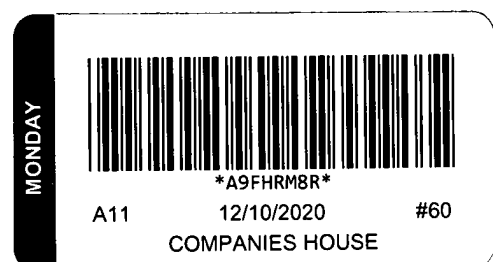


Company Registered No: 06838433

RBS SME INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

D G Harris
S C Johnstone
S M Thomson

COMPANY SECRETARY:

NatWest Group Secretarial Services Limited (formerly known
as RBS Secretarial Services Limited)

REGISTERED OFFICE:

1 Princes Street
London
EC2R 8PB
England

INDEPENDENT AUDITOR:

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Registered in England and Wales

DIRECTORS' REPORT

The directors of RBS SME Investments Limited ("the Company") present their annual report together with the audited financial statements for the financial year ended 31 December 2019.

ACTIVITIES AND BUSINESS REVIEW

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption and therefore does not include a Strategic report.

Activity

The principal activity of RBS SME Investments Ltd (the "Company") is to hold the NatWest Group's investment in Business Growth Fund ("BGF plc"), and other similar businesses.

Business Growth Fund is an independent company established by the UK's largest banks, including NatWest Group, to help fast growing businesses by providing long-term growth capital.

Review of the year**Business review**

The Company's principal investments comprise debt and equity participations in collective investment schemes in unquoted businesses and for that purpose it assumes obligations as a limited partner in limited partnerships. The Company's investment strategy will be guided by the board of the Company and the NatWest Group. Post balance sheet events are described in note 14 to the financial statements.

The Company has investments in three separate funds: Scottish Loan Fund ("SLF"), Business Growth Fund ("BGF") and Business Growth Fund Ireland ("BGFI") and it exited from Capital for Enterprise ("CFE") during the year.

The Company holds a significant investment in BGF equal to 24.54%, while the participation held in SLF and BGFI is 9.99% and 3.45% respectively.

Business Growth Fund

During the year ended 31 December 2019, the Company invested £47,250k (2018: £51,750k) in the BGF, with a further investment of £23,750k up to the date of signing.

BGF provides long-term growth capital to help fast growing businesses. The Company continues to exercise significant influence over BGF plc, as a consequence of representation on BGF's plc Board and in conjunction with the significant voting rights on key decisions

Scottish Loan Fund

This fund supports small and medium sized businesses in Scotland by providing debt finance. During the year the Company has not invested further (2018: £50k) in the SLF and received distributions of £215k (2018: £1,228k).

As at 31 December 2019, SLF had a portfolio of eleven active (2018: sixteen) Scottish businesses having exited from five portfolios and not invested in any further businesses during the year. These businesses cover a wide range of sectors including Engineering, Oil & Gas, Telecoms and Manufacturing.

BGF Ireland

During the year ended 31 December 2019, the Company invested £186k (2018: £290k) in the BGFI, with a further investment of £246k ((2018: £56k) up to the date of signing.

Financial performance

The Company's financial performance is presented on pages 8 to 11.

The operating profit before taxation for the year was £289k (2018: £402k). The retained profit for the year was £133k (2018: £136k).

At the end of the year, the balance sheet showed total assets of £430,294k (2018: £365,394k).

DIRECTORS' REPORT**Dividends**

The directors do not recommend the payment of a dividend (2018: £nil).

Principal risks and uncertainties

The Company seeks to minimise its exposure to financial risks.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the Group Asset and Liability Management Committee (Group ALCO) and agreed with the Directors of the company.

The Company is funded by facilities from NatWest Group plc.

The Company's assets mainly comprise interest in associate, equity shares and cash at bank which would expose it to interest rate, credit and market risk.

The principal risks associated with the Company are as follows:

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any repricing mismatches.

The financial liabilities of the Company consist of amounts due to group companies which do not have any significant interest rate risk as they have different repricing maturities and being carried at fixed rate of interest.

Market risk

Market risk is defined as the risk of loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities. Market risk is managed by the directors of the company through the diversification of investments and monitoring of fair value changes.

Going forward, part of the investment process will be to ensure that this concentration is reduced as more investments are acquired. Some of this risk can be mitigated by maintaining a diverse portfolio across various business sectors and asset classes.

The principal market risks to which the Company is exposed is in relation to fluctuation in the value of underlying investments of BGF, SLF and BGFI; difficulty in valuation of investments and risk that the investments may be difficult to exit.

Liquidity risk

The Company has no significant liquidity risk as it has access to financing facilities and support provided by fellow group companies.

Going concern

These financial statements are prepared on a going concern basis, see note 1 on page 12.

