



**Merseyside Special Investment Fund**

MONDAY



## **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 2010**

Registered Number 2981031

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**Merseyside Special Investment Fund Limited**

**Annual report and financial statements**

**For the year ended 31 March 2010**

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# **Merseyside Special Investment Fund Limited**

## **Directors and Company information**

### **Directors**

Mr R Swainson  
Professor M Hulme  
Mr T Atherton  
Mr J Stopforth  
Mr A Rigby

### **Secretary**

Mrs L Greenhalgh

### **Registered Office**

5<sup>th</sup> Floor  
Cunard Building  
Pier Head  
Liverpool  
L3 1DS

### **Independent Auditors**

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

### **Principal bankers**

Barclays Bank plc  
1st Floor  
Gadbrook Park  
Northwich  
CW9 7RB

### **Solicitors**

Davies Wallis Foyster  
5 Castle Street  
Liverpool  
L2 4XE

### **Registered Number**

02981031

## **Merseyside Special Investment Fund Limited Chairman's Statement**

### **For the year ended 31 March 2010**

With only two currently investing funds, the past 12 months has seen MSIF change its focus to managing out the portfolio from the earlier rounds of funding to ensure that the best possible returns are made. The aim is to create a 'legacy' fund through which MSIF can continue to invest in businesses across the region, providing a much-needed alternative source of finance in what are tough market conditions. This fund currently stands at around £5m.

MSIF's latest Small Firms Fund and Mezzanine Fund have followed in the steps of the previous loan funds and have now fully repaid their private sector investor - Barclays Bank.

Alliance Fund Managers (AFM), MSIF's in-house fund management company, has undergone some considerable changes.

The long awaited North West Venture Capital and Loan Fund, which AFM bid to manage, did not materialise in its planned guise and after many changes to the timetable was eventually scrapped altogether. An Interim Venture Capital and Loan Fund was put in place whilst the model for a replacement fund was being developed, however AFM was only successful in its bid to manage the loan element which has led to AFM restructuring to focus solely on managing loan funding.

These changes unfortunately included the departure of Managing Director Mark Fuller who joined the business in 2002. I would like to take this opportunity to thank him for the huge role he played in making MSIF so successful and I wish him the very best for the future. Finance Director Lisa Greenhalgh has now been promoted to the Chief Operating Officer.

Other changes include the departure of the Venture and Seed Fund investment staff and again I would like to wish them every success going forward and thank them for all their hard work over the years.

The AFM board has also seen some changes with Andy Rigby departing and Loan Fund Investment Director Marian Catterall being promoted to the Board.

In addition to managing the Interim and Transitional Loan Funds, through which it has invested £6.7m in 45 businesses across the North West, AFM is also currently managing the £3.6m Small Loan for Business Fund for the NWDA. This fund provides loans from £3k - £50k to new and growing businesses across the North West. The NWDA has recently added an additional £300k to this fund to be used to invest in the retail sector.

After five years as Chairman of MSIF I have now decided to step down and I am delighted to announce that former AFM Non Executive Director, Andy Rigby, will succeed me. Andy is highly experienced within the venture capital industry and SME sector, and will bring a wealth of knowledge and expertise to the role. I have no doubt he will serve MSIF extremely well in the future and I wish him every success.

My time at MSIF has been extremely fulfilling. To be part of such a unique project which has created such a tangible impact on a region of the UK which is unrecognisable to the place it was 15 years ago has been a real privilege. Although Merseyside has had a huge amount of money spent on it in many different areas, I believe that MSIF is a project which will have an important and long-lasting legacy. By encouraging entrepreneurial activity and moving away from the grant culture and dependence upon public sector handouts, MSIF has shaped a thriving SME sector and put Merseyside on the map as a centre of excellence for commerce.

**Merseyside Special Investment Fund Limited**  
**Chairman's Statement**

**For the year ended 31 March 2010 (continued)**

It is partly due to this entrepreneurial culture that I believe the region has been one of the hardest in coping with the recession. In the future MSIF will continue to make a difference, through its legacy funds and in the model it has created which has been replicated all over Europe.

MSIF's achievements would not have been possible without the hard work and commitment of the MSIF and AFM staff, past and present, and I would like to take this opportunity to thank them all for all that they have done to make this pioneering project so successful.



