

Merseyside Special Investment Fund Limited

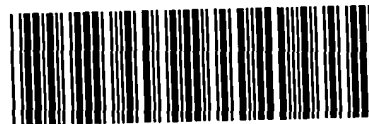
Annual Report and Financial Statements

Year Ended

31 March 2023

Company Number 02981031

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Merseyside Special Investment Fund Limited
(A Company Limited by Guarantee)

Company Information

Directors	N Ashbridge P P J Cherpeau H E Pittaway
Registered number	02981031
Registered office	Suite 6c The Plaza 100 Old Hall Street Liverpool England L3 9QJ
Independent auditor	KPMG LLP 8 Princes Parade Liverpool L3 1QH
Bankers	Natwest Bank 2-8 Church Street Liverpool L1 3BG

Merseyside Special Investment Fund Limited
(A Company Limited by Guarantee)

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Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

Chairman's Statement For the Year Ended 31 March 2023

Merseyside Special Investment Fund's (MSIF) primary objective is to promote economic growth in the Liverpool City Region. This is done mainly by lending to and investing in SME businesses providing them with the essential support they need. MSIF invests directly through the investment of its own funds and by leveraging external funds, in some cases from outside the region. MSIF also uses its resources to support the LCR business ecosystem, for example through the LCR Finance Hub and the LCR Angel Network.

To ensure it can deliver this strategy for the long term, the sustainability of its own funds is paramount. MSIF seeks to achieve sustainability through its broader investment strategies, the activities of its subsidiaries and the overall profitable operation of the Group.

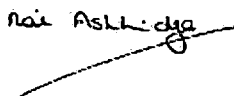
In the year under review, the SME community has had to deal with a challenging economic environment. The global pandemic and geopolitical tensions in Eastern Europe have impacted negatively on supply chains and, together with tight labour market conditions, have led to inflation rising to its highest level for over a decade.

Despite the difficult economic environment, the Group has continued to see the positive effects of the implementation of its growth strategies. These have included:

- The re-branding of the Group's subsidiary fund management business to River Capital Management Limited (River), to provide it with a clear and strong market identity to support its fund raising, investment initiatives and journey to profitability.
- The relocation of the Group to modern offices in the heart of Liverpool's commercial district.
- The launch of Business Growth Loans Limited, delivered by River, and providing £8m of lending to support SMEs, with a £6m commitment to the Liverpool City Region.
- The launch of "Fund:AI", managed by River, being the Group's first Enterprise Investment Scheme (EIS) fund, and the first dedicated Artificial Intelligence fund in the North of England.
- Support for 23 businesses (19 of which are located in the Liverpool City Region) with funding totalling £4.7 million.
- The LCR Finance Hub (founded by MSIF in 2018 and co-funded with the Liverpool City Region Growth Platform since 2021), has provided free of charge customer support and assistance to over 550 SMEs within the Liverpool City Region. This has made the process of accessing funding easier for those companies, including aiding 30 businesses to secure over £5m of funding.
- The MSIF funded LCR Angel Network continues to strengthen, with the appointment of its first full time Investment Director. This has enabled an increase in activity with the network hosting four events, providing the opportunity for 21 businesses to pitch to its angel audience. Consequently four businesses raised funds via the network. There has also been steady growth in the number of angels joining the network and it is anticipated there will be an increase in the number of events and capital deployed in 2023.

Overall performance has remained strong and on track, and since the year-end, further positive discussions have taken place to increase the Group's equity, venture and loan fund offerings to support MSIF's objectives.

I would like to acknowledge and thank all those involved in the Group for their dedication and hard work in the last year. I look forward to working with them for the ensuing year.



N Ashbridge
Chairman
Merseyside Special Investment Fund Limited

Date: 21/12/2023

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

Directors' Report **For the Year Ended 31 March 2023**

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2023.

Merseyside Special Investment Fund ("MSIF") is a company limited by guarantee and was established in 1994 by the Bank of England, Liverpool Chamber of Commerce and MSIF Partners Limited (representatives of the local community including Local Authorities, Training and Enterprise Councils, Business Links and Higher Education Authorities) who act as guarantors. The Bank of England resigned as a guarantor at the end of 2007 and was replaced by The Mersey Partnership and subsequently in 2012 by The Liverpool City Region LEP (the LCR Growth Company since 2019).

