDATED ANNUAL REPORT  
AND ACCOUNTS 2010-2011**

**Presented to Parliament by the Secretary of State for Business Innovation and Skills  
by Command of Her Majesty**

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## CONTENTS

COMPANY INFORMATION .....	4
MANAGEMENT COMMENTARY .....	5
STATEMENT ON INTERNAL CONTROL .....	9
REMUNERATION REPORT .....	12
BOARD OF DIRECTORS.....	16
DIRECTORS' REPORT .....	17
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	18
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES .....	19
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	21
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	22
COMPANY STATEMENT OF FINANCIAL POSITION .....	23
CONSOLIDATED STATEMENT OF CASH FLOWS .....	24
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	25
NOTES TO THE ACCOUNTS.....	26

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## COMPANY INFORMATION

<b>Directors</b>	D W Quysner (Chairman) L R Earley A J B Loudon J McCrory P J Shortt J A Spence
<b>Company secretary</b>	D G Campbell
<b>Company number</b>	06179047
<b>Registered office</b>	1 Broadfield Close Sheffield South Yorkshire S8 0XN
<b>Auditors</b>	The Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road London SW1W 9SP
<b>Bankers</b>	Barclays Bank PLC PO Box 456 Harrogate HG1 1ZT

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## MANAGEMENT COMMENTARY

This document is available on Capital for Enterprise's website, [www.capitalforenterprise.gov.uk](http://www.capitalforenterprise.gov.uk).

### Company Overview

The UK Government (hereafter referred to as 'the Government') provides a range of financial and other support for small and medium-sized enterprises (SMEs), and over the years has committed considerable funds to the sector through a number of different loan and equity schemes, including:

- The Enterprise Finance Guarantee (EFG) - formerly the Small Firms Loan Guarantee (SFLG)
- Enterprise Capital Funds
- Regional Venture Capital Funds
- The UK Innovation Investment Fund (UKIIF).

Capital for Enterprise is a fund management company which designs, delivers and manages such schemes on behalf of the Department for Business, Innovation and Skills (BIS). It operates at arm's length from the Department, is professionally managed. Its subsidiary undertaking, Capital for Enterprise Fund Managers Ltd, is regulated by the Financial Services Authority. At 31 March 2011, it was responsible for some £515m of Government commitments into equity funds and for managing EFG and SFLG in which Government has facilitated some £1.1b of lending.

### Context

The Government has stated that it is dedicated to creating the conditions for strong, sustainable economic growth, by ensuring the UK has competitive, dynamic and efficient markets that provide the right support to business, and furthermore that small businesses have a crucial role to play in creating employment and strengthening competition.

At the start of 2009, small businesses in the UK accounted for almost 60 per cent of private sector employment and 49 per cent of private sector turnover. The last 15 years has seen a large increase in the number of small businesses in the UK, but these have tended not to grow. Two thirds of small businesses have an aspiration to grow but only about one-fifth achieve that goal.

The Government is committed to promoting the delivery of a comprehensive package of support, to answer the concerns of the small business community in expanding the range of support available for SMEs, (including alternative sources of finance), extending existing schemes that provide finance for viable small businesses, and helping banks and businesses work together more effectively. Capital for Enterprise Limited is recognised by the Government as having a vital role to play in the delivery of these objectives.

### About Capital for Enterprise

Capital for Enterprise is a non-departmental public body, and is wholly-owned by the Department for Business, Innovation and Skills. Its principal funding is by grant in aid from BIS, but in addition it generates income from services rendered to BIS and also to other public and private sector bodies. The Group consists of the parent company, Capital for Enterprise Ltd, and two subsidiary companies, Capital for Enterprise Fund Managers Limited and Capital for Enterprise (GP) Limited. The way in which the Group is currently funded aims to achieve a break even, or close to break even, operating position.

Its constitution is its Framework Agreement which sets out the company's objectives, which are to:-

- deliver and manage the Government's financial interventions in the SME sector, applying its knowledge and understanding of SME's and the financing environment in which they operate; and
- inform and improve the quality of Government policy initiatives through its close involvement in the market.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## MANAGEMENT COMMENTARY (Continued)

In order to deliver these objectives and its demanding programme of work, Capital for Enterprise has recruited from the commercial sector to widen the knowledge and skills base already within the Group. Its team is made up of people with broad experience in both the public and private sector, which gives it a unique ability to operate at the interface between the sectors. It has the capability, infrastructure and ambition to build on its achievements to date, and to play a full part in the continuing need to ensure that the SME sector has access to the funding that it needs.

The Company is overseen by an independent, expert Board of Directors, which, like the executive team, is predominantly drawn from private sector backgrounds. It is run as an independent business, with its own systems and procedures. It is a public body audited by the National Audit Office.

Capital for Enterprise is committed to minimising the environmental impacts of all of its business operations. As such, it aims to manage all waste generated, ensuring that this is dealt with in accordance with either re-use or recycling as appropriate. It also ensures that staff are regularly reminded of their responsibility to operate in an environmentally friendly manner for both internal and external activities, resulting in a travel and subsistence policy which not only aims to save public money but also to reduce the business' carbon footprint. These aims are supported by a Sustainable Development Action Plan which was implemented during the year.

### Activity in 2010-2011

Capital for Enterprise has worked hard to try to maintain access to finance for SMEs. In 2010-2011, the Company managed a number of programmes designed to do this as described below.

#### *Enterprise Finance Guarantee Scheme*

The Enterprise Finance Guarantee scheme (EFG) helps to ensure that viable SMEs with limited financial track record or insufficient security can access debt finance. The scheme was established in 2009 building on the strengths of its predecessor the Small Firms Loan Guarantee (SFLG) scheme, but having significantly greater flexibility. The evolving product design and close liaison with lenders has driven strong take-up of the scheme since its launch in January 2009, far surpassing the lending levels previously seen under SFLG. In 2010-11 EFG supported additional lending of £453m to 4,600 SME's. The success of the scheme has resulted in the Government making a commitment to its continuation until 2014-15. EFG will facilitate up to £600m of additional lending to around 6,000 businesses next year alone and, subject to demand, over £2 billion in total over the next 4 years.

In the year CfEL played a key role in the design and implementation of new EFG loan processing targets which were introduced in June 2010, with all major EFG lenders now ensuring that EFG applications are processed within 20 working days. This is helping to give businesses the certainty and assurance they need when using this scheme.

EFG continues to evolve and develop, and CfEL has continued to work with BIS and the lenders who participate in the scheme to ensure that it fulfils its role in supporting the provision of debt finance for SME's. This includes exploring innovative ways in which the scheme can be used including the extension of its availability to businesses seeking working capital to fund exports.

#### *Equity Funds*

The first half of 2010-11 was one of uncertainty with regard to the funding of the Group's equity programmes, as prior to the completion of the Comprehensive Spending Review (CSR) in October 2010 there was no commitment for any additional funding for the period of the CSR, (which is up to the end of the 2014-15 year).

