

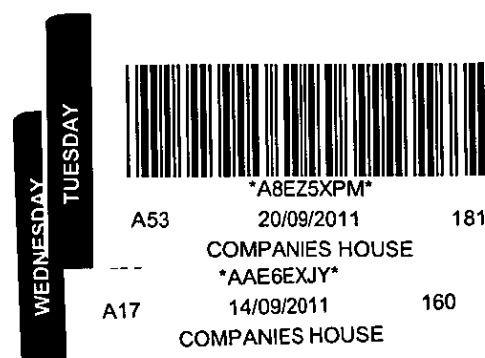
Registered number  
02981031



Merseyside Special Investment Fund Limited

Annual Report and Financial Statements

for the year ended 31 March 2011



**Merseyside Special Investment Fund Limited**  
**Annual report and financial statements**  
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**Merseyside Special Investment Fund Limited**  
**Company Information**

**Directors**

Mr R Swainson  
Mr T Atheron  
Mr J Stopforth  
Mr A Rigby  
Mrs L Greenhalgh

**Secretary**

Mrs L Greenhalgh

**Independent Auditors**

PricewaterhouseCooper LLP  
Chartered Accountants and Statutory Auditors  
8 Princes Parade  
St Nicholas Place  
Liverpool  
L3 1QJ

**Principal Bankers**

The Co-operative Bank  
Lyceum Building  
1 Bold Street  
Liverpool  
L1 4NW

**Solicitors**

Davis Wallis Foyster  
5 Castle Street  
Liverpool  
L2 4XE

**Registered Office**

2nd Floor  
Exchange Court  
1 Dale Street  
Liverpool  
L2 2PP

**Registered Number**

02981031

**Merseyside Special Investment Fund Limited**  
**Chairman's Statement**  
**for the year ended 31 March 2011**

MSIF has undergone significant change during the last 12 months and I am delighted with the way the organisation is now positioned.

MSIF's original remit was to create an 'evergreen' fund for investment in Merseyside with monies returning from investments made out of the previous Funds. Due to successful exits from a number of our earlier investments MSIF was, during the year, able to repay all the private sector lenders to previous Funds and launch the £25m Merseyside Loan & Equity Fund.

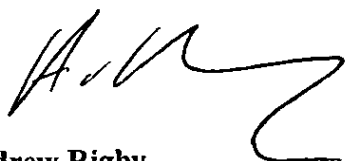
The successful exits in the last year included Vitaflo, a nutritional products supplier, which was sold to global food giants Nestlé and HQC, a company which provides subcontract metal enclosures and assembly services to some of the world's leading players in the telecoms and data networking industries across Europe and the USA.

The Merseyside Loan & Equity Fund will provide funding of between £50k - £3m through loans, mezzanine and equity investments to established businesses based in Merseyside. Because the Fund has been created using 'evergreen' cash there are fewer constraints than on the previous funds which affords us more flexibility when considering potential investments

MSIF continues to manage the Merseyside element of the NWDA's Small Loans for Business Fund. This Fund provides loans from £3k to £50k to start ups and established businesses based in Merseyside. There is a high demand for this Fund with 41 loans totalling £1.164m being made in the year ended March 2011. The Fund includes a small amount purely for retail and innovation businesses.

My first year as Chairman has seen MSIF redefine its commitment to Merseyside with both the launch of the new Fund and its continued management of the valuable portfolio of investments. There is still a significant need for an alternative source of finance and MSIF's role within the Merseyside, and indeed the North West's, professional and corporate finance community is as important as ever. Businesses will continue to face a very tough marketplace and I see little sign that financial support through traditional avenues will become available in the near future

I would like to take this opportunity to thank all the staff for their commitment and hard work over the last year. Despite changes to their roles and working environment, they have adapted extremely well and continued to provide a vital service to Merseyside.



