

Registered number
02981031



Merseyside Special Investment Fund Limited

Annual Report and Financial Statements

for the year ended 31 March 2014

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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 Atherton
Mr B McCann
Mr A Rigby
Mrs L Greenhalgh
Mr M Basnett

Secretary

Mrs L Greenhalgh

Independent Auditors

PricewaterhouseCoopers 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 2014

MSIF's investment amount this year is back to pre-recession levels and it is the second most successful year for investment since MSIF was set up in 1994.

MSIF has now invested more than £150m across the North West.

This is a great achievement and reflects not only MSIF and its team's considerable efforts, but what appears to be a more confident and positive view from businesses and advisors.

As an independent organisation MSIF can be extremely flexible in the way it invests which is hugely beneficial to the businesses it supports right across the North West Region.

This year, MSIF supported 160 small to medium sized businesses through all stages of development. 110 of these companies were start-ups.

Despite the upturn in confidence businesses are still finding it difficult to get funding from traditional sources. Many of the start-ups we support go on to be very successful but a considerable number of more mature businesses also require ongoing development funding to continue their growth or to support succession planning via management buy outs and all play a vital role in boosting the economy.

Making the investment is only the start of the relationship and MSIF's portfolio of businesses continues to thrive with our ongoing support and mentoring. In order to continue to have funds to invest and compensate for investments written off, MSIF needs to achieve successful exits from the portfolio.

In 2013-14 equity investments in two companies yielded returns of double the original investment figure. In addition, a number of loans returned significant sums to MSIF. These returns are key to MSIF's ability to continue investing in the future. It is currently estimated that MSIF has value in excess of £64 million to invest during the next 10 years.

As well as returns on investment MSIF has continued to secure new funds which have broadened the product offering to match the demand and this approach continues to be positively received in the market place.

MSIF has just secured one new fund and is also in the advanced stages of securing at least two further funds.

To continue to provide the support necessary for businesses the MSIF team has expanded with the recruitment of three new staff. Two investment managers have been appointed; Lisa to oversee investments through the Start Up Loans Fund and Sue to provide additional resource to the loans team. Megan, an apprentice, has also joined and it is hoped that a permanent position will become available.

In the North West business, financial and professional community MSIF profile continues to grow. There has been significant press coverage and the team are involved with many third party organisations, events and initiatives.

Members of the team have been shortlisted for nominations in a variety of awards including Female Leader (Lisa Greenhalgh, MSIF's Chief Operating Officer Downtown Liverpool Women in Business Awards) and Outstanding Loan Officer (Chris Walters, MSIF Investment Manager, CDFA Awards).

MSIF's 20 year history and knowledge of the local businesses and professional community is second to none. The team are experienced and highly regarded which has built up MSIF's reputation as the go-to-firm for businesses needing investment from an alternative funding provider.

I am delighted with the success MSIF has achieved this year and would like to take this opportunity to thank all the team.



Mr A Rigby
Chairman
Merseyside Special Investment Fund Limited
21 July 2014

Merseyside Special Investment Fund Limited

Registered number: 02981031

Report of the directors

for the year ended 31 March 2014

The directors present their report and audited financial statements of the Group and the Company for the year ended 31 March 2014.

Merseyside Special Investment Fund Limited is a company limited by guarantee and was established in 1994 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 Liverpool LEP (previously The Mersey Partnership) replaced the Bank of England as guarantor.

Principal activities

The Company and 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 and Group 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 twentieth year, and currently has five active funds. 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 £224,879 (2013: £780,996 loss).

No dividends have been recommended to be paid during the year (2013: £Nil).

Future outlook

The fully invested Seed, Equity and Loan funds which finished investing on 31st 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 Merseyside Special Investment Fund Limited, who fully invested the Small Loans for Business fund by 31 March 2013, and now continues to reinvest the legacy returns.

Merseyside Special Investment Fund Limited 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.

From January 2013, Merseyside Special Investment Fund Limited began to invest the Start Up Loans programme within Merseyside and the surrounding areas. The fund is aimed people who are within their first 12 months of trading.

From October 2013, MSIF was awarded monies from the Regional Growth Fund to invest in companies in Merseyside and the surrounding areas.

