

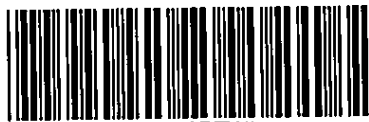
Northern Enterprise (LP) Limited

**Director's report and financial
statements**

Registered number 2808521

31 March 2007

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Director and advisors

Company registration number	2808521
Registered office	3 Earls Court 5 th Avenue Business Park Team Valley Gateshead NE11 0HF
Director	BS Hensby BSc MBA C Dir
Secretary	KS Charlton BSc MSc ACA
Bankers	Barclays Bank plc Regional Large Corporate Banking Centre PO Box 378 71 Grey Street Newcastle upon Tyne NE99 1JP
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 2007

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, The Capital North East Fund and The NEL Growth Fund

During the year the company received carried interest from the Second HSBC Enterprise Fund for the North East and paid this to NEL Fund Managers Limited

Proposed dividend

The director does not recommend the payment of a dividend (2006 £Nil)

Director and director's interests

The director who held office during the period was as follows

BS Hensby BSc MBA C Dir

The director who held office throughout the period and at the end of the financial year had no disclosable interest in the shares of the company

According to the register of director's interests, no rights to subscribe for shares in or debentures of group companies were granted to the director or his immediate family, or exercised by them, during the financial year

Political and charitable contributions

The company made no political or charitable contributions during the year

Disclosure of information to auditors

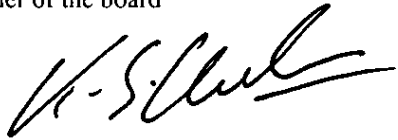
The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Director's report *(continued)*

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 MSc ACA
Secretary

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

24 JULY 2007

Statement of director's responsibilities in respect of the Director's Report and the financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period

In preparing these financial statements, the director is required to

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

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

Independent auditors' report to the members of Northern Enterprise (LP) Limited

We have audited the financial statements of Northern Enterprise (LP) Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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's responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 director's remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the 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.

Independent auditors' report to the members of Northern Enterprise (LP) Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of the company's result for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

24 July 2007

Profit and loss account
for the year ended 31 March 2007

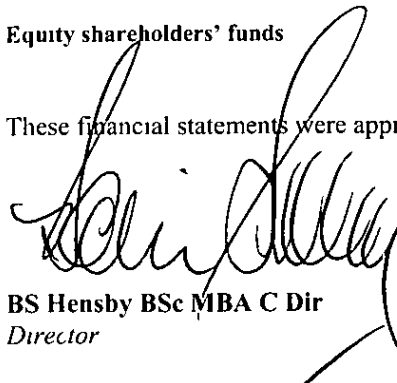
	<i>Note</i>	2007 £	2006 £
Turnover		95,185	-
Administrative expenses		(95,185)	-
Result for the financial year		-	-

The company has no recognised gains or losses (2006 £nil) after then those included in the profit and loss account

Balance sheet
at 31 March 2007

	<i>Note</i>	2007 £	2006 £
Fixed assets			
Investments	3	2,113	2,026
Current assets			
Debtors	4	-	15
Bank and cash		15	-
Creditors amounts falling due within one year	5	(2,126)	(2,039)
Net current liabilities		(2,111)	(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 **24 July** 2007 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 financial statements

Basis of preparation

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

Under FRS 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 NEL Fund Managers Limited, the company has taken advantage of the exemption contained in FRS 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 NEL Fund Management Group Limited, within which this company is included, can be obtained from the address given in note 7

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents amounts receivable in the ordinary course of business from operating as the limited partner of The First and Second HSBC Enterprise Funds for the North East, The North-East Seed Capital Fund, The Capital North East Fund and The NEL Growth Fund. Turnover is recognised on an accruals basis.

2 Directors and employees

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

3 Investments

	Participating interests £
<i>Cost</i>	
At 31 March 2006	2,026
Additions in the year	87
At 31 March 2007	2,113

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% partnership capital
The Second HSBC Enterprise Fund for the North East	England and Wales	Venture capital investment fund	14.5% partnership capital
The North East Seed Capital Fund	England and Wales	Venture capital investment fund	14% partnership capital
The Capital North East Fund	England and Wales	Venture capital investment fund	19% partnership capital
The NEL Growth Fund	England and Wales	Venture capital investment fund	19.5% partnership capital

Notes (continued)

4 Debtors

	2007 £	2006 £
Other debtors	-	15
	<u> </u>	<u> </u>

5 Creditors: amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	2,126	2,039
	<u> </u>	<u> </u>

6 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

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

The company's ultimate parent company is NEL Fund Management 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 NEL Fund Management Group Limited. The consolidated accounts are available to the public on application to the Registrar of Companies, Companies House, Cardiff, CF4 3UZ