



Merseyside Special Investment Fund

Merseyside Special Investment Fund Limited

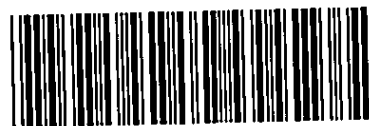
(A Company limited by guarantee and not having any share capital)

Annual Report and Financial Statements

for the year ended 31 March 2009

Registered Number: 2981031

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Merseyside Special Investment Fund Limited

Annual report and financial statements

For the year ended 31 March 2009

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Merseyside Special Investment Fund Limited

Directors and Company information

Directors

Mr R Swainson
Professor M Hulme
Mr T Atherton
Mr R Morris
Mr J Stopforth

Secretary

Mrs L Greenhalgh

Registered Office

5th Floor
Cunard Building
Pier Head
Liverpool
L3 1DS

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
8 Princes Parade
St Nicholas Place
Liverpool
L3 1QJ

Principal bankers

Barclays Bank
North West Larger Business Team
1 Marsden Street
Manchester
M2 1HW

Solicitors

Davies Wallis Foyster
5 Castle Street
Liverpool
L2 4XE

Registered Number

2981031

Merseyside Special Investment Fund Limited

Chairman's Statement

For the year ended 31 March 2009

The last year has seen the current Merseyside Special Investment Fund (MSIF) Group of Funds brought to a successful conclusion. A record number of investments enabled the Funds to hit their full investment targets by 31st December 2008 when the Funds ceased investing. The £56m European Regional Development Fund element of the MSIF Funds was fully invested.

£24.9m was invested during the nine month period to December 2008, a £7.3m increase on what was invested last year in a full 12 month period.

In total, the Liverpool Seed Fund has made 74 investments totalling £24.1m; the MSIF Small Firms Fund has made 522 investments totalling £18.8m; the MSIF Mezzanine Fund has made 62 investments totalling £19.1m and the MSIF Venture Fund has made 30 investments totalling £29.2m. These figures relate to the most recent round of Funds.

Since MSIF was set up in 1996 its Group of Funds has invested a total of £125m into 1,289 businesses with £240m of private sector investment being brought into the region on the back of these transactions. These investments have created 7,107 jobs and preserved a further 5,254 at March 09.

Alliance Fund Managers (AFM), MSIF's in-house fund management company, has successfully negotiated an extension to some existing facilities totalling £4.6m to allow the Small Firms and Mezzanine Funds to continue to provide loans to businesses based in or prepared to relocate to Merseyside until March 2010.

MSIF's Venture Fund has successfully exited on a number of earlier investments and its current portfolio includes a number of quality companies which are expected to make healthy returns to the Fund during the course of the next few years.

It is anticipated that the portfolio created through the Liverpool Seed Fund, the most recent MSIF Fund which was launched in 2005, will begin to make returns over the course of the next two to five years.

Mezzanine Fund 1 and Small Firms Fund 1 and 2 have fully repaid all of their facilities and are now making distributions from profit to all of their investors including MSIF. This has enabled MSIF to recently establish a successor fund which currently stands at £3m and which will continue to grow with further realisations.

MSIF's Money with Management Programme has also drawn to a conclusion after assisting over 225 businesses during the investment period. Despite this, MSIF continues to provide a quality support service to investee businesses through the expertise of AFM's portfolio team. Assistance with marketing and publicity and a programme of useful seminars and events is also still being provided. I am confident that this support will help maximise the potential in the businesses backed by MSIF and ensure that the successor fund continues to grow through returns on successful investments.

Merseyside Special Investment Fund Limited Chairman's Statement

For the year ended 31 March 2009 (continued)

Liverpool Ventures, the MSIF subsidiary set up to provide support to the companies applying to and invested in by the Liverpool Seed Fund, performed extremely well during the last 12 months. I would like to take this opportunity to commend all the staff for their hard work and the contribution this made to the success of Liverpool Ventures.

The requirement for Liverpool Ventures has now ceased although some staff have been retained by AFM to manage the Seed Fund investment portfolio.

