

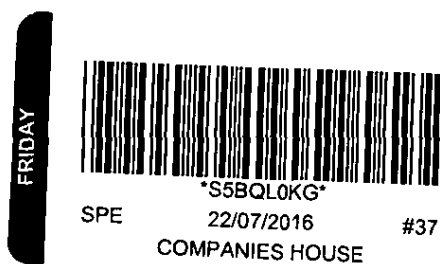


Merseyside Special Investment Fund Limited

Annual report and consolidated financial statements

Registered No. 02981031

for the year ended 31 March 2016



Merseyside Special Investment Fund Limited
Annual report and consolidated financial statements
Registered No. 02981031
31 March 2016

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31 March 2016

Company Information

Directors

Mr R Swanson
Mr B McCann
Mr A Rigby
Mrs L Greenhalgh
Mr M Basnett

Secretary

Mrs L Greenhalgh

Independent Auditors

KPMG LLP
Chartered Accountants and Statutory Auditors
8 Princes Parade
Liverpool
L3 1QH

Principal Bankers

Natwest Bank
22 Castle Street
Liverpool
L2 0UP

Solicitors

Davis Wallis Foyster
5 Castle Street
Liverpool
L2 4XE

Registered Office

2nd Floor
Exchange Court
1 Dale Street
Liverpool
L2 2PP

Merseyside Special Investment Fund ("MSIF") primary business remains lending and investing to SME's in the Liverpool City Region where there is market failure Whilst at the same time maintaining its own sustainable fund available to SME's across the North West This strategy will result in MSIF continuing to be a sustainable long term stimulator of growth for the Region

2015/16 has been a very good year for realisations and a reasonable year for money out with 97 businesses assisted during the year with funding of £5.6m

Realisation of investments and repayments of loans for both managed and MSIF's own investments totalled £11m, significantly higher than any other year since 2011

Whilst realisation of investments at a profit is always something Private Equity houses are happy to talk about it must be remembered that the good investments have to pay for the bad ones and it is difficult to make good investments at the same time as you are realising investments at a good price!

Other achievements in 2015/16 include -

- renewal of our contract with the Start Up Loan Company, since its inception in January 2013 MSIF has helped to finance the start of 257 businesses
- MSIF was awarded £5m of funding from the Regional Growth Fund 6 for support of capital expenditure for high growth companies This Fund started providing support in the autumn of 2015 and will continue until May 2017

I am pleased to note that the Banks are now providing a more normal banking relationship with their customers which has reduced the market failure risk and hence the scope for MSIF lending and investment However MSIF remains market leader in the Liverpool City Region for the provision of alternative sources of finance in the range £2k to £2m+

MSIF remains vigilant as to any new Funds or Finance available throughout the North West and wherever these funds align with our core strategy then we are happy to bid to manage them

Our team continues to evolve and are all well known in the local business and professional community Our added value to SME's in providing initial and ongoing advice combined with speed of response for requests for funding continues to be our differentiating feature

I take this opportunity to thank all the team for their efforts during the year



Andy Rigby
Chairman
Merseyside Special Investment Fund

Director's report

The directors present their report and audited financial statements of the Group and the Company for the year ended 31 March 2016

MSIF is a company limited by guarantee and was established in 1994 by the Bank of England, Liverpool Chamber of Commerce and representatives of the local community including Local Authorities, Training and Enterprise Councils, Business Links and Higher Education Authorities (MSIF Partners Limited) who act as guarantors. At the end of the 2007 Financial Year, The Liverpool LEP (previously The Mersey Partnership) replaced the Bank of England as guarantor.

Principal activities

The Company and Group's principal activity is to facilitate the investment of venture and loan capital investment funds in small and medium sized enterprises (SMEs) and provide support and monitoring of those investments, thereby assisting to regenerate business in the region. The Company and Group is supported and part-financed in this project by European Regional Development Funding via the European Community's Objective 1 Programme administered by the Government Office for the North West.

Business review

MSIF has now completed its twenty-first year, and currently has six active funds. Further commentary on the business is referred to in the Chairman's statement on page 2 of this report.

Financial results

The Group made a profit in the year of £4,598,003 (2015 restated £199,955 loss)

At 31 March 2016 the amount available for future investment on behalf of Merseyside Special Investment Fund Ltd was £25,294,791 (2015 restated £22,291,701)

No dividends have been recommended to be paid during the year (2015 £Nil)

Future outlook

The fully invested Seed, Equity and Loan funds (the "funds") which finished investing on 31 December 2008 continue to be managed through to full repayment of loans and realisation of equity investments. MSIF continues to receive distributions from these funds which increase the value of its Merseyside Loan & Equity Fund which is available for investment in SMEs in Merseyside.

