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Merseyside Special Investment Fund Limited

Annual report and consolidated financial statements

Registered No. 02981031

for the year ended 31 March 2021

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Merseyside Special Investment Fund Limited
Annual report and consolidated financial statements
Registered No. 02981031
31 March 2021

Contents

	Page
Company information	3
Chairman's Statement	4
Directors' report	5
Statement of Directors' responsibilities in respect of the annual report and the financial statements	7
Independent auditor's report to the members of Merseyside Special Investment Fund Limited	8
Consolidated Profit and Loss Account and Other Comprehensive Income	11
Consolidated and Company Balance Sheet	12
<i>Consolidated and Company Statement of Changes in Equity</i>	13
Consolidated Cashflow Statement	14
Notes to the financial statements	15

Merseyside Special Investment Fund Limited
Annual report and consolidated financial statements
Registered No. 02981031
31 March 2021

Company information

Directors

Mr N Ashbridge
Mr M Basnett
Mr J O'Brien
Mrs H Pittaway

Independent Auditor

KPMG LLP
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

Principal Bankers

Natwest Bank
2-8 Church Street
Liverpool
L1 3BG

Registered Office

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

Chairman's Statement
for the year ended 31 March 2021

Merseyside Special Investment Fund's (MSIF's) primary business remains that of lending to and investing in SME's in the Liverpool City Region, whilst at the same time maintaining its own sustainable fund available to SMEs across the North West of England and North Wales. Through our fund manager, we offer a simplified approach to lending and investment, which is personalised to our customers so that their needs are satisfied. At the time of writing this statement the country continues to be impacted by the effects of the Covid-19 pandemic and businesses, particularly SMEs, have shown the strain over the previous 18 months. MSIF's role in supporting such businesses in the LCR at this time, could not be more critical.

In the past year the LCR SME community has had to deal with the challenges of a global pandemic and the somewhat hidden impact of the United Kingdom's exit from the European Union. The former has resulted in a number of these businesses being forced to take on an increased level of debt to manage their way through the challenges of lockdown on access to their customer base and the disruption to their supply chain no doubt compounded by Brexit. MSIF continues to invest its own funds to provide support to our portfolio businesses to grow their way out from under their debt burden, this support remains an essential element to MSIF's strategic objectives.

Following significant changes at Board and executive levels in the previous financial year, the Group continues to be in a transformation period. For the year to 31 March 2021, the Group is beginning to see a positive impact, despite the difficult trading environment. Major successes for the Group include:

- Assisting over 30 businesses with funding of over £4.3 million.
- Realising over £2.7 million from the exit of three investments
- Investing a total of £3.4 million of funding to support the Government backed Coronavirus Business Interruption Loan Scheme (CBILS), utilising the accredited lender status held within the Group.

With a now stable executive team, the fund manager of the Group, Alliance Fund Managers Limited (AFM), has begun to accelerate its turnaround with a pleasing upward trend in a number of its key performance indicators, including:

- Funds under management increasing from £80 million to over £90 million
- Turnover growth of 30%
- Operating loss reduction of 38.5%

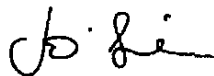
Such stability has enabled MSIF to focus on its wider objectives to not only invest money off its own balance sheet but to facilitate funding from other sources into the Liverpool City Region.

Launched by MSIF in 2017, the Finance Hub is an initiative that aims to provide support and assistance to SME's within the Liverpool City Region in order to make the process of accessing funding easier. In the year to 31 March 2021, the support provided by the Finance Hub has resulted in:

- Assistance being provided to over 488 business
- £1.7 million of funding being secured for 28 businesses looking for investment
- Many of the remaining businesses securing funding with providers including asset finance and invoice discounting.

A further initiative to draw in additional funds and support SME's has been delivered through the LCR Angel Network. With the support of the AFM team, the Network has gone from strength to strength. In the past year, the Network held three events at which SME businesses seeking funding pitched their businesses to a pool of potential Angel investors, who bring a strong skillset and the funds to be able to invest in early stage businesses. We are delighted to have achieved funding from LCR Angels for three SME businesses, one of which resulted in a funding package of over £1 million.

In a year of significant change and challenge to our client base, the Group team have exceeded the expectations of the MSIF Board. A primarily office based team has transitioned well to agile working, learned to use new meeting tools and has drawn upon their vast experience to support our clients in an incredibly challenging business environment. The team's commitment to the Liverpool City Region's SME's has been unwavering, evidenced by the fantastic feedback received from the client base. The Board of MSIF would like to place on record our huge admiration for that commitment and our thanks for your efforts in the last year.



