Parent accounts per
TMI Enterprises Limited
No: 05774175
Note on page 29

THE GROWTH COMPANY LIMITED

Report and Financial Statements

Year ended 31 March 2020

Company Registration Number: 02443911 (England and Wales)

THE GROWTH COMPANY LIMITED
CONTENTS

THE GROWTH COMPANY LIMITED
COMPANY INFORMATION

Non-Executive Directors
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City Mayor P Dennett
E Sheldon
V Murray OBE
Ms L Feeley
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A Shah
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P A Simpson

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The directors present the strategic report, the directors' report and financial statements for the year ended 31 March 2020.

Overview
The Growth Company is the holding company for the Growth Company group of companies (the 'group' or GC). It sets strategy, oversees operations and provides a range of corporate services to its subsidiaries. It contracts with the Education and Skills Funding Agency (ESFA), Department of Business, Energy and Industrial Strategy (BEIS), Department of Work & Pensions (DWP) and others to deliver, both through its subsidiaries and other providers:

- Learning, including Apprenticeships and other workforce development initiatives;
- Further Education, including provision for unemployed adults;
- The National Citizen Service programme on behalf of the National Citizen Trust for the North West;
- The National Careers Service across Greater Manchester, the North West and Staffordshire;
- The Work Programme and other employment initiatives;
- The International Trade contract on behalf of Department of International Trade ('DIT');
- A programme of business support activities including a loans programme through its own Community Development Finance Initiative ('CDFI'), European funded programmes and the Business Growth Hub.

The group is structured to deliver programmes in the following areas:

- Business;
- Employment;
- Skills;
- Organisational Improvement; and
- Internationalisation and Marketing.

Business activities and strategic achievements
During 2019/20, GC set out its vision and ambition for the next 3 years through the development of a new strategy.

GC's Vision is for a society where economic growth and prosperity is inclusive, sustainable and leaves no person or community behind. The future we will help to create will be founded on the principle of Good Growth (a broader measure of economic well-being including jobs, income, health, skills, work-life balance and the environment) with thriving businesses, creating well-paid jobs for talented and empowered individuals across our diverse communities.

The **Ambition** for GC is to be the UK's most successful provider of development services to people, places and businesses. We will achieve these aims through operating under 5 themes:

1. **To be a market leader** – GC aims to be the best-performing provider of business, people and place-based support services.
2. **Increasing reach** – GC collaborates with government, businesses and communities across the UK, in all major cities and target international markets.
3. **Attracting and retaining the brightest and the best** – GC will be recognised and accredited as a leading employer, attracting and retaining highly skilled staff.
4. **Financial sustainability** – within 5 years, GC will be generating, at least, a 5% net surplus from all non-grant funded activity and will have increased its turnover year on year throughout the 5 year period.
5. **Social value and environmental sustainability** – GC will be an accredited social enterprise and will be widely recognised as a leading provider of social value impact in the way it delivers each service.

The strategy sets out a series of strategic priorities and defined measures of success. It is then delivered through the production of an annual business plan, approved by the GC Board and managed and monitored through quarterly performance reports aligned to the strategic priorities.

Covid-19 – Impact on the business and the three year strategy
Whilst the strategy was developed and approved at the end of 2019 and laid the foundation for growth over the next three years, clearly, it has been impacted by the Covid-19 pandemic. Whilst the overarching strategy remains unaffected by Covid-19, the way in which it will be delivered is likely to be affected in a number of ways. The delivery models around face-to-face engagement with individuals, learners, and businesses, and through events, quickly changed at the beginning of the pandemic with many of these models in place alongside more traditional methods of engagement. In the short term, the main financial impact has been around our more profitable payments-by-results contracts switching to cost recovery models, which were necessary to sustain delivery, and a reduction in commercial income. This has been particularly in sectors where we have commercially operated, for example, hospitality, leisure and tourism. The company has worked closely with commissioners and amending payments-by-results contracts to cost recovery models has significantly helped cashflow and allowed some contribution to overheads. We have, however, had to implement a number of short-term cost reduction measures to help mitigate an expected 13% reduction from budgeted turnover in 2020/21, equating to a reduction of £17 million. These necessary decisions taken by the Board have included the cessation of all non-essential recruitment, salary reductions across the Group, furloughing up to a quarter of all staff and a right-sizing exercise undertaken in the Summer of 2020.

In the longer term, we do not believe that our ability to achieve our strategic priorities will be materially impacted as opportunities are likely to arise due to the economic landscape emerging from Covid-19, particularly within our Skills and Employment programmes. Our grant-funded areas, particularly across our business support programmes have not been impacted by Covid-19 and, within our business finance division (The Enterprise Fund), we have been able to provide financial support to businesses through the government backed CBILS and BBLS schemes. The greatest degree of uncertainty exists within our commercial activity and, whilst we believe that we will return to pre-Covid-19 levels, this is likely not to be before the end of 2021/22.

EU exit - Impact on the business and three year strategy
We believe that Brexit will have limited impact on our ability to deliver our strategic objectives on the basis that most of our activity is undertaken within the UK and is not susceptible to European funding. However, our Business Growth Hub (GMBS) is in receipt of significant levels of European Regional Development Funds (ERDF) and current contracts run through to October 2021 with outline approval given to extensions to these projects to June 2023. We are engaged with Local Enterprise Partnerships and key government departments to ensure that we are well placed to draw down any funding streams that may replace ERDF in the future.

Notable strategic priority achievements in 2019/20 have included:
- Contributing £435m of additional GVA to the economy;
- Delivering over 26,000 business assists, creating 10,663 jobs, and placing 7,920 people into work;
- Securing £35.2m economic impact from conferences;
- Winning 43 Foreign Direct Investment projects for GM;
- Supporting £1.2bn of export sales across the whole NW Region;
- Winning our first DWP national Prime Contract with Intensive Personalised Employment Support (NW) and our first national business support programme – Be the Business Mentoring for Growth
- Achieving the largest, single contract win in our 30-year history with the National Citizen Service North West contract (£88m) and securing justice-sector market entry with our first MoJ contract – Prison IAG;
- Launched the GM-commissioned Levy Matchmaking Service to facilitate funding transfers to create more apprenticeship opportunities across the city region;
- Successfully introduced the GM Global Scale-Up Programme to support participating businesses to access international markets;
- Development and launch, with GMCA, of the GM Good Employment Charter with over 1,200 employers engaged;
- Led delivery of a support package in the aftermath of the Thomas Cook collapse including website and contact centre in place within 24 hours of the announcement and co-ordination of two major employment support fairs reaching 1,500 former employees;
- Launched the Manchester–New York city-to-city media partnership
- Secured 13 award nominations including Best Crisis Communications (for our work relating to the collapse of Thomas Cook), and winning 4, including recognition at North West Young Professionals of the Year and the Recruiter Investing in Talent Awards
- Achieved Investors in People (IIP) Silver accreditation;
- Achieved Disability Confident Level 3;

***Notable strategic priority achievements in 2019/20 have included:* (continued)**

- Secured re-accreditation of ISO9001 and ISO27001, plus ISO27001 accreditation for The Manufacturing Institute;
- Achieved the Matrix Standard and secured Merlin Standard 'Good' accreditation for supply chain management across GC Employment, Education and Skills; and
- Secured Cyber Essentials and Cyber Essentials Plus re-certification.

Section 172(1) Statement
This section serves as our section 172(1) statement and should be read in conjunction with the Strategic Report on pages 3 to 16. Section 172(1)(a) to (f) of the Companies Act 2006 sets out how directors have had regard to the interests of the company's employees and stakeholders, including the impact of its activities on the community, the environment and the company's reputation, when making decisions. Acting in good faith and fairly between its stakeholder groups, the directors consider what is most likely to promote the success of the company for its stakeholders in the long term.

The stakeholder groups engaged by the company, and reported through to the Board, are its customers & clients, commissioners, our people, suppliers, lenders and partners. The company's Senior Management Team (SMT) acts as an executive team on behalf of the Board to engage with its stakeholders and has internal mechanisms in place such as the Audit Committee, the three advisory boards across all major aspects of company activity (workforce development, internationalisation and marketing and business support) and a contract review group to ensure that any conflicts of interest are managed.

The Covid-19 outbreak has, obviously, been a matter of great concern to the directors and an overview of the various actions and steps they took as a result is contained elsewhere within the Strategic Report. As the Covid-19 pandemic only started to have an impact on activity at the end of 2019/20, this statement, therefore, almost exclusively concentrates on non-Covid-19 related events and matters.

Set out in relation to each of the company's principal stakeholder groups are:

- Why the directors believed it was important to engage with that group;
- The main methods the directors used to engage and so understand the issues to which they had to have regard (including those used by management);
- Information on the effect of that regard on the company's decisions and strategies during the period.

Customers/clients
Approximately 10% of the company's revenue is generated through commercial activity across a range of services from accreditation consultancy through to recruitment agency services. Lower revenue across this activity is likely to lead to a lower surplus and the directors recognise that customers do have a choice in the provision of these services and that customer service is critical in retaining existing and generating new business. This principle also applies where revenue is non-fee generating, for example, through business support, work programme and learner activity. Again, client progression, such as through apprenticeship programmes or business support activity is critical to the success of the company's key purpose of Enabling Growth Improving Lives Creating Jobs.

Using a variety of platforms, from social media, through to on-line engagement and events but, primarily (pre-Covid-19), face-to-face engagement, during 2019/20, the company advised nearly 600 clients on starting a business and issued almost 6,000 start-up loans to new businesses. The company engaged with over 200 employers across Greater Manchester under the Greater Manchester Good Employment Charter and the company, in March, launched EmployGM, a support hub to businesses in response to Covid-19, offering a single place of support for both businesses and individuals allowing access to recruitment services, business support, National Careers Service and Job Centre Plus. The company also, through its business support engagement, operates quarterly customer feedback surveys. This has resulted in the Growth Company being able to improve its service design which is, primarily, being done through the development and enhancement of the digital offer.

Suppliers

The company relies on a large number of suppliers supplying products and services across a wide range of activity. It is important to the company that it has good, strong and mutually beneficial business relationships with the right suppliers and, on the basis that a significant element of some of our Skills and Employment programmes are sub-contracted, this would also include those sub-contractors as the quality of their activity reflects on the company.