**Andrew Rigby**  
**Chairman**  
**Merseyside Special Investment Fund**

## **Merseyside Special Investment Fund Limited**

**Registered number:** 02981031

### **Report of the directors**

**for the year ended 31 March 2011**

The directors present their report and audited financial statements of the Group and the Company for the year ended 31 March 2011

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 group made a loss in the year of £881,236 (2010: £2,617,236 loss)

### **Future outlook**

The fully invested Seed, Equity and Loan funds which finished investing on 31<sup>st</sup> December 2008 continue to be managed through to full repayment of loans and realisation of equity investments.

These funds are managed by Alliance Fund Managers Limited, the fund manager subsidiary of MSIF, who are also investing the Small Loans for Business fund until 31 March 2013 which is funded by ERDF/NWDA.

MSIF continues to receive distributions from the funds to increase the value of its Merseyside Loan & Equity Fund which is available for re-investment in SME's in Merseyside.

**Merseyside Special Investment Fund Limited****Registered number:** 02981031**Report of the directors****for the year ended 31 March 2011****(continued)****Risks and uncertainties**

Post year end the MSIF Group has taken action to reduce costs in line with the income that it is receiving. The directors do not believe that there is any risk in the current funds and that income will not be received as planned.

MSIF is currently looking at how to invest its legacy funds to deliver optimum success for SME's in the region.

**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 7,232 and 5,259 jobs respectively.

**Directors**

The following persons served as directors during the year:

Mr R Swainson

Mr T Atheron

Mr J Stopforth

Mr A Rigby - appointed 21 June 2010

Mrs L Greenhalgh - appointed 25 October 2010

Mr W Furness - appointed 25 October 2010 - resigned 13 July 2011

Professor M Hulme - resigned 16 July 2010

No director of the Company has any interest in the company within the meaning of the Companies Act 2006.

**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.

**Merseyside Special Investment Fund Limited**

**Registered number:** 02981031

**Report of the directors**

**for the year ended 31 March 2011**

**(continued)**

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts 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. In preparing these accounts, the directors are required to:

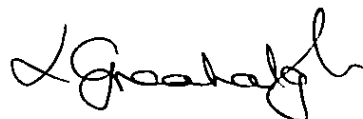
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each person who was a director at the time of the approval of the financial statements confirms the following:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 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 12 September 2011 and signed by its order



L Greenhalgh

Director

**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 2011 which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement on pages 3-5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

**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's and 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, we read all the financial and non-financial information in the report of the directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on the financial statements**

In our 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 2011 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006



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

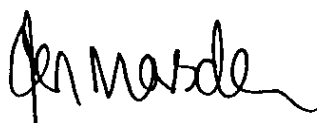
**Opinion on other matters prescribed by the Companies Act 2006**

In our 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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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
- we have not received all the information and explanations we require for our audit



Ian Marsden (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Liverpool  
12 September 2011

**Merseyside Special Investment Fund Limited**  
**Consolidated Profit and Loss Account**  
**for the year ended 31 March 2011**

|  | Notes | 2011<br>£               | 2010<br>£                 |
|--|-------|-------------------------|---------------------------|
| <b>Turnover</b>                                      |       |                         |                           |
| Fee and other income                                 |       | 1,558,187               | 1,967,700                 |
| Investment income                                    | 2     | <u>347,794</u>          | <u>267,046</u>            |
|  |       | 1,905,981               | 2,234,746                 |
| Administrative and investment expenses               |       | (1,560,000)             | (2,763,827)               |
| Amounts written off investments                      | 8     | -                       | (20,911)                  |
| Movement in provision for impairment of fixed assets | 8     | (650,280)               | (2,088,395)               |
|  |       | <u>(304,299)</u>        | <u>(2,638,387)</u>        |
| <b>Operating loss before interest</b>                |       |                         |                           |
| Income from investments                              |       | -                       | 11,666                    |
| Interest receivable                                  |       | 70,552                  | 111,753                   |
| Interest payable                                     |       | (673,646)               | (176,371)                 |
|  |       | <u>(907,393)</u>        | <u>(2,691,339)</u>        |
| <b>Loss on ordinary activities before taxation</b>   | 3     |                         |                           |
| Tax on loss on ordinary activities                   | 4 (a) | 26,157                  | 74,103                    |
| <b>Loss for the financial year</b>                   | 14    | <u><u>(881,236)</u></u> | <u><u>(2,617,236)</u></u> |