However, the CSR has given clarity as to the funding available over the next four years. The Government has made a commitment to allocate £200m to the ECF programme over that period, which enables the Group to accelerate the process for allocating ECF funds to high quality fund management teams. Consequently a £25m commitment was made to a new ECF Fund Manager in March 2011.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## MANAGEMENT COMMENTARY (Continued)

Funds in which the Group manages Government interests are;

- The **Enterprise Capital Fund** programme has through its ten fund managers invested in a total of 85 portfolio companies and saw its first three portfolio company exits for value. ECFs are specifically designed to support high growth potential businesses that may not otherwise be able to access finance up to £3 million to help them to grow and prosper;
- **The UK Future Technologies Fund**, managed by EIF as part of the Government's UK Innovation Investment Fund (UKIIF). The Government has committed £100 million to this £200m Fund of funds, which will make investments into life sciences, digital and advanced manufacturing companies. The Fund has provided investment in six portfolio companies through its own investment in underlying funds;
- **The Environmental Innovation Fund**, managed by Hermes Private Equity as part of UKIIF, invests in high-tech, low carbon businesses. Government has committed £50 million to this Fund with Hermes PE adding £75m from other sources. The Fund has provided investment in seven portfolio companies through its own investment in underlying funds;
- The **Capital for Enterprise Fund**, was launched in early 2009 to respond rapidly to the funding crisis at that time. The Fund has allocations of £67m in total to be invested in portfolio companies through two fund managers, with the balance of £8m available to be invested directly alongside other investors. It was created with an unusually short initial investment period of only 12 months and has invested in some 38 businesses across the UK to provide vital working capital;
- The **Aspire Fund** made 6 investments in women-led businesses across the UK, seeking to make them beacons to illustrate the potential for female entrepreneurship; and
- **Legacy Programmes.** Capital for Enterprise continues to manage out the portfolio of legacy funds which it inherited on a fully invested basis in 2008. These are the BIS and EIF commitments and allocations to venture capital funds through its Regional Venture Capital Funds, Early Growth Funds, The UK High Technology Fund and the Bridges Community Development Fund. These funds have now come to the end of their investment periods but continue to be actively managed by the Group.

### *Working with Government*

The Government has instigated a number of measures which seek to ensure stable financial conditions for business and which in different ways will impact upon how SME's might obtain external finance. These include the abolition of the English Regional Development Agencies (RDA's), the creation of a £1.4bn Regional Growth Fund, the establishment of a Green Investment Bank and support for the £1.5bn bank led Business Growth Fund.

During 2010-11 the Board and the Executive have given expert opinion to support BIS and other Government departments in the development some of these initiatives. CfEL has undertaken an exercise to map the many and various RDA managed debt and venture programmes in order to inform Government decisions on the future administration of these programmes. It has also advised on issues relating to the Green Investment Bank and the Big Society Bank, and has been asked to work with Business Angel groups to set up a Business Angel Co-Investment Fund through a bid to the Regional Growth Fund.

CfEL was also engaged by the Scottish Executive to manage the process for the selection and appointment of a Manager for the Scottish Enterprise Fund, a process which was completed in February 2011. The Fund is a £100m loan fund, which will provide a significant stimulus to the Scottish economy.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## MANAGEMENT COMMENTARY (Continued)

### The future

The Government has identified CfEL as having an important role to play in promoting growth in the UK economy. The Group will continue to focus its expert resources on maximising the value from the programmes that it already manages, and will work closely with BIS and other government departments and agencies, using its unique expertise in the SME sector to bring an innovative approach to the provision of financial support for small businesses.

CfEL has been asked by BIS to undertake the role of monitoring and reporting on the RDA legacy venture and loan funds. This activity, in conjunction with its current oversight of national venture and loan funds will bring a clarity and understanding of the overall publicly funded venture capital landscape which has previously been missing. This will be of immense value to Government in its formulation of future policy for support to SME's.

As well as complementing Business Angel investment through the ECF programme, the group will continue to work with the Business Angel network and other private sector investors to encourage the continuing provision of funding to the SME sector. It will also seek to ensure that the EFG scheme continues to facilitate an important source of loan funding for small businesses.

Having designed and implemented the loan guarantee scheme for SME exporters, CfEL will manage its operation in the coming year and beyond.

*Signature to be inserted here*

**L R Earley**  
Accounting Officer  
Date: 19 May 2011



# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

The Board has responsibility for maintaining a sound system of internal control that supports the achievement of Capital for Enterprise Limited's policies, aims and objectives, whilst safeguarding the public funds and the Group's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The Framework Agreement defines the accountability between Capital for Enterprise Limited and the Department for Business Innovation and Skills (BIS). Each year, the Group's policies, aims and objectives are set out in the Business Plan, and approved by the Group's Board of Directors and by BIS.

Under the Board's supervision I am responsible for establishing strategy and determining that CfEL has effective systems for internal controls and risk management. The Board's Audit and Risk Committee, advises me on the adequacy of audit arrangements and systems of risk management and internal control. I report to senior BIS officials and the Board, on performance against these policies, aims and objectives, highlighting the main risks and how they are being managed.

### The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can only therefore provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in Capital for Enterprise Limited for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts and was in accordance with Treasury guidance.

### Capacity to Handle Risk

My senior executive team and I consider the risks to achieving the Company's policies, aims and objectives, as well as developing and implementing a strategy to manage them. I am effectively supported in this process by the Board of Directors. I have also appointed the BIS Director of Internal Audit as the Group's Internal Auditor. This structure gives a strong, independent oversight of risk management within the organisation.

I promote a strong culture of risk awareness throughout the Company, embedding risk management procedures within the Company's processes, with particular emphasis on activities judged to have high risk or potentially high impact upon the business. Formal staff training and effective processes promote good practice.

### The Risk and Control Framework

Risk management will only be successfully delivered if everyone within the organisation embraces and incorporates the processes into their daily working practices. The approach adopted is a continuous process of activities through which the potential impact of risks on the achievement of objectives is managed. The aim is to adopt good practices in the identification, assessment and cost effective control of risks, in order to ensure that they are eliminated where possible, reduced to an acceptable level or managed and contained.

The Group's two main priorities in managing risks are firstly in relation to the effective delivery of the objectives of the schemes that it manages, and secondly in relation to the appropriate application of the funds that are committed through these schemes. The Group oversees the provision of support by BIS to the markets providing finance to SME's through the various schemes that it has designed and implemented. This support is provided in order to meet certain policy objectives, and it is essential that the risks of the schemes not meeting their objectives are properly considered. In addition it is vital to consider the risks of financial loss, particularly as the Group is responsible for the management of significant amounts of Government funding.

## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### STATEMENT ON INTERNAL CONTROL (Continued)

The Group has adopted a low tolerance risk appetite which along with clearly defined profiling criteria and reporting hierarchy, ensures that all risks are reviewed at the appropriate level. This in turn leads to more efficient internal controls and informed decision making. A low tolerance risk appetite means that Capital for Enterprise Limited will not accept risks without firstly having implemented all reasonable measures in order to minimise those risks. The two main elements of the risk management process are regular risk workshops for all staff and the procedures for monitoring and reporting.

The risk workshops have two aims. The first is to ensure and reinforce the understanding, commitment and contribution of staff to the Risk Management Policy. The second is to provide the opportunity to take time away from the daily routine in order to identify and categorise risks, with particular focus being given to current critical success factors facing the business.

Monitoring and reporting is controlled through the risk registers, which are an integral part of the process of managing risk. Each operational team has its own register for recording and monitoring operational risks, and there is also a strategic risk register for all risks which can be clearly linked to a strategic objective or aim. Every risk has a risk owner who is responsible for implementing the agreed control actions relating to the risk. The risk registers are regularly reviewed and updated, including peer reviews, and in 2010-11 a fundamental re-appraisal of the risks within the registers was undertaken in order ensure that they continue to appropriately identify the risks to the Group and clearly explain the way in which they are being managed.

The Group has appointed a Senior Information Risk Officer (SIRO) who is a member of the Senior Executive Team and who has overall responsibility for managing the risks to its data and information. The SIRO reports to the Audit and Risk Committee.

During the year, BIS received assurance as to the effectiveness of the Group's risk management environment through reviews carried out by its own Internal Auditor and the Group's Internal Auditor.

#### **Review of Effectiveness**

As the Chief Executive and Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditor and the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework, along with the comments as made by the external auditors in their management letter and other reports. I have shared the implications of the result of my review of the effectiveness of the system of internal control with the Board, the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has established an Audit and Risk Committee whose role is to support me as Accounting Officer by monitoring and reviewing both the risk, control and governance processes that have been established in the organisation and associated areas of interest or concern. The Board of Directors and Audit and Risk Committee advises and supports me in my role as Chief Executive Officer, reviewing the performance of myself and the executive team in our delivery of the Group's policies, aims and objectives, which includes the effectiveness of the systems of internal control. Where necessary, the Committee advises me and approves proposed action plans to address identified weaknesses. I ensure that these are documented and adopted. The Group's Internal Auditor reviews and comments on the risk management process and attends all Audit and Risk Committee meetings.

The Committee agrees an annual work programme with the Internal Auditor, who delivers formal reports to the Committee, advising them as well as myself on areas of improvement to the system of internal control.

At the beginning of 2010-11 a comprehensive risk mapping exercise was undertaken with a view to identifying possible assurance gaps and to assist in prioritising any assurance work that might need to be undertaken. The output from this process helped to shape the Internal Audit work plan for 2010-11 and to raise management's awareness of the risk priorities.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## STATEMENT ON INTERNAL CONTROL (Continued)

### Significant Control Issues

During the financial year 2010, the Internal Auditor reported that there were no significant control issues and that the overall system of internal control was satisfactory. The risk management process has identified risks to the organisation which my Executive Team and I consider require specific monitoring.

The previous year's Statement of Internal Control commented that there were strategic risks to the business which were external and beyond management's control. These related to future policy and spending decisions of the recently formed Government, which might impact on the programmes managed by the Group as well as the funding of running costs. The outcome of the Government's Public Bodies Review in October 2010 was an endorsement of the Group's achievements, with an announcement that Capital for Enterprise would be retained. Whilst this removed a fundamental strategic risk to the organisation, the Comprehensive Spending Review and the resultant constraints on public administration costs give rise to risks for the Group. These risks relate to the funding of the Group's running costs and the programmes managed by it which continue to be closely monitored.

Other strategic risks relate to the possible failure of the programmes to meet their objectives as a consequence of poor management by the Group. The Board is working with BIS to agree a Tasking Framework which will clearly set out the scope of the Group's activities for the next three years and will establish key performance indicators for the measurement of the programme's performance against those objectives. The Tasking Framework is also intended to bring benefits of clarity of role, tasks and long-term development whilst reducing the potential for micro-management and short-term changes of direction.

A level of agency risk exists because many of the programmes are delivered through contracted managers. New systems to score and rank these providers and to allocate resources to their oversight accordingly have been implemented in the year. However the Board and the Executive are conscious that the vehicle used for allocating equity funding to SME's, which is through limited partnership structures with the Group acting as a fund of funds manager, will always result in an element of risk being transferred to its equity fund delivery partners. This has been illustrated during the year by an allegation of fraud within a portfolio company that has received investment from a Fund which the Group in turn has invested in. A thorough review of the due diligence process undertaken by the Group with regard to the selection and appointment of the Fund Manager that manages the Fund in question was undertaken, and this was found to have been robust.

Agency risks relating to the EFG and SFLG loan guarantee schemes are managed by engaging an external audit firm to undertake detailed assurance work on the operation of the schemes by the participating lenders. The costs of this work are disclosed in note 5 to the financial statements.

A number of the risks that are being actively managed by the Executive Team are a factor of the Group's size. As the organisation is one of fewer than 20 people, it is sometimes constrained in its ability to employ the desired segregation of duties within some areas of its control environment. In addition the demanding regulatory environment in which it operates and the increasing public sector governance requirements continue to place strain on the Group's limited resources.

A risk considered unlikely to occur, but which would have a high impact, is the unavailability of the Group's premises and information systems, as a consequence of a catastrophe. A Business Continuity Plan is in place and has been tested during the year and will be re-tested on an annual basis. However it is considered to be strategically important to improve the resilience of the Group's Information systems, and to that end a project is underway to upgrade the infrastructure and control environment.

The Group had no personal data protection incidents during the period.

In summary, my review of the Group's system of internal control leads me to conclude that it is appropriate for the effective management of risk within the organisation, that the controls in place are regularly and critically reviewed, and that when control weaknesses are identified, effective action is taken to address them.

*Signature to be inserted here*

**L R Earley**

Accounting Officer on behalf of the Board

Date: 19 May 2011

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## REMUNERATION REPORT

The remuneration of the employees and Board members of Capital for Enterprise Limited is determined by the Remuneration Committee which comprises the Chairman and two non-executive directors. In addition the remuneration of the Chief Executive Officer is subject to BIS Ministerial approval.

In reaching its recommendations, the Committee is to have regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/ local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the Government's departmental expenditure limits;
- The Government's measures for the redirection of the Budget deficit.

In the July 2011 Budget, the Chancellor of the Exchequer announced a two year pay freeze for public sector workers earning £21,000 or more. The Committee has implemented this freeze for the years 2010 and 2011. In addition, it has been asked by the Secretary of State for Business to exercise restraint with respect to the payment of bonus pay awards. Accordingly, the Committee reduced the size of bonus awarded in respect of the 2010 year by a total of 40%. In addition, the Board of Directors agreed to reductions in their own remuneration with effect from April 2011 to reflect revised responsibilities.

### Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

The senior executives covered by this report all hold full time appointments which are open ended. Early termination, other than for misconduct, would result in them receiving compensation as set out in the Civil Service Compensation Scheme.

The non-executive officials covered by this report were appointed for three year terms which expired on the 31 March 2011, except for that of D W Quysner, whose appointment expires on 31 March 2012. The appointments for those non-executive officials who were due to expire have now been extended as follows.

A J B Loudon	30 June 2012
J A Spence	31 March 2013
J McCrory	31 March 2014

The salaries and fees paid to the non-executive Board members quoted below relate solely to the period during the year when the individuals concerned served on the Board of the Company.

K D Cooper is a director of the two Capital for Enterprise Limited subsidiary undertakings, Capital for Enterprise Fund Managers Limited and Capital for Enterprise (GP) Limited, but is not a Director of Capital for Enterprise Limited. Details of his remuneration are not disclosed in the Annual Report and Accounts of the subsidiary undertakings, and so in accordance with the requirements of the Government Financial Reporting Manual (FRM) have been disclosed in this Report.

### Salary

"Salary" includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowances to the extent that they are subject to UK taxation. This report is based on payments made by the Company and thus recorded in these accounts.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## REMUNERATION REPORT (Continued)

### Benefits in kind

The estimated monetary value of benefits in kind covers any benefits provided by Capital for Enterprise Ltd and treated by HM Revenue & Customs as a taxable emolument. No benefits in kind were received by any director or employee in the year.

### Bonus Performance Related Pay Awards

Performance related non-consolidated bonus pay awards are based on the outcome of annual performance reviews, and the guidance contained in the HM Treasury Civil Service Pay Guidance. The appraisal process does not allow sufficient time to accrue individual bonuses relating to 2011 performance in the 2011 financial statements. As such, the remuneration report disclosure for 2011 is based on the comparative bonus for 2010.

### Sickness Absence Data

During the period the employee absence rate due to sickness was 3% (2010 - 2%).

### Remuneration of Group Directors (this information is subject to audit)

		2011			* 2010		
		Salary £'000	Bonus Payments £'000	Pension contribution £'000	Salary £'000	Bonus Payment £'000	Pension contribution £'000
<b>Non-executive</b>							
Chair	D W Quysner <sup>1</sup>	60-65	-	-	60-65	-	-
Director	A J B Loudon	20-25	-	-	20-25	-	-
Director	J McCrory <sup>1</sup>	20-25	-	-	20-25	-	-
Director	P J Shortt <sup>1</sup>	-	-	-	-	-	-
Director	J A Spence	20-25	-	-	20-25	-	-
<b>Executive</b>							
Chief Executive Officer	L R Earley	120-125	0-5	25-30	120-125	0-5	25-30
M D - Equity	K D Cooper	70-75	5-10	15-20	65-70	5-10	15-20

\* The disclosure for 2010 has been re-stated to provide the necessary bonus disclosure.

As P J Shortt is a representative of the Board on behalf of BIS, his remuneration is paid directly by BIS and not CfEL.

<sup>1</sup> Remuneration Committee member

### Remuneration of other Group employees

The numbers of other Group employees who received remuneration in excess of £50,000 in the year are shown below.

Salary band £	2011		2010	
	No. (Full Year Pro-Rata'd)	No. (Full Year Actuals)	No. (Full Year Pro-Rata'd)	No. (Full Year Actuals)
50,000 - 55,000	1	1	2	-
60,000 - 65,000	2	2	4	2
65,000 - 70,000	1	1	1	1
70,000 - 75,000	1	1	1	1
90,000 - 95,000	1	1	-	-
95,000 - 100,000	-	-	1	1
105,000 -£110,000	1	1	1	-

## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### REMUNERATION REPORT (Continued)

#### Pension entitlements

Pension benefits are provided through the Civil Service Pension arrangements. Employees, including executive directors, may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus); or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with Pension Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (Partnership pension account).

Non-executive directors are not eligible for any pension entitlement.

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in classic accrue at the rate of 1/80<sup>th</sup> of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60<sup>th</sup> of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for services before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as a premium. In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The accrued pension shown in the table below is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

Full details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

#### Pension entitlements of Group Directors (this information is subject to audit)

	L R Earley		K D Cooper	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Increase in pension</b>	<b>0.0 – 2.5</b>	5.0 – 7.5	<b>0.0 – 2.5</b>	2.5 - 5.0
<b>Real increase/(decrease) in lump sum at age 60</b>	<b>-</b>	-	<b>0.0 – 2.5</b>	7.5 - 10.0
<b>Value of accrued pension</b>	<b>60 – 65</b>	55 – 60	<b>20 – 25</b>	15 - 20
<b>Related lump sum at age 60</b>	<b>-</b>	-	<b>60 – 65</b>	55 - 60
<b>Cash equivalent transfer value (CETV) at 31 March 2010 *</b>	<b>864</b>	814	<b>265</b>	246
<b>Cash equivalent transfer value (CETV) at 31 March 2011</b>	<b>935</b>	957	<b>298</b>	307
<b>Real increase in cash equivalent (CETV) in year</b>	<b>-</b>	87	<b>7</b>	42

\* The actuarial factors used to calculate CETVs were changed in 2011. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## REMUNERATION REPORT (Continued)

### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme, or an arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real Increase in CETV

The real increase in CETV reflects the element of the increase in accrued pension effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

*Signature to be inserted here*

Name **L R Earley**  
Accounting Officer  
Date: 19 May 2011

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## BOARD OF DIRECTORS

### **David Quysner CBE (Chairman)**

David has spent over 40 years in the Venture Capital industry. He worked for 3i Group from 1969 until 1982. He then joined Abingworth, a venture capital fund management Company, becoming its Managing Director in 1993 and Chairman in 2002. He has been involved in a wide range of investment activities in the UK, continental Europe and the USA and is a past Chairman of the British Venture Capital Association. He is currently Chairman of RCM Technology Trust plc (a technology Investment Trust) and a Director of several other companies.

### **Rory Earley (Chief Executive Officer)**

Rory Earley was appointed CEO and Chief Investment Officer of Capital for Enterprise in April 2008 following 4 years of advising the UK Government on the development and implementation of its venture capital programmes. Prior to that, he was Senior Investment Manager at Westport Private Equity Ltd, designing and investing in venture capital funds around the world. Rory was previously responsible for developing and implementing the Government's first interventions in venture capital funds in the 1990s. He has been Chair of, and investor in a successful University spinout Company, chair of an EU expert Group on risk capital, member of the Investment TaskForce advising Government and was until recently also a Director of Greece's first venture capital investment Company (TANEO). Rory holds an MBA from Sheffield University.