These funds are managed by Alliance Fund Managers Limited, the fund manager subsidiary of MSIF, who fully invested the Small Loans for Business fund by 31 March 2013, and now continues to reinvest the legacy returns.

MSIF continues to invest the Start Up Loans programme within Merseyside and the surrounding areas. The fund is aimed people who are within their first 24 months of trading.

Director's report
(continued)

Future outlook (continued)

From October 2013, MSIF was awarded monies from the Regional Growth Fund to invest in companies in Merseyside and the surrounding areas. This fund completed investing in June 2016.

In October 2014 MSIF entered into a partnership to deliver the Micro Loan Fund on behalf of North West Fund. Within that partnership MSIF is targeted with providing loans within the Merseyside area. This fund completed investing in June 2016.

Risks and uncertainties

The directors believe that whilst there is inherent risk of non-recovery in providing loan and equity funds, that risk affects MSIF's ability to reinvest its returns. MSIF's portfolio is managed so as to minimise the risk to it and believe that income will be received as planned.

MSIF is currently looking at how to invest its legacy funds to deliver optimum success for SMEs in the region.

Key Performance Indicators

The key performance indicators measured by MSIF Limited are the number and value of investments made within the loan and equity funds, number of jobs created and the number of jobs preserved.

The investment statistics can be found within the Chairman's statement on page 2 of this report, and to date Merseyside Special Investment Fund Limited has created and preserved over 14,000 jobs.

Directors

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

Mr R Swainson
Mr T Atherton - Resigned 20 July 2015
Mr B McCann
Mr A Rigby
Mrs L Greenhalgh
Mr M Basnett

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

Disclosure of information to auditor

The directors who held office 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 auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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Director's report
(continued)

Auditor

During the year, KPMG LLP were appointed as auditors and pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



L Greenhalgh
Director

2nd Floor Exchange Court
1 Dale Street
Liverpool
L2 2PP
21 July 2016

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

The directors are responsible for preparing the Annual Report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 their profit or loss 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,
- 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



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

We have audited the financial statements of Merseyside Special Investment Fund Limited for the year ended 31 March 2016 set out on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK 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 31 March 2016 is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic report.



Hywel Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
21 July 2016

Merseyside Special Investment Fund Limited
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Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2016

	Notes	2016 £	2015 £ *restated
Turnover			
Fee and other income		1,064,601	796,458
Investment income	2	65,856	65,520
		<hr/>	<hr/>
		1,130,457	861,978
Administrative expenses		(1,187,372)	(1,149,404)
Release from bad debt provision		4,182,450	-
		<hr/>	<hr/>
Operating profit/(loss) before interest	3	4,125,535	(287,426)
Interest receivable and similar income	5	213,225	85,009
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	6	4,338,760	(202,417)
Tax on profit/(loss) on ordinary activities	6 (a)	259,243	2,462
		<hr/>	<hr/>
Profit/(loss) for the financial year		<u>4,598,003</u>	<u>(199,955)</u>

*The restatement impacting the prior period is detailed further in Notes 21 and 22.

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

The Company has no other recognised income other than those included in the results above and therefore no separate Other Comprehensive Income statement has been presented

The accounting policies and notes on pages 12 to 24 form part of these financial statements

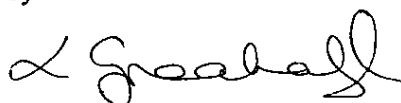
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Consolidated and Company Balance Sheet
as at 31 March 2016

	Notes	Group 2016 £	2015 £ *restated	Company 2016 £	2015 £ *restated
Fixed assets					
Tangible assets	7	32,242	34,407	16,710	22,281
Financial assets	8 (a)	9,602,645	9,782,544	1,011,578	807,411
Investments	8 (c)	-	-	296,529	296,529
		<u>9,634,887</u>	<u>9,816,951</u>	<u>1,324,817</u>	<u>1,126,221</u>
Current assets					
Debtors amounts falling due within one year	9	113,049	142,245	7,688,674	8,525,970
Cash at bank and in hand		<u>29,484,170</u>	<u>23,614,757</u>	<u>22,691,556</u>	<u>18,599,502</u>
		<u>29,597,219</u>	<u>23,757,002</u>	<u>30,380,230</u>	<u>27,125,472</u>
Creditors amounts falling due within one year	11	<u>(27,174,703)</u>	<u>(23,642,014)</u>	<u>(22,408,055)</u>	<u>(20,897,093)</u>
Net current (liabilities)/assets		<u>2,422,516</u>	<u>114,988</u>	<u>7,972,175</u>	<u>6,228,379</u>
Total assets less current liabilities		<u>12,057,403</u>	<u>9,931,939</u>	<u>9,296,992</u>	<u>7,354,600</u>
Creditors: amounts falling due after one year	12	<u>(942,353)</u>	<u>(880,000)</u>	<u>-</u>	<u>-</u>
Provisions for liabilities	14	<u>(2,275,648)</u>	<u>(4,810,540)</u>	<u>2,619,997</u>	<u>(4,551,297)</u>
Net assets		<u><u>8,839,402</u></u>	<u><u>4,241,399</u></u>	<u><u>11,916,989</u></u>	<u><u>2,803,303</u></u>
Reserves					
Profit and loss		<u><u>8,839,402</u></u>	<u><u>4,241,399</u></u>	<u><u>7,021,344</u></u>	<u><u>2,803,303</u></u>

