

Company Registration Number: 10077673 (England and Wales)

Independent Growth Finance Limited
Report and Consolidated Financial Statements
for the year ended 31 March 2021



Independent Growth Finance Limited

Report and financial statements for the year ended 31 March 2021

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Directors and Advisors

Directors

J R Allbrook
J M Hudson
P W Ralph
J P Onslow
S M Moore

Registered office

Kingsgate
High Street
Redhill
RH1 1SG

Independent Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Independent Growth Finance Limited

Strategic Report for the year ended 31 March 2021

The Directors present their strategic report for the year ended 31 March 2021.

Principal activities

The principal activities of the group are providing working capital solutions that meet the growth aspirations of lower mid-market enterprises primarily through receivables finance and asset based lending.

Key Performance Indicators (KPI's)

<i>Financial year ended 31 March</i>		2017	2018	2019	2020	2021
Client funds in use	£m	47	71	99	123	125
Client Volume	£m	433	659	910	1,191	1,287
Turnover	£000	4,266	7,265	9,362	11,056	10,102
Cost / income ratio	%	152%	109%	92%	76%	81%
EBITDA after senior bank interest	£000	(2,264)	(1,161)	(394)	868	946
EBITDA	£000	(1,964)	(412)	1,016	2,794	2,098
Net Current Assets	£m	9	11	22	26	26

Business review and future development

The beginning of our financial year coincided with the early weeks of the Covid-19 situation and we reported in last year's financial statements the potential risks arising from the impending crisis and what actions we were taking to mitigate that risk. We also reported that we had revised our financial forecasts downwards in light of this uncertainty and that we had also prepared some pessimistic scenarios to demonstrate our confidence that we could continue as a viable going concern even in the worse-case scenario.

The first quarter of the financial year saw an unprecedented decrease in business activity throughout the UK economy and in our sector and we experienced a similar trend ourselves. Over the first quarter of 2020/21 we saw Client funds in use decrease by 30% and Client volumes in the period 21% lower than the previous quarter. However, as the year progressed we were quick to recover and by the end of the year were breaking numerous records in terms of Client funds in use and Client Volume. We are delighted to be able to report that by the end of the financial year we had recovered our pre Covid position and exceeded forecast on many of our key indicators, performing better than our Industry as a whole (which in the 12 months ended 31 March 2021 recorded an average 33% decrease in funds in use and 13% decrease in Client Volume).

Independent Growth Finance Limited

Strategic Report for the year ended 31 March 2021

Our key successes during the year and in managing our way through the Covid situation included:

- Successfully adapted our working practices to enable staff to work from home, remaining open for business throughout. We have not had to lose any staff as a result of the crisis, nor have we had to furlough any staff or utilise any other of the Government support schemes
- Renewed our debt facilities with our banking syndicate
- Supported our Clients through the crisis with a number of initiatives, including extending repayment periods and funding periods
- Became an accredited CBILS provider to assist both existing and new Clients
- Achieved low Client attrition rates with no material credit issues arising
- Continued to sign new Clients whilst maintaining our pricing and underwriting discipline
- Delivered on a number of key strategic and improvement projects, despite remote working
- Received the continuing support of our Shareholders which has included a further equity injection post year end (note 15)

We also refreshed our strategic plan during this period and we are confident that we are very well placed to continue the high growth path that saw us achieve an average annual book growth of 39% in the 3 years prior to the Covid situation. In the first quarter of the new financial year 2021/22 we have grown the book by 14%, with total Client facilities now exceeding £350m, and have achieved record Client volumes.

We have an experienced Senior Management team and all key positions in the organisation are in place. In addition, we have a scalable and efficient infrastructure and the funding and financial support in place to exploit the many opportunities that we are already seeing and expect to see over the coming years as we move forwards out of the crisis.