AFM has submitted a bid to run the North West Development Agency's new North West Venture Capital Loan Fund (NW VCLF) which will provide loans and equity packages to businesses throughout the North West region. The NW VCLF has unfortunately encountered some delays and, as yet, has still not been launched. As such, the preferred bidder has still not been announced although I am hopeful that this will be made known shortly.

In the current climate, alternative funding for businesses is vital and the NWDA has made available some transitional funding to bridge the gap until the main fund is launched. Part of this funding is currently being managed by AFM. Further transitional funding should be made available shortly and AFM will be submitting a tender to manage this money.

Once again the achievements of MSIF and AFM were recognised by professionals, business owners and other 'movers and shakers' throughout the North West recently. For the 2nd year running and third time in four years, MSIF was named 'Fund of the Year' at the annual Insider Dealmakers Awards.

Regular communication with key partner organisations continues through MSIF Partners under the effective leadership of Roy Swainson. This two-way contact between MSIF and regional business support agencies is extremely valuable to all parties.

As a pioneering project in the UK, the pressure for the MSIF Funds to succeed has been immense. I believe that the outcome has exceeded all expectations and this would not have been possible without the expertise and passion of the people within this organisation.

I would like to take this opportunity to thank the AFM team for all their hard work which has resulted in such a successful outcome for the MSIF Funds. This extends right across the board from the executive directors for their vision and leadership, the investment teams for their dedication and drive and the marketing, finance and administration teams for all their support.



**Professor Michael Hulme
Chairman
Merseyside Special Investment Fund**

Merseyside Special Investment Fund Limited

Report of the directors for the year ended 31 March 2009

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31 March 2009

Merseyside Special Investment Fund Limited is a company limited by guarantee and was established in 1996 by the Bank of England, Liverpool Chamber of Commerce and representatives of the local community including Local Authorities, Training and Enterprise Councils, Business Links and Higher Education Authorities (MSIF Partners Limited) who act as guarantors. At the end of the 2007 Financial Year, The Mersey Partnership replaced the Bank of England as guarantor.

Principal activities

The Group's principal activity is to facilitate the investment of venture and loan capital investment funds in small and medium sized enterprises (SMEs) and provide support and monitoring of those investments, thereby assisting to regenerate business in the region. The Company is supported and part-financed in this project by European Regional Development Funding via the European Community's Objective 1 Programme administered by the Government Office for the North West.

Business review

The Fund has now completed its twelfth year, and currently has four active funds that are investing in Merseyside. Further commentary on the business is referred to in the Chairman's statement on page 2 of this report.

Financial results

The loss for the year of £1,165,850 (profit 2008: £814,088) has been transferred from reserves.

Future Outlook

All current funds finished investing on 31st December 2008 and are now being managed through to full repayment of loans and realisation of equity investments.

Alliance Fund Managers Limited the fund manager subsidiary of MSIF has responded to a tender to manage funds on behalf of the NWDA across the whole North West Region and are awaiting the results.

MSIF will continue to receive distributions from the funds to increase the value of its Successor Fund which is available for re-investment in SME's in Merseyside.

Merseyside Special Investment Fund Limited

Report of the directors for the year ended 31 March 2009 (continued)

Risks and Uncertainties

A key risk for the business is that no or insufficient new funds will be raised and no investment contracts will be established. In addition there is a risk that the current funds' investment performance will not be as planned and the management fee will be adversely affected. Work has begun as mentioned above to ensure that the company is not in this position.

A further risk to the business is the retention of our employees. There are training programmes and remuneration schemes in place to mitigate staff turnover.

Key Performance Indicators

The key performance indicators measured by MSIF are the number and value of investments made within the loan and equity funds, number of jobs created and the number of jobs preserved.

The investment statistics can be found within the Chairman's statement on page 2 of this report, and to date MSIF has created and preserved 7,107 and 5,254 jobs respectively.

Directors

The directors during the year ended 31 March 2009, and up to the date of signing the report were as follows:

Mr R Swainson
Professor M Hulme
Mr T Atherton
Mr R Morris
Mr J Stopforth

No director of the Company has any interest in the company within the meaning of the Companies Act 1985.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period.