*The restatement impacting the prior period is detailed further in Notes 21 and 22

These financial statements were approved by the board of directors on 21 July 2016 and were signed on its behalf by



L Greenhalgh
Director

Merseyside Special Investment Fund Limited
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Consolidated and Company Statement of Changes in Equity

	Group Profit and loss account £	Company Profit and loss account £
Balance at 1 April 2014, as restated*	4,441,354	2,890,564
Total comprehensive income for the period		
Loss for the period, as restated*	(199,955)	(87,261)
	<hr/>	<hr/>
Balance at 31 March 2015, as restated*	<u>4,241,399</u>	<u>2,803,303</u>
	Profit and loss £	Profit and loss £
Balance at 1 April 2015, as restated*	4,241,399	2,803,303
Total comprehensive income for the period		
Profit for the period	4,598,003	4,218,041
	<hr/>	<hr/>
Balance at 31 March 2016	<u>8,839,402</u>	<u>7,021,344</u>

*The restatement impacting the prior period is detailed further in Notes 21 and 22

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Consolidated Cashflow Statement
for the year ended 31 March

	Note:	2016 £	2015 £
Net cash inflow from operating activities before interest	18	6,092,248	4,632,150
Interest received		<u>213,225</u>	<u>85,009</u>
Net cash inflow from operating activities		<u>6,305,473</u>	<u>4,717,159</u>
Capital expenditure and financial investment			
Loan and Equity investments made		(3,648,083)	(6,910,703)
Fixed assets acquired		(7,372)	(2,378)
Loan repayments received		<u>3,157,042</u>	<u>2,224,239</u>
		<u>(498,413)</u>	<u>(4,688,842)</u>
Net cash inflow/(outflow) before financing		5,807,060	28,317
Financing			
Loans received		470,000	477,500
Loans repaid		<u>(407,647)</u>	<u>-</u>
Increase in cash in year		5,869,413	505,817
Cash and cash equivalents at 1 April		23,614,757	23,108,940
Cash and cash equivalents at 31 March	10	<u>29,484,170</u>	<u>23,614,757</u>

Notes to the financial statements

1 Accounting policies

Merseyside Special Investment Fund Limited (the "Company") is a company limited by guarantee and incorporated and domiciled in the UK

1.1 Basis of preparation

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the company has made no measurement and recognition adjustments. The Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 21.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The Company has changed its accounting policy in respect of movement in provisions and returns on investments. This is detailed further in notes 21 and 22.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis, except for equity investments which are measured at fair value.

1.3 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The group has significant investment reserves which it will continue to invest, thus it continues to adopt the going concern basis in preparing the annual financial statements.

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.5 Basic 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 transaction 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. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

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.

Notes to the financial statements
(continued)

15 Basic financial instruments (continued)

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, an entity estimates the fair value 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.

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

Loan investments

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 changes recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

16 Other financial instruments

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.

17 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a reducing balance basis at the following rate:

- fixtures and fittings 25% per year

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

18 Government grants

Amounts received from government agencies by the Company have been invested in Merseyside enterprises through a number of limited partnerships and limited liability partnerships. Due to the nature of the investments made through the partnerships, the amounts invested are fully provided for, and the corresponding creditor to the government agencies 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. An investment reserve is then created which is included in other creditors. This balance represents amounts that must be either reinvested in Merseyside enterprise, or are due back to the government agencies who initially provided the funding.

**Notes to the financial statements
(continued)**

1 9 *Impairment excluding deferred tax assets*

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.

1 10 *Provisions*

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.11 *Turnover*

Fees and other income

Fees and other income represents principally fund management, investment arrangement and monitoring fees. Income is recognised as it accrues.

Investment income

Investment income represents loan interest receivable on fixed asset investments. Income is recognised as it accrues.

1 12 *Expenses*

Operating lease

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 received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

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.

1.13 *Employee Benefits*

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1 14 *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements
(continued)

1 14 Taxation (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met, and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1 15 Audit exemption for subsidiaries

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

a that for the year ended 31 March 2016 the company was entitled to the exemption from a statutory audit under section 479a of the Companies Act 2006 relating to small companies, and

b that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

The directors acknowledge their responsibilities for:

a ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and

b preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 March 2016 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company.

