Capital for Enterprise Ltd Consolidated Report and Accounts 2012-2013

Registered number: 06179047

CAPITAL FOR ENTERPRISE LIMITED CONSOLIDATED REPORT AND ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2013

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

CONTENTS

Directors	L V W Armstrong L R Earley H F Kist (Appointed 1 January 2013) A J B Loudon (Resigned 31 December 2012) J McCrory P Magee (Appointed 23 May 2013) J S Perry (Appointed 1 January 2013) J A Spence
Company secretary	C Stoppard
Company number	06179047
Registered office	Foundry House 3 Millsands Sheffield South Yorkshire S3 8NH
Auditors	The Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road London SW1W 9SP
Bankers	Barclays Bank PLC PO Box 456 Harrogate HG1 1ZT

MANAGEMENT COMMENTARY

This document is available on Capital for Enterprise's website, www.capitalforenterprise.gov.uk.

Group Overview
The UK 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.

Capital for Enterprise is an investment management Group. As the Government's principal centre of knowledge and expertise on the delivery of SME finance interventions, we design, deliver and manage a wide range of schemes. We are a non-departmental public body which is wholly-owned by the Department for Business, Innovation and Skills (BIS) and we operate at arm's length from Government. One of our subsidiary undertakings, Capital for Enterprise Fund Managers Limited, is authorised by the Financial Conduct Authority (previously the Financial Services Authority).

We are the largest single investor in UK venture capital, and as such have a detailed overview of the UK venture market. Taken together, the debt and equity programmes under management account for over £1.8bn of assets, liabilities or commitments. When private sector money invested alongside Government funds is taken into account, the schemes under our oversight have in aggregate made more than £6.5bn available to UK SMEs since 2008.

Context
Economic growth remains the Government's top priority in tackling the fiscal deficit and providing economic stability. Inadequate access to finance is one of the biggest risks to meeting that priority. The Plan for Growth which was first published alongside the 2011 Budget and delivery of the commitments as set out in the Plan remain a priority across Government. The Plan has been updated in each subsequent year to report on progress to date and to incorporate proposed new reforms designed to meet the Plan's objectives. Making the UK one of the best places in Europe to start, finance and grow a business remains one of the four principal objectives of the Plan.

We deliver a variety of Government backed finance programmes aimed at improving access to finance for SMEs and consequently have a vital role to play in assisting the Government in meeting its growth objective.

About Capital for Enterprise
Capital for Enterprise's principal funding is by grant in aid from BIS, but in addition we generate 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 Limited, and two subsidiary companies, Capital for Enterprise Fund Managers Limited and Capital for Enterprise (GP) Limited. The funding regime under which the Group operates has been designed to enable the Group to achieve a break even, or close to break even, operating position.

The Group's constitution is enshrined in a Framework Agreement which sets out our objectives. These are:

- To **design, develop and deliver** SME financial interventions meeting the objectives of the commissioning organisation and to deliver the schemes to agreed time, cost, specification and standard;

- To **manage SME financial interventions** efficiently, effectively and economically using its professional expertise to manage the schemes, delivering economic benefits in line with the Government's growth agenda;

- To be the **principal centre of expertise** within Government on the provision of SME financial interventions. Through its market knowledge and understanding of the public sector, inform and improve the quality of Government policy initiatives by providing on-going advice and market intelligence, in particular on "gaps" in the SME finance market.

Our staff have a unique blend of skills drawn from both public and private sectors. Our activities are overseen and guided by an independent Board of Directors comprising non-executive experts in SME growth, investment and finance, (one of whom is a BIS appointed representative), and the Group's Chief Executive Officer. We operate as an independent organisation, with our own systems and procedures and we are audited by the National Audit Office.

Since being established in 2008, we have consolidated our position as a reliable, innovative and cost effective organisation which manages Government financial interventions in a commercial manner. By virtue of our knowledge and experience of previous and current Government schemes, we are well placed to play a major role in identifying best practice, in evaluating the performance against stated objectives of lenders, funds and managers, and in ensuring that any lessons learned from earlier interventions are built upon in the future.

Environmental Impact
We are committed to minimising the environmental impacts of our business operations. As such, we aim to manage all waste generated, ensuring that this is dealt with in accordance with either re-use or recycling as appropriate. We also ensure that our employees are aware 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 carbon footprint of the business. These aims are supported by the measurement of sustainable benchmarks, improvement against all of which was made during 2013. In addition, we are in the process of finalising an agreement to source our procurement via the UK Shared Business Service Limited, which itself complies with the Government's sustainability targets.

Activity in 2012-13

Delivering the Growth Agenda
Our core activity is the management of financial interventions that enable SMEs to access both loan and equity finance that would otherwise not be available to them. These interventions are designed to target start-up businesses and those needing additional finance in order to expand. Our principal schemes and their performance during the year are discussed below.

The Enterprise Finance Guarantee (EFG) programme (which replaces its predecessor the Small Firms Loan Guarantee scheme), facilitates lending to SMEs with insufficient security and has now been operating since January 2009, Total lending under EFG in the four years from launch to the end of March 2013 was £1.8 billion. During the period total lending amounted to £291m, a slight reduction from the previous year. Although lending levels have been subdued they are largely consistent with those within the sector overall. This is mainly as a consequence of depressed borrower demand and the perceived reduced risk appetite of the main lenders.

In consultation with the British Bankers' Association (BBA) and the larger scheme lenders, we have made a number of innovative recommendations to BIS as to how EFG utilisation may be increased, focussing on potential enhancements to the existing scheme in order to widen eligibility. One of these is to use the EFG scheme to provide guarantees in support of trade credit, an enhancement which began to be piloted with Kingfisher plc in March 2013 and which will be rolled out further should it be evaluated to have been successful. Additional initiatives are also being discussed with BIS which would further increase accessibility to the scheme.

