

South West Investment Group Limited
Annual Report and Consolidated Financial Statements
Year Ended 31 March 2021

Registration number: 02463497

South West Investment Group Limited

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South West Investment Group Limited

Company Information

Directors	R G Coombs
	D P Beaumont
	G K Caplin
	W K Conchie
	P W G Duguid
	M J Wilton
	C H Allison
	D G Bird
	M J C Heller
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 Limited

Directors' Report

Year Ended 31 March 2021

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

Fair review of the business

South West Investment Group Limited is the parent undertaking of the SWIG group of companies. Within the group there are two primary trading subsidiaries:

SWIG Finance Limited

SWIG Finance Limited is a wholly owned subsidiary of South West Investment Group Limited. The company, which trades under the name of SWIG Finance, undertakes lending as well as fund management and related services in the provision of finance to SMEs in the South West, where mainstream lenders such as the high street banks will not lend. It is authorised and regulated by the Financial Conduct Authority in relation to its consumer credit regulated activities and some additional lending activities.

This year was dominated by the impact of the global COVID-19 pandemic. By the end of March 2020 their accreditation to the government's EFG scheme had been replaced by the Coronavirus Business Interruption Loan Scheme (CBILS). This, and the pandemic generally, had varying impacts on the aspects of the funds operated and managed, as detailed below. More generally the company switched to working entirely remotely, which was undertaken successfully, employing an increased use of technology where appropriate. The Truro and Bristol offices were mothballed. The Exeter office was closed at an early stage during the first national lockdown. The company avoided the need to make redundancies or use the government's Coronavirus Job Retention Scheme.

In total during the year the company either arranged or made 517 loans with a total value of £9.5 million to businesses across the South West of England, enabling the creation or safeguarding of 1,026 jobs in the region. This is a significant increase on the previous year and highlights the impact the lending undertaken has to the South West economy. These factors were further highlighted by the publication, post balance sheet date, of the company's first Impact Report, for this financial year. As the company moves forward these factors will be further enhanced by introducing policies to consider and recognise its Environmental, Social and Corporate Governance ("ESG") responsibilities.

This was the third year in which they were lending money from their own balance sheet, utilising their own cash resources supplemented by a loan from a major UK bank. With the introduction of CBILS they experienced unprecedented levels of enquiries and applications. To enable this lending the company accessed further funding from Triodos during August 2020. At the end of the year these loan funds, the SWIG #1, #2 and #3 Funds, had lent to 90 businesses and their loan book stood at £3,242k at the end of the year. The directors anticipate that the company's own lending will continue to grow during the coming year, as they implement their agreed strategy of reducing their reliance on grant aided lending.

As reported last year at the start of this financial year a tender opportunity became available for the South West Loans Fund II (SWLF II), from South West Investment Group (Capital) Ltd. It is a £5.73m fund to be delivered over the 5 years to businesses within the South West region, excluding Cornwall and the Isles of Scilly. Loans are available up to £250k for eligible and supportable businesses. The company successfully bid for this fund and it became operational from September 2020. The CBILS accreditation held by SWIG Finance Ltd. was extended so this fund could benefit from the enhanced guarantee as well. During the year 9 loans were awarded totalling £1,211k.

South West Investment Group Limited

Directors' Report

Year Ended 31 March 2021

The increase in our maximum loan value, combined with our inability to participate in the Bounce Back Loans scheme, meant that our average loan size increased from £43k in 2019/20 to £88k.

The company successfully continued their participation in the smaller loan portfolio of the British Business Bank funded Cornwall and Isles off Scilly Investment Fund (CISIF), lending a total of £202k to 4 businesses. This represents a fall in comparison to the previous year, largely because the fund did not qualify to become CBILS accredited. This, coupled with the introduction of Bounce Back Loans (BBLs), saw the significant majority of the Cornish market reduced. This stream of lending will be delivered over the next 2 years under a contract with FSE, the prime Fund Manager contracted to BBB.