Merseyside Special Investment Fund Limited

Registered number: 02981031

Report of the directors

for the year ended 31 March 2014

(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.

Merseyside Special Investment Fund Limited 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 Merseyside Special Investment Fund Limited 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 Merseyside Special Investment Fund Limited has created and preserved 14,145 jobs in total.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr R Swainson
Mr T Atherton
Mr B McCann
Mr A Rigby
Mrs L Greenhalgh
Mr M Basnett

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

Statement of directors' responsibilities

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 2014

(continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent 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 group and the company and of the profit or loss of the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

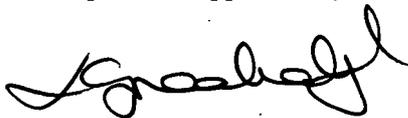
The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

This report was approved by the Board on 21 July 2014 and signed on its behalf



Mrs L Greenhalgh

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

REPORT ON THE FINANCIAL STATEMENTS

Our Opinion

In our opinion the financial statements, as defined below:

- give a true and fair view of the group's and the parent company's affairs as at 31 March 2014 and of the group's loss and group's 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Merseyside Special Investment Fund Limited, comprise:

- Group and Company Balance Sheet as at 31 March 2014;
- Consolidated Profit and Loss Account for the year then ended;
- Consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 the 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Merseyside Special Investment Fund Limited

Independent auditors' report

to the Members of Merseyside Special Investment Fund Limited

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

MATTER ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exceptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, 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 ISAs (UK & 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.

Daniel Brydon

Daniel Brydon (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Liverpool

21 July 2014

Merseyside Special Investment Fund Limited
Consolidated Profit and Loss Account
for the year ended 31 March 2014

	Notes	2014 £	2013 £
Turnover			
Fee and other income		652,614	606,762
Investment income	2	<u>681,584</u>	<u>423,498</u>
		1,334,198	1,030,260
Administrative and investment expenses		(1,036,047)	(1,141,655)
Amounts written off investments	8	(524,953)	(402,155)
Movement in provision for impairment of fixed assets	8	(303,175)	(826,583)
		<u>(529,977)</u>	<u>(1,340,133)</u>
Operating loss before interest			
Interest receivable		276,572	353,527
Interest payable		(19,398)	(60,677)
Other income		-	252,825
		<u>(272,803)</u>	<u>(794,458)</u>
Loss on ordinary activities before taxation	3		
Tax on loss on ordinary activities	4 (a)	47,924	13,462
		<u>(224,879)</u>	<u>(780,996)</u>
Loss for the financial year	13		

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.

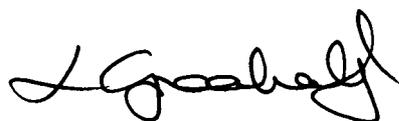
The notes on pages 11-20 form an integral part of these financial statements.

Merseyside Special Investment Fund Limited
Balance Sheets
as at 31 March 2014

Registered No.
02981031

	Notes	Group		Company	
		2014 £	2013 £	2014 £	2013 £
Fixed assets					
Tangible assets	7	43,399	47,864	29,710	31,008
Financial assets	8 (a)	7,250,983	4,034,317	375,762	16,875
Investments in subsidiary undertakings	8 (c)	-	-	296,529	296,529
		<u>7,294,382</u>	<u>4,082,181</u>	<u>702,001</u>	<u>344,412</u>
Current assets					
Debtors amounts falling due within one year	9	242,109	91,895	6,105,261	2,025,439
Debtors amounts falling due after one year	9	-	-	6,956,691	7,496,119
Cash at bank and in hand		23,108,940	22,215,975	18,044,518	17,505,726
		<u>23,351,049</u>	<u>22,307,870</u>	<u>31,106,470</u>	<u>27,027,284</u>
Creditors: amounts falling due within one year	10	<u>(29,008,044)</u>	<u>(24,479,861)</u>	<u>(28,917,907)</u>	<u>(24,562,136)</u>
Net current (liabilities)/assets		<u>(5,656,995)</u>	<u>(2,171,991)</u>	<u>2,188,563</u>	<u>2,465,148</u>
Total assets less current liabilities		<u>1,637,387</u>	<u>1,910,190</u>	<u>2,890,564</u>	<u>2,809,560</u>
Provision for liabilities	11	(261,705)	(309,629)		
Net assets		<u><u>1,375,682</u></u>	<u><u>1,600,561</u></u>	<u><u>2,890,564</u></u>	<u><u>2,809,560</u></u>
Reserves					
Accumulated reserves	13	<u><u>1,375,682</u></u>	<u><u>1,600,561</u></u>	<u><u>2,890,564</u></u>	<u><u>2,809,560</u></u>