With the introduction of a dedicated procurement function in 2016, the approach to supplier engagement has improved as the company seeks to leverage the relationship it has with its suppliers through an increase in social value, now accounting for a significant part of any tendering exercise. Given the relationship that the company has with place, this social value is delivered across local communities and environments. Over the past four years, the directors have also reviewed, annually, the company's Modern Slavery and Human Trafficking Statement which sets out steps to prevent modern slavery in our business and supply chains through engagement with its suppliers and the development of an action plan regularly monitored and managed by SMT. This has resulted in enhanced supplier relationships providing greater social value to the geographical areas in which the Growth Company operates.

Commissioners

An integral part of the success of the company is down to its relationships with all of its commissioners. Commissioners such as the ESFA (Education and Skills Funding Agency), DWP (Department of Work and Pensions), DIT (Department of International Trade), National Citizen Service, GMCA (Greater Manchester Combined Authority) provide the opportunity for the company to make a difference across the sectors in which it operates. This funding is the lifeblood of the company and allows the company to operate as a prime or sub-contractor across a number of geographical areas in England. The continuation of these relationships and associated funding is down to quality of service and regular engagement with all of the company's commissioners.

This engagement takes place across several levels of the business, such as regular commissioner meetings, delivery partner meetings, external audits and one-to-one contact and has become even more critical since the onset of the Covid-19 pandemic where it has been necessary to alter service delivery models, all of which have been done in conjunction with the company's commissioners and all have helped ensure the continuation of activity and survival of many of its smaller clients through business support and business finance activity. This has resulted in improved working relationships with all commissioners ensuring that service quality is maintained for the ultimate beneficiaries of the various programmes.

Our people

The commitment, skills and experience of the people employed throughout the company are integral to the company's long-term success and embodiment of its values. Staff attraction and retention is crucial to this success and the company continues to strive to become an 'employer of choice' through the support of physical and mental well-being of its staff, in turn, creating the environment for individuals to develop.

Engagement with our people is paramount with the primary mechanism for staff engagement and feedback is, primarily, through the Employee Consultative Committees (ECCs). The ECCs have been established for several years and act as conduits for decisions/ consultations affecting staff. During 2019/20, for example, this included the move to a more agile way of working, through its Work Your Way programme, allowing staff to work more remotely, dress for their day and work more flexible hours. The benefit has been improved staff retention and ensured that the move to more extreme agile working, enforced at the beginning of the first national lockdown in March, was a relatively seamless transition. Other methods of engagement include regular bi-annual staff surveys, weekly staff communications from the CEO and an annual staff conference. Additionally, 40 Mental Health First Aiders were trained during the year and have been a source of support for staff since March. Performance STAR Awards were also introduced acknowledging and rewarding high performing staff building on the success of GC's existing peer-to-peer staff recognition scheme, Valued STAR. This has resulted in a more satisfied and engaged workforce along with improved staff retention.

Partners
The company operates in partnership with a number of key public and private sector stakeholders, integral to the achievement of community and environmental objectives wider than its own. These partners include, but are not limited to, the GMCA , represented on the Growth Company Board, and the GMLEP (Greater Manchester Local Enterprise Partnership). The company recognises that it can add value to local communities by regular engagement with such stakeholders and working on mutually beneficial projects and programmes.

Whilst these relationships have been essential since the start of the Covid-19 pandemic as the company has worked with the GMCA, GMLEP and other partners on Covid-19 taskforces building business resilience, a good example of this partnership work was in response to the closure of the Thomas Cook which affected 2,300 individuals across the North West. The company's response involved setting up a dedicated website and contact centre within 24 hours of closure and creating a GM Taskforce. An initial jobs fair was organised with over 1,000 former staff attending. This has resulted in much more effective partnerships with the ability to react quickly to crises and opportunities.

Lenders
Continued access to finance is of vital importance to the success of the company, particularly, given the nature of its funding. Whilst the company tries to limit debt, there are occasions when debt finance is required though this has been limited to specific parts of the company which are in receipt of funding in arrears.

The company maintains regular dialogue, through the Chief Financial Officer, with the company's bank, NatWest and during 2019/20, transferred the outstanding mortgage on the company's investment property from the Co-op Bank to NatWest. NatWest also provide the £2 million overdraft facility for the company. Regular engagement also takes place with the GMCA who have provided a £1m loan facility which, whilst due to expire in March 2020, was extended by the GMCA to March 2021 as a result of Covid-19. This has resulted in stronger partnerships with a deeper understanding of shared issues and mutually beneficial opportunities.

Principal decisions
For the purposes of this statement, the directors regard their principal decisions as not only those that are material to the company but also those that are significant to any of the company's principal stakeholder groups. Implicit in making these decisions was the desirability to maintain a reputation for high standards of conduct and the need to act fairly as between members of the company.

Consequences of Covid-19
An overview of the various actions and decisions taken by the company in light of Covid-19 is set out within the Strategic Report.

Approval of a 3 year growth strategy
In December 2019, the Board approved a new three year strategy for 2020 – 2023 including a new GC vision and ambition. This had been at the request of the Board to take a longer term view of activity in recognition that the company's policy and commercial environment is continually changing and, of course, has subsequently dramatically changed as a result of Covid-19. The ambition set out five key themes which had been developed by SMT in conjunction with its staff and partners, as principal stakeholder groups, as set out above. The resulting business plans will cascade down into team plans and staff personal objectives. Clearly, this will impact on all of the company's stakeholders as it is implemented.

Approval of 2020/21 business plan and budget
The annual business plan and budget was developed from the agreed three year strategy and presented to the Board in February. Both were produced prior to the Covid-19 pandemic and, whilst approved by the Board, it was acknowledged that uncertain times ahead would impact on the delivery of both the business plan and budget and therefore agreed to receive operational and financial performance updates. These updates are detailed under the Covid-19 section of the Strategic Report, but the Board remained proactively engaged in monitoring and approving key decisions to ensure continuance of activity and sustainable financial performance. As with the strategy, this will impact on all of the company's stakeholders.

Capital investment in IT infrastructure
It is critical for the company to maintain and enhance its quality of service delivery and, despite the impact of Covid-19, in March, the Board approved the necessary investment in migrating to a new cloud-based approach as part of the new IT strategy and the replacement of the company's existing IT infrastructure nearing the end of its supportable lifecycle. This is essential expenditure and has allowed the company to manage all of its IT services through a single application which will improve the ability to scale and onboard new services and applications. The main stakeholder beneficiaries of this investment will be our people, clients and commissioners as we seek to improve both internal and external IT systems.

Approval of lease-break at Lee House
The company had an opportunity to break its lease on the first floor of Lee House in June 2020. Whilst, initially, the proposal to the Board was not to exercise the break, given the short time since the commencement of the Work Your Way programme, the onset of Covid-19 and the realisation that, through the previous investment in IT and the cultural change adopted by staff in relation to remote working, consideration could be given to exercising the break. This decision was duly approved by the Board in June 2020. The main impact of this decision will be on our people as we *progress the agile way of working.*

Appointment of Managing Director of GC Skills and Education
The operational and financial performance within the GC Skills and Education division had, for some time, been challenging and, with the Board approving a turnaround plan within this division during 2019/20, a new Managing Director, Jon-Paul Rimington, was appointed in January 2020. An experienced Director at operational and board level, Jon-Paul has over 20 years' experience within the work-based learning and Apprenticeships sector. The main impact of this decision will be on our people, commissioners and clients as we develop new approaches and seek to improve service quality.

Corporate Social Responsibilities (CSR)

Streamlined Energy and Carbon Reporting Regulations (SECR)
While some of the Growth Company's subsidiaries are not obligated under the SECR, the company has chosen to report its carbon emissions for the entire group for financial year 2019/20. This reflects the fact that as we use our office space in an agile way, apportionment of emissions to specific companies could not be based on actual usage of space. In addition, the company recognizes the value and importance of measuring our carbon emissions across those areas over which it has financial control. We have included Scope 1 and Scope 2 emissions as well as some Scope 3 emissions which relate to business travel.

Our Road to Zero Carbon
2019 has seen a significant and sustained increase in the awareness of a range of environmental issues, whether it is single use plastics, air pollution or Climate Change. This zeitgeist saw the alignment of citizens, business and government in a realisation that the time for radical environmental action is now. While Covid -19 is clearly the current focus, it is also clear that concern over Climate Change remains and will be the defining challenge of the decade. Our narrative has moved from the passive description of Climate Change to a call for action to address a Climate Emergency; as declared by the UK Government, the Devolved Administrations and the Greater Manchester Combined Authority. Significant as this is, the changes in UK law to move from a legally binding target of 80% carbon reduction by 2050 to being net carbon zero by then is a gamechanger.

Greater Manchester's target is to be net carbon zero by 2038, recognising both the latest scientific evidence and the early adopter advantages which can be secured by making a transition to a zero-carbon economy. As an Anchor institution in Greater Manchester and a key partner to the GMCA, GC will support this ambition by becoming carbon neutral by this date.

Building on the back of our ESOS (Energy Savings Opportunity Scheme) assessment we undertook, our first carbon footprint was for calendar year 2018, and since then we have followed the same data collection protocols for the SECR, namely:

Electricity - We use an energy broker, Apollo, for all the electricity we directly purchase from suppliers. The readings are collected via AMR's (Automatic Meter Reading) and collated and provided to us by the broker. This includes Warren Bruce Court where we let space to tenants, where the rental costs include utilities. For those sites where we do not buy electricity directly, we use data provided to us by our landlords from sub meters. In January we changed a number of our electricity contracts to renewable energy; for this report we have used a place as opposed to a market-based mechanism, converting KWh to CO_2 using the Greenhouse Gas Reporting Conversion Factor 2019 of 0.25560 $kgCO_{2e}$/KWh, as most of our emissions occurred in 2019.

Gas - As with electricity, we use an energy broker for directly purchased gas. For those sites where the landlord buys the gas, we have sub meter data. At Churchgate House, where we have shared space with a number of other tenants, usage is proportioned on floor space as the gas is used for space heating. To convert KWh to CO_2 we used the Greenhouse Gas Reporting Conversion Factor 2019, 0.18385 $kgCO_{2e}$/KWh.

Grey Fleet - All staff who drive for company business claim expenses via our online system. This captures both how far the individual, has driven and what car they were in. This enables us to determine CO_2 emissions based on the manufacturers published data for the specific make and model.

Company Vehicles - The only company vehicles are diesel minibuses. Fuel is purchased with fuel cards which record the number of litres purchased and this is then converted to CO_2 using the Greenhouse Gas Reporting Conversion Factor 2019 of 2.59411$kgCO_{2e}$ / litre.