Merseyside Special Investment Fund Limited

Report of the directors for the year ended 31 March 2009 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements (continued)

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

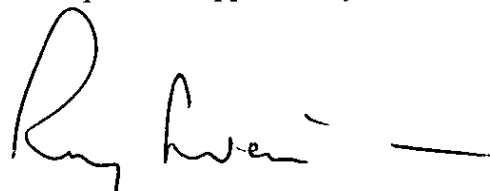
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board on 17 July 2009.



R Swainson
Director
17 July 2009

Merseyside Special Investment Fund Limited

Independent auditors' report to the members of Merseyside Special Investment Fund Limited

We have audited the group and parent company financial statements (the "financial statements") of Merseyside Special Investment Fund Limited for the year ended 31 March 2009 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement 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 Annual Report and 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We read the Directors' 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

Merseyside Special Investment Fund Limited

Independent auditors' report to the members of Merseyside Special Investment Fund Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's loss and cash flows 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Liverpool
17 July 2009

Merseyside Special Investment Fund Limited

Consolidated profit and loss account for the year ended 31 March 2009

	Notes	2009 £	2008 £
Turnover			
Grants & contributions	2	1,428,294	1,476,181
Fees and other income		4,113,571	2,831,394
Investment income	3	1,042,689	95,771
		<u>6,584,554</u>	<u>4,403,346</u>
Administrative and investment expenses		(6,900,474)	(4,481,443)
Amounts written off investments	9 (c)	(2,350,300)	-
Amounts written off investments	9 (a)	(45,000)	-
Movement in provision for impairment of fixed asset investments	9 (a)	54,000	9,000
		<u>(2,657,220)</u>	<u>(69,097)</u>
Operating (loss) before interest			
Interest receivable on bank deposits		289,923	865,642
Other interest receivable		1,416,471	24,423
		<u>(950,826)</u>	<u>820,968</u>
(Loss)/profit on ordinary activities before taxation	4		
Tax charge on (loss)/profit on ordinary activities	5(a)	(215,024)	(6,880)
(Loss)/profit for the financial year	15	<u>(1,165,850)</u>	<u>814,088</u>

All operations are continuing.

There is no material difference between the loss on the ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

There were no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 12 to 23 form an integral part of these financial statements.

Merseyside Special Investment Fund Limited

Balance sheets at 31 March 2009

	Notes	Group		Company	
		2009 £	2008 £	2009 £	2008 £
Fixed assets					
Tangible assets	8	52,330	65,652	-	-
Investments- loans	9 (a)	65,603	87,363	-	-
Investments- other	9 (c)	-	294,050	423,556	590,284
		<u>117,933</u>	<u>447,065</u>	<u>423,556</u>	<u>590,284</u>
Current assets					
Debtors	10	2,448,115	873,281	1,193,354	563,365
Cash at bank and in hand		<u>4,239,698</u>	<u>11,123,226</u>	<u>2,693,961</u>	<u>1,900,506</u>
		6,687,813	11,996,507	3,887,315	2,463,871
Creditors: amounts falling due within one year	11	(695,900)	(5,282,900)	(476,810)	(420,235)
Net current assets		<u>5,991,913</u>	<u>6,713,607</u>	<u>3,410,505</u>	<u>2,043,636</u>
Total assets less current liabilities		6,109,846	7,160,672	3,834,061	2,633,920
Creditors: amounts falling due after more than one year	12	-	(100,000)	-	-
Provision for liabilities and charges	13	<u>(417,469)</u>	<u>(202,445)</u>	-	-
Net assets		<u>5,692,377</u>	<u>6,858,227</u>	<u>3,834,061</u>	<u>2,633,920</u>
Reserves					
Accumulated reserves	15	<u>5,692,377</u>	<u>6,858,227</u>	<u>3,834,061</u>	<u>2,633,920</u>

The financial statements on pages 9 to 23 were approved by the Board of Directors on 17 July 2009 and were signed on its behalf by