The financial statements on pages 8 to 20 were approved by the Board of Directors on 21 July 2014 and were signed on its behalf by



Mrs L Greenhalgh
 Director

Merseyside Special Investment Fund Limited
Consolidated Cash Flow Statement
for the year ended 31 March 2014

	Notes	2014 £	2013 £
Net cash inflow from operating activities	17	5,364,545	3,426,237
Returns on investments and servicing of finance			
Interest received		186,719	353,527
Interest paid		(19,398)	(60,677)
Capital expenditure and financial investment			
Loan and Equity investments made		(6,811,816)	(3,815,221)
Fixed assets acquired		(9,238)	(11,856)
Loan repayments received		<u>2,182,153</u>	<u>1,783,394</u>
		<u>(4,638,901)</u>	<u>(2,043,683)</u>
Increase in cash in year	18	<u><u>892,965</u></u>	<u><u>1,675,404</u></u>

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014

1 Accounting policies

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and Companies Act 2006. The principal accounting policies are set out below and have been consistently applied to all the years presented.

Basis of consolidation

The group financial statements consolidate the assets, liabilities and results of the Company and its subsidiaries. Transactions and balances between group companies are eliminated upon consolidation. Accounting policies have been consistently applied by all group entities. Under section 408 of Companies Act 2006, the Company is exempt from presenting the Company's individual profit and loss account.

Fees and other income

Turnover, which comprises principally fund management, investment arrangement and monitoring fees, is recognised when it is expected to be received.

Investment income

Investment income represents loan interest receivable on fixed asset investments. Income is recognised when it is expected to be received.

Tangible fixed assets

Fixed assets include fixtures, fitting and equipment and are recognised at cost less accumulated depreciation. Depreciation is provided on a reducing balance basis at 25%. This rate is considered appropriate to reduce fixed assets to their estimated residual value over their expected useful economic life.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment. A review for impairment is conducted if events or changes in circumstances indicate that the carrying amount may not be recoverable. Fixed asset investments are written off when it is virtually certain that amounts invested will not be recoverable.

Grants, contributions and accumulated surplus

Amounts received from government agencies by MSIF have been invested in Merseyside enterprises through a number of limited partnerships 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 back to the government agencies who initially provided the funding.

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

1 Accounting policies (continued)

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

Deferred tax is provided at appropriate rates of taxation on timing differences between the recognition of items of income and expenditure for accounting and tax purposes to the extent that a liability will crystallise in the foreseeable future. Deferred tax is provided for using the rate enacted or substantively enacted at the balance sheet date.

Operating leases

Lease rentals are charged to the profit and loss account on a straight line basis over the lease terms.

Audit exemption for subsidiaries

Advantage has been taken of the audit exemption available for small companies conferred by section 479 of the Companies Act 2006 on the grounds:

- a. that for the year ended 31 March 2014 the company was entitled to the exemption from a statutory audit under section 479 of the Companies Act 2006 relating to small companies; and
- b. that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

The directors acknowledge their responsibilities for:

- a. ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
- b. preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 March 2014 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company.

The following companies have taken advantage of the exemption from audit under Section 479 of the Companies Act 2006:-

AFM Merseyside Mezzanine Limited, AFM Merseyside Ventures Limited, AFM Small Firms Fund Limited, Alliance Fund Managers Nominees Limited, AFM R101 Ventures Limited, AFM Seed Fund Limited, BCE Fund Managers (Merseyside) Limited, Liverpool Ventures Limited, LVL Seed Fund Limited, Merseyside Special Investment Mezzanine Fund Two Limited, MSIF Seed Fund Limited, Merseyside Special Investment Venture Two Limited, Merseyside Special Investment Venture Fund Limited, Merseyside Special Investment (Small Firms) Fund Two Limited.

