



Registered number  
4257322

Merseyside Special Investment Mezzanine Fund Two Limited

Annual report and financial statements

for the year ended 31 March 2010

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**Merseyside Special Investment Mezzanine Fund Two Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2010**  
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**Merseyside Special Investment Mezzanine Fund Two Limited**

**Directors and company information**

**Directors**

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

**Secretary**

Mrs L Greenhalgh

**Registered office**

5th Floor  
Cunard Building  
Pier Head  
Liverpool  
L3 1DS

**Independent Auditors**

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

**Bankers**

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

**Solicitors**

Davies Wallis Foyster  
5 Castle Street  
Liverpool  
L2 4XE

**Registered Number**

04257322

**Merseyside Special Investment Mezzanine Fund Two Limited**  
**Report of the directors**  
**for the year ended 31 March 2010**

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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 2006 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 result for the year was £Nil (2009 profit £210,531). After payment of dividends of £Nil, £Nil was transferred from reserves.

**Dividends**

Interim dividends of £Nil have been paid (2009 £403,520). The directors recommend no final dividend payment.

**Directors**

The directors who served during the year ended 31 March 2010 and up to the date of signing the financial statements, were as follows:

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

No director of the Company has any interest in the Company within the meaning of the Companies Act 2006. 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 2010**  
**(continued)**

**Statement of directors' responsibilities**

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each person who is a director at the time of the approval of the financial statements confirms the following.

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



**M Hulme**  
**Director**  
**16 July 2010**

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## **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 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its result 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.

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

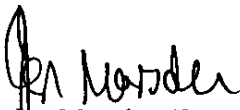
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditors' Report to the Members of Merseyside Special Investment Mezzanine Fund Two Limited**  
**(continued)**

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

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

- adequate accounting records have not been kept, 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.



Ian Marsden (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Liverpool  
16 July 2010

**Merseyside Special Investment Mezzanine Fund Two Limited**  
**Profit and loss account**  
**for the year ended 31 March 2010**

	Notes	2010 £	2009 £
Administrative and investment expenses		-	(29)
<b>Operating loss before interest</b>		<u>-</u>	<u>(29)</u>
Interest receivable		-	210,560
<b>Profit on ordinary activities before taxation</b>	2	<u>-</u>	<u>210,531</u>
Tax on profit on ordinary activities	3	-	-
<b>Profit for the financial year</b>		<u><u>-</u></u>	<u><u>210,531</u></u>

All operations are continuing

There is no material 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 2010**

**Registered Number**  
**4257322**

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Investments	6	-	-
<b>Current assets</b>			
Debtors		227,838	227,838
Cash at bank and in hand		210	210
<b>Creditors: amounts falling due within one year</b>		-	-
<b>Net current assets</b>		228,048	228,048
<b>Total assets less current liabilities</b>		<u>228,048</u>	<u>228,048</u>
<b>Creditors: amounts falling due after more than one year</b>	7	(200)	(200)
<b>Net assets</b>		<u>227,848</u>	<u>227,848</u>
<b>Financed by:</b>			
Share capital	8	2	2
Reserves	9	227,846	227,846
<b>Equity shareholders' funds</b>	10	<u>227,848</u>	<u>227,848</u>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 16 July 2010 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 2010**

**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 2006 and applicable Accounting Standards in the United Kingdom

**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

**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

**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 Any remuneration was paid by Merseyside Special Investment Fund Limited (parent company)  
Audit fees of £530 (2009 £530) 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 2010**  
**(continued)**

<b>2 Profit on ordinary activities before taxation</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>

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

Change in provision for impairment of investments (note 6)	-	-
Release of capital grants (note 6)	-	-

Income arises in the United Kingdom

**3 Tax on profit on ordinary activities**

<b>3a Tax - ordinary activities</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>

UK corporation tax at 28%	-	-
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**3b Factors affecting tax charge for year**

The tax assessed for the period is the same as (2009 lower) than the standard rate of corporation tax in the UK of 28%. The differences are explained below

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	-	210,531
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28%	-	58,949
<i>Effects of</i>		
Group relief not paid		(58,949)
Current tax charge for the period (note 3(a))	-	-

**Factors affecting the future tax charge**

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

**4 Dividends**

Interim dividends of £Nil have been paid (2009 £403,520). The directors recommend no final dividend (2009 £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 2010**  
**(continued)**

**6 Fixed asset investments**

	<b>Investments</b>	<b>Capital grants</b>
	<b>£</b>	<b>recognised</b>
		<b>£</b>
<b>Cost</b>		
At 1 April 2009 and 31 March 2010	<u>9,000,000</u>	<u>(9,000,000)</u>
<b>Amounts written off/released</b>		
At 1 April 2009 and 31 March 2010	<u>(9,000,000)</u>	<u>9,000,000</u>
<b>Net book value</b>		
At 1 April 2009 and 31 March 2010	<u>-</u>	<u>-</u>

<b>Name of undertaking</b>	<b>Principal activity</b>	<b>Description of investment</b>	<b>Proportion of interest in the capital of the partnership</b>
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 2010 of the above undertaking will be appended to these accounts when submitted to the Registrar of Companies.

<b>7 Creditors : amounts falling due after more than one year</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Other creditors	<u>200</u>	<u>200</u>

**Merseyside Special Investment Mezzanine Fund Two Limited**  
**Notes to the financial statements**  
**for the year ended 31 March 2010**  
**(continued)**

<b>8 Share capital</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Issued , called up and fully paid</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>
<b>9 Reserves</b>		<b>Profit and</b>
		<b>loss account</b>
		<b>£</b>
At 1 April 2009		227,846
Profit for the financial year		-
At 31 March 2010		<u>227,846</u>
<b>10 Reconciliation of movement in equity shareholders' funds</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Opening Equity shareholders' funds	227,848	420,837
Profit for the financial year	-	210,531
Dividends paid	-	(403,520)
<b>Closing Equity shareholders' funds</b>	<u>227,848</u>	<u>227,848</u>

**11 Capital commitments**

The Company had no capital commitments at the year end (2009 £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