

REGISTERED NUMBER: 05081924 (England and Wales)

THE PARTNERSHIP INVESTMENT FUND LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017



THE PARTNERSHIP INVESTMENT FUND LIMITED (REGISTERED NUMBER: 05081924)

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FOR THE YEAR ENDED 31 MARCH 2017**

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THE PARTNERSHIP INVESTMENT FUND LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2017**

DIRECTORS:

M J Hathaway
D Horsman
A McWhirter
J Watson
M Hambly

REGISTERED OFFICE:

Suite 6.1, Unit 6
Mortec Park
York Road
Leeds
LS15 4TA

REGISTERED NUMBER:

05081924 (England and Wales)

AUDITORS:

Smith Craven
Chartered Accountants
Statutory Auditors
Sidings House
Sidings Court
Lakeside
Doncaster
South Yorkshire
DN4 5NU

**CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

Following the end of the Limited Partnership Agreements on 31 March 2014, The Partnership Investment Fund (PIF) has been undertaking the winding up of the five Limited Partnerships (LPs).

As at 31 March 2017, the winding up of the LPs is complete with all five LPs dormant and the residual loans and investments transferred to PIF in accordance with the terms of the Limited Partnership Agreements.

Throughout year ended 31 March 2017, the company has continued to be focused on the realisation of residual loans and investments, whilst also working towards an agreed strategy for the use of Legacy Funds.

At the end of the year, a small number of unpaid loans and one share investment remained and further portfolio sales are expected in the next 12 months.

The plan remains for PIF's Objective 2 Legacy to be used to continue provision of financial assistance to SMEs in the former Objective 2 areas of Yorkshire and the Humber, and, in respect of the PIF Interim Legacy Fund, to assist SMEs in Yorkshire and the Humber excluding South Yorkshire.

Although it had been anticipated that PIF's Legacy Funds would form part of the £400m Northern Powerhouse Investment Fund (NPIF) announced in November 2015, and to be managed on PIF's behalf by NPIF, other funding was provided by the Government to enable NPIF to commence activities in early 2017.

As a result, PIF's Board has continued discussions with the Department of Communities and Local Government and with British Business Bank identifying options for PIF's Legacy funds which do not compete with NPIF's activities but meet an identified need in the region.

The aim is to maximise the impact of PIF's Legacy Funds whilst enabling further investment to be made in SMEs promoting regeneration in Yorkshire and the Humber and I expect to be able to report the successful conclusion of these discussions in my next report in 2018.

John Watson
Chairman

Date: 14 DECEMBER 2017

THE PARTNERSHIP INVESTMENT FUND LIMITED (REGISTERED NUMBER: 05081924)

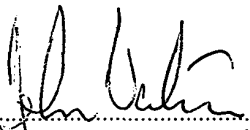
**BALANCE SHEET
31 MARCH 2017**

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	4	-	-
Investments	5	<u>4</u>	<u>821,969</u>
		4	821,969
CURRENT ASSETS			
Debtors	6	2,180	2,879
Cash at bank		<u>4,496,141</u>	<u>3,733,141</u>
		4,498,321	3,736,020
CREDITORS			
Amounts falling due within one year	7	<u>72,315</u>	<u>92,902</u>
NET CURRENT ASSETS		<u>4,426,006</u>	<u>3,643,118</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,426,010</u>	<u>4,465,087</u>
RESERVES			
Income and expenditure account	8	<u>4,426,010</u>	<u>4,465,087</u>
		<u>4,426,010</u>	<u>4,465,087</u>

The financial statements have been prepared and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors on 14 December 2017 and were signed on its behalf by:



 J Watson - Director

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. **STATUTORY INFORMATION**

The Partnership Investment Fund Limited is a private company, limited by guarantee, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going Concern

The financial statements have been prepared on a going concern basis. This is considered appropriate by the directors following the preparation and review of cash flow forecasts. From 1 April 2014, The Partnership Investment Fund Limited was not entitled to any further income from the Limited Partnerships. However, the Company has sufficient reserves to meet its likely costs for the foreseeable future and so the directors are not aware of any reason why the financial statements should not be prepared on the going concern basis.

