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4257322

Merseyside Special Investment Mezzanine Fund Two Limited

Annual report and financial statements

for the year ended 31 March 2008

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Merseyside Special Investment Mezzanine Fund Two Limited
Annual report and financial statements
for the year ended
31 March 2008

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Merseyside Special Investment Mezzanine Fund Two Limited

Directors and company information

Directors

Mr R Swainson
Mr J E Young
Mr M Hulme
Mr T Atherton
Mr I Meadows - resigned 10 April 2007
Mr R Morris
Mr J Stopforth - appointed 1 April 2007

Secretary

Mrs L Greenhalgh

Registered office

5th Floor
Cunard Building
Pier Head
Liverpool
L3 1DS

Auditors

PricewaterhouseCoopers LLP
8 Princes Parade
St Nicholas Place
Liverpool
L3 1QJ

Bankers

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

Solicitors

Davies Wallis Foyster
5 Castle Street
Liverpool
L2 4XE

Merseyside Special Investment Mezzanine Fund Two Limited
Report of the directors
for the year ended 31 March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Principal activities

Merseyside Special Investment Mezzanine Fund Two Limited was established by Merseyside Special Investment Fund as part of the Merseyside Special Investment Fund group

The Company's aim is to establish, support and monitor investment funds via its interest in the Merseyside Special Investment Mezzanine Fund 2 Limited Partnership which provide loans to small and medium sized enterprises (SMEs) operating in the county of Merseyside, thereby assisting to regenerate business in the region. The company is supported and part-financed in this project by European Regional Development Funding via the European Community's Objective 1 Programme administered by the Government Office for the North West

Financial results

The profit for the year was £50,414. After payment of dividends of £300,000, £249,586 was transferred from reserves (2007 profit £133,032)

Dividends

Interim dividends of £300,000 have been paid (2007 Nil). The directors recommend no final dividend payment

Directors

The directors who served during the year ended 31 March 2008, were as follows:-

Mr R Swainson

Mr J E Young

Mr M Hulme

Mr T Atherton

Mr I Meadows - resigned 10 April 2007

Mr R Morris

Mr J Stopforth - appointed 1 April 2007

No director of the Company has any interest in the Company within the meaning of the Companies Act 1985. The interests in the share capital of the ultimate parent company, Merseyside Special Investment Fund Limited, are shown in that company's financial statements

Merseyside Special Investment Mezzanine Fund Two Limited
Report of the directors
for the year ended 31 March 2008
(continued)

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to

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

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


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

Auditors and the provision of information to auditors

PricewaterhouseCoopers LLP are the incumbent auditors. A resolution to re-appoint the auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting.

The directors who held office as at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board


M Hulme
Director
21 July 2008

Merseyside Special Investment Mezzanine Fund Two Limited

Independent auditors' report

to the members of Merseyside Special Investment Mezzanine Fund Two Limited

We have audited the financial statements of Merseyside Special Investment Mezzanine Fund Two Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Merseyside Special Investment Mezzanine Fund Two Limited

Independent auditors' report

to the members of Merseyside Special Investment Mezzanine Fund Two Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion -

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Liverpool

21 July 2008

Merseyside Special Investment Mezzanine Fund Two Limited
Profit and loss account
for the year ended 31 March 2008

	Notes	2008 £	2007 £
Administrative and investment expenses		(88)	(29)
Operating loss before interest		<u>(88)</u>	<u>(29)</u>
Bank interest receivable		50,502	133,091
Profit on ordinary activities before taxation	2	<u>50,414</u>	<u>133,062</u>
Taxation on profit on ordinary activities	3	-	-
Profit for the financial year		<u><u>50,414</u></u>	<u><u>133,062</u></u>

All operations are continuing

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


The company has 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 8 to 11 form an integral part of these financial statements

Merseyside Special Investment Mezzanine Fund Two Limited
Balance Sheet
as at 31 March 2008

	Notes	2008 £	2007 £
Fixed assets			
Investments	6	-	-
Current assets			
Cash at bank and in hand		421,037	1,610,332
Creditors: amounts falling due within one year		-	-
Net current assets		421,037	1,610,332
Total assets less current liabilities		<u>421,037</u>	<u>1,610,332</u>
Creditors: amounts falling due after more than one year	7	(200)	(939,909)
Net assets		<u>420,837</u>	<u>670,423</u>
Financed by:			
Share capital	8	2	2
Reserves	9	420,835	670,421
Equity shareholders' funds	10	<u>420,837</u>	<u>670,423</u>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 21 July 2008 and were signed on its behalf by


M Hulme
Director

Merseyside Special Investment Mezzanine Fund Two Limited
Notes to the financial statements
for the year ended 31 March 2008

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards

Basis of preparation

The principal activity of the Company is to invest in a Limited Partnership the objective of which is to establish a portfolio of loan and equity investments in local businesses. The Company does not seek to influence the financial and operating policies of these investments and does not exercise significant influence. On this basis, the Limited Partnership has not been consolidated within these financial statements

