AFM Merseyside Ventures Limited

Registered No. 04274737

Annual report and financial statements

for the year ended 31 March 2021

AFM Merseyside Ventures Limited
Annual report and financial statements
Registered No. 04274737
31 March 2021

Contents

Company information

Directors

Mr J L Walker
Mr K Khilosia
Mr M Borzomato
Mr M d'Abbadie
Mrs H Pittaway

Bankers

Natwest Bank
2-8 Church Street
Liverpool
L1 3BG

Registered Office

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

Report of the directors
for the year ended 31 March 2021

The directors present their report and accounts for the year ended 31 March 2021.

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 also acts as Director for White Property Services Limited.

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 (2020: £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 2021, and up to the date of signing the financial statements, were as follows:

Mr J O'Brien - resigned 11 August 2020
Mr J L Walker
Mr K Khilosia
Mr M Borzomato
Mr M d'Abbadie
Mrs H Pittaway - appointed 11 August 2020

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 2021
(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 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 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;*
- assess the 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 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 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 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 company and to prevent and detect fraud and other irregularities.

This report was approved by the Board on 30 NOVEMBER 2021 and signed on its behalf

M. B

M Borzomato
Director

Balance Sheet
as at 31 March 2021

	Notes	2021	2020
		£	**£**
Current assets			
Debtors	4	**87,702**	87,702
Net assets		**87,702**	87,702
Capital and reserves			
Called up share capital	5	**1**	1
Profit and loss account		**87,701**	87,701
Equity shareholders' funds		**87,702**	87,702

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 2021 the company was entitled to the exemption from a statutory audit under section 479a of the Companies Act 2006 elating 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 2021 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 30 NOVEMBER 2021 and were signed on its behalf by

M. B

M Borzomato
Director

Statement of Changes in Equity

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2019	1	87,701	87,702
Total comprehensive income for the year			
Result for the year	-	-	-
Balance at 31 March 2020	1	87,701	87,702

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2020	1	87,701	87,702
Total comprehensive income for the year			
Result for the year	-	-	-
Balance at 31 March 2021	1	87,701	87,702

Notes to the financial statements

1 Accounting policies

AFM Merseyside Ventures Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in the UK. The registered number is 04274737 and the registered address is 2nd Floor, Exchange Court, 1 Dale Street, Liverpool, L2 2PP.

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"*). The presentation currency of these financial statements is sterling.

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 available to the public and may be obtained from the above address. 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 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.

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 is it 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.

Notes to the financial statements (continued)

3 Tax *on result on ordinary activities*

3 (a) Tax

	2021	2020
	£	£
Current tax on income for the period - UK Corporation Tax	-	-
Deferred tax not recognised	**1,372,683**	1,372,683

3 (b) *Factors affecting tax charge for year*

The tax assessed for the year is equal to (2020: equal to) the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2021	2020
	£	£
Result on ordinary activities before tax	-	-
Result on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19%	-	-
Effects of:		
Capital gain allocated from partnership		
Losses allocated from partnership		
Group relief not paid	-	-
Adjust closing deferred tax to average rate of 19%	-	-
Adjust opening deferred tax to average rate of 19%	-	(144,493)
Deferred tax not recognised	-	144,493
Current tax charge for the year (note 2(a))	-	-

3 (c) Factors affecting the future tax charge

The deferred tax asset as at 31 March 2021 has been calculated 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 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 on 24 May 2021 and will increase the company's future current tax charge accordingly.

Notes to the financial statements (continued)

4 **Debtors**	**2021**	2020
	£	£
Amounts owed by group undertakings	**87,702**	87,702

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

5 **Share capital**	**2021**	2020
	£	£
Authorised	**1,000**	1,000
Issued and Fully Paid Ordinary shares of £1 each	**1**	1

6 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.

7 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. LP007898

for the year ended 31 March 2021

Contents

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
8 Princes Parade
Liverpool
L3 1QH

Banker

Natwest Bank
2-8 Church Street
Liverpool
L1 3BG

General Partner's report

The General Partner presents the report and the audited financial statements for the year ended 31 March 2021.