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

AFM Merseyside Mezzanine Limited (04274232), AFM Merseyside Ventures Limited (04274737), AFM Small Firms Fund Limited (04275276), Alliance Fund Managers Nominees Limited (04277713), AFM R101 Ventures Limited (04274723), AFM Seed Fund Limited (05303817), BCE Fund Managers (Merseyside) Limited (03147091), Liverpool Ventures Limited (04894769), LVL Seed Fund Limited (05303818), Merseyside Special Investment Mezzanine Fund Two Limited (04257322), MSIF Seed Fund Limited (05303819), Merseyside Special Investment Venture Two Limited (04257309), Merseyside Special Investment Venture Fund Limited (03104077), Merseyside Special Investment (Small Firms) Fund Two Limited (04257331), AFM NWF General Partner LLP (OC392158)

2 Turnover

	2016	2015
	£	*Restated £
Income from loan investments	65,856	65,520
	<u>65,856</u>	<u>65,520</u>

3 Staff costs

	2016	2015
	£	£
Wages and salaries	521,091	491,415
Social security costs	49,365	42,987
	<u>570,456</u>	<u>534,402</u>

The monthly average number of employees during the year was

	2016	2015
Finance and administration	6	5
Fund management	7	7
	<u>13</u>	<u>12</u>

The company operates two defined contribution pension schemes

**Notes to the financial statements
(continued)**

4	Directors' remuneration	2016	2015
		£	£
	Aggregated emoluments	101,736	101,780
	Sums paid to third parties for directors' services	60,000	70,000
		<u>161,736</u>	<u>171,780</u>

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

5	Interest receivable and similar income	2016	2015
		£	£
	Bank	97,697	85,009
	Partner company	115,528	-
		<u>213,225</u>	<u>85,009</u>

6	Profit/(loss) on ordinary activities before taxation	2016	2015
		£	£
	Profit/(loss) on ordinary activities before taxation is stated after charging		
	Depreciation of tangible fixed assets	9,537	11,370
	Auditors' remuneration for		
	Audit fees		
	Fees payable to the company auditors for the audit of the parent company and consolidated financial statements	19,500	18,000
	Fees payable to the company's auditors and its associates for other services		
	- The audit of the company's subsidiaries pursuant to legislation	10,341	10,500
	- Other services pursuant to legislation	-	3,000
	- Tax Services	29,400	29,000
	- Other	10,000	-
	Operating lease cost-land and buildings	<u>37,265</u>	<u>40,386</u>

6 (a)	Tax on loss on ordinary activities	2016	2015
		£	£
	UK Corporation tax at 20% (2015 21%)	-	-
	Deferred tax	(259,243)	(2,462)
		<u>(259,243)</u>	<u>(2,462)</u>

The tax credit for the year is different to the standard rate of corporation tax in the UK 20% (21% 2015) as explained below

6 (b)	Factors affecting tax charge for year	2015	2014
		£	£
	Profit/(loss) for the year	4,598,003	(199,955)
	Total tax credit	(259,243)	(2,462)
		<u>4,338,760</u>	<u>(202,417)</u>
	Profit/(loss) on ordinary activities before tax		
	Profit/(loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 20% (2015 21%)	867,752	(42,508)
	Effects of		
	Income/expenses not chargeable for tax purposes	16,033	37,000
	Capital gain allocated from partnership	-	-
	Profits/(losses) allocated from partnership	1,193,005	-
	Group relief not paid	13,053	-
	Adjustment to tax charge in respect of prior periods	(792,199)	-
	Deferred tax not recognised	(1,556,887)	3,046
	Total tax credit for the year (note 6(a))	<u>(259,243)</u>	<u>(2,462)</u>

Notes to the financial statements
(continued)

6 (c) Deferred tax	2016	2015
	£	£
Excess of depreciation over tax allowances	-	-
Origination and reversal of timing differences	-	792,199
Adjustments in respect of previous periods	-	-
Losses	-	(532,956)
	<u>-</u>	<u>259,243</u>
Provision at start of year	259,240	261,702
Deferred tax charge in profit and loss account	(259,240)	(2,462)
Provision at end of year	<u>-</u>	<u>259,240</u>

The Group has net of other timing differences, losses available to be carried forward for tax purposes of approximately £4.8 million (2015 £5.9 million) (company £0.7 million (2015 £0.9 million)) at 31 March 2016, which have yet to be agreed with the HMRC

Factors that may future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016.

