

South West Investment Group (Capital) Limited
Annual Report and Financial Statements
Year Ended 31 March 2021

Registration number: 02360656

South West Investment Group (Capital) Limited

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South West Investment Group (Capital) Limited

Company Information

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

Directors R G Coombs
N L Pooley
D I Brown

South West Investment Group (Capital) Limited

Balance Sheet

31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	<u>4</u>	1,349	1,250
Current assets			
Debtors	<u>5</u>	33,411	3,861
Investments	<u>6</u>	1,625,505	1,210,373
Cash at bank and in hand		8,314,541	9,495,267
		<u>9,973,457</u>	<u>10,709,501</u>
Creditors: Amounts falling due within one year	<u>7</u>	<u>(2,809,898)</u>	<u>(2,759,700)</u>
Net current assets		<u>7,163,559</u>	<u>7,949,801</u>
Total assets less current liabilities		7,164,908	7,951,051
Creditors: Amounts falling due after more than one year	<u>7</u>	<u>(101,499)</u>	<u>(132,033)</u>
Net assets		<u><u>7,063,409</u></u>	<u><u>7,819,018</u></u>
Capital and reserves			
Called up share capital		263,000	263,000
Other reserves		5,978,765	6,545,594
Profit and loss account		<u>821,644</u>	<u>1,010,424</u>
Shareholders' funds		<u><u>7,063,409</u></u>	<u><u>7,819,018</u></u>

South West Investment Group (Capital) Limited

Balance Sheet

31 March 2021

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 30 September 2021 and signed on its behalf by:

.....

R G Coombs

Director

Company Registration Number: 02360656

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2021

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

These financial statements were authorised for issue by the Board on 30 September 2021.

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 2021

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.

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
Fixtures and fittings	15% straight line
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

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2021

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.

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Current 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 2021

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.

Given the economic uncertainty and downturn, it is anticipated the pandemic will have a significant impact on the recoverability of loans in the future. However it is not possible to estimate the full impact at this point in time. This is partly due to the government support available to businesses and repayment holidays that have existed during the pandemic. This has allowed businesses to minimise their losses whilst not defaulting on their loans. As a result there have been no significant changes at the time these accounts are approved that have been observed which would result in a significant loan impairment. However as government support packages cease and become no longer available, businesses may face significant financial difficulties.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Going concern

The balance sheet shows that the company has £7,164k (2020: £7,950k) net current assets which includes cash of £8,314k (2020: £9,495k) and investments of £1,625k (2020: £1,210k) as at 31 March 2021. In preparing and approving these financial statements the directors have given due consideration to going concern risks including the impact of the COVID-19 pandemic.

SWIG Capital's role going forward is to continue providing a fund holding function for existing funds. The main aim of the funds is to invest in businesses that cannot access traditional sources of finance in the South West Region with a view to creating jobs and Gross Value Added (GVA) and to create legacy funds to re-invest in the Region.

SWIG Capital has in the past held and still holds a number of funds solely for investment in businesses.

The company continues to work with a number of existing funding bodies to identify exit strategies for a number of its funds to ensure continuity of access to finance provision in the South West. During the year, following an OJEU procurement process to identify a fund manager, the new SWLF II fund launched in July 2020 with an initial funding available of £5.73m.

SWIG Capital's income is derived from each individual fund. The fees that SWIG Capital may receive are identified in the original fund business plans, agreed by the funders and can only relate to actual costs incurred with no profit element. All funds held at the year end, excluding SWLFII are in the realisation phase and significant monies have already been recouped, there is minimal financial risk for the Company as funds recovered to date and those re-invested into SWLFII (£5,261k) outweigh investments outstanding at the balance sheet date and the balance of further monies recovered, net of future bad debt will be the amount that is recycled and reinvested.

Given the economic uncertainty and downturn, it is anticipated the pandemic will potentially have a significant impact on the recoverability of loans in the future. However, it is not possible to estimate the full impact at this point in time. This is partly due to the government support available to businesses and repayment holidays that have existed during the pandemic. This has allowed businesses to minimise their losses whilst not defaulting on their loans. As a result there have been no significant changes at the time these accounts are approved that have been observed which would result in a significant loan impairment. However, as government support packages cease and become no longer available, businesses may face significant financial difficulties. To mitigate some of these potential future losses the active loan fund SWLFII was accredited for CBILS and all lending to date has been covered by this scheme.

The Board considers it is appropriate for the accounts to be prepared on a going concern basis for the reasons set out above and especially given the Company's strong balance sheet and cash reserves outlined which provides sufficient headroom to deal with any potential loan write offs that are anticipated in the next 12 months from the date of approval of the financial statements.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 2 (2020 - 2).

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2021

4 Tangible assets

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 April 2020	3,038	3,038
Additions	886	886
At 31 March 2021	3,924	3,924
Depreciation		
At 1 April 2020	1,788	1,788
Charge for the year	787	787
At 31 March 2021	2,575	2,575
Carrying amount		
At 31 March 2021	1,349	1,349
At 31 March 2020	1,250	1,250

5 Debtors

	2021 £	2020 £
Amounts due from group undertakings	30,178	-
Other debtors	3,233	3,861
	33,411	3,861

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2021

6 Investments

	Investments £	Total £
Cost or valuation		
At 1 April 2020	2,201,416	2,201,416
Loan book advances	1,211,001	1,211,001
Repayments	(852,643)	(852,643)
Written off	(223,326)	(223,326)
	<hr/>	<hr/>
At 31 March 2021	2,336,448	2,336,448
Provision		
At 1 April 2020	991,043	991,043
Written off	(194,595)	(194,595)
Movement in provision	(85,505)	(85,505)
	<hr/>	<hr/>
At 31 March 2021	710,943	710,943
Carrying amount		
At 31 March 2021	<hr/> <u>1,625,505</u>	<hr/> <u>1,625,505</u>
At 31 March 2020	<hr/> <u>1,210,373</u>	<hr/> <u>1,210,373</u>

Of total investments above £1,176,539 (2020: £469,429) is recoverable in more than one year.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2021

7 Creditors

Creditors: amounts falling due within one year

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	<u>9</u>	-	119,856
Trade creditors		11,304	20,128
Amounts due to group undertakings		-	5,798
Social security and other taxes		1,759	1,647
Other creditors		104,957	182,271
Exceptional provision		2,691,878	2,430,000
		<u>2,809,898</u>	<u>2,759,700</u>

Creditors: amounts falling due after more than one year

	Note	2021 £	2020 £
Due after one year			
Loans and borrowings	<u>9</u>	-	30,535
Deferred income		101,499	101,498
		<u>101,499</u>	<u>132,033</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 £2.69m (2020: £2.43m) for amounts that have or expect to be requested. During the current year, £nil (2020: £0.1m) was paid.

South West Investment Group (Capital) Limited

Notes to the Financial Statements

Year Ended 31 March 2021

9 Loans and borrowings

	2021 £	2020 £
Current loans and borrowings		
Bank borrowings	-	119,856
	2021 £	2020 £
Loans and borrowings due after one year		
Bank borrowings	-	30,535

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 Audit report

The Independent Auditors' Report was unqualified. The name of the Senior Statutory Auditor who signed the audit report was Duncan Leslie ACA, who signed for and on behalf of PKF Francis Clark on 24 November 2021.

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