The company continued their participation in the Start Up Loans Company's programme, facilitating loans to 477 individuals, an increase of 35.5% on 2020. Due to the economic issues created by the pandemic this scheme experienced significant demand. The programme is now a key part of the UK government's recovery effort as well as its traditional remit of encouraging entrepreneurial activity.

The company also continued to manage the collection of loan instalments on older EU and UK Government supported lending funds on behalf of their sister company, South West Investment Group (Capital) Limited. This last activity, once the mainstream of their business, continues to diminish as the loan books involved are almost fully collected.

With the above four streams of funding successfully operating, they are confident of their future as one of the UK's leading CDFI lenders and their ability to provide access to finance for the under- served SME market in the South West.

South West Investment Group Limited

Directors' Report

Year Ended 31 March 2021

South West Investment Group (Capital) Limited

The Company consolidated its activity during 2020/21 managing out its existing portfolios as detailed below.

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. As reported during 2015/16 it became clear that due to changes in EU regulations it was unlikely that the Company could be a Fund Holder for the 2014-2020 EU Structural and Investment Funds (ESIF) programmes, as it has been for the 2007-2013 programme for the South West area.

In Cornwall and Isles of Scilly, the Local Enterprise Partnership had an ambition to launch a sizeable 2014-2020 fund using ESIF monies; this fund launched in July 2018 and as such an obligation has now arisen to transfer the monies the company will have had repaid to them from loans made from the 2007-2013 programme to the new fund holding organisation. The 2020/21 financial statements include a provision of £2,690k (2019/20: £2,430k) in respect of the amounts that are due to be paid over after the balance sheet date having repaid £700k to 31 March 2021.

With regard to the rest of the South West (excluding Cornwall and IoS) it was agreed during 2019/20 that the monies that the company will have had repaid to them from the South West Loans Funds Competitiveness Fund, South West Cleantech Fund and South West Microcredit Fund can be re-invested into a new fund for the region with the Company as the Fund Holder. Following an OJEU procurement process to identify a fund manager, the new fund SWLFII launched in July 2020 with an initial fund available of £5.73m. The Fund received CBILS accreditation in September 2020. As at 31 March 2021, 9 loans had been dispersed to the value of £1,211,001 with 3 further business loans approved totalling £450k and a pipeline of 9 businesses requesting £1.590m.

The South West Loans Fund established to provide £18.7m of loan finance to businesses in the South West since April 2009 had made investments of 311 loans totalling £18,718,750 as at 31 March 2017. The fund closed to new investments during 2016/17 and is now in the realisation phase which has been extended to end on 31 December 2021.

During 2015/16 the Company launched a £1.2 million business loan fund to cover the whole of the South West funded by Regional Growth Fund and Lloyds bank monies. The fund has invested £1,200,000 in 38 businesses. Approval for an extension to this programme, amounting to a further £700,000 of lending was approved in May 2017 with the fund being fully committed by September 2018. The fund is now in the realisation phase due to end in September 2023.

The South West Cleantech Fund which launched during 2010/11 with £2.17m available to businesses in the South West had invested £2,222,117 in 16 businesses as at 31 March 2014. The fund is now closed to new investments and is in the realisation phase which is due to complete on 31 December 2021.

During 2015/16 the Company launched a £600,000 fund with Dartington Hall Trust to cover the whole of the South West to support social enterprises. As at 31 March 2018, 13 businesses had received investments totalling £393,500. The fund is now in its realisation phase due to end in January 2023.

During 2016/17 the Company launched a new fund totalling £750k for loans to businesses in Cornwall. In total 19 businesses received investment totalling £749,500. The fund is closed for new investments and is in its realisation phase due to end in March 2023.

South West Investment Group Limited

Directors' Report

Year Ended 31 March 2021

Directors of the group

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

R G Coombs

D P Beaumont

G K Caplin

W K Conchie

M A C McReynolds (resigned 31 March 2021)

E L De Trafford (resigned 25 February 2021)

P W G Duguid

M J Wilton

C H Allison (appointed 31 March 2021)

M J C Heller (appointed 25 February 2021)

The following director was appointed after the year end:

D G Bird (appointed 7 June 2021)

South West Investment Group Limited

Directors' Report

Year Ended 31 March 2021

Going concern

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.