Mr J O'Brien
Chairman
Merseyside Special Investment Fund Limited
30 NOVEMBER 2021

Directors' report

The Directors present their report and audited financial statements of the group and the Company for the year ended 31 March 2021.

Merseyside Special Investment Fund ("MSIF") is a company limited by guarantee and was established in 1994 by the Bank of England, Liverpool Chamber of Commerce and 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 City Region Growth Company (previously The Liverpool LEP and 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 largely financed from its own resources.

Business review

MSIF has been pleased to see the positive progress made by its subsidiary Alliance Fund Managers (AFM) in its turnaround plan in the year and the increasing pace of investment, despite the background of Covid-19 and Brexit. Continued success in the support of funding micro SME's in the Liverpool City Region has once again been achieved by the Finance Hub team, which is commendable.

The LCR Angels Network has had pleasing success in raising funds and more importantly, providing direct hands on support to three businesses, without which the businesses may not be able to make that critical next step in their development.

Financial results

The Group made a profit in the year of £810,562 (2020: Loss £510,552).

At 31 March 2021 the amount available for future investment on behalf of MSIF was £31,185,184 (2020: £24,980,478).

No dividends have been recommended to be paid during the year (2019: £Nil).

Future outlook

AFM will continue to work to its goal of returning its business to profitability, increasing its funds under management and delivering loan and equity investments to SME's.

Since the year-end, MSIF has secured a three year package of funding from the Liverpool City Region Combined Authority (LCRCA) and the Growth Platform, to ensure that the newly renamed LCR Finance Hub can further develop its critical role in supporting the Liverpool City Regions micro SME's.

MSIF has also been working closely with the LCRCA in developing projects around the LCR Angel Network and specifically looking to develop a Seed Fund, which will provide equity investment to early stage SME's. The investment in the Angel Network in partnership with the LCRCA will enable recruitment of an experienced team to increase the number of investor ready businesses, as well as educating and developing the pool of Angels. This will facilitate more investments and create an environment where micro SME's can grow, potentially resulting in successful exits being achieved in the future. The LCR Seed Fund will be launched with a sizeable capital commitment from MSIF and the LCRCA and it is seen as an essential cog in developing the LCR investment ecosystem, championed by the Combined Authority.

Both of the above projects are at an advanced stage in the application process, with targeted launch dates in 2022.

Principal risks and uncertainties

The Directors believe that whilst there is inherent risk of non-recovery in providing loan and equity funds and that risk affects MSIF's ability to reinvest its returns, MSIF's portfolio is managed so as to minimise that risk.

Key Performance Indicators

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

Directors' report
(continued)

Going concern

The Directors have considered the implications of the ongoing global Covid-19 global pandemic and its possible impact on the business. Whilst a short term reduction in new investment opportunities for the MSIF Group has been noted, this has been replaced by the funding requirements from SME's who themselves have been impacted by the pandemic. The investment managers within the Group have discussed the potential implications with our investee companies and where necessary, have made appropriate arrangements to mitigate the risks and support their ongoing sustainability.

The Directors have also noted that whilst there remains uncertainty surrounding Brexit, the Board is satisfied that the executive team have adequately considered the risks in the valuations of investee companies and the Group has adequate resources to continue to operate successfully post Brexit.

Taking into account the events of Covid-19 and Brexit as described above, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. In forming this expectation, the Directors have considered the financial position and performance of the Company during the year, post year-end and for the 12 month period from approval of the financial statements including appropriate sensitivities. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

Subsequent events

There are no events subsequent to the balance sheet date that require disclosure.

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 N Ashbridge
Mr M Bassett
Mr J O'Brien (Chairman)
Mrs H Pittaway

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.

Employees

The contribution and co-operation of every employee are essential, highly valued and hereby acknowledged.

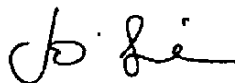
Political contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year.

Auditor

KPMG LLP are deemed to be reappointed as auditors under section 487 of the Companies Act 2006.

By order of the board



J O'Brien
Director

2nd Floor Exchange Court
1 Dale Street
Liverpool
L2 2PP
30 November 2021

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including section 1A of 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 the Group's profit or loss for that period. In preparing each of the Group and parent company 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



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

Opinion

We have audited the financial statements of Merseyside Special Investment Fund Limited ("the Company") for the year ended 31 March 2021 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

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 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with *International Standards on Auditing (UK)* ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

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

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those with descriptions that could indicate fraudulent posting or unusual journal combinations to investments and cash.
- Reperforming management's fair value calculation for a sample of equity investments, vouching key inputs to supporting documentation and assessing whether the valuation method is appropriate. Discussion with the investment managers and investment panel also formed part of this assessment.
- Confirming that the bad debt policy is being applied appropriately and is appropriate. This included obtaining supporting evidence over recoverability, including the impact of COVID-19.