MANAGEMENT COMMENTARY (Continued)

The EFG trade credit variant is one initiative aimed at diversifying the supply of credit either through new channels or via new entrants. This is also an objective of the Business Finance Partnership (BFP), which aims to increase the supply of capital through non-bank lending channels and, in the longer term, to help to diversify the sources of finance available to businesses. We are currently deploying a £100m tranche of a total of £1.2 billion of BFP funding on behalf of BIS. Providers of finance from the non-bank lending sector with the capacity to match the Government funding with private money were also invited to participate in the scheme. Our role has been to undertake due diligence on bids for the allocation of funds on BIS's behalf and also to monitor successful allocations. By 31 March 2013 the tranche of funding had been fully allocated and the legal process had been completed with three delivery partners, of which two had already begun to draw down funds for onward lending. Allocations had also been agreed with another four delivery partners, subject to the successful completion of legal agreements.

In the year we have also been asked by BIS to assist in the design and establishment of the Start-Up Loans Company (SULC). This is a new scheme with an initial £10m of Government funding for young people looking to start a business but who are lacking access to the necessary finance to realise their ambitions. This project was successfully completed and the SULC is now a fully operational and autonomous BIS partner organisation.

The Enterprise Capital Fund (ECF) programme makes equity funding available to potentially high growth SMEs. Government funding is by way of investment in venture capital funds and is used to leverage private investment into those funds. HM Treasury made £200m available to be committed to ECF's in the Spending Review period 2011-15 and the programme is on target to meet that commitment. Two ECFs were launched in 2012-13, each with a commitment from Government of £25m. This brought the total number of ECFs under management at the year end to 12; these funds being between £10m and £70m in size when private investor commitments are included. In 2012-13 £30m of Government funding was invested in ECFs for onward investment. This was matched by an additional £17m of funding from private investors.

At the year-end total investor commitment across the ECF funds was £397m of which £238m represented Government commitment. The programme is designed to be self-funding over the medium term and is now beginning to provide returns on the investments made. In the year £11m was returned to BIS bringing the cumulative total of returns to date to £20m which is in line with expectations.

One of the objectives of the ECF programme is to increase the number of good quality fund managers within the venture capital sector. We have developed a strong pipeline of prospective ECF fund managers and this was built upon following a successful networking event held in March 2013. At that event we were able to share the output from some initial benchmarking of ECFs against the wider venture capital market. Whilst direct comparison is difficult the early assessment of ECFs is encouraging.

We also continue to provide experienced staff on secondment for the management of the Angel Co-Fund. The Fund has received £50m of funding from the Regional Growth Fund (RGF) in order to co-invest alongside Business Angel networks or syndicates into eligible SMEs. The fund exceeded its investment targets for 2012-13 and the Government has now made a further £50m available to expand the fund.

The Aspire Fund aims to increase the number of successful women-led businesses within the UK, ensuring that those with real potential to succeed are not held back through a lack of growth capital. It also aims to promote such businesses as 'beacon' activities. During the year the fund was re-launched and is now beginning to build a strong pipeline of potential deals.

In addition to the above, we also oversee a number of schemes that have committed funds in previous years and which are either still investing those funds, or are legacy programmes with portfolios that require rigorous monitoring and oversight.

MANAGEMENT COMMENTARY (Continued)

Bringing Coherence and Consistency in the Delivery of Publicly Backed VC and Loan Funding (VCLF) to SMEs

Over many years a variety of VCLF schemes have been established by different Government agencies, with different structures and objectives, and part of our objectives is to bring greater coherence and consistency to the establishment and management of both existing and future publicly-backed schemes. During the year we have advised BIS and other Government departments on this area of activity, including significant input into the process for the design of the proposed business bank.

In 2011-12, we took on the oversight role for some 90 schemes originally established by the Regional Development Agencies (RDAs), representing investment capital of circa £1 billion, including private sector matched funds. We have overseen these schemes with the objective of optimising outcomes, maximising financial legacy and minimising any negative impacts, either on policy or reputation. An important part of this activity is in relation to the JEREMIE fund holding companies that were established by each of the three RDAs in the North of England. These vehicles are currently investing some £400m. We act as the Government's nominated representative or observer on the Boards of the holding companies as well as an observer on their Investment Advisory Panels, and in 2012-13 we made a valuable contribution to the oversight of these funds.

Acting as the Government's Centre of Expertise in SME Finance

During the year as well as working with Government departments and Agencies in managing existing initiatives, we have also provided advice on the development of future initiatives aimed at delivering the growth agenda. In particular, CfEL has been a key partner in the design of a pan-EU venture capital fund-of-funds designed to address the current crisis in venture funding across Europe. This vehicle is designed to deploy EU Commission funds, as well as those of the partner organisations. Discussions with the Commission are ongoing. We have also been advising on the development of existing investment and guarantee programmes which we manage and that advice has resulted in additional funding being made available for these programmes in the Chancellor's Budget.

We are recognised internationally as a leading expert in SME funding and during the year we have provided advice to the EU, foreign governments and international industry bodies. It is by drawing on our extensive experience of managing financial interventions, as well as our close links with industry bodies such as the British Private Equity & Venture Capital Association (BVCA), the British Bankers Association (BBA), and the British Business Angels Association (BBAA), that we have been able to provide such advice.

The Future

In September 2012, the Secretary of State for Business, Innovation and Skills announced the creation of a new business bank to help smaller businesses access finance and support. It is proposed that this new institution will combine the newly announced £1 billion of funding with £2.9 billion of existing Government capital to be used alongside private sector contributions. The business bank will be a new institution which will bring together current financial interventions, including those which we currently manage, along with a number of new initiatives. The creation of the business bank is a key Government initiative which is aimed at rebalancing and strengthening the UK economy. It is expected to be fully operational by the autumn of 2014, and between now and then all of our own activities will be transitioned into this new institution.

Consequently the main focus for 2013-14 will be to ensure that the transition is effectively managed, whilst also ensuring that the activities being overseen continue to be efficiently and effectively managed.

MANAGEMENT COMMENTARY (Continued)

In the 2012 Autumn Statement the Chancellor of the Exchequer announced a number of new, (as well as enhancements to existing), financial interventions designed to improve SME access to finance. Whilst these will ultimately be overseen by the business bank, we will be responsible for their establishment and implementation. These include:

- a £300m extension to the Business Finance Partnership, which will now be known as the Investment Programme, focusing on promoting diversity of the supply of SME finance, by encouraging new entrants, as well as growing the number of smaller players within the lending market;
- enhancements to the EFG programme to extend its use and availability;
- an extension of the ECF programme to make an additional £25m available for a Venture Capital Catalyst fund, which will invest in funds specialising in early stage venture and are near to close.

