

Registered Charity No: 1079626
Company Registered No: 03901460

NATWEST SOCIAL & COMMUNITY CAPITAL

**(formerly RBS Social & Community Capital)
(A Company Limited by Guarantee)**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

**EDEN CURRIE LIMITED
CHARTERED ACCOUNTANTS
AND STATUTORY AUDITOR**

NATWEST SOCIAL & COMMUNITY CAPITAL

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FOR THE YEAR ENDED 31 DECEMBER 2020

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NATWEST SOCIAL & COMMUNITY CAPITAL

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2020

LEGAL STATUS:	Company Limited by Guarantee
TRUSTEES:	Andrew Harrison Niamh Goggin Ben Smith Stuart Johnstone Debra Phillips
CHIEF EXECUTIVE OFFICER:	Megan Virrels
SECRETARY:	Kate Ramage
REGISTERED OFFICE:	250 Bishopsgate London EC2M 4AA
REGISTERED COMPANY NUMBER:	03901460 (England and Wales)
REGISTERED CHARITY NUMBER:	1079626
AUDITOR:	Eden Currie Limited Chartered Accountants and Statutory Auditors 2 Highlands Court Cranmore Avenue Solihull B90 4LE
BANKERS:	NatWest 246 – 250 Regent Street London W1B 3PB

NATWEST SOCIAL & COMMUNITY CAPITAL**CHAIR'S REPORT****FOR THE YEAR ENDED 31 DECEMBER 2020**

2020 was a year that none of us expected and the like of which we will hopefully never see again. Few of us continued life unscathed and we are all now familiar with the concepts of 'furlough', 'shielding' and 'R-numbers'. As the vaccine programme continues to roll out and the economy gradually opens up, our focus begins to shift to how we can create a new normal, one that offers opportunities for all, regardless of colour or creed, that allows us to enjoy sustainable growth whilst respecting the environment and deliver opportunities to all.

Key in this is the role played by social enterprises. We have seen how communities came together to support each other through lockdown and beyond; in recognition of this, we launched a Coronavirus Response fund which provided £1 million of grants to 33 social enterprises who offer employment to the disadvantaged and vulnerable, helping them preserve the jobs of over 400 people.

As mission led businesses, the primary motivation for our customers is delivering impact and I am humbled by the perseverance and resilience so many have shown as they adapted their models to continue to support their beneficiaries. We are pleased that we were able to help with this, providing grants that allowed a training centre to deliver digital courses; supporting the purchase of the van that takes a bike shop to the homes of the disabled people who are not able to visit their premises. We have helped a community centre café continue to provide food parcels and hot meals to vulnerable groups.

As well as grants, we provided all customers with a six month capital and interest holiday in March 2020, as soon as the scale of the situation became clear and used our position to lobby other funders to do the same. We also provided access to HR and health and safety support through NatWest's mentor service, employee wellbeing through negotiating access for our customers to the bank's provider and we linked all customers who wanted one with a 'buddy' sounding board.

You can see the story of this told in our balance sheet at year end, as funds carried forward reduced from £12 million to £10.7 million; it seems counterintuitive to celebrate a reduction in our assets but this fall shows how we have delivered our mission of supporting social enterprises to make a positive impact on UK communities.

The year wasn't all about crisis support, however. In the first quarter, we were very pleased to award seven £20,000 grants as part of the celebrations of our 20th year in December 2019. These went to seven amazing social enterprises who have used the funds to continue to deliver impact throughout the pandemic. We also continued to approve new lending, albeit at a slower rate than previously given the circumstance and funded two new and one existing customers; organisations providing training and support to the homeless and to those recovering from addiction and an educational charity providing nutritional advice.


We continue to evolve our strategy to meet the customer needs and supply gaps identified through our market analysis and are pleased that we have made our first two Repayable Grants to new social enterprises that promise strong growth and impact. Designed to supply patient capital to allow the social entrepreneur to focus on proving impact delivery, we are providing funding alongside mentor and business support, to help the organisation along the path to securing paying contracts. We hope this, alongside our existing products, will enable us to continue to support more social enterprises on their journey towards greater financial sustainability, which in turn enables them to drive positive change in UK communities.