Rail and Flights - We use an external company to book our flights and rail journeys. As part of this service they provide us with CO2 emissions for every journey based on distance, mode of transport, and for flights, the carrier.

LPG and Propane - This is used in our training centres. Purchase records are kept, and these are converted into CO_2 using the Greenhouse Gas Reporting Conversion Factor 2019. 2.93686 $kgCO_{2e}$/kg and 2.61026 $kgCO_{2e}$/kg.

Energy and Carbon Footprint

The carbon emissions for 2019/20 were **817 tonnes CO_{2e}**. This will be the baseline year for our SECR reporting going forward and gives a carbon intensity ratio of **7.636 tonnes CO_{2e} per £1m of turnover, and 6,947 kWh per £1m turnover.**

A detailed breakdown of the usage and emissions by source can be found in Table 1. Where possible this also includes the kWh figures. For illustrative purposes only, Table 1 also includes the carbon emissions for calendar year 2018.

Table 1.1 Carbon and Energy Data 2019/20

Source 2019/20	Direct Purchase kWh	Indirect Purchase kWh	Total kWh	Total CO_{2e} tonnes	2018 CO_{2e} tonnes
Electricity	938,904	479,127	1,418,031	362	551
Gas	356,727	129,159	485,886	89	119
Minibuses	154,374	-	154,374	40	44
LPG	34,739	-	34,739	8	8
Propane	4,959	-	4,959	1	1
Rail	Not available	-	-	9	6
Grey Fleet	743,337	-	743,337	184	192
Flights	480,301	-	480,301	124	152
Total	**2,713,341**	**608,286**	**3,321,627**	**817**	**1,073**

Note: it is not possible to determine the kWh for Rail as this is a combination of electricity and diesel which is not known.

Energy and carbon reduction actions in 2019/20

In 2019, as part of the wider 3 year plan, approval was secured from the Board to become net carbon zero within 3 years. Champions were nominated within the Board and Senior Management and Leadership teams. The plan consisted of 5 key steps:

1. Define the scope of our Carbon Footprint;
2. Determine the emissions from 2019/20 as a base year and measure every year thereafter;
3. Identify and implement activities which would reduce our energy consumption and so our emissions using our ESOS recommendations as a guide;
4. 'Offset' the residual emissions; and
5. Verify the validity of our claims using an external standard such as PAS 2060, or the World Resources Institute GHG (GreenHouse Gas) Protocol.

This decision, combined with our ESOS work and wider societal awareness, has resulted in a sustained focus on our energy usage and carbon emissions, with a higher degree of consciousness of individual actions and their environmental impacts. To help us drive this agenda forward we developed a new Zero Carbon Lead position within the group; unfortunately this was paused due to Covid- 19.

Our in-house Environmental Auditors undertook an estate wide energy audit as part of our ESOS compliance process, the findings and recommendations from which were shared widely with relevant colleagues to action. This formed the basis of our 2018 carbon footprint which was discussed with our newly formed Climate Action Group, a bottom up initiative representing staff from across the group.

Electricity consumption is our largest source of emissions, with the majority of this being used to run HVAC (Heating, Ventilation and Air Conditioning) systems at Lee House, and HVAC and our servers at Warren Bruce Court, where we are the landlord. We have introduced a policy on heating/cooling and a 'dead zone' to reduce energy consumption while providing a consistent temperature range. We have taken the decision going forward to only buy renewable energy; as such by January 2021, two thirds of our electricity consumption will be zero carbon. The remaining third is bought by our landlords and we plan to work with them to encourage them to switch to renewable sources.

Energy and carbon reduction actions in 2019/20 (continued)
Our grey fleet had seen a 20% drop in emissions as a result of the introduction of our Agile Working Policy in 2018. We recognise that after electricity it is our second largest source of emissions and by 2020/21 it will be the largest, and one we have no direct control over. In addition, our grey fleet impacts local air quality and so has wider health and wellbeing implications. To this end we looked to introduce an employee electric car scheme under salary sacrifice, which will be accessible to all staff. By encouraging staff to switch to electric vehicles we hope to see a reduction in our grey fleet carbon emissions. Having received tender responses, the process was paused due to Covid- 19 as suppliers were unable to undertake credit checks. This initiative will hopefully come on stream in 2020/21. Further reducing our transport emissions, our minibus fleet was also updated with newer more efficient vehicles to reduce fuel consumption.

While our 2018 carbon footprint assessment was over the calendar year as opposed to financial year, overall we saw a 24% reduction in our carbon emissions; just under 8% of this reduction was due to the lower carbon intensity of electricity generation.

Table 2: Changes in Carbon Emissions based on calendar year 2018 compared to financial year ended 31 March 2020

Source	Change in emissions tCO2e	Percentage Change
Electricity*	-189	-34%
Gas	-30	-25%
Minibuses	-4	-9%
LPG	0	0%
Propane	0	0%
Rail	3	50%
Grey Fleet	-8	-4%
Flights	-28	-18%
Total	**-256**	**-24%**

*17% of this reduction is due to the lower carbon intensity of electricity generation in 2020 vs 2018.

Operating performance

	Turnover			Surplus/(deficit) before taxation		
	2019/20 £'000	2018/19 £'000	2017/18 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000
Aspire Recruitment Partnership	2,299	2,590	2,803	-	-	-
Centre for Assessment	3,473	3,138	2,834	135	151	170
Challenge for Change	444	375	363	-	1	-
Chamberlink (Business Support Solutions)	4,288	4,907	4,118	216	262	170
Greater Manchester Business Support	16,488	13,816	19,775	147	40	79
Improvement Development Growth	3,152	3,953	3,638	51	338	68
Marketing Manchester	4,744	5,759	7,609	69	(194)	30
National Schools Training	425	826	1,373	(95)	(134)	(203)
North West Apprenticeship Company	502	398	444	5	11	-
Recovery Works	815	781	206	-	(9)	-
Skills and Works Solutions	51,656	36,969	42,418	(1,294)	(2,181)	(1,265)
The Enterprise Fund (GC Business Finance)	3,386	3,023	3,454	597	619	1,081
The Manufacturing Institute	1,966	1,729	1,986	(78)	65	698
The Growth Company & Consolidation Adjustments	2,857	(1,164)	3,669	593	1,257	212
TOTAL	96,495	77,100	94,690	346	226	1,040

Consolidated statement of comprehensive income	2019/20 £'000	2018/19 £'000	2017/18 £'000
Income	96,495	77,100	94,690
Operating surplus	255	652	693
Surplus for the year before taxation	346	226	1,040

Consolidated statement of financial position	2019/20 £'000	2018/19 £'000	2017/18 £'000
Current assets	48,643	34,365	40,095
Cash at bank and in hand	12,818	9,899	13,474
Net current assets	12,360	12,809	12,623
Reserves	13,969	15,184	15,167

Performance review of the business

Overall group turnover for the year was £96,495k (2019: £77,100k) and closing members' funds as at 31 March 2020 were £13,969k (2019: £15,184k). The surplus for the year (before tax and pension movements) was £346k (2019: £226k). The actuarial loss on the defined benefit schemes of £1,422k (2019: £144k) resulted in total comprehensive loss for the year of £1,215k (2019: income of £17k). The group generated a small surplus before taxation in year comparable to the previous year despite a 25% increase in turnover. However, it should be noted that a significant element of this turnover was due to the implementation of the new ESFA/ESF and National Citizen Service programmes within Skills & Work Solutions Limited (expected total contract values of £144m). GC Skills, within Skills & Work Solutions Limited, continued to experience challenges through low learner volumes and outcomes and was the main contributor to the deficit before pension movements of £1,294k in Skills & Work Solutions. Following a management restructure at the end of 2019/20, these challenges are being addressed, although have been further exacerbated through the impact of Covid-19. The overall group surplus was in line with budget expectations.

Turnover was as budgeted and was a 25% increase (£19.4m) from 2019. Whilst there were marginal increases and decreases in turnover across the rest of the group, the source of the increase in turnover was within two programmes commencing in 2019/20 – ESF/ESFA funded contracts and National Citizen Service, GC Employment programmes within Skills & Work Solutions Limited. However, the cost-recovery basis of the initial up-front implementation costs of these new programmes largely offset the turnover increase and, in the main, account for the £14.6m increase in other external expenses and other operating expenses. The new programmes account for the 13% increase in staff costs and the increase in staffing numbers of 104 from 1,302 in 2019.

Balance Sheet
The net assets position of £13,969k (2019: £15,184k) is net of a defined benefit pension liability of £6,490k (2019: £5,018k). Net current assets of £12,360k had reduced by £449k from the previous year (2019: £12,809). Other intangible assets increased to £1,003k (2019: £567k), due to software assets not yet been brought into use within the group. The valuation of the group's investment property increased to £5m (2019: £4.7m) due to a revaluation in March 2020. Investments increased to £1,222k due to additional investments into the shares of unlisted companies within TEF (2019: £498k). The main movements within working capital included an increase in cash of £2,919k to £12,818k from the previous year (2019: £9,899k). The working capital generated by the new programmes in Skills & Work Solutions resulted in an increase of £11,865k in Debtors falling due within one year, offset by the increase of £14,727k in Creditors: amounts falling due within one year.

The main movements in provisions during the year related to dilapidations and pensions. Following a review of the group's overall dilapidations provision, there was a £858k increase in the provision to £1,116k (2019: £258k). The reduction in the discount rate assumption used for the actuarial valuation of the defined benefit pension schemes along with a reduction of the fair value of plan assets by £1.2m resulted in a £1.42m actuarial loss.

Going concern

Based on the group's forecasts, the directors have adopted the going concern basis in preparing the financial statements. The directors have made this assessment after consideration of the group's cash flows and related assumptions. In making this assessment the directors have given consideration to the potential impact of the Covid-19 pandemic on the cashflows and liquidity of the group over the next 12 month period. The process that the directors have undertaken has included the consideration of regular updates from the executive, the consideration of several financial models and forecasts and decisions taken to right size the business and utilise government initiatives such as the job retention scheme. The group's financial modelling has considered the impact of additional downside scenarios with greater restrictions on movement and social distancing, and a more severe impact on the group's cash flows and liquidity as a result of potential further loss of revenue. Whilst this is quite difficult to fully assess within the current climate, the downsides have included the impact on the following services:

- current and future commercial income;
- new learner starts;
- the ability to provide services relying on physical activity such as the National Citizen Service and Challenge for Change; and,
- the tourism and hospitality sector, particularly affecting Marketing Manchester.