During the year the group has made a loss for the year of £417k (2020: £198k loss) while the balance sheet shows that the group has £12,910k (2020: £12,046k) net current assets which includes cash of £10,740k (2020: £11,350k) and investments of £4,849k (2020: £3,426k) as at the year end.

The group's investment activities are split between two main funding providers, SWIG Finance and SWIG Capital, which hold £3,223k and £1,626k of the group's investments at the balance sheet date respectively.

This is the third year in which SWIG Finance have been lending money from its own fund, using existing cash resources supplemented by bank loans. The total value of the bank loans which have been drawn at 31 March 2021 to facilitate the creation of these funds was £3,300k (2020: £2,000k). The other group subsidiary, SWIG Capital has the role of providing a fund holding function for existing funds. SWIG Capital 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. The 2020/21 group financial statements include a provision of £2,692k (2019/20: £2,430k) in respect of the amounts that will need to be paid over after the balance sheet date.

With regard to the company's investments of £3,200k, the risk of non-recoverability for the company is expected to range between 25% and 20% of the gross value of the fund. The remaining 75% to 80% is expected to be covered by the British Business Bank's Enterprise Finance Guarantee (EFG) or Coronavirus Business Interruption Loan Scheme (CBILS). There are specific rules with these schemes, such as only a maximum annual claim limit. During this financial year CBILS is the only scheme that applies and the company had a lending limit of £5,000k, against which 100% of the loans

made within this scheme qualify for the 80% guarantee. The business does not foresee any particular conditions not being met to prevent the guarantees of gross investment value at this point in time.

In the case of SWIG Capital, its income is derived from each individual fund. The fees that SWIG Capital may receive are identified in the original fund business plan, agreed by the funders and can only relate to actual costs incurred with no profit element. Given the funds held at the year end are in the realisation phase and significant monies have already been recouped, there is minimal financial risk for this group subsidiary as funds recovered to date outweigh investments outstanding at the balance sheet date and the monies recovered, net of future bad debt will be the amount that is recycled and reinvested.

South West Investment Group Limited

Directors' Report

Year Ended 31 March 2021

Consideration has been given to the group's financial position in light of the economic uncertainty and downturn resulting from the pandemic. 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, businesses may face significant financial difficulties.

With regard to post year end trading, the group continues to be in line with budget where an operating profit is forecast for the year ending 31 March 2022. The cash balance held as at the end of September of £10,555k is broadly in line with the cash balance as at 31 March 2021.

The Board considers it is appropriate for the accounts to be prepared on a going concern basis given the group's strong balance sheet and cash reserves. These are expected to provide 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 when taking into account the group's risk exposure to non-recovery of investments commented on above.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Small companies provision statement

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved by the Board on 17 November 2021 and signed on its behalf by:

.....
R G Coombs
Director

South West Investment Group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Limited

Independent Auditor's Report to the Members of South West Investment Group Limited

Opinion

We have audited the financial statements of South West Investment Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

South West Investment Group Limited

Independent Auditor's Report to the Members of South West Investment Group Limited

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company'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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

South West Investment Group Limited

Independent Auditor's Report to the Members of South West Investment Group Limited

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to acts by the company which were contrary to applicable laws and regulations, including fraud.

We considered those laws and regulations that have a direct impact on the preparation of the financial statements, including, but not limited to the reporting framework (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in the UK. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting.

Audit procedures performed by the engagement team include, but were not limited to, discussion and inquiries with management of compliance with laws and regulations and review of correspondence and contracts with third parties. We also addressed the risk of management override of internal controls, including testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

South West Investment Group Limited

Independent Auditor's Report to the Members of South West Investment Group Limited

Use of our report

This report is made solely to the company'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 company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Duncan Leslie ACA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor
Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

