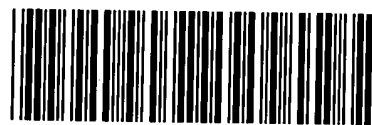


Registered number: 01565896

SME Wholesale Finance (London) Limited
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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SME Wholesale Finance (London) Limited

(A company limited by guarantee)

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SME Wholesale Finance (London) Limited
(A company limited by guarantee)

Company Information

Directors	P Barnett A Collinge B McDonald H McGrath D Prais M E Rodriguez-Piza (Chief Executive Officer) A Simon
Registered number	01565896
Registered office	First Floor Aldwych House 71-91 Aldwych London WC2B 4HN
Independent auditors	PKF Littlejohn LLP Statutory auditor 1 Westferry Circus Canary Wharf London E14 4HD
Bankers	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP
Fund managers	MMC Ventures Limited 3 rd Floor, 2 Kensington Square London W8 5EP

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Directors' Report

For the year ended 31 March 2017

The Directors of SME Wholesale Finance (London) Limited (the "Company") present their report and the financial statements for the year ended 31 March 2017.

These financial statements and related notes have been prepared in accordance with the requirements of Section 1A of FRS 102 ('The Financial Reporting Standard Applicable in the UK and Republic of Ireland') as promulgated by the Financial Reporting Council ('FRC') and mandated for accounting periods beginning on, or after, 1 January 2016.

As a consequence of adopting these reporting standards for the first time, comparative information for the 2016 year-end has been presented in accordance with the new standard. Please refer to note 15 for further information on the effects of implementing these new standards.

Principal Activities

The Company was established in 2004 by the then Mayor of London with a specific long-term mandate to support the Economic Development Strategy for London through its SME funding activities. We have successfully deployed funding from the European Regional Development Fund ('ERDF') Programmes (2000-2006 and 2007-2013) and the GLA's Growing Places Fund for SME investment.

With many SMEs still struggling to access investment due to the prevalence of the finance gap, we bridge the London funding gap and enable real opportunities for sustainable growth. Returns generated from our funds are re-invested into the London ecosystem, driving growth for the next generation.

The Company's vision is to be the catalyst for growth businesses within the capital by:

1. Providing strategic funding and independent support for early stage businesses within the London ecosystem;
2. Enabling sustainable growth opportunities for small businesses;
3. Supporting best of breed fund managers to deliver investment to small businesses; and
4. Reinvesting success, fuelling continuous fund provision to support the next generation of high growth businesses.

Our Impact

We have invested more than £50m via four equity and six loan funds as part of £280m of total investment received by 601 SMEs. We have created or safeguarded 3,900 jobs through our investments.

To date, we have reinvested £6.8m of initial returns into our current funds.

Current Activities

During the financial year, our equity funds deployed £6.4m alongside £61.9m of private sector co-investment. The CAN Early Intervention Fund, approved loans to a further nine social enterprises seeking to make an impact by helping socially and economically disadvantaged young people through their commercial activities.

The London Co-investment Fund ("LCIF")

LCIF's strategy is to make equity investments into high growth SMEs in London's strategic sectors of Science, Digital and Technology, as defined in the London Plan; thereby addressing the funding issues still faced by early stage SMEs with high growth prospects. The fund invests alongside a cohort of 14 competitively selected partners who represent a broad range of investors from venture capital funds, angel syndicates and crowd funding.

The fund has been operational since December 2014, and to date has invested £14.6m in 96 companies. Alongside the fund, our co-investment partners and other investors have invested over £89m in these early stage ventures in London.

As at the financial year end, the portfolio is broadly valued at just above cost, with uplifts and impairments roughly balancing out at this early stage. This is in line with the expectations of the stage and sector focus of the fund.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Directors' Report

For the year ended 31 March 2017

Current Activities (continued)

The LCIF investment period has been extended to 31 December 2018. The fund's target remains to invest in c. 150 businesses in that period.

The MMC London Fund

The MMC London Fund is now in its portfolio phase. The portfolio consists of 19 companies and the fund has continued to support several of the companies via follow on investments.