Continuing dialogue with commissioners and the digitisation of delivery is helping to mitigate some of these risks which are likely to remain throughout the next twelve months and beyond. The bidding environment, however, currently remains relatively buoyant with recent bidding wins announced and opportunities, such as the new Kickstart programme, also helping to offset downsides elsewhere across the group. The directors have, furthermore, previously demonstrated that swift action can be taken to reduce the cost base and alter service delivery models were appropriate.

With regards to the sensitivity of income and its impact on the financial position of the group, there is no direct correlation between a reduction in income and profitability due to the differing nature of funding/income across the group. Despite the ongoing national and local restrictions imposed by the government, which could further damage confidence around future activity, we remain confident that a break-even position for 2020/21 is attainable and we remain on a trajectory to achieve this. A prudent approach will be taken to the development of the 2021/22 budget to ensure sufficient headroom in achieving ongoing financial sustainability. The holding company itself has a net liability balance sheet position at 31 March 2020. However, whilst in the medium term this position will be rectified through the retention of overhead rebates to other subsidiaries, the parent company operates the central treasury function and so is able to draw on other subsidiary cash reserves if required.

In performing the assessment of whether the group will have sufficient liquidity within the next 12 months, the directors have carried out a preliminary assessment of the additional options that may be available to the group to mitigate the impact on its cash flows and liquidity in the event of longer periods of restriction via localised and national lockdowns and greater reductions in revenues resulting from changes in customer behaviours. In particular directors have considered (i) additional reductions in expenditure at certain times to improve liquidity; (ii) the potential of the group to access additional bank facilities where the directors note that the group's existing £2m overdraft may be extended with the consent of the banks; or (iii) the additional support of key stakeholders and commissioners remodelling outcome based contractual arrangements to cost recovery models in the medium term, if necessary. Liquidity assessments have also factored in the repayment of the £1m GMCA loan due to be repaid in March 2021

The directors have concluded that the potential impact of the Covid-19 pandemic described above and their ability and track record to react quickly to enact possible mitigating actions reflects the group and company's ability to continue as a going concern. For these reasons, whilst there are identified risks and a degree of uncertainty in matters outside of the company's control, the directors continue to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the group and company were unable to continue as a going concern.

Risks and Uncertainties

The group operates a risk register which documents risks across the group, together with mitigating actions. The register is monitored by the Senior Management Team at regular intervals and is also reviewed by the Audit Committee and main group Board. The following is not an exhaustive list from the register but highlights the main themes of risk which are considered to be currently facing the group.

The table below shows a summary of the key risks facing the group.

Risk	Mitigation	Change in risk/uncertainty
Impact of Covid-19 on revenue and the ability to deliver activity	• Continuing dialogue with all commissioners and agreement to move to cost recovery models in the short term and changing funding frameworks in the medium to long term. • Dynamic financial modelling responsive to changes in government policy, commissioners' positions and commercial/economic environment. • Increased monitoring of supply chain ensuring continuity of provision and rapid response to shift to new suppliers or in-house if necessary. • Digitisation of delivery in B2B commercial and other client activity e.g. learning environment. • Ongoing monitoring of cashflow – regular short and long term forecasting, ongoing dialogue with finance providers, accessibility to short term finance if required.	Increased risk as risk did not exist in previous year
Reduction in EU funding for business support following the United Kingdom's departure from the EU	• EU funding has been secured for business support programmes to the end of 2021. Final calls for available ERDF funding to June 2023 opened towards the end of 2019, with outline applications submitted by GMBS already accepted. Full applications now in progress to secure.	Reduced risk in relation to European funding but increased risk in relation to match funding
Changes in national and local Government policy that may result in significant and detrimental changes	• GC is closely monitoring any changes to government policy which might have an impact on programme design, contracting arrangements or service delivery.	Increased risk in regard to Covid-19 and Brexit political and economic uncertainty
Loss of key members of staff and inability to attract new staff with necessary skills and experience	• Robust performance review system in place • IIP Silver Standard achieved • Star performance awards system in place	Reduced risk with increased staff retention numbers and agile Work Your Way programme implemented
Potential of cyber threats disrupting business operations and damaging reputation	• Move to Office 365 Cloud based solution • Improvement of firewalls and intrusion • Regular penetration testing and social engineering tests • Continued Cyber Essentials accreditation	Reduced risk due to increased investment in penetration testing and achievement of Cyber Essential accreditation.
Continued external environment impacting on GC Skills and Education performance through learner numbers and apprenticeship levy	• Skills review undertaken in 2019/20 • New MD appointed January 2020 • Full restructure implemented summer 2020 • Re-purposing and re focusing of activity across all sectors	Reduced risk with appointment of new MD and implementation of turnaround plan

Risk Mitigation

All risks and mitigating actions are logged on a Risk Register, which is reviewed and updated every quarter, and presented to the Board for its consideration. Existing risks are removed when they have been appropriately mitigated, and new risks are added as they are identified. In addition, the diversity of funding streams across the group limits exposure from policy shifts.

Corporate Governance
Governance arrangements include advisory boards made up of Non-Executive Directors and specialist advisers to deal with the particular areas of the group's activities. The advisory boards cover:

- Business Support and Business Finance.
- Workforce Development.
- Internationalisation and Marketing.

Future Developments
All of our future developments are outlined in the annual business plan and reflect the five thematic aims outlined in our strategy and vision. In considering these future developments in light of the current Covid-19 pandemic, we continue to plan to achieve these aims though the milestones to achieve them over the next three years will clearly change, given the current economic environment. The aim to maintain and enhance financial sustainability also remains valid though any planned increase in turnover is now more susceptible to the changes in economic environment as highlighted elsewhere within the Strategic Report.

- **To be a market leader** – GC's ambition is to be the best-performing provider of business, people and place-based support services. We will focus on services which deliver economic growth and prosperity which is inclusive and sustainable. We will be trusted by businesses, individuals and government to deliver high-quality, high-impact services which contributes significantly to the UK Economy.
- ***Increasing reach*** - *GC will collaborate with government, businesses and communities across the UK, in all major* cities and target international markets. Through leveraging innovative digital channels our annual customer base will exceed 200,000 individuals and 60,000 businesses.
- **Attracting and retaining the brightest and best** - GC will be recognised and accredited as a leading employer, attracting and retaining highly skilled staff. Our staff will take ownership of their own development and benefit from an expansive workforce development offer. GC will provide each team member with a competitive reward and recognition package and in return they deliver exceptional performance. GC will have a highly engaged and diverse workforce reflective of the communities in which we work.
- **Financial sustainability** - GC will aim to generate at least a 5% net surplus from all non-grant funded activity and has increased its turnover year-on-year. This will enable us to maintain a strong balance sheet, demonstrates strength in financial reserves/liquidity with the ability to support reinvestment. GC will have a balanced revenue mix with a focus on annually increasing commercial income.
- **Social value and environmental sustainability** - GC will be an accredited social enterprise and will be widely recognised as a leading provider of social value impact in the way we deliver each service. GC will be net Carbon zero and through its activity will influence individuals and other businesses to adopt more environmentally sustainable business practices.

The report of the Board of Management was approved on 17 November 2020 and signed on its behalf by:

P A Simpson
Secretary

The directors present their annual report and financial statements for the year ended 31 March 2020.

The directors have presented the future developments of the group within the Strategic Report.

Principal activities

The Growth Company, a company limited by guarantee, is a non-profit-distributing group of companies delivering publicly funded and commercial services to employers, individuals, the public sector, and schools and colleges.

The principal activity of the Company continued to be that of the holding company for The Growth Company group of companies through which all the central corporate costs and overheads are held and recharged to the group's subsidiaries.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R Topliss	
M Blackburn OBE	
J Boardman	
City Mayor P Dennett	
I Griffiths	(Resigned 16 December 2019)
M Hughes MBE	
Cllr Sir Richard Leese CBE	(Resigned 30 October 2020)
V Murray OBE	
Cllr E Adia	(Resigned 26 July 2019)
C Boshell	(Resigned 26 July 2019)
A Shah	
Ms L Feeley	(Appointed 28 June 2019)
E Sheldon	(Appointed 24 March 2020)
P A Simpson	(Appointed 24 March 2020)
Cllr M Cox	(Appointed 26 July 2019)
Cllr E A Wilson	(Appointed 26 June 2020)
M Isap	(Appointed 27 July 2020)

Results and dividends

The results for the year are set out on page 22. In response to Covid-19, the directors have taken action to mitigate the consequential and significant impact on the company's operation. All of these actions, including a staff restructuring programme and breaking a major lease, were taken post-year end and are, therefore, not reflected in the financial statements of 31 March 2020. In addition to this, an extension was granted regarding loan facilities of the £1m loan from the GMCA from 31 March 2020 to 31 March 2021, which is reflected within these financial statements.

Post reporting date events

More details of post balance sheet events can be found in note 31.

Qualifying third party indemnity provisions

The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The group's policy is to consult with employees, predominantly through the Employee Consultative Committees (ECCs). The ECCs have been established for several years and act as conduits for decisions/ consultations affecting staff. Other methods of engagement include regular bi-annual staff surveys, weekly staff communications from the CEO and an annual staff conference, all of which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Auditor
RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board

P A Simpson

Secretary
17 November 2020

The directors are responsible for preparing the Strategic report, the Directors' 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 board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 group and the company, and of the surplus or deficit of the group 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 group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GROWTH COMPANY LIMITED

Opinion

We have audited the financial statements of The Growth Company Limited (the 'parent company') and its subsidiaries ('the group') for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows 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 FRS 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 and parent company's affairs as at 31 March 2020 and of the* Group's deficit 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 Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISA's (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 and parent company 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

We have nothing to report in respect of the following matters in relation to which the ISA's (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- *the strategic report and the directors' report have been prepared in accordance with applicable legal* requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 directors' responsibilities statement set out on page 19, 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.

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 ISA's (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.

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

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.

RSM UK Audit LLP

Hugh Fairclough (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

10 December 2020

THE GROWTH COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
TURNOVER	3	96,495	77,100
Other operating income		689	604
Other external expenses		(38,151)	(19,108)
Staff costs	4	(43,604)	(38,563)
Depreciation and amortisation	6	(1,850)	(1,410)
Other operating expenses		(13,324)	(17,971)
OPERATING SURPLUS	6	255	652
Interest receivable and similar income	7	14	27
Interest payable and similar expenses	8	(223)	(303)
Fair value gains and losses on investment portfolio	9	-	(150)
Fair value gains and losses on investment properties	14	300	-
SURPLUS BEFORE TAXATION		346	226
Tax on surplus	10	(139)	(65)
SURPLUS FOR THE FINANCIAL YEAR		207	161
Actuarial loss on defined benefit pension schemes	24	(1,422)	(144)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR		(1,215)	17

The company is limited by guarantee so the (loss)/income for the financial year, whilst attributable to the owners of the parent company, is not distributable to them.