NATWEST SOCIAL & COMMUNITY CAPITAL**CHAIR'S REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2020**

I joined the board as a trustee last year, in a period of change and must express my thanks to Thom Kenrick, the outgoing chair, who was kind enough to extend his tenure to allow me a period of time to settle in, before he left us in March of this year to take on other responsibilities in the wider social enterprise world. Thom's commitment, experience and connections have proven invaluable to us over the decade that he has been involved with S&CC and he will be greatly missed. We were also sorry to lose Bernie Morgan after many years of valued contribution, as she stepped down having reached the end of her period of tenure and her humour, knowledge and extensive network are a great loss. Mark Parsons stepped aside as an interim trustee at the end of the year, although I'm pleased to say that we retain his skills and support as a founder member of our 'Circle of Friends'. We are pleased that Debbie Phillips has joined us as an internal trustee, bringing marketing expertise and a background in public affairs and communications to the board and we continue to actively seek to bolster our board skills through recruitment of both internal and external trustees.

I'd like to thank the S&CC team for their hard work through the course of another busy year and, as ever, we are indebted to our team of committed volunteers for their support in 2020. Without their advice and expertise, we would not be able to continue to support the amazing social enterprises that we do.

We look forward to supporting even more social pioneers in 2021.



Andrew Harrison
Chair of Trustees

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT****FOR THE YEAR ENDED 31 DECEMBER 2020**

The trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements for the year ended 31 December 2020.

The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" in preparing the annual report and financial statements of the charity.

Objectives and Activities

The charity was established in 1999 to fund and help local community businesses, principally through the provision of loan finance to Social Enterprises and charitable and not-for-profit organisations. We occasionally make grants via grant programmes to address specific needs and opportunities and retain the flexibility to look at other financing mechanisms to meet market demands, gaps or opportunities as they are identified. We operate across the UK including Northern Ireland and we only support ventures operating and benefitting communities in the UK.

In shaping our objectives for the year and planning our activities, the trustees have considered the Charity Commission's guidance on public benefit.

The objectives of the charity are the general purposes of such charitable bodies or for such purposes as the Trustees may from time to time decide across the United Kingdom. The mission of the charity is to enable social enterprises to make a positive impact in UK communities. We aim to achieve it through:

- The provision of finance to social enterprises that are unable to access mainstream funding
- The reinvestment of funds for long-term sustainability of the charity
- The assessing, measurement and reporting of the social impact and financial performance of our borrowers and ourselves to ensure effective use of resources

Our main sectors of focus are:

- Employability, education and training for those furthest from the labour market
- Provision of services to the most disadvantaged people/communities.
- Community regeneration

Social impact is at the heart of what we do. To ensure the social impact of our loans is protected we lend principally to businesses with a recognised social enterprise legal structure with appropriate levels of governance. We expect to see evidence of social impact in every case or a commitment to measure it in future. We believe that a focus on assessing, measuring and reporting impact will help borrowers to do more impactful work. When evaluating social impact, we also consider whether the business model is innovative or has the potential to scale.

We rely on volunteers to help us achieve our objectives. Over the course of the year, volunteers from within National Westminster Bank plc and the wider social enterprise sphere donated their time to support NatWest Social & Community Capital; participating in credit panel meetings, supporting the board and credit panel in their decision making, and assisting our work in innumerable other ways.

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2020****Achievements and Performance**

The charity has made significant progress again this year in many aspects of its operations. It has developed new products, conducted its fourth customer survey and published its fifth social impact report and developed new video case studies and marketing collateral. Throughout the year we have concentrated on how we can reach out to support more community businesses and help them survive and thrive; as before, this has included developing partnerships with sector bodies and attending virtual funding fairs and sector conferences to raise awareness of the support that we offer. We also developed a Coronavirus Response Fund, which, through grants of £1 million, has supported 33 social enterprises employing those from disadvantaged and vulnerable groups, creating or saving over 400 jobs. Perhaps unsurprisingly, there was reduced demand for loan finance and so across the year we have approved loans to one new social enterprise, representing a new customer for the charity.

Financial Review

We approved loans of £100,000 over the course of the year, advancing loan funds of £708,285 and grant funds of £1,397,378 by year end, however loan repayments from our existing clients mean the portfolio is some £80,000 smaller than the previous year end. We supported 56 customers, either through lending or through grant support, of whom 43 were new social enterprise clients.

We continue to see a number of trends in the market which are reflected in the enquiries we receive for loan finance. We have seen an increasing number of enquiries from businesses that are looking to broaden their funding base following a reduction in the availability of grant funding. The pandemic and subsequent interruption to society has, in many places, increased demand for the services our customers offer, whilst reducing their ability to generate income. We have also seen an increase in the number of social lenders in the marketplace compared with when NatWest S&CC was established. Many of these have been funded by the wholesale funder, Big Society Capital.

