

COMPANY NUMBER: 1622697

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

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WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

REPORT AND FINANCIAL STATEMENTS **For the year ended 31 March 2008**

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WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2008

The directors present their report together with the audited financial statements of the company for the year ended 31 March 2008.

PRINCIPAL ACTIVITY

The company acts as an investment holding company for its parent company with the investments being made out of loans received from the parent company.

During the year the company continued to manage its portfolio of investments in unquoted companies and to invest in funds advised or managed by its parent. All the company's activities are continuing.

BUSINESS REVIEW, RESULT AND DIVIDENDS

The company made a profit for the year of £64,147 (2007:£76,796). The directors do not recommend the payment of a dividend and the profit has been added to the accumulated deficit.

During the year the company made no follow-on investments into its portfolio of un-quoted companies (2007: £nil).

The company made no further investments in The Baring English Growth Fund, with the total invested in that Fund remaining at £927,749. However, the company did receive £308,720 in respect of distributions made as a result of the sale of a number of portfolio companies. The Fund is divided into three, with West Midlands Enterprise Limited acting as advisor to the Midlands element.

The company invested £70,000 in the South East Growth Fund taking the total investment to £281,818. The total commitment is £300,000. The Fund is established to provide equity gap funding to small and medium sized businesses in the South East region.

The company also invested £19,048 in the North West Equity Fund taking the total investment to £123,968. The total commitment was £300,000, but this has now been reduced to £204,762. The Fund is established to provide equity gap funding to small and medium sized businesses in the North West region.

The company made no further investments in the Mercia Fund 2 Limited during the year, with the total investment to date remaining at £80,012. The total commitment is £200,000. The fund is established to provide equity gap funding to small technology businesses in the West Midlands region.

The company purchased the balance of the equity in West Midlands Technology Transfer Centre Limited from the minority shareholder for £30 and now owns 100% of the share capital of that company.

An investment of £12,649 was made in Natalis Holding LLC during the year, but this investment has been provided against due to insufficient fund raising progress being made.

The directors consider the future prospects of the company to be satisfactory.

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 March 2008

Information on the Group's Business Environment, Strategy, Future Outlook, Principal Risks and Uncertainties and Key Performance Indicators is contained in the Directors' Report of the consolidated financial statements of the Company's ultimate parent company, West Midlands Enterprise Limited.

DIRECTORS

The directors at 31 March 2008, all of whom served throughout the year, except where stated, were as follows:

C R Beardwood
I M Booth
D Burton
P Daffern
G Edge (Resigned 26 June 2007)
R Hepworth
A Hope
N Z Khan
R F Lomax
F Mitchell
Dr M A Payton
M W Payton (Resigned 30 April 2008)
J R C Sayers
M R Seabrook
K R Thomas

DIRECTORS' RESPONSIBILITIES

UK company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors confirm that:

- suitable accounting policies have been selected and applied consistently;
- reasonable and prudent judgements and estimates have been made;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 March 2008

INVESTMENTS

Details of the movement in investments are set out in note 7 to the financial statements. Listed investments are included at market value, while other investments are stated at directors' valuation.

AUDITORS

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors to the Company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



I B Scott
Secretary
22 July 2008

Independent auditors' report to the shareholders of West Midlands Enterprise (Investments) Limited

We have audited the financial statements of West Midlands Enterprise (Investments) Limited for the year ended 31 March 2008 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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 directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgements made by the directors 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 shareholders of West Midlands Enterprise
(Investments) Limited (continued)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP', with a stylized flourish at the end.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
Birmingham

22 July 2008

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2008

	NOTES	2008 £	2007 £
Operating Income	2	82,796	82,796
Net Operating Expenses	3	(6,000)	(6,000)
		76,796	76,796
Disposal of and amounts provided against and written off investments	4	(12,649)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		64,147	76,796
TAXATION	5	-	-
RETAINED PROFIT FOR THE YEAR		64,147	76,796

All activities of the company are continuing.

There is no difference between the profit on ordinary activities before taxation and the profit for the year, and their historical cost equivalents.

There are no recognised gains and losses other than those included in the above results and therefore no separate statement of total recognised gains and losses has been presented.