Total comprehensive (loss)/income for the financial year, whilst attributable to the owners of the parent company, is not distributable to them.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Goodwill	11	134	153
Other intangible assets	11	1,003	567
Total intangible assets		1,137	720
Tangible fixed assets	12	3,330	3,611
Investment properties	14	5,000	4,700
Investments	15	1,222	498
		10,689	9,529
CURRENT ASSETS			
Stocks	17	-	10
Debtors falling due after more than one year	18	2,154	2,650
Debtors falling due within one year	18	33,671	21,806
Cash at bank and in hand	19	12,818	9,899
		48,643	34,365
CREDITORS: ***amounts falling due within one year***	20	(36,283)	(21,556)
NET CURRENT ASSETS		12,360	12,809
TOTAL ASSETS LESS CURRENT LIABILITIES		23,049	22,338
CREDITORS: amounts falling due after more than one year	21	(1,435)	(1,839)
Provisions for liabilities	23	(1,155)	(297)
Net assets excluding pension liability		20,459	20,202
Defined benefit pension liability	24	(6,490)	(5,018)
NET ASSETS		13,969	15,184
CAPITAL AND RESERVES			
Revaluation reserve	25	1,442	1,142
Profit and loss reserve	25	12,527	14,042
TOTAL EQUITY		13,969	15,184

The notes form an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board on ..17 November 2020.... and signed on its behalf by:

M Hughes MBE
Director

Richard Topliss
Director

THE GROWTH COMPANY LIMITED

Company Registration No. 02443911

COMPANY BALANCE SHEET

For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Tangible fixed assets	13	2,911	3,195
Investment properties	14	5,000	4,700
Investments	15	568	568
		8,479	8,463
CURRENT ASSETS			
Debtors	18	8,673	8,483
Cash at bank and in hand		2,966	1,784
		11,639	10,267
CREDITORS: amounts falling due within one year	20	(18,891)	(18,311)
NET CURRENT LIABILITIES		(7,252)	(8,044)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,227	419
CREDITORS: amounts falling due after more than one year	21	(1,355)	(1,259)
Provisions for liabilities	23	(978)	(246)
NET LIABILITIES		(1,106)	(1,086)
CAPITAL AND RESERVES			
Revaluation reserve	25	1,442	1,142
Profit and Loss reserve	25	(2,548)	(2,228)
TOTAL EQUITY		(1,106)	(1,086)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's deficit for the year was £20k (2019: Deficit of £1,398k).

The financial statements were approved by the board of directors and authorised for issue on ...17 November 2020... and are signed on its behalf by:

M Hughes MBE
Director

Richard Topliss
Director

THE GROWTH COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Revaluation reserve £'000	Profit and loss reserve £'000	Total £'000
Balance at 1 April 2018	1,142	14,025	15,167
Year ended 31 March 2019			
Surplus for the year	-	161	161
Other comprehensive income net of taxation:			
Actuarial losses on defined benefit plans	-	(144)	(144)
Total comprehensive income for the year		17	17
Balance at 31 March 2019	1,142	14,042	15,184
Year ended 31 March 2020			
Surplus for the year	-	207	207
Other comprehensive loss net of taxation:			
Actuarial losses on defined benefit plans	-	(1,422)	(1,422)
Total comprehensive loss for the year	-	(1,215)	(1,215)
Transfers	300	(300)	-
Balance at 31 March 2020	1,442	12,527	13,969

THE GROWTH COMPANY LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Revaluation reserve £'000	Profit and loss reserve £'000	Total £'000
Balance at 1 April 2018	1,142	(830)	312
Year ended 31 March 2019			
Deficit and total comprehensive loss for the year	-	(1,398)	(1,398)
Balance at 31 March 2019	1,142	(2,228)	(1,086)
Year ended 31 March 2020			
Deficit and total comprehensive loss for the year	-	20	(20)
Transfers	300	(300)	-
Balance at 31 March 2020	1,442	(2,548)	(1,106)

THE GROWTH COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated/ (absorbed) by operations	26	6,141	(858)
Interest paid		(118)	(205)
Income taxes paid		(138)	(40)
Net cash inflow/ (outflow) from operating activities		5,885	(1,103)
Investing activities			
Purchase of intangible fixed assets		(436)	(330)
Purchase of tangible fixed assets		(1,828)	(1,261)
Purchase of fixed asset investments		(724)	(648)
Interest received		14	27
Net cash used in investing activities		(2,974)	(2,212)
Financing activities			
Proceeds of new bank loans		1,600	-
Repayment of bank loans		(1,590)	(262)
Net cash generated from/ (used in) financing activities		10	(262)
Net increase/ (decrease) in cash and cash equivalents		2,921	(3,577)
Cash and cash equivalents at beginning of year		9,897	13,474
Cash and cash equivalents at end of year		12,818	9,897
Relating to:			
Cash at bank and in hand		12,818	9,899
Bank overdrafts included in creditors payable within one year		-	(2)

1. ACCOUNTING POLICIES

Company information

The Growth Company ("the company") is a private company limited by guarantee and is registered, domiciled and incorporated in England and Wales. The registered office is Lee House, 90 Great Bridgewater Street, Manchester, M1 5JW.

The group consists of The Growth Company Limited and all its subsidiaries. The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 in relation to Large and Medium Companies.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention except for investment properties. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group.

The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' — Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' — Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' — Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' — Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of The Growth Company Limited (formerly Economic Solutions Limited) and are available from its registered office, Lee House, 90 Great Bridgewater Street, Manchester, M1 5JW.

Basis of consolidation

The consolidated financial statements incorporate those of The Growth Company Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

1. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)
The results of NPIF NW (Microfinance) Limited Partnership and NWF (Microloans) Limited Partnership have not been included in the consolidation on the grounds of materiality.

All financial statements are made up to 31 March 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued, and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

Audit exemption of subsidiaries
The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act. IQC2 Limited (company number 07160834), The North West Apprenticeship Company Limited (company number 06251000), Aspire Recruitment Partnership Limited (company number 03979566), Centre For Assessment Limited (company number 04089911), Improvement Development Growth Limited (company number 04141322) and TMI Enterprises Limited (company number 05774175) and TPMI (Trading) Limited (03004124).

The outstanding liabilities at 31 March 2020 of the above named subsidiaries have been guaranteed by the Company pursuant to s479A to s479C of the Act.

1. ACCOUNTING POLICIES (CONTINUED)

Going concern

Based on the group's forecasts, the directors have adopted the going concern basis in preparing the financial statements. The directors have made this assessment after consideration of the group's cash flows and related assumptions. In making this assessment the directors have given consideration to the potential impact of the Covid-19 pandemic on the cashflows and liquidity of the group over the next 12 month period. The process that the directors have undertaken has included the consideration of regular updates from the executive, the consideration of several financial models and forecasts and decisions taken to right size the business and utilise government initiatives such as the job retention scheme. The group's financial modelling has considered the impact of additional downside scenarios with greater restrictions on movement and social distancing, and a more severe impact on the group's cash flows and liquidity as a result of potential further loss of revenue. Whilst this is quite difficult to fully assess within the current climate, the downsides have included the impact on the following services:

- current and future commercial income;
- new learner starts;
- the ability to provide services relying on physical activity such as the National Citizen Service and Challenge for Change; and,
- the tourism and hospitality sector, particularly affecting Marketing Manchester.

Continuing dialogue with commissioners and the digitisation of delivery is helping to mitigate some of these risks which are likely to remain throughout the next twelve months and beyond. The bidding environment, however, currently remains relatively buoyant with recent bidding wins announced and opportunities, such as the new Kickstart programme, also helping to offset downsides elsewhere across the group. The directors have, furthermore, previously demonstrated that swift action can be taken to reduce the cost base and alter service delivery models were appropriate.

With regards to the sensitivity of income and its impact on the financial position of the group, there is no direct correlation between a reduction in income and profitability due to the differing nature of funding/income across the group. Despite the ongoing national and local restrictions imposed by the government, which could further damage confidence around future activity, we remain confident that a break-even position for 2020/21 is attainable and we remain on a trajectory to achieve this. A prudent approach will be taken to the development of the 2021/22 budget to ensure sufficient headroom in achieving ongoing financial sustainability. The holding company itself has a net liability balance sheet position at 31 March 2020. However, whilst in the medium term this position will be rectified through the retention of overhead rebates to other subsidiaries, the parent company operates the central treasury function and so is able to draw on other subsidiary cash reserves if required.

In performing the assessment of whether the group will have sufficient liquidity within the next 12 months, the directors have carried out a preliminary assessment of the additional options that may be available to the group to mitigate the impact on its cash flows and liquidity in the event of longer periods of restriction via localised and national lockdowns and greater reductions in revenues resulting from changes in customer behaviours. In particular directors have considered (i) additional reductions in expenditure at certain times to improve liquidity; (ii) the potential of the group to access additional bank facilities where the directors note that the group's existing £2m overdraft may be extended with the consent of the banks; or (iii) the additional support of key stakeholders and commissioners remodelling outcome based contractual arrangements to cost recovery models in the medium term, if necessary. Liquidity assessments have also factored in the repayment of the £1m GMCA loan due to be repaid in March 2021

The directors have concluded that the potential impact of the Covid-19 pandemic described above and their ability and track record to react quickly to enact possible mitigating actions reflects the group and company's ability to continue as a going concern. For these reasons, whilst there are identified risks and a degree of uncertainty in matters outside of the company's control, the directors continue to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the group and company were unable to continue as a going concern.

1. ***ACCOUNTING POLICIES (CONTINUED)***

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business and is shown net of VAT and other sales related taxes.

Turnover from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably, based on three contract types;

- break-even contracts - income earned in relation to the spend in the period;
- monthly commissioner submissions – income earned based on monthly agreed submissions with third parties;
- outcome based contracts – income is accounted for based on activity delivered which determines eligibility to make a claim.

The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Donations are recognised as income on a cash receipt basis, unless they relate to a specific project in which case the income is recognised over the life of that project.

Grants of a revenue nature are credited to the statement of comprehensive income in the period to which they relate.

The company charges management fees on its active loans. Fee income is recognised in the statement of comprehensive income as it falls due.