Professor M Hulme
Director

Merseyside Special Investment Fund Limited

Consolidated cash flow statement for the year ended 31 March 2009

	Notes	2009 £	2008 £
Net cash (outflow) from continuing operating activities	19	(5,143,840)	(11,675,590)
Returns on investments and servicing of finance			
Interest received		289,923	865,642
Capital expenditure and financial investments			
Equity investments disposals		22,260	-
Fixed assets acquired		(4,121)	(32,964)
Investment –others acquired		(2,056,250)	-
Loan repayments received		8,500	9,000
		<u>(2,029,611)</u>	<u>(23,964)</u>
Net cash (outflow) before financing		<u>(6,883,528)</u>	<u>(10,833,912)</u>
Decrease in cash in the year		<u>(6,883,528)</u>	<u>(10,833,912)</u>

All cash held by the investment companies identified in note 9(b), amounting to £Nil (2008: £4,889,818) is restricted from being transferred to any other part of the Group.

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009

1 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, is set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention. In accordance with paragraph 3(3) of Schedule 4 Companies Act 1985 the directors have adapted the arrangement of certain headings in the income and expenditure account to reflect more effectively the nature of the group's activities. The Company has utilised the exemption afforded by section 230 of the Companies Act 1985 not to present its own income and expenditure account.

Grants, contributions and accumulated surplus

The Holding Company has raised investment funds for small and medium sized enterprises in the Objective 1 Area of Merseyside and created an in-house fund manager to invest those funds.

The surplus can only ultimately be used for further investment in Merseyside by Merseyside Special Investment Fund successor funds.

a) Revenue

In the Holding Company, Mezzanine Fund 1 and Small Firms Fund 1, European Regional Development Fund (ERDF) grant is provided to meet agreed percentages of management and certain finance costs and capital losses. In the Venture Funds, Small Firms Fund Number 2, and all subsequent new funds, ERDF is matched proportionately with funds from investors to provide the capital for investment and management costs.

The above ERDF, interest rate rebate grant and partners' contributions to the Small Firms Fund are credited to the Income and Expenditure account.

b) Capital

Capital grants received in advance of investment are carried forward on the balance sheet as "grants received in advance".

Capital grants and contributions relating to investments in Limited Partnerships are recognised at the point at which investments are made and the balance of grants received are carried on the balance sheet as deferred income. Grants are released to the income and expenditure account to match any provision for impairment or other losses in respect of the investments to which the grants relate.

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

1 Accounting policies (continued)

Fees and other income

Fees and other income represent amounts receivable for investment management services provided in the UK, excluding Value Added Tax.

Basis of consolidation

The consolidated income and expenditure account and balance sheet include the financial statements of the Holding Company and its subsidiary undertakings.

Fixed asset investments

Investments are stated at cost in the balance sheet, unless there has been diminution in value, in which case provision for impairment is made.

Investments in limited partnerships are stated at cost less provision for impairment (see note 11(b)). In view of the high-risk nature of the underlying investments of the limited partnerships in which the company's investments are made, and the preferred status on final distribution of partnership assets, an immediate and full provision for impairment of investment capital is made.

The limited partnership agreements provide for the appropriation of surpluses and deficits to the partners on the ultimate realisation of the investments. Deficits will be borne by the subsidiaries only to the extent of their investment in, and the loans provided to, the limited partnerships.

Any surplus over written down value arising on the final realisation of the investment in the limited partnerships is taken to income when received and transferred to a reserve for future investment.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets less estimated residual values on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Office equipment	5 years
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Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

1 Accounting policies (continued)

Operating leases

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Investment income

Investment income represents loan interest receivable on fixed asset investments and profits arising on the redemption of equity investments.

Deferred tax

Provision is made for deferred tax, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2 Turnover

	2009 £	2008 £
Grants and contributions		
- ERDF	1,023,813	1,151,661
- Other contributions	404,481	324,520
	<u>1,428,294</u>	<u>1,476,181</u>

Income arises in the United Kingdom.