Principal risks and uncertainties

Aside from the near term risk remaining from the Covid situation, the following is a summary of the key business risks for the group and the key actions management take to mitigate the level of risk to acceptable levels.

a) Credit risk

The financial risk of losses arising from clients being unable to repay amounts due. This risk is mitigated by extensive checks on prospective clients and their owners before take on and rigorous client management processes and controls once on board, including periodic audits and verification checks. Clients are restricted to availability limits on the amounts they can draw and all funds out are backed by security over assets that can be realised in the event of default. It should also be noted that on average we collect 100% of funds due on receivables facilities within a month.

b) Liquidity risk

The risk that funds are not available to meet the groups financial obligations or to finance future growth. This risk is mitigated by regular monitoring of the groups working capital position and forward planning our funding requirements to ensure that we always have sufficient facilities in place. The risk of breaching key covenants with our lenders is mitigated by regular monitoring and financial forecasting, including scenario testing of our key planning assumptions.

Independent Growth Finance Limited

Strategic Report

for the year ended 31 March 2021

c) Interest rate risk

The financial risk of unexpected or significant changes in interest rates. This risk is naturally minimised as discount income receivable and interest payable are both linked to the same underlying rates.

d) Currency risk

The risk of losses arising from large fluctuations in exchange rates. This risk is mitigated by a natural hedge in currency transactions whereby funds paid and received will be denominated in the same currency.

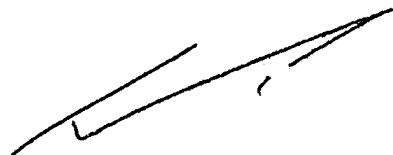
e) Reputational risk

The risk of an event adversely impacting our relationships with our clients and business introducers and prospective new business. This risk is mitigated by training our staff to ensure that our core values of excellent service and acting with the utmost integrity and professionalism is at the core of everything that we do.

f) Cyber risk

The risk of a cyber attack on our IT systems and infrastructure leading to significant business interruption and potential data breaches. The risk is mitigated by continual investment in and enhancements to our cyber landscape, regular testing, staff awareness training and a robust business continuity plan.

On behalf of the Board



.....
J P Onslow – Director

Date 30 July 2021

Independent Growth Finance Limited

Directors' Report for the year ended 31 March 2021

The Directors present their report and Group consolidated financial statements for the year ended 31 March 2021.

The principal activities, business review and future development of the Group are listed in the strategic report.

The Company is a Holding Company.

Results and dividends

The results for the period are set out on page 11. No dividends will be distributed for the period ended 31 March 2021 (2020– nil).

Directors of the Company

The following Directors have held office throughout the year:

J R Allbrook
J M Hudson
P W Ralph
J P Onslow
S M Moore
M Shepherd (appointed 9 October 2020; resigned 30 March 2021)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Growth Finance Limited

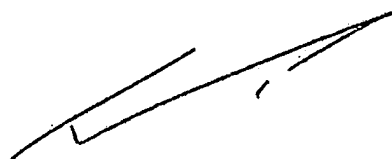
Directors' Report for the year ended 31 March 2021

Statement of disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

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

On behalf of the Board



.....
J P Onslow - Director

Date 30 July 2021

Independent Growth Finance Limited

Independent Auditor's report to the members of Independent Growth Finance Limited

Opinion on the financial statements

In our opinion:

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

We have audited the financial statements of Independent Growth Finance Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 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 and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the 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.

Conclusions relating to going concern

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

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

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

Other information

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

Independent Growth Finance Limited

Independent Auditor's report to the members of Independent Growth Finance Limited

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.

Other Companies Act 2006 reporting

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

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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. ;or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, 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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Independent Growth Finance Limited

Independent Auditor's report to the members of Independent Growth Finance Limited

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to Independent Growth Finance Limited. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (FRS 102 and the Companies Act 2006), regulations impacting labour regulations, compliance with the Asset Based Finance Standards Framework and taxation in the United Kingdom.

- We understood how the Group and company is complying with those legal and regulatory frameworks by making enquiries of management. Our review of board minutes and legal expenses accounts were performed to ensure no other material legal matters were detected through our audit procedures.
- We assessed the susceptibility of the Group and company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers: including financial or other pressures, opportunity, and personal or corporate motivations. We considered the programmes and controls that the Group and company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and key areas of estimation uncertainty or judgement. These include the provisions for trade debtors and completeness of deferred income.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.