All operations are continuing

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

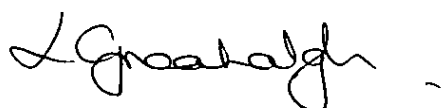
There were no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 11-20 form an integral part of these financial statements

**Merseyside Special Investment Fund Limited**  
**Balance Sheet**  
**as at 31 March 2011**

|  | Notes | Group                   |                         | Company                 |                         |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|
|  |       | 2011                    | 2010                    | 2011                    | 2010                    |
|  |       | £                       | £                       | £                       | £                       |
| <b>Fixed assets</b>  |       |                         |                         |                         |                         |
| Tangible assets  | 7     | 24,002                  | 32,003                  | -                       | -                       |
| Financial assets   | 8 (a) | 2,689,573               | 2,672,023               | -                       | -                       |
| Investments in subsidiary undertakings                         | 8 (c) | -                       | -                       | 296,529                 | 423,557                 |
|  |       | <u>2,713,575</u>        | <u>2,704,026</u>        | <u>296,529</u>          | <u>423,557</u>          |
| <b>Current assets</b>  |       |                         |                         |                         |                         |
| Debtors amounts falling due within one year                    | 9     | 1,102,652               | 1,101,061               | 9,516,856               | 735,222                 |
| Debtors amounts falling due after one year                     | 9     | -                       | -                       | 5,815,089               | 5,370,000               |
| Cash at bank and in hand                                       |       | <u>18,069,643</u>       | <u>5,681,593</u>        | <u>6,321,145</u>        | <u>2,929,123</u>        |
|  |       | <u>19,172,295</u>       | <u>6,782,654</u>        | <u>21,653,090</u>       | <u>9,034,345</u>        |
| <b>Creditors: amounts falling due within one year</b>          | 10    | <u>(19,231,315)</u>     | <u>(597,675)</u>        | <u>(19,299,594)</u>     | <u>(878,517)</u>        |
| <b>Net current assets/(liabilities)</b>                        |       | <u>(59,020)</u>         | <u>6,184,979</u>        | <u>2,353,496</u>        | <u>8,155,828</u>        |
| <b>Total assets less current liabilities</b>                   |       | <u>2,654,555</u>        | <u>8,889,005</u>        | <u>2,650,025</u>        | <u>8,579,385</u>        |
| <b>Creditors: amounts falling due after more than one year</b> | 11    | (143,443)               | (5,470,500)             | -                       | (5,370,000)             |
| Provision for liabilities                                      | 12    | (317,208)               | (343,365)               | -                       | -                       |
| <b>Net assets</b>  |       | <u><u>2,193,904</u></u> | <u><u>3,075,140</u></u> | <u><u>2,650,025</u></u> | <u><u>3,209,385</u></u> |
| <b>Reserves</b>  |       |                         |                         |                         |                         |
| Accumulated reserves   | 14    | <u><u>2,193,904</u></u> | <u><u>3,075,140</u></u> | <u><u>2,650,025</u></u> | <u><u>3,209,385</u></u> |

The financial statements on pages 8 to 20 were approved by the Board of Directors on 12 September 2011 and were signed on its behalf by



L Greenhalgh  
Director

**Merseyside Special Investment Fund Limited**  
**Consolidated Cash Flow Statement**  
**for the year ended 31 March 2011**

|  | Notes | 2011<br>£                | 2010<br>£               |
|--|-------|--------------------------|-------------------------|
| <b>Net cash inflow from operating activities</b>       | 18    | <b>13,667,430</b>        | <b>6,399,662</b>        |
| <b>Returns on investments and servicing of finance</b> |       |                          |                         |
| Interest received                                      |       | 70,552                   | 11,666                  |
| Interest paid  |       | (673,818)                | (3,545)                 |
| <b>Capital expenditure and financial investment</b>    |       |                          |                         |
| Equity investment disposals                            |       | -                        | 20,003                  |
| Loan investment acquired                               |       | (2,160,715)              | (5,675,500)             |
| Fixed assets acquired                                  |       | -                        | (162)                   |
| Loan repayments received                               |       | <u>1,484,601</u>         | <u>689,771</u>          |
|  |       | <u>(676,114)</u>         | <u>(4,965,888)</u>      |
| <b>Increase in cash in year</b>                        | 19    | <b><u>12,388,050</u></b> | <b><u>1,441,895</u></b> |

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**

**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 2006 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 Directors have utilised the exemption afforded by section 48 of the Companies Act 2006 not to present the parent company profit and loss 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.