Interest receivable

Interest income is recognised as it falls due. Interest charged by The Enterprise Fund Limited on loan advances from its own funds is recognised as income within turnover which is used to partially off-set the operating costs of the business. Other interest received is recognised after operating profit.

Intangible fixed assets - goodwill

Goodwill is capitalised and written off evenly over 10 years as, in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33% straight line
Intellectual property	33% straight line

1. **ACCOUNTING POLICIES (CONTINUED)**

Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values evenly over their useful lives on the following bases:

Leasehold improvements	10 years, or life of related lease
Fixtures and fittings	5 years, or life of related lease
Computers	2 - 5 years
Motor vehicles	3 - 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit or loss.

Investment properties
Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss. Whilst the property was independently valued in March 2020 at the onset of the Covid-19 pandemic, the valuation included within these financial statements is also supported by tenancies within the property remaining at similar levels to those pre Covid – 19.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Fixed asset investments
In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

Unlisted investments in ordinary shares are valued by the investment committee according to the international Private Equity and Venture Capital Valuation Guidelines endorsed by the British Venture Capital Association. In the case of unquoted investments, the value is established by using measurements of value such as the price of recent investments, earnings multiple and net assets; where no reliable value can be measured using such techniques, unquoted investments are carried at cost subject to impairment where necessary.

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, prepayments and accrued income and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except for investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

For loan debtors, fee and interest income are recognised up to the point at which evidence of impairment has taken place, being the default of the loan debtor. At this trigger point no further interest is accrued and a provision between 0% - 100% is made for the outstanding balance of both interest and fee income depending on the ageing of the arrears. The extent to which repayment occurs after default, and the appropriate provisioning policy, is assessed on an annual basis.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1. **ACCOUNTING POLICIES (CONTINUED)**

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss.

2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Valuation of investment properties
The group carries its investment property at fair value, with changes in fair value being recognised in profit and loss. During the year, the group engaged Edwards & Co Surveyors Limited to perform a valuation on the property and the fair value was increased by £300k. The key assumptions underpinning the assessments of fair value include rental yields, the resale value and the cost of equity capital. While the valuation was carried out at the onset of the Covid-19 pandemic, it is supported by tenancies within the property being maintained at a similar level and hence the directors are satisfied that their valuation accurately reflects open market value at 31 March 2020.

Pensions and other post-employment benefits
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management consider the interest rate of corporate bonds with at least an AA rating. The mortality rate is based on publicly available information. Future salary increases are based on the expected future increases for the group. The directors have increased the pension liability for the October 2018 ruling on GMP (Guaranteed Minimum Pensions).

Dilapidations provision
The group has recognised provisions for dilapidations in the financial statements which requires management judgement. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors. The amounts recognised in the year is £1,116k (2019: £258k), acknowledging all potential dilapidations against the portfolio of leases. Previously these had not been recognised on Balance Sheet. The dilapidations costs that might arise at the end of the lease terms may differ from the estimate recognised in the meantime.

2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY (CONTINUED)

Provision for impairment loss on loan debtors

On a monthly basis, the directors make estimates in determining the level of loan arrears that indicate an impairment of a loan debtor. When debtor arrears reach the determined impairment trigger point, the directors estimate the likelihood of recovery after considering a number of factors, including the creditworthiness of the borrower, previous repayment patterns and any payment arrangements. These estimates may differ from eventual arrears outturn after the assessment date.

Provision is made on an individual case by case basis, after taking into consideration relevant circumstances of the borrower. Interest ceases to be accrued if the directors consider the likelihood of payment is negligible.

At the year end date, 30 loans with a net book value of £1.29m had been granted a repayment holiday and as such, did not have a repayment profile on which the directors could make an assessment of arrears pattern. At the date of approval of the financial statements, only 12 of these loans remained in a repayment holiday position, representing a year end total net book value of £0.49m. The directors have assessed the arrears profile of the whole loan book at the year end date and subsequent to the year end and have projected expectations of recovery profiles seen, onto those loans still in repayment holiday. No additional provision has been made as result of this assessment. The actual recovery outturns once these loans recommence repayment may differ from this assessment.

Agent versus Principal

In recognising certain loan book arrangements within debtors and creditors and associated interest income within the financial statements, the directors must consider whether, in their judgement the group is exposed to the significant risks and rewards associated with the loan book arrangements and whether the group has control of the associated assets, liabilities and income streams. If the directors conclude that the group is exposed to substantially all of the risks and rewards of these transactions and controls the associated assets, liabilities and income streams, then these loan books will be reported as principal. Alternatively, if the directors conclude the group is not exposed to substantially all of the risks and rewards of these transactions and it does not control the associated assets, liabilities and income streams, then these loan books will be reported as agent. The loan book administered by the group totals £241.9m (2019: £193.9m), including amounts where the group acts as agent and not principal.

Investment valuation

Directors use estimates in determining the fair value of investments. The directors value the investments according to the international Private Equity and Venture Capital Valuation Guidelines endorsed by the British Venture Capital Association. In the case of unquoted investments, the value is established by using measurements of value such as the price of recent investments, earnings multiple and net assets. The valuations are estimates only until such time that the investment is realised through sale. The eventual realisation proceeds will inevitably differ from the valuations shown in these accounts and the differences could be significant.

Recognition of income and costs

Management regularly review activity and make appropriate adjustments to accrue or defer income and expenditure based on the activities performed by the company during the period. The value of accrued income is £13,883k (2019: £8,352k) and the value of deferred income is £13,676k (2019: £6,444k). The impact of Covid-19 has resulted in increased uncertainty surrounding revenue recognition though this has been mitigated through the recognition of revenue only when earned in relation to spend in period or when activity is delivered and performance obligations achieved.

3. TURNOVER AND OTHER OPERATING INCOME

In the view of the directors, the classes of business provided by the group do not differ substantially from each other for the purposes of segmental reporting. The ultimate business areas all relate to the delivery of publicly funded and commercial skills, training employment, lending activities and recruitment services to businesses and individual customers across Greater Manchester and the UK on a not-for-profit basis.

	2020 £'000	2019 £'000
Turnover analysed by class of business		
Provision of services	96,495	77,100

	2020 £'000	2019 £'000
Other operating income		
Rental income	465	504
Donations	224	-
Insurance refund	-	100
	689	604

	2020 £'000	2019 £'000
Turnover analysed by geographical market		
United Kingdom	96,449	76,941
Rest of Europe	26	149
Rest of World	20	10
	96,495	77,100

4. EMPLOYEES

The average monthly number of persons (including directors) employed during the year was:

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Operational, delivery and administrative employees	1,406	1,302	154	132

During the year average full time equivalent employee numbers were 1,381 (2019: 1,040).

Their aggregate remuneration comprised:

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Wages and salaries	38,062	33,474	5,210	4,220
Social security costs	3,243	2,769	477	378
Pension costs	2,299	2,320	350	307
	43,604	38,563	6,037	4,905

5. DIRECTORS' REMUNERATION

	2020 £'000	2019 £'000
Remuneration for qualifying services	178	155
Company pension contributions to defined contribution schemes	46	36
	224	191

Remuneration disclosed above includes payments to the highest paid director, which were recharged into the company from Manchester Investment and Development Agency Service Limited, a related party. The highest paid director's remuneration was as follows:

	2020 £'000	2019 £'000
Remuneration for qualifying services	176	155
Company pension contributions to defined contribution schemes	46	36
	222	191

Two directors (2019: 1) have retirement benefits accruing under defined contribution schemes.

6. OPERATING SURPLUS

	2020 £'000	2019 £'000
Operating surplus is stated after charging:		
Exchange losses	24	5
Research and development costs	28	40
Depreciation of owned tangible fixed assets	1,831	1,392
Amortisation of intangible assets	19	18
Auditor's remuneration		
- for audit services (parent)	27	22
- for audit services (subsidiaries)	144	162
- for non-audit services (tax advisory and compliance)	41	79
Bad and doubtful debts	151	231
Operating lease rentals		
- land and buildings	1,857	2,710

7. INTEREST RECEIVABLE AND OTHER INCOME

	2020 £'000	2019 £'000
Interest on bank deposits	14	14
Other interest income	-	13
	14	27

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £'000	2019 £'000
Interest on bank overdrafts and loans	118	205
Net interest on the net defined benefit liability	105	98
	223	303

9. FAIR VALUE GAINS AND LOSSES ON INVESTMENTS

	2020 £'000	2019 £'000
Fair value gains and losses on investments	-	(150)

10. TAXATION

	2020 £'000	2019 £'000
Current taxation		
UK corporation tax on surplus for the current period	42	154
Adjustment in respect of prior periods	69	(89)
Total current tax	111	65
Deferred taxation		
Origination and reversal of timing differences	28	-
	139	65

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2020 £'000	2019 £'000
Surplus on ordinary activities before tax	346	226
Theoretical tax at 19% (2019: 19%)	66	43
Effects of:		
Expenditure not tax deductible	148	196
Adjustment for prior periods	(36)	(89)
Exempt activities	(39)	(85)
	139	65

11. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Negative Goodwill £'000	Software £'000	Intellectual property rights £'000	Total £'000
Cost					
At 1 April 2019	1,134	(794)	567	60	967
Additions	-	-	436	-	436
Disposals	-	-	-	(60)	(60)
At 31 March 2020	1,134	(794)	1,003	-	1,343
Amortisation					
At 1 April 2019	981	(794)	-	60	247
Charge for year	19	-	-	-	19
Disposals	-	-	-	(60)	(60)
At 31 March 2020	1,000	(794)	-	-	206
Net carrying amount					
At 31 March 2020	134	-	1,003	-	1,137
At 31 March 2019	153	-	567	-	720

The company had no intangible fixed assets at 31 March 2020 or 31 March 2019. The amounts above for software *are assets which have not yet been brought into use.*

12. TANGIBLE FIXED ASSETS – GROUP

	Leasehold improvements £'000	Fixtures and fittings £'000	Computers £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2019	1,217	6,287	4,980	58	12,542
Additions	862	135	831	-	1,828
Reclassification	477	939	898	2	2,316
Disposals	(775)	(4,116)	(3,439)	(35)	(8,365)
At 31 March 2020	1,781	3,245	3,270	25	8,321
Depreciation					
At 1 April 2019	960	4,833	3,081	57	8,931
Charge for year	492	353	985	1	1,831
Reclassification	324	752	1,238	2	2,316
Disposals	(774)	(3,905)	(3,373)	(35)	(8,087)
At 31 March 2020	1,002	2,033	1,931	25	4,991
Net carrying amount					
At 31 March 2020	779	1,212	1,339	-	3,330
At 31 March 2019	257	1,454	1,899	1	3,611

13. TANGIBLE FIXED ASSETS – COMPANY

	Leasehold improvements £'000	Fixtures and fittings £'000	Computers £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2019	1,097	5,030	3,897	35	10,059
Additions	736	61	771	-	1,568
Reclassification	238	(238)	-	-	-
Disposals	(484)	(2,812)	(1,527)	(35)	(4,858)
At 31 March 2020	1,587	2,041	3,141	-	6,769
Depreciation					
At 1 April 2019	837	3,598	2,394	35	6,864
Charge for year	395	232	947	-	1,674
Reclassification	108	(108)	-		-
Disposals	(483)	(2,601)	(1,461)	(35)	(4,580)
At 31 March 2020	857	1,121	1,880	-	3,858
Net carrying amount					
At 31 March 2020	730	920	1,261	-	2,911
At 31 March 2019	260	1,432	1,503	-	3,195

The reclassification for the group and the company relates to the revision of the analyses between asset types and correction of the net carrying amounts, at 2019 between cost and depreciation provision.