SHARE CAPITAL

During the year there were changes in the authorised share capital and issued share capital. Shares are issued at premium, see note 10 on page 16.

**DIRECTORS' REPORT
DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a Strategic report, Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and 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 judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

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 to enable them to ensure that the Strategic Report, Directors' Report and financial statements comply with the requirements of 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 AUDITOR

Each of the directors at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year are listed on page 1.

INDEPENDENT AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

Approved by the Board of Directors and signed on its behalf:



D G Harris

Director

Date: 6/10 2020

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF RBS SME INVESTMENTS LIMITED

Opinion

We have audited the financial statements of RBS SME Investments Limited (the 'Company') for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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.

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 below. 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.

Emphasis of matter – effects of Covid-19

We draw attention to Notes 1 and 14 of the financial statements, which describes the economic disruption as a result of COVID-19, which is impacting the current business operations and the Company's assets. Our opinion is not modified in respect of this matter.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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
- the directors were not entitled to take advantage of the small companies' exemption 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 set out on page 4, 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.

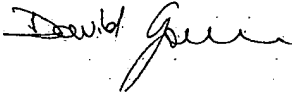
Auditor's responsibilities for the audit of the financial statements

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 <https://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.



David Gonnelli (Senior statutory auditor)
for and on behalf of Ernst & Young LLP

London, United Kingdom
Date: 6 October 2020

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Income from continuing operations			
Interest payable		-	(710)
Other operating income	2	97	1,979
Total income		97	1,269
Operating expenses	3	192	(867)
Profit before tax		289	402
Tax charge	4	(156)	(266)
Profit for the financial year		133	136

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Profit for the financial year		133	136
Other comprehensive income: subject to reclassification			
Unrealised (loss)/gain on investment	6	(396)	82
Total comprehensive (loss)/income for the financial year		(263)	218

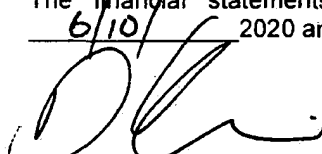
The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Interest in associate	5	403,032	355,782
Investments	6	2,261	2,635
		<u>405,293</u>	<u>358,417</u>
Current assets			
Cash at bank	7	25,001	6,977
Total assets		<u>430,294</u>	<u>365,394</u>
Current liabilities			
Current tax liabilities		176	266
Accruals	8	48	35
		<u>224</u>	<u>301</u>
Total liabilities		<u>224</u>	<u>301</u>
Equity			
Called up share capital	10	-	-
Share premium account		434,630	369,390
Fair value through other comprehensive income		234	630
Profit and loss account		(4,794)	(4,927)
Total equity		<u>430,070</u>	<u>365,093</u>
Total liabilities and equity		<u>430,294</u>	<u>365,394</u>

The accompanying notes form an integral part of these financial statements.

The financial statements of the Company were approved by the Board of Directors on 6/10/2020 and signed on its behalf by:


D G Harris
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Fair value through other comprehensive income £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	-	12,000	548	(5,063)	7,485
Receipt of share premium	-	357,390	-	-	357,390
Unrealised gain on investment	-	-	82	-	82
Profit for the year	-	-	-	136	136
At 31 December 2018	-	369,390	630	(4,927)	365,093
Receipt of share premium	-	65,240	-	-	65,240
Unrealised loss on investment	-	-	(396)	-	(396)
Profit for the year	-	-	-	133	133
At 31 December 2019	-	434,630	234	(4,794)	430,070

Total comprehensive loss for the year of £263k (2018: comprehensive income £218k) was wholly attributable to the equity holders of the Company.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of financial statements

These financial statements are prepared:

- on a going concern basis. In the first quarter of 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. Many governments, including the UK, have taken stringent measures to contain and/or delay the spread of the virus. Actions taken in response to the spread of Covid-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

The NatWest Group (the "Group") has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as viable business.

There remains significant uncertainty regarding the developments of the pandemic and the future economic recovery. The most likely expected financial impact is in respect of the Company's regulatory capital, profitability, assets, operations, liquidity which management continues to monitor.

In assessing going concern, a Covid-19 impact analysis was performed across the Group. The directors have also considered the uncertainties associated with Covid-19 including the different ways in which this could impact the cash flows, capital, solvency and liquidity position of the Company and any mitigations management have within their control to implement. Based on this assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on a going concern basis. This conclusion is based on the director's assessment of the Company's financial position, including the expectation of financial and operational support provided by the immediate parent company. The directors, in relying on this support, have considered the immediate parent company's ability to provide this support with no issues noted.

- under Financial Reporting Standard (FRS) 101 *Reduced Disclosure Framework* in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on the historical cost basis except that the following assets and liabilities are stated at fair value: fair value through other comprehensive income.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in Sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - cash-flow statement;
 - standards not yet effective; and
 - related party transactions.
 - disclosure requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value Measurement".