**Investments in limited and limited liability partnerships**

Amounts received from government agencies by MSIF to invest in Merseyside enterprises were done so through a number of limited and limited liability partnerships. Due to the nature of the investments made through the partnerships, the amounts invested are fully provided for, and the corresponding creditor to the government agencies was released due to significant uncertainty over recovery and hence the requirement to repay funds. If subsequent amounts are generated by the partnerships, and remitted back to MSIF, then the provision against the investment in the partnerships is reversed, with a corresponding creditor. This creditor balance represents amounts that must be either reinvested in Merseyside enterprise, or are due to back to the government agencies who initially provided the funding.

**Fees and other income**

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

**Basis of consolidation**

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

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
**(continued)**

**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 8(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 |
|------------------|---------|

**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

**Current tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted as at the balance sheet date

**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

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
**(continued)**

|              |   |                         |                           |
|--------------|---|-------------------------|---------------------------|
| <b>2</b>     | <b>Investment income</b>  | <b>2011</b>             | <b>2010</b>               |
|              |   | <b>£</b>                | <b>£</b>                  |
|              | Profit on realisation of investments  | -                       | 5,001                     |
|              | Income from loan investments  | <u>347,794</u>          | <u>262,045</u>            |
|              |   | <u><b>347,794</b></u>   | <u><b>267,046</b></u>     |
| <b>3</b>     | <b>Loss on ordinary activities before taxation</b>  | <b>2011</b>             | <b>2010</b>               |
|              |   | <b>£</b>                | <b>£</b>                  |
|              | Loss on ordinary activities before taxation is stated after charging                        |                         |                           |
|              | Amounts written off fixed asset investments (note 8)  | -                       | (20,911)                  |
|              | Movement in provision for impairment of fixed asset investments (note 8)                    | <b>(650,280)</b>        | <b>(2,088,395)</b>        |
|              | Depreciation of tangible fixed assets   | <b>8,001</b>            | <b>20,489</b>             |
|              | Auditors' remuneration for  |                         |                           |
|              | Audit fees  |                         |                           |
|              | - Fees payable to company auditor for the audit of parent company and consolidated accounts | <b>23,625</b>           | <b>25,990</b>             |
|              | Fees payable to the company's auditor and its associates for other services                 |                         |                           |
|              | - The audit of the company's subsidiaries pursuant to legislation                           | <b>8,175</b>            | <b>10,710</b>             |
|              | - Other services pursuant to legislation  | <b>2,050</b>            | <b>2,300</b>              |
|              | - Tax Services  | <b>23,625</b>           | <b>31,000</b>             |
|              | - Other   | <b>2,500</b>            | <b>2,000</b>              |
|              | Operating lease cost-land and buildings   | <u><b>209,212</b></u>   | <u><b>202,499</b></u>     |
| <b>4 (a)</b> | <b>Tax charge on loss on ordinary activities</b>  | <b>2011</b>             | <b>2010</b>               |
|              |   | <b>£</b>                | <b>£</b>                  |
|              | UK Corporation tax at 28% (2010 28%)  | -                       | -                         |
|              | Deferred tax  | <u><b>(26,157)</b></u>  | <u><b>(74,103)</b></u>    |
|              |   | <u><b>(26,157)</b></u>  | <u><b>(74,103)</b></u>    |
| <b>4 (b)</b> | <b>Factors affecting tax charge for period</b>  | <b>2011</b>             | <b>2010</b>               |
|              |   | <b>£</b>                | <b>£</b>                  |
|              | Loss on ordinary activities before tax  | <u><b>(907,393)</b></u> | <u><b>(2,691,339)</b></u> |
|              | Loss on ordinary activities multiplied by standard rate of                                  |                         |                           |
|              | Corporation tax in the UK of 28%  | <b>(254,070)</b>        | <b>(753,575)</b>          |
|              | <i>Effects of</i>   |                         |                           |
|              | Expenses not chargeable for tax purposes  | <b>170,252</b>          | <b>77,961</b>             |
|              | Allocation from partnerships  | <b>4,488,566</b>        | -                         |
|              | Utilisation of tax losses in other companies against capital gain                           | <b>(725,108)</b>        | -                         |
|              | Utilisation of capital losses brought forward   | <b>(378,379)</b>        | -                         |
|              | Depreciation in advance of capital allowances   | <b>2,240</b>            | <b>6,091</b>              |
|              | Unrelieved taxation losses carried forward  | <b>(2,945,758)</b>      | <b>865,510</b>            |
|              | Income accrued but taxable in later accounting periods                                      | <b>(287,280)</b>        | <b>(400,400)</b>          |
|              | Other timing  | -                       | <b>(7,786)</b>            |
|              | Increase/(decrease) in short term timing differences  | <u><b>(70,463)</b></u>  | <u><b>212,199</b></u>     |
|              | Current tax charge for the period (note 4(a))   | -                       | -                         |