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

Independent Growth Finance Limited

Independent Auditor's report to the members of Independent Growth Finance Limited

Use of our report

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

DocuSigned by:

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Tim Neathercoat (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
Date 30 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Independent Growth Finance Limited

Consolidated Statement of Comprehensive Loss for the year ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	10,101,598	11,056,055
Administrative expenses		<u>(8,156,927)</u>	<u>(8,430,889)</u>
Operating profit	5	1,944,671	2,625,166
Interest payable and similar charges	8	<u>(4,629,510)</u>	<u>(4,856,134)</u>
Loss on ordinary activities before taxation		(2,684,839)	(2,230,968)
Taxation on loss on ordinary activities	9	<u>(170,818)</u>	<u>(79,003)</u>
Loss for the financial year		(2,855,657)	(2,309,971)
Other comprehensive income		-	-
Total comprehensive loss for the financial year		<u>(2,855,657)</u>	<u>(2,309,971)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

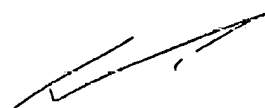
Independent Growth Finance Limited

Consolidated and Company Statements of Financial Position as at 31 March 2021

Company Registration Number - 10077673

	Note	GROUP		COMPANY	
		2021 £	2020 £	2021 £	2020 £
Fixed assets					
Investment in Subsidiary Undertakings	10	-	-	1	1
Intangible assets	11	30,900	105,356	-	-
Tangible assets	12	57,220	122,838	-	-
		<u>88,120</u>	<u>228,194</u>	<u>1</u>	<u>1</u>
Current assets					
Debtors: amounts falling due within one year	13	83,420,539	101,351,769	1,248,242	707,787
Debtors: amounts falling due after more than one year	13	24,288,851	12,230,512	39,306,552	37,694,281
Cash at bank and in hand		480,319	303,299	-	-
		<u>108,189,709</u>	<u>113,885,580</u>	<u>40,554,794</u>	<u>38,402,068</u>
Creditors: amounts falling due within one year	14	(82,248,214)	(87,617,623)	(1,405,983)	(1,647,424)
Net current assets		<u>25,941,495</u>	<u>26,267,957</u>	<u>39,148,811</u>	<u>36,754,644</u>
Total assets less current liabilities		<u>26,029,615</u>	<u>26,496,151</u>	<u>39,148,812</u>	<u>36,754,645</u>
Represented by:					
Creditors: amounts falling due after more than one year	15	39,157,256	36,768,135	39,157,256	36,768,135
Capital and reserves					
Called up share capital	18	603	603	603	603
Profit and loss account		(13,128,244)	(10,272,587)	(9,047)	(14,093)
Shareholders' deficit		<u>(13,127,641)</u>	<u>(10,271,984)</u>	<u>(8,444)</u>	<u>(13,490)</u>
		<u>26,029,615</u>	<u>26,496,151</u>	<u>39,148,812</u>	<u>36,754,645</u>

These financial statements have been prepared in accordance with the provisions applicable to Companies subject to the small Companies' regime. In accordance with section 408 of the Companies Act 2006, no Income Statement and Statement of Comprehensive Income is presented for the Company. The Company made a comprehensive profit of £5,046 (2020: profit £59,115) for the financial year. These financial statements were approved by the Board and authorised for issue on 30 July 2021.



J P Onslow - Director

The notes on pages 14 to 31 form part of these financial statements.

Independent Growth Finance Limited

Consolidated Statement of Cash Flow for the year ended 31 March 2021

	Note	2021 £	2020 £
Net cash generated / (used) from operating activities	20	13,923,306	(21,033,991)
Cash flows from investing activities			
Purchase of intangible assets	11	(5,351)	(48,889)
Purchase of tangible assets	12	(7,290)	(63,443)
Net cash generated / (used) in investing activities		(12,641)	(112,332)
Cash flows from financing activities			
Investor loan notes issued	15	-	5,000,000
Interest paid in respect of Investor loan notes		(1,076,988)	(856,628)
Manager loan notes (redeemed)	15	(11,364)	(23,880)
(Decrease) / Increase in Finance facility	14	(12,366,884)	18,465,137
Interest paid in respect of Finance facility	8	(1,152,042)	(1,926,116)
Fees paid in respect of financing activities		-	(175,000)
Net cash (used) / generated from financing activities		(14,607,278)	20,483,513
Net decrease in cash and cash equivalents in the period		(696,613)	(662,810)
Cash and cash equivalents bought forward		(1,803,156)	(1,140,346)
Cash and cash equivalents carried forward		(2,499,769)	(1,803,156)
Cash and cash equivalents comprise:			
Cash at bank and in hand		480,319	303,299
Bank loans and overdrafts	14	(2,980,088)	(2,106,455)
		(2,499,769)	(1,803,156)