24 November 2021

South West Investment Group Limited

Consolidated Profit and Loss Account

Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover		1,046,711	749,152
Cost of sales		<u>(421,083)</u>	<u>(288,400)</u>
Gross profit		625,628	460,752
Administrative expenses		(1,004,873)	(700,407)
Other operating income		<u>(955)</u>	<u>15,801</u>
Operating loss	4	<u>(380,200)</u>	<u>(223,854)</u>
Other interest receivable and similar income		4,006	49,284
Interest payable and similar expenses		<u>(40,538)</u>	<u>(23,143)</u>
		<u>(36,532)</u>	<u>26,141</u>
Loss before tax		<u>(416,732)</u>	<u>(197,713)</u>
Loss for the financial year		<u><u>(416,732)</u></u>	<u><u>(197,713)</u></u>
Loss attributable to:			
Owners of the company		<u><u>(416,732)</u></u>	<u><u>(197,713)</u></u>

South West Investment Group Limited

Consolidated Balance Sheet

31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	<u>6</u>	6,303	14,139
Tangible assets	<u>7</u>	10,760	13,631
Other financial assets	<u>10</u>	14,000	14,000
		<u>31,063</u>	<u>41,770</u>
Current assets			
Debtors	<u>9</u>	194,490	72,574
Investments	<u>11</u>	4,848,506	3,425,572
Cash at bank and in hand		10,739,731	11,349,991
		<u>15,782,727</u>	<u>14,848,137</u>
Creditors: Amounts falling due within one year	<u>12</u>	<u>(2,872,926)</u>	<u>(2,801,777)</u>
Net current assets		<u>12,909,801</u>	<u>12,046,360</u>
Total assets less current liabilities		12,940,864	12,088,130
Creditors: Amounts falling due after more than one year	<u>12</u>	<u>(3,349,508)</u>	<u>(2,080,042)</u>
Net assets		<u>9,591,356</u>	<u>10,008,088</u>
Capital and reserves			
Other reserves	<u>15</u>	5,978,765	6,545,594
Profit and loss account	<u>15</u>	3,612,591	3,462,494
Equity attributable to owners of the company		<u>9,591,356</u>	<u>10,008,088</u>
Shareholders' funds		<u>9,591,356</u>	<u>10,008,088</u>

These financial statements have been prepared and delivered in accordance with the provisions applicable to small companies subject to the small companies regime.

Approved and authorised by the Board on 17 November 2021 and signed on its behalf by:

.....

R G Coombs
Director

Company Registration Number: 02463497

South West Investment Group Limited

Balance Sheet

31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	<u>8</u>	<u>3,508,868</u>	<u>3,208,868</u>
Capital and reserves			
Profit and loss account		<u>3,508,868</u>	<u>3,208,868</u>
Shareholders' funds		<u>3,508,868</u>	<u>3,208,868</u>

These financial statements have been prepared and delivered in accordance with the provisions applicable to small companies subject to the small companies regime.

Approved and authorised by the Board on 17 November 2021 and signed on its behalf by:

.....
R G Coombs
Director

Company Registration Number: 02463497

South West Investment Group Limited

Consolidated Statement of Changes in Equity

Year Ended 31 March 2021

	Business Development Fund £	Profit and loss account £	Total £
At 1 April 2020	6,545,594	3,462,494	10,008,088
Loss for the year	-	(416,732)	(416,732)
Transfer between reserves	(566,829)	566,829	-
Total comprehensive income	(566,829)	150,097	(416,732)
At 31 March 2021	<u>5,978,765</u>	<u>3,612,591</u>	<u>9,591,356</u>

	Business Development Fund £	Profit and loss account £	Total £
At 1 April 2019	6,682,526	3,523,275	10,205,801
Loss for the year	-	(197,713)	(197,713)
Transfer between reserves	(136,932)	136,932	-
Total comprehensive income	(136,932)	(60,781)	(197,713)
At 31 March 2020	<u>6,545,594</u>	<u>3,462,494</u>	<u>10,008,088</u>

South West Investment Group Limited

Statement of Changes in Equity

Year Ended 31 March 2021

	Profit and loss account £	Total £
At 1 April 2020	3,208,868	3,208,868
Profit for the year	300,000	300,000
	<hr/>	<hr/>
Total comprehensive income	300,000	300,000
	<hr/>	<hr/>
At 31 March 2021	<u>3,508,868</u>	<u>3,508,868</u>

	Profit and loss account £	Total £
At 1 April 2019	2,958,868	2,958,868
Profit for the year	250,000	250,000
	<hr/>	<hr/>
Total comprehensive income	250,000	250,000
	<hr/>	<hr/>
At 31 March 2020	<u>3,208,868</u>	<u>3,208,868</u>

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

1 General information

The company is a private company limited by guarantee without 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 17 November 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 group and 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 group and 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.