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
**(continued)**

|  |                |                |
|--|----------------|----------------|
| <b>4 (c) Deferred tax</b>                      | <b>2011</b>    | <b>2010</b>    |
|  | <b>£</b>       | <b>£</b>       |
| Excess of depreciation over tax                | -              | 271            |
| Origination and reversal of timing differences | 975,692        | 1,020,320      |
| Adjustments in respect of previous periods     | (658,484)      | (677,226)      |
|  | <u>317,208</u> | <u>343,365</u> |
| Provision at start of year                     | 343,365        | 339,360        |
| Deferred tax charge in profit and loss account | (26,157)       | 4,005          |
| Provision at end of year                       | <u>317,208</u> | <u>343,365</u> |

The Group has generated losses for taxation purposes. Accordingly no provision has been made for corporation tax. The Group has losses available to be carried forward for tax purposes of approximately £9.1 million (2010: £11.2 million) (company £1.3 million (2010: £1.2 million)) at 31 March 2011, which have yet to be agreed with the HMRC.

**Factors affecting the future tax charge**

On 23 March 2011 it was announced in the budget that the standard rate of corporation tax in the UK will be reduced from 28% to 23% over the period from 1 April 2011 to 1 April 2014.

|  |               |                |
|--|---------------|----------------|
| <b>5 Directors' emoluments</b>                     | <b>2011</b>   | <b>2010</b>    |
|  | <b>£</b>      | <b>£</b>       |
| Aggregated emoluments                              | 19,773        | 47,357         |
| Sums paid to third parties for directors' services | 54,833        | 60,936         |
|  | <u>74,606</u> | <u>108,293</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, KYC Limited and Atherton Consulting for the services of Messrs Jack Stopforth, Michael Hulme, Andrew Rigby and Terence Atherton respectively.

|                       |                |                  |
|-----------------------|----------------|------------------|
| <b>6 Staff costs</b>  | <b>2011</b>    | <b>2010</b>      |
|                       | <b>£</b>       | <b>£</b>         |
| Wages and salaries    | 766,017        | 1,525,234        |
| Social security costs | 66,351         | 137,365          |
| Other pension costs   | 18,294         | 40,056           |
|                       | <u>850,662</u> | <u>1,702,655</u> |

The average number of employees during the year was 13 (2010: 25).

The company operates one defined contribution pension scheme.