Independent Growth Finance Limited

Consolidated and Company Statements of Changes in Equity for the year ended 31 March 2021

	Called up share capital £	Profit and loss account £	Total equity £
<u>GROUP</u>			
Balance at 31 March 2019	603	(7,962,616)	(7,962,013)
Total comprehensive loss for the year ended 31 March 2020	-	(2,309,971)	(2,309,971)
Balance at 31 March 2020	603	(10,272,587)	(10,271,984)
Total comprehensive loss for the year ended 31 March 2021	-	(2,855,657)	(2,855,657)
Balance at 31 March 2021	603	(13,128,244)	(13,127,641)
<u>COMPANY</u>			
Balance at 31 March 2019	603	(73,208)	(72,605)
Total comprehensive profit for the year ended 31 March 2020	-	59,115	59,115
Balance at 31 March 2020	603	(14,093)	(13,490)
Total comprehensive profit for the year ended 31 March 2021	-	5,046	5,046
Balance at 31 March 2021	603	(9,047)	(8,444)

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

1. Company information

Independent Growth Finance Limited (the "Company") together with its subsidiaries (the "Group") is a private company, limited by shares, incorporated in England and Wales with Company registration number 10077673. The registered office address is Kingsgate, High Street, Redhill, RH1 1SG.

2. Accounting Policies

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The Company is a 'qualifying entity' for the purposes of FRS 102 and as such has taken advantage of the disclosure exemptions available, including exemption from the requirement to:

- Prepare a Statement of Cash Flows for the Company (Section 7 of FRS 102);
- Disclosure of transactions between two or more members of the Group where the entities are 100% owned within the Group (Para 33.1A of FRS 102);
- Disclose key management personnel compensation for the Company in total (Section 33 paragraph 33.7 of FRS 102); and
- Disclose the carrying amounts of each category of financial assets and financial liabilities of the Company (Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A of FRS 102).

In accordance with section 408 of the Companies Act 2006 no Income Statement and Statement of Comprehensive Income is presented for the Company.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company is able to meet its liabilities as they fall due.

The Strategic Report on page 1 outlines in detail the initiatives Management took to navigate the Group and its Clients through the first year of the Covid-19 crisis. In summary, following an initial drop in business due to the Covid-19 situation the Group reacted strongly with a number of strategic and Client support initiatives which meant that by the end of the financial year we had recovered our pre-Covid position and exceeded many of our key targets, despite not having to draw on any Government support. The opening months of the new financial year has continued this pattern and to date we are breaking a number of key performance records.

Our financial projections for the forthcoming year demonstrate a strong increase in the Client book and profitability despite allowing for a prudent increase in bad debt provisions. We have stress tested our forecasts and even under our considered worst case scenario, which would include a further significant increase in bad debt provisions and Client attrition and reduced new business than we are forecasting, we would still remain profitable and comfortably within our financial covenants.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

Therefore, although there remains some near-term uncertainty from the Covid-19 situation, based on our resilience and performance during the crisis to date, our strong start to the financial year ended 31 March 2022, our financial projections, and continued support from our shareholders (including a further capital injection in May 2021) and our bank funders, the directors have a reasonable expectation that the Company can continue as a viable going concern and has adequate resources to continue to operate for the foreseeable future and to remain within the financial covenants required by our lenders.

Basis of Consolidation

The consolidated financial statements present the results of Independent Growth Finance Limited, its subsidiary undertaking IGF Group Services Limited, and its subsidiary undertakings ("the Group"). Intercompany transactions and balances between Group companies are eliminated in full on consolidation. The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at fair value at the acquisition date.

