

SWIG Finance Limited
Annual Report and Financial Statements
Year Ended 31 March 2022

Registration number: 02688108

SWIG Finance Limited

Contents

Company Information	<u>1</u>
Balance Sheet	<u>2</u>
Notes to the Financial Statements	<u>3 to 13</u>

SWIG Finance Limited

Company Information

Chair C H Allison

Directors J Peters
D M Bullen
C C Butters
R L Pritchard

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

SWIG Finance Limited

Balance Sheet

31 March 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	<u>4</u>	23,760	6,303
Tangible assets	<u>5</u>	7,026	9,411
Other financial assets	<u>6</u>	14,000	14,000
		<u>44,786</u>	<u>29,714</u>
Current assets			
Debtors	<u>7</u>	159,902	191,257
Investments	<u>8</u>	6,106,682	3,223,002
Cash at bank and in hand		3,403,296	2,425,190
		<u>9,669,880</u>	<u>5,839,449</u>
Creditors: Amounts falling due within one year	<u>9</u>	<u>(104,374)</u>	<u>(93,209)</u>
Net current assets		<u>9,565,506</u>	<u>5,746,240</u>
Total assets less current liabilities		<u>9,610,292</u>	<u>5,775,954</u>
Creditors: Amounts falling due after more than one year	<u>9</u>	<u>(7,050,000)</u>	<u>(3,300,000)</u>
Net assets		<u>2,560,292</u>	<u>2,475,954</u>
Capital and reserves			
Called up share capital	<u>10</u>	2,684,425	2,684,425
Profit and loss account		<u>(124,133)</u>	<u>(208,471)</u>
Shareholders' funds		<u>2,560,292</u>	<u>2,475,954</u>

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.

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime and the option not to file the Profit and Loss Account has been taken.

Approved and authorised by the Board on 30 November 2022 and signed on its behalf by:

.....
J Peters
Director

Company Registration Number: 02688108

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

1 General information

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

The address of its registered office, which is the same as its principal place of business, is:

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

These financial statements were authorised for issue by the Board on 30 November 2022.

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 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

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.

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

Going Concern

The balance sheet shows that the company has £9,566k (2021: £5,746k) net current assets which includes cash of £3,403k (2021: £2,425k) and investments of £6,107k (2021: £3,223k) as at 31 March

2022. In preparing and approving these financial statements the directors have given due consideration to going concern risks, including the ongoing impact of the COVID-19 pandemic and other economic factors such as inflation and the related cost of living situation.

The company continued to lend money during the year from its own balance sheet, enabled by the securing of further funding from Triodos Bank during May 2021 of £5,000k as at 31 March 2022, for a total of £8,300k (2021: £3,300k). Furthermore, Triodos indicated an internal credit limit agreed for SWIG Finance, which will result in security of potential funds for at least two further years as at 31 March 2022.

The company managed a fund in the year called SWLF II on behalf of South West Investment Group (Capital) Limited (SWIG Cap). This contract runs until 2025.

It also participated in the Cornwall and Isles of Scilly Investment Fund (CIOSIF) under a contract with FSE Group, the fund manager contracted to British Business Bank, until 30 November 2021.

The company continues to be the South West's leading delivery partner of the government's Start Up Loans scheme and also manages the collection of loan instalments on older and UK Government supported lending funds on behalf of its sister company, SWIG Cap. This last legacy activity is rapidly diminishing as the loan books involved are almost fully collected.

With the three of the four streams of funding mentioned above successfully operating beyond 31 March 2022, and with ongoing demand and further clear funding opportunities identified, the Directors are confident of the future as one of the UK's leading CDFI lenders and our ability to provide access to finance for the SME market in the South West.

With regard to the company's investments of £6,107k, the risk of non-recoverability for the company is expected to range between 30% and 20% of the gross value of the fund. The remaining 70% to 80% is expected to be covered by either the British Business Bank's Enterprise Finance Guarantee (EFG), Coronavirus Business Interruption Loan Scheme (CBILS) or Recovery Loan Scheme (RLS). There are specific rules with these schemes, such as a maximum annual claim limit. During this financial year CBILS and RLS are the only schemes that apply and the company had a lending limit of £5,000k, against which 100% of the loans made within this scheme qualify for either a 80% or 70% guarantee. We do not foresee any conditions not being met to prevent the guarantees of gross investment value at this point in time. Given the economic uncertainty and the ongoing effects of the pandemic, it is anticipated there may be an impact on the recoverability of loans in the future. However, it is not possible to estimate the impact at this point in time. This is partly due to the government support available to businesses and ongoing forbearance provided to them as they plan and cope with the various economic shocks. 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.

With regard to post year end trading, the company continues to be in line with budget where an operating surplus is again forecast for the year ending 31 March 2023. The cash balance as at the end of August 2022 remains broadly consistent with the balance held as at 31 March 2022 at £3,233k.

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

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 may be forthcoming in the next 12 months from the date of approval of the financial statements.

Revenue recognition

Turnover represents amounts chargeable, net of value added tax, in respect of the provision of services to its customers.

Revenue is recognised on an accruals basis in line with when a contractual right to that income exists.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below.

Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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.

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

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% per annum
Computer equipment	33% per annum

Intangible assets

Separately acquired project costs are shown at historical cost.

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

Software costs are shown at historical cost.

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

Project costs

Project costs capitalised as intangible assets under FRS 102 relate to development costs for new loan funds launched in 2018.

Amortisation

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

The board reviewed the useful life of these projects and this was estimated to be of two years.