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

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

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

Directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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



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

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

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

A handwritten signature in cursive script, reading 'Carla Kennaugh'.

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

30 November 2021

Merseyside Special Investment Fund Limited
Annual report and consolidated financial statements
Registered No. 02981031
31 March 2021

**Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2021**

	Notes	2021 £	2020 £
Turnover			
Fee and other income	2	2,968,048	1,382,873
Administrative expenses		(1,926,137)	(1,859,397)
Other operating income		3,962	-
Investment loss recoveries		9,799	5,245
Movement in fair value of investments		3,376,811	2,145,000
Movement in provision for investment losses		3,297,658	(205,084)
Amounts written off investments		(1,173,632)	(1,606,673)
Amounts attributable to RGF		(35,734)	29,354
Operating profit/(loss)		6,520,775	(108,682)
Interest receivable and similar income	5	78,627	155,807
Interest payable and similar expenses		(6,371)	(7,110)
Movement in fair value of fixed asset investment		597,269	(227,075)
Profit/(loss) before taxation		7,190,301	(187,060)
Tax on profit/(loss)	7 (a)	-	11,307
Profit/(loss) for the financial year		7,190,301	(175,753)
Transfer to Investment reserve		(6,255,126)	(348,292)
Profit/(loss) after transfers to reserves		935,175	(524,045)
Profit/(loss) attributable to Non Controlling Interests		175,032	(13,493)
Profit/(loss) after transfers to reserves and Non Controlling Interests		760,143	(510,552)

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

The Group 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 15 to 24 form part of these financial statements.

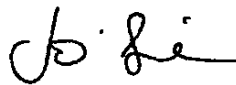
Merseyside Special Investment Fund Limited
Annual report and consolidated financial statements
Registered No. 02981031
31 March 2021

Consolidated and Company Balance Sheet
as at 31 March 2021

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Fixed assets					
Tangible assets	8	20,217	6,939	1,122	3,708
Financial assets	9 (a)	9,444,843	5,295,471	-	-
Investments	9 (c)	10,886,791	10,242,293	11,183,320	10,538,822
		<u>20,351,851</u>	<u>15,544,703</u>	<u>11,184,442</u>	<u>10,542,530</u>
Current assets					
Investment loans (including £3,202,026 (2020: £2,196,656) due in more than one year)	9 (a)	5,418,072	4,704,011	-	-
Debtors amounts falling due within one year	10	460,589	170,945	6,688,556	3,475,646
Cash and cash equivalents	11	19,444,739	18,488,621	11,294,395	13,611,473
		<u>25,323,400</u>	<u>23,363,577</u>	<u>17,982,951</u>	<u>17,087,119</u>
Creditors: amounts falling due within one year	12	<u>(33,973,947)</u>	<u>(27,298,151)</u>	<u>(21,837,527)</u>	<u>(19,866,999)</u>
Net current liabilities		<u>(8,650,547)</u>	<u>(3,934,574)</u>	<u>(3,854,576)</u>	<u>(2,779,880)</u>
Total assets less current liabilities		<u>11,701,304</u>	<u>11,610,129</u>	<u>7,329,866</u>	<u>7,762,650</u>
Creditors: amounts falling due after one year	13	<u>(850,648)</u>	<u>(1,694,648)</u>	<u>(775,648)</u>	<u>(1,525,648)</u>
Provisions for liabilities	15	-	-	-	-
Net assets		<u>10,850,656</u>	<u>9,915,481</u>	<u>6,554,218</u>	<u>6,237,002</u>
Reserves					
Profit and loss account		10,534,051	9,773,908	6,554,218	6,237,002
Non Controlling Interests		316,605	141,573	-	-
		<u>10,850,656</u>	<u>9,915,481</u>	<u>6,554,218</u>	<u>6,237,002</u>

These financial statements were approved by the board of Directors on 30 November
by:

2021 and were signed on its behalf



J O'Brien
Director

Merseyside Special Investment Fund Limited
Annual report and consolidated financial statements
Registered No. 02981031
31 March 2021