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 13.

The changes to IFRS that were effective from 1 January 2019 have had no material effect on the Company's Financial Statements for the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****b) Revenue recognition**

Interest income or expense relates to financial instruments measured at amortised cost and debt instruments classified as fair value through other comprehensive income using the effective interest rate method, the effective part of any related accounting hedging instruments and finance lease income recognised at a constant periodic rate of return before tax on the net investment. Negative effective interest accruing to financial assets is presented in interest payable.

c) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the Profit and Loss Account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

d) Interest in associate

An associate is an entity in which the Company has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Company holding in excess of 20%, but no more than 50% of the voting rights.

Interest in associate is stated at cost less any impairment. The impairment is calculated based on the share of the net assets. In assessing whether there is any indication that an investment in associate may be impaired, the Company considers whether the asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

e) Financial instruments

Financial instruments are classified either by product, by business model or by reference to the IFRS default classification.

Classification by product relies on specific designation criteria which are applicable to certain classes of financial assets or circumstances where accounting mismatches would otherwise arise. Classification by business model reflects how the Company manages its financial assets to generate cash flows. A business model assessment determines if cash flows result from holding financial assets to collect the contractual cash flows; from selling those financial assets; or both.

The product classifications apply to financial assets that are either designated at fair value through profit or loss (DFV), or to equity investments designated as at fair value through other comprehensive income (FVOCI). In all other instances, fair value through profit or loss (MFVTPL) is the default classification and measurement category for financial assets.

Regular way purchases of financial assets classified as amortised cost, are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

All financial instruments are measured at fair value on initial recognition.

All liabilities not subsequently measured at fair value are measured at amortised cost.

Most financial assets are held to collect the contractual cash flows that comprise solely payments of principal and interest and are measured at amortised cost. Certain financial assets managed under a business model of both to collect contractual cash flows comprising solely of payments of principal and interest, and to sell, are measured at fair value through other comprehensive income (FVOCI).

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

f) Impairment of financial assets

At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

g) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 "Financial Instruments".

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

2. Other operating income

	2019 £'000	2018 £'000
Dividend income	97	165
Other income	-	1,814
	<u>97</u>	<u>1,979</u>

3. Operating expenses

	2019 £'000	2018 £'000
Management (refund)/charge	(231)	847
Auditor's remuneration - audit services	39	20
	<u>(192)</u>	<u>867</u>

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by NatWest Group plc, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The Company has no employees and pays a management charge for services provided by other group companies. The 2019 refund includes a trued-up amount based on intragroup agreements. The Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company.

The accrual for auditor's remuneration for statutory audit work for the Company was £24k (2018: £24k). The audit fees for 2018 and 2019 will be passed to the Company by the Group in due course. No remuneration was paid to the auditor for non-audit work (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS

4. Tax

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax charge for the year	174	264
(Over)/under provision in respect of prior periods	(18)	2
Tax charge for the year	<u>156</u>	<u>266</u>

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 19% (2018: 19%) as follows:

	2019 £'000	2018 £'000
Expected tax charge	55	76
Partnership profit	97	194
Non-taxable items	(18)	(31)
Taxable income	40	25
Adjustments in respect of prior periods	(18)	2
Actual tax charge for the financial year	<u>156</u>	<u>266</u>

5. Interest in associate

Interest in associate is carried at cost less impairment. Movements during the year were as follows:

	2019 £'000	2018 £'000
At 1 January	355,782	304,032
Additions	47,250	51,750
At 31 December	<u>403,032</u>	<u>355,782</u>

Details of the interest in associate, including the name, country of incorporation, and proportion of ownership interest are in the following table. The entities entire position and results of operation are presented, not just RBS SME Investments Limited's share.

Name of associate	Place of incorporation and operation	Proportion of ownership interest%	Proportion of voting power held%	Principal activity	Aggregated capital & Reserves £'000	Profit after tax £'000
Business Growth Fund Group Limited	England and Wales	24.54%	24.54%	Provide Long-term capital to UK based companies	1,782,400	113,132

No impairment indicators have been identified during the year.

NOTES TO THE FINANCIAL STATEMENTS

6. Investments

	2019	2018
	£'000	£'000
As at 1 January	2,635	3,276
Additions	186	340
Return of capital	(164)	(1,063)
Unrealised gains	(396)	82
As at 31 December	<u>2,261</u>	<u>2,635</u>

Cost of investments split

Additions and returns from investments	2,027	2005
Fair value through other comprehensive income	234	630
	<u>2,261</u>	<u>2,635</u>

During the year the Company exited from Capital for Enterprise Fund L.P. which supports small businesses and projects by providing finance.