The results of acquired operations are included in the consolidated statement of comprehensive loss from the date on which control is obtained. They are deconsolidated from the date control ceases.

Turnover

Turnover represents amounts receivable for the rendering of services net of VAT and trade discounts. Where a service is provided for a fixed or minimum fee, this is recognised on a straight-line basis over the term of the contract. Interest and discount income is calculated daily on the outstanding balance of each Client's account with the Company, and is recognised each month when it is charged to the Client's account.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 5 years. Goodwill is being amortised to 'administrative expenses' over 5 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

Intangible assets and Amortisation

Separately acquired intangible assets are measured at cost less any accumulated amortisation and impairment losses. Cost comprises purchase price and any directly attributable cost of preparing the asset for its intended use. On acquiring another Group undertaking, an intangible asset was recognised on the value of Customer contracts existing at the date of acquisition. Intangible assets are amortised over their expected useful lives as follows:

- | | |
|----------------------|-----------------------------------|
| - Licensed software | - straight line over 3 to 5 years |
| - Customer contracts | - straight line over 3 years |
| - Goodwill | - straight line over 5 years |

Tangible fixed assets and Depreciation

Tangible fixed assets are included at cost less depreciation and impairment. Cost comprises purchase cost and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives as follows:

- | | |
|------------------------------------|--|
| - Leasehold improvements | - straight line over the period of the lease |
| - Fixtures, fittings and equipment | - straight line over 3 to 5 years |

Depreciation is included in "Administrative Expenses" in the Statement of Comprehensive Income.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Investments in Subsidiaries

Investments in subsidiary undertakings are measured at cost less accumulated impairment.

Financial Instruments

Loans and receivables, trade and other receivables and bank balances are categorised as basic financial instruments and, where applicable, initially accounted for at amortised cost, being their transaction price (including transaction costs). Subsequently they are measured using the effective interest method.

Amounts due under revolving credit facilities are classified as falling due within one year due to the nature of the line of credit. For instruments expected to be settled within one year, they shall be measured at the undiscounted amount of cash expected to be received or paid.

At the end of each reporting period financial assets measured at amortised costs are assessed for objective evidence of impairment.

Finance costs are charged to profit and loss over the term of the debt instrument.

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued; and
- Profit and loss account represents cumulative profits or losses, net of any adjustments.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

Leased assets

Assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors. Finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Pension costs

Contributions to employee's defined contribution group pension plans are charged to profit or loss in the period in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the end of the reporting period and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Deferred taxation

Deferred taxation balances are recognised in respect of all timing differences that have originated but not reversed by the end of the reporting period. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. The deferred tax balance has not been discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Foreign currency translation

The financial statements are presented in 'sterling', which is the Company's functional and presentation currency. Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

a) In preparing these financial statements, the Directors have made the following judgements:

Classification of leases

The Directors must determine whether leases entered into by the Company and Group are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Goodwill and intangibles

Determine whether there are indicators of impairment on the goodwill and intangible assets of the Company and Group. Factors taken into consideration are the Group's business plans and forecasts. The Group is required to undergo an assessment of future viability of asset grouped at the lowest level of which they are separately identifiable cash flows (cash-generating units). Other judgements related to the forecast cash flows and discount rate applied in the value in use calculation.

Key sources of estimation uncertainty include:

Recoverability of debtors

The Company and Group has recognised a provision on certain trade debtors. The recoverability of debtors is assessed on a case-by-case basis. The provision is based on the Directors' best estimate of the recoverability and ultimate realisation of each of the balances owed. The recoverability of debtors is subject to the outcome of future events, and therefore may differ from the estimated amount.

