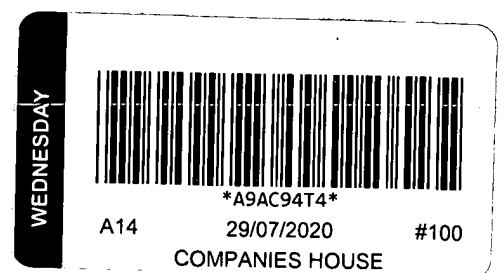


Registered number: 05165896

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

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



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

CONTENTS

	Page
Company Information	1
Directors' Report	2 - 5
Independent Auditor's Report	6 – 7
Profit and Loss Account	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 18

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

Company Information

Directors	P Barnett M A Bernard J Izzard M M Mc Mahon H A McGrath P Paranjothi D L Prais M E Rodriguez-Piza (Chief Executive Officer) A Simon
Registered number	05165896
Registered office	Fourth Floor 5 Chancery Lane London WC2A 1LG
Independent auditors	PKF Littlejohn LLP Statutory auditor 15 Westferry Circus Canary Wharf London E14 4HD
Bankers	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP
Fund managers	MMC Ventures Limited 24 High Holborn London WC1V 6AZ FSE Group Riverside House 4 Meadows Business Park Station Approach Blackwater Camberley Surrey GU17 9AB

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Directors' Report

For the year ended 31 March 2020

The Directors of SME Wholesale Finance (London) Limited (the 'Company') present their report and the financial statements for the year ended 31 March 2020.

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').

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, 2007-2013 and 2014-2020) 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 work to 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 £67m via five equity and seven loan funds as part of £450m of total investment received by c.680 SMEs. Approximately 6,500 jobs have been created or safeguarded through our investments.

To date, we have reinvested £7.9m of initial returns into our current funds.

Current Activities

During the financial year, our funds deployed £1.3m alongside £16.2m of private sector co-investment. We expect activity to significantly increase as GLIF embarks on its second year of investment.

Ownership

The Company became a wholly owned subsidiary of the Greater London Authority ('GLA') on 31 October 2017 whereby the GLA is the sole member of the Company. The Company continues to operate on an arms-length basis to the GLA.

Greater London Investment Fund ('GLIF')

In April 2019 we launched a £100m fund of funds, through a subsidiary, the Greater London Investment Fund ('GLIF'). GLIF has secured a £50m loan from the European Investment Bank, a £35m grant awarded to the Company from the ERDF (2014-2020) Programme (which is managed by the Greater London Authority ('GLA')), a £7m grant from the London Waste and Recycling Board and a £11m grant from the Company's own available and future legacy funds. Two external fund managers have been appointed to target persistent market failures faced by London-based SMEs. FSE Group manages the two loan sub funds totalling £55m and MMC Ventures manages the £45m equity fund.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Directors' Report

For the year ended 31 March 2020

Current Activities (continued)

The London Co-investment Fund ('LCIF')

LCIF's strategy was 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 invested alongside a cohort of 14 competitively selected partners who represent a broad range of investors including venture capital funds, angel syndicates and crowd funding.

During LCIF's investment period which commenced in December 2014 and ended in April 2019, the fund built a portfolio of 150 companies, which have received £23.4m of investment from the LLP in addition to £173m from co-investors.

As at 31 March 2020, the portfolio was valued at £32.6m and the Company's share is £2.0m.

The MMC London Fund

The MMC London Fund is in the fourth year of its portfolio phase, having invested £12.7m in 19 companies. Three exits have been achieved to date: Wool & the Gang in 2016, and Love Home Swap and KnowledgeMill in 2017. The remaining portfolio is valued at £21.9m.

The fund has successfully built a portfolio of London based companies, some with significant potential. Notable examples are: home ingredient delivery service Gousto and subscription streaming service Mubi.

Legacy Funds

We continue to hold a few equity stakes in companies that received investment from our pre-2012 equity funds.

At 31 March 2020 our legacy funds have been re-deployed as follows:

Legacy at 31 March	£9.45m	
<i>Of which committed to:</i>		
MMC London Fund	£4.17m	Series A VC
London Co-Investment Fund	£1.64m	Start-up fund
London Legacy Loan Fund	£0.48m	SME community
GLIF	£1.60m	Fund of funds
Uncommitted legacy	£1.56m	

At 31 March 2020, £1,560k of uncommitted legacy remained.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Directors' Report

For the year ended 31 March 2020

COVID 19: Impact and Response

Impact

The disruption caused by COVID-19 only began in the last few weeks of the financial year, so the impact on our funds and the valuation of investments to 31 March 2020 has been limited.

GLIF – Investment activity in the equity fund has continued. The equity portfolio appears relatively unscathed from COVID-19 so far.