14. INVESTMENT PROPERTY

	Group 2020 £'000	Company 2020 £'000
Fair value		
At 1 April 2019	4,700	4,700
Net gains or losses through fair value adjustments	300	300
At 31 March 2020	5,000	5,000

On 6 March 2020, the investment property was revalued by Edwards & Co Surveyors Limited, chartered surveyors, on an open market value for existing use basis. Edwards & Co Surveyors Limited is an independent valuer with recognised and relevant professional qualifications and experience in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Whilst the valuation was carried out at the onset of the Covid-19 pandemic, it is supported by tenancies within the property being maintained at a similar level and hence the directors are satisfied that their valuation accurately reflects open market value at 31 March 2020.

15. FIXED ASSET INVESTMENTS

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Investments in subsidiaries	16	-	-	568	568
Unlisted investments		1,222	498	-	-
		1,222	498	568	568

Group	**Unlisted investments £'000**
Valuation	
At 1 April 2019	648
Additions	724
At 31 March 2020	1,372
Impairment	
At 1 April 2019	150
Charge for year	-
At 31 March 2020	150
Net carrying amount	
At 31 March 2020	1,222
At 31 March 2019	498

During the year, £724k was invested by The Enterprise Fund Limited into shares of unlisted companies.

Company	**Shares in group undertakings £'000**
Cost or valuation	
At 31 March 2020	568
Net carrying amount	
At 31 March 2020	568
At 31 March 2019	568

16. **SUBSIDIARIES**

Details of the company's subsidiaries at 31 March 2020 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held Direct	Indirect
Aspire Recruitment Partnership Limited [4]	Recruitment	Ordinary	-	100
BFS Funding Managers Limited [2]	Business funding manages the North West micro fund	Ordinary	-	100
BFS NPIF General Partner Limited [3]	Administers the North West micro fund	Ordinary	-	100
BFS NWF General Partner Limited [3]	Administers the North West micro fund	Ordinary	-	100
Centre for Assessment Limited [4]	Business support services	Ordinary	-	100
Challenge 4 Change Limited	Education, training and leisure activities for disadvantaged young people Registered charity	Ordinary	100	-
Challenge 4 Change Trading Limited [1]	Education, training and leisure activities for disadvantaged young people	Ordinary	-	100
Chamberlink Limited [4]	Business support services	Ordinary	-	100
Employment & Regeneration Partnership Limited	Assisting the economically disadvantaged	Ordinary	100	-
GM Business Support Limited	Delivery of contracts to support growth of businesses and help for individuals to start a business	Ordinary	100	-
Improvement Development Growth Limited [4]	Business support services	Ordinary	-	100
IQC2 Limited [5]	Business support services	Ordinary	-	100
Marketing Manchester	Marketing of Greater Manchester region	Ordinary	100	-
National Schools Training Limited [7]	Provider of training to schools	Ordinary	-	100
Recovery Works Limited	Education, training and leisure activities for disadvantaged young people	Ordinary	100	-
Skills and Work Solutions Limited	Skills services	Ordinary	100	-
The Enterprise Fund Limited	Community development finance institution Funding for business	Ordinary	100	-
The Manufacturing Institute	Supporting manufacturing companies Registered charity	Ordinary	100	-
The North West Apprenticeship Company Limited	Employment and training	Ordinary	100	-
TMI Enterprises Limited [6]	Holding company	Ordinary	-	100
TMI Practitioner Services Limited [6]	Supporting manufacturing companies	Ordinary	-	100
TPMI (Trading) Limited [6]	Supporting manufacturing companies	Ordinary	-	100

16. SUBSIDIARIES (CONTINUED)

The registered office of all of the above companies is Lee House, 90 Great Bridgewater Street, Manchester, M1 5JW.

[1] Challenge 4 Change Trading Limited is wholly owned by Challenge 4 Change Limited
[2] BFS Funding Managers Limited is wholly owned by The Enterprise Fund Limited
[3] BFS NWF General Partner Limited and BFS NPIF General Partner Limited are wholly owned by BFS Funding Managers Limited. The companies are general partners in NWF (Microloans) LP and NPIF NW (Microfinance) LP
[4] Aspire Recruitment Partnership Limited, Improvement Development Growth Limited, Centre for Assessment Limited and Chamberlink Limited are wholly owned by Skills and Work Solutions Limited
[5] IQC2 Limited is wholly owned by Centre for Assessment Limited
[6] TPMI (Trading) Limited, TMI Practitioner Services Limited and TMI Enterprises Limited are wholly owned, directly or indirectly by The Manufacturing Institute
[7] National Schools Training Limited is wholly owned directly by Skills and Work Solutions Limited

Details of the company's dormant subsidiaries can be found in note 32.

17. STOCK

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	-	10	-	-

18. DEBTORS

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Due within one year				
Trade debtors	9,418	5,453	4,084	377
Amounts owed by group undertakings	-	-	2,369	4,522
Other debtors	331	1,184	117	838
Prepayments and accrued income	23,922	15,169	2,103	2,746
	33,671	21,806	8,673	8,483
Due after one year				
Trade debtors	2,154	2,650	-	-
	35,825	24,456	8,673	8,483

There is a provision for bad debts of £452k (2019 - £529k restated), which is in relation to loan book balances. In the previous year, this figure has included a provision which was part of a balance acquired at £Nil cost. The directors have considered these debts to be doubtful and have provided accordingly for what they consider the group's exposure to be. There are specific provisions for bad and doubtful debts relating to trade debtors of £374k (2019 - £358k).

19. CASH AT BANK AND IN HAND

The cash balance includes £3,578k (2019: £4,528k) in respect of grants from funding bodies which are ring-fenced for onward lending. The balances are separately identified and held in their own bank accounts.

The cash balance also includes £nil (2019: £2k) in respect of grants from funding bodies which is ring- fenced for onward expenditure on grant applications. The balances are separately identified and held in their own bank accounts.

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loans (note 22)	141	227	141	225
Other borrowings (note 22)	1,000	500	-	-
Trade creditors	5,532	597	674	-
Amounts due to group undertakings	-	-	13,008	13,307
Corporation tax	123	122	73	56
Other taxation and social security	1,819	1,694	966	120
Other creditors	589	909	197	129
Accruals and deferred income	27,079	17,507	3,832	4,474
	36,283	21,556	18,891	18,311

Bank loans and other loans are secured by means of fixed and floating charges over the current and future assets of the company. Further details are provided in note 22.

21. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loans (note 22)	1,355	1,259	1,355	1,259
Other borrowings (note 22)	-	500	-	-
Other creditors	80	80	-	-
	1,435	1,839	1,355	1,259

Amounts included above which are payable by instalments are as follows:

1 – 2 years	146	314	146	314
2 – 5 years	468	945	468	945
More than 5 years	741	-	741	-
	1,355	1,259	1,355	1,259

22. BORROWINGS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	1,496	1,484	1,496	1,484
Bank overdrafts	-	2	-	-
Other loans	1,000	1,000	-	-
	2,496	2,486	1,496	1,484
Payable within one year	1,141	727	141	225
Payable after one year	1,355	1,759	1,355	1,259

Included within total bank loans was £nil (2019: £1,485k) relating to a mortgage facility with The Co- operative Bank. The Co-operative Bank held a first legal charge security over registered freehold land and buildings and unlimited cross guarantee with fellow subsidiary undertakings. This loan was due for repayment in 2023 and had interest of 5.625%.

On 7 June 2019, this loan was refinanced with National Westminster Bank plc at an interest rate of 3.23% per annum and is due for repayment in 2029. The first legal charge over the registered freehold land and buildings, known as Warren Bruce Court, Trafford Park, has transferred to National Westminster Bank plc as security.

Included in other borrowings is a balance of £1 m (2019: £1 m) which relates to a loan from Greater Manchester Combined Authority. The loan carries interest of 6% and is repayable in full on 31 March 2021. The loan is guaranteed by The Growth Company Limited.

23. PROVISIONS FOR LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Dilapidations liabilities	1,116	258	950	218
Deferred tax liabilities	39	39	28	28
	1,155	297	978	246

All leases will elapse within the next 10 years and remaining terms range between 1 and 10 years.

Movements on provisions apart from deferred tax liabilities:

Dilapidations	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1 April	258	-	218	-
Charge to income and expenditure account	858	258	732	218
At 31 March	1,116	258	950	218

The major deferred tax liabilities and assets recognised by the group and company are:

Deferred taxation	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Accelerated capital allowances	11	11	-	-
Investment property	28	28	28	28
	39	39	28	28

There were no deferred tax movements recognised in the year.

The deferred tax liability, in relation to accelerated capital allowances, set out above is expected to reverse within 12 months.

There is an unprovided deferred tax asset of £1,493k (2019: £1,363k) which relates to unutilised tax losses carried forward. This asset has not been recognised as its recoverability against future profits is currently uncertain.

There is also unprovided deferred tax asset of £86k (2019: £65k) in relation to defined benefit pension scheme. Deferred tax is not recognised as it is not probable that it will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

24. RETIREMENT BENEFIT SCHEMES

	2020	2019
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	2,083	2,097

The group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions totalling £374k (2019: £441k) were payable to the fund at the year end and are included in other creditors.

Defined benefit schemes
Some employees of Employment & Regeneration Partnership Limited and Marketing Manchester participate in the Greater Manchester Pension Fund (GMPF), part of the Local Government Pension Scheme. The scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an independent investment manager.