4. Turnover

Analysis by category:

	2021 £	2020 £
Revenue arising from:		
• the rendering of services	6,566,944	6,990,238
• interest and discount charges	3,534,654	4,065,817
	<u>10,101,598</u>	<u>11,056,055</u>
Analysis by geographical market:		
United Kingdom	<u>10,101,598</u>	<u>11,056,055</u>

Turnover is wholly attributable to the principal activities of the Group.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

5. Operating profit

Operating profit is arrived at after charging:

	2021 £	2020 £
Operating lease rentals:		
• Land and buildings	182,164	171,162
• Motor vehicles	-	6,193
Amortisation of intangible assets (see note 11)		
• Goodwill arising on acquisition	49,918	49,917
• Value of Customer contracts arising on acquisition	-	11,422
• Licensed software	29,889	27,961
Depreciation of tangible fixed assets (see note 12)		
• owned assets	72,908	80,490
Fees payable to the Company's auditors for:		
• the audit of the Group's annual accounts	44,730	51,350
• tax advisory services	16,500	16,995
Direct costs of sale	972,437	1,294,112

6. Employees

Staff costs (including Directors) consists of:

	2021 £	2020 £
Wages and salaries	3,409,943	3,130,446
Social security costs	403,021	355,949
Cost of defined contribution pension scheme	333,848	312,997
	4,146,812	3,799,392

A defined contribution scheme is operated by IGF Group Services Limited, who hold the contracts of all employees of the Group. The assets of the scheme are held separately from those of the Group in an independently administered fund. Pension contributions of £27,372 (2020: £25,734) were payable at the end of the reporting period.

The average number of employees (including Directors) during the period was 45 (2020: 45).

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

7. Directors' remuneration

The Directors are the only key management personnel who are subject to remuneration as detailed below. The Directors of the Company are directly remunerated by IGF Group Services Limited, a subsidiary undertaking.

	2021	2020
	£	£
Remuneration	566,345	323,171

Emoluments of the highest paid Director were £206,179 (2020: £153,457). At 31 March 2021 one Director of the Company is accruing retirement benefits under the Group defined contribution scheme (2020: 1).

8. Interest payable and similar charges

	2021	2020
	£	£
Discount charges on Finance Facility	1,152,042	1,926,116
Interest payable on Investor Loan Notes	3,244,922	2,742,679
Amortisation of fees paid in respect of financing	232,546	187,339
	4,629,510	4,856,134

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

9. Taxation on loss on ordinary activities

	2021 £	2020 £
(a) Analysis of charge in the period:		
Domestic current year tax		
UK corporation tax on loss for the period	10,214	-
	<u>10,214</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	158,388	153,104
Adjustments in respect of previous periods	2,216	-
Effect of tax rate change on opening balance	-	(74,100)
	<u>160,604</u>	<u>79,004</u>
Taxation on loss on ordinary activities	<u>170,818</u>	<u>79,004</u>
(b) Factors affecting the tax charge for the period:		
Loss on ordinary activities before tax	(2,684,839)	(2,230,968)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020 – 19%)	(510,119)	(423,884)
Effects of:		
Expenses not deductible for tax purposes	679,328	576,759
Adjustments in respect of previous periods (deferred tax)	2,216	-
Group relief adjustment	(607)	-
Adjust opening deferred tax to average rate	-	(73,872)
Taxation on loss on ordinary activities	<u>170,818</u>	<u>79,004</u>

In the budget 2021 it was announced that the UK corporation tax rate is due to increase to 25% from 1 April 2023. As this was not substantively enacted by the balance sheet date the current rate of 19% was used in the calculation of the deferred tax asset. In 2019 account had been taken for the, then proposed, reduction in the main rate of Corporation Tax to 17% in the calculation of the deferred tax asset.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

10. Investment in Subsidiary Undertakings

The interests of the Company in its subsidiary undertakings was as follows:

	2021	2020
	£	£
Brought forward and carried forward	1	1

Details of the Company's subsidiary undertakings are included in note 19.

11. Intangible assets

Group only	Goodwill on acquisition	Customer Contracts	Software licenses	Total
	£	£	£	£
Cost				
At 1 April 2020	249,590	411,170	136,955	797,715
Additions	-	-	5,351	5,351
At 31 March 2021	249,590	411,170	142,306	803,066
Amortisation				
At 1 April 2020	195,511	411,170	85,678	692,359
Provision for the year	49,918	-	29,889	79,807
At 31 March 2021	245,429	411,170	115,567	772,166
Net book value				
At 31 March 2021	4,161	-	26,739	30,900
At 31 March 2020	54,079	-	51,277	105,356

Software licences purchased for use by the Group are recognised as intangible assets.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