Consolidated and Company Statement of Changes in Equity

	Group Profit and loss account	Group Non- Controlling Interests	Group Total	Company Profit and loss account
	£	£	£	£
Balance at 1 April 2019	10,284,460	155,066	10,439,526	6,989,161
Total comprehensive income for the year				
Loss for the year	(510,552)	(13,493)	(524,045)	(752,159)
Balance at 31 March 2020	<u>9,773,908</u>	<u>141,573</u>	<u>9,915,481</u>	<u>6,237,002</u>
	Group Profit and loss account	Group Non- Controlling Interests	Group Total	Company Profit and loss account
	£	£	£	£
Balance at 1 April 2020	9,773,908	141,573	9,915,481	6,237,002
Total comprehensive income for the year				
Profit for the year	760,143	175,032	935,175	317,216
Balance at 31 March 2021	<u>10,534,051</u>	<u>316,605</u>	<u>10,850,656</u>	<u>6,554,218</u>

Merseyside Special Investment Fund Limited
Annual report and consolidated financial statements
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31 March 2021

Consolidated Cashflow Statement
for the year ended 31 March 2021

	Notes	2021 £	2020 £
Net cash outflow from operating activities before interest and taxation	20	410,381	219,155
Interest received		31,398	82,241
Interest paid		(6,986)	(6,038)
Taxation			
Corporation tax refund received	7	-	11,307
Net cash inflow from operating activities		<u>434,793</u>	<u>306,665</u>
Cashflows from investing activities			
Fixed assets acquired	8	(20,921)	(2,503)
Loan and Equity investments made	9	(3,257,000)	(3,326,316)
Investment repayments received	9	3,893,246	3,353,002
Net cash inflow from investing activities		<u>615,325</u>	<u>24,183</u>
Cashflows from financing activities			
Loans drawdown		75,000	94,000
Loans repaid		(169,000)	(25,520)
Net cash (outflow)/inflow from financing activities		<u>(94,000)</u>	<u>68,480</u>
Net increase in cash in year		956,118	399,328
Cash and cash equivalents at 1 April		18,488,621	18,089,293
Cash and cash equivalents at 31 March	11	<u>19,444,739</u>	<u>18,488,621</u>

Notes to the financial statements

1 Accounting policies

Merseyside Special Investment Fund Limited (the "Company") is a company limited by guarantee and incorporated, domiciled and registered in the UK. The registered number is 02981031 and the registered address is 2nd Floor, Exchange Court, 1 Dale Street, Liverpool, L2 2PF.

1.1 Basis of preparation

These Group and parent company financial statements were prepared in accordance with section 1A of Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis, except for certain financial instruments that are measured at fair value (as detailed in accounting policies below).

1.3 Going concern

The Directors have considered the implications of the ongoing global Covid-19 global pandemic and its possible impact on the business. Whilst a short term reduction in new investment opportunities for the MSIF Group has been noted, this has been replaced by the funding requirements from SME's who themselves have been impacted by the pandemic. The investment managers within the Group have discussed the potential implications with our investee companies and where necessary, have made appropriate arrangements to mitigate the risks and support their ongoing sustainability.

The Directors have also noted that whilst there remains uncertainty surrounding Brexit, the Board is satisfied that the executive team have adequately considered the risks in the valuations of investee companies and the Group has adequate resources to continue to operate successfully post Brexit.

Taking into account the events of Covid-19 and Brexit as described above, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. In forming this expectation, the Directors have considered the financial position and performance of the Company during the year, post year-end and for the 12 month period from approval of the financial statements including appropriate sensitivities. Thus it 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 2021. 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 investors holds between 20% and 50% of the equity voting rights.

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 Group financial assets

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:

- 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.
- 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.
- 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 estimate of the fair value is made by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.
- Equity investments are valued using an appropriate valuation technique. For an established business we use a multiple of maintainable earnings and apply a marketability discount. To ensure that we use an appropriate multiple, we will use our entry multiple for new investments, or the multiple used in any offers received or valuation exercises performed for recent comparable deals. Where we consider that the maintainable earnings method does not give an accurate valuation we have used a net assets valuation.

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

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 diminutions recognised through the Investment Reserve, in other creditors.

Notes to the financial statements
(continued)

1 Accounting policies (continued)

1.6 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.

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.

1.7 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.

1.8 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
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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.