Directors

The Directors who served during the year were:

N Ashbridge
P P J Cherpeau
H E Pittaway
M Basnett (resigned 21 June 2023)
J O'Brien (resigned 31 July 2023)

Principal activities

The Company and Group's principal activity is to facilitate the investment of equity, venture and loan capital investment funds in small and medium sized enterprises (SMEs) and provide support and monitoring of those investments, thereby promoting sustainable economic growth in the Liverpool City Region. The support of the wider business ecosystem provides additional building blocks to achieve this objective.

Financial results

Merseyside Special Investment Fund Limited has made a loss of £2,876,755 in the year (2022 - profit of £1,691,246).

Going concern

The Directors have reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future.

In forming this expectation the Directors have considered the financial position and performance of the Company during the year, post year-end and for the 12 month period from approval of the financial statements including appropriate sensitivities. Thus it considers it appropriate to adopt the going concern basis in preparing the annual financial statements.

Qualifying third party indemnity provisions

Qualifying third-party indemnity provisions were in place for all Directors during the current and prior years.

Merseyside Special Investment Fund Limited
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Directors' Report (continued)
For the Year Ended 31 March 2023

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

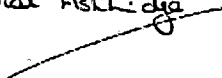
- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 21/12/2023

and signed on its behalf.

N Ashbridge


N Ashbridge
Director

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements For the Year Ended 31 March 2023

The directors are responsible for preparing the Directors' Report and the Group and parent Company 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 they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 parent 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 estimates that are reasonable and prudent; and
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and parent Company and to prevent and detect fraud and other irregularities.

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

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

Opinion

We have audited the financial statements of Merseyside Special Investment Fund Limited ("the Company") for the year ended 31st March 2023, which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated and Company Balance Sheet and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 2 to the financial statements. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

Independent Auditor's report to the members of Merseyside Special Investment Fund Limited **(continued)**

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are few judgmental elements to revenue.

We also identified a fraud risk related to the valuation of equity investments and recoverability of investment loans in response to possible pressures to enhance the asset position of the Company.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals with descriptions that could indicate fraudulent postings or unusual journal combinations to investments and cash.
- Reperforming management's fair value calculation for a sample of equity investments, vouching key inputs to supporting documentation and assessing whether the valuation method is appropriate. Discussion with the investment managers and investment panel also formed part of this assessment.
- Confirming that the bad debt policy is being applied correctly and is appropriate. This included obtaining supporting evidence over recoverability of loans.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group and Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and Company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

Independent Auditor's report to the members of Merseyside Special Investment Fund Limited **(continued)**

Fraud and breaches of laws and regulations - ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Group and Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group and Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, antibribery, employment law, and financial conduct authority regulations recognising the nature of the Group and Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

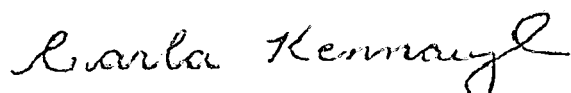
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Merseyside Special Investment Fund Limited
(A Company Limited by Guarantee)

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Carla Kennaugh (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

Date: 21 December 2023

Merseyside Special Investment Fund Limited
(A Company Limited by Guarantee)

Consolidated Profit and Loss Account and Other Comprehensive Income
For the Year Ended 31 March 2023

	2023 £	2022 £
Turnover		
Fee and other income	2,362,403	2,054,000
Administrative expenses	(2,683,463)	(2,305,858)
Other operating income	-	45,000
Investment loss recoveries	600	2,578
Movement in fair value of investments	(1,848,902)	2,394,921
Movement in provision for investment losses	1,589,643	253,939
Amounts written off investments	(1,608,280)	(903,362)
Amounts attributable to RGF	161,930	13,359
Operating (loss)/profit	(2,026,069)	1,554,577
Interest receivable and similar income	122,515	63,874
Interest payable and similar expenses	(5,972)	(2,769)
Movement in fair value of fixed asset investment	(568,021)	141,993
(Loss)/profit before taxation	(2,477,547)	1,757,675
Tax on (loss)/profit	-	-
(Loss)/profit before taxation	(2,477,547)	1,757,675
Profit attributable to non-controlling interests	(399,208)	(66,429)
(Loss)/profit	(2,876,755)	1,691,246

The results shown above derive from continuing operations in both the current and preceding year.

The Group has no other recognised income or expenses other than those included in the results above and therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 13 to 27 form part of these financial statements.