Based on its size, the Partnership has met the requirements in the Companies Act 2006 to claim exemption from preparing a strategic report.

Principal activities

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

The Partnership'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.

The Partnership is now fully invested and in its realisation phase.

Financial results

The Partnership made a profit of £450,723 (2020: £12,268 loss) for the year ended 31 March 2021. This has been transferred to the Partners' current accounts.

Going Concern

The financial statements have been prepared on a going concern basis which the General Partner considers to be appropriate for the reasons set out below.

The nature of the Partnership's business model is such that it is very low and stable levels of expenditure or commitments which are settled in cash and these can be forecast with a high degree reliability even in reasonably possible downside scenarios. While the impact of Covid-19 on the Partnership's investments is harder to assess, this has no impact on the Partnership's forecast expenditure or commitments which are settled in cash, all of which can be met from existing cash balances. Consequently the General Partner has not required detailed cashflow forecasts to be prepared but has instead assumed that expenditure is consistent with actual experience in making their going concern assessment, which is for the 12 months subsequent to the signing of these financial statements.

Consequently, the General Partner is confident that the Partnership will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 Partnership 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 served during the year ended 31 March 2021 and up to the date of signing the financial statements, were as follows:

Non Executive Directors
Mr J O'Brien - resigned 11 August 2020
Mr J L Walker
Mr K Khilosia
Mrs H E Pittaway - appointed 11 August 2020

Executive Directors
Mr M Borzomato
Mr M d'Abbadie

General Partner's report
(continued)

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.

Political contributions

The Partnership made no political donations and incurred no political expenditure during the year.

Auditor

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

For and on behalf of the Partnership

M. B

M Borzomato
Director
AFM Merseyside Ventures Limited

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

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

The General Partners are responsible for preparing the General Partners' Report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the general partners to prepare qualifying partnership 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 partners have elected to prepare the 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 general partners 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 qualifying partnership and of the profit or loss of the qualifying partnership for that period. In preparing these financial statements, the general partners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the qualifying partnership'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 qualifying partnership or to cease operations, or have no realistic alternative but to do so.

The general partners are responsible for keeping adequate accounting records that are sufficient to show and explain the qualifying partnership's transactions and disclose with reasonable accuracy at any time the financial position of the qualifying partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. 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 qualifying partnership and to prevent and detect fraud and other irregularities.

Independent auditor's report to the partners of Merseyside Venture Fund No. 3 Limited Partnership

Opinion

We have audited the financial statements of Merseyside Special Investment Venture Fund Limited Partnership ("the qualifying partnership") for the year ended 31 March 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Partners' Capital, 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 qualifying partnership's affairs as at 31 March 2021 and of the qualifying partnership'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 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

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 general partners have prepared the financial statements on the going concern basis as they do not intend to liquidate the qualifying partnership or to cease their operations, and as they have concluded that the partnership'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 General Partners' conclusions, we considered the inherent risks to the Partnership's business model and analysed how those risks might affect the Partnership's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the General Partners' 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 General Partners' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Partnership'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 Partnership 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 General Partners and inspection of policy documentation as to the qualifying partnership's high-level policies and procedures to prevent and detect fraud, including the qualifying partnership'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 Partnership.

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

KPMG

Independent auditor's report to the partners of Merseyside Venture Fund No. 3 Limited Partnership (continued)

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.

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 General Partners and other management (as required by auditing standards), and from inspection of the Partnership's regulatory and legal correspondence and discussed with the General Partners 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 Partnership 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 Partnership 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 Partnership'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 Partnership's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the General Partners 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.

General Partners' report

The General Partners are responsible for the General Partners' 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 General Partners' 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 General Partners' 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 Partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the Partnership financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of member's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the general partners 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.

KPMG

Independent auditor's report to the partners of Merseyside Venture Fund No. 3 Limited Partnership (continued)

General Partners' responsibilities

As explained more fully in their statement set out on page 6, the General Partners 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 Partnership'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 Partnership 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.

