

South West Investment Group (Capital) Limited

**Annual Report and Financial Statements
Year Ended 31 March 2019**

Registration number: 2360656

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South West Investment Group (Capital) Limited

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South West Investment Group (Capital) Limited

Company Information

| | |
|--------------------------|--|
| Directors | R G Coombs N L Pooley D I Brown |
| Registered office | Lowena House Glenthorne Court Truro Business Park Truro Cornwall TR4 9NY |
| Auditors | PKF Francis Clark Statutory Auditor Lowin House Tregolls Road Truro Cornwall TR1 2NA |

South West Investment Group (Capital) Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

South West Investment Group (Capital) Limited

Balance Sheet

31 March 2019

| | Note | 2019 £ | 2018 £ |
|--|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 4 | 908 | 316 |
| Current assets | | | |
| Debtors | 5 | 10,749 | 117,773 |
| Investments | 6 | 2,288,336 | 3,159,289 |
| Cash at bank and in hand | | 9,135,175 | 8,610,788 |
| | | <u>11,434,260</u> | <u>11,887,850</u> |
| Creditors: Amounts falling due within one year | 7 | <u>(3,049,733)</u> | <u>(2,924,583)</u> |
| Net current assets | | <u>8,384,527</u> | <u>8,963,267</u> |
| Total assets less current liabilities | | 8,385,435 | 8,963,583 |
| Creditors: Amounts falling due after more than one year | 7 | <u>(252,148)</u> | <u>(696,086)</u> |
| Net assets | | <u>8,133,287</u> | <u>8,267,497</u> |
| Capital and reserves | | | |
| Called up share capital | | 263,000 | 263,000 |
| Other reserves | 8 | 6,682,526 | 7,175,688 |
| Profit and loss account | | <u>1,187,761</u> | <u>828,809</u> |
| Total equity | | <u>8,133,287</u> | <u>8,267,497</u> |

The notes on pages 5 to 13 form an integral part of these financial statements.

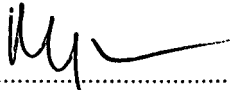
South West Investment Group (Capital) Limited

Balance Sheet

31 March 2019

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and the option not to file the Profit and Loss Account has been taken.

Approved and authorised by the Board on 29/7/19 and signed on its behalf by:



R G Coombs
Director

Company Registration Number: 2360656

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Lowena House
Glenthorne Court
Truro Business Park
Truro
Cornwall
TR4 9NY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of Section 1A of FRS102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in pounds sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are outlined within this note.

Revenue recognition

Turnover comprises of fees and loan interest receivable on loans advanced by the company, and grants recognised in accordance with its policy as stated below.

Loan interest is recognised on an accruals basis, with monitoring fees in relation to loans advanced under certain funds being recognised on a receipts basis.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Government grants

In relation to the South West Loan Fund, the Microcredit Loan Fund, the Cleantech Loan Fund and CDFA RGF Fund all capital grants received in advance of investment are carried forward on the balance sheet as deferred income.

Capital grants relating to loan investments in SMEs are recognised at the point at which loans are made and are released to the income and expenditure account. At the same time provisions for impairment are reflected as an expense.

For other older investments and the Seedbed fund, grants received (and then provided as loans) are accounted for on a 'net' basis whereby the profit and loss on grants received under lending arrangements made are only recognised when repayments are subsequently received from the loanee repaying the grant element of the loan. In the case of these funds, the directors believe this is to be the most appropriate accounting treatment to give a true and fair view given the nature of the investments.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|--------------------|-------------------------------------|
| Computer equipment | 33% straight line |

Intangible assets

Intangible fixed assets relate to software costs.

Software costs have a finite useful life, and are carried at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

| Asset class | Amortisation method and rate |
|--------------------|-------------------------------------|
| Software costs | Straight line over three years |

Investments and loan provisioning

Loan balances are reviewed regularly and those that are no longer considered to be recoverable are written off.

Where there is any doubt about the recoverability of a loan, an assessment is made of the amount that is considered to be at risk, and of the probability that a default will occur in order to arrive at a provision for doubtful debts.

Loan receivable provisions are made in the profit and loss account where there is objective evidence of an event giving rise to impairment under an incurred loss model (rather than an expected loss model whereby the basis is that a loss may occur in future) in accordance with FRS 102 11.21 to 23.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Fixed asset investments arising on the issuing of funds to third parties;
- Bank loans; and
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Except for bank loans, such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Bank loans are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

Accounting estimates and judgements

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where management have made significant judgements are as follows:

Provisioning of loan book

Management incorporate specific provisions against certain loan balances, based on the advice provided to them by their fund managers.

Provisions against loan receivables are recognised when management judge there is sufficient objective evidence of an impairment event.

Provisions are reviewed on a regular meeting by management as part of their quarterly board meetings.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 2 (2018 - 2).