2 Investment income	2014	2013
	£	£
Profit on realisation of investments	42,437	-
Income from loan investments	639,147	423,498
	<u>681,584</u>	<u>423,498</u>

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

3 Loss on ordinary activities before taxation	2014	2013
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Amounts written off fixed asset investments (note 8)	(524,953)	(402,155)
Movement in provision for impairment of fixed asset investments (note 8)	(303,175)	(826,583)
Depreciation of tangible fixed assets	13,703	14,849
Auditors' remuneration for:		
Audit fees		
- Fees payable to company auditor for the audit of parent company and consolidated financial statements	17,500	17,000
Fees payable to the company's auditor and its associates for other services		
- The audit of the company's subsidiaries pursuant to legislation	10,325	6,400
- Other services pursuant to legislation	2,075	2,000
- Tax Services	29,000	29,000
- Other	-	-
Operating lease cost-land and buildings	<u>46,950</u>	<u>52,764</u>

4 (a) Tax charge on loss on ordinary activities	2014	2013
	£	£
UK Corporation tax at 23% (2014: 24%)	-	-
Deferred tax	<u>47,924</u>	<u>13,462</u>
	<u>47,924</u>	<u>13,462</u>

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK (24%). The differences are explained below.

4 (b) Factors affecting tax charge for period	2014	2013
	£	£
Loss on ordinary activities before tax	<u>(272,803)</u>	<u>(794,458)</u>
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 23% (24%)	(62,745)	(190,670)
<i>Effects of:</i>		
Expenses not chargeable for tax purposes	2,760	3,359
Allocation from partnerships	-	-
Utilisation of tax losses in other companies against capital gain	-	-
Utilisation of capital losses brought forward	-	-
Depreciation in advance of capital allowances	727	3,727
Unrelieved taxation losses carried forward	(35,388)	26,102
Income accrued but taxable in later accounting periods	(46,000)	(78,000)
Other timing	-	-
Increase/(decrease) in short term timing differences	<u>140,646</u>	<u>35,479</u>
Current tax charge for the period (note 4(a))	<u>-</u>	<u>-</u>

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

4 (c) Deferred tax	2014	2013
	£	£
Excess of depreciation over tax	-	-
Origination and reversal of timing differences	821,309	911,029
Adjustments in respect of previous periods	-	(601,400)
Losses	(559,604)	
	<u>261,705</u>	<u>309,629</u>
Provision at start of year	309,626	323,091
Deferred tax charge in profit and loss account	(47,924)	(13,465)
Provision at end of year	<u>261,702</u>	<u>309,626</u>

The Group has losses available to be carried forward for tax purposes of approximately £7 million (2013: £8.2 million) (company £1 million (2013: £1.1 million) at 31 March 2014, which have yet to be agreed with the HMRC).

Factors affecting the future tax charge

The Finance Act 2013 which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015.

5 Directors' emoluments	2014	2013
	£	£
Aggregated emoluments	107,746	99,972
Sums paid to third parties for directors' services	70,000	65,110
	<u>177,746</u>	<u>165,082</u>

The amount in respect of sums paid to third parties relates to amounts payable to Liverpool Chamber of Commerce, KYC Limited, Liverpool LEP and Atherton Consulting for the services of Messrs Brian McCann, Andrew Rigby, Mark Basnett and Terence Atherton respectively.

6 Staff costs	2014	2013
	£	£
Wages and salaries	475,793	507,978
Social security costs	50,238	56,059
Other pension costs	-	3,365
	<u>526,031</u>	<u>567,402</u>

The average number of employees during the year was:

	2014	2013
Finance and administration	5	4
Fund management	7	8
	<u>12</u>	<u>12</u>

The company operates one defined contribution pension scheme.