7 Tangible fixed assets	Group	Company
		£
Cost		
At 1 April 2015	203,891	54,601
Additions during the year	7,372	-
At 31 March 2016	<u>211,263</u>	<u>54,601</u>
Accumulated depreciation		
At 1 April 2015	169,484	32,320
Provided during year	9,537	5,571
At 31 March 2016	<u>179,021</u>	<u>37,891</u>
Net book value at 31 March 2016	<u>32,242</u>	<u>16,710</u>
Net book value at 31 March 2015	<u>34,407</u>	<u>22,281</u>

8 Fixed asset investments

8 (a) Group financial assets

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

	Loan investment
	£
Cost	
At 1 April 2015	1,076,548
Additions in year	532,068
Amounts written off in year	(36,586)
Repayments	(223,259)
At 31 March 2016	<u>1,348,771</u>
Net amounts provided in year	
At 1 April 2015	269,137
Movement in provision for the year	68,056
At 31 March 2016	<u>337,193</u>
Net book value at 31 March 2016	<u>1,011,578</u>
Net book value at 31 March 2015	<u>807,411</u>

Notes to the financial statements
(continued)

8 (a) Group financial assets (continued)

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

	Loan investment £
Cost	
At 1 April 2015	2,264,906
Additions in year	-
Written off in the year	(196,382)
Repayments	(502,366)
At 31 March 2016	<u>1,566,158</u>
Net amounts provided in year	
At 1 April 2015	1,146,147
Movement in provision for the year	(172,546)
At 31 March 2016	<u>973,601</u>
Net book value at 31 March 2016	<u>592,557</u>
Net book value at 31 March 2015	<u>1,118,759</u>

Loan investments made by Small Business Loans Limited

	Loan investment £
Cost	
At 1 April 2015	1,515,090
Additions in year	876,705
Written off in the year	(104,973)
Repayments	(440,960)
At 31 March 2016	<u>1,845,862</u>
Net amounts provided in year	
At 1 April 2015	408,750
Movement in provision for the year	114,204
At 31 March 2016	<u>522,954</u>
Net book value at 31 March 2016	<u>1,322,908</u>
Net book value at 31 March 2015	<u>1,106,340</u>

Loan investments made by North West Transitional Loan Investment Fund LLP

	Loan investment £
Cost	
At 1 April 2015	1,954,616
Additions in year	180,000
Loan repayments	(147,756)
Written off in year	(94,637)
At 31 March 2016	<u>1,892,223</u>
Net amounts provided in year	
At 1 April 2015	1,279,681
Movement in provision for the year	(76,347)
At 31 March 2016	<u>1,203,334</u>
Net book value at 31 March 2016	<u>688,889</u>
Net book value at 31 March 2015	<u>674,935</u>

Notes to the financial statements
(continued)

8 (a) Group financial assets (continued)

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

	Equity	Non Equity	Loan & Equity Investment
	£	£	£
Cost or valuation			
At 1 April 2015	562,966	8,185,062	8,748,028
Amounts invested in year	8,466	2,050,844	2,059,310
Loans novated in year		973,897	973,897
Movement in fair value	735,033	-	735,033
Repayments	-	(1,842,701)	(1,842,701)
Written off in year	-	(1,847)	(1,847)
At 31 March 2016	<u>1,306,465</u>	<u>9,365,255</u>	<u>10,671,720</u>
Net amounts provided for			
At 1 April 2015	-	2,672,929	2,672,929
Provision for loans novated	-	973,897	973,897
Movement in provision for the year	-	1,038,181	1,038,181
At 31 March 2016	<u>-</u>	<u>4,685,007</u>	<u>4,685,007</u>
Net book value at 31 March 2016	<u>1,306,465</u>	<u>4,680,248</u>	<u>5,986,713</u>
Net book value at 31 March 2015	562,966	5,512,133	6,075,099

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

	Investments	Capital grants recognised
	£	£
Cost		
At 1 April 2015	42,817,225	(42,817,225)
Movement in year	(2,369,410)	2,369,410
At 31 March 2016	<u>40,447,815</u>	<u>(40,447,815)</u>
Amounts written off/released		
At 1 April 2015	(42,817,225)	42,817,225
Movement in year	2,369,410	(2,369,410)
At 31 March 2016	<u>(40,447,815)</u>	<u>40,447,815</u>
Net book value at 31 March 2015 and 31 March 2016	<u>-</u>	<u>-</u>

8 (c) Investments in subsidiary undertakings

Company	£
At 1 April 2015	296,529
At 31 March 2016	<u>296,529</u>

As at the year-end the company holds the entire share capital of the following principal subsidiaries, all of which have a year-end of 31 March. All subsidiaries are registered in England

8 (c) Investments in subsidiary undertakings (continued)

Name of undertaking	Principal activity
Companies.	
Merseyside Special Investment Venture Fund Limited	Investment Company
Merseyside Special Investment Venture Fund Two Limited	Investment Company
Merseyside Special Investment (Small Firms) Fund Two Limited	Investment Company
Merseyside Special Investment Mezzanine Fund Two Limited	Investment Company
Merseyside Small Loans for Business Investment Fund Limited	Investment Company
MSIF Seed Fund Limited	Investment Company
Merseyside Loan & Equity Fund LLP	Investment Company
Small Business Loans Limited	Investment Company
North West Transitional Loan Investment Fund LLP	Investment Company
Alliance Fund Managers Limited	Management Company