The fund has been very successful in building a portfolio of London based companies with significant global potential. Notable examples are: short-term retail let marketplace Appear Here, home ingredient delivery service Gousto, mobile marketing specialist Somo and mobile transport ticketing service Masabi.

To date, the fund has achieved two exits: the sale of Wool & the Gang completed in August 2016, followed by the sale of Love Home Swap to Wyndham Worldwide in August 2017.

The CAN Early Intervention Fund

In the autumn of 2015, we committed £500,000 of our Objective 2 legacy towards the CAN Early Intervention Fund alongside UBS and the CAN Trust, who have committed £450,000 and £50,000 respectively.

The Early Intervention Fund is a small loan fund providing loans and business support to voluntary, community and social enterprise ('VCSE') organisations planning to deliver or scale innovative, demonstrably effective products and services in the early intervention ('EI') space for the benefit of children and young people. The Fund defines EI programmes as activities that "support targeted action to prevent social cost and personal harm for children and young people."

The Company's investment allows the Early Intervention Fund to widen the scope of its activities beyond East London to all areas defined by the Objective 2 programme as areas of deprivation in London. This is determined by postcodes.

As at 31 March 2017, the fund had approved 16 loans totalling £834,745.

The London Legacy Loan Fund

The London Legacy Loan Fund achieved its goal of recycling our European Social Fund legacy from the 2000-2006 programme.

Legacy Funds

We continue to hold a few equity stakes in companies that received investment from our pre-2012 equity funds. The most significant of these is a stake in Altimune which listed on NASDAQ on 5 May 2017.

At 31 March 2017 our legacy funds have been re-deployed as follows:

Legacy at 31 March	£7.71m	
<i>Of which committed to:</i>		
MMC London Fund	£4.17m	Series A VC
London Co-Investment Fund	£1.64m	Start-up fund
CAN Early Intervention Fund	£0.50m	Social enterprise
London Legacy Loan Fund	£0.48m	SME community
Uncommitted legacy	£0.92m	

At 31 March 2017, £918k of uncommitted legacy remained.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Directors' Report

For the year ended 31 March 2017

Future Prospects

We are in advanced discussions with the European Programmes Management Unit of the Greater London Authority ('GLA') to secure £32m from the ERDF (2014-2020) Programme. This is intended to cornerstone a £100m fund of funds to be financed by our available and future legacy funds, a contribution from the London Waste and Recycling Board and the European Investment Bank. The fund of funds will encompass equity and loan funds to target persistent market failures faced by London-based SMEs.

Result for the Year

For the year to 31 March 2017, the Company reported a profit of £3,036,688 (2016: £281,351). The closing cash position at 31 March 2017 was £2,496,033 (2016: £3,555,281).

The above results reflect our adoption of FRS 102, the new UK accounting standard for smaller entities. This follows the removal of the Financial Reporting Standard for Smaller Entities (FRSSE) to which the Company had adhered up to now.

Note 15 sets out the effects of implementing the standard; with the main effect to our accounts being the recognition of unrealised gains on the book value of equity investment. The cumulative effect on our reserves is £4,280,016.

Post Balance Sheet Events

The MMC London Fund had its second exit with the disposal of Love Home Swap to Wyndham Worldwide in August 2017.

The Company holds shares in Altimmune, Inc. which listed on NASDAQ on 5 May 2017.

During the financial year the Company entered discussions with a view to becoming a wholly owned subsidiary of the GLA. This process was concluded on 31 October 2017 whereby the GLA is now the sole member of the Company. The Company will continue to operate on an arms-length basis to the GLA. The board of directors of the Company remains in place, and each director was formally reappointed by the Mayor of London on 31 October 2017.

Richard Morley stepped down as director in October 2017. We would like to express our deepest gratitude to Richard for his invaluable contribution to the Company during the six years that he served on the board.

