

THE PARTNERSHIP INVESTMENT FUND LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

	Page
Company Information	1
Chairman's Report	2
Balance Sheet	3
Notes to the Financial Statements	4

THE PARTNERSHIP INVESTMENT FUND LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2021**

DIRECTORS:

M J Hathaway
D Horsman
J Watson
J J C Chapman

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 2021**

At 31 March 2021, despite the continuing best efforts of the Board, the Region's LEPs and most of the Chambers of Commerce in PIF's region, the Legacy Funds generated from PIF's original O2 and Interim loan and investment funds were still not reinvested in the region.

However, I am delighted to announce that on 29 July 2021, PIF's O2 ERDF and Single Programme Legacy funds, including the Interim Fund, were distributed in line with the detailed proposal submitted to the Ministry for Housing, Communities and Local Government (MHCLG) on 16 November 2020.

Business & Enterprise Finance and Finance for Enterprise, the two recipients of PIF's legacy cash, will match PIF's funds 1-to-1 and will use the funds to support SMEs located in PIF's geographic area with micro loans.

The Board remains confident that this represents the best use of PIF's legacy.

Minimal income continues from defaulted debts and this will be retained by PIF following the distribution of the Legacy funds and will meet the costs of collection.

Dividends are being received from PIF's sole remaining equity investment, in part funded by the Interim Fund. Sale or transfer of the shareholding is restricted and so future dividends will be retained and used to mitigate the costs of managing PIF following the eventual close down of physical operations.

PIF's Board has continued to meet using Zoom since March 2020 and this has proved to be an acceptable means of communication which maintains a Covid safe environment for all parties. Arrangements are discussed at each Board Meeting and will be changed when conditions permit.

.....
M J Hathaway - Chairman

Date 25 November 2021

BALANCE SHEET
31 MARCH 2021

	Notes	2021 £	£	2020 £	£
FIXED ASSETS					
Tangible assets	4		-		-
Investments	5		<u>4</u>		<u>4</u>
			<u>4</u>		<u>4</u>
CURRENT ASSETS					
Debtors	6	19,615		10,148	
Cash at bank		<u>4,260,755</u>		<u>4,279,078</u>	
		4,280,370		4,289,226	
CREDITORS					
Amounts falling due within one year	7	<u>100,152</u>		<u>63,863</u>	
NET CURRENT ASSETS			<u>4,180,218</u>		<u>4,225,363</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,180,222</u>		<u>4,225,367</u>
RESERVES					
Income and expenditure account	8		<u>4,180,222</u>		<u>4,225,367</u>
			<u>4,180,222</u>		<u>4,225,367</u>

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

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 and authorised for issue on 25 November 2021 and were signed on its behalf by:

M J Hathaway - Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" 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, Chambers of Commerce, the Ministry of Housing, 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.

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

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.

Government grants

Grant income relating to revenue is recognised on an accruals basis. Income is recognised on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs is recognised in income in the period in which it becomes receivable.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

2. ACCOUNTING POLICIES - continued

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.

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 (2020 - 1) .

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

4. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
COST	
At 1 April 2020 and 31 March 2021	<u>5,380</u>
DEPRECIATION	
At 1 April 2020 and 31 March 2021	<u>5,380</u>
NET BOOK VALUE	
At 31 March 2021	<u>-</u>
At 31 March 2020	<u>-</u>

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Interim Fund shares & loans £	PIF (non legacy shares) £	Totals £
COST				
At 1 April 2020 and 31 March 2021	<u>4</u>	<u>92,350</u>	<u>22,164</u>	<u>114,518</u>
PROVISIONS				
At 1 April 2020 and 31 March 2021	<u>-</u>	<u>92,350</u>	<u>22,164</u>	<u>114,514</u>
NET BOOK VALUE				
At 31 March 2021	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
At 31 March 2020	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>

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

	%		
Class of shares:	holding		
Ordinary	100.00		
		2021	2020
		£	£
Aggregate capital and reserves		<u><u>1</u></u>	<u><u>(5,029,788)</u></u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