Merseyside Special Investment Fund Limited
(A Company Limited by Guarantee)
Registered number: 02981031

Consolidated Balance Sheet
As at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	5	75,176	15,707
Financial assets	6	11,100,457	11,818,490
Investments	7	10,497,555	11,019,984
		<u>21,673,188</u>	<u>22,854,181</u>
Current assets			
Investment loans (including £1,518,543 (2022 - £2,661,363) due in more than one year)	6	7,750,296	7,275,445
Debtors: amounts falling due within one year	8	383,198	255,383
Cash at bank and in hand		12,935,353	16,125,554
		<u>21,068,847</u>	<u>23,656,382</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(2,959,917)	(4,322,629)
Net current assets		<u>18,108,930</u>	<u>19,333,753</u>
Total assets less current liabilities		<u>39,782,118</u>	<u>42,187,934</u>
Creditors: amounts falling due after more than one year	10	(126,902)	(75,000)
Net assets		<u>39,655,216</u>	<u>42,112,934</u>
Capital and reserves			
Profit and loss account		38,872,974	41,729,900
Non-controlling interests		782,242	383,034
Total reserves		<u>39,655,216</u>	<u>42,112,934</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21/12/23

Nail Ashkiche

Director

The notes on pages 13 to 27 form part of these financial statements.

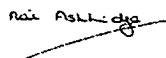
Merseyside Special Investment Fund Limited
(A Company Limited by Guarantee)
Registered number: 02981031

Company Balance Sheet
As at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	5	546	835
Financial assets	6	1,000,000	-
Investments	7	10,794,084	11,316,513
		<u>11,794,630</u>	<u>11,317,348</u>
Current assets			
Debtors: amounts falling due within one year	8	7,875,648	6,209,323
Cash at bank and in hand		6,729,479	9,939,887
		<u>14,605,127</u>	<u>16,149,210</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(2,367,637)	(3,870,206)
Net current assets		<u>12,237,490</u>	<u>12,279,004</u>
Total assets less current liabilities		<u>24,032,120</u>	<u>23,596,352</u>
Net assets		<u>24,032,120</u>	<u>23,596,352</u>
Capital and reserves			
Profit and loss account brought forward		23,596,352	24,729,170
Profit/(loss) for the year		435,768	(1,132,818)
Profit and loss account carried forward		24,032,120	23,596,352
Total reserves		<u>24,032,120</u>	<u>23,596,352</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21/12/2023



N Ashbridge
Director

The notes on pages 13 to 27 form part of these financial statements.

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 31 March 2023

1. General information

Merseyside Special Investment Fund Limited (the "Company") is a company limited by guarantee and is incorporated, domiciled and registered in the England and Wales. The address of the registered office is shown on the Information page. The nature of the Company's operations and its principal activities are outlined in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with Section 1A of FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account and Other Comprehensive Income in these financial statements.

The presentational and functional currency of these financial statements is pounds sterling (GBP). Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss Account and Other Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The Directors have reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future.

In forming this expectation the Directors have considered the financial position and performance of the Company during the year, post year-end and for the 12 month period from approval of the financial statements including appropriate sensitivities. Thus it considers it appropriate to adopt the going concern basis in preparing the annual financial statements.

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements **For the Year Ended 31 March 2023**

2. Accounting policies (continued)

2.4 Turnover

Fees and other income represents principally fund management, investment arrangement, monitoring fees and interest receivable. Income is from sale of services and is recognised as it accrues.

2.5 Government grants

Amounts received from government agencies by the Company have been invested in Liverpool City Region ("LCR") 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 released due to the significant uncertainty over recovery. Amounts that have been generated by the partnerships, have been remitted back to the Company, and the provision against the investment in the partnerships has been reversed.

2.6 Interest receivable and interest payable

Interest payable and similar expenses includes bank interest payable, recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

2.7 Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

2.8 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Merseyside Special Investment Fund Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.9 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Fixtures and fittings	-	25%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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Notes to the Financial Statements For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.11 Valuation of investments

Loan investments - financial assets

Loan investments are measured at amortised cost using the effective interest rate method, which includes a reduction for impairment or uncollectability where necessary.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value with diminutions recognised through profit and loss. Such changes in value are non-cash changes.