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

## **Merseyside Special Investment Fund Limited**

### **Report of the directors for the year ended 31 March 2010**

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31 March 2010

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 £2,617,237 (loss 2009 £1,165,850) has been transferred from reserves.

#### **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 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 2010 (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 directors during the year ended 31 March 2010, and up to the date of signing the report were as follows:

Mr R Swainson  
Professor M Hulme  
Mr T Atherton  
Mr J Stopforth  
Mr R Morris – Resigned 28 February 2010  
Mr A Rigby – Appointed 21 June 2010

Professor M Hulme resigned as Chairman on the 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.

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 2010 (continued)**

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

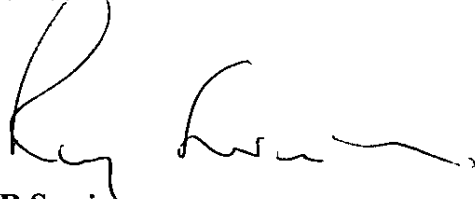
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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 is a director at the time of the approval of the financial statements confirms the following:

(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.

On behalf of the Board



**R Swainson**

**Director**

**16 July 2010**



## **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 2010 which comprise the Consolidated Profit and Loss Account, the Group and 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 5-6 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 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.

#### **Opinion on 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 2010 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)**

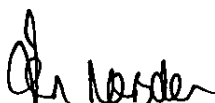
#### **Opinion on other matter prescribed by the Companies Act 2006**

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  
16 July 2010

# Merseyside Special Investment Fund Limited

## Consolidated profit and loss account for the year ended 31 March 2010

	Notes	2010 £	2009 £
<b>Turnover</b>			
Grants & contributions	2	-	1,428,294
Fees and other income		1,967,700	4,113,571
Investment income	3	<u>267,046</u>	<u>1,042,689</u>
		2,234,746	6,584,554
Administrative and investment expenses		(2,763,828)	(6,900,474)
Amounts written off investments	9 (c)	-	(2,350,300)
Amounts written off investments	9 (a)	(20,911)	(45,000)
Movement in provision for impairment of fixed asset investments	9 (a)	<u>(2,088,395)</u>	<u>54,000</u>
<b>Operating loss before interest</b>		<b>(2,638,388)</b>	<b>(2,657,220)</b>
Interest receivable on bank deposits		11,666	289,923
Other interest receivable		111,753	1,416,471
Other interest payable		<u>(176,371)</u>	<u>-</u>
<b>Loss on ordinary activities before taxation</b>	4	<b>(2,691,340)</b>	<b>(950,826)</b>
Tax charge on loss on ordinary activities	5(a)	74,103	(215,024)
<b>Loss for the financial year</b>	15	<b><u>(2,617,237)</u></b>	<b><u>(1,165,850)</u></b>

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 2010

Registered Number  
02981031

	Notes	Group 2010 £	2009 £	Company 2010 £	2009 £
<b>Fixed assets</b>					
Tangible assets	8	32,003	52,330	-	-
Investments- loans	9 (a)	2,672,023	65,603	-	-
Investments- other	9 (c)	-	-	423,557	423,556
		<u>2,704,026</u>	<u>117,933</u>	<u>423,557</u>	<u>423,556</u>
<b>Current assets</b>					
Debtors amounts falling due within one year	10	1,101,061	2,448,115	735,222	1,193,354
Debtors amounts falling due after one year	10	-	-	5,370,000	-
Cash at bank and in hand		<u>5,681,593</u>	<u>4,239,698</u>	<u>2,929,123</u>	<u>2,693,961</u>
		<u>6,782,654</u>	<u>6,687,813</u>	<u>9,034,345</u>	<u>3,887,315</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(597,675)</u>	<u>(695,900)</u>	<u>(878,517)</u>	<u>(476,810)</u>
Net current assets		<u>6,184,979</u>	<u>5,991,913</u>	<u>8,155,828</u>	<u>3,410,505</u>
Total assets less current liabilities		8,889,005	6,109,846	8,579,385	3,834,061
<b>Creditors: amounts falling due after more than one year</b>	12	(5,470,500)	-	(5,370,000)	-
Provision for liabilities and charges	13	<u>(343,365)</u>	<u>(417,469)</u>	<u>-</u>	<u>-</u>
Net assets		<u>3,075,140</u>	<u>5,692,377</u>	<u>3,209,385</u>	<u>3,834,061</u>
<b>Reserves</b>					
Accumulated reserves	15	<u>3,075,140</u>	<u>5,692,377</u>	<u>3,209,385</u>	<u>3,834,061</u>