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2021.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

In accordance with exemptions granted under Section 408 of the Companies Act 2006 a separate profit and loss account dealing with the results of the company has not been produced. The profit attributable to the parent for the year was £300,000 (2020 - £250,000).

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Going concern

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.

During the year the group has made a loss for the year of £417k (2020: £198k loss) while the balance sheet shows that the group has £12,910k (2020: £12,046k) net current assets which includes cash of £10,740k (2020: £11,350k) and investments of £4,849k (2020: £3,426k) as at the year end.

The group's investment activities are split between two main funding providers, SWIG Finance and SWIG Capital, which hold £3,223k and £1,626k of the group's investments at the balance sheet date respectively.

This is the third year in which SWIG Finance have been lending money from its own fund, using existing cash resources supplemented by bank loans. The total value of the bank loans which have been drawn at 31 March 2021 to facilitate the creation of these funds was £3,300k (2020: £2,000k). The other group subsidiary, SWIG Capital has the role of providing a fund holding function for existing funds. SWIG Capital 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. The 2020/21 group financial statements include a provision of £2,692k (2019/20: £2,430k) in respect of the amounts that will need to be paid over after the balance sheet date.

Consideration has been given to the group's financial position in light of the economic uncertainty and downturn resulting from the pandemic. 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, businesses may face significant financial difficulties.

With regard to post year end trading, the group continues to be in line with budget where an operating profit is forecast for the year ending 31 March 2022. The cash balance held as at the end of September of £10,555k is broadly in line with the cash balance as at 31 March 2021.

The Board considers it is appropriate for the accounts to be prepared on a going concern basis given the group's strong balance sheet and cash reserves. These are expected to provide 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 when taking into account the group's risk exposure to non-recovery of investments commented on above.

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Key sources of estimation uncertainty

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.

- Investments loan provision

The financial statements recognise an investment loan provision increase of £36k (2020 - £19k decrease in provision). In the case of SWIG Finance loans, this is net of amounts 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. Within the group, there are £276k of loans valued as at 31 March 2021 across 6 recipients (of a total loan book of 91 organisations) that are on capital repayment holidays or have payment issues 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..

Revenue recognition

Turnover comprises of fees and loan interest receivable on loans advanced by the group, 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 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 held where European grants were claimed against the cost of a loan to an SME, the grant has been deducted from the cost.

The deduction of the amount of grant from the gross cost of a loan is a departure from the Companies Act requirements concerning capital grants. The directors believe this to be a prudent policy given the nature of the investments with regard to risk and felt that the accounting treatment adopted is therefore necessary to give a true and fair view.

When repayments are received from borrowers in excess of the cost held on the balance sheet, the grant element is credited to the profit and loss account. At the same time the previously unrecognised grant element of the loan is realised along with its repayment in the loans.

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% per annum
Computer equipment	33% straight line

Goodwill

Negative goodwill is included in fixed assets and is released to the profit and loss account over the periods in which the fair value of the non monetary assets purchased on the same acquisition are recovered.

Intangible assets

Intangible fixed assets relate to software costs and project costs. Project costs in turn relate to compliance costs incurred in previous years.

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:

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Asset class	Amortisation method and rate
Negative goodwill	33% straight line
Software costs	33% straight line
Project costs	20% straight line

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.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group 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 an employee's service in the current and prior periods. Contributions to defined contribution plans are recognised as employee benefit expenses when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Financial instruments

Classification

The company holds the following financial instruments:

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

All financial instruments are classified as basic.