12. Tangible assets

Group only	Leasehold improve- ments	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 April 2020	21,849	287,821	309,670
Additions	-	7,290	7,290
At 31 March 2021	21,849	295,111	316,960
Depreciation			
At 1 April 2020	14,678	172,154	186,832
Provision for the year	4,761	68,147	72,908
At 31 March 2021	19,439	240,301	259,740
Net book value			
At 31 March 2021	2,410	54,810	57,220
At 31 March 2020	7,171	115,667	122,838

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

13. Debtors

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Amounts falling due within one year:				
Trade Debtors	81,827,182	100,209,668	-	-
Amounts owed by group undertakings	-	-	641,988	343,472
Deferred tax assets (note 16)	388,300	548,904	-	-
Other debtors	95,212	99,664	-	-
Accrued income	71,437	5,000	-	-
Prepayments	1,038,408	488,533	606,254	364,315
	<u>83,420,539</u>	<u>101,351,769</u>	<u>1,248,242</u>	<u>707,787</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	39,306,552	37,694,281
Trade Debtors	24,288,851	12,230,512	-	-
	<u>24,288,851</u>	<u>12,230,512</u>	<u>39,306,552</u>	<u>37,694,281</u>

The Company charged a rate of interest of 8.8% on long term amounts owed by Group undertakings (2020: 8.8%).

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

14. Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Amounts owed to group undertakings	-	-	1,335,157	972,232
Bank loans and overdrafts	2,980,088	2,106,455	-	-
Finance facility (secured)	68,239,246	80,606,130	-	-
Trade creditors	353,805	184,867	-	-
Deferred income	1,334,419	691,142	-	-
Other creditors	8,228,495	2,436,572	-	205,266
Taxation and social security	325,350	413,905	53,112	51,317
Corporate Tax Creditor	10,214	-	10,214	-
Accruals	776,597	1,178,552	7,500	418,609
	82,248,214	87,617,623	1,405,983	1,647,424

The finance facility is secured by a debenture over the assets of Group Companies.

15. Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Investor Loan notes (secured)	38,960,662	36,560,177	38,960,662	36,560,177
Management Loan notes (unsecured)	196,594	207,958	196,594	207,958
	39,157,256	36,768,135	39,157,256	36,768,135

Creditors all fall due within five years.

No Investor Loan notes were issued during the year. The balance at the end of the period includes the principal amounts of the loans of £32,500,000 (2020: £32,500,000), and accrued interest of £6,965,812 (2020: £4,797,877) payable on redemption, less capitalised fees paid but not yet amortised. The Investor Loan notes are issued at a fixed rate of interest of 8% on the first £20,000,000 drawn and 10% on loans drawn thereafter, and are redeemable on 31 October 2023.

New Investor Loan notes of £7,500,000 were issued on 7 May 2021.

The Management Loan notes are issued interest free and are redeemable on 31 October 2023.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

16. Deferred tax

The deferred tax asset (included in debtors, note 13) is made up as follows:

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Brought forward	548,904	627,908	-	-
Profit and loss account (note 9)	(160,604)	(79,004)	-	-
	388,300	548,904	-	-
Analysed as:				
Fixed asset timing differences	2,885	(10,767)	-	-
Other timing differences	-	4,263	-	-
Tax losses carried forward and other deductions	385,415	555,408	-	-
	388,300	548,904	-	-

17. Obligations under operating lease contracts

Group Only

	Land and Buildings	
	2021 £	2020 £
Total of future minimum lease payments under non-cancellable operating leases:		
• Payable not later than one year	204,408	101,185
• later than one year and not later than five years	585,363	585,363
• Later than five years	334,150	480,390
	1,123,921	1,166,938

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

18. Called up share capital

Allotted, called-up and fully paid

	2021 £	2020 £
58,800 Class A ordinary shares of £0.001 par value		
13,230 Class B ordinary shares of £0.01 par value		
1,470 Class C ordinary shares of £0.10 par value		
26,500 Class D ordinary shares of £0.01 par value		
Brought forward	603	603
Issued during the year	-	-
Carried forward	603	603

During the year 15,000 Class A Ordinary Share of £0.001 par value were converted to 1,500 Class D Ordinary Shares of £0.01 par value

19. Subsidiary Undertakings

Set out below are the subsidiary undertakings of the Company, which are all incorporated in England and Wales. All shares held are voting ordinary equity shares.