Loan Investments designated at Fair Value

Loan Investments that are entered into alongside equity investments are designated as at fair value through the profit and loss on initial recognition. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value through profit and loss. Such changes in value are non-cash items.

2.12 Investment in portfolio fund

The investment in the portfolio fund represents amounts invested in short-term, highly liquid investment products. These investments are measured initially at cost, and subsequently at fair value through profit or loss.

2.13 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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Notes to the Financial Statements For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.16 Financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss or investment reserve as appropriate.

Impairment of financial assets (including other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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Notes to the Financial Statements **For the Year Ended 31 March 2023**

2. Accounting policies (continued)

2.17 Fair value measurement

Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction. The following hierarchy is used to estimate fair values:

(a) The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

(b) When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

(c) If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the estimate of fair value is made by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

(d) Equity investments are valued using an appropriate valuation technique. For an established business we use a multiple of maintainable earnings and apply a marketability discount. To ensure that we use an appropriate multiple, we will use our entry multiple for new investments, or the multiple used in any offers received or valuation exercises performed for recent comparable deals. Where we consider that the maintainable earnings method does not give an accurate valuation we have used a net assets valuation.

The Group determines the fair value of the investments with reference to the hierarchy.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities and revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key judgements and estimates made by the Directors in the application of these accounting policies are in respect of the valuation of investments and the recoverability of loans.

Merseyside Special Investment Fund Limited

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Notes to the Financial Statements For the Year Ended 31 March 2023

4. Employees

The average monthly number of employees, including directors, for the Group during the year was 24 (2022 - 22).

The Company had no employees other than the directors in the current and prior year.

5. Tangible fixed assets

Group

	Fixtures and fittings £
Cost	
At 1 April 2022	254,999
Additions	81,926
Disposals	(783)
At 31 March 2023	<u>336,142</u>
Depreciation	
At 1 April 2022	239,292
Charge for the year	22,098
Disposals	(424)
At 31 March 2023	<u>260,966</u>
Net book value	
At 31 March 2023	<u><u>75,176</u></u>
At 31 March 2022	<u><u>15,707</u></u>

Merseyside Special Investment Fund Limited
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Notes to the Financial Statements
For the Year Ended 31 March 2023

5. Tangible fixed assets (continued)

Company

	Fixtures and fittings £
Cost	
At 1 April 2022	69,860
At 31 March 2023	<u>69,860</u>
Depreciation	
At 1 April 2022	69,025
Charge for the year	289
At 31 March 2023	<u>69,314</u>
Net book value	
At 31 March 2023	<u><u>546</u></u>
At 31 March 2022	<u><u>835</u></u>

Merseyside Special Investment Fund Limited
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Notes to the Financial Statements
For the Year Ended 31 March 2023

6. Financial assets

Group

	Equity £	Non-equity £	Total £
Cost or valuation			
At 1 April 2022	14,946,735	12,164,889	27,111,624
Amounts invested in year	1,518,966	3,127,974	4,646,940
Realisations/loan repayments	-	(3,042,412)	(3,042,412)
Movement in fair value	(1,848,902)	-	(1,848,902)
Written off in the year	(1,174,990)	(433,290)	(1,608,280)
Reclassification of investment	-	19,829	19,829
At 31 March 2023	<u>13,441,809</u>	<u>11,836,990</u>	<u>25,278,799</u>
Net amounts provided in the year			
At 1 April 2022	3,128,245	4,889,444	8,017,689
Movement in provision for the year	(786,893)	(802,750)	(1,589,643)
At 31 March 2023	<u>2,341,352</u>	<u>4,086,694</u>	<u>6,428,046</u>
Net book value			
At 31 March 2023	<u>11,100,457</u>	<u>7,750,296</u>	<u>18,850,753</u>
At 31 March 2022	<u>11,818,490</u>	<u>7,275,445</u>	<u>19,093,935</u>

Loans considered to be ineligible under ERDF and which had subsequently been transferred had previously been classified within the cost of investment loans. These have now been reclassified in line with the balances held.

Of the non-equity financial assets, £918,726 (2022 - £3,923,848) are recoverable in under one year.

Merseyside Special Investment Fund Limited
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Notes to the Financial Statements
For the Year Ended 31 March 2023

6. Financial assets (continued)

Company

	Equity £
Cost	
At 1 April 2022	-
Amounts invested in year	1,000,000
At 31 March 2023	<u>1,000,000</u>
Net book value	
At 31 March 2023	<u>1,000,000</u>
At 31 March 2022	<u>-</u>

Amounts invested in the year relate to investments in an EIS Fund managed by River Capital Management Limited.

