

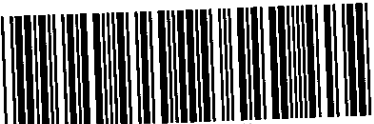
AFM Merseyside Ventures Limited

Registered No. 4274737

Annual report and financial statements

for the year ended 31 March 2017

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AFM Merseyside Ventures Limited
Annual report and financial statements
Registered No. 4274737
31 March 2017

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Directors and company information

Directors

Mrs L Greenhalgh
Mr R Swainson

Secretary

Mrs L Greenhalgh

Bankers

Natwest Bank
22 Castle Street
Liverpool
L2 0UP

Solicitors

Davies Wallis Foyster
5 St Paul's Square
Liverpool
L3 9AE

Registered Office

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

**Report of the directors
for the year ended 31 March 2017**

The directors present their report and accounts for the year ended 31 March 2017.

This report has been prepared in accordance with the special provisions of Part XV of the Companies Act 2006 relating to small companies.

Principal activities

The Company is the General Partner of the Merseyside Special Investment Venture Fund No. 3 Limited Partnership and manages a portfolio of investments throughout Merseyside.

The Company was incorporated on 22 August 2001.

The principal activity of the parent company Merseyside Special Investment Fund Limited 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 Merseyside area.

Financial results

The company had no income or expenditure during the year and as such no profit and loss account is presented.

Dividends

The directors do not recommend payment of a dividend (2016: £Nil).

Going Concern

The directors believe that preparing the accounts on a going concern basis is appropriate due to the continued financial support of the ultimate parent company Merseyside Special Investment Fund Limited. The directors have received confirmation that Merseyside Special Investment Fund Limited intend to support the company for at least one year after these financial statements are signed.

Directors

The directors who served during the year ended 31 March 2017 and upto the date of signing the financial statements, were as follows:

Mrs L Greenhalgh
Mr R Swainson
Mr A Rigby - Resigned 15 August 2016

No director of the Company has any interest in the Company or the group within the meaning of the Companies Act 2006. The ultimate parent company, Merseyside Special Investment Fund Limited is limited by guarantee.

Report of the directors
for the year ended 31 March 2017
(continued)

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

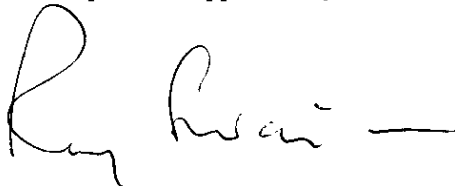
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

This report was approved by the Board on 18 July 2017 and signed on its behalf

A handwritten signature in black ink, appearing to read 'R Swainson', followed by a horizontal line.

R Swainson
Director

AFM Merseyside Ventures Limited
Annual report and financial statements
Registered No. 4274737
31 March 2017

Balance Sheet
as at 31 March 2017

	Notes	2017 £	2016 £
Current assets			
Debtors	3	87,702	87,702
Net assets		<u>87,702</u>	<u>87,702</u>
Capital and reserves			
Called up share capital	4	1	1
Profit and loss account		87,701	87,701
Equity shareholders' funds		<u>87,702</u>	<u>87,702</u>

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

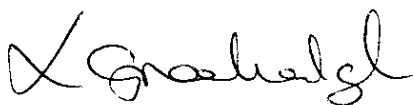
Advantage has been taken of the audit exemption available for small companies conferred by section 479a of the Companies Act 2006 on the grounds:

- a. that for the year ended 31 March 2017 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 2017 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 financial statements on pages 4 to 9 were approved by the board of directors on 18 July 2017 and were signed on its behalf by



L Greenhalgh
Director

AFM Merseyside Ventures Limited
Annual report and financial statements
Registered No. 4274737
31 March 2017

Statement of Changes in Equity

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2015	1	87,701	87,702
Total comprehensive income for the period			
Loss for the period	-	-	-
Balance at 31 March 2016	<u>1</u>	<u>87,701</u>	<u>87,702</u>
	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2016	1	87,701	87,702
Total comprehensive income for the period			
Loss for the period	-	-	-
Balance at 31 March 2017	<u>1</u>	<u>87,701</u>	<u>87,702</u>

Notes to the financial statements

1 Accounting policies

AFM Merseyside Ventures Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

1.1 Basis of preparation

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

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

The Company’s ultimate parent undertaking Merseyside Special Investment Fund Ltd includes the Company in its consolidated financial statements. The consolidated financial statements of Merseyside Special Investment Fund Ltd are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from MSIF Ltd, 2nd Floor, 1 Dale Street, Liverpool L2 2PP. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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.