### **Alison Loudon**

After qualifying as a Chartered Accountant with Grant Thornton, Alison helped found Aldus Europe Limited and as Finance and Commercial Director helped grow the Company from start-up to a Group employing 300 people with turnover of £67 million. She has since held more than a dozen board appointments in various market sectors including Simul8 Limited (advanced analytics) and Scottish Exhibition Centre Ltd. She is currently Chairman of Consolidated Carriers Ltd (logistics supermarket solutions) and Caledonia Contracts Ltd (retail fit-out provider). She has served on a number of community and Government bodies including National Trust of Scotland, Entrepreneurial Exchange, Advisory Board for the University of Edinburgh Business School, Merchiston Castle School, Edinburgh Leisure, Science Institute for Enterprise and various Enterprise and Lifelong Learning sub-committees as well as acting as an advisor to Bright Grey.

### **John McCrory**

John's early career was spent at West Midlands CC, as Principal Economist and subsequently as Joint Head of Investment at West Midlands CC Pension Fund, one of the UK's largest. He then founded and was Managing Director of Westport Private Equity, one of the first European Fund of Funds managers. He launched the first ever European Private Equity Fund of Funds in 1991 and was subsequently involved in some 17 other such funds, including the UK High Technology Fund, which was raised in association with the DTI in 2000. He has been a core/ founder investor and member of advisory boards for several significant UK venture firms. As a member of the relevant BVCA Committee, he designed and implemented the annual BVCA Performance Measurement Study, which is now a cornerstone of the industry.

### **John Spence OBE**

John Spence left Lloyds TSB in 2005 after 32 years. His managing directorship positions included Business Banking, Retail Distribution, and Policy and Risk. He was in turn chair of the British Bankers Association, Business Banking and Retail committees.

John is non-executive Director and audit chairman of HM Revenue and Customs, chairman of the Spicerhaart group, and a non-executive director for Capital for Enterprise Limited. He is a deputy chairman of Business in the Community and third sector boards include the Church Commissioners, Anglia Ruskin University and St Paul's Cathedral Foundation.

### **Peter Shortt**

Peter is an experienced venture capital fund manager and joined HM Governments Shareholder Executive from the Carbon Trust, where he led their investment activity operating in the low carbon and clean energy sectors. He has experience in the commercial exploitation of IP and in the creation of trading businesses within a public sector framework.

In the Shareholder Executive, Peter has been extensively involved on a number of defence related assets, including being a non executive director of the Met Office and has undertaken a wide range of strategy and corporate finance assignments.



# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## DIRECTORS' REPORT

**Company number:** 06179047

The directors present their report and the financial statements for the period ended 31 March 2011.

### Principal activities

The principal activity of the Company is to support the strategic aims and current Public Service Agreement of the Department for Business, Innovation and Skills (BIS).

### Business review

Please see the Management Commentary for review of the activities of the Company during the year.

### Results

The profit for the year, after taxation, amounted to £77,913 (2010 - £28,549).

### Directors

The directors who served during the year were:

D W Quysner (Chairman)

L R Earley

A J B Loudon

J McCrory

P J Shortt

J A Spence

### Payment to suppliers

The Group is bound, under a statement issued from the Office of the Prime Minister to pay all correctly rendered invoices within five (2010 - ten) working days of receipt. During the year the Group achieved an average performance against this target of 98.5% (2010 - 95.6%).

### Financial instruments

For detailed disclosures see note 23 to the accounts.

### Provision of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

This report was approved by the board on 19 May 2011 and has been signed on its behalf.

*Signature to be inserted here*

**L R Earley**

Director

Date: 19 May 2011

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES**

I have audited the group and parent financial statements of Capital for Enterprise Limited for the period ended 31 March 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. I was also engaged by the Directors to audit the information in the remuneration report that is described as having been audited.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practice Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, I read all the financial and non financial information in the Management Commentary, Directors' Report and Board of Directors to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

#### **Opinion on the financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of the group and the company's affairs as at 31 March 2011 and of the group's profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

#### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES (Continued)

#### **Opinion on other matter prescribed by the Companies Act 2006**

In my opinion

- the information given in the Management Commentary, Directors' Report and Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the directors' remuneration report described as having been audit, has been prepared in accordance with the Companies Act 2006, that would have applied if Capital for Enterprise Limited were a United Kingdom incorporated quoted company.

#### **Matters on which I am required to report by exception**

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the consolidated financial statements or part of the directors' remuneration report that is described as having been audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all the information and explanations I require for my audit.

*Signature to be inserted here*

**Amanda Measures (Senior Statutory Auditor)**

**Date 25 May 2011**

**for and on behalf of the Comptroller and Auditor General (Statutory Auditor)**

## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £	2010 £
<b>REVENUE</b>	3	<b>2,071,500</b>	2,196,000
Administrative expenses	5	<b>(2,603,617)</b>	(3,023,726)
Other income	4	<b>613,286</b>	856,565
<b>OPERATING PROFIT</b>	6	<b>81,169</b>	28,839
Finance income		<b>373</b>	8
<b>PROFIT BEFORE INCOME TAX</b>		<b>81,542</b>	28,847
Income tax expense	9	<b>(3,629)</b>	(298)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>77,913</b>	28,549

All amounts relate to continuing operations.

There were no recognised gains and losses for 2011 or 2010 other than those included in the Consolidated Statement of Comprehensive Income.

The notes on pages 26 to 39 form part of these financial statements.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note	£	31 March 2011 £	£	31 March 2010 £
<b>NON-CURRENT ASSETS</b>					
Intangible assets	10		6,282		8,220
Property, plant and equipment	11		196,949		129,138
Investments	12		22		9
			203,253		137,367
<b>CURRENT ASSETS</b>					
Trade and other receivables	13	33,648		60,969	
Cash and cash equivalents	17	268,900		189,715	
		302,548		250,684	
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	(330,862)		(293,807)	
<b>NET CURRENT LIABILITIES</b>					
			(28,314)		(43,123)
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liability	15	(2,782)		-	
<b>NET ASSETS</b>					
			172,157		94,244
<b>EQUITY</b>					
Called up share capital	16		49,901		49,901
Retained earnings			122,256		44,343
<b>TOTAL EQUITY</b>					
			172,157		94,244

The financial statements were approved and authorised for issue by the board on 19 May 2011, and signed on its behalf.

*Signature to be inserted here*

**L R Earley**  
Director.

Date: 19 May 2011

The notes on pages 26 to 39 form part of these financial statements.

**CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES**

**COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2011**

	<b>Note</b>	£	<b>31 March 2011 £</b>	£	31 March 2010 £
<b>NON-CURRENT ASSETS</b>					
Intangible assets	10		<b>6,282</b>		8,220
Property, plant and equipment	11		<b>196,949</b>		129,138
Investments in subsidiaries	12		<b>50,001</b>		50,001
			<b>253,232</b>		187,359
<b>CURRENT ASSETS</b>					
Trade and other receivables	13	<b>33,462</b>		70,969	
Cash and cash equivalents			<b>194,367</b>	120,437	
			<b>227,829</b>	191,406	
<b>CURRENT LIABILITIES:</b>					
Trade and other payables	14	<b>(320,393)</b>		(286,859)	
<b>NET CURRENT LIABILITIES</b>					
			<b>(92,564)</b>		(95,453)
<b>NET ASSETS</b>					
			<b>160,668</b>		91,906
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		<b>49,901</b>		49,901
Retained earnings			<b>110,767</b>		42,005
<b>TOTAL EQUITY</b>					
			<b>160,668</b>		91,906

The financial statements were approved and authorised for issue by the board on 19 May 2011, and signed on its behalf.

*Signature to be inserted here*

**L R Earley**  
Director  
Date: 19 May 2011

The notes on pages 26 to 39 form part of these financial statements.

## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £	2010 £
<b>Cash flows from operating activities</b>			
Operating profit	6	81,169	28,839
Amortisation of intangible non-current assets		1,938	2,031
Depreciation of property, plant and equipment		61,300	44,805
Non-current assets written off to income statement		-	26,194
Proceeds on sale of property, plant and equipment		(360)	-
Decrease/(increase) in trade and other receivables	13	27,321	61,038
Increase/(decrease) in trade and other payables	14	36,506	16,107
Income tax	9	(298)	(3,335)
		207,576	175,679
<b>Net cash inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		-	(10,389)
Purchase of property, plant and equipment		(129,751)	(41,582)
Purchase of unlisted and other investments		(13)	-
Proceeds on sale of property, plant and equipment		1000	-
Interest received		373	8
		(128,391)	(51,963)
<b>Cash flows from investing activities</b>			
		79,185	123,716
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS IN THE YEAR</b>			
Cash and cash equivalents at beginning of year		189,715	65,999
		268,900	189,715
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
	17	268,900	189,715

The notes on pages 26 to 39 form part of these financial statements.



## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Share capital £	Retained earnings £	Total £
Balance at 31 March 2010	49,901	44,343	94,244
Profit for the year	-	77,913	77,913
<b>Balance at 31 March 2011</b>	<b>49,901</b>	<b>122,256</b>	<b>172,157</b>

The notes on pages 26 to 39 form part of these financial statements.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of preparation

The consolidated financial statements of Capital for Enterprise Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. The Group has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

The accounts are prepared in accordance with the disclosure and accounting requirements contained in the Financial Reporting Manual (FRoM) and HM Treasury's Fees and Charges Guide insofar as these are appropriate to Capital for Enterprise Limited.

The accounts are prepared on a going concern basis as the Directors have been provided with written assurance from the Department for Business, Innovation and Skills that it will continue to provide sufficient funding for the financial year 2011, for the Company to be able to continue on a going concern basis for 12 months from the date of the statement of financial position.

The comparative information relates to the year ended 31 March 2010.

#### 1.2 Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Inter-Company transactions, balances and unrealised gains and losses arising on transactions between Group companies are eliminated.

Unless otherwise stated the notes to the accounts below relate to Group figures.

The Company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Statement of Comprehensive Income.

The profit for the period dealt with in the accounts of the Company was £68,763 (2010 - £26,211).

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

### 1.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### 1.4 Intangible assets and amortisation

Separately acquired licences and other intangible software IT assets are shown at historical cost. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives of 5 years.

### 1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Premises	-	over the period of the lease
Fixtures & Fittings	-	between three and five years straight line
Information Technology	-	between two and five years straight line

Property, plant and equipment is capitalised when it meets the capitalisation criteria, is deemed to have a useful economic life in excess of one year, and has been purchased for a net value of £2,000 or more.

Under IAS 16, assets which were previously categorised under Infrastructure assets, have now been re-categorised under a new category of Office Premises. This is a name change only and will have no effect on the asset costs or value.

### 1.6 Investments

- (i) Subsidiary undertakings  
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) Other investments  
Investments held as fixed assets are shown at cost less provision for impairment.

### 1.7 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

### 1.8 Current taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised outside profit or loss, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years

### 1.9 Deferred taxation

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are not discounted.

### 1.10 Employee Benefits

Under IAS19 Employee Benefits, all staff costs are recorded as an expense as soon as the Company is obligated to pay them. This includes the cost of any untaken leave as at the year end.

### 1.11 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme ("PCSPS"), details of which are described in note 17. The defined benefit scheme is unfunded and non-contributory except in respect of dependant's benefits. Capital for Enterprise Limited recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

In respect of defined contribution schemes, contributions are recognised in the year in which they are payable.

### 1.12 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the Group is no longer a party to the contractual provisions of the instrument.

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

### 1.13 Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

### 1.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### 1.15 Trade payables

Trade payables are stated at their original invoice value, as the interest that would be recognised from discounted future cash payments over the short payment period is not considered to be material.

### 1.16 Retained earnings

The retained earnings, as shown in the consolidated statement of changes in equity, are used to assist with the funding of the ongoing activities of the Group.

## 2. ACCOUNTING ESTIMATES AND JUDGEMENTS

There are not considered to be any key areas of estimation uncertainty in the preparation of these financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The critical judgement in applying the Group's accounting policies regards operating lease commitments. Management have undertaken a review of the material contracts and leases to which the Group is party, and as they have determined that the Group has not obtained substantially all the risks and rewards of the underlying assets, the leases have been classified as operating leases and accounted for accordingly.

## 3. REVENUE

The whole of the revenue is attributable to grant-in-aid.

All revenue arose within the United Kingdom, the Group's country of domicile.

## 4. OTHER INCOME

	2011 £	2010 £
Priority Profit Share	389,090	604,630
Advisory and consultancy fees	168,581	227,149
Investment fees	28,183	-
Management fees	27,432	24,786
<b>Total</b>	<b>613,286</b>	<b>856,565</b>

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

### 5. ADMINISTRATIVE EXPENSES

	2011 £	2010 £
Staff costs	1,510,017	1,377,209
Operational costs	458,401	600,762
Professional fees	268,561	493,259
Loan guarantee audit assurance	239,016	434,798
Premises expenses	64,384	70,862
Depreciation	63,238	46,836
<b>Total</b>	<b>2,603,617</b>	<b>3,023,726</b>

### 6. OPERATING PROFIT

The operating profit is stated after charging:

	2011 £	2010 £
Depreciation of property, plant and equipment: - owned by the Group	61,300	44,805
Auditors' remuneration	13,000	14,000
Operating lease rentals: - other operating leases	34,719	34,719
Amortisation of intangible assets	1,938	2,031

Auditors fees for the Group were £13,000 (2010 - £14,000). The auditors fees for the audit of the parent Company were £7,000 (2010 - £6,000). The fee for the transition to International Financial Reporting Standards was £nil (2010 - £6,000).