The loan fund has witnessed a slowdown in demand for growth loans, and requests from companies for additional capital repayment holidays. However, no companies have defaulted on their loans.

LCIF – The portfolio of 150 companies has increased in value since the last year end but this increase has been tempered by COVID-19.

MMC London Fund – The impact of COVID-19 upon the investment portfolio has been mixed, with some subscription services e.g. Gousto and Mubi, seeing increased demand, whilst companies serving the high street e.g. Appear Here and Hussle, have experienced significant slowdowns in demand.

Response

Employees have been working from home since the middle of March and will continue to do so until further notice.

Future Prospects

The full impact of COVID-19 is expected to be more evident at the next year end, to 31 March 2021, when it becomes clearer which companies have not been able to sustain their resilience or withstand the disruption.

Result for the Year

For the year to 31 March 2020, the Company reported a gain before and after taxation of £6,077,378 (2019: loss of £3,226,623). This gain is primarily made up of unrealised gains in the investment portfolio. The closing cash position at 31 March 2020 was £821,340 (2019: £2,291,188).

Post Balance Sheet Events

GLIF's loan fund manager, FSE Group, has been accredited by the British Business Bank to offer loans via the government's Coronavirus Business Interruption Loan Scheme ('CBILS').

Alongside the London Growth Hub, the Company launched a programme of online support for London-based businesses to manage and mitigate their exposure to COVID-19. As we move into the recovery phase post lockdown, this programme will be adapted to support entrepreneurs to become investor ready.

Directors

The directors who served during the year were:

P Barnett
M A Bernard (appointed 30 May 2019)
J C Izzard (appointed 28 January 2020)
D K Jackson (resigned 27 January 2020)
H A McGrath

M M Mc Mahon (appointed 23 May 2019)
P Paranjothi (appointed 24 May 2019)
D L Prais
M E Rodriguez-Piza (Chief Executive Officer)
A Simon

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Directors' Report

For the year ended 31 March 2020

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:

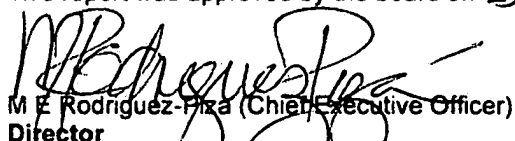
- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors 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 23 July 2020 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

Opinion

We have audited the financial statements of SME Wholesale Finance (London) Limited (the 'company') for the year ended 31 March 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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.

Emphasis of matter – Impact of COVID-19

We draw attention to Note 3.1 Basis of preparation of financial statements, which describes the Company's assessment of the impact of COVID-19 on its ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

Independent Auditor's Report to the Members of SME Wholesale Finance (London) Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of 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 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, 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 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 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, 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 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 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.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor**

**15 Westferry Circus
Canary Wharf
London E14 4HD**

Date: 25 July 2020

SME Wholesale Finance (London) Limited**(A company limited by guarantee)****Profit and Loss Account
for the year ended 31 March 2020**

	2020 £	2019 £
Turnover	313,388	264,056
Net gain / (loss) from financial assets and liabilities at fair value through profit or loss	6,758,383	(2,818,382)
Interest receivable and similar income	1,092	1,217
	<hr/>	<hr/>
Total net income	7,072,863	(2,553,109)
Operating expenses	(995,485)	(673,514)
	<hr/>	<hr/>
Profit / (loss) before taxation	6,077,378	(3,226,623)
Tax on profit / (loss)	-	-
	<hr/>	<hr/>
Profit / (loss) for the financial year	6,077,378	(3,226,623)

The Company has no recognised gains or losses for the year other than the results above.


The notes on pages 11 to 18 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 2020**

	Note	£	2020 £	£	2019 £
Fixed assets					
Investments	8		25,016,410		17,217,523
			<u>25,016,410</u>		<u>17,217,523</u>
Current assets					
Debtors	9	1,537,260		552,647	
Cash and cash equivalents	10	821,340		2,291,188	
		<u>2,358,600</u>		<u>2,843,835</u>	
Creditors: amounts falling due within one year	11	(81,309)		(218,275)	
Net current assets			<u>2,277,291</u>		<u>2,625,560</u>
Total assets less current liabilities			<u>27,293,701</u>		<u>19,843,083</u>
Creditors: amounts falling due after more than one year	12		(1,640,243)		(267,003)
Net assets			<u>25,653,458</u>		<u>19,576,080</u>
Capital and reserves					
Capital reserve			20,904,155		20,904,155
Retained earnings			4,749,303		(1,328,075)
			<u>25,653,458</u>		<u>19,576,080</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 23 July 2020.