1.3 Going concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis in preparing the annual financial statements

Notes to the financial statements
(continued)

1.4 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.

1.5 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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.

1.6 Provisions

A provision is recognised in the balance sheet when the Company 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.

1.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

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.

Notes to the financial statements
(continued)

1.7 Taxation (continued)

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.

2 Profit and loss account

The company did not trade in the year and, consequently, no profit and loss account is presented.

2 Tax on result on ordinary activities

2 (a) Tax analysis of charge in period	2017	2016
	£	£
Current tax :		
UK corporation tax on result of the period	-	-
Adjustments in respect of previous periods	-	-
	<hr/>	<hr/>
<i>Total Current tax</i>	-	-
Deferred tax :		
Origination and reversal of timing differences	-	-
Adjustments in respect of previous years	-	-
Total Deferred tax	-	-
	<hr/>	<hr/>
Tax on result on ordinary activities	-	-
	<hr/>	<hr/>
Deferred tax asset not recognised	(1,228,190)	-
	<hr/>	<hr/>

2 (b) Factors affecting tax charge for year

The tax assessed for the year is equal to (2016: equal to) the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2017	2016
	£	£
Result on ordinary activities before tax	-	-
Result on ordinary activities multiplied by standard rate of		
Corporation tax in the UK of 20%	-	-
	<hr/>	<hr/>
<i>Effects of :</i>		
Capital gain allocated from partnership		
Losses allocated from partnership		
Group relief not paid	-	-
Adjust closing deferred tax to average rate of 20%	216,740	230,844
Adjust opening deferred tax to average rate of 20%	(144,493)	-
Deferred tax not recognised	(72,247)	(230,844)
	<hr/>	<hr/>
Current tax charge for the period (note 2(a))	-	-
	<hr/>	<hr/>

Notes to the financial statements
(continued)

2 (b) Factors affecting tax charge for year (continued)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

3 Debtors	2017	2016
	£	£
Amounts owed by group undertakings	<u>87,702</u>	<u>87,702</u>

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

4 Share capital	2017	2016
	£	£
Authorised	<u>1,000</u>	<u>1,000</u>
Issued and Fully Paid Ordinary shares of £1 each	<u>1</u>	<u>1</u>

5 Related party transactions

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

6 Ultimate parent company

The Company's immediate parent undertaking is Alliance Fund Managers Limited.

The ultimate parent company, the controlling party and the only company to consolidate the results of AFM Merseyside Ventures Limited, is Merseyside Special Investment Fund Limited which is registered in England and Wales. A copy of the consolidated financial statements can be obtained from 2nd Floor, Exchange Court, 1 Dale Street, Liverpool, L2 2PP.

Merseyside Special Investment Venture Fund No. 3

Annual report and financial statements

Registered No. LP7898

for the year ended 31 March 2017

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 4274737

Merseyside Special Investment Venture Fund No. 3
Annual report and financial statements
Registered No. LP7898
31 March 2017

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Merseyside Special Investment Venture Fund No. 3
Annual report and financial statements
Registered No. LP7898
31 March 2017

Partnership information

Registered Office

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

General Partner

AFM Merseyside Ventures Limited

Independent Auditors

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

Bankers

Natwest Bank
22 Castle Street
Liverpool
L2 0UP

Solicitors

Davies Wallis Foyster
5 St Paul's Square
Liverpool
L3 9AE

General Partner's report
for the year ended 31 March 2017

The Partner presents its report and the audited financial statements for the year ended 31 March 2017.

Principal activities

Merseyside Special Investment Venture Fund No.3 ("the fund") was established as a limited partnership by Merseyside Special Investment Fund Limited.

The fund's aim is to establish, support and monitor investment funds which will provide venture capital to small and medium sized enterprises (SMEs) operating in the county of Merseyside, thereby assisting to regenerate business in the region. The partnership is supported and part-financed in this project by European Regional Development Funding via the European Community's Objective 1 Programme administered by the Government Office for the North West.

The fund was raised to meet the considerable demand for equity finance that could not be met by commercial sources alone. The fund is now fully invested.

Financial results

The fund made a profit of £1,089,697 (2016: £58,607) for the year ended 31 March 2017. This has been transferred to the Partners' current accounts.