The recommendations made in Lord Heseltine's report on regional growth which was published in October 2012, *"No Stone Unturned in Pursuit of Growth"*, could have significant implications for both the business bank and our own future involvement in regional finance schemes. During 2013-14 the scope of this involvement will be agreed with BIS and in the meantime we will continue to provide advice to sub-national bodies such as the Local Enterprise Partnerships (LEPs) or Cities (via City Deals), on the deployment of funding within the constraints of its available resources.

Regardless of any future organisational changes, we will continue to deliver effective SME financial interventions in order to address market failures and stimulate economic growth in line with the Government's growth agenda. As well as managing existing schemes we will assist BIS in the design of alternative and/or complementary initiatives, and make recommendations for enhancements and refinements to existing programmes. Through our market knowledge and understanding of the public sector, we will inform and improve the quality of Government policy initiatives by providing on-going advice and market intelligence, in particular on "gaps" in the SME finance market.

Signature to be inserted here

L R Earley
Accounting Officer

REMUNERATION REPORT

The remuneration of the employees and Board members of Capital for Enterprise Limited is determined by the Remuneration Committee which comprised of the Chair and two non-executive directors during the period. 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 reduction of the Budget deficit.

In the July 2010 Budget, the Chancellor of the Exchequer announced a two year pay freeze for public sector workers earning £21,000 or more. The Committee implemented this freeze for the pay remit years ending 2011 and 2012. In the November 2011 Autumn Statement the Chancellor announced that for the two years following the freeze all public sector pay awards will average one per cent, and the Committee have implemented this requirement for 2012 pay remit year. In addition, it has continued to exercise restraint in the award of bonuses to staff.

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. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

A J B Loudon's appointment was due to expire on 30 June 2012; this was subsequently extended to expire on 31 December 2012. J A Spence and J McCrory were initially appointed for three year terms which expired on the 31 March 2011 but which were subsequently extended for a further three year term. H Kist and J Perry were appointed on 1 January 2013 for a three year term each. P Magee was appointed on the 23 May 2013 as a nominated representative of BIS and his remuneration is paid directly by BIS and not CfEL. As a nominee of BIS, P Magee's term of appointment is open ended with no expiry date applicable.

Full details of terms of appointment are as follows.

	Date of Appointment	Expiry Date of Appointment
A J B Loudon	1 April 2009	31 December 2012
J A Spence	1 April 2009	31 March 2014
J McCrory	1 April 2009	31 March 2014
L V W Armstrong	1 April 2012	31 March 2015
H F Kist	1 January 2013	1 January 2016
J S Perry	1 January 2013	1 January 2016
P Magee	23 May 2013	N/A

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 (FReM) have been disclosed in this Report.

REMUNERATION REPORT (Continued)

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.

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 performance and the outcome of annual performance reviews, along with 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 2013 performance in the 2013 financial statements. As such, the remuneration report disclosure for 2013 is based on the comparative bonus for 2012, which has now been updated to record actual awards made.

Sickness Absence Data
During the period the employee absence rate due to sickness was 1% (2012 - 4%).

Remuneration of Group Directors (audited information)

		2013			2012		
		Salary £'000	**Bonus Payments £'000**	**Pension contribution £'000**	Salary £'000	Bonus Payments £'000	Pension contribution £'000
Non-executive							
Chair	L Armstrong[1]	**30-35**	**-**	**-**	-	-	-
Chair	D Quysner[2]	**-**	**-**	**-**	25-30	-	-
Director	H F Kist[1,3]	**0-5**	**-**	**-**	-	-	-
Director	A J B Loudon[3]	**10-15**	**-**	**-**	15-20	-	-
Director	J McCrory[1]	**15-20**	**-**	**-**	15-20	-	-
Director	J S Perry[3]	**0-5**	**-**	**-**	-	-	-
Director	J A Spence	**15-20**	**-**	**-**	15-20	-	-
Executive							
Chief Executive Officer	L R Earley	**120-125**	**10-15**	**25-30**	120-125	10-15	25-30
M D - Equity	K D Cooper	**70-75**	**5-10**	**15-20**	70-75	5-10	15-20

1 Remuneration Committee member in 2012-13.
2 Included for comparative purposes
3 Full year equivalent salary details (HK: 15-20), (AJBL: 15-20), (JSP: 15-20)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

During the period, the banded remuneration of the highest paid director was £135-140K (2012: 130-135k). For 2013 this was 2.9 times (2012: 2.9 times) the median remuneration of the annualised workforce as at 31 March 2013, which equated to £47,500 (2012: £45,300).

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

REMUNERATION REPORT (Continued)

There have been no changes to the structure of the remuneration of the highest paid director, and changes to the remuneration of the workforce have been made in accordance with the public sector pay restrictions. The change in median remuneration is due to an increase in the workforce from 29 to 37, as a result of the additional business activities as reported on within the Management Commentary.

	Band of Highest paid Director's Total Remuneration (£'000)	Median Total Remuneration (£)	Ratio
2013	**135-140**	**47,500**	**2.9**
2012	130-135	45,300[1]	2.9[1]
2011	125-130	32,657	3.9

1 2012 re-stated

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		**2013**		2012
£	**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**	1	1
55,000 - 60,000	**1**	**1**	1	1
60,000 - 65,000	**4**	**4**	4	3
65,000 - 70,000	**3**	**3**	3	3
70,000 - 75,000	**-**	**-**	-	-
90,000 - 95,000	**1**	**1**	1	1
105,000 -£110,000	**1**	**1**	1	1

Pension entitlements
Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants 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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).
Non-executive directors are not eligible for any pension entitlement.