Directors

The directors who served during the year were:

P Barnett	R Morley (resigned 19 October 2017)
A Collinge	D Prais
B McDonald	M E Rodriguez-Piza (Chief Executive Officer)
H McGrath	A Simon

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Directors' Report

For the year ended 31 March 2017

Directors' Responsibilities Statement

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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 will continue in business.

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

Disclosure of Information to Auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

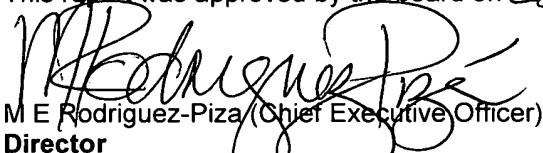
- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, PKF Littlejohn LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 28 November 2017 and signed on its behalf by


M E Rodriguez-Piza (Chief Executive Officer)
Director

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SME WHOLESALE FINANCE (LONDON) LIMITED

We have audited the financial statements of SME Wholesale Finance (London) Limited for the period ended 31 March 2017, set out on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of Members and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

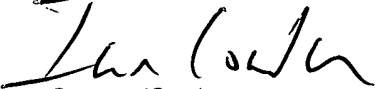
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SME WHOLESALE FINANCE (LONDON) LIMITED

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 and the Directors' Report in accordance with the small companies' regime and to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.



Ian Cowan (Senior statutory auditor)

PKF Littlejohn LLP

Statutory Auditor

1 Westferry Circus

Canary Wharf

London

E14 4HD

Date:

4 December 2017

SME Wholesale Finance (London) Limited**(A company limited by guarantee)****Profit and Loss Account
for the year ended 31 March 2017**

	Note	2017 £	2016 £
Turnover		73,289	87,978
Net gain from financial assets and liabilities at fair value through profit or loss		3,213,290	413,446
Interest receivable and similar income		586	1,620
Total net income		3,287,165	503,044
Operating expenses		(250,477)	(221,693)
Profit before taxation		3,036,688	281,351
Tax on profit		-	-
Profit for the financial year		3,036,688	281,351

The notes on pages 11 to 20 form part of these financial statements.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)
REGISTERED NUMBER: 05165896

Balance Sheet
As at 31 March 2017

	Note	£	2017 £	£	2016 £
Fixed assets					
Investments	8		18,124,072		14,326,112
			<u>18,124,072</u>		<u>14,326,112</u>
Current assets					
Debtors	9	975,297		639,552	
Cash and cash equivalents	10	2,496,033		3,555,281	
		<u>3,471,330</u>		<u>4,194,833</u>	
Creditors: amounts falling due within one year	11	(77,593)		(39,824)	
Net current assets			3,393,737		4,155,009
Total assets less current liabilities			21,517,809		18,481,121
Creditors: amounts falling due after more than one year	12		(267,003)		(267,003)
Net assets			21,250,806		18,214,118
Capital and reserves					
Capital reserve			20,904,155		20,904,155
Retained earnings			346,651		(2,690,037)
			<u>21,250,806</u>		<u>18,214,118</u>

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

The financial statements were approved and authorised for issue by the members and were signed on their behalf on ~~28~~ November 2017


M E Rodriguez-Piza (Chief Executive Officer)
Director

The notes on pages 11 to 20 form part of these financial statements.

SME Wholesale Finance (London) Limited**(A company limited by guarantee)****Statement of Changes in Equity
As at 31 March 2017**

	Notes	Capital reserve £	Profit and loss account £	Total £
At 1 April 2015		19,231,392	(2,971,388)	16,260,004
Profit for the year		-	281,351	281,351
Grants utilised for investments and loans		1,672,763	-	1,672,763
At 31 March 2016		20,904,155	(2,690,037)	18,214,118
At 1 April 2016		20,904,155	(2,690,037)	18,214,118
Profit for the year		-	3,036,688	3,036,688
Grants utilised for investments and loans		-	-	-
At 31 March 2017		20,904,155	346,651	21,250,806

The notes on pages 11 to 20 form part of these financial statements.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. General Information

SME Wholesale Finance (London) Limited was incorporated on 29 June 2004 in England and Wales. The address of its registered office is First Floor, Aldwych House, 71-91 Aldwych, London, England, WC2B 4HN.