Partners

AFM Merseyside Ventures Limited with a 0% interest in the capital of the Partnership, acts as a general partner to the Limited Partnership and the following are the limited partners with interests in the capital of the fund to the extent shown below:-

Alliance Fund Managers Limited (20%) - Founder Partner

Mersey Pension Fund Limited (8%) - Ordinary Limited Partner

Merseyside Special Investment Venture Fund Two Limited (72%) - Initial Limited Partner

Directors of the general partner

The directors who held office during the year were as follows:

Mr A Rigby

Mr R Swainson

Mrs L Greenhalgh

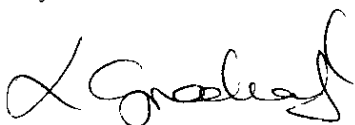
Disclosure of information to auditor

The general partner confirms that, so far as it is aware, there is no relevant audit information of which the partnership's auditor is unaware; and has taken all the steps that ought to have taken as a general partner to make themselves aware of any relevant audit information and to establish that the partnership's auditor is aware of that information.

Auditor

KPMG LLP are deemed to be reappointed as auditors under section 487(2) of the Companies Act 2016.

By order of the board



Lisa Greenhalgh
AFM Merseyside Ventures Limited

2nd Floor Exchange Court
1 Dale Street
Liverpool
L2 2PP
18 July 2017

Statement of General Partner's responsibilities in respect of the General Partner's Report and the financial statements

The General Partner is responsible for preparing the General Partner's Report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the General Partner to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK Generally Accepted Accounting Practice; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

The General Partner has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.



Independent auditors' report to the members of Merseyside Venture Fund No. 3 Limited Partnership

We have audited the financial statements of Merseyside Special Investment Venture Fund No. 3 Limited Partnership (the "Partnership") for the year ended 31 March 2017 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Statement of General Partner's Responsibilities set out on page 3, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Partnership's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of members' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit

Hywel Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
18 July 2017

Merseyside Special Investment Venture Fund No. 3
Annual report and financial statements
Registered No. LP7898
31 March 2017

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover			
Fees and other income	1.6	18,917	29,458
Investment income		30,546	76,821
		<hr/>	<hr/>
Total turnover		49,463	106,279
Administrative and investment expenses	2	(7,689)	(10,122)
Amounts written off investments	6	-	(290,000)
Amounts recovered on previously written off investments		-	-
Movement in fair value of investments	6	799,300	144,700
Movement in bad debt provision		248,623	107,747
Operating profit before interest		<hr/> 1,089,697	<hr/> 58,604
Bank interest receivable	4	<hr/> -	<hr/> 3
Profit on ordinary activities before taxation		1,089,697	58,607
Tax on profit on ordinary activities	5	-	-
Profit for the financial year		<hr/> <hr/> 1,089,697	<hr/> <hr/> 58,607

All operations are continuing.

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

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

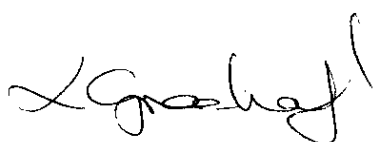
The accounting policies and notes on pages 9 to 14 form part of these financial statements.

Merseyside Special Investment Venture Fund No. 3
Annual report and financial statements
Registered No. LP7898
31 March 2017

Balance Sheet
as at 31 March 2017

	Notes	2017 £	2016 £
Fixed assets			
Investments	6	2,113,000	1,380,077
Current assets			
Cash at bank and in hand		34,276	582,706
Total current assets		34,276	582,706
Creditors: amounts falling due within one year	7	(3,388)	(2,592)
Net current assets		30,888	580,114
Total assets less current liabilities		2,143,888	1,960,191
Net assets		2,143,888	1,960,191
Partners' capital represented by			
Partners' capital and loan accounts	8	3,753,583	4,659,583
Partners' current accounts	8	(1,609,695)	(2,699,392)
Total equity		2,143,888	1,960,191

These financial statements were approved by the General Partner on 18 July 2017 and were signed on its behalf by:



L Greenhalgh
AFM Merseyside Ventures Limited

Merseyside Special Investment Venture Fund No. 3
Annual report and financial statements
Registered No. LP7898
31 March 2017

**Statement of Changes in Partner's capital, loan and income accounts
for the year ended 31 March**

	Partners' capital £	Partners' current accounts £	Total equity £
Balance at 1 April 2015	4,659,583	(2,757,999)	1,901,584
Total comprehensive income for the period			
Profit for the year		58,607	58,607
Balance at 31 March 2016	<u>4,659,583</u>	<u>(2,699,392)</u>	<u>1,960,191</u>