The Company holds a 9.999% stake in the SLF which supports small and medium sized businesses in Scotland by providing debt finance. The Company holds a 3.45% in BGF Ireland which invests in growing Irish companies that need long-term capital to drive their future success.

7. Cash at bank

	2019	2018
	£'000	£'000
Cash at bank	<u>25,001</u>	<u>6,977</u>

Cash at bank represents cash deposits only. The carrying value of these deposits is approximately equal to their fair value.

8. Accruals

	2019	2018
	£'000	£'000
Audit fees	<u>48</u>	<u>35</u>

9. Bank overdraft

The bank overdraft was from The Royal Bank of Scotland plc and repaid on demand. The overdraft limit was £3,250k (2018: £3,250k).

10. Share capital

	2019	2018
	£	£
Authorised:		
12 (2018:7) ordinary shares of £ 1 each	<u>12</u>	<u>7</u>
Allotted, called up and fully paid:		
Equity shares		
12 (2018:7) ordinary shares of £ 1 each	<u>12</u>	<u>7</u>

The Company has one class of ordinary shares which carry no right to fixed income. The shares are issued at premium.

NOTES TO THE FINANCIAL STATEMENTS

11. Capital resources

The Company's capital consists of equity comprising issued share capital and retained earnings. The Company is a member of NatWest Group plc which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the Group's policy which is to maintain a strong capital base: it is not separately regulated. NatWest Group plc has complied with the Prudential Regulation Authority's capital requirements throughout the year.

12. Commitments

The Company is committed to investing £545m in BGF, this will take the form of periodic subscriptions for shares in the capital of BGF as notified by BGF, subject to an annual maximum commitment set in advance each calendar year (2020: £106.2m; 2019: £104.9m). The Company has subscribed £403m to 31 December 2019 (2018: £355.78m).

The Company is committed to invest with BGF Ireland 1A LP with a commitment of €5m. At present it has invested £0.48m into the fund.

With regards to SLF, the Company is committed to investing the lower of £15m or 9.9999% of the total fund. The commitment at 31 December 2019 was £8,122k. The Company had subscribed £7,055k to 31 December 2019 (2018: £7,005k). The fund was closed to new investment with effect from March 2017 however the committed, but undrawn balance (i.e. £8,122k less £7,005k) remains available for follow on funding for existing investee companies. SLF has started the process to run-off its current investment.

Commitments which have been entered into with Business Growth Fund PLC, Business Growth Fund Ireland and Scottish Loan Fund L.P. are not included within assets on the balance sheet.

The Company has been entirely equity funded by RBS AA Holdings (UK) Limited.

13. Related parties**UK Government**

The UK Government through HM Treasury is the ultimate controlling party of NatWest Group plc. Its shareholding is managed by UK Government Investments Limited, a company it wholly owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

Transactions between the Company, the UK Government and UK Government controlled bodies, consisted solely of corporation tax and equity shares, which are disclosed in notes 4 and 6 respectively.

Group undertakings

At 31 December 2019

The Company's immediate parent was:	RBS AA Holdings (UK) Limited
The smallest consolidated accounts including the company were prepared by:	The Royal Bank of Scotland Group plc
The ultimate parent company was:	The Royal Bank of Scotland Group plc

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Legal, Governance and Regulatory Affairs, The Royal Bank of Scotland, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

On 22 July 2020 the ultimate parent company, The Royal Bank of Scotland Group plc changed its name to NatWest Group plc.

NOTES TO THE FINANCIAL STATEMENTS

14. Post balance sheet events

The directors consider Covid-19 to be a non-adjusting post balance sheet event and as such no adjustments have been made to the measurement of assets and liabilities as at 31 December 2019. Refer to note 1a for the director's assessment of the impact on the Company. While there remains significant uncertainty regarding the developments of Covid-19 and the future economic recovery, a precise estimate of its financial effect, cannot be made at the date of issue of the financial statements. There could be an impact on regulatory capital, profitability, assets, operations and liquidity. The directors continue to monitor this, however, at this stage do not consider there to be any material issues for the Company.

As per the scheduled capital injection proposal, the Company has issued shares to RBS AA Holdings (UK) Limited. The share allotments were made on 26 March 2020 with 1 share issued. Capital injections made by AA Holdings £14m on 26 March 2020 and £9.75m on 28 September 2020.

The Company has made payments of £23,750k to BGF & £328k to BGFI in 2020. There have been no payments to SLF.

BGF had a mid-year revaluation which valued its net assets as at 30 June 2020 at £1,654,338k. RBS SME Limited have a shareholding of 24.6% of these assets and therefore the fair value held by RBS SME Limited as at 30 June 2020 was £406,438k. The value of this investment in associate has now dropped below the cost and the Company share of the investment as at June 2020 was £418,282k, which includes payments of £15,250k made subsequent to year-end.

The Company has also received distributions of £101k from SLF in 2020.