7. Fixed asset investments

Group

	Investment in portfolio fund £
Cost or valuation and net book value	
At 1 April 2022	11,019,984
Dividends and interest received	98,448
Management fees deducted	(52,856)
Movement in fair value	(568,021)
At 31 March 2023	<u>10,497,555</u>

Merseyside Special Investment Fund Limited
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Notes to the Financial Statements
For the Year Ended 31 March 2023

7. Fixed asset investments (continued)

Company

	Investments in subsidiary entities £	Investment in portfolio fund £	Total £
Cost or valuation			
At 1 April 2022	1,006,299	11,019,984	12,026,283
Dividends and interest received	-	98,448	98,448
Management fees deducted	-	(52,856)	(52,856)
Movement in fair value	-	(568,021)	(568,021)
At 31 March 2023	<u>1,006,299</u>	<u>10,497,555</u>	<u>11,503,854</u>
Impairment			
At 1 April 2022	709,770	-	709,770
At 31 March 2023	<u>709,770</u>	<u>-</u>	<u>709,770</u>
Net book value			
At 31 March 2023	<u>296,529</u>	<u>10,497,555</u>	<u>10,794,084</u>
At 31 March 2022	<u>296,529</u>	<u>11,019,984</u>	<u>11,316,513</u>

Merseyside Special Investment Fund Limited

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Notes to the Financial Statements For the Year Ended 31 March 2023

7. Fixed asset investments (continued)

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Class of shares	Holding
River Capital Management Limited (formerly Alliance Fund Managers Limited)	Ordinary	100%
Small Business Loans Limited	Ordinary	100%
Merseyside Small Loans for Business Investment Fund Limited	Ordinary	100%
MSIF Seed Fund Ltd.	Ordinary	100%
Liverpool Ventures Limited	Ordinary	100%
LVL Seed Fund Ltd.	Ordinary	100%
Merseyside Special Investment Venture Fund Limited	Ordinary	100%
Merseyside Special Investment Venture Fund Two Limited	Ordinary	100%
Merseyside Special Investment Mezzanine Fund Two Limited	Ordinary	100%
Merseyside Special Investment (Small Firms) Fund Two Limited	Ordinary	100%
North West Transitional Loan Investment Fund LLP	N/A	100%
Merseyside Loan and Equity Fund LLP	N/A	100%
Liverpool Seed Fund Limited Partnership	N/A	100%
Merseyside Special Investment Venture Fund LP	N/A	40%
Merseyside Special Investment Venture Fund No. 3	N/A	92%
North West Business Growth Loans Limited	Ordinary	100%

The general partner of Merseyside Special Investment Venture Fund LP is wholly owned by Merseyside Special Investment Fund Limited and hence Merseyside Special Investment Venture Fund LP is controlled by the Group. It is included in the consolidation for that reason.

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Class of shares	Holding
BCE Fund Managers (Merseyside) Limited	Ordinary	100%
AFM Business Growth Limited	Ordinary	100%
AFM NWF General Partner LLP	N/A	100%
AFM Merseyside Mezzanine Limited	Ordinary	100%
AFM Merseyside Ventures Limited	Ordinary	100%
Alliance Fund Managers Nominees Limited	Ordinary	100%
AFM Seed Fund Ltd.	Ordinary	100%
AFM Small Firms Fund Limited	Ordinary	100%
AFM R101 Ventures Limited	Ordinary	100%
AFM NPIF General Partner LLP	N/A	100%

The address of the registered office of all the above subsidiaries is Suite 6c, The Plaza, 100 Old Hall Street, Liverpool, L3 9QJ.