In line with the objectives agreed by PIF's Board, discussions have continued with the region's LEPs, the Department of Communities and Local Government and with British Business Bank about the best way to maximise benefit to the region from the use of PIF's Legacies.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- Straight line over 3 years
Computer equipment	- Straight line over 3 years

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit and loss during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES - continued

Government grants

The European Regional Development Fund, the European Social Fund and Yorkshire Forward provided grant funding totalling £18 million for the Company to further its principal objectives. The money was provided for an initial 10 year term, and, subject to meeting certain criteria, is expected to be available to be a legacy fund. Grant funding was paid down to the group undertakings to enable the fund to be loaned to and invested in SMEs by the end of the lending period on 31 December 2008.

In January 2009, Yorkshire Forward provided additional funding to enable The Partnership Investment Fund to continue assisting SMEs in the region with loans and investments. Lending ceased in 2010 and it is expected that an additional legacy fund will be created from the grant.

In line with the objectives agreed by PIF's Board, discussions have continued with the region's LEPs, the Department of Communities and Local Government and with British Business Bank about the best way to maximise benefit to the region from the use of PIF's Legacies. Whilst this work is ongoing all formal criteria attached to the grants have been confirmed as satisfied.

Investments in subsidiaries and associates

Investments in subsidiary and associate undertakings are recognised at cost less any provision for impairment.

Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short term loan not at market rate, the financial asset or liability is measured, initially, at present value of the future cash flow discounted at a market rate of interest for similar debt instruments and subsequently at amortised cost.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 1 (2016 - 1).

4. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 April 2016	5,380	18,636	24,016
Disposals	-	(16,682)	(16,682)
At 31 March 2017	5,380	1,954	7,334
DEPRECIATION			
At 1 April 2016	5,380	18,636	24,016
Eliminated on disposal	-	(16,682)	(16,682)
At 31 March 2017	5,380	1,954	7,334
NET BOOK VALUE			
At 31 March 2017	-	-	-
At 31 March 2016	-	-	-

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017

5. FIXED ASSET INVESTMENTS

	Interim Fund shares and loans £	Investments in subsidiary companies £	O2 Fund shares & loans £
COST			
At 1 April 2016	302,251	4	824,235
Disposals	(302,251)	-	(824,235)
At 31 March 2017	-	4	-
PROVISIONS			
At 1 April 2016	287,771	-	16,750
Eliminated on disposal	(287,771)	-	(16,750)
At 31 March 2017	-	-	-
NET BOOK VALUE			
At 31 March 2017	-	4	-
At 31 March 2016	14,480	4	807,485
	Loan for Investments £	PIF (non legacy shares) £	Totals £
COST			
At 1 April 2016	4,731,929	60,000	5,918,419
Disposals	(4,731,929)	-	(5,858,415)
At 31 March 2017	-	60,000	60,004
PROVISIONS			
At 1 April 2016	4,731,929	60,000	5,096,450
Eliminated on disposal	(4,731,929)	-	(5,036,450)
At 31 March 2017	-	60,000	60,000
NET BOOK VALUE			
At 31 March 2017	-	-	4
At 31 March 2016	-	-	821,969

THE PARTNERSHIP INVESTMENT FUND LIMITED (REGISTERED NUMBER: 05081924)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017**

5. FIXED ASSET INVESTMENTS - continued

The company's investments at the Balance Sheet date in the share capital of companies include the following:

The Partnership Investment Equity Fund Limited

Registered office: Suite 6.1 Unit 6, Mortec Park, York Road, Leeds, West Yorkshire, LS15 4TA

Nature of business: Dormant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>(5,029,788)</u>	<u>(5,029,788)</u>

The Partnership Investment Mezzanine Fund Limited

Registered office: Suite 6.1 Unit 6, Mortec Park, York Road, Leeds, West Yorkshire, LS15 4TA

Nature of business: Dormant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>(4,181,443)</u>	<u>(4,181,443)</u>

The Partnership Investment Small Loans Fund Limited

Registered office: Suite 6.1 Unit 6, Mortec Park, York Road, Leeds, West Yorkshire, LS15 4TA

Nature of business: Dormant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>(4,569,317)</u>	<u>(4,569,317)</u>

The Partnership Investment Micro Loans Fund Limited

Registered office: Suite 6.1 Unit 6, Mortec Park, York Road, Leeds, West Yorkshire, LS15 4TA