2. Statement of compliance

The individual financial statements of SME Wholesale Finance (London) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Section 1A of FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The entity transitioned from Financial Reporting Standard for Smaller Entities to Financial Reporting Standard 102 as at 1 April 2015. Information on the impact of first-time adoption of FRS 102 is given in note 15.

3. Summary of significant accounting policies

3.1 Basis of preparation of financial statements

The Company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

3.2 Revenue

Turnover represents interest receivable from loans made to unlisted companies, grant contributions to specific items of expenditure (see 3.5 below), and sundry investment income.

3.3 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.4 Financial instruments

3.4.1. Classification

All the investments in equity, including unlisted investments, held by the Company are classified as financial assets or liabilities at fair value through profit or loss.

3.4.2. Recognition, derecognition and measurement

Regular purchases and sales of financial instruments are recognised on the trade date, being the date on which the company commits itself to the purchase or sale. Financial instruments at fair value through profit or loss are initially recognised at fair value, when the Company becomes party to the contractual provisions of the instrument, with their associated transaction costs being charged immediately, when incurred, to profit or loss.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. Summary of significant accounting policies (continued)

3.4.3. Fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where financial instruments are not traded in an active market, the fair value is determined using valuation techniques. The valuation techniques used are dependent on the level of data, the circumstances and the availability of observable inputs for each such financial instrument but may include comparable, recent arm's length transactions and discounted cash flow analysis.

The fair value is determined in accordance with the International Private Equity and Venture Capital Valuations ('IPEV') Guidelines developed by the British Venture Capital Association.

3.4.4. Net gain or loss from financial assets and liabilities at fair value through profit or loss

Net gains or losses from financial assets and liabilities at fair value through profit or loss includes all realised and unrealised fair value changes but does not include interest and dividend income.

3.4.5. 'Capital investment in a Limited Partnership' represents the Company's capital contribution as a Limited Partner, in a Limited Partnership established to undertake commercial investments in micro, small and medium sized enterprises which have their principal place of business, or a majority of their operations, in London.

'Investment loans to Limited Partnership' are loans made to finance equity investments by a Limited Partnership in which the Company is a Limited Partner. When considering whether any impairment provision is required against these loans, reference is made to the underlying investment portfolio these loans have been used to finance.

'Other loans to Limited Partnership' are loans made to fund the General Partner's Share and other expenses incurred by the Limited Partnership in which the Company is a Limited Partner. The General Partner's Share, in accordance with the Limited Partnership agreement, are amounts due to the General Partner, in respect of fund establishment and management fees. These loans are interest free and repayable out of the future profits of the partnership as they arise. Due to the uncertainty of the availability of future profits in the Limited Partnership, an impairment provision is made against these loans when they are drawdown. Any potential investment gains will only be recognised as a reduction to the impairment provision when the gain is realised.

3.5 Grants

Grants received from UK and European government agencies are deferred until utilised as a contribution towards specific items of expenditure or, by making loans or fixed asset investments in accordance with the conditions of the grant.

Contributions to specific items of expenditure are credited to the profit and loss account when the related expenditure is expensed.

Grants utilised by making loans or fixed asset investments are transferred to a Capital Reserve.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. Summary of significant accounting policies (continued)

3.6 Capital and reserves

Capital and reserves consists of grants utilised for the funding of loans and the acquisition of fixed asset investments as well as the cumulative net gains and losses from financial assets and liabilities at fair value at year end.

3.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.8 Interest receivable

Interest receivable from loans made to unlisted companies is accounted for in accordance with 3.2 above.

Interest earned on funds received from Government agencies is deferred in the accounts for future capital investments in SMEs where it has not been set against expenditure in any year. Interest earned on funds from Government agencies is accounted for on an accruals basis when receivable.

3.9 Loans

Loans are accounted for when cash is advanced to borrowers at fair value inclusive of transaction costs. The costs are amortised over the period of the loan in accordance with the contractual terms. Loans are derecognised when the right to receive cash flows has expired.

4. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, the investment manager has exercised judgement over the inputs used in the determination of fair value of equities not quoted in an active market. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The valuation of these equity securities inevitably involves estimation uncertainty as there is no active market to determine the fair value of these securities.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

5. Financial risk management

5.1 Fair value

The following provides an analysis of the position of assets and liabilities, classified at fair value through profit or loss following their initial recognition, within the fair value hierarchy.

The fair value hierarchy groups assets and liabilities measured at fair value according to the extent to which the inputs used to determine the fair values are observable:

- Level 1: Inputs derived from quoted prices (unadjusted) in active markets, that the entity can access at the measurement date, for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs which are not observable from market data and which are derived from valuation techniques.

The fair value hierarchy level is determined based on the lowest level input that is significant to the valuation.

All financial assets held by the Company are Level 3 investments.

5.2 Nature and extent of risks arising from financial instruments

The Company's activities expose it to a variety of financial risks: market risk (particularly price risk), credit risk, liquidity risk and funding risk. The Company's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the investment manager under supervision of the Directors.

5.2.1 Market risk

The Company invests in financial instruments, taking positions in unlisted investments.

All equity investments present a risk of loss of capital. The investment manager moderates this risk through diversification of the investment portfolio. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Company executive team have applied the IPEV guidelines in valuing the investments.

At 31 March 2017, had equity values increased by 20%, with all other variables held constant there would have been an increase in the net assets of £3,624,814. Had equity values fallen 20%, there would have been a corresponding decrease in net assets of £3,624,814.

20% has been chosen as it is management's best estimate of the reasonable possible change in equity values.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

5. Financial risk management (continued)

5.2.2 Credit risk

Credit risk refers to the risk that a counterparty will be unable to pay amounts in full when they fall due, resulting in a financial loss for the Company.

The Company is exposed to credit risk through its cash deposits which are all held at an A rated bank. In management's opinion the carrying amounts of the financial assets represent the maximum exposure to credit risk at the year end.

5.2.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities as they fall due.

The Company is not significantly exposed to liquidity risk.

5.2.4 Funding risk

The funding for the Company is provided by the Greater London Authority under a funding agreement. If the Company fails to perform its obligations in accordance with the funding agreement, the Greater London Authority could withhold future funding.

6. Employees

The average monthly number of persons (including members with contracts of employment) employed during the period was as follows:

	2017 No.	2016 No.
Investment management	2	2
Administration	3	3
	<hr/>	<hr/>
	5	5
	<hr/>	<hr/>

7. Directors' remuneration

	2017 £	2016 £
Aggregate remuneration	111,300	111,266
Company pension contributions to defined contribution scheme	5,634	5,634
	<hr/>	<hr/>
	116,934	116,900
	<hr/>	<hr/>

The highest paid Director received remuneration, including company pension contributions, of £116,934 (2016 - £116,900). £18,993 of this amount is recharged to LCIF LLP.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. Fixed asset investments

	Capital Investment in Limited Partnership £	Investment Loans to Limited Partnership £	Other Loans to Limited Partnership £	Unlisted Investments £	Total £
Cost or Valuation					
At 1 April 2016	1,403	11,840,306	8,216,970	3,906,135	23,964,814
Additions	-	512,660	225,252	373,258	1,111,170
Disposals	-	(526,500)	-	-	(526,500)
At 31 March 2017	1,403	11,826,466	8,442,222	4,279,393	24,549,484
Fair Value					
At 1 April 2016	-	1,840,198	(8,216,970)	(3,261,930)	(9,638,702)
Net fair value gain	-	2,162,555	(225,252)	1,275,987	3,213,290
At 31 March 2017	-	4,002,753	(8,442,222)	(1,985,943)	(6,425,412)
Net book value					
31 March 2017	1,403	15,829,219	-	2,293,450	18,124,072
<i>31 March 2016</i>	<i>1,403</i>	<i>13,680,504</i>	<i>-</i>	<i>644,205</i>	<i>14,326,112</i>

The investments are shown at fair value and show unrealised gains based on the valuation of the investment portfolio by the Limited Partnership.