	Partners' capital £	Partners' current accounts £	Total equity £
Balance at 1 April 2016	4,659,583	(2,699,392)	1,960,191
Total comprehensive income for the period			
Profit for the year	-	1,089,697	1,089,697
Total comprehensive income for the period	-	1,089,697	1,089,697
Total contributions by and distributions to owners	(906,000)	-	(906,000)
Balance at 31 March 2017	<u>3,753,583</u>	<u>(1,609,695)</u>	<u>2,143,888</u>

Merseyside Special Investment Venture Fund No. 3
Annual report and financial statements
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31 March 2017

Cash Flow Statement
for the year ended 31 March

	Notes	2017 £	2016 £
Net cash inflow from operating activities	9	42,570	95,944
Returns on investments and servicing of finance			
Interest received		-	3
Capital expenditure and financial investments			
Investments redeemed	6	315,000	460,891
		<hr/>	<hr/>
Net cash inflow before financing		357,570	556,838
Financing			
Partners' loans repaid	8	(906,000)	-
(Decrease)/increase in cash for the year		(548,430)	556,838
Cash and cash equivalents at 1 April		582,706	25,868
Cash and cash equivalents at 31 March	10	<u>34,276</u>	<u>582,706</u>

Notes to the financial statements

1 Accounting policies

Merseyside Special Investment Venture Fund No. 3 Limited Partnership (the "Partnership") is registered in England as a Limited Partnership under the Limited Partnerships Act 1907.

1.1 Basis of preparation

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

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 equity investments which are stated at their fair value.

1.3 Going concern

The General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. In forming this expectation, the General Partner has considered the financial position and performance of the partnership during the year. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

1.4 Basic financial instruments

Other debtors / trade and other creditors

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. 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.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss.

Notes to the financial statements
(continued)

1 Accounting policies (continued)

1.4 Basic financial instruments (continued)

Fair value measurement

Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction. The following hierarchy is used to estimate fair values:

(a) The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

(b) When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

(c) If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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

Classification of capital called and loans advanced by the Limited Partners to the Partnership

In accordance with FRS 102.22 capital called and loans advanced by the Limited Partners to the Partnership are treated as part of the partners' equity as they include no contractual obligations upon the Partnership to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Partnership.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. There are no bank overdrafts.

1.5 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.

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

1 Accounting policies (continued)

1.6 Turnover - investment income

Investment income represents loan interest receivable on fixed asset investments. Fees and other income include fees received for monitoring investments. Income is recognised when it is expected to be received.

1.7 Expenses

Interest receivable and Interest payable

Interest payable and similar charges includes interest payable.

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.

1.8 Provisions

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

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

1.9 Taxation

The partnership is exempt from paying income taxes with the partners being ultimately responsible for any tax due.

2 Expenses and auditors' remuneration

Included in profit/loss are the following:

Auditors' remuneration:

Audit of the company

2017	2016
£	£
2,184	3,600
<u>2,184</u>	<u>3,600</u>

The Partnership has no employees (2016: Nil).

3 Directors' emoluments

Directors' fees were borne by Merseyside Special Investment Fund Limited which make no subsequent recharge to this Partnership as it is not deemed possible to make an accurate apportionment of the director's services. Total directors' emoluments are shown in the financial statements of Merseyside Special Investment Fund Limited.

4 Interest receivable and similar income

Bank

2017	2016
£	£
-	3
<u>-</u>	<u>3</u>

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Notes to the financial statements
(continued)

5 Tax on profit on ordinary activities

The tax charge in relation to the partners in the limited partnership is disclosed within the statutory financial statements for the individuals partners.

6 Investments

	Equity £	Non-equity £	Total Investments £
Valuation			
At 1 April 2016	530,000	1,321,713	1,851,713
Realisations	-	(315,000)	(315,000)
Loans written off	-	-	-
Changes in fair value	799,300	-	799,300
At 31 March 2017	1,329,300	1,006,713	2,336,013
	Equity £	Non-equity £	Total Investments £
Provision			
At 1 April 2016	-	471,636	471,636
Movement in provision for the year	-	(248,623)	(248,623)
Loans written off	-	-	-
At 31 March 2017	-	223,013	223,013
At 31 March 2017	1,329,300	783,700	2,113,000
At 31 March 2016	530,000	850,077	1,380,077

There were no listed investments included in equity and non-equity investments above.