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

7 Group tangible fixed assets

	Office equipment
	£
Cost or valuation	
At 1 April 2013	192,275
Additions during the year	9,238
At 31 March 2014	<u>201,513</u>
Accumulated depreciation	
At 1 April 2013	144,411
Provided during year	13,703
At 31 March 2014	<u>158,114</u>
Net book value at 31 March 2014	<u>43,399</u>
Net book value at 31 March 2013	<u>47,864</u>

8 Fixed asset investments

8 (a) Group financial assets

Loan investments made by MSIF Limited t/as Start Up Loans

	Loan investment
	£
Cost	
At 1 April 2013	22,500
Additions in year	496,131
Written off in the year	-
Repayments	(17,615)
At 31 March 2014	<u>501,016</u>
Net amounts provided in year	
At 1 April 2013	5,625
Movement in provision for the year	119,629
At 31 March 2014	<u>125,254</u>
Net book value at 31 March 2014	<u>375,762</u>
Net book value at 31 March 2013	<u>16,875</u>

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

	Loan investment
	£
Cost	
At 1 April 2013	3,165,311
Additions in year	745,500
Written off in the year	(69,137)
Transferred to Merseyside Loan and Equity Fund	(19,829)
Repayments	(783,654)
At 31 March 2014	<u>3,038,191</u>
Net amounts provided in year	
At 1 April 2013	1,197,500
Movement in provision for the year	271,807
At 31 March 2014	<u>1,469,307</u>
Net book value at 31 March 2014	<u>1,568,884</u>
Net book value at 31 March 2013	<u>1,967,811</u>

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

8 (a) Group financial assets (continued)

Loan investments made by Small Business Loans Limited

	Loan investment £
Cost	
At 1 April 2013	
Additions in year	573,100
Written off in the year	-
Repayments	(5,403)
At 31 March 2014	<u>567,697</u>
Net amounts provided in year	
At 1 April 2013	
Movement in provision for the year	194,489
At 31 March 2014	<u>194,489</u>
Net book value at 31 March 2014	<u>373,208</u>

Loan investments made by North West Transitional Loan Investment Fund LLP

	Loan investment £
Cost	
At 1 April 2013	1,797,847
Additions in year	350,000
Loan repayments	(347,285)
Written off in year	(396,104)
At 31 March 2014	<u>1,404,458</u>
Net amounts provided in year	
At 1 April 2013	1,403,966
Movement in provision for the year	(281,511)
At 31 March 2014	<u>1,122,455</u>
Net book value at 31 March 2014	<u>282,003</u>
Net book value at 31 March 2013	<u>393,881</u>

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

	Equity £	Non Equity £	Loan & Equity Investment £
Cost			
At 1 April 2013	538,003	2,440,266	2,978,269
Additions in year	1,557,465	3,109,449	4,666,914
Written off in year	-	(524,953)	(524,953)
Repayments	-	(1,028,196)	(1,028,196)
At 31 March 2014	<u>2,095,468</u>	<u>3,996,566</u>	<u>6,092,034</u>
Net amounts provided for			
At 1 April 2013	264,224	1,058,295	1,322,519
Movement in provision for the year	19,116	99,273	118,389
At 31 March 2014	<u>283,340</u>	<u>1,157,568</u>	<u>1,440,908</u>
Net book value at 31 March 2014	<u>1,812,128</u>	<u>2,838,998</u>	<u>4,651,126</u>
At 31 March 2013	<u>273,779</u>	<u>1,381,971</u>	<u>1,655,750</u>

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

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

	Investments £	Capital grants recognised £
Cost		
At 1 April 2013	56,826,100	(56,826,100)
Movement in year	-	-
At 31 March 2014	<u>56,826,100</u>	<u>(56,826,100)</u>
Amounts written off/released		
At 1 April 2013	(56,826,100)	56,826,100
Movement in year	-	-
At 31 March 2014	<u>(56,826,100)</u>	<u>56,826,100</u>
Net book value at 31 March 2013 and 31 March 2014	<u>-</u>	<u>-</u>

8 (c) Investments in subsidiary undertakings

Company	£
At 1 April 2013	296,529
Movement in provisions	-
At 31 March 2014	<u>296,529</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
Companies:	
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 Limited is the sole guarantor of Liverpool Ventures Limited (a company limited by guarantee).