1.9 Government grants

Amounts received from government agencies by the Company have been invested in Liverpool City Region ("LCR") enterprises through a number of limited partnerships and limited liability partnerships. Due to the nature of the investments made through the partnerships, the amounts invested are fully provided for, and the corresponding creditor to the government agencies released due to the significant uncertainty over recovery. Amounts that have been generated by the partnerships, have been remitted back to the Company, and the provision against the investment in the partnerships has been reversed. An investment reserve is then created which is included in other creditors. This balance represents amounts that must be either reinvested in LCR enterprises, or are due back to the government agencies who initially provided the funding.

1.10 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.

1.11 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.

1.12 Judgements and estimates

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

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

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

1.13 Turnover

Fees and other income

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

Notes to the financial statements
(continued)

1 Accounting policies (continued)

1.14 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.

1.15 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.

1.16 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.

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.

1.17 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 2021 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 2020 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), AFM NPIF General Partner LLP (OC415599), AFM Business Growth Limited (10829228).

Notes to the financial statements (continued)			
2	Turnover	2021	2020
		£	£
	Fees and other income	1,507,639	1,275,913
	Profit on redemption	1,468,409	106,960
		<u>2,966,048</u>	<u>1,382,873</u>
3	Staff costs	2021	2020
		£	£
	Wages and salaries	968,359	851,355
	Social security costs	106,812	84,312
	Pension contributions	32,061	22,020
		<u>1,099,232</u>	<u>957,687</u>
	The monthly average number of employees during the year was:		
		2021	2020
	Finance and administration	7	7
	Fund management	9	9
		<u>16</u>	<u>16</u>
	The Company operates one defined contribution pension scheme.		
4	Directors' remuneration	2021	2020
		£	£
	Aggregated emoluments	42,000	162,025
	Sums paid to third parties for Directors' services	20,000	16,994
		<u>62,000</u>	<u>179,019</u>
	The amount in respect of sums paid to third parties relates to amounts payable to Liverpool Chamber of Commerce for the services of Neil Ashbridge and Liverpool LEP for the services of Mark Barnett.		
	The highest paid Director of the Group received emoluments of £30,000 (2020: £86,141) and money purchase pension contributions paid of £Nil (2020: £Nil).		
5	Interest receivable and similar income	2021	2020
		£	£
	Bank interest	31,398	82,241
	Interest on investment in portfolio fund	3,391	11,442
	Other investment income from portfolio fund	43,838	62,124
		<u>78,627</u>	<u>155,807</u>
6	Expenses and auditor's remuneration	2021	2020
		£	£
	Included in profit/(loss) are the following:		
	Depreciation of tangible fixed assets	7,643	19,681
	Auditor's remuneration for:		
	Fees payable to the Company auditor for the audit of the parent company and consolidated financial statements	55,200	65,661
	Fees payable to the Company's auditor and its associates for other services		
	- The audit of the Company's subsidiaries pursuant to legislation	64,800	49,093
	- Other services pursuant to legislation	37,000	6,094
	- Tax services	30,300	30,300
	- Other	4,500	3,090
	Operating lease cost - land and buildings	24,602	44,113
	Operating lease cost - equipment	1,947	2,264
7 (a)	Taxation	2021	2020
		£	£
	Current tax	-	-
	UK Corporation tax at 19% (2020: 19%)	-	-
	Adjustments in respect of prior periods	-	11,307
	Total current tax	<u>-</u>	<u>11,307</u>

The tax charge for the year is different to the standard rate of corporation tax in the UK 19% (19%: 2020) as explained below.

Notes to the financial statements
(continued)

7 (b) Factors affecting tax charge for year	2021 £	2020 £
Profit/(Loss) for the year	7,190,301	(175,753)
Total tax charge		11,307
Profit/(Loss) before tax	7,190,301	(187,060)
Profit/(Loss) multiplied by standard rate of Corporation tax in the UK of 19% (2019: 19%)	1,366,157	(35,541)
<i>Effects of:</i>		
Partnership profit/losses allocations	-	-
Adjust closing deferred tax to average rate of 19%	-	(489,104)
Adjust opening deferred tax to average rate of 19%	(1,131,161)	97,262
Other permanent differences	(8,974)	(13,978)
Group income	26,297	2,486
Expenses/income not chargeable for tax purposes	-	484,763
Deferred tax not recognised	(160,652)	(11,307)
Adjustment to tax charge in respect of prior periods	(316,460)	(49,743)
Adjustment to tax charge in respect of prior periods - deferred tax	-	(90,273)
Unrecognised losses utilised	(8,899)	(4,877)
Unwind of FRS 102 conversion adjustment	-	(5,577)
RGF transfer (non-taxable)/non-deductible	233,692	104,582
Partnership allocations received net income/(expense) / allocations transferred (net income)/expense	-	(11,307)
7 (c) Deferred tax	2021 £	2020 £
Unrecognised deferred tax asset at 1 April 2020	4,510,957	4,084,680
Movement in unrecognised deferred tax	(160,652)	426,277
Unrecognised deferred tax asset at 31 March 2021	4,350,305	4,510,957

The Group has not of other timing differences, which are losses available to be carried forward for tax purposes of approximately £4.4 million (2020: £4.5 million) (company £0.1 million (2020: £0.4 million)) at 31 March 2021, which have not been recognised.