Nature of business: Dormant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>(2,224,982)</u>	<u>(2,224,982)</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Other debtors	921	2,319
Prepayments	<u>1,259</u>	<u>560</u>
	<u>2,180</u>	<u>2,879</u>

THE PARTNERSHIP INVESTMENT FUND LIMITED (REGISTERED NUMBER: 05081924)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017**

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	1,676	300
Social security and other taxes	5,106	-
Other creditors	22,333	38,971
Accruals and deferred income	<u>43,200</u>	<u>53,631</u>
	<u>72,315</u>	<u>92,902</u>

8. RESERVES

	Income and expenditure account £
At 1 April 2016	4,465,087
Deficit for the year	<u>(39,077)</u>
At 31 March 2017	<u>4,426,010</u>

9. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Andrew Cribb (Senior Statutory Auditor)
for and on behalf of Smith Craven

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017**

10. CONTINGENT LIABILITIES

O2 European Regional Development Fund (ERDF)

ERDF grant funding provided to the Company in 2004 to support the O2 Fund was subject to a number of conditions. None of these conditions remains outstanding with the exception of those relating to the Legacy Fund created from the original funds.

The business plan for the O2 Fund anticipated PIF being an 'evergreen fund', using legacy cash to continue to support SMEs within the ERDF Objective 2 Programme area in Yorkshire and the Humber.

PIF's Board has been working to agree proposals for the future use of this legacy cash for many years but as at the date of these accounts, the Government Office responsible for monitoring the original contract has not confirmed that they support PIF's plans.

This contract obliges PIF to 'give effect to and observe all instructions given by the Government Office regarding the application of monies held in the Legacy Fund, arrangements for the administration of the fund, and the ultimate destination of the fund'.

Although PIF's Board is optimistic that its proposals will ultimately gain the support of the Government Office and therefore considers the possibility of the Government Office instructing PIF to transfer the legacy cash to a third party as being negligible, the matter is uncertain and, in order for PIF's accounts to be true and fair, the situation needs to be disclosed.

As at 31st March 2017, the value of the legacy created from ERDF grant funds was £1,694,133.

Yorkshire Forward Single Pot Grant Funding

Yorkshire Forward provided Single Pot grant funding to the Company in 2004 to support lending in the O2 Fund and also in 2008 to enable PIF's Interim Fund to be established.

The contracts were subject to a number of conditions, and were for a specific term, which has come to an end in both cases. No conditions remain outstanding and the contracts give neither Yorkshire Forward nor any successor the right to claim legacy cash created from either the O2 or the Interim Fund.

Despite this, British Business Bank acting as agent for the Department for Business, Energy and Industrial Strategy, issued a letter on 19 July 2017 seeking a transfer of £2.1m resulting from these Single Pot grants, with a payment date of 30 September 2017.

PIF's lawyers advise that PIF is not contractually obliged to transfer the funds, and this has been communicated to BBB in terms that no credible justification for their request has been made. BBB have taken no action as a result of PIF's rejection of the 'Harvest' Letter. As at the date of these accounts, no payment has been made and PIF's Board is of the opinion that the possibility of an outflow of resources is negligible.

Options are being considered to resolve this matter, to enable PIF to progress its proposals for future use of its legacy funds to support SMEs in its region, without the threat of legal action by BBB in the background.

As at 31 March 2017, the value of the legacy created from O2 and Interim Single Pot loan grant funds was £2,085,053.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017

11. RELATED PARTY DISCLOSURES

Finance Yorkshire Limited

A company in which J Watson and A McWhirter are directors.

Mr J Watson, Chairman and director of The Partnership Investment Fund Limited, also holds a directorship of Finance Yorkshire Limited.

Mr A J McWhirter, director of The Partnership Investment Fund Limited, is also Chief Executive and director of Finance Yorkshire Limited.

Hathaway Business Services Limited

A company in which Mr M J Hathaway is a director.

Following the termination of the Limited Partnership's fund management contracts with YFM Venture Finance on 31 March 2014, Martin Hathaway was contracted to provide investment management services through his company, Hathaway Business Services Limited. During the year ended 31 March 2017 payments totalling £7,400 were made to Hathaway Business Services Limited.