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

The directors believe that the carrying value of the investments is supported by their underlying net assets

Notes to the financial statements
(continued)

9	Debtors	Group		Company	
		2016	2015	2016	2015
		£	£	£	£
	Amounts falling due within one year				
	Other debtors	21,683	56,575	6,972	10,920
	Amounts owed by group undertakings	-	-	7,650,172	8,489,253
	Other taxation and social security	37,491	29,905	-	-
	Prepayments and accrued income	53,875	55,765	31,530	25,797
		<u>113,049</u>	<u>142,245</u>	<u>7,688,674</u>	<u>8,525,970</u>

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

10	Cash and cash equivalents/bank overdrafts	2016	2015
		£	£
	Cash at bank and in hand	<u>29,484,170</u>	<u>23,614,757</u>
	Cash and cash equivalents per cash flow statements	<u>29,484,170</u>	<u>23,614,757</u>

11	Creditors amounts falling due within one year	Group		Company	
		2016	2015	2016	2015
		£	£	£	£
	Trade creditors	27,591	16,619	16,619	14,035
	Amounts owed to group undertakings	-	-	5,380	479,752
	Taxation and social security	56,304	96,540	56,304	79,986
	Other creditors	26,922,711	23,247,102	22,254,068	20,256,727
	Accruals and deferred income	168,097	281,753	75,684	66,593
		<u>27,174,703</u>	<u>23,642,014</u>	<u>22,408,055</u>	<u>20,897,093</u>

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

Other creditors include amounts totalling £25,294,791 (2015 £22,291,701) that Merseyside Special Investment Fund Limited is obliged to invest in future Merseyside enterprise. Of this £1,044,113 (2015 restated £2,967,176) has been released in the year to reflect investments previously made but subsequently written off and provisions for doubtful debts

12	Creditors: amounts falling due after more than one year	Group		Company	
		2016	2015	2016	2015
		£	£	£	£
	Bank loans repayable within five years	<u>942,353</u>	<u>880,000</u>	<u>-</u>	<u>-</u>
		<u>942,353</u>	<u>880,000</u>	<u>-</u>	<u>-</u>

At 31 March 2016 the bank loans represents borrowings under drawdown loan facilities of £450,000 entered into on 10 July 2013, £530,000 entered into on 31 July 2014 and £370,000 entered into on 10 June 2015 for a period of 4 years

Interest is charged at the Bank of England rate plus 3.5% on the agreement entered into on 10 July 2013, at the Bank of England rate plus 4% on the agreement entered into on 31 July 2014 and at the Bank of England rate plus 4% on the agreement entered into on 10 June 2015

13 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent company's interest-bearing loans and borrowings, which are measured at amortised cost

	2016	2015
	£	£
Creditors falling due after more than one year		
Bank Loans	<u>942,352</u>	<u>880,000</u>
	<u>942,352</u>	<u>880,000</u>

Notes to the financial statements
(continued)

13 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

Group	Currency	Nominal Interest Rate	Year of maturity	2016 £	2015 £
Unity year 1	GBP	3.5%	2017	104,117	225,000
Unity year 2	GBP	4.0%	2018	365,013	430,000
Unity year 3	GBP	4.0%	2019	369,105	-
Co Operative Bank	GBP	3.5%	2017	104,117	225,000
				<u>942,352</u>	<u>880,000</u>

14 Provisions for liabilities

Deferred tax assets have not been carried forward, as recovery in future years is not considered to be probable. The amount of deferred tax provided and not recognised comprises

Group	Deferred Tax Provided		Deferred tax not recognised	
	2016 £	2015 £	2016 £	2015 £
At start of year	259,243	261,705	(4,099,756)	(5,553,417)
Excess of depreciation over tax allowance	-	-	(5,815)	(6,922)
Other timing differences	-	-	-	1,935,736
Profit and loss account movement in year	(259,243)	(2,462)	(790,074)	(475,153)
At end of year	<u>-</u>	<u>259,243</u>	<u>(4,895,645)</u>	<u>(4,099,756)</u>

Other provisions	Group and Company 2016 £	Group and Company 2015 £
	2016	2015
At start of year	4,551,297	-
Provided in year	-	4,551,297
Paid in the year	(2,275,649)	-
At end of year	<u>2,275,648</u>	<u>4,551,297</u>

There is a liability to repay some of the funds returned from the company's investments to one of its original investors. The group intends to settle this and has provided for the balance in full.