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th 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 1/60th 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 service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in 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 partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

REMUNERATION REPORT (Continued)

The accrued pension quoted 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.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/pensions

Pension entitlements of Group Directors (audited information)

	L R Earley		K D Cooper	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Increase in pension	**2.5-5.0**	0.0–2.5	**0.0-2.5**	-
Real increase/(decrease) in lump sum at pension age	**-**	-	**0.0-2.5**	-
Value of accrued pension at pension age	**65-70**	60-65	**20-25**	20-25
Related lump sum at pension age	**-**	-	**60-65**	60-65
Cash equivalent transfer value (CETV) at 31 March 2012	**1,062**	969	**350**	323
Cash equivalent transfer value (CETV) at 31 March 2013	**1,186**	1,062	**377**	350
Real increase in cash equivalent (CETV) in year	**62**	8	**4**	-

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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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

L R Earley
Accounting Officer
Date: 23 May 2013

BOARD OF DIRECTORS

Lucy Armstrong (Chair)
Lucy is chief executive of The Alchemists, which works with high growth mid-corporate businesses to accelerate their development and success by focussing on shareholder and management development and succession. Her experience ranges from funding start up and early stage manufacturing businesses in the North East through to mergers and disposals of international operations

Lucy joined The Alchemists in 2003 after an early career in private equity, corporate development and headhunting with 3i plc, Courtaulds Textiles and Tyzack. She is a non-executive director of a national qualification business and was chair of the CBI's national Small Business Forum from 2010 to 2013. She has recently joined the advisory board of the government's new business bank.

She recently participated in a government advisory board looking at new interventions in private business finance alongside the Banking Taskforce and Future Shape of Business projects for the CBI. Similarly she was a member of BBC Governors' review of European Union coverage. She was educated at Oxford, holds an MBA and an MSc in forensic psychology and criminology.

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.

He has been Chair of and investor in, a successful University spinout company, chair of an EU expert group on risk capital, and a member of the Investment TaskForce advising UK Government.

He is currently chairman of EVFIN, the European Venture Funds Investor Network, which gathers together eleven major European public and private operators active in the field of venture capital and venture capital funds. He also holds Board positions at North West Business Finance Ltd and Finance Yorkshire Ltd.

Rory holds an MBA from the University of Sheffield.

Heleen Kist, MSc
Heleen Kist has been an independent strategy consultant, interim manager and commercial mediator for over 10 years. In this time she has advised a range of private and public sector organisations, in the areas of growth strategy, innovation, access to finance and public-private partnerships. She has been a start-up CEO and (interim) manager for SMEs and VCs. She was previously an engagement manager at McKinsey & Company with particular interest in the healthcare sector, and a technical brand manager at Procter & Gamble.

She is Chair of Scottish Health Innovations Ltd, which commercialises innovation from the Scottish NHS.

She has an MSc in Chemistry from Leiden University and an MSc in Engineering Economic Systems and Operations Research from Stanford University.

Patrick Magee
Patrick joined the Shareholder Executive as Executive Director in June 2012. Before joining the Shareholder Executive, he was a Managing Director of corporate finance at JP Morgan Cazenove, having worked at the predecessor firms for almost 18 years.

During his career Patrick has advised on a broad range of M&A, Capital Markets and Corporate Broking assignments for a range of clients largely in the General Industrial, Energy/Utility and Support Services areas. He also spent two years on secondment to the Panel for Takeovers and Mergers.

He has an MBA from Georgetown University, Washington DC and an LLB from Queen's University Belfast.
In the Shareholder Executive, Patrick's initial assignments include working with the Department of Energy and Climate Change on the arrangement of finance for the Green Deal policy and working on the business bank.

BOARD OF DIRECTORS (continued)

John McCrory OBE
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.

Jack Perry CBE
Jack Perry is a member of the UK & Ireland Advisory Board of Barclays Wealth. He is also chairman of London listed ICG-Longbow Senior Secured UK Property Debt Investments Ltd. He is a former director of Robert Wiseman Dairies PLC.

He previously served as Chief Executive of Scottish Enterprise, Scotland's enterprise, innovation and investment agency for six years until 2009.

Prior to this, he was the managing partner of Ernst & Young in Glasgow. In addition he was a Regional Industry Leader for Ernst & Young's Technology practice. Jack is a former Chairman of the CBI Scotland.

He is Treasurer of the University of Strathclyde and a member of the Advisory Board of the University of Edinburgh Business School. He is also Chairman of Hospice Developments Limited a charitable company charged with building the new Prince and Princess of Wales Hospice.

He has a BSc in Pure Science and is a Chartered Accountant.

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.

He is chairman of the Spicerhaart group, and a non-executive director for the Money Advice Service and CallCredit Ltd. He is a deputy chairman of Business in the Community and third sector boards include the Church Commissioners and Anglia Ruskin University. He chairs the SE Local Enterprise Partnership.

DIRECTORS' REPORT

Company number: 06179047

The directors present their report and the financial statements for the period ended 31 March 2013.

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 a review of the activities of the Company during the year.

Results

The total comprehensive income for the period after taxation amounted to £66,264 (2012: £4,280).

Directors

The directors who served during the year were:

L R Earley
L V W Armstrong
H F Kist (Appointed 1 January 2013)
A J B Loudon (Resigned 31 December 2012)
J McCrory
J S Perry (Appointed 1 January 2013)
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 (2012 - five) working days of receipt. During the year the Group achieved an average performance against this target of 96.4% (2012 – 99.0%).

Financial instruments

For detailed disclosures see note 24 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 23 May 2013 and has been signed on its behalf.

Signature to be inserted here

L R Earley
Director
Date: 23 May 2013

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 statement of comprehensive income 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.

THE GOVERNANCE STATEMENT

The Purpose of the Governance Statement

The Governance Statement is aimed at providing a clear understanding of the dynamics of the business and its control structure. It records the stewardship of the Group to supplement the accounts, providing a sense of its performance and of how successfully the Group has coped with and managed the challenges it has faced during the period.

It explains the governance framework that supports the efficient use of resources in order to deliver the Group's aims and objectives.

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. 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.

Compliance

The Governance Statement explains how the Group has complied in all material respects with the principles of the UK Central Government Corporate Governance Code, in so far as those principles are applicable to the Group.

CfEL has also met the tax compliance requirements for all off payroll appointees during the period, in accordance with the HM Treasury proposals contained within the May 2012 publication 'Review of the tax arrangements of public sector appointees'. In addition it has fully complied with the Cabinet Office Efficiency Reform Group Controls and HM Treasury's Transparency Agenda.