M E Rodriguez-Piza (Chief Executive Officer)
Director

The notes on pages 11 to 18 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 2020**

	Capital reserve	Profit and loss account	Total
	£	£	£
At 1 April 2018	20,904,155	1,898,548	22,802,703
Loss for the year	-	(3,226,623)	(3,226,623)
At 31 March 2019	<u>20,904,155</u>	<u>(1,328,075)</u>	<u>19,576,080</u>
At 1 April 2019	20,904,155	(1,328,075)	19,576,080
Profit for the year	-	6,077,378	6,077,378
At 31 March 2020	<u>20,904,155</u>	<u>4,749,303</u>	<u>25,653,458</u>

The notes on pages 11 to 18 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 2020

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: Fourth Floor, 5 Chancery Lane, London WC2A 1LG.

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.

3. Summary of significant accounting policies

3.1 Basis of preparation of financial statements

The Company holds 100% of the economic interest in LCIF LLP and GLIF Limited and is therefore the parent undertaking of a small group. As a small group it is not required by the Companies Act 2006 to prepare group financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The directors consider that the Company has adequate resources to meet its operational obligations for the foreseeable future. In making this assessment, we have considered the impact of the current coronavirus outbreak (COVID-19) on the Company including the underlying investee companies. We do not believe the impact of COVID-19 impacts the use of the going concern basis of preparation nor does it cast significant doubt about the Company's ability to continue as a going concern for a period of twelve months from the date when the financial statements were authorised for issue. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the entity's accounting policies (see note 4).

The Company's functional and presentational currency is pounds sterling.

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 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.

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3. Summary of significant accounting policies (continued)

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.

3.4.3. Fair value

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 endorsed 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.

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 2020**

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 Fund Managers have exercised judgement over the inputs used in the determination of the fair value of equities not quoted in an active market. The directors review the Fund Managers' reports. 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 2020

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 of input that is significant to the valuation.

The Altimune shares held by the company were listed on the NASDAQ in 2018 and they are valued at £1,534 at 31 March 2020 (2019: £1,323). These are Level 1 financial assets. All other 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 Fund Managers moderate 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 International Private Equity and Venture Capital Valuations ('IPEV') Guidelines in valuing the investments.

At 31 March 2020, had equity values increased by 20%, with all other variables held constant there would have been an increase in the net assets of £5,003,282 (2019: £3,443,505). Had equity values fallen 20%, there would have been a corresponding decrease in net assets of £5,003,282 (2019: £3,443,505).

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

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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. The Company is also exposed to credit risk on the loans and other debtors but this is not material given the counterparties involved. 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 employed during the period was as follows:

	2020 No.	2019 No.
Investment management	2	2
Administration	4	3
	<hr/>	<hr/>
	6	5
	<hr/>	<hr/>

7. Directors' remuneration

	2020 £	2019 £
Aggregate remuneration	125,570	125,500
Company pension contributions to defined contribution scheme	5,639	5,588
	<hr/>	<hr/>
	131,209	131,088
	<hr/>	<hr/>

The highest paid Director received remuneration, including company pension contributions, of £131,209 (2019: £131,088). £10,635 of this amount is recharged to LCIF LLP.

(2018: £131'088). £10'832 of this amount is repaid to FCIF LLP.

The highest paid Director received remuneration, including company pension contributions, of £131'508

	131'508	131'088
Company pension contributions to defined contribution scheme	2'838	2'288
Aggregate remuneration	132'250	132'200
	£	£
	2020	2018

1. Directors' remuneration

	e	2
Administration	4	3
Investment management	2	5
	No.	No.
	2020	2018

The average monthly number of persons employed during the period was as follows:

2. Employees

agreement, the Greater London Authority could withhold future funding.

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

2.2.4 Funding risk

The Company is not significantly exposed to liquidity risk.

with financial liabilities as they fall due.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated

2.2.3 Liquidity risk

financial assets represent the maximum exposure to credit risk at the year end.

material given the counterparties involved. In management's opinion the carrying amounts of the bank. The Company is also exposed to credit risk on the loans and other debtors but this is not. The Company is exposed to credit risk through its cash deposits which are all held at an A rated

fall due, resulting in a financial loss for the Company.