3 Investment income

	2009 £	2008 £
Dividends	5,353	44,298
Profit on realisation of investments	1,028,969	41,500
Income from loan investments	8,367	9,973
	<u>1,042,689</u>	<u>95,771</u>

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

4 (Loss)/profit on ordinary activities before taxation

	2009 £	2008 £
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Amounts written off fixed asset investments (note 9a)	45,000	-
Movement in provision for impairment of fixed asset investments (note 9a)	(54,000)	(9,000)
Movement in provision for impairment of fixed asset investments (note 9c)		
Amounts provided against investments in Limited Partnerships (note 9b)	4,889,818	11,749,909
Release of capital grants (note 9b)	(4,889,818)	(11,749,909)
Amortisation of intangible fixed assets	-	-
Depreciation of tangible fixed assets	17,443	21,914
Loss on disposal of fixed assets	-	13,669
Auditors' remuneration for:		
Audit fees		
- Fees payable to company auditor for the audit of parent company and consolidated accounts	23,400	19,160
Non audit services		
Fees payable to the company's auditor and its associates for other services		
- The audit of the company's subsidiaries pursuant to legislation	11,090	10,645
- Other services pursuant to legislation	2,200	2,100
- Tax services	31,000	44,700
- Other	4,950	4,700
Operating lease costs-land and buildings	206,940	209,722

5(a) Tax charge on (loss)/profit on ordinary activities

	2009 £	2008 £
UK Corporation tax at 28% (2008: 30%)	-	-
Deferred tax	215,024	6,880
	215,024	6,880

5(b) Factors affecting tax charge for period

	2009 £	2008 £
(Loss)/profit on ordinary activities before tax	(950,826)	820,968
(Loss)/profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28% (2008:30%)	(266,231)	246,290
Effects of:		
Income not chargeable for tax purposes	(1,595,904)	(2,288,051)
Allocation from partnerships	3,366,938	2,840,560
Depreciation in advance of capital allowances	2,041	3,075
Unrelieved taxation losses carried forward	(288,111)	-
Income accrued but taxable in later accounting periods	(909,055)	(802,999)
Decrease in short term timing differences	(309,678)	1,125
Adjustments to tax charge in respect of previous periods	-	-
Current tax charge for the period (note 5(a))	-	-

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

5 (c) Deferred tax

	2009	2008
	£	£
Excess of depreciation over tax allowances	(1,581)	(1,142)
Origination and reversal of timing differences	274,395	60,160
Adjustments in respect of previous periods	(57,790)	(52,138)
	<u>215,024</u>	<u>6,880</u>

The Group has generated losses for taxation purposes. Accordingly no provision has been made for corporation tax. The Group (including all partners) has losses available to be carried forward for tax purposes of approximately £39.5 million (2008: £30.3 million) (company £4.1 million (2008: £4.1 million) at 31 March 2009, which have yet to be agreed with the HMRC.

6 Directors' emoluments

	2009	2008
	£	£
Aggregate emoluments	54,659	52,283
Sums paid to third parties for directors' services	58,970	76,250
	<u>113,629</u>	<u>128,533</u>

The amount in respect of sums paid to third parties relates to amounts payable to Liverpool Chamber of Commerce, Michael Hulme Private Office Ltd and Atherton Consulting for the services of Messrs Jack Stopforth, Michael Hulme and Terence Atherton respectively.

7 Staff costs

	2009	2008
	£	£
Wages & Salaries	2,014,135	1,869,873
Social Security Costs	204,030	199,122
Other Pension Costs	67,698	69,673
	<u>2,286,013</u>	<u>2,138,668</u>

The average number of employees during the year was 34 (2008: 36).

The company operates two defined contribution pension schemes.

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

8 Tangible fixed assets	Office Equipment
Cost or valuation	£
At 1 April 2008	164,128
Additions during the year	<u>4,121</u>
At 31 March 2009	<u>168,249</u>
Accumulated depreciation	
At 1 April 2008	98,476
Provided during year	<u>17,443</u>
At 31 March 2009	<u>115,919</u>
Net book value at 31 March 2009	<u>52,330</u>
Net book value at 31 March 2008	<u>65,652</u>

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

9 Fixed asset investments

Group

9(a) Loan investments made by Merseyside Special Investment Mezzanine Fund Limited