Analysis of total provision	2016 £	2015 £
Current	-	2,275,649
Non Current	<u>2,275,648</u>	<u>2,275,648</u>
	<u>2,275,648</u>	<u>4,551,297</u>

15 Called up share capital

The company does not have share capital and is limited by guarantee. The liability of the members is limited to a minimum of £1 and a maximum of £100 each. At 31 March 2016 the company had 3 members (2015: 3).

16 Operating lease commitments

At 31 March 2016 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2016 £	Land and buildings 2015 £
Expiring		
Within one year	34,935	32,634
Between one and two years	13,335	34,965
Between two and three years	<u>-</u>	<u>13,335</u>

**Notes to the financial statements
(continued)**

17 Contingent liabilities

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

At 31 March 2016, £1,534,542 (2015 £1,534,542) had been repaid to MPF, leaving the partnership capital account at £463,458 (2015 £463,458). This means that the maximum potential liability to the group is £231,729 (2015 £231,729).

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

	2016	2015
	£	£
Profit for the year	4,598,003	(199,955)
Depreciation	9,537	11,370
Loans written off	96,484	65,000
Increase in provisions against fixed assets	168,459	2,608,903
Interest receivable and similar income	(213,225)	(85,009)
Taxation	(259,243)	(2,462)
	<u>4,400,015</u>	<u>2,397,847</u>
Increase in debtors under 1 year	29,196	99,864
Increase/(Decrease) in creditors	3,938,686	(2,416,858)
Increase in provision for liabilities	(2,275,649)	4,551,297
Net cash inflow from operating activities	<u>6,092,248</u>	<u>4,632,150</u>

19 Capital commitments

The Group had capital commitments of £1,559,667 (2015 £268,000).

20 Related party transactions

The emoluments of certain directors were paid to third parties (see note 4).

The Group has taken advantage of the exemption available under Section 33 of FRS 102 to not disclose transactions with other companies in the group headed by Merseyside Special Investment Fund Ltd.

Transactions with limited partnerships of the group are not considered to be related party transactions, as Merseyside Special Investment Fund Limited does not gain any economic benefits from these vehicles, as any return on these investments must be reinvested.

Notes
(continued)

21 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1 these are the Group and Company's first financial statements prepared in accordance with FRS 102

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015

In preparing its FRS 102 balance sheet the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables

Group reconciliation of equity

	UK GAAP	1 April 2014 Effect of transition to FRS 102	Effect of change in accounting policy	FRS 102	UK GAAP	31 March 2015 Effect of transition to FRS 102	Effect of change in accounting policy	FRS 102
	£	£	£	£	£	£	£	£
Fixed assets								
Tangible assets	43,399	-	-	43,399	34,407	-	-	34,407
Financial assets	7,250,983	751,984	-	8,002,967	9,961,276	(178,732)	-	9,782,544
	<u>7,294,382</u>	<u>751,984</u>	<u>-</u>	<u>8,046,366</u>	<u>9,995,683</u>	<u>(178,732)</u>	<u>-</u>	<u>9,816,951</u>
Current assets								
Debtors	242,109	-	-	242,109	142,245	-	-	142,245
Cash at bank and in hand	23,108,940	-	-	23,108,940	23,614,757	-	-	23,614,757
	<u>23,351,049</u>	<u>-</u>	<u>-</u>	<u>23,351,049</u>	<u>23,757,002</u>	<u>-</u>	<u>-</u>	<u>23,757,002</u>
Creditors amounts due within one year	<u>28,605,544</u>	<u>-</u>	<u>(2,313,688)</u>	<u>26,291,856</u>	<u>27,524,648</u>	<u>-</u>	<u>(3,882,634)</u>	<u>23,642,014</u>
Net current liabilities	<u>(5,254,495)</u>	<u>-</u>	<u>2,313,688</u>	<u>(2,940,807)</u>	<u>(3,767,646)</u>	<u>-</u>	<u>3,882,634</u>	<u>114,988</u>
Creditors amounts falling due after more than one year	<u>(402,500)</u>	<u>-</u>	<u>-</u>	<u>(402,500)</u>	<u>(880,000)</u>	<u>-</u>	<u>-</u>	<u>(880,000)</u>
Provisions for liabilities								
Deferred tax liability	(261,705)	-	-	(261,705)	(259,243)	-	-	(259,243)
Other provisions	-	-	-	-	(4,551,297)	-	-	(4,551,297)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets/(liabilities)	<u>1,375,682</u>	<u>751,984</u>	<u>2,313,688</u>	<u>4,441,354</u>	<u>537,497</u>	<u>(178,732)</u>	<u>3,882,634</u>	<u>4,241,399</u>
Capital and reserves								
Accumulated reserves	<u>1,375,682</u>	<u>751,984</u>	<u>2,313,688</u>	<u>4,441,354</u>	<u>537,497</u>	<u>(178,732)</u>	<u>3,882,634</u>	<u>4,241,399</u>