Credit risk refers to the risk that a counterparty will be unable to pay amounts in full when they

2.2.2 Credit risk

2. Financial risk management (continued)

FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

(A company limited by guarantee)

SME Wholesale Finance (London) Limited

SME Wholesale Finance (London) Limited

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Fixed asset investments

	Capital Investment in Limited Partnership £	Investment Loans to Limited Partnership £	Other Loans to Limited Partnership £	Unlisted Investments £	Listed Investments £	Total £
Cost or Valuation						
At 1 April 2019	1,403	11,592,244	8,801,104	2,679,429	203,911	23,278,091
Additions	-	-	160,359	930,937	-	1,091,296
Disposals - proceeds	-	-	-	(50,792)	-	(50,792)
Realised gains/(losses)	-	-	-	23,109	-	23,109
At 31 March 2020	1,403	11,592,244	8,961,463	3,582,683	203,911	24,341,704
Unrealised fair value movements						
At 1 April 2019	-	3,448,128	(8,801,104)	(505,004)	(202,588)	(6,060,568)
Net fair value gains/(losses)	-	6,848,317	(160,359)	47,105	211	6,735,274
At 31 March 2020	-	10,296,445	(8,961,463)	(457,899)	(202,377)	674,706
Fair value of the investments						
31 March 2020	1,403	21,888,689	-	3,124,784	1,534	25,016,410
31 March 2019	1,403	15,040,372	-	2,174,425	1,323	17,217,523
Total net fair value gain (realised and unrealised)	-	6,848,317	(160,359)	70,214	211	6,758,383

The Company is a member of LCIF LLP, a Limited Liability Partnership, with registered number OC396839, registered in England and Wales. Included within unlisted investments is £2,007,340 (2019: £1,918,714) arising from the Company's interest in LCIF LLP.

The Company is also the sole member of GLIF Limited, a company limited by guarantee, registered in England and Wales with company number 11403390. GLIF Limited was incorporated on 7 June 2018 and became operational as the holding company of a fund of funds from April 2019.

The registered office of both LCIF LLP and GLIF Limited is: Fourth Floor, 5 Chancery Lane, London WC2A 1LG.

SME Wholesale Finance (London) Limited**(A company limited by guarantee)****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020****9. Debtors**

	2020	2019
	£	£
Amount due from LCIF LLP	270,022	273,526
Amount due from GLIF Limited	675,000	-
Amount due from GLA and LWARB	546,010	234,235
Other debtors	46,228	44,886
	<hr/>	<hr/>
	1,537,260	552,647
	<hr/>	<hr/>

The amount due from GLA and LWARB represents GLIF costs paid by the Company and recoverable from those entities.

10. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	821,340	2,291,188
	<hr/>	<hr/>
	821,340	2,291,188
	<hr/>	<hr/>

11. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	12,075	146,512
Other taxation and social security	61,984	38,737
Other creditors	7,250	33,026
	<hr/>	<hr/>
	81,309	218,275
	<hr/>	<hr/>

	<u>81,300</u>	<u>518,512</u>
Other creditors	1,520	33,050
Other taxation and social security	61,884	38,131
Trade creditors	15,012	148,215
	<u>£</u>	<u>£</u>
	5050	5010

11. Creditors: Amounts falling due within one year

	<u>851,340</u>	<u>5,581,188</u>
Cash at bank and in hand	851,340	5,581,188
	<u>£</u>	<u>£</u>
	5050	5010

10. Cash and cash equivalents

those entities.

The amount due from GLA and LWARB represents GLIF costs paid by the Company and recoverable from

	<u>1,231,500</u>	<u>225,841</u>
Other debtors	40,558	44,880
Amount due from GLA and LWARB	240,010	534,532
Amount due from GLIF Limited	612,000	-
Amount due from GLIF LLP	519,052	513,250
	<u>£</u>	<u>£</u>
	5050	5010

9. Debtors

FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

(A company limited by guarantee)

SME Wholesale Finance (London) Limited

SME Wholesale Finance (London) Limited**(A company limited by guarantee)****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020****12. Creditors: Amounts falling due after more than one year**

	2020 £	2019 £
Accruals and deferred income	287,003	287,003
GLIF investments	885,094	-
GLIF costs	488,146	-
	<u>1,640,243</u>	<u>267,003</u>

The Company has entered into a funding agreement to provide a capital grant to GLIF Limited of £9.4 million for that company to acquire investments of which £0.9m was owed at 31 March 2020. These funds will be provided as realisations are made from the MMC London Fund.

The Company has also entered into a funding agreement to provide a reserve grant to GLIF Limited of £1.6 million for that company to meet expenses of which £0.5m was owed at 31 March 2020.

13. Limited Liability

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

14. Related party transactions

The Company is a member of LCIF LLP. As at 31 March 2020, £270,022 (2019: £273,526) was owed by LCIF LLP to the Company – see note 9.

The Company is controlled by the Greater London Authority. As at 31 March 2020, £546,010 in respect of GLIF Limited, was owed by the Greater London Authority and its subsidiary the London Waste and Recycling Board to the Company – see note 9.

15. Ultimate controlling party

The Greater London Authority became the ultimate controlling party following the acquisition of the Company on 31 October 2017.