There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

BALANCE SHEET At 31 March 2008

	NOTES	2008 £	2007 £
FIXED ASSETS			
Investments	6	2,184,905	2,335,611
CURRENT ASSETS			
Debtors	7	1,318	1,343
CREDITORS:			
Amounts falling within one year	8	(105,894)	(111,894)
NET CURRENT ASSETS		(104,576)	(110,551)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,225,060
CREDITORS:			
Amounts falling due after more than one year	9	(9,968,846)	(10,246,660)
NET LIABILITIES		(7,888,517)	(8,021,600)
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Revaluation reserve		306,636	237,700
Profit and loss account		(8,195,253)	(8,259,400)
TOTAL EQUITY SHAREHOLDERS FUNDS		(7,888,517)	(8,021,600)

The financial statements were approved by the board of directors and authorised for issue on 22 July 2008.



I M Booth
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2008

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently, are set out below.

(i) Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include certain fixed asset investments at valuation.

The financial statements have been prepared on a going concern basis, because the Company has received a letter of support from its parent company.

(ii) Basis of consolidation

The company is a wholly owned subsidiary of West Midlands Enterprise Limited which is registered in England and Wales and which prepares consolidated financial statements. Therefore consolidated accounts are not required for the company and are not presented.

These financial statements therefore present information about the company as an individual undertaking and not about its group.

(iii) Investments

Unlisted investments other than subsidiary undertakings are included in fixed assets and are stated at directors' valuation after taking into account the recent trading results and net assets of each investee company. Reductions in the valuation of investments below cost are charged to the profit and loss account. Increases in the valuation of investments above cost are credited to revaluation reserve.

Investments are revalued annually at the balance sheet date.

(iv) Operating Income

Dividend income from investments is accounted for when these are received from the investee companies. Interest on loans is credited on an accruals basis.

(v) Cash Flow Statement

The company is a wholly owned subsidiary of West Midlands Enterprise Limited and the cash flow of the company is included in the consolidated cash flow statement of West Midlands Enterprise Limited. Consequently, the company is exempt under the terms of Financial Reporting Standard 1 (Revised) from publishing a cash flow statement.

(vi) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax.

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(vi) Deferred taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. OPERATING INCOME

	2008 £	2007 £
Interest receivable (net) on loans to fellow subsidiaries	70,808	70,808
Dividends from unlisted investments	11,988	11,988
	82,796	82,796

3. NET OPERATING EXPENSES

	2008 £	2007 £
Auditors' remuneration	3,000	3,000
Fees payable to the auditors for other services	3,000	3,000
	6,000	6,000

There were no employees of the company during either year.

None of the directors received any emoluments from the company in respect of their services to the company during either year.

4. DISPOSALS OF AND AMOUNTS PROVIDED AGAINST AND WRITTEN-OFF INVESTMENTS

	2008 £	2007 £
Amount provided against investment	12,649	-

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008 (continued)

5. TAXATION

	2008 £	2007 £
Corporation tax at 30%	-	-
Tax reconciliation		
Profit / (loss) on ordinary activities at the UK tax rate of 30%	19,244	23,039
Income / (expenses) not chargeable / deductible for tax purposes	198	(3,596)
Utilisation of brought forward losses	(19,442)	(19,443)
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2008

6. FIXED ASSET INVESTMENTS

	Subsidiaries £	Other Investments £	Loans £	Total £
Cost or valuation				
At 1 April 2007	1,210,859	532,500	1,997,966	3,741,325
Additions during the year	30	12,649	89,048	101,727
Revaluation during the year	-	68,936	-	68,936
Disposals during the year	-	-	(308,720)	(308,720)
At 31 March 2008	1,210,889	614,085	1,778,294	3,603,268
Provision for diminution in value at 1 April 2007	(991,610)	(95,000)	(319,104)	(1,405,714)
Provision made during the year	-	(12,649)	-	(12,649)
Disposals	-	-	-	-
At 31 March 2008	(991,610)	(107,649)	(319,104)	(1,418,363)
Net Book Amount				
At 31 March 2008	219,279	506,436	1,459,190	2,184,905
At 31 March 2007	219,249	437,500	1,678,862	2,335,611

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

6. FIXED ASSET INVESTMENTS (CONTINUED)

(A) The investee companies are all registered in England and Wales and the details are as follows:

(i) Subsidiaries	Principal Activity	Details of Shareholdings	Percentage Holding
West Midlands Co-Operative Finance Limited	Dormant	100 ordinary shares of £1 each	100.0
West Midlands Technology Transfer Centre Limited	Investment holding company	100 ordinary shares of £1 each	100.0
		400,000 preference shares of £1 each	100.0
West Midlands Clothing Resource Centre Limited	Dormant	100 ordinary shares of £1 each	100.0
WMEB (Fund Managers) Limited	Investment Fund Advisor	100 ordinary shares of £1 each	100.0
Airfield Estates Limited	Dormant	1,000 ordinary shares of £1 each	100.0
Fairne Textile Holdings Limited	Dormant	16,949 ordinary shares of £1 each	100.0
		175,000 10% cumulative redeemable preference shares of £1 each	100.0
South East Growth Fund Managers Limited	Investment Fund General Partner	1 ordinary share of £1	50.0
North West Equity Fund Managers Limited	Investment Fund General Partner	1 ordinary share of £1	50.0
Coventry Venture Capital Limited	Property investment manager	23,423 ordinary shares of £1 each	99.6

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

6. FIXED ASSET INVESTMENTS (CONTINUED)

(ii) Other Investments and Loans

	Principal Activity	% of ordinary shares held at 31 March 2008	Amount of loan capital held at 31 March 2008
A F Holdings Limited	Specialised steel fabricators	17.5	-
University of Warwick Science Park Limited	Science park	11.0	-
The Baring English Growth Fund	Venture capital investment limited partnership	-	251,834
North West Equity Fund	Venture capital investment limited partnership	-	123,968
South East Growth Fund	Venture capital investment limited partnership	-	281,818
The Mercia Fund 2	Venture capital investment limited partnership	-	80,012

In the opinion of the directors the investments are stated at an amount not less than the amount they are expected to raise on realisation.

- (B) At 31 March 2008 there were no investments which had been approved but had yet to be completed (2007: £Nil). There was, however, a commitment to invest a further £72,251 in The Baring English Growth Fund (2007: £72,251), £80,794 in the North West Equity Fund (2007: £195,079), £18,182 in the South East Growth Fund (2007: £88,182) and £119,988 in the Mercia Fund 2 (2007: £119,988).

7. DEBTORS

	2008 £	2007 £
Other debtors	1,318	1,343

All amounts under debtors fall due for payment within one year.

8. CREDITORS: Amounts falling due within one year

	2008 £	2007 £
Amounts due to group undertakings	105,894	105,894
Accruals	-	6,000
	105,894	111,894

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

9. CREDITORS: Amounts falling due after more than one year

	2008	2007
	£	£
Loan from Parent company	9,968,846	10,246,660

Amounts falling due after more than one year represent a loan from the parent company, which is interest free. The parent company has informed the company that it is its present intention to procure finance for the continued operations of the subsidiary and the repayment of this loan and the short term amount due to group undertakings will not be required within the next twelve months.

10. DEFERRED TAXATION

There is no deferred taxation arising.

Potential Deferred tax - not recognised:

	2008	2007
	£	£
Trading losses	(368,850)	(414,639)
Capital losses	(1,379,260)	(1,477,779)
Total losses	(1,748,110)	(1,892,418)

The above potential deferred tax assets have not been recognised in the accounts as, on the basis of the available evidence, they are not regarded as recoverable in the foreseeable future.

11. CALLED UP SHARE CAPITAL

	2008	2007
	Number	Number
Authorised, allotted, called up and fully paid ordinary shares of £1 each	100	100

WEST MIDLANDS ENTERPRISE (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

12. TRANSACTIONS WITH RELATED PARTIES

The company is a wholly owned subsidiary of West Midlands Enterprise Limited. The company is therefore exempt from disclosing transactions and balances with group entities that have been eliminated on consolidation under the terms of Financial Reporting Standard No.8 save for the item described in note 10 above.

13. ULTIMATE PARENT COMPANY

The ultimate parent company and ultimate controlling party is West Midlands Enterprise Limited a company registered in England and Wales. Copies of the ultimate parent's consolidated financial statements may be obtained from Wellington House, 31/34 Waterloo Street, Birmingham B2 5TJ.