Name of subsidiary:	Company registration number	Principal activity	Holding
IGF Group Services Limited	10078513	Holding company and management services.	100%

IGF Group Services Limited administers the employee contracts and, significantly, all of the assets, supplier relationships and lease agreements on behalf of Group companies. Below are the principal subsidiary undertakings of IGF Group Services Limited, which are all incorporated in England and Wales.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

Name of subsidiary:	Company registration number	Principal activity	Holding
IGF Invoice Finance Limited *	02252311	Receivables finance, asset based lending and sales ledger management services.	100%
IGF Business Credit Limited	10078965	Receivables finance, asset based lending and sales ledger management services.	100%

* IGF Invoice Finance Limited holds 100% of the share capital in Lawson Brown Associates Limited, a dormant company not included within the Group consolidated accounts incorporated in England and Wales (registration number 05541188). The registered address of all subsidiary undertakings is Kingsgate, High Street, Redhill RH1 1SG.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

20. Notes to the Consolidated Statement of Cash Flow

(a) Group only

	Note	2021 £	2020 £
Cash flows from operating activities was as follows:			
Loss on ordinary activities before taxation		(2,684,839)	(2,230,968)
Net interest payable	8	4,629,510	4,856,134
Operating Profit		1,944,671	2,625,166
Amortisation of intangible assets	11	79,807	89,300
Depreciation of tangible assets	12	72,908	80,490
Increase / (Decrease) in trade and other debtors	13	5,712,287	(24,459,286)
Increase in trade and other creditors	14	6,113,633	630,340
Net cash generated / (used) from operating activities		13,923,306	(21,033,991)

(b) Analysis of changes in net debt

	At 31 Mar 2020 £	Cash flows £	At 31 Mar 2021 £
Cash and cash equivalents			
Cash	303,298	177,020	480,319
Bank loans and overdrafts	(2,106,455)	(873,633)	(2,980,088)
	(1,803,157)	(696,613)	(2,499,769)
Borrowings			
Debt – amount falling due within one year	(80,606,130)	12,366,883	(68,239,246)
Total	(82,409,286)	11,670,271	(70,739,016)

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

21. Financial Instruments

Group only

	2021	2020
The Group's financial instruments may be analysed as follows:	£	£
Financial Assets:		
Assets measured at amortised cost	<u>106,763,001</u>	<u>112,843,141</u>
Financial Liabilities:		
Liabilities measured at amortised cost	<u>119,735,487</u>	<u>123,280,714</u>

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, bank loans and overdrafts, bank finance facility, investor loan notes, management loan notes, accruals, obligations under finance leases and other creditors.

22. Related party transactions

The Company has taken advantage of the provisions of paragraph 33.1A of FRS 102 not to disclose details of transactions with other Group undertakings which are 100% owned within the Group.

During the year the Company issued no secured Investor Loan notes to Spring Ventures Group Investments Limited (2020: £5,000,000). No fees were payable to Spring Ventures Group Investments Limited on issue of loan notes (2020: £175,000). Interest paid or payable of £3,244,922 was incurred in respect of the Investor loan notes (2020: £2,742,679), payable to Spring Ventures Group Investments Limited.

During the year the Company paid £40,000 to Spring Ventures LLP for the provision of the services of Non-Executive Board Directors (2020: £40,000).

During the year the company redeemed no unsecured Management loan notes from various Directors and Senior Managers in the Group (2020: receipts of £23,880). These loan notes are issued free of interest.

Details of the remuneration paid to key management is included in note 7.

Independent Growth Finance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2021

23. Ultimate parent Company

The Company is the biggest and smallest entity in the Group to prepare consolidated financial statements.

At the reporting date, the immediate Parent Company is Spring Ventures Nominees Limited, a company incorporated in England and Wales, who own 60% and control 55.3% of the share capital of the Company as nominee for Spring Ventures Group Investments Limited, registered in the British Virgin Islands.