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

4 Tangible assets

| | Furniture, fittings and equipment £ | Total £ |
|--------------------------|--|----------------|
| Cost or valuation | | |
| At 1 April 2018 | 4,905 | 4,905 |
| Additions | 986 | 986 |
| Disposals | <u>(3,637)</u> | <u>(3,637)</u> |
| At 31 March 2019 | <u>2,254</u> | <u>2,254</u> |
| Depreciation | | |
| At 1 April 2018 | 4,589 | 4,589 |
| Charge for the year | 394 | 394 |
| Eliminated on disposal | <u>(3,637)</u> | <u>(3,637)</u> |
| At 31 March 2019 | <u>1,346</u> | <u>1,346</u> |
| Carrying amount | | |
| At 31 March 2019 | <u>908</u> | <u>908</u> |
| At 31 March 2018 | <u>316</u> | <u>316</u> |

5 Debtors

| | 2019 £ | 2018 £ |
|---------------|---------------|----------------|
| Other debtors | <u>10,749</u> | <u>117,773</u> |
| | <u>10,749</u> | <u>117,773</u> |

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

6 Investments

| | Investments £ | Total £ |
|--------------------------|------------------|------------------|
| Cost or valuation | | |
| At 1 April 2018 | 5,735,314 | 5,735,314 |
| Loan book advances | 382,000 | 382,000 |
| Grants realised | 19,605 | 19,605 |
| Repayments | (1,252,440) | (1,252,440) |
| Written off | (762,727) | (762,727) |
| At 31 March 2019 | <u>4,121,752</u> | <u>4,121,752</u> |
| Provision | | |
| At 1 April 2018 | 2,576,024 | 2,576,024 |
| Written off | (755,778) | (755,778) |
| Movement in provision | 13,170 | 13,170 |
| At 31 March 2019 | <u>1,833,416</u> | <u>1,833,416</u> |
| Carrying amount | | |
| At 31 March 2019 | <u>2,288,336</u> | <u>2,288,336</u> |
| At 31 March 2018 | <u>3,159,289</u> | <u>3,159,289</u> |

Of total investments above £1,142,214 (2018 - £2,028,962) is recoverable in more than one year.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

7 Creditors

Creditors: amounts falling due within one year

| | Note | 2019 £ | 2018 £ |
|-----------------------------------|------|------------------|------------------|
| Due within one year | | | |
| Loans and borrowings | 9 | 181,031 | 202,597 |
| Trade creditors | | 5,243 | 30,143 |
| Amounts due to group undertakings | | 30,888 | 33,262 |
| Social security and other taxes | | 1,967 | 1,910 |
| Other creditors | | 300,604 | 26,671 |
| Exceptional provision | | 2,530,000 | 2,630,000 |
| | | <u>3,049,733</u> | <u>2,924,583</u> |

Creditors: amounts falling due after more than one year

| | Note | 2019 £ | 2018 £ |
|---------------------------|------|----------------|----------------|
| Due after one year | | | |
| Loans and borrowings | 9 | 150,370 | 331,332 |
| Deferred income | | 101,778 | 364,754 |
| | | <u>252,148</u> | <u>696,086</u> |

8 Other reserves

Other reserves are the Business Development Reserve which is a subdivision of the profit and loss reserve.

Whilst it remains a distributable reserve, it should be noted that all of the Business Development Fund is accrued from funds managed by the company where there are conditions established over the future use of the profits from those funds.

The Directors of South West Investment Group (Capital) Limited actively monitor changes in EU regulations, or other requirements, to assess any impact they may have on the amounts held in the Business Development Fund. In the event that there is a known change in the applicable terms and conditions relating to such funds, or if an obligation were to arise either legally or constructively to transfer such funds to another body, then an appropriate transaction in respect of the amount due would be recognised at that time.

A provision has been recognised in respect of certain elements of this reserve of £2.53m (2018: £2.63m) for amounts that have or expect to be requested. During the current year, £0.1m (2018: £0.5m) was paid.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2019

9 Loans and borrowings

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Current loans and borrowings | | |
| Bank borrowings | <u>181,031</u> | <u>202,597</u> |
| | | |
| | 2019 £ | 2018 £ |
| Loans and borrowings due after one year | | |
| Bank borrowings | <u>150,370</u> | <u>331,332</u> |

The amounts shown above as bank borrowings are secured against monies disclosed within cash and cash equivalents at the balance sheet date.

10 Parent and ultimate parent undertaking

The company's immediate parent is South West Investment Group Limited, incorporated in England and Wales. The registered office of this company is Lowena House, Glenthorne Court, Truro Business Park, Truro, Cornwall, TR4 9NY.

The most senior parent entity producing publicly available financial statements is South West Investment Group Limited. These financial statements are available upon request from Companies House, Crown Way, Cardiff, CF14 3UZ.

11 Statement on auditors' report pursuant to s444 5(B) to the Companies Act 2006

The financial statements for the year ended 31 March 2019 were audited by:

PKF Francis Clark, statutory auditor
Lowin House
Tregolls Road
TR1 2NA

The senior statutory auditor was Duncan Leslie ACA.

An unqualified and unmodified auditors' report on the financial statements for the year ended 31 March 2019 has been issued.