The financial statements on pages 9 to 23 were approved by the Board of Directors on 16 July 2010 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 2010

	Notes	2010 £	2009 £
<b>Net cash inflow/(outflow) from continuing operating activities</b>	19	6,399,662	(5,143,840)
<b>Returns on investments and servicing of finance</b>			
Interest received		11,666	289,923
Interest paid		(3,545)	-
<b>Capital expenditure and financial investments</b>			
Equity investments disposals		20,003	22,260
Loan investments acquired		(5,675,500)	-
Fixed assets acquired		(162)	(4,121)
Investment –others acquired		-	(2,056,250)
Loan repayments received		689,771	8,500
		<u>(4,965,888)</u>	<u>(2,029,611)</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>1,441,895</u>	<u>(6,883,528)</u>
<b>Increase/(decrease) in cash in the year</b>	20	<u>1,441,895</u>	<u>(6,883,528)</u>

## **Merseyside Special Investment Fund Limited**

### **Notes to the financial statements for the year ended 31 March 2010**

#### **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 Company has utilised the exemption afforded by section 230 of the Companies Act 2006 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) 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 2010 (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 9(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 2010 (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

#### 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

### 2 Grants and contributions

	2010 £	2009 £
Grants and contributions		
- ERDF	-	1,023,813
- Other contributions	-	404,481
	<u>-</u>	<u>1,428,294</u>

Income arises in the United Kingdom

### 3 Investment income

	2010 £	2009 £
Dividends	-	5,353
Profit on realisation of investments	5,001	1,028,969
Income from loan investments	<u>262,045</u>	<u>8,367</u>
	<u>267,046</u>	<u>1,042,689</u>



# Merseyside Special Investment Fund Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 4 Loss on ordinary activities before taxation

	2010 £	2009 £
Loss on ordinary activities before taxation is stated after charging		
Amounts written off fixed asset investments (note 9a)	20,911	45,000
Movement in provision for impairment of fixed asset investments (note 9a)	2,088,395	(54,000)
Amounts provided against investments in Limited Partnerships (note 9b)	-	4,889,818
Release of capital grants (note 9b)	-	(4,889,818)
Depreciation of tangible fixed assets	20,489	17,443
Auditors' remuneration for		
Audit fees		
- Fees payable to company auditor for the audit of parent company and consolidated accounts	25,990	23,400
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	10,710	11,090
- Other services pursuant to legislation	2,300	2,200
- Tax services	31,000	31,000
- Other	2,000	4,950
Operating lease costs-land and buildings	202,499	206,940

### 5(a) Tax charge on loss on ordinary activities

	2010 £	2009 £
UK Corporation tax at 28% (2009 28%)	-	-
Deferred tax	(74,103)	215,024
	(74,103)	215,024

### 5(b) Factors affecting tax charge for period

	2010 £	2009 £
Loss on ordinary activities before tax	(2,691,340)	(950,826)
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28%	(753,575)	(266,231)
Effects of		
Expenses/(income) not chargeable for tax purposes	77,961	(1,595,904)
Allocation from partnerships	-	3,366,938
Depreciation in advance of capital allowances	6,091	2,041
Unrelieved taxation losses carried forward	865,510	(288,111)
Income accrued but taxable in later accounting periods	(400,400)	(909,055)
Other timing differences	(7,786)	
Increase/(decrease) in short term timing differences	212,199	(309,678)
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 2010 (continued)

#### 5 (c) Deferred tax

	2010 £	2009 £
Excess of depreciation over tax allowances	271	(1,581)
Origination and reversal of timing differences	(286,651)	274,395
Adjustments in respect of previous periods	212,276	(57,790)
	<u>(74,104)</u>	<u>215,024</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 £48.0 million (2009: £39.5 million) (company £5.6 million (2009: £4.1 million) at 31 March 2010, which have yet to be agreed with the HMRC).

#### Factors affecting the future tax charge

On 22 June 2010 it was announced in the budget that the standard rate of corporation tax in the UK will be reduced from 28% to 24% over the period from 1 April 2011 to 1 April 2014.