	Equity £	Non-Equity £	Loan/Equity Investments £
Cost			
At 1 April 2008	87,363	2,909,091	2,996,454
Additions in year	-	-	-
Loan repayments	(22,260)	(8,500)	(30,760)
At 31 March 2009	65,103	2,900,591	2,965,694
Amounts written off			
At 1 April 2008	-	2,696,752	2,696,752
Movement in year	45,000	-	45,000
At 31 March 2009	45,000	2,696,752	2,741,752
Amounts provided for			
At 1 April 2008	-	212,339	212,339
Movement in year	-	(54,000)	(54,000)
At 31 March 2009	-	158,339	158,339
Net book value			
At 31 March 2009	20,103	45,500	65,603
At 31 March 2008	87,363	-	87,363

9(b) Investments in Limited Partnerships made by other group companies

	Investments £	Capital grants Recognised £
Cost		
Balance brought forward	59,611,282	(59,611,282)
Movement during year	4,889,818	(4,889,818)
Balance carried forward	64,501,100	(64,501,100)
Amounts written off/released		
Balance brought forward	(59,611,282)	59,611,282
Movement during year	(4,889,818)	4,889,818
Balance carried forward	(64,501,100)	64,501,100
Net book value at 31 March 2009	-	-
Net book value at 31 March 2008	-	-

Investments comprise partnership capital and loans made to the partnerships. Loans only become repayable on the final distribution of partnership assets.

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

9 Fixed asset investments (continued)

9(c) Investments - Other

	£
At 1 April 2008	294,050
Additions	2,056,250
Provision	(2,350,300)
At 31 March 2009	-

Company

	£
At 1 April 2008	590,284
Additions	4,966,272
Provision	(5,133,000)
At 31 March 2009	423,556

As at the year-end the company holds the entire share capital of the following principal subsidiaries, all of which have a year-end of 31 March. All subsidiaries are registered in England.

Name of undertaking	Principal activity
Companies:	
Merseyside Special Investment Venture Fund Limited	Investment Company
Merseyside Special Investment Venture Fund Two Limited	Investment Company
Merseyside Special Investment (Small Firms) Fund Limited	Investment Company
Merseyside Special Investment (Small Firms) Fund Two Limited	Investment Company
Merseyside Special Investment Mezzanine Fund Limited	Investment Company
Merseyside Special Investment Mezzanine Fund Two Limited	Investment Company
MSIF Interest Rebates Limited	Service Company
MSIF Money with Management Limited	Service Company
MSIF IPSS Limited	Service Company
MSIF Seed Fund Limited	Investment Company
MSIF Consulting Limited	Service Company
MSIF Successor Fund LLP	Investment Company
Alliance Fund Managers Limited	Management Company

Merseyside Special Investment Fund Limited is the sole guarantor of Alliance Fund Managers (Holdings) Limited.

In addition Merseyside Special Investment Fund is the sole guarantor of Liverpool Ventures Limited (a company limited by guarantee)

10 Debtors

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,366,618	721,580	514,626	185,000
Amounts owed by group undertakings	4	129	676,894	290,703
Other taxation and social security	-	3,446	1,834	4,582
Prepayments and accrued income	81,493	84,692	-	19,646
	<u>2,448,115</u>	<u>809,847</u>	<u>1,193,354</u>	<u>499,931</u>
Amounts falling due after one year:				
Trade debtors	-	63,434	-	63,434
Total debtors	<u>2,448,115</u>	<u>873,281</u>	<u>1,193,354</u>	<u>563,365</u>

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

10 Debtors (continued)

The amounts owed by group undertakings are unsecured, repayable on demand and at a nil rate of interest.

11 Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Amounts falling due within one year:				
Trade creditors	204,813	83,874	-	-
Amounts owed to group undertakings	20,732	94,932	299,392	386,735
Other taxation and social security	75,107	69,200	-	-
Capital grants received in advance	-	4,889,818	-	-
Loans repayable within one year (Liverpool Ventures Limited)	100,000	-	-	-
Accruals	295,248	145,076	177,418	33,500
	<u>695,900</u>	<u>5,282,900</u>	<u>476,810</u>	<u>420,235</u>

The amounts owed to group undertakings are unsecured, repayable on demand and at a nil rate of interest.

12 Creditors: amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Loans repayable within five years (Liverpool Ventures Limited)	-	100,000	-	-

The loans to Liverpool Ventures Limited are unsecured, have a nil rate of interest and are repayable on 31 December 2009.