Grants and contributions and accumulated surplus

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

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

Fixed asset investments

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

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

Administrative expenses

Directors' fees are met by the parent company. These are re-charged via management charges made by the parent company. The directors consider that any directors' fees attributable to this company are insignificant

Any remuneration was paid by Merseyside Special Investment Fund Limited (parent company)

Audit fees of £515 (2007 £500) are met by the holding company

The Company has no employees

Cash flow statement

The Company has taken advantage of the exemption under FRS1 (Revised) 'Cash Flow Statements' to subsidiary undertakings from preparing a cash flow statement. A cash flow statement is included in the financial statements of the ultimate holding company

Merseyside Special Investment Mezzanine Fund Two Limited
Notes to the financial statements
for the year ended 31 March 2008
(continued)

2 Profit on ordinary activities before taxation	2008	2007
	£	£

Profit on ordinary activities before taxation is stated after charging/(crediting):

Change in provision for impairment of investments (note 6)	939,909	2,540,000
Release of capital grants (note 6)	(939,909)	(2,540,000)

Income arises in the United Kingdom

3a Taxation - ordinary activities	2008	2007
	£	£

UK corporation tax at 30%	-	-
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3b Factors affecting tax charge for year

The tax assessed for the period is lower (2007 lower) than the standard rate of corporation tax in the UK (30%) (2007 30%) The differences are explained below

	2008	2007
	£	£
Profit on ordinary activities before tax	50,414	133,062
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2007 30%)	15,124	39,919
<i>Effects of</i>		
Allocation from partnership		
Unrelieved taxation losses carried forward	-	
Group relief not paid	(15,124)	(39,919)
Current tax charge for the period (note 3(a))	-	-

4 Dividends

Interim dividends of £300,000 have been paid The directors recommend no final dividend (2007 £Nil)

5 Directors' emoluments

The directors received no emoluments during the year

Merseyside Special Investment Mezzanine Fund Two Limited
Notes to the financial statements
for the year ended 31 March 2008
(continued)

6 Fixed asset investments

	Investments £	Capital grants recognised £
Cost		
At 1 April 2007	8,060,091	(8,060,091)
Movement during year	939,909	(939,909)
At 31 March 2008	<u>9,000,000</u>	<u>(9,000,000)</u>
Amounts written off/released		
At 1 April 2007	(8,060,091)	8,060,091
Movement in year	(939,909)	939,909
At 31 March 2008	<u>(9,000,000)</u>	<u>9,000,000</u>
Net book value		
At 1 April 2007 and 31 March 2008	<u>-</u>	<u>-</u>

Name of undertaking	Principal activity	Description of investment	Proportion of interest in the capital of the partnership
Merseyside Special Investment Mezzanine Fund 2 Limited Partnership	Investment Fund Partner's capital		100%

The above entity is registered and operates in England and Wales. Its registered office is 5th Floor, Cunard Building, Pier Head, Liverpool. Its accounting period is coterminous with that of this company.

A copy of the accounts for the period ended 31 March 2008 of the above undertaking will be appended to these accounts when submitted to the Registrar of Companies.

7 Creditors : amounts falling within one year	2008	2007
	£	£
Grants received in advance:		
Balance brought forward at 1 April	939,909	-
Amounts recognised during the year	(939,909)	-
Balance carried forward at 31 March	<u>-</u>	<u>-</u>
7 Creditors . amounts falling due after more than one year	2008	2007
	£	£
Grants received in advance:		
Balance brought forward at 1 April	-	3,479,909
Amounts recognised during the year	-	(2,540,000)
Balance carried forward at 31 March	<u>-</u>	<u>939,909</u>
Other creditors	<u>200</u>	<u>-</u>
	<u>200</u>	<u>939,909</u>

Merseyside Special Investment Mezzanine Fund Two Limited
Notes to the financial statements
for the year ended 31 March 2008
(continued)

8 Share capital	2008	2007
	£	£
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued , called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>
9 Reserves		Profit and
		loss account
		£
At 1 April 2007		670,421
Profit for the year		50,414
Dividends paid		(300,000)
At 31 March 2008		<u>420,835</u>
10 Reconciliation of movement in shareholders' funds		
	2008	2007
	£	£
Opening shareholders' funds	670,423	537,361
Profit for the financial year	50,414	133,062
Dividends paid	(300,000)	-
Closing shareholders' funds	<u>420,837</u>	<u>670,423</u>

11 Capital commitments

The Company had no capital commitments at the year end (2007 £Nil)

12 Related party transactions

The Company, being a wholly owned subsidiary, has taken advantage of the exemptions afforded by FRS 8 'Related Party Disclosures' not to disclose transactions with other companies in the group headed by Merseyside Special Investment Fund Limited

13 Ultimate parent company

In their opinion, the directors consider Merseyside Special Investment Fund Limited, a company registered in England and Wales, to be the ultimate parent company. A copy of the financial statements of this company can be obtained from the Company Secretary at the Registered Office, given on page 1