Pension contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. A full actuarial valuation of the GMPF was carried out at 31 March 2016 by a qualified independent actuary. The next triennial valuations, which were anticipated to be updated by 31 March 2020, in relation to Marketing Manchester will be carried out to 31 March 2022 and in relation to Employment & Regeneration Partnership Limited, to 31 March 2023.

Some employees of Skills and Work Solutions Limited participate in the Greater Manchester Chamber of Commerce Pension Scheme (GMCS). The scheme provides benefits based on final pensionable salary and is now closed. A full actuarial valuation of the GMCS was carried out by a qualified independent actuary as at 31 March 2019. The next triennial valuation will be carried out to 31 March 2022.

The current service costs are charged to operating expenditure and the net returns on assets are charged to net interest receivable in the profit and loss account. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using an AA corporate bond rate. Pension scheme assets are valued at market value at the balance sheet date. The pension scheme deficit is recognised in full on the balance sheet. The pension scheme for Employment Regeneration Partnership Limited is not recognised because it is in an asset position. The liability for the year ended 31 March 2020 reflects the expected increase in benefits and therefore liability as a result of the Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension.

Assumptions as at 31 March	**2020**	**2019**
	% p.a.	**% p.a.**
Discount rate	2.2	2.5
Expected rate of increase of pension in payment	1.9	2.5
Expected return of salary increases	1.0	2.4

Mortality assumptions	**2020**	**2019**
Assumed life expectations on retirement at age 65:	**Years**	**Years**
Retiring today		
- Males	85.5	86.5
- Females	88.1	89.1
Retiring in 20 years		
- Males	87.0	88.7
- Females	90.0	91.2

24. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Amount recognised in the income statement:	2020 £'000	2019 £'000
Current service cost	216	284
Net interest on defined benefit liability	105	98
Not recognised due to pension asset	(10)	-
Total costs	311	382

Amount taken to other comprehensive income:	2020 £'000	2019 £'000
Actual loss/ (return) on scheme assets	1,231	(976)
Less calculated interest element	390	374
Loss/ (return) on scheme assets excluding interest income	1,621	(602)
Movement in unrecognised plan surplus	(106)	(57)
Actuarial changes related to obligations	(93)	803
Total costs	1,422	144

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Present value of defined benefit obligations	19,718	19,306	-	-
Fair value of plan assets	(14,046)	(15,205)	-	-
Deficit in scheme	5,672	4,101	-	-
Restriction on scheme assets	818	917	-	-
Total liability recognised	6,490	5,018	-	-

Movement in the present value of defined benefit obligations:	2020 £'000	2019 £'000
Opening defined benefit obligation	19,306	17,805
Current service cost	216	284
Plan introductions, changes, curtailments and settlements	-	81
Benefits paid	(245)	(179)
Contributions from scheme members	39	40
Actuarial gains and losses	(93)	803
Interest cost	495	472
Closing defined benefit obligation	19,718	19,306

The defined benefit obligations from plans funded are all from wholly funded obligations.

24. **RETIREMENT BENEFIT SCHEMES (CONTINUED)**

Movement in the fair value of plan assets:	2020 £'000	2019 £'000
Fair value of plan assets at 1 April	15,205	14,098
Interest income	390	374
(Loss)/return on plan assets (excluding amounts included in net interest)	(1,621)	602
Benefits paid	(245)	(179)
Contributions by the employer	278	270
Contributions by scheme members	39	40
Fair value of plan assets at 31 March	14,046	15,205

The analysis of the scheme assets at the reporting date were as follows:	2020 £'000	2019 £'000
Equity instruments	9,124	10,421
Property	825	1,065
Bonds	3,153	2,693
Cash	944	1,026
	14,046	15,205

25. **RESERVES**

Profit and loss reserves
The income and expenditure account includes all current and prior period retained profits and losses. The closing balance on the income and expenditure account includes a debit of £6,490k (2019: £5,018k debit) in respect of pension scheme deficit of the group pension schemes.

The company's Articles of Association specify that any profit of income over expenditure must be applied to the promotion of the objects of the company and cannot be distributed directly or indirectly by way of dividends, bonus or other distribution to the members of the company. In the event of dissolution of the company, any accumulated profit shall be given or transferred to another company or body having objects similar to those of the company.

The directors also have various responsibilities placed on them by Company Law in relation to the operation of The Growth Company Limited. In order for the company to continue its activities, the directors need reasonable assurance that the organisation will be able to meet its debts as they fall due and discharge all of its actual and reasonably foreseeable contingent liabilities. As a company limited by guarantee, The Growth Company Limited has no share capital and, accordingly, the directors are unable to fulfil their statutory obligations without the group maintaining a prudent level of reserves.

The group reserves policy considers the minimum reserve level necessary (excluding any pension liability) in each operating company to facilitate a solvent wind-up should there ever be a need to close an operating company. This is not envisaged. A theoretical exercise has been undertaken to identify minimum reserve targets on the premise that the group and its companies are not-for-profit and would want to see all creditors, responsibilities and obligations discharged properly in the event of a wind-up of one or more of the companies. The minimum reserve targets are reviewed annually as part of the business planning process.

Revaluation reserve
The revaluation reserve includes all valuation changes relating to the investment property, net of associated deferred tax. This balance is not distributable.

26. CASH GENERATED FROM GROUP OPERATIONS

	2020 £'000	2019 £'000
Surplus for the year after tax	207	161
Adjustments for:		
Taxation charged	139	65
Finance costs	223	303
Investment income	(14)	(27)
Fair value gains and losses on investment properties	(300)	-
Amortisation and impairment of intangible assets	19	18
Depreciation and impairment of tangible fixed assets	1,831	1,392
Loss on disposal of tangible fixed assets	278	-
Other gains and losses	-	150
Pension scheme non-cash movement	(55)	1,069
Increase in provisions	858	258
Movements in working capital:		
Decrease in stocks	10	14
(Increase)/ decrease in debtors	(11,369)	2,141
Increase/ (decrease) in creditors	14,314	(6,402)
Cash generated from/ (absorbed by) operations	6,141	(858)

27. ANALYSIS OF NET DEBT – GROUP

	At 1 April 2019 £'000	Cash flow £'000	At 31 March 2020 £'000
Cash at bank and in hand	9,899	2,919	12,818
Bank overdrafts	(2)	2	-
Debt due in less than one year	(727)	(414)	(1,141)
Debt due in greater than one year	(1,759)	404	(1,355)
Total	7,411	2,911	10,322

28. FINANCIAL COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

On the 7 June 2019 the loan with The Co-operative Bank was refinanced with National Westminster Bank plc with the composite guarantee transferring to them.

At 31 March 2020, the group's bankers, National Westminster Bank Plc, hold an unlimited intercompany guarantee dated 2 December 2014 between The Growth Company Limited and the following companies: Chamberlink Limited, Skills and Work Solutions Limited, GM Business Support Limited, Improvement Development Growth Limited, Centre For Assessment Limited, The North West Apprenticeship Company Limited, IQC2 Limited, Aspire Recruitment Partnership Limited, Marketing Manchester Limited, Employment and Regeneration Partnership Limited.

The group's bankers, National Westminster Plc, hold a composite guarantee dated 11 April 2019 between The Growth Company Limited and the following companies: Chamberlink Limited, GM Business Support Limited, Improvement Development Growth Limited, Centre For Assessment Limited, The North West Apprenticeship Company Limited, IQC2 Limited.

The total potential liability of the company in relation to this composite guarantee at 31 March 2020 is £1,496k (2019: £1,485k).

The total liability for the group VAT as at 31 March 2020 is £885k (2019: £1 ,040k).

29. OPERATING LEASE COMMITMENTS

Lessee
At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Land and buildings, leases expiring:				
Within one year	1,201	1,540	1,092	1,067
Between one and five years	2,343	3,054	2,274	2,701
After more than five years	933	1,196	933	1,196
	4,477	5,790	4,299	4,964

30. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of key management personnel of the group, which includes directors, is as follows.

	2020 £'000	2019 £'000
Aggregate compensation	3,076	2,825

During the year, group companies entered into transactions with related parties who are not wholly owned members of the group.

These are related parties of the group by virtue of partnership arrangements. All transactions were made at arm's length. During the year, the total amount recharged by the group was £137k (2019: £138k) and the total amount owed by related parties at year end is £13k (2019: £101k). During the year, the total amount charged to the group was £nil (2019: £nil) and the total amount owed to related parties was £9k (2019: £nil).

During the year, the following related parties of the group by virtue of common director. All transactions were made at arm's length. The total amount recharged by the group was £559k (2019: £555k) and the total amount owed by related parties at year end is £118k (2019: £120k). During the year, the total amount charged to the group was £736k (2019: £776k) and the total amount owed to related parties at year end is £223k (2019: £76k).

31. POST REPORTING DATE EVENTS

In response to Covid-19, the directors have taken action to mitigate the consequential and significant impact on the company's operation. All of these actions, including a staff restructuring programme and breaking a major lease, were taken post-year end and are, therefore, not reflected in the financial statements of 31 March 2020. In addition to this, an extension was granted regarding loan facilities of the £1m loan from the GMCA from 31 March 2020 to 31 March 2021, which is reflected within these financial statements.

32. **OTHER SUBSIDIARIES**

As well as the trading subsidiaries, at 31 March 2020 The Growth Company Limited also held the following dormant subsidiaries of which it controls 100% of the shares or voting rights, either directly or indirectly.

Educations Business Solutions Limited
Manchester Business Link Limited
Training & Manpower Limited
Yorkshire and Humberside Assessment Limited
Yorkshire and Humberside Holdings Limited
BSAFM Carry LLP Manchester Solutions Limited
ENWORKS Limited
The Greater Manchester Apprenticeship Company Limited
The Business Growth Hub Limited Skills Solution Limited
The Manchester Growth Company Limited
The Greater Manchester Growth Company Limited
The Northern Growth Company Limited
The UK Growth Company Limited
The North West Growth Company Limited
The GM Growth Company Limited
The Cheshire Growth Company Limited
The Merseyside Growth Company Limited
Manchester Growth Limited
Midlands Growth Company
Economic Solutions Limited
Business Regulation Solutions Limited
New Economy Limited
Fxport Growth Partners Limited
Export Growth Partnership Limited
The Lancashire Growth Company Limited

The registered office of all the above companies is Lee House, 90 Great Bridgewater Street, Manchester, M1 5JW.