The Governance Structure

The Framework Agreement sets out the Group's objectives as well as defining accountability between it and its Sponsor, the Department for Business Innovation and Skills (BIS). This document was due to be updated in line with the revised guidance as issued by the Cabinet Office during March 2012. In addition during 2012-13 BIS was due to undertake a Triennial Review of CfEL. The purpose of such a review is to ensure that the functions of organisation are still required and that its business model is fit for purpose and offers taxpayers the best value for money. Both the update of the Framework Agreement and the Triennial Review were deferred until 2013-14. The decision by BIS to defer these was taken in the light of on-going discussions around the formation of a "business bank" and whether CfEL should be part of any such institution and if so in what way.

Each year, the Group's policies, aims and objectives are reviewed and set out in the Business Plan, which is approved by the Board of Directors and by BIS. These provide an effective tool for assessing Group performance against agreed Key Performance Indicators (KPI's) which are continually assessed by the BIS Sponsor Team.

The Group is overseen by an independent, expert Board of non-Executive Directors (NED'S), predominantly drawn from private sector backgrounds in SME Finance, who are required to comply with the Cabinet Office Code of Conduct for Board Members of Public Bodies. Although the Corporate Governance Code is not directly applied by NDPB's, the Board also applies the principles of this code as far as it is appropriate to do so.

Up until the 1 January 2013, the membership of the Board had comprised of four NED's and the Chief Executive Officer who is also the Accounting Officer. Following two appointments which commenced on the 1 January 2013, one of which was to replace an existing member with the other being an additional post, as well as the appointment of the BIS representative on the 2 April 2013, the Board now comprises of a total of six NED's.

Members are appointed by the Secretary of State for BIS, in accordance with the Code of Practice of the Office of the Commissioner on Public Appointments. Details of the terms of appointment can be found within the Remuneration Report, along with a biography detailing the history and experience for each member.

THE GOVERNANCE STATEMENT (Continued)

Board meetings are held once every two months and there have been six formal meetings in the period 1 April 2012 to 31 March 2013, at which there were four instances of a Director not being in attendance.

The Board has appointed an Audit and Risk Committee and a Remuneration Committee, both of which operate within terms of reference that are reviewed each year. The Chair of the Audit and Risk Committee annually submits a written report to the Board on the Committee's work during the previous year. This report gives assurance to the Board and the Accounting Officer as to the effectiveness of external and internal audit with regard to the identification and reporting of weaknesses in the control environment, and as to whether appropriate standards of governance are being met throughout the Group. The 2012-13 report gave positive assurance in these areas but also identified scope for improvement in the effectiveness of Internal Audit, which has subsequently been acted on.

Annually, the Board undertakes an assessment of its performance against a number of criteria. The process includes an objective assessment of the Board's performance by the Executive and the BIS Sponsor in order to ensure moderation of the Board's assessment of itself. The review assessed the Board as having performed to a high standard against its objectives in the previous year but also identified areas for improvement which were subsequently addressed in the period.

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.

The Risk and Internal Control Framework

Risk management is operated in line with the CfEL Risk Management Policy. This policy is reviewed and approved by the Audit and Risk Committee. As part of the risk management process, a procedure is in place to report both to the Audit and Risk Committee and the Board, including escalation procedures at various stages. The risk management reports have been re-designed during the year as part of a process of continual improvement, in order to improve focus as well as to make them clearer and more concise.

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 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 various schemes. 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.

The Group has prioritised the recruitment, retention and development of a professional workforce which is measured against high standards of behaviour and performance. Relevant risk management objectives are included in each individual's performance objectives as part of the Performance Management Process. This is designed to ensure that awareness of the importance of effective risk management is embedded in the culture of the organisation.

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 and project 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 by peer reviews. During the period, a fundamental re-appraisal of all risks was undertaken, in order to improve the focus for strategic risks, as well as ensuring that the registers continue to appropriately identify the risks to the Group and clearly explain the way in which they are being managed.

THE GOVERNANCE STATEMENT (Continued)

During the period, the Group has undertaken a review of Organisational Capability in line with the strategy for Managing the Risk of Financial Loss (MRoFL), the outcome of which was that strong controls continue to be maintained.

External assurance provided from Internal Audit on the risk management and governance for 2011-12 was that of ‘a strong control environment’, and their review of the strategy for MRoFL was also that of a strong control environment.

Review of effectiveness
As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the system of governance, risk management and internal control. This review is informed by the work of the management team and Internal Auditor, who have responsibility for the development and maintenance of the governance structures, internal control framework, and response to comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

The Group has effectively handled risks and outcomes arising from the risk management. This is evidenced by the reports received from both the Group’s external and internal auditors, who have advised that no significant control weaknesses have been identified.

In 2012-13 BIS has sought to stimulate lending in the UK SME sector in a number of way including the launch of a number of new access to finance programmes. The Group was asked to provide expert advice on the design and implementation of the Start Up Loans Scheme and a £100m tranche of the Business Finance Partnership (BFP), the aim of which was to stimulate new non-bank sources of lending. The Group was also tasked with undertaking due diligence on the bids received from prospective delivery partners under both schemes. Each of these work-streams gave rise to significant reputational and operational risks to the Group with a need to balance speed of design and implementation with ensuring that thorough and robust processes were in place and followed. This risk was effectively managed by the recruitment of a number of diligence professionals together with close oversight of the projects by senior management and close co-ordination with BIS the principle stakeholder.

The UK Government is re-assessing the scale and reach of its financial interventions in response to the slow rate of growth that is being experienced in the UK economy and is forecast to continue in the medium term. Whilst this presents opportunities for the Group by way of an expansion of access to finance initiatives it also gives rise to significant risks. In September 2012 the Business Secretary announced proposals for the creation of a business bank to bring together in one place finance support for small and mid-sized businesses. The objectives and structure of the business bank are still to be finalised however it is likely to become responsible for the delivery of some of the Group’s existing activities or activities that it would otherwise have expected to undertake in the future. CfEL has sought to influence the design of the business bank in order to minimise the risks associated with design and implementation, and wherever possible is seeking to keep the agenda focused on the core objectives for the business bank.