5. **FIXED ASSET INVESTMENTS - continued**

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	2021 £	2020 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>1</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	2021 £	2020 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>1</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	2021 £	2020 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>1</u>	<u>(2,224,982)</u>

6. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £	2020 £
Other debtors	18,037	8,614
Prepayments	<u>1,578</u>	<u>1,534</u>
	<u>19,615</u>	<u>10,148</u>

7. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £	2020 £
Trade creditors	1,215	2,146
Other creditors	17,492	8,072
Accruals and deferred income	<u>81,445</u>	<u>53,645</u>
	<u>100,152</u>	<u>63,863</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

8. RESERVES

	Income and expenditure account £
At 1 April 2020	4,225,367
Deficit for the year	(45,145)
At 31 March 2021	<u>4,180,222</u>

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

The Report of the Auditors was unqualified.

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

10. **POST BALANCE SHEET EVENTS**

O2 European Regional Development Fund (ERDF)

As at 31 March 2021, the value of the legacy created from ERDF grant funds was £1,558,128.

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 remained outstanding at 31 March 2021 with the exception of those relating to the Legacy Fund created from the original funds.

The O2 ERDF contract obliged PIF to 'give effect to and observe all instructions given by the Government Office (subsequently renamed the Ministry of Housing, Communities and Local Government (MHCLG)) regarding the application of monies held in the Legacy Fund, arrangements for the administration of the fund, and the ultimate destination of the fund'.

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 had been working to agree proposals for the future use of this legacy cash for many years and its final proposal was submitted to MHCLG on 16 November 2020.

PIF continued to press for an early agreement to its proposal, which was initially expected by a date that would leave PIF able to vacate its office premises by the end of its lease on 31 March 2021.

MHCLG advised that their capacity to respond was constrained by staff working reduced hours and new policy priorities impacting on capacity to respond at pace.

On 28 July 2021, MHCLG signed a novation agreement between MHCLG, PIF and Business & Enterprise Finance (BEF) as a result of which the remaining O2 ERDF Legacy funds were transferred to BEF on 29 July 2021.

BEF received £1,539,396 and will use the funds to provide micro finance to SMEs in O2 locations.

Yorkshire Forward Single Programme Grant Funding

As at 31 March 2021, the value of the legacy created from O2 and Interim Single Programme grant funds was £1,968,657.

Yorkshire Forward provided Single Programme 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 two contracts were subject to a number of conditions, and were for a specific term, which had ended in both cases. No conditions remained outstanding and the contracts gave 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 (BBB) acting as agent for the Department for Business, Energy and Industrial Strategy (BEIS), issued a letter on 19 July 2017 seeking a transfer of £2.1m resulting from these Single Programme grants, with a payment date of 30 September 2017, the 'Harvest' Letter.

At PIF's request, on 9 March 2020, BBB unequivocally withdrew its 'Harvest' Letter.

After MHCLG wrote to PIF on 26 April 2021 agreeing to the terms of PIF's final proposal, BBB confirmed on 24 May 2021 that, upon successful completion of the transfer of PIF's O2 ERDF and Single Programme Legacy funds as 'directed' by MHCLG, all conditions associated with the funding agreements 'novated' to BEIS upon the closure of Yorkshire Forward were considered to have been satisfied by PIF.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021**

On 28 July 2021, MHCLG signed a novation agreement between MHCLG, PIF and BEF. Agreement had already been reached with MHCLG concerning the transfer of the Single Programme legacy funds, but transfer of the funds could not happen without completion of the novation agreement.

As a result of this, the remaining O2 Single Programme Legacy funds were transferred to BEF on 29 July 2021. On the same date, the residual Single Programme Legacy from PIF's Interim Fund was transferred in part to each of BEF and Finance for Enterprise (FFE).

BEF received £1,258,336 and FFE received £699,428. Both will use the funds to provide micro finance in Yorkshire and the Humber, with FFE concentrating on the Humber region.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.