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

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. 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.

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

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

	Notes	2021	2020
		£	£
Turnover			
Fees and other income		**24,583**	25,000
Total turnover		**24,583**	25,000
Administrative and investment expenses		**(10,996)**	(7,268)
Movement in fair value of investments		**325,658**	-
Movement in provision	4	**111,478**	(30,000)
Profit/(Loss) before taxation		**450,723**	(12,268)
Tax on profit/(loss)	3	**-**	-
Profit/(Loss) for the financial year		**450,723**	(12,268)

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

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

The notes on pages 14 to 19 form part of these financial statements.

Balance Sheet
as at 31 March 2021

	Notes	2021	2020
		£	£
Fixed assets			
Investments	4	**451,155**	14,019
Current assets			
Cash at bank and in hand	8	**42,395**	22,865
Creditors: amounts falling due within one year	5	**(13,813)**	(7,870)
Net current assets		**28,582**	14,995
Net assets		**479,737**	29,014
Partners' capital represented by			
Partners' capital and loan accounts	6	**971,383**	971,383
Partners' current accounts	6	**(491,646)**	(942,369)
Total equity		**479,737**	29,014

These financial statements were approved by the General Partner on 30 November 2021 and were signed on its behalf by:

M Borzomato
Director
AFM Merseyside Ventures Limited

The notes on pages 14 to 19 form part of these financial statements.

Statement of Changes in Partner's capital, loan and income accounts for the year ended 31 March 2021

	Partners' capital	Partners' current accounts	Total equity
	£	£	£
Balance at 1 April 2019	971,383	(930,101)	41,282
Total comprehensive income for the year			
Loss for the year	-	(12,268)	(12,268)
Total comprehensive income for the year	-	(12,268)	(12,268)
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2020	**971,383**	**(942,369)**	**29,014**

	Partners' capital	Partners' current accounts	Total equity
	£	£	£
Balance at 1 April 2020	971,383	(942,369)	29,014
Total comprehensive income for the year			
Profit for the year	-	450,723	450,723
Total comprehensive income for the year	-	450,723	450,723
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2021	**971,383**	**(491,646)**	**479,737**

The notes on pages 14 to 19 form part of these financial statements.

Cash Flow Statement
for the year ended 31 March 2021

	Notes	2021	2020
		£	£
Net cash inflow from operating activities	7	**345,188**	22,256
Capital expenditure and financial investments			
Increase in value of investments	4	**(325,658)**	-
Investments redeemed	4	-	-
Net cash inflow before financing		**19,530**	22,256
Financing			
Partners' loans repaid	6	-	-
Decrease in cash for the year		**19,530**	22,256
Cash and cash equivalents at 1 April		**22,865**	609
Cash and cash equivalents at 31 March	8	**42,395**	22,865

The notes on pages 14 to 19 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

Merseyside Special Investment Venture Fund No. 3 (the "Partnership") is registered in England as a Limited Partnership under the Limited Partnerships Act 1907. The registered number is LP007898 and the registered address is 2nd Floor, Exchange Court, 1 Dale Street, Liverpool, L2 2PP.

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"*). 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 financial statements have been prepared on a going concern basis which the General Partner considers to be appropriate for the reasons set out below.

The nature of the Partnership's business model is such that it is very low and stable levels of expenditure or commitments which are settled in cash and these can be forecast with a high degree reliability even in reasonably possible downside scenarios. While the impact of Covid-19 on the Partnership's investments is harder to assess, this has no impact on the Partnership's forecast expenditure or commitments which are settled in cash, all of which can be met from existing cash balances. Consequently the General Partner has not required detailed cashflow forecasts to be prepared but has instead assumed that expenditure is consistent with actual experience in making their going concern assessment, which is for the 12 months subsequent to the signing of these financial statements.

Consequently, the General Partner is confident that the Partnership will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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; such changes are non cash items.

***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*

Fees and other income include fees received for monitoring investments. Investment income represents loan interest receivable and profits on disposal of fixed asset investments.