#### 6 Directors' emoluments

	2010 £	2009 £
Aggregate emoluments	47,357	54,659
Sums paid to third parties for directors' services	60,936	58,970
	<u>108,293</u>	<u>113,629</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

	2010 £	2009 £
Wages & Salaries	1,525,234	2,014,285
Social Security Costs	137,365	204,030
Other Pension Costs	40,056	67,698
	<u>1,702,655</u>	<u>2,286,013</u>

The average number of employees during the year was 25 (2009: 34).

The company operates two defined contribution pension schemes.

# Merseyside Special Investment Fund Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 8 Tangible fixed assets

#### Office Equipment

Cost or valuation	£
At 1 April 2009	168,249
Additions during the year	162
Disposals	(27,094)
At 31 March 2010	<u>141,317</u>
<b>Accumulated depreciation</b>	
At 1 April 2009	115,919
Provided during year	20,489
Disposals	(27,094)
At 31 March 2010	<u>109,314</u>
<b>Net book value at 31 March 2010</b>	<u>32,003</u>
Net book value at 31 March 2009	<u>52,330</u>

### 9 Fixed asset investments

#### 9 (a) Group fixed asset investments

#### Loan investment made by Merseyside Small Loans for Business Investment Fund Limited

	Loan investments
<b>Cost</b>	<b>£</b>
At 1 April 2009	-
Additions in year	55,500
At 31 March 2010	<u>55,500</u>
<b>Net amounts provided in year</b>	
At 1 April 2009	-
Provision for the year	13,875
	<u>13,875</u>
<b>Net book value at 31 March 2010</b>	<u>41,625</u>

# Merseyside Special Investment Fund Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 9 Fixed asset investments (continued)

#### 9(a) Group fixed asset investments (continued)

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

	Loan investments £
<b>Cost</b>	
At 1 April 2009	-
Additions	5,620,000
Loan repayments	(644,271)
Written off in year	(250,000)
<b>At 31 March 2010</b>	<b><u>4,725,729</u></b>
<b>Net amounts provided in year</b>	
At 1 April 2009	-
Movement in provision for the period	2,095,331
<b>At 31 March 2010</b>	<b><u>2,095,331</u></b>
<b>Net Book Value</b>	
<b>At 31 March 2010</b>	<b><u>2,630,398</u></b>

##### Loan investments made by Merseyside Special Investment Mezzanine Fund Limited

	Equity £	Non-Equity £	Loan/Equity Investments £
<b>Cost</b>			
At 1 April 2009	65,103	2,900,591	2,965,694
Loan repayments	(20,003)	(45,500)	(65,503)
Transfers	(100)	(137,428)	(137,528)
<b>At 31 March 2010</b>	<b><u>45,000</u></b>	<b><u>2,717,663</u></b>	<b><u>2,762,663</u></b>
<b>Amounts written off</b>			
At 1 April 2009	45,000	2,696,752	2,741,752
Movement in year	-	20,911	20,911
<b>At 31 March 2010</b>	<b><u>45,000</u></b>	<b><u>2,717,663</u></b>	<b><u>2,762,663</u></b>
<b>Amounts provided for</b>			
At 1 April 2009	-	158,339	158,339
Movement in year	100	(20,911)	(20,811)
Transfers	(100)	(137,428)	(137,528)
<b>At 31 March 2010</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net book value</b>			
<b>At 31 March 2010</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>At 31 March 2009</b>	<b><u>20,103</u></b>	<b><u>45,500</u></b>	<b><u>65,603</u></b>

# Merseyside Special Investment Fund Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 9 Fixed asset investments (continued)

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

	Investments	Capital grants Recognised
Cost	£	£
At 31 March 2009 and 31 March 2010	<u>64,501,100</u>	<u>(64,501,100)</u>
Amounts written off/released		
At 31 March 2009 and 31 March 2010	<u>(64,501,100)</u>	<u>64,501,100</u>
Net book value at 31 March 2009 and 31 March 2010	<u>-</u>	<u>-</u>

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

#### 9(c) Investments - Other

##### Company

	£
At 1 April 2009	423,556
Additions	<u>1</u>
At 31 March 2010	<u>423,557</u>

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
<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 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 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
NWTLIF 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)