**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
**(continued)**

**7 Group tangible fixed assets**

|                                 | <b>Office equipment<br/>£</b> |
|---------------------------------|-------------------------------|
| <b>Cost or valuation</b>        |                               |
| At 1 April 2010                 | 141,317                       |
| Additions during the year       | -                             |
| At 31 March 2011                | <u>141,317</u>                |
| <b>Accumulated depreciation</b> |                               |
| At 1 April 2010                 | 109,314                       |
| Provided during year            | 8,001                         |
| At 31 March 2011                | <u>117,315</u>                |
| Net book value at 31 March 2011 | <u>24,002</u>                 |
| Net book value at 31 March 2010 | <u>32,003</u>                 |

**8 Fixed asset investments**

**8 (a) Group financial assets**

**Loan investments made by Merseyside Small Loans for Business Investment Fund Limited**

|                                     | <b>Loan investment<br/>£</b> |
|-------------------------------------|------------------------------|
| <b>Cost</b>                         |                              |
| At 1 April 2010                     | 55,500                       |
| Additions in year                   | 981,500                      |
| Repayments                          | (22,801)                     |
| At 31 March 2011                    | <u>1,014,199</u>             |
| <b>Net amounts provided in year</b> |                              |
| At 1 April 2010                     | 13,875                       |
| Movement in provision for the year  | 250,540                      |
| At 31 March 2011                    | <u>264,415</u>               |
| Net book value at 31 March 2011     | <u>749,784</u>               |
| Net book value at 31 March 2010     | <u>41,625</u>                |

**Loan investments made by North West Transitional Loan Investment Fund LLP**

|                                     | <b>Loan investment<br/>£</b> |
|-------------------------------------|------------------------------|
| <b>Cost</b>                         |                              |
| At 1 April 2010                     | 4,725,729                    |
| Loan repayments                     | (1,165,774)                  |
| Written off in year                 | (135,312)                    |
| At 31 March 2011                    | <u>3,424,643</u>             |
| <b>Net amounts provided in year</b> |                              |
| At 1 April 2010                     | 2,095,331                    |
| Movement in provision for the year  | (22,370)                     |
| At 31 March 2011                    | <u>2,072,961</u>             |
| Net book value at 31 March 2011     | <u>1,351,682</u>             |
| Net book value at 31 March 2010     | <u>2,630,398</u>             |

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
**(continued)**

**Loan and equity investments made by Merseyside Loan & Equity Fund LLP**

|  | Equity         | Non Equity     | Loan & Equity Investment |
|--|----------------|----------------|--------------------------|
|  | £              | £              | £                        |
| <b>Cost</b>                            |                |                |                          |
| At 1 April 2010                        | -              | 4,586          | 4,586                    |
| Additions in year                      | 409,265        | 769,950        | 1,179,215                |
| Repayments                             | -              | (296,056)      | (296,056)                |
| <b>At 31 March 2011</b>                | <b>409,265</b> | <b>478,480</b> | <b>887,745</b>           |
| <b>Net amounts provided for</b>        |                |                |                          |
| At 1 April 2010                        | -              | 4,586          | 4,586                    |
| Movement in provision for the year     | 102,316        | 192,736        | 295,052                  |
| <b>At 31 March 2011</b>                | <b>102,316</b> | <b>197,322</b> | <b>299,638</b>           |
| <b>Net book value at 31 March 2011</b> | <b>306,949</b> | <b>281,158</b> | <b>588,107</b>           |
| <b>At 31 March 2010</b>                | <b>-</b>       | <b>-</b>       | <b>-</b>                 |

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

|  | Investments         | Capital grants recognised |
|--|---------------------|---------------------------|
|  | £                   | £                         |
| <b>Cost</b>  |                     |                           |
| At 1 April 2010  | 64,501,100          | (64,501,100)              |
| Movement in year   | (7,675,000)         | 7,675,000                 |
| <b>At 31 March 2011</b>                                  | <b>56,826,100</b>   | <b>(56,826,100)</b>       |
| <b>Amounts written off/released</b>                      |                     |                           |
| At 31 March 2010   | (64,501,100)        | 64,501,100                |
| Movement in year   | 7,675,000           | (7,675,000)               |
| <b>At 31 March 2011</b>                                  | <b>(56,826,100)</b> | <b>56,826,100</b>         |
| <b>Net book value at 31 March 2010 and 31 March 2011</b> | <b>-</b>            | <b>-</b>                  |