At 31 March 2017 the Partnership held more than 20% of the share capital in the following investments:

Name of undertaking	Principal activity	Accounting year end	Description of shares	Proportion of shares owned
Cybertill Limited	EPOS system for retailers	31 March	B' shares 10p	27%
Northern Technology Investments Limited	IT Integration services and value added reseller	30 June	Ordinary shares	36%

The above companies are registered in England and Wales and operate in England.

7 Creditors: amounts falling due within one year

	2017 £	2016 £
Amounts owed to related party, Merseyside Special Investment Venture Fund Two Ltd	1,204	492
Accruals and deferred income	2,184	2,100
	3,388	2,592

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Notes to the financial statements
(continued)

	At 1 April 2016	Movement	At 31 March 2017
	£	£	£
8 Capital and loans			
Merseyside Special Investment Venture Fund Two Limited	4,191,125	(815,400)	3,375,725
Merseyside Pension Fund	463,458	(90,600)	372,858
Alliance Fund Managers Limited	5,000	-	5,000
	<u>4,659,583</u>	<u>(906,000)</u>	<u>3,753,583</u>

	At 1 April 2016	Share of surplus for the year	At 31 March 2017
	£	£	£
Current accounts			
Merseyside Special Investment Venture Fund Two Limited	(2,429,452)	980,728	(1,448,724)
Merseyside Pension Fund	(269,940)	108,969	(160,971)
AFM Merseyside Ventures Limited	-	-	-
	<u>(2,699,392)</u>	<u>1,089,697</u>	<u>(1,609,695)</u>

The current account allocations are stated so as to distribute the losses to date amongst the Limited Partners only in proportion to their contributions.

Any ultimate surpluses would be distributed as follows:-

- 1 Full Repayment to the Limited Partners of their Partnership interests together with such sum as equals 10% internal rate of Return ("the 10% Return") on the Partnership Interests of the Limited Partners.
- 2 Such sum as is equal to 10% of the 10% Return shall be paid by way of carried interest to the Founder Partners.
- 3 Thereafter distribution as to 90% to the Limited Partners and 10% to the Founder Partners up to such sum as is required to achieve (in aggregate with all distributions previously received) an internal rate of return of 15% on the Partnership Interests of the Ordinary Limited Partners (the "15% Return").
- 4 Thereafter distribution as to 90% to the Initial Limited Partner and 10% to the Founder Partners up to such sum as is required to achieve (in aggregate with all distributions previously received) an internal rate of Return of 15% on the Partnership Interest of the Initial Limited Partner.
- 5 Thereafter distribution as to 85% to the (in aggregate with all distributions previously received) a payment of carried interest to the Founder Partners of 15% of all gains in excess of Full Repayment to all Limited Partners.
- 6 Thereafter distribution as to 85% to the Ordinary Limited Partners and 15% to the Founder Partners up to such sum as is required to achieve (in aggregate with all distributions previously received) an internal rate of Return of 20% on the Partnership Interests of the Ordinary Limited Partners.
- 7 Thereafter distribution as to 85% to the Initial Limited Partner and 15% to the Founder Partners up to such sum as is required to achieve (in aggregate with all distributions previously received) an internal rate of Return or 20% on the Partnership Interest of the Initial Limited Partner.

Notes to the financial statements
(continued)

8 Capital and loans (continued)

8 Such sum as is required to achieve (in aggregate will all distributions previously received) a payment of carried interest to the Founder Partners of 20% of all gains in excess of full Repayment to all Limited Partners.

9 Thereafter all distributions shall be made in the following proportions:-

Ordinary Limited Partner	8%
Initial Limited Partner	72%
Founder Partner	20%

9 Reconciliation of operating profit to net cash inflow from operating activities

	2017	2016
	£	£
Profit for the year	1,089,697	58,607
Increase/(decrease) in creditors	796	(213)
Amounts written off investments	-	290,000
Interest receivable and similar income	-	(3)
Movement in fair value of investments	(799,300)	(144,700)
Movement in bad debt provision	(248,623)	(107,747)
Net cash from operating activities	42,570	95,944

10 Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	34,276	582,706
Cash and cash equivalents per cash flow statement	34,276	582,706

11 Capital commitments

The partnership had capital commitments of £Nil at the year end (2016: £Nil).

12 Related party transactions

All transactions with related parties are disclosed in note 8.

13 Ultimate parent company

In their opinion the General Partner considers there to be no ultimate parent company.