9 Debtors	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Amounts falling due within one year:				
Trade debtors	-	56,457	-	-
Amounts owed by group undertakings	-	-	5,925,191	2,008,199
Other taxation and social security	4,469	2,409	4,450	2,390
Prepayments and accrued income	237,640	33,029	175,620	14,850
	<u>242,109</u>	<u>91,895</u>	<u>6,105,261</u>	<u>2,025,439</u>
Amounts falling due after one year:				
Amounts owed by group undertakings	-	-	6,956,691	7,496,119
	<u>242,109</u>	<u>91,895</u>	<u>13,061,952</u>	<u>9,521,558</u>

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

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

10 Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	30,105	40,457	24,697	738
Amounts owed to group undertakings	-	-	23,413,339	20,034,081
Taxation and social security	21,161	20,486	-	-
Other creditors	28,811,032	24,265,762	5,427,131	4,478,461
Accruals and deferred income	145,746	153,156	52,740	48,856
	<u>29,008,044</u>	<u>24,479,861</u>	<u>28,917,907</u>	<u>24,562,136</u>

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

Other creditors include amounts totalling £26,896,967 (2013: £24,222,293) that Merseyside Special Investment Fund Limited is obliged to invest in future Merseyside enterprise.

11 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	
	2014	2013	2014	2013
	£	£	£	£
At start of period	309,629	323,091	-	-
Excess of depreciation over tax allowance	-	-	-	-
Other timing differences	-	-	-	-
Losses	<u>(47,924)</u>	<u>(13,462)</u>	<u>-</u>	<u>-</u>
At end of period	<u>261,705</u>	<u>309,629</u>	<u>-</u>	<u>-</u>

12 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 2014 the company had 3 members (2013: 3).

13 Accumulated reserves

	Group	Company
	£	£
At 1 April 2013	1,600,561	2,809,560
Transfer from the profit and loss account	(224,879)	81,004
At 31 March 2014	<u>1,375,682</u>	<u>2,890,564</u>

14 Capital commitments

The Group had capital commitments of £Nil at the year end (2013: £Nil).

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

15 Operating lease commitments

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £	Land and buildings 2013 £
Expiring:		
Within one year	-	-
Between one and two years	31,575	32,024
Between two and five years	-	-
	<u>31,575</u>	<u>32,024</u>

16 Contingent liabilities

One of the group entities (Merseyside Special Investment Venture Fund Two Limited) has provided a guarantee to Mersey Pension Fund (MPF) in respect of its capital account with Merseyside Special Investment Venture Fund No.3 Limited Partnership. Merseyside Special Investment Venture Fund Two Limited guarantees to pay an amount equal to 50% of the shortfall between the total amounts received by MPF and their initial loan of £2,000,000.

At 31 March 2014, £1,101,546 had been repaid to MPF, leaving the partnership capital account at £896,458. This means that the maximum potential liability to the group is £448,229.

However, based upon the current expected exit values from the investments held in Merseyside Special Investment Venture Fund No.3 Limited Partnership the potential liability stands at £331,245. This is dependent upon a wide range of potential outcomes.

17 Reconciliation of operating loss to net cash inflow from operating activities

	2014 £	2013 £
Operating loss	(529,977)	(1,340,133)
Depreciation	13,703	14,849
Liquidations	-	-
Increase in provisions against fixed assets	1,418,622	1,228,738
Other income	-	252,825
(Increase)/decrease in debtors under 1 year	(150,214)	60,217
Increase/(decrease) in creditors	4,612,411	3,209,741
(Decrease)/increase in creditors over 1 year	-	-
Net cash inflow from operating activities	<u>5,364,545</u>	<u>3,426,237</u>

18 Reconciliation of net cash inflows to movement in net funds

	2014 £	2013 £
Increase in cash for the year	892,965	1,675,404
Cash outflows from change in debt	-	-
Change in net debt resulting from cash flows	892,965	1,675,404
Net debt at 1 April	22,215,975	20,540,571
Net funds at 31 March	<u>23,108,940</u>	<u>22,215,975</u>

Merseyside Special Investment Fund Limited
Notes to the financial statements
for the year ended 31 March 2014
(continued)

19 Analysis of net funds

	1 April 2013	Cashflow	31 March 2014
	£	£	£
Net Cash			
Cash at bank and in hand	22,215,975	892,965	23,108,940
Debt due after 1 year	-	-	-
	<u>22,215,975</u>	<u>892,965</u>	<u>23,108,940</u>

20 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 Limited does not gain any economic benefits from these vehicles, as any return on these investments must be reinvested.