13 Deferred tax

Deferred tax assets have not been carried forward, as recovery in future years is not considered to be probable. The amount of deferred tax provided and not recognised comprises:

	Deferred Tax Provided		Deferred Tax Not Recognised	
	2009	2008	2009	2008
	£	£	£	£
At start of period	202,445	195,565	(5,988,029)	(3,808,926)
Excess of depreciation over tax allowance	(1,581)	(1,142)	(1,003)	(4,844)
Other timing differences	274,395	60,160	(187,853)	(36,410)
Losses	(57,790)	(52,138)	(3,225,712)	(2,137,849)
At end of period	<u>417,469</u>	<u>202,445</u>	<u>(9,402,597)</u>	<u>(5,988,029)</u>

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

14 Share capital

The company does not have share capital and is limited by guarantee. The liability of the members is limited to a minimum of £1 and a maximum of £100 each. At 31 March 2009 the company had three members (2008: 3).

15 Accumulated reserve

	Group	Company
	£	£
Profit and loss account		
At 1 April 2008	6,858,227	2,633,920
(Loss)/profit for the year	(1,165,850)	1,200,141
At 31 March 2009	<u>5,692,377</u>	<u>3,834,061</u>

16 Capital commitments

The Group had capital commitments of £Nil at the year end (2008: £Nil).

17 Financial commitments

At 31 March 2009, the Group had annual commitments under non-cancellable operating leases as set out below:

	2009	2008
	Land and Buildings	Land and Buildings
	£	£
Expiring:		
Between two and five years	<u>203,428</u>	<u>209,722</u>

Merseyside Special Investment Fund Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

18 Contingent liabilities

Merseyside Special Investment Fund Limited has given an undertaking to Liverpool Ventures Limited to provide support to enable its liabilities to be met as they fall due. It has also given an undertaking that its future income will be guaranteed to an agreed level. The financial effects of these guarantees are uncertain and cannot be quantified.

Merseyside Special Investment Fund Limited, through a subsidiary, has agreed that if in the event of liquidation or termination of the Merseyside Special Investment Venture Fund No 3 Limited Partnership and on full realisation of its assets, the Ordinary Limited Partner receives less than £2,000,000 from the liquidation agents that Merseyside Special Investment Fund Limited through its subsidiary will make payment of a sum equal to 50% of the shortfall up to a maximum payment of £1,000,000.

19 Reconciliation of operating surplus to net cash (outflow) from operating activities

	2009 £	2008 £
Operating deficit	(2,657,220)	(69,097)
Depreciation	17,443	35,553
Investments written off	45,000	-
Amounts written back to investments	(54,000)	(9,000)
Amounts written off investments	2,350,300	-
(Increase)/decrease in debtors under 1 year	(287,368)	132,237
Amounts written off debtors over 1 year	129,005	-
Increase/(decrease) in creditors	202,818	(15,374)
Decrease in capital grants received in advance	(4,889,818)	(11,749,909)
Net cash (outflow) from operating activities	(5,143,840)	(11,675,590)

20 Reconciliation of net cash flow to movement in net debt

	2009 £	2008 £
Change in net debt resulting from cash flows	(6,883,528)	(10,833,912)
Net debt at 1 April 2008	11,023,226	21,857,138
Net debt at 31 March 2009	4,139,698	11,023,226

21 Analysis of net debt

	At 1 April 2008 £	Cashflow £	At 31 March 2009 £
Net Cash			
Cash at bank and in hand	11,123,226	(6,883,528)	4,239,698
Debt due after 1 year	(100,000)	100,000	-
	11,023,226	(6,783,528)	4,239,698

Merseyside Special Investment Fund Limited**Notes to the financial statements
for the year ended 31 March 2009 (continued)****22 Related party transactions**

The emoluments of certain directors were paid to third parties (see note 6).

The company has taken advantage of the exemption available under Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with other Group companies on the grounds that these are eliminated on consolidation.

Transactions with limited partnerships of the group are not considered to be related party transactions, as Merseyside Special Investment Fund does not gain any economic benefits from these vehicles, as any return on these investments must be reinvested.