Bad Debts

The Board are conscious that the coronavirus pandemic and consequent shutdown has had a devastating effect on the small business sector. Given the nature of the charity's activities and the sector in which it and its borrowers operate, that impact is likely to be even harder on our customer base and therefore the risk of a bad debt crystallising in the future is unavoidable. The Board is conscious that an element of the charity's substantial unrestricted reserve will be available to absorb unforeseen bad debts that may arise in the future. After careful consideration the trustees have decided to make prudent latent provision for future potential bad debts. £905,273 has therefore been included as a provision in respect of amounts due from unsecured loans which may not be received by the charity.

Investment Policy

The investment policy is to maintain or increase the capital value of the fund in the short to medium term while ensuring that the charity has sufficient liquid reserves to meet anticipated demand. The investment sub-committee, under delegated authority from the Board, continues to review funding requirements and considers that the investment of £2m made in 2018, into a medium-term fund with an ethical focus, remains appropriate.

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2020****Reserve Policy**

The Board of Trustees acknowledges that in order to provide loan finance the Charity must ensure significant unrestricted free cash reserves are available.

As at 31 December 2020 the Charity's unrestricted reserves totalled £10,689,494. At this date the value of funds committed to investments and loan portfolio total £4,073,453 and available cash reserves total £6,616,041.

The Board are committed to achieving the Charity's aims and objectives by ensuring the ongoing availability of loan finance through the adoption of sustainable lending policies and the continual review of our products and services. They anticipate that the loan book will continue to grow over time and, as it does so, unrestricted reserves will therefore convert from cash reserve to loan portfolio reserve.

Plans for Future Periods

The Charity has a significant role to play in providing finance to social enterprises that cannot access mainstream finance.

Our strategy over the next three years is to lend more year on year and to provide other support services that help our customers to thrive. The impact of the coronavirus shutdown has been substantial and we have committed significant resources to helping our customers and other social enterprises survive the crisis and continue to deliver impact beyond.

We want to expand the help that we provide to address those areas where the research shows small charities and social enterprises struggle, providing value add services to enable our clients to grow and prosper. We want to help early stage businesses and those undertaking significant strategic change to prove and grow their impact. We want to help place-based groups build sustainable communities and we want to help social entrepreneurs generate the proof of concept they require to grow and develop their businesses. We want future impact reports to tell the story of a Charity that is flourishing and most importantly has built a long-term legacy in the hardest to reach communities.

To do this the charity is grateful for the support of National Westminster Bank plc for continued donation of staff, operating costs and professional support.

Structure, Governance and Management

The charity was incorporated on 23 December 1999 as a company limited by guarantee and commenced its activities immediately. It is a non-profit making organisation. The Governing Document is the Memorandum and Articles of Association which were last updated on 4 June 2020.

On 22 October 2020 NatWest Social and Community Capital formally changed its name from RBS Social & Community Capital.

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2020****Structure, Governance and Management (continued)**

The trustees who served during the year and their interest in the company are stated as follows:

Andrew Harrison (appointed 26 June 2020)
Thom Kenrick (resigned 15 March 2021)
Bernadette Morgan (resigned 1 September 2020)
Niamh Goggin
Ben Smith
Stuart Johnstone
Debra Phillips (appointed 10 October 2020)
Simon Jacobs (resigned 23 March 2020)
Mark Parsons (resigned 9 October 2020)

The liability of each of the trustees in the event of a winding up is limited to £1. This liability applies to all trustees whilst they are trustees and for one year after they cease to be trustees. Under its governing document, the charity has the power to make any investment which the trustees see fit.

The charitable status of the organisation has been confirmed by the charities commission.

The major risks to which the charity is exposed, as identified by the trustees, have been reviewed and a system has been established to mitigate those risks.

Appointment of Trustees

The trustees have established a Nomination & Governance Committee (NGC) to promote good governance and best practice to ensure the Board is working as effectively as possible to promote the mission and core values of the charity. The NGC will ensure the Board is complying with all aspects of the law, relevant regulations and good practice relating to its areas of responsibility.

The NGC meets at least twice annually and maintains and regularly reviews a schedule of trustee appointments and retirements, which include details of the Board's existing skills sets. It recommends to the board potential candidates who possess the appropriate skills and appoints a recruitment panel to carry out the interview and assessment process.

Trustee Induction and Training

New trustees undergo an orientation to brief them on their legal obligations under charity and company law, the Charity Commission guidance on public benefit, and inform them of the content of the Memorandum and Articles of Association, the Governance Manual, the committee and decision-making processes, the business plan and recent financial performance of the charity. During the induction they meet key employees and other trustees. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2020****Organisation**

The board of trustees, which can have up to 8 members, administers the charity. The board normally meets quarterly and there are sub-committees covering board development and investment which meet regularly. A Chief Executive is appointed by the trustees to manage the day-to-day operations of the charity. To facilitate effective operations, the Chief Executive has delegated authority, within terms of delegation approved by the