Recognition and measurement

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

Financial instruments are recognised when the group and 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 group and 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.

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Critical 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 outlined below:

Recognition of deferred tax asset

There exists certain tax losses at a group level upon which no deferred tax asset is being recognised on the grounds of prudence.

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.

Contingency surrounding ESIF monies

The financial statements include a provision of £2.43m in relation to amounts payable to British Business Bank and Ministry of Housing, Communities and Local Government.

Further commentary in this area is provided within notes 14 and 15 to the financial statements.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 27 (2020 - 24).

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

4 Operating loss

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	7,545	7,383
Amortisation expense	15,942	26,059
Operating lease expense - other	1,714	1,377

5 Auditor's remuneration

Amounts recognised in relation to auditors remuneration in the year totalled £16,060 (2020: £14,200) which consisted of £10,750 (2020: £9,750) for the audit of financial statements and £5,310 (2020: £4,450) in relation to non-audit services.

6 Intangible assets

Group

	Project costs £	Total £
Cost or valuation		
At 1 April 2020	64,150	64,150
Additions	8,106	8,106
Disposals	(18,880)	(18,880)
At 31 March 2021	53,376	53,376
Amortisation		
At 1 April 2020	50,011	50,011
Amortisation charge	15,942	15,942
Amortisation eliminated on disposals	(18,880)	(18,880)
At 31 March 2021	47,073	47,073
Carrying amount		
At 31 March 2021	6,303	6,303
At 31 March 2020	14,139	14,139

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

7 Tangible assets

Group

	Fixtures and fittings £	Total £
Cost or valuation		
At 1 April 2020	61,429	61,429
Additions	4,704	4,704
Disposals	(25,316)	(25,316)
	<hr/>	<hr/>
At 31 March 2021	40,817	40,817
Depreciation		
At 1 April 2020	47,798	47,798
Charge for the year	7,575	7,575
Eliminated on disposal	(25,316)	(25,316)
	<hr/>	<hr/>
At 31 March 2021	30,057	30,057
Carrying amount		
At 31 March 2021	<hr/> 10,760	<hr/> 10,760
At 31 March 2020	<hr/> 13,631	<hr/> 13,631

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

8 Investments

Company

	2021 £	2020 £
Investments in subsidiaries	3,508,868	3,208,868

Subsidiaries

£

Cost or valuation

At 1 April 2020	3,208,868
Additions	300,000
At 31 March 2021	3,508,868

Carrying amount

At 31 March 2021	3,508,868
At 31 March 2020	3,208,868

Details of undertakings

The principal activity of South West Investment Group (Capital) Limited is providing an investment fund holding function.

The principal activity of SWIG Finance Limited is providing small business loans to SMEs and start-ups as well as fund management.

The principal activity of South West Pesca Limited is that of a dormant company.

South West Investment Group Limited was also the sole member of Bristol Enterprise Development Fund Limited, which was a dormant company limited by guarantee. An application was made to strike off this company during the year and the company was dissolved in July 2019.

The registered office of each of these entities is the same as the parent undertaking of the group, being Lowena House, Glenthorne Court, Truro Business Park, Threemilestone, Truro, Cornwall, TR4 9NY.

South West Investment Group Limited owns 100% of the share capital of SWIG Finance Limited, South West Investment Group (Capital) Limited and South West Pesca Limited.

Each of these companies are incorporated in England and Wales.

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

9 Debtors

	2021 £	Group 2020 £	2021 £	Company 2020 £
Trade debtors	152,566	32,683	-	-
Other debtors	3,233	3,861	-	-
Prepayments	38,691	36,030	-	-
	<u>194,490</u>	<u>72,574</u>	<u>-</u>	<u>-</u>

10 Other financial assets

Group

	Other investments £	Total £
Non-current financial assets		
Cost or valuation		
At 1 April 2020	<u>39,000</u>	<u>39,000</u>
At 31 March 2021	<u>39,000</u>	<u>39,000</u>
Impairment		
At 1 April 2020	<u>25,000</u>	<u>25,000</u>
At 31 March 2021	<u>25,000</u>	<u>25,000</u>
Carrying amount		
At 31 March 2021	<u>14,000</u>	<u>14,000</u>
At 31 March 2020	<u>14,000</u>	<u>14,000</u>