Loans have been made to a Limited Partnership established for the purpose of making and holding equity investments in SMEs.

Unlisted Investments include the Company's own direct holdings in private companies as well as its interest in LCIF LLP.

The company is a member of LCIF LLP, a Limited Liability Partnership, with registered number OC396839, registered in England and Wales.

SME Wholesale Finance (London) Limited**(A company limited by guarantee)****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017****9. Debtors**

	2017 £	2016 £
Loans	528,356	521,739
Amount due from LCIF LLP	338,228	81,555
Other debtors	108,713	36,258
	<u>975,297</u>	<u>639,552</u>

Loans include an amount of £500,000 (2016: £500,000) which is due after more than one year. The Loan has been made to CAN Invest's Early Intervention Fund to provide loans and business support to the Voluntary, Charity and Social Enterprise sector.

10. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	2,496,033	3,555,281
	<u>2,496,033</u>	<u>3,555,281</u>

11. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	20,618	7,004
Other taxation and social security	35,956	16,679
Other creditors	21,019	16,141
	<u>77,593</u>	<u>39,824</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

12. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Accruals and deferred income	267,003	267,003
Analysis of deferred grants		
	2017 £	2016 £
London Business Loans	267,003	267,003
Total	267,003	267,003

13. Limited Liability

The Company is a private company limited by guarantee and consequently does not have share capital. Each of the members are liable to contribute an amount not exceeding £1 towards the assets of the Company in the event of liquidation.

14. Related party transactions

In previous years, one of the directors, D Prais, provided consultancy services to the Company. During the year he was paid £nil (2016: £9,009). Of this amount, £nil (2016: £nil) was outstanding at the year end.

The Company is a member of LCIF LLP. As at 31 March 2017, £338,228 (2016: £81,555) was owed by LCIF LLP to the Company – see note 8.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

15. First time adoption of FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under the Financial Reporting Standard for Smaller Entities was for the year ended 31 March 2016. The date of transition to FRS 102 was 1 April 2015. There was a change in the accounting policy as a result of the requirements of FRS 102, which required the representation of prior year comparatives. The adjustment reflects a change in the valuation of the fixed asset investments held by the Company to fair value rather than at cost less provision for impairment.

	As previously stated 1 April 2015 £	Effect of transition 1 April 2015 £	FRS 102 1 April 2015 £	As previously stated 31 March 2016 £	Effect of transition 31 March 2016 £	FRS 102 31 March 2016 £
Investments	8,932,305	1,969,220	10,901,525	10,046,096	4,280,016	14,326,112
Current assets	8,352,680	-	8,352,680	4,194,833	-	4,194,833
Creditors: amounts falling due within one year	(1,555,389)	-	(1,555,389)	(39,824)	-	(39,824)
Net current assets	6,797,291	-	6,797,291	4,155,009	-	4,155,009
Total assets less current liabilities	15,729,596	1,969,220	17,698,816	14,201,105	4,280,016	18,481,121
Creditors: amounts falling due after more than one year	(1,438,812)	-	(1,438,812)	(267,003)	-	(267,003)
Net assets	14,290,784	1,969,220	16,260,004	13,934,102	4,280,016	18,214,118
Capital and reserves						
Capital reserve	19,231,392		19,231,392	20,904,155	-	20,904,155
Profit and loss account	(4,940,608)	1,969,220	(2,971,388)	(6,970,053)	4,280,016	(2,690,037)
Net assets	14,290,784	1,969,220	16,260,004	13,934,102	4,280,016	18,214,118

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

15. First time adoption of FRS 102 (continued)

Set out below are the effects of the changes in accounting policies to the profit and loss account. There is no deferred tax effect due to the availability of taxable losses:

	Year ended 31 March 2016 £
Loss as previously stated	(2,029,445)
Net fair value gain on investments (including reversal of the previously recognised impairment provisions)	1,748,094
Deferred tax	-
	<hr/>
Profit for the year	281,351
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