Company reconciliation of equity

	UK GAAP	1 April 2014 Effect of transition to FRS 102	Effect of change in accounting policy	FRS 102	UK GAAP	31 March 2015 Effect of transition to FRS 102	Effect of change in accounting policy	FRS 102
	£	£	£	£	£	£	£	£
Fixed assets								
Tangible assets	29,710	-	-	29,710	22,281	-	-	22,281
Financial assets	672,291	-	-	672,291	1,103,940	-	-	1,103,940
	<u>702,001</u>	<u>-</u>	<u>-</u>	<u>702,001</u>	<u>1,126,221</u>	<u>-</u>	<u>-</u>	<u>1,126,221</u>
Current assets								
Debtors	13,061,952	-	(3,322,550)	9,739,402	14,392,537	-	(5,866,567)	8,525,970
Cash at bank and in hand	18,044,518	-	-	18,044,518	18,599,502	-	-	18,599,502
	<u>31,106,470</u>	<u>-</u>	<u>(3,322,550)</u>	<u>27,783,920</u>	<u>32,992,039</u>	<u>-</u>	<u>(5,866,567)</u>	<u>27,125,472</u>
Creditors amounts due within one year	<u>25,990,538</u>	<u>-</u>	<u>(3,322,550)</u>	<u>22,667,988</u>	<u>26,763,660</u>	<u>-</u>	<u>(5,866,567)</u>	<u>20,897,093</u>
Net current liabilities	<u>5,115,932</u>	<u>-</u>	<u>-</u>	<u>5,115,932</u>	<u>6,228,379</u>	<u>-</u>	<u>-</u>	<u>6,228,379</u>
Creditors amounts falling due after more than one year	<u>(2,927,369)</u>	<u>-</u>	<u>-</u>	<u>(2,927,369)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Provisions for liabilities								
Other provisions	-	-	-	-	(4,551,297)	-	-	(4,551,297)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	<u>2,890,564</u>	<u>-</u>	<u>-</u>	<u>2,890,564</u>	<u>2,803,303</u>	<u>-</u>	<u>-</u>	<u>2,803,303</u>
Capital and reserves								
Accumulated reserves	<u>2,890,564</u>	<u>-</u>	<u>-</u>	<u>2,890,564</u>	<u>537,497</u>	<u>-</u>	<u>-</u>	<u>2,803,303</u>

Notes to the reconciliation of equity

The transition from UK GAAP to FRS 102 has meant that equity investments are now held at their fair value, and bad debt provisions have been made after considering the previous performance of similar funds. See note 22 for further details on the change in accounting policy

Notes
(continued)

21 Explanation of transition to FRS 102 from old UK GAAP (continued)

Reconciliation of loss for the year ended 31 March 2015

	UK GAAP £	Effect of transition to FRS 102 £	Effect of change in accounting policy	FRS 102 £
Turnover				
Fees and other income	351,222	-	445,236	796,458
Investment income	850,819	-	(785,299)	65,520
	1,202,041	-	(340,063)	861,978
Operating costs				
Administrative expenses	(1,050,055)	-	(87,979)	(1,138,034)
Movement in provision for impairment of fixed assets	(1,689,558)	(930,717)	2,608,905	(11,370)
Movement in fair value				
Amounts written off investments	(65,000)	-	65,000	-
Amounts recovered from written off investments	9,436	-	(9,436)	-
Release from investment reserve	691,301	-	(691,301)	-
Operating loss	(901,835)	(930,717)	1,545,126	(287,426)
Other interest receivable and similar income	87,000	-	(1,991)	85,009
Other interest payable and similar charges	(25,812)		25,812	-
Loss on ordinary activities before taxation	(840,647)	(930,717)	1,568,947	(202,417)
Taxation	2,462	-	-	2,462
Loss on ordinary activities before and after taxation	(838,185)	(930,717)	1,568,947	(199,955)

22 Explanation of change in accounting policy

As stated in note 1, the Group has changed its accounting policy in respect of treatment of provisions against loan investments, in order for the financial statements to provide more relevant information about the impact of any potential impairment on the company. Similar profits made on investments which the group is required to reinvest are credited directly to the investment reserve rather than the profit and loss.

Previously, provisions for impairment of loan investments were recognised as a reduction to the profit and loss account, until the point at which they were actually written off, at which point it became certain that instead of impacting the profit and loss account, that the amount should be written off the investment reserve, as applicable. However, the recognition of provisions as a direct reduction to the relevant liability is now deemed to provide a more relevant picture of financial position and performance.

As required by FRS 102 Section 10 Accounting Policies, Estimates and Errors, the company has applied this change retrospectively. The effect of this change on the financial position and performance of the company is set in Note 21 together with the explanation of transition from old UK GAAP to FRS 102.