A further strategic risk is in relation to the Group’s responsibilities in relation to financial interventions at a local level within the English regions. BIS has tasked the Group with undertaking more locally focused activity in support of the Local Enterprise Partnerships (LEPs). The plethora of local initiatives and the variation in their design and methods of delivery could lead to a failure to meet stakeholder expectations either through failure to properly support LEP demands or failure to meet other objectives such as bringing greater cohesion to Government’s SME interventions.

I have been advised on the implications of the result of the review of the effectiveness of the system of Governance, including internal control and risk management by the Internal Auditor and the Board's Audit and Risk Committee.

I have considered the evidence provided with regards to the production of the Annual Governance Statement. The conclusion of the review is that the overall governance and internal control structures are strong.

Signature to be inserted here

L R Earley
Accounting Officer on behalf of the Board
Date: 23 May 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

I have audited the financial statements of Capital for Enterprise Limited for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements 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 have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor
As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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 Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the parent 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, Governance Statement and Board of Directors section of the annual report 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 recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements
In my opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2013 and of the group's comprehensive income for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

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

Opinion on other matters
In my opinion:

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

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

Matters on which I 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 by the parent company; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Signature to be inserted here

Bryan Ingleby (Senior Statutory Auditor) Date: 29 May 2013

For and on behalf of the **Comptroller and Auditor General (Statutory Auditor)**
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2013

	Note	2013 £	2012 £
REVENUE	3	**3,152,500**	2,322,000
Administrative expenses	5	**(3,979,002)**	(3,167,331)
Other income	4	**891,080**	847,238
NET OPERATING INCOME	6	**64,578**	1,907
Finance income		**3,854**	3,134
INCOME BEFORE TAX		**68,432**	5,041
Tax	9	**(2,168)**	(761)
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**66,264**	4,280

All amounts relate to continuing operations.

The notes on pages 31 to 45 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	Note	£	**31 March 2013** £	£	31 March 2012 £
NON-CURRENT ASSETS					
Intangible assets	10		**197,732**		98,347
Property, plant and equipment	11		**292,940**		109,246
Investments	12		**22**		22
			490,694		207,615
CURRENT ASSETS					
Trade and other receivables	13	**103,532**		125,995	
Cash and cash equivalents	17	**195,410**		493,612	
		298,942		619,607	
CURRENT LIABILITIES					
Trade and other payables	14	**(540,377)**		(646,395)	
NET CURRENT LIABILITIES			**(241,435)**		(26,788)
NON-CURRENT LIABILITIES					
Deferred tax liability	15	**(6,558)**		(4,390)	
NET ASSETS			**242,701**		176,437
EQUITY					
Called up share capital	16		**49,901**		49,901
Retained earnings			**192,800**		126,536
TOTAL EQUITY			**242,701**		176,437

The financial statements were approved and authorised for issue by the board on 23 May 2013, and signed on its behalf.

Signature to be inserted here

L R Earley
Director.
Date: 23 May 2013

The notes on pages 31 to 45 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Note	£	31 March 2013 £	£	31 March 2012 £
NON-CURRENT ASSETS					
Intangible assets	10		**197,732**		98,347
Property, plant and equipment	11		**292,940**		109,246
Investments in subsidiaries	12		**50,001**		50,001
			540,673		257,594
CURRENT ASSETS					
Trade and other receivables	13	**103,332**		124,620	
Cash and cash equivalents		**114,803**		422,295	
		218,135		546,915	
CURRENT LIABILITIES:					
Trade and other payables	14	**(531,817)**		(637,846)	
NET CURRENT LIABILITIES			**(313,682)**		(90,931)
NET ASSETS			**226,991**		166,663
CAPITAL AND RESERVES					
Called up share capital	16		**49,901**		49,901
Retained earnings			**177,090**		116,762
TOTAL EQUITY			**226,991**		166,663

The financial statements were approved and authorised for issue by the board on 23 May 2013, and signed on its behalf.

Signature to be inserted here

L R Earley
Director
Date: 23 May 2013

The notes on pages 31 to 45 form part of these financial statements.

Company Registration Number: 06179047

CONSOLDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Net operating income before tax	6	64,578	1,907
Amortisation of intangible non-current assets		39,143	1,938
Depreciation of property, plant and equipment		43,799	46,812
Non-current assets written off to income statement		-	46,106
Decrease/(increase) in trade and other receivables	13	21,616	(91,500)
Increase/(decrease) in trade and other payables	14	(106,018)	316,380
Tax	9	847	(847)
Net cash inflow from operating activities		63,965	320,796
Cash flows from investing activities			
Purchase of intangible non-current assets		(138,528)	(94,003)
Purchase of property, plant and equipment		(227,493)	(5,215)
Interest received		3,854	3,134
Cash flows from investing activities		(362,167)	(96,084)
MOVEMENT IN CASH AND CASH EQUIVALENTS IN THE YEAR		(298,202)	224,712
Cash and cash equivalents at beginning of year		493,612	268,900
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	195,410	493,612

The notes on pages 31 to 45 form part of these financial statements.

CAPITAL FOR ENTERPRISE LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2013

STATEMENT OF CHANGES IN EQUITY: 2013

	Share capital	Retained earnings	Total
	£	£	£
Balance at 31 March 2012	49,901	126,536	176,437
Total comprehensive income for the year	-	66,264	66,264
Balance at 31 March 2013	**49,901**	**192,800**	**242,701**

STATEMENT OF CHANGES IN EQUITY: 2012

	Share capital	Retained earnings	Total
	£	£	£
Balance at 31 March 2011	49,901	122,256	172,157
Total comprehensive income for the year	-	4,280	4,280
Balance at 31 March 2012	**49,901**	**126,536**	**176,437**

The notes on pages 31 to 45 form part of these financial statements.

NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2013

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 (FReM) where these do not conflict with the Companies Act and the requirements of IFRS.

The accounts are also prepared in accordance with 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 2014, 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. This treatment has been determined having considered the implications of the future transition of the Group's activities into the business bank for its ability to continue as a going concern.

The functional currency of the Group is pounds sterling and rounding is to the nearest £.

The reporting period for the financial statements is the financial year ended 31 March 2013. The comparative information relates to the year ended 31 March 2012.

NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2013 (Continued)

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 total comprehensive income for the period dealt with in the accounts of the Company was £60,328 (2012: £5,995).

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, including initial software licences which grant the use of the asset for a period exceeding one year.

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 1-5 years. Amortisation commences one month following either the invoice or when the asset is bought into use.

Assets are subject to an annual review in order to verify that the asset is still in existence, to confirm the asset value, the remaining UEL, as well as to consider any adjustments which may be necessary due to impairment.

NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2013 (Continued)

1.5 Property, plant and equipment

Property, plant and equipment are stated on a depreciated historical cost basis which is a proxy for fair value, due to their short useful lives and/or low values, or both. Depreciation is provided at rates calculated to write off the cost of these assets, less their estimated residual value, on a straight line basis over their expected useful lives on the following bases. Depreciation commences during the month following either invoice, or when the asset is bought into use.

Estimated useful lives are reviewed on an annual basis and adjusted where appropriate.

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.

Assets under construction are not depreciated until the asset is bought into use.

Assets are subject to an annual review in order to verify that the asset is still in existence, to confirm the asset value, the remaining UEL, as well as to consider any adjustments which may be necessary due to impairment.

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.

The amounts payable in the future under these operating lease arrangements are not discounted; these are disclosed at Note 19.

1.8 Current taxation

Tax on the result for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised outside of the statement of comprehensive income, 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 date of the statement of financial position, and any adjustment to tax payable in respect of previous years

1.9 Deferred taxation

Deferred 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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 tax assets and liabilities are not discounted.

1.10 Value Added Tax

Value Added Tax (VAT) is accounted for in the accounts, in that amounts are shown net of VAT. Irrecoverable VAT is charged to the consolidated statement of comprehensive income included under the relevant expenditure heading.

1.11 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, which is recorded in the financial statements as an accrual on an undiscounted basis.

1.12 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 18. 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.

1.13 Financial instruments

The Group classes 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 the statement of comprehensive income, transaction 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.

1.14 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.

NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2013 (Continued)

1.15 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.

1.16 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.

1.17 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

	2013	2012
	£	£
Priority Profit Share	**410,648**	392,191
Advisory and consultancy fees	**115,699**	265,340
Investment fees	**-**	7,113
Management fees	**364,733**	182,594
Total	**891,080**	847,238

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

5. ADMINISTRATIVE EXPENSES

	2013	2012
	£	£
Staff costs	**2,271,605**	1,822,242
Operational costs	**789,334**	660,230
Professional fees	**265,592**	195,693
Legal Fees	**221,029**	149,928
Loan guarantee audit assurance	**213,704**	206,476
Premises expenses	**134,796**	84,012
Depreciation and Amortisation	**82,942**	48,750
Total	**3,979,002**	3,167,331

6. OPERATING INCOME

The operating income is stated after charging:

	2013	2012
	£	£
Depreciation of property, plant and equipment:		
- owned by the Group	**43,799**	46,812
Disposal of property, plant and equipment	**-**	39,043
Auditors' remuneration	**14,500**	14,500
Operating lease rentals:		
- other operating leases	**51,114**	37,756
Amortisation of intangible assets	**39,143**	1,938

Auditors fees for the Group were £14,500 (2012: £14,500). The auditors fees for the audit of the parent Company were £6,000 (2012: £6,000).

The operating income of the Group for the year was £64,578 (2012: £1,907)

7. STAFF COSTS

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

	2013	2012
	£	£
Wages and salaries	**1,768,602**	1,441,337
Social security costs	**178,750**	136,024
Other pension costs	**324,253**	244,881
Total	**2,271,605**	1,822,242

The average monthly number of employees during the period was as follows.

	2013	2012
	No.	No.
Directors	**6**	7
Management and Administration	**28**	19
Total	**34**	26

8. DIRECTORS' REMUNERATION

	2013 £	2012 £
Emoluments	**307,677**	287,023
Company pension contributions to defined benefit pension schemes	**44,086**	43,886

During the year retirement benefits were accruing to 2 Group directors (2012: 2) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £137,600 (2012: £131,561).

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 (2012: £28,553).

9. TAX

	2013	2012
Current tax expense	**£**	£
Current year	**-**	-
Prior year	**-**	(847)
Total current tax expense	**-**	(847)
Deferred tax expense		
Current year	**2,168**	1,928
Prior year	**-**	(320)
Total deferred tax expense	**2,168**	1,608
Total tax expense	**2,168**	761

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 20% (2012: same as). The differences are explained below:

	2013 £	2012 £
Income on ordinary activities before tax	**68,432**	5,041
Income on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2012 - 20%)	**13,686**	1,008
Effects of:		
Income not taxable	**(93,424)**	(78,995)
Utilisation of brought forward losses	**(348)**	-
Tax losses carried forward	**80,086**	77,987
Adjustments in respect of prior periods	**-**	(847)
Current tax charge for the year (see note above)	**-**	(847)

9. TAX (continued)

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 £3,854 (2012: £3,134).

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 as a consequence its mainstream activities are not taxable income.

Capital for Enterprise (GP) Limited has tax losses carried forward of £1,768,047 (2012: £1,367,618). The losses arise because the priority profit share credited to the Statement of Comprehensive Income is not taxable income. A deferred tax liability of £6,558 (2012: £4,390) has been recognised in respect of these losses as they are offset by short term timing differences.

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.