Factors that may future current and total tax charges

The deferred tax asset at 31 March 2020 has been calculated based on the latest substantively enacted rate of 19%. A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023, and this change was substantively enacted in May 2021 and will increase the Company's future current tax charge accordingly.

8 Tangible fixed assets	Group Fixtures and fittings	Company Fixtures and fittings
	£	£
Cost		
At 1 April 2020	232,105	68,661
Additions	20,921	939
At 31 March 2021	253,026	69,600
Accumulated depreciation		
At 1 April 2020	225,166	64,953
Depreciation	7,643	3,525
At 31 March 2021	232,809	68,478
Net book value at 31 March 2021	20,217	1,122
Net book value at 31 March 2020	6,939	3,708

Notes to the financial statements
(continued)

9 Fixed asset investments

9 (a) Group financial assets

	Equity	Non Equity	Loan & Equity
	£	£	Investments
			£
Cost or valuation			
At 1 April 2020	9,651,956	11,896,141	21,548,097
Amounts invested in year	550,000	2,707,000	3,257,000
Movement in fair value	3,376,811	-	3,376,811
Realisations/loan repayments	(757,882)	(3,135,364)	(3,893,246)
Written off in the year	(105,797)	(598,322)	(704,119)
Disposals in year	(450,000)	-	(450,000)
At 31 March 2021	<u>12,265,088</u>	<u>10,869,455</u>	<u>23,134,543</u>
Net amounts provided in the year			
At 1 April 2020	4,356,485	7,192,130	11,548,615
Movement in provision for the year	(1,268,259)	(1,740,747)	(3,009,006)
Realised in respect of disposals	(267,981)	-	(267,981)
At 31 March 2021	<u>2,820,245</u>	<u>5,451,383</u>	<u>8,271,628</u>
Net book value at 31 March 2021	<u>9,444,843</u>	<u>5,418,072</u>	<u>14,862,915</u>
Net book value at 31 March 2020	5,295,471	4,704,011	9,999,482

9 (b) Investments in Limited Partnerships made by other Group companies

	Investments	Capital grants
	£	recognised
		£
Cost		
At 1 April 2020	36,597,981	(36,597,981)
Movement in year	-	-
At 31 March 2021	<u>36,597,981</u>	<u>(36,597,981)</u>
Amounts written off/released		
At 1 April 2020	(36,597,981)	36,597,981
Movement in year	-	-
At 31 March 2021	<u>(36,597,981)</u>	<u>36,597,981</u>
Net book value at 31 March 2020 and 31 March 2021	<u>-</u>	<u>-</u>

Merseyside Special Investment Fund Limited
Annual report and consolidated financial statements
Registered No. 02981031
31 March 2021

Notes to the financial statements
(continued)

9 (c) Investments

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Investments in subsidiary companies	-	-	296,529	296,529
Investment in portfolio fund	10,886,791	10,242,293	10,886,791	10,242,293
Other investments	-	-	-	-
At 31 March 2021	<u>10,886,791</u>	<u>10,242,293</u>	<u>11,183,320</u>	<u>10,538,822</u>