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

11 Investments

Group

	Investments £	Total £
Non-current financial assets		
Cost or valuation		
At 1 April 2020	4,410,138	4,410,138
Loan book advances	3,388,990	3,388,990
Repayments	(1,986,891)	(1,986,891)
Written off	(223,327)	(223,327)
At 31 March 2021	5,588,910	5,588,910
Impairment		
At 1 April 2020	984,566	984,566
Written off	(194,595)	(194,595)
Movement in provision	(49,567)	(49,567)
At 31 March 2021	740,404	740,404
Carrying amount		
At 31 March 2021	4,848,506	4,848,506
At 31 March 2020	3,425,572	3,425,572

Of total investments above, £3,944,493 (2020 - £2,242,215) is recoverable in more than one year.

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

12 Creditors

	Note	2021 £	Group 2020 £	2021 £	Company 2020 £
Due within one year					
Loans and borrowings	<u>13</u>	-	119,856	-	-
Trade creditors		33,309	44,938	-	-
Social security and other taxes		21,983	15,105	-	-
Outstanding defined contribution pension costs		2,097	-	-	-
Other creditors		123,659	191,878	-	-
Exceptional provision		2,691,878	2,430,000	-	-
		<u>2,872,926</u>	<u>2,801,777</u>	<u>-</u>	<u>-</u>
Due after one year					
Loans and borrowings	<u>13</u>	3,300,000	2,030,535	-	-
Deferred income		49,508	49,507	-	-
		<u>3,349,508</u>	<u>2,080,042</u>	<u>-</u>	<u>-</u>

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

13 Loans and borrowings

	2021 £	Group 2020 £	2021 £	Company 2020 £
Current loans and borrowings				
Bank borrowings	-	119,856	-	-

	2021 £	Group 2020 £	2021 £	Company 2020 £
Non-current loans and borrowings				
Bank borrowings	3,300,000	2,030,535	-	-

The balance above is made up of three loans. The first loan 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 loans are unsecured but include a 'negative pledge' clause preventing the companies offering security over any assets to other lenders or creditors.

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

14 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £8,889 (2020 - £7,779). Contributions totalling £2,097 (2020 - £Nil) were payable to the scheme at the end of the year and are included in creditors.

15 Reserves

The Business Development Reserve 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 Reserve 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 Reserve. 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.

As noted in the Directors' Report, £2.53m originally held in this reserve was transferred to creditors in 2018/19 as a result of the original funder requiring this amount to be paid into a new fund they were establishing with broadly the same purposes. Note 12 discloses as an Exceptional Provision the remaining balance of this liability, being £2.69m as at 31 March 2021.

South West Investment Group Limited

Notes to the Financial Statements

Year Ended 31 March 2021

16 Financial commitments, guarantees and contingencies

Group

The total amount of financial commitments not included in the balance sheet is £nil (2020 - £142,737).

As disclosed in the Directors report it became clear that due to changes in EU regulations it was unlikely that the Company could be a fund holder for the 2014-2020 EU Structural and Investment Funds (ESIF) programmes, as it had been for the 2007-2013 programme for the South West area. In Cornwall & Isles of Scilly the Local Enterprise Partnership had an ambition to launch a sizeable 2014-2020 fund using ESIF monies; this fund launched in July 2018 and as such an obligation has now arisen to transfer the monies the company will have had repaid to it from loans made from the 2007-2013 programme to the new fund holding organisation.

At the balance sheet date, the value of this transfer of funds (inclusive of outstanding loan book element) was £2.69m, of which £2.69m has been provided for in full at the balance sheet date as a result of a formal request for payment being received.

17 Leasing

Of total financial commitments included in note 16, £nil (2020 - £142,737) relates to rental commitments on the property from which the group operates.

The group also has an agreement with a third party under which it is entitled to receive a total of £37,804 (2020 - £49,004) from the balance sheet date to the 16th August 2024.

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.