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

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Notes to the Financial Statements For the Year Ended 31 March 2023

8. Debtors: Amounts falling due within one year

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade debtors	11,391	92,154	37	56,052
Amounts owed by group undertakings	-	-	7,820,476	6,026,151
Other debtors	120,302	2,916	-	-
Other taxation and social security	21,898	22,570	21,898	43,206
Prepayments	75,898	86,680	18,571	45,911
Accrued income	153,709	51,063	14,666	38,003
	<u>383,198</u>	<u>255,383</u>	<u>7,875,648</u>	<u>6,209,323</u>

Amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

9. Creditors: Amounts falling due within one year

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade creditors	51,669	47,696	27,741	59,522
Amounts owed to group undertakings	-	-	374,812	543,542
Other taxation and social security	28,138	-	-	-
Other creditors	173,896	586,553	134,709	671,747
Other creditors - investment reserve	1,731,000	1,731,000	1,731,000	1,731,000
Amounts attributable to RGF	714,173	855,919	-	-
Accruals and deferred income	261,041	325,083	99,375	88,747
Bank loans	-	730	-	-
Amounts owed to ERDF	-	775,648	-	775,648
	<u>2,959,917</u>	<u>4,322,629</u>	<u>2,367,637</u>	<u>3,870,206</u>

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

The investment reserve and the amounts attributable to RGF (Regional Growth Fund) represent amounts that the Group intends to invest in enterprises in the future, or may be required to repay to the agencies that originally provided the funding.

Amounts owed to ERDF (European Regional Development Fund) relate to the recovery of an ERDF grant previously held and invested by the Group. Payments are due in line with the formal repayment schedule. Amounts owed to ERDF are unsecured and not subject to interest.

Merseyside Special Investment Fund Limited
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Notes to the Financial Statements
For the Year Ended 31 March 2023

10. Creditors: Amounts falling due after more than one year

	Group 2023 £	Group 2022 £
Bank loans	126,902	75,000

At 31 March 2023, the bank loans represent borrowings under drawdown loan facilities of £1,902 (2022 - £75,000) entered into on 16 December 2020 for a period of four years. Interest is charged at 4% over the lenders base rate.

£125,000 was entered into on 29 November 2022 for a period of no longer than five years. Interest is charged 3.5% over the lenders base rate.

11. Loans

Analysis of the maturity of loans is given below:

	Group 2023 £	Group 2022 £
Amounts falling due within one year		
Bank loans	-	730
Amounts falling due 2-5 years		
Bank loans	126,902	75,000
	126,902	75,730

12. Financial instruments

	Group 2023 £	Group 2022 £
Financial assets		
Financial assets measured at fair value through profit or loss	21,598,012	22,838,474

Financial assets measured at fair value through profit or loss comprise the Group's investment in the portfolio fund (note 7) and its equity investments classified as financial assets (note 6).

13. Capital commitments

At 31 March 2023 the Group had capital commitments of £Nil (2022 - £500,000).

Merseyside Special Investment Fund Limited

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Notes to the Financial Statements For the Year Ended 31 March 2023

14. Commitments under operating leases

At 31 March 2023 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £	Group 2022 £
Not later than 1 year	50,918	1,078
Later than 1 year and not later than 5 years	199,979	-
Later than 5 years	214,561	-
	<u>465,458</u>	<u>1,078</u>

15. 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 accounts 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 2023, £1,905,362 (2022 - £1,905,362) had been repaid to MPF, leaving the partnership capital account at £94,638 (2022 - £94,638). This means that the maximum potential liability to the Group is £47,319 (2022 - £47,319).

16. Related party transactions

The Group has taken advantage of the exemption available in Section 1AC.35 of FRS 102 Section 1A whereby it has not disclosed transactions with any wholly owned subsidiary of the Group.

The emoluments of certain Directors were paid to third parties. An amount of £12,000 (2022 - £12,000) was paid to Liverpool Chamber of Commerce and £3,000 (2022 - £12,000) was paid to the Liverpool LEP in respect of Directors' services in the year. In addition, membership subscriptions amounting to £395 (2022 - £395) and £2,625 (2022 - £2,625) were paid to Liverpool Chamber of Commerce and the Liverpool LEP, respectively. At the year end, no balances (2022 - £Nil) were due to the Liverpool Chamber of Commerce or the Liverpool LEP (2022 - £Nil).

During the prior year, an employee of the Group seconded to Liverpool City Region's Growth Platform as part of the Finance Hub. An agreement was formed between the Group and the LCR Growth Platform that they remained an employee of the Group and the LCR Growth Platform paid the Group a fixed amount for the year, with total receipts amounting to £Nil (2022 - £34,500).

17. Company status

The Company is a private company limited by guarantee and consequently does not have share capital. The liability of the members is limited to a minimum of £1 and a maximum of £100 each. At 31 March 2023 the Company had 3 members (2022 - 3).