The operating profit of the Company for the year was £81,169 (2010 - £28,839)

### 7. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2011 £	2010 £
Wages and salaries	1,182,978	1,079,813
Social security costs	115,625	107,409
Other pension costs	211,414	189,987
<b>Total</b>	<b>1,510,017</b>	<b>1,377,209</b>

The average monthly number of employees during the year was as follows. 2010 figures have been updated for the 2 Group directors.

	2011 No.	2010 No.
Directors	7	7
Management and Administration	16	14
<b>Total</b>	<b>23</b>	<b>21</b>

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

### 8. DIRECTORS' REMUNERATION

	2011 £	2010 £
Emoluments	<u>339,935</u>	<u>343,952</u>
Company pension contributions to defined benefit pension schemes	<u>43,866</u>	<u>43,680</u>

During the year retirement benefits were accruing to 2 Group directors (2010 - 2) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £128,500 (2010 - £134,500).

The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £28,553 (2010 - £28,553).

2010 figures updated for the 2 Group directors.

### 9. INCOME TAX

	2011 £	2010 £
<b>Current tax expense</b>		
Current year	847	-
Prior year	-	298
<b>Total current tax expense</b>	<u>847</u>	<u>298</u>
<b>Deferred tax expense</b>		
Current year	2,782	-
Prior year	-	-
<b>Total deferred tax expense</b>	<u>2,782</u>	<u>-</u>
<b>Total income tax expense</b>	<u>3,629</u>	<u>298</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK at 21% (2010 - same as). The differences are explained below:

## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

#### 9. INCOME TAX (continued)

	2011 £	2010 £
Profit on ordinary activities before tax	<u>81,542</u>	<u>28,847</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2010 - 21%)	17,124	6,058
<b>Effects of:</b>		
Profits not taxable	(14,378)	(5,503)
Utilisation of brought forward losses	<u>(1,899)</u>	<u>(257)</u>
<b>Current tax charge for the year (see note above)</b>	<u><u>847</u></u>	<u><u>298</u></u>

#### Factors that may affect future tax charges

The Company has reached agreement with HM Revenue & Customs that it is currently liable to corporation tax only on investment income received. The Company received bank interest of £373 (2010 - £8) during the period which is therefore taxable at the rate of 21%, giving rise to a liability of £78 (2010 - £1).

Capital for Enterprise Limited is not operating on a commercial basis with a view to realising profits, given that it could not operate without central grant in aid funding, and that as a consequence its mainstream activities are not taxable income.

Capital for Enterprise (GP) Limited has tax losses carried forward of £983,459 (2010 £603,408). The losses arise because the priority profit share credited to the Statement of Comprehensive Income is not taxable income. A deferred tax asset of £2,782 (2010 - £nil) has been recognised in respect of these losses as they are offset by short term timing differences.

Therefore the Group recognises a current liability for corporation tax on taxable profit within Capital for Enterprise Fund Managers Limited only of £769 (2010 £297).



## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

#### 10. INTANGIBLE ASSETS

The assets for both the Company and the Group are the same as and therefore have been disclosed as a single note.

<b>Group and Company 2011</b>	<b>Software IT £</b>	<b>Software licences £</b>	<b>Total £</b>
<b>Cost</b>			
As at 1 April 2010 and 31 March 2011	<b>7,981</b>	<b>2,270</b>	<b>10,251</b>
<b>Amortisation</b>			
As at 1 April 2010	1,426	605	2,031
Charge for the year	<b>1,484</b>	<b>454</b>	<b>1,938</b>
At 31 March 2011	<b>2,910</b>	<b>1,059</b>	<b>3,969</b>
<b>Net book value</b>			
<b>At 31 March 2011</b>	<b>5,071</b>	<b>1,211</b>	<b>6,282</b>
At 31 March 2010	6,555	1,665	8,220
<b>Group and Company 2010</b>	<b>Software IT £</b>	<b>Software licences £</b>	<b>Total £</b>
<b>Cost</b>			
Additions	10,389	-	10,389
Disposals	(2,408)	-	(2,408)
Transfer between classes	-	2,270	2,270
At 31 March 2010	<b>7,981</b>	<b>2,270</b>	<b>10,251</b>
<b>Amortisation</b>			
Charge for the year	2,007	75	2,082
Disposals	(581)	-	(581)
Transfer between classes	-	530	530
At 31 March 2010	<b>1,426</b>	<b>605</b>	<b>2,031</b>
<b>Net book value</b>			
<b>At 31 March 2010</b>	<b>6,555</b>	<b>1,665</b>	<b>8,220</b>

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

### 11. PROPERTY, PLANT AND EQUIPMENT

The assets for both the Company and the Group are the same as and therefore have been disclosed as a single note.

Group and Company 2011	Fixtures and fittings £	Information technology £	Assets under construction £	Office premises £	Total £
<b>Cost</b>					
At 1 April 2010	21,321	133,864	-	39,471	194,656
Additions	2,897	14,509	112,345	-	129,751
Disposals	-	(2,195)	-	-	(2,195)
At 31 March 2011	<u>24,218</u>	<u>146,178</u>	<u>112,345</u>	<u>39,471</u>	<u>322,212</u>
<b>Depreciation</b>					
At 1 April 2010	6,464	37,420	-	21,634	65,518
Charge for the year	5,509	42,634	-	13,157	61,300
Disposals	-	(1,555)	-	-	(1,555)
At 31 March 2011	<u>11,973</u>	<u>78,499</u>	<u>-</u>	<u>34,791</u>	<u>125,263</u>
<b>Net book value</b>					
At 31 March 2011	<u>12,245</u>	<u>67,679</u>	<u>112,345</u>	<u>4,680</u>	<u>196,949</u>
At 31 March 2010	<u>14,857</u>	<u>96,444</u>	<u>-</u>	<u>17,837</u>	<u>129,138</u>

Under IAS 16, assets which were previously categorised under Infrastructure assets, have now been re-categorised under a new category of Office Premises. This is a name change only and will have no affect on the asset costs or value.

Group and Company 2010	Fixtures and fittings £	Information technology £	Assets under construction £	Infrastructure assets £	Total £
<b>Cost</b>					
At 1 April 2009	20,942	117,808	-	40,380	179,130
Additions	3,419	38,163	-	-	41,582
Disposals	(3,949)	(19,837)	-	-	(23,786)
Transfer between classes	909	(2,270)	-	(909)	(2,270)
At 31 March 2010	<u>21,321</u>	<u>133,864</u>	<u>-</u>	<u>39,471</u>	<u>194,656</u>
<b>Depreciation</b>					
At 1 April 2009	2,268	13,061	-	5,384	20,713
Charge for the year	3,892	24,889	-	16,554	45,335
Transfer between classes	304	(530)	-	(304)	(530)
	<u>6,464</u>	<u>37,420</u>	<u>-</u>	<u>21,634</u>	<u>65,518</u>
<b>Net book value</b>					
At 31 March 2010	<u>14,857</u>	<u>96,444</u>	<u>-</u>	<u>17,837</u>	<u>129,138</u>
At 31 March 2009	<u>18,674</u>	<u>104,747</u>	<u>-</u>	<u>34,996</u>	<u>158,417</u>

**CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2011 (Continued)**

**12. INVESTMENTS**

		<b>Unlisted investments</b>
	<b>Group</b>	<b>£</b>
	<b>Cost or valuation</b>	
	At 1 April 2010	9
	Additions	13
	At 31 March 2011	<u>22</u>
	<b>Company</b>	<b>Shares in Group undertakings</b>
		<b>£</b>
	<b>Cost or valuation</b>	
	At 1 April 2010 and 31 March 2011	<u>50,001</u>

Details of the principal subsidiaries can be found under note number 22.