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

Name of undertaking	Profit/(Loss)	Net Assets / (Liabilities)	Principal activity
Companies:			
Merseyside Special Investment Venture Fund Limited	-	2	Investment Company
Merseyside Special Investment Venture Fund Two Limited	-	16,178	Investment Company
Merseyside Special Investment (Small Firms) Fund Two Limited	-	(788)	Investment Company
Merseyside Special Investment Mezzanine Fund Two Limited	-	16,178	Investment Company
Merseyside Small Loans for Business Investment Fund Limited	16,732	594,421	Investment Company
MSIF Seed Fund Limited	-	31	Investment Company
Merseyside Loan & Equity Fund LLP	4,584,594	11,193,455	Investment Company
Small Business Loans Limited	-	2	Investment Company
North West Transitional Loan Investment Fund LLP	77,682	638,550	Investment Company
Alliance Fund Managers Limited	(265,021)	693,747	Management Company
LVL Seed Fund Limited	-	1	2nd General Partner to Liverpool Seed Fund Limited Partnership
AFM Seed Fund Limited	-	28,001	First General Partner of the Liverpool Seed Fund Limited Partnership
AFM Merseyside Mezzanine Limited	-	21,001	Director for White Property Services Ltd
AFM Merseyside Ventures Limited	-	87,702	General Partner of the Merseyside Special Investment Venture Fund No. 3 Limited Partnership. The Company also acts as Director for White Property Services Limited
AFM Small Firms Fund Limited	-	446,764	General Partner of North West Business Growth Fund LP
AFM R101 Ventures Limited	(14,436)	(43,627)	General Partner of the Merseyside Special Investment Venture Fund Limited Partnership. It is a Limited Partner in NPIF NW (Microfinance) Limited Partnership
Alliance Fund Managers Nominees Ltd	-	1	The Company acts as nominee shareholder for equity investments made by other Group entities
BCE Fund Managers (Merseyside) Ltd	-	354	Designated Member of AFM NWF General Partner LLP and AFM NPIF General Partner LLP
AFM Business Growth Fund Limited	-	1	Limited Partner of the North West Business Growth Fund LP
AFM NPIF General Partner LLP	-	-	Second General Partner of NWF NPIF (Microfinance) LP
AFM NWF General Partner LLP	-	-	Second General Partner of NWF (Micro Loans) LP

The registered office for all the above subsidiaries is 2nd Floor, Exchange Court, 1 Dale Street, Liverpool, L2 2PP.

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.

10 Debtors

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	244,686	45,464	36	316
Other debtors	3,853	3,782	-	-
Amounts owed by Group undertakings	-	-	6,621,993	3,415,992
Other taxation and social security	28,001	22,200	20,001	22,200
Prepayments	86,122	63,788	41,879	24,768
Accrued income	105,927	35,711	4,737	12,370
	<u>460,589</u>	<u>170,945</u>	<u>6,688,556</u>	<u>3,475,646</u>

The amounts owed by Group undertakings are unsecured and repayable on demand.

11 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Cash at bank and in hand	19,444,739	18,488,621	11,294,395	13,611,473
Cash and cash equivalents	<u>19,444,739</u>	<u>18,488,621</u>	<u>11,294,395</u>	<u>13,611,473</u>

Notes to the financial statements
(continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade creditors	194,091	43,493	152,410	12,034
Amounts owed to Group undertakings	-	-	431,689	358,450
Taxation and social security	63,776	59,001	1,053	2,456
Other creditors	469,248	279,159	463,947	271,884
Other creditors - investment reserve	31,235,603	24,980,478	19,905,952	18,329,835
Amounts attributable to RGF	869,278	833,545	-	-
Accruals and deferred income	391,773	350,524	132,476	142,340
Bank loans	178	1,951	-	-
Amounts owed to ERDF	750,000	750,000	750,000	750,000
	<u>33,973,947</u>	<u>27,298,151</u>	<u>21,837,827</u>	<u>19,866,999</u>

The amounts owed to Group undertakings are unsecured, repayable on demand.

The investment reserve and the amounts attributable to RGF represents amounts that the Group intends to invest in enterprises in the future, or may be required to repay to the agencies that originally provided the funding.

Amounts owed to ERDF relate to the recovery of an ERDF grant previously held and invested by the Group. Payments are due in line with the formal repayment schedule.

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank loans repayable within five years	75,000	169,000	-	-
Amounts owed to ERDF	775,648	1,525,648	775,648	1,525,648
	<u>850,648</u>	<u>1,694,648</u>	<u>775,648</u>	<u>1,525,648</u>

At 31 March 2021 the bank loans represent borrowings under drawdown loan facilities of £75,000 entered into on 16 December 2020 for a period of 4 years. Interest is charged at the Bank of England rate plus 4%. During the year, the Group fully repaid the bank loan held as at 31 March 2020 of £169,000.

14 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.