**8 (c) Investments in subsidiary undertaking**

| Company                 | £              |
|-------------------------|----------------|
| At 1 April 2010         | 423,557        |
| Movement in provisions  | (127,028)      |
| <b>At 31 March 2011</b> | <b>296,529</b> |

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

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
**(continued)**

**8 (c) Investments - Other (continued)**

| <b>Name of undertaking</b>                                   | <b>Principal activity</b> |
|--|---------------------------|
| <b>Companies:</b>  |                           |
| Merseyside Special Investment Venture Fund Limited           | Investment Company        |
| Merseyside Special Investment Venture Fund Two 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        |
| Merseyside Small Loans for Business Investment Fund Limited  | Investment Company        |
| MSIF Seed Fund Limited                                       | Investment Company        |
| Merseyside Loan & Equity Fund LLP                            | Investment Company        |
| North West Transitional Loan Investment Fund LLP             | Investment Company        |
| Alliance Fund Managers Limited                               | Management Company        |

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

| <b>9 Debtors</b>                           | <b>Group</b>     |                  | <b>Company</b>    |                  |
|--|------------------|------------------|-------------------|------------------|
|  | <b>2011</b>      | <b>2010</b>      | <b>2011</b>       | <b>2010</b>      |
|  | <b>£</b>         | <b>£</b>         | <b>£</b>          | <b>£</b>         |
| <b>Amounts falling due within one year</b> |                  |                  |                   |                  |
| Trade debtors                              | 1,030,495        | 1,016,612        | 561,702           | 564,702          |
| Amounts owed by group undertakings         | -                | 4                | 8,950,965         | 168,707          |
| Other taxation and social security         | -                | -                | 4,189             | 1,813            |
| Prepayments and accrued income             | 72,157           | 84,445           | -                 | -                |
|  | <u>1,102,652</u> | <u>1,101,061</u> | <u>9,516,856</u>  | <u>735,222</u>   |
| <b>Amounts falling due after one year</b>  |                  |                  |                   |                  |
| Amounts owed by group undertakings         | -                | -                | 5,815,089         | 5,370,000        |
|  | <u>1,102,652</u> | <u>1,101,061</u> | <u>15,331,945</u> | <u>6,105,222</u> |

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

**10 Creditors: amounts falling due within one year**

|                                    | <b>Group</b>      |                | <b>Company</b>    |                |
|------------------------------------|-------------------|----------------|-------------------|----------------|
|                                    | <b>2011</b>       | <b>2010</b>    | <b>2011</b>       | <b>2010</b>    |
|                                    | <b>£</b>          | <b>£</b>       | <b>£</b>          | <b>£</b>       |
| Trade creditors                    | 86,327            | 179,027        | -                 | -              |
| Amounts owed to group undertakings | -                 | -              | 18,761,517        | 510,520        |
| Other taxation and social security | 21,362            | 86,486         | -                 | -              |
| Deferred income                    | -                 | 47,500         | -                 | -              |
| Investment reserve                 | -                 | -              | -                 | -              |
| Other creditors                    | 18,931,461        | 172,826        | 410,864           | 172,826        |
| Accruals                           | 192,165           | 111,836        | 127,213           | 195,171        |
|                                    | <u>19,231,315</u> | <u>597,675</u> | <u>19,299,594</u> | <u>878,517</u> |

The amounts owed to group undertakings are unsecured, repayable on demand and at a nil rate of interest  
Investment reserve relates to amounts that MSIF is obliged to invest in future Merseyside enterprise

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
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**11 Creditors: amounts falling due after one year**

|  | 2011           | 2010             | 2011     | 2010             |
|--|----------------|------------------|----------|------------------|
|  | £              | £                | £        | £                |
| Loans repayable within 5 years - MSIF    | -              | 5,370,000        | -        | 5,370,000        |
| Loans repayable within 5 years - MSLBLIF | 143,443        | 100,500          | -        | -                |
|  | <u>143,443</u> | <u>5,470,500</u> | <u>-</u> | <u>5,370,000</u> |