Amortisation has been charged as follows:

Asset class	Amortisation method and rate
Project costs	33% per annum

Investments

Investments are carried at cost less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

Loans 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.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

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

Recognition of deferred tax asset

The financial statements recognise a deferred tax asset of £Nil (2021 - £Nil).

In considering the ability to recognise a deferred tax asset management have considered the expected trading and taxable profits based on forecasts. As at 31st March 2022 there is a deferred tax asset of £122k (2021: £111k) which management have elected not to recognise in the financial statements.

Investments loan provision

The financial statements recognise an investment loan provision of £74k (2021 - £49k) which is expected to be recovered through the EFG scheme, which provides 75% cover on bad loans providing certain conditions are met.

Provisions against loans receivable are recognised when management judge there is sufficient objective evidence of an impairment event as at the balance sheet date. There are £28k of loans valued as at 31 March 2022 across 3 recipients (of a total loan book of 124) that are on either full or capital repayment holidays at the time of signing the accounts. These are unprovided and may require further provision going forward, although additional provision is not considered appropriate at this time.

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

Financial instruments

The company holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Cash and bank balances.

All financial instruments are classified as basic.

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.

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.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 26 (2021 - 25).

4 Intangible assets

	Project costs £	Software costs £	Total £
Cost or valuation			
At 1 April 2021	53,376	-	53,376
Additions	-	23,760	23,760
At 31 March 2022	53,376	23,760	77,136
Amortisation			
At 1 April 2021	47,073	-	47,073
Amortisation charge	6,303	-	6,303
At 31 March 2022	53,376	-	53,376
Carrying amount			
At 31 March 2022	-	23,760	23,760
At 31 March 2021	6,303	-	6,303

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

5 Tangible assets

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 April 2021	36,893	36,893
Additions	2,692	2,692
Disposals	(99)	(99)
At 31 March 2022	39,486	39,486
Depreciation		
At 1 April 2021	27,482	27,482
Charge for the year	5,041	5,041
Eliminated on disposal	(63)	(63)
At 31 March 2022	32,460	32,460
Carrying amount		
At 31 March 2022	7,026	7,026
At 31 March 2021	9,411	9,411

6 Other financial assets

	Other investments £	Total £
Non-current financial assets		
Cost or valuation		
At 1 April 2021	14,000	14,000
At 31 March 2022	14,000	14,000
Carrying amount		
At 31 March 2022	14,000	14,000
At 31 March 2021	14,000	14,000

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

7 Debtors

	2022 £	2021 £
Trade debtors	97,746	152,566
Prepayments	62,156	38,691
	<u>159,902</u>	<u>191,257</u>

8 Investments

	Investments £	Total £
Cost or valuation		
At 1 April 2021	3,271,575	3,271,575
Additions	4,269,811	4,269,811
Repaid in the year	<u>(1,360,650)</u>	<u>(1,360,650)</u>
At 31 March 2022	<u>6,180,736</u>	<u>6,180,736</u>
Impairment		
At 1 April 2021	48,574	48,574
Provision movement in the year	<u>25,480</u>	<u>25,480</u>
At 31 March 2022	<u>74,054</u>	<u>74,054</u>
Carrying amount		
At 31 March 2022	<u>6,106,682</u>	<u>6,106,682</u>
At 31 March 2021	<u>3,223,002</u>	<u>3,223,002</u>

Of the total investment loans above, £4,342,534 (2021 - £2,767,954) is recoverable in more than one year.

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

9 Creditors

Creditors: amounts falling due within one year

	Note	2022 £	2021 £
Due within one year			
Trade creditors		30,897	22,005
Amounts due to group undertakings		36,466	30,178
Social security and other taxes		15,422	20,224
Outstanding defined contribution pension costs		2,289	2,097
Other creditors		19,300	18,705
		<u>104,374</u>	<u>93,209</u>
Due after one year			
Loans and borrowings	15	<u>7,050,000</u>	<u>3,300,000</u>

10 Share capital

Allotted, called up and fully paid shares

	No.	2022 £	No.	2021 £
Ordinary shares of £1 each	2,684,425	2,684,425	2,684,425	2,684,425

During the year the company issued share capital of £nil (2021 - £300,000).

11 Financial commitments, guarantees and contingencies

Amounts not provided for in the balance sheet

The total amount of financial commitments not included in the balance sheet is £98,033 (2021 - £110,927).

At the year end the company was committed to pay £20,000 (2021 - £Nil) as the remaining balance on software costs. The remaining commitment is in relation to operating leases.

SWIG Finance Limited

Notes to the Financial Statements

Year Ended 31 March 2022

12 Leasing

Operating lease commitments

The company is a lessee of the property from which it operates.

The company has also entered into an agreement with a third party under which it is entitled to receive a total of £26,604 (2021 - £37,804) from the balance sheet date to the 16th August 2024.

13 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.

14 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 16 December 2022.

15 Loans and borrowings

	2022 £	2021 £
Loans and borrowings due after one year		
Bank borrowings	<u>7,050,000</u>	<u>3,300,000</u>

The balance above is made up of four loans. One of £0.5m is repayable at the end of the term in August 2023. The second loan of £1.9m is repayable at the end of the term in August 2024. The third loan of £0.9m is repayable at the end of the term in September 2025. The fourth loan of £3.75m drawn in the year, with a further £1.25m subsequently drawn, is repayable at the end of the term in June 2027. The loans are secured over all assets of the company and also include a 'negative pledge' clause preventing the company offering security over any assets to other lenders or creditors.

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.