1.7 *Expenses*

Interest receivable and 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 Partnership 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.

1.9 *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 General Partner in the application of these accounting policies are in respect of the valuation of investments.

1.10 *Taxation*

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

2 Expenses and auditor's remuneration	**2021**	2020
Included in profit/loss are the following:	**£**	£
Auditor's remuneration:		
Audit of the company	**8,400**	5,439

The Partnership has no employees (2020: Nil).

Notes to the financial statements
(continued)

3 Tax on loss

The tax charge in relation to the partners in the Partnership is disclosed within the statutory financial statements for the individual partners.

4 Investments

	Equity	Non-equity	Total Investments
	£	£	£
Valuation			
At 1 April 2020	230,666	19	230,685
Changes in fair value	325,658	-	325,658
At 31 March 2021	**556,324**	**19**	**556,343**

	Equity	Non-equity	Total Investments
	£	£	£
Provision			
At 1 April 2020	216,666	-	216,666
Movement in provision for the year	(111,478)	-	(111,478)
At 31 March 2021	**105,188**	**-**	**105,188**
At 31 March 2021	**451,136**	**19**	**451,155**
At 31 March 2020	14,000	19	14,019

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

The General Partner believes that the carrying value of the investments is supported by their underlying net assets.

At 31 March 2021 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 2021	'B' shares 10p	0%
Registered Office	**Profit**	**Net Assets**		
Clocktower Court	£	£		
Knowsley Park, L34 4AQ	56,511	785,854		

Notes to the financial statements (continued)

		2021	2020
5	**Creditors: amounts falling due within one year**	**£**	£
	Amounts owed to related parties	**3,733**	2,871
	Accruals	**10,080**	4,999
		13,813	7,870

		At 1 April 2020	Movement	At 31 March 2021
6	**Capital and loans**	£	£	**£**
	Merseyside Special Investment Venture Fund Two Limited	871,745	-	**871,745**
	Merseyside Pension Fund	94,638	-	**94,638**
	Alliance Fund Managers Limited	5,000	-	**5,000**
		971,383	-	**971,383**

	At 1 April 2020	Share of profit for the year	At 31 March 2021
Current accounts	£	£	**£**
Merseyside Special Investment Venture Fund Two Limited	(848,130)	405,651	**(442,479)**
Merseyside Pension Fund	(94,239)	45,072	**(49,167)**
	(942,369)	450,723	**(491,646)**

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 Partner.*

3 Thereafter distribution as to 90% to the Limited Partners and 10% to the Founder Partner 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 Partner (the "15% Return").

4 Thereafter distribution as to 90% to the Initial Limited Partner and 10% to the Founder Partner 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 Partner of 15% of all gains in excess of Full Repayment to all Limited Partners.

6 Thereafter distribution as to 85% to the Ordinary Limited Partner and 15% to the Founder Partner 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 Partner.

7 Thereafter distribution as to 85% to the Initial Limited Partner and 15% to the Founder Partner 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)

6 Capital and loans (continued)

8 Such sum as is required to achieve (in aggregate with 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%

7 Reconciliation of operatingprofit to net cash inflow from operating activities

	2021	2020
	£	£
Profit for the year	**450,723**	(12,268)
Increase in creditors	**5,943**	4,524
Movement in investment provision	**(111,478)**	30,000
Net cash from operating activities	**345,188**	22,256

8 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	**42,395**	22,865

9 Financial instruments

The carrying amount of the financial assets include:

	2021	2020
	£	£
Assets measured at fair value though profit or loss	**451,155**	14,019
Assets measured at cost less impairment	**42,395**	22,865
Liabilities measured at amortised cost	**(13,813)**	(7,870)
	479,737	29,014

10 Capital commitments

The Partnership had capital commitments of £Nil at the year end (2020: £Nil).

11 Related party transactions

All transactions with related parties are disclosed in notes 5 and 6.
The Partnership incurred charges from Merseyside Special Investment Venture Fund Two Limited totalling £863 (2020: £1,725) for the year ended 31 March 2021.

12 Ultimate parent company

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