The loans to MSIF Limited are unsecured and have a variable rate of interest

The loans to MSLBIF Limited are unsecured and at a nil rate of interest

**12 Provisions for liabilities**

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 |          |
|---|-----------------------|----------------|-----------------------------|----------|
|   | 2011                  | 2010           | 2011                        | 2010     |
|   | £                     | £              | £                           | £        |
| At start of period                        | 343,365               | 417,469        | -                           | -        |
| Excess of depreciation over tax allowance | -                     | 271            | -                           | -        |
| Other timing differences                  | -                     | (286,651)      | -                           | -        |
| Losses                                    | <u>(26,157)</u>       | <u>212,276</u> | <u>-</u>                    | <u>-</u> |
| At end of period                          | <u>317,208</u>        | <u>343,365</u> | <u>-</u>                    | <u>-</u> |

**13 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 2011 the company had three members (2010: 3).

**14 Accumulated reserve**

|   | Group            | Company          |
|---|------------------|------------------|
|   | £                | £                |
| At 1 April 2010                           | 3,075,140        | 3,209,385        |
| Transfer from the profit and loss account | (881,236)        | (559,360)        |
| At 31 March 2011                          | <u>2,193,904</u> | <u>2,650,025</u> |

**15 Capital commitments**

The Group had capital commitments of £Nil at the year end (2010: £Nil)

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
**(continued)**

**16 Financial commitments**

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as set out below

|                           | Land and<br>buildings<br>2011<br>£ | Land and<br>buildings<br>2010<br>£ |
|---------------------------|------------------------------------|------------------------------------|
| Expiring                  |                                    |                                    |
| Within one year           | 83,230                             | -                                  |
| Between one and two years | -                                  | 207,850                            |
|                           | <u>-</u>                           | <u>207,850</u>                     |

**17 Contingent liabilities**

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

**18 Reconciliation of operating surplus to net cash inflow from operating activities**

|  | 2011<br>£         | 2010<br>£        |
|--|-------------------|------------------|
| Operating loss                               | (304,299)         | (2,638,388)      |
| Depreciation                                 | 8,001             | 20,489           |
| Investments written off                      | -                 | 20,911           |
| Increase in provisions against fixed assets  | 655,554           | 2,088,395        |
| Amounts written off investments              | -                 | 250,000          |
| Amounts provided against interest            | -                 | 111,753          |
| Decrease/(increase) in debtors under 1 year  | 1,591             | 1,347,053        |
| (Decrease)/increase in creditors             | 18,633,640        | (271,051)        |
| (Decrease)/increase in creditors over 1 year | (5,327,057)       | 5,470,500        |
| Net cash inflow from operating activities    | <u>13,667,430</u> | <u>6,399,662</u> |

**19 Reconciliation of net cash flow to movement in net debt**

|  | 2011<br>£         | 2010<br>£          |
|--|-------------------|--------------------|
| Increase in cash for the year                | 12,388,050        | 1,441,895          |
| Cash inflow from change in debt              | <u>5,327,057</u>  | <u>(5,470,500)</u> |
| Change in net debt resulting from cash flows | 17,715,107        | (4,028,605)        |
| Net debt at 1 April                          | 211,093           | 4,239,698          |
| Net debt at 31 March                         | <u>17,926,200</u> | <u>211,093</u>     |

**Merseyside Special Investment Fund Limited**  
**Notes to the Accounts**  
**for the year ended 31 March 2011**  
**(continued)**

**20 Analysis of net debt**

|                          | 31 March<br>2010<br>£ | Cashflow<br>£     | 31 March<br>2011<br>£ |
|--------------------------|-----------------------|-------------------|-----------------------|
| <b>Net Cash</b>          |                       |                   |                       |
| Cash at bank and in hand | 5,681,593             | 12,388,050        | 18,069,643            |
| Debt due after 1 year    | (5,470,500)           | 5,327,057         | (143,443)             |
|                          | <u>211,093</u>        | <u>17,715,107</u> | <u>17,926,200</u>     |

**21 Related party transactions**

The emoluments of certain directors were paid to third parties (see note 5)

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