Group and Company 2013	**Software IT £**	**Software licences £**	**Total £**
Cost			
As at 1 April 2012	60,701	43,553	104,254
Additions	115,701	22,827	138,528
As at 31 March 2013	**176,402**	**66,380**	**242,782**
Amortisation			
As at 1 April 2012	4,394	1,513	5,907
Charge for the year	12,594	26,549	39,143
At 31 March 2013	**16,988**	**28,062**	**45,050**
Net book value			
At 31 March 2013	**159,414**	**38,318**	**197,732**
At 31 March 2012	56,307	42,040	98,347

Group and Company 2012	**Software IT £**	**Software licences £**	**Total £**
Cost			
As at 1 April 2011	7,981	2,270	10,251
Additions	52,720	41,283	94,003
As at 31 March	**60,701**	**43,553**	**104,254**
Amortisation			
As at 1 April 2011	2,910	1,059	3,969
Charge for the year	1,484	454	1,938
At 31 March 2012	**4,394**	**1,513**	**5,907**
Net book value			
At 31 March 2012	**56,307**	**42,040**	**98,347**
At 31 March 2011	5,071	1,211	6,282

NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2013 (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 2013	Fixtures and fittings £	Information technology £	Assets under construction £	Office premises £	Total £
Cost					
At 1 April 2012	24,218	174,779	-	39,471	238,468
Additions	-	64,232	-	163,261	227,493
At 31 March 2013	**24,218**	**239,011**	**-**	**202,732**	**465,961**
Depreciation					
At 1 April 2012	17,676	72,075	-	39,471	129,222
Charge for the year	4,449	33,503	-	5,847	43,799
At 31 March 2013	**22,125**	**105,578**	**-**	**45,318**	**173,021**
Net book value					
At 31 March 2013	**2,093**	**133,433**	**-**	**157,414**	**292,940**
At 31 March 2012	6,542	102,704	-	-	109,246

Group and Company 2012	Fixtures and fittings £	Information technology £	Assets under construction £	Office premises £	Total £
Cost					
At 1 April 2011	24,218	146,178	112,345	39,471	322,212
Additions	-	5,215	-	-	5,215
Disposals	-	(81,896)	-	-	(81,896)
Reclassification	-	105,282	(112,345)	-	(7,063)
At 31 March 2012	**24,218**	**174,779**	**-**	**39,471**	**238,468**
Depreciation					
At 1 April 2011	11,973	78,499	-	34,791	125,263
Charge for the year	5,703	37,123	-	4,680	47,506
Disposals	-	(42,853)	-	-	(42,853)
Reclassification	-	(694)	-	-	(694)
At 31 March 2012	**17,676**	**72,075**	**-**	**39,471**	**129,222**
Net book value					
At 31 March 2012	**6,542**	**102,704**	**-**	**-**	**109,246**
At 31 March 2011	12,245	67,679	112,345	4,680	196,949

12. INVESTMENTS

	Unlisted investments
Group	**£**
Cost or valuation	
At 1 April 2012 and 31 March 2013	**22**

	Shares in Group undertakings
Company	**£**
Cost or valuation	
At 1 April 2012 and 31 March 2013	**50,001**

Details of the principal subsidiaries can be found under note number 23.

As of 30 September 2011, Northwest Development Agency and Business Link North West transferred their respective memberships of the NW VCLF HF LLP to Capital for Enterprise Ltd (0.01%) and to The Secretary of State for Business Innovation and Skills (99.99%). Although the Company has a nominal share in the Partnership, it has no beneficial interest and it is not entitled to receive any income from it.

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

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Trade receivables	**10,359**	57,710	**10,359**	57,710
Corporation Tax	**-**	847	**-**	78
Social security and other taxes	**10,006**	-	**10,006**	-
Other receivables	**3,393**	806	**3,193**	200
Prepayments and accrued income	**79,774**	66,632	**79,774**	66,632
Total	**103,532**	125,995	**103,332**	124,620

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

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Trade payables	**68,134**	23,185	**68,134**	23,185
Amounts owed to Group undertakings	**-**	-	**-**	11
Corporation tax	**-**	-	**-**	-
Social security and other taxes	**103,104**	72,348	**103,104**	72,348
Accruals and deferred income	**369,139**	550,862	**360,579**	542,302
Total	**540,377**	646,395	**531,817**	637,846

NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 MARCH 2013 (Continued)

15. DEFERRED TAX LIABILITY

	2013	2012
	£	£
At 1 April	4,390	2,782
Movement	2,168	1,608
At 31 March	**6,558**	**4,390**

The deferred tax provision represents

	2013	2012
	£	£
Short term timing differences	413,209	332,619
Losses carried forward	(406,651)	(328,229)
At 31 March	**6,558**	**4,390**

16. SHARE CAPITAL

	2013	2012
	£	£
Authorised		
50,000- Ordinary shares of £1 each	**50,000**	50,000
Allotted, called up and fully paid		
49,901- Ordinary shares of £1 each	**49,901**	49,901

17. ANALYSIS OF CHANGES IN CASH FLOW

Group 2013	**1 April 2012**	**Cash flow**	**31 March 2013**
	£	**£**	**£**
Cash at bank and in hand:	**493,612**	**(298,202)**	**195,410**
Net funds	**493,612**	**(298,202)**	**195,410**

Group 2012	1 April 2011	Cash flow	31 March 2012
	£	£	£
Cash at bank and in hand:	268,900	224,712	493,612
Net funds	268,900	224,712	493,612

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).

For the period to 31 March 2013, normal employer contribution contributions of £304,799 (2012: £236,255) 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 £16,624 (2012: £5,001) were payable to stakeholder partnership schemes.

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 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners. There have been no changes to either the rates or salary bands from 1 April 2013.

Outstanding contributions amounting to £46,395 (2012: £6,973) are payable to the PCSPS and £nil payable to a personal scheme at 31 March 2013 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:

Land and buildings **Group**	**2013** **£**	2012 £
Expiry date:		
Expiry within 1 year	**-**	28,125
Expiry after 1 year but not more than 5 years	**110,434**	-

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, East Midlands Regional Development Agency, 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.

Remuneration to Directors is disclosed within the Remuneration Report.

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.

	2013	2012
	£	£
Grant in Aid Funding from BIS	**3,152,500**	2,322,000
Investment and priority profit share fees in relation to Capital for Enterprise Fund LP	**410,648**	399,304
Secondee costs	**28,921**	94,564
Internal Audit	**18,300**	18,300

At 31 March 2013, the Group had amounts receivable and payable amounting to £200 and £10,603 (2012: £606 and £290,000) 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.

23. 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

24. 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 to 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.

In general 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. However, during the period, the Group provided services to the Irish Government which was transacted in Euros, which resulted in a loss of £1k. It is not anticipated that the Group will be entering into further significant transactional arrangements in foreign currency.

The Group's maximum exposure to credit risk represents the year end receivables balance of £13,752 (2012: £58,516). 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.