# Merseyside Special Investment Fund Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 10 Debtors

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	1,016,612	2,366,618	564,702	514,626
Amounts owed by group undertakings	4	4	168,707	676,894
Other taxation and social security	-	-	1,813	1,834
Prepayments and accrued income	84,445	81,493	-	-
	<u>1,101,061</u>	<u>2,448,115</u>	<u>735,222</u>	<u>1,193,354</u>
<b>Amounts falling due after one year:</b>				
Amounts owed by group undertakings	-	-	5,370,000	-
	<u>1,101,061</u>	<u>2,448,115</u>	<u>6,105,222</u>	<u>1,193,354</u>

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

### 11 Creditors: amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade creditors	179,027	204,813	-	-
Amounts owed to group undertakings	-	20,732	510,520	299,392
Other taxation and social security	86,486	75,107	-	-
Deferred income	47,500	-	-	-
Loans repayable within one year (Liverpool Ventures Limited)	-	100,000	-	-
Other creditors	172,826	-	172,826	-
Accruals	111,836	295,248	195,171	177,418
	<u>597,675</u>	<u>695,900</u>	<u>878,517</u>	<u>476,810</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	
	2010	2009	2010	2009
	£	£	£	£
Loans repayable within five years-MSIF	5,370,000	-	5,370,000	-
Loans repayable within five years-MSLBIF	100,500	-	-	-
	<u>5,470,500</u>	<u>-</u>	<u>5,370,000</u>	<u>-</u>

The loans to MSIF Limited are unsecured, have a variable rate of interest  
The loans to MSLBIF Limited are unsecured and at a nil rate of interest

# Merseyside Special Investment Fund Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 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	
	2010	2009	2010	2009
	£	£	£	£
At start of period	417,469	202,445	(9,402,597)	(5,988,029)
Excess of depreciation over tax allowance	271	(1,581)	2,903	(1,003)
Other timing differences	(286,651)	274,395	926,935	(187,853)
Losses	212,276	(57,790)	(300,060)	(3,225,712)
At end of period	343,365	417,469	(8,772,819)	(9,402,597)

### 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 2010 the company had three members (2009: 3).

### 15 Accumulated reserve

	Group	Company
	£	£
Profit and loss account		
At 1 April 2009	5,692,377	3,834,061
Loss for the year	(2,617,237)	(624,676)
At 31 March 2010	3,075,140	3,209,385

### 16 Capital commitments

The Group had capital commitments of £Nil at the year end (2009: £Nil).

### 17 Financial commitments

At 31 March 2010, the Group had annual commitments under non-cancellable operating leases as set out below.

	2010 Land and Buildings £	2009 Land and Buildings £
Expiring:		
Between one and two years	207,850	-
Between two and five years	-	203,428

# Merseyside Special Investment Fund Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 18 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

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

	2010 £	2009 £
Operating deficit	(2,638,388)	(2,657,220)
Depreciation	20,489	17,443
Investments written off	20,911	45,000
Amounts written back to investments	2,088,395	(54,000)
Amounts written off investments	250,000	2,350,300
Amounts provided against interest receivable	111,753	
Decrease/(increase) in debtors under 1 year	1,347,053	(287,368)
Amounts written off debtors over 1 year	-	129,005
Increase in creditors over 1 year	5,470,500	-
(Decrease)/increase in creditors	(271,051)	202,818
Decrease in capital grants received in advance	-	(4,889,818)
Net cash inflow (outflow) from operating activities	6,399,662	(5,143,840)

### 20 Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
Increase/(decrease) in cash for the year	1,441,895	(6,783,528)
Cash inflow from change in debt	(5,470,500)	-
Change in net debt resulting from cash flows	(4,028,605)	(6,783,528)
Net debt at 1 April	4,239,698	11,023,226
Net debt at 31 March 2010	211,093	4,239,698

### 21 Analysis of net debt

	At 1 April 2009 £	Cashflow £	At 31 March 2010 £
Net Cash			
Cash at bank and in hand	4,239,698	1,441,895	5,681,593
Debt due after 1 year	-	(5,470,500)	(5,470,500)
	4,239,698	(4,028,605)	211,093



## **Merseyside Special Investment Fund Limited**

### **Notes to the financial statements for the year ended 31 March 2010 (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

#### **23 Parent company**

The ultimate parent company is Merseyside Special Investment Fund Limited which is registered in England and Wales and its results are included in the consolidated accounts of the group which can be obtained from 5th Floor, Cunard Building, Pier Head, Liverpool, L3 1DS.