**13. TRADE AND OTHER RECEIVABLES:  
Amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£	£	£	£
Trade receivables	3,779	-	3,779	-
Amounts owed by Group undertakings	-	-	15	10,000
Other receivables	201	23,412	-	23,412
Prepayments and accrued income	29,668	37,557	29,668	37,557
<b>Total</b>	<u>33,648</u>	<u>60,969</u>	<u>33,462</u>	<u>70,969</u>

**14. TRADE AND OTHER PAYABLES:  
Amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£	£	£	£
Trade payables	13,525	25,396	13,525	24,777
Amounts owed to Group undertakings	-	-	-	1,165
Corporation tax	847	298	78	1
Social security and other taxes	50,010	68,088	50,010	68,088
Other payables	464	41,478	464	41,478
Accruals and deferred income	266,016	158,547	256,316	151,350
<b>Total</b>	<u>330,862</u>	<u>293,807</u>	<u>320,393</u>	<u>286,859</u>

**CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2011 (Continued)**

**15. DEFERRED TAX LIABILITY**

	<b>Total</b>
	<b>£</b>
At 1 April 2010	-
Movement	2,782
<b>At 31 March 2011</b>	<b>2,782</b>

The deferred tax provision represents

	<b>Total</b>
	<b>£</b>
Short term timing differences	274,350
Losses carried forward	(271,568)
<b>At 31 March 2011</b>	<b>2,782</b>

**16. SHARE CAPITAL**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
50,000- Ordinary shares of £1 each	<b>50,000</b>	50,000
<b>Allotted, called up and fully paid</b>		
49,901- Ordinary shares of £1 each	<b>49,901</b>	49,901

**17. ANALYSIS OF CHANGES IN CASH FLOW**

<b>Group 2011</b>	<b>1 April</b>	<b>Cash flow</b>	<b>31 March</b>
	<b>2010</b>		<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand:	<b>189,715</b>	<b>79,185</b>	<b>268,900</b>
<b>Net funds</b>	<b>189,715</b>	<b>79,185</b>	<b>268,900</b>
<b>Group 2010</b>	<b>1 April</b>	<b>Cash flow</b>	<b>31 March</b>
	<b>2009</b>		<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand:	65,999	123,716	189,715
<b>Net funds</b>	<b>65,999</b>	<b>123,716</b>	<b>189,715</b>

## CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

#### 18. PENSION COMMITMENTS

The Principal Civil Service Pension Schemes (PCSPS) is an unfunded multi-employer defined benefit scheme, but Capital for Enterprise Limited is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For the year to 31 March 2011, normal employer contribution contributions of £211,589 (2010 - £187,575) were payable to the PCSPS, at one of the four rates in the range of 16.7% to 24.3%, based on salary bands. In addition, contributions of £1,000 (2010 - £2,412) were payable to a personal pension plan.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners. From 2011-12 the salary bands have been revised but the contribution rates remain the same.

Outstanding contributions amounting to £3,236 (2010 - £24,869) payable to the PCSPS and £nil payable to a personal scheme at 31 March 2011 and are included in trade and other payables (note 14).

#### 19. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are shown below:

<b>Land and buildings Group</b>	<b>2011 £</b>	<b>2010 £</b>
<b>Expiry date:</b>		
Expiry within 1 year	<b>28,125</b>	-
Expiry after 1 year but not more than 5 years	-	<b>43,750</b>

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

### 20. RELATED PARTY TRANSACTIONS

The following information is provided in accordance with IAS 24, Related Party Disclosures, as being material transactions with related parties during the year. These transactions are with the Department of Business, Innovation and Skills (BIS), the Department for Education, as well as with the associated subsidiary undertakings and also the Capital for Enterprise Fund LP, a limited partnership of which Capital for Enterprise (GP) Limited is the General Partner.

In addition, the Group has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with The Cabinet Office, HM Revenue and Customs and the Department for Work and Pensions.

Except as disclosed below, no related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these consolidated financial statements.

	2011 £	2010 £
Grant in Aid Funding from BIS	2,071,500	2,196,000
Investment and priority profit share fees in relation to Capital for Enterprise Fund LP	417,273	604,630
Secundee costs	35,174	-

At 31 March 2011, the Group had amounts receivable and payable amounting to £201 and £2,800 (2010 £nil and £nil) respectively with related parties which are due on normal commercial terms.

No Minister, Board member, key manager or other related party has undertaken any material transactions with the Group during the year.

### 21. EVENTS AFTER THE YEAR END

There have been no significant events since the end of the year.

### 22. CONTROLLING PARTY

The Company is ultimately controlled by the Secretary of State of the Department for Business, Innovation and Skills.

### 22. PRINCIPAL SUBSIDIARIES

Company name	Country of incorporation	Percentage Shareholding	Description
Capital for Enterprise Fund Managers Limited	England and Wales	100	Fund manager
Capital for Enterprise (GP) Limited	Scotland	100	General partner of a limited partnership

# CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

### 23. FINANCIAL INSTRUMENTS

The financial assets held by the Group, (trade receivables and cash and cash equivalents), are classified as loans and receivables, and the financial liabilities held, (trade and other payables), are measured at amortised cost. It is the directors' opinion that the carrying value of trade receivables and trade payables approximates their fair value.

The Group's activities are not seen to expose it to any particularly significant financial risks in terms of market risk (including currency and interest rate risk), credit risk and liquidity risk.

The Group's revenue resource requirements are financed by resources voted annually by Parliament in the form of grant-in-aid funding from the Department for Business, Innovation and Skills. The Group is not, therefore, exposed to significant liquidity risks.

The Group does not carry out transactions in foreign currencies and all material assets and liabilities are denominated in sterling so it is not exposed to currency risk.

The Group's maximum exposure to credit risk represents the year end receivables balance of £3,980 (2010 - £23,412). The receivables' age analysis is evaluated on a regular basis for potential doubtful debts. It is management's opinion that no provision for doubtful debts is required.

All of the Group's financial assets and liabilities carry nil rates of interest and it is not exposed to significant interest rate risk.

The counter-party to the financial assets of the Group are other government bodies therefore the exposure to credit risk is seen to be minimal.