Northern Enterprise (LP) Limited

Director's report and financial statements

Registered number 2808521

31 March 2005



Contents

Director and advisors	1
Director's report	2
Statement of director's responsibilities	3
Report of the independent auditors to the members of Northern Enterprise (LP) Limited	4
Profit and loss account	5
Balance sheet	5
Notes	6

Director and advisors

Company registration number:	2808521
Registered office:	3 Earls Court 5th Avenue Business Park Team Valley Gateshead NE11 0HF
Director:	BS Hensby BSc MBA C Dir
Secretary:	KS Charlton BSc ACA
Solicitors:	Eversheds Solicitors Central Square South Orchard Street Newcastle upon Tyne NE1 3XX
Auditors:	KPMG Audit Plc Quayside House Quayside Newcastle upon Tyne NE1 3DX

Director's report

The director presents his annual report and the audited financial statements for the year ended 31 March 2005.

Principal activities and business review

The company acts as a limited partner to The First and Second HSBC Enterprise Funds for the North East, The North East Seed Capital Fund and The Capital North East Fund.

The company did not trade during the year. Any expenses have been met by Northern Enterprise Limited.

Proposed dividend

The director does not recommend the payment of a dividend *(2004: £Nil)*.

Directors and directors' interests

The directors who held office during the period were as follows:

DM Middleton CBE FCA	(resigned 23 September 2004)
BS Hensby BSc MBA C Dir	
NCD Craig	(resigned 23 September 2004)

None of the directors who held office throughout the period and at the end of the financial year had any disclosable interest in the shares of the company.

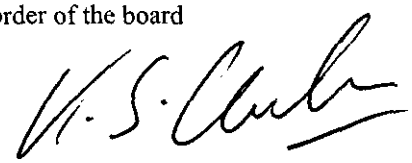
Political and charitable contributions

The company made no political or charitable contributions during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



KS Charlton BSc ACA
Secretary

3 Earls Court
5th Avenue Business Park
Team Valley
Gateshead
Tyne & Wear
NE11 0HF

30 June 2005

Statement of director's responsibilities

Company law requires the director to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the director is required to:

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

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG Audit Plc
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Report of the independent auditors to the members of Northern Enterprise (LP) Limited

We have audited the financial statements on pages 5 to 8.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The director is responsible for preparing the director's report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 June 2005

Profit and loss account

for the year ended 31 March 2005

During the financial year to 31 March 2005 and the preceding financial year the company did not trade and received no income and incurred no expenditure. Consequently, during those periods the company made neither a profit nor a loss.

Balance sheet

at 31 March 2005

	Note	2005 £	2004 £
Fixed assets			
Investments	*3*	**2,026**	2,026
Current assets			
Debtors	*4*	**15**	15
Creditors: amounts falling due within one year	*5*	**(2,039)**	(2,039)
Net current liabilities		**(2,024)**	(2,024)
Net assets		**2**	2
Capital and reserves			
Called up share capital	*6*	**2**	2
Equity shareholders' funds		**2**	2

These financial statements were approved by the director on 30 June 2005 and were signed by:

BS Hensby BSc MBA C Dir
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Northern Enterprise Group Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Northern Enterprise Group Limited, within which this company is included, can be obtained from the address given in note 7.

2 Directors and employees

There were no employees, other than the directors who received no remuneration.

3 Investments

	Participating interests £
Cost	
At 31 March 2004 and 31 March 2005	2,026

Notes *(continued)*

3 Investments *(continued)*

The undertakings in which the company has an interest are as follows:

Participating interest	Country of incorporation	Principal activity	Class and percentage of shares held
The First HSBC Enterprise Fund for the North East	England and Wales	Venture capital investment fund	15% ordinary shares
The Second HSBC Enterprise Fund for the North East	England and Wales	Venture capital investment fund	14.5% ordinary shares
The North East Seed Capital Fund	England and Wales	Venture capital investment fund	14% ordinary shares
Capital North East Fund	England and Wales	Venture capital investment fund	19% ordinary shares

4 Debtors

	2005 £	2004 £
Other debtors	15	15

5 Creditors: amounts falling due within one year

	2005 £	2004 £
Amounts owed to group undertakings	2,039	2,039

Notes *(continued)*

6 Called up share capital

	2005 £	2004 £
Authorised		
100 Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	**2**	2

7 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's ultimate parent company is Northern Enterprise Group Limited, a company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Northern Enterprise Group Limited. The consolidated accounts are available to the public on application to the Registrar of Companies, Companies House, Cardiff, CF4 3UZ.