			2021	2020
			£	£
Bank loans				
Creditors falling due within one year			178	1,951
Creditors falling due after more than one year			75,000	169,000
Terms and debt repayment schedule				
Group	Currency	Nominal Interest Rate Year of maturity	2021	2020
			£	£
Unity year 3	GBP	4.0% 2019	178	1,951
Unity year 4	GBP	4.0% 2023	75,000	169,000
			<u>75,178</u>	<u>170,951</u>

15 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	
	2021	2020	2021	2020
	£	£	£	£
At start of year	-	-	(4,510,958)	(4,084,680)
Excess of depreciation over tax allowance	-	-	7,321	1,170
Other timing differences	-	-	(6,138)	(8,504)
Profit and loss account movement in year	-	-	159,470	(418,944)
At end of year	-	-	<u>(4,358,305)</u>	<u>(4,510,958)</u>
Company	Deferred Tax Provided		Deferred tax not recognised	
	2021	2020	2021	2020
	£	£	£	£
At start of year	-	-	357,209	347,554
Excess of depreciation over tax allowance	-	-	(3,286)	(1,568)
Losses utilised	-	-	(222,453)	11,223
Prior year adjustment	-	-	-	-
At end of year	-	-	<u>131,470</u>	<u>357,209</u>

Notes to the financial statements
(continued)

16 Financial instruments

The carrying amount of the financial assets include:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Assets measured at fair value through profit or loss	28,331,634	15,537,764	-	-
Assets measured at cost less impairment	25,343,617	23,370,516	29,167,393	27,629,649
Liabilities measured at amortised cost	(34,824,595)	(28,992,799)	(22,613,175)	(21,392,647)
Provisions measured at amortised cost	-	-	-	-
	<u>10,850,656</u>	<u>9,915,481</u>	<u>6,554,218</u>	<u>6,237,002</u>

17 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 2021 the Company had 3 members (2020: 3).

18 Operating lease commitments

At 31 March 2021 the Group had total commitments under non-cancellable operating leases as set out below:

	Land and buildings 2021	Office equipment 2021	Group 2021	Group 2020
	£	£	£	£
Payments due:				
Within one year	12,933	-	12,933	39,482
Between two and five years	-	-	-	-
	<u>12,933</u>	<u>-</u>	<u>12,933</u>	<u>39,482</u>

At 31 March 2021 the Company had total commitments under non-cancellable operating leases as set out below:

	Office equipment 2021	Company 2021	Company 2020
	£	£	£
Payments due:			
Within one year	-	-	1,947
Between two and five years	-	-	-
	<u>-</u>	<u>-</u>	<u>1,947</u>

19 Contingent liabilities

One of the Group entities (Merseywide Special Investment Venture Fund Two Limited) has provided a guarantee to Mersey Pension Fund (MPF) in respect of its capital account with Merseywide Special Investment Venture Fund No.3 Limited Partnership. Merseywide 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 2021, £1,905,362 (2020: £1,905,362) had been repaid to MPF, leaving the partnership capital account at £94,638 (2020: £94,638). This means that the maximum potential liability to the Group is £47,319 (2020: £47,319).

20 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2021	2020
	£	£
Profit/(Loss)	7,190,301	(175,753)
Depreciation	7,643	19,681
Investments written off	1,173,632	1,269,288
Movement in fair value of financial assets	(3,376,811)	(2,145,000)
Movement in provision for investment losses	(3,297,658)	281,939
Movement in fair value of portfolio investments	(651,635)	227,863
Investment management expenses	54,366	54,147
Interest receivable and similar income	(78,627)	(155,807)
Interest payable and similar expenses	6,371	7,110
Taxation	-	(11,307)
	<u>1,027,582</u>	<u>(627,839)</u>
Decrease/(increase) in debtors	(289,644)	924,990
Increase/(decrease) in creditors	(327,556)	(77,996)
Net cash inflow from operating activities	<u>410,381</u>	<u>219,155</u>

Notes to the financial statements
(continued)

21 Capital commitments

The Group had capital commitments of £3,895,000 (2020: £597,000).

22 Related party transactions

The emoluments of certain Directors were paid to third parties (see note 4). An amount of £12,000 (2020: £8,660) was paid to Liverpool Chamber of Commerce and £8,000 (2020: £8,000) was paid to the Liverpool LEP in respect of Directors' services in the year. In addition, membership subscriptions amounting to £360 (2020: £432) and £5,250 (2020: £6,300) were paid to Liverpool Chamber of Commerce and the Liverpool LEP, respectively. At the year end, £Nil (2020: £1,200) was due to Liverpool Chamber of Commerce and £Nil (2020: £Nil) to the Liverpool LEP.

During the year, an employee of the Group seconded to Liverpool City Region's Growth Platform as part of the Finance Hub. An agreement was formed between the Group and the LCR Growth Platform that they remained an employee of the Group and the LCR Growth Platform paid the Group a fixed amount for the period 1 January 2021 to 31 March 2021, with total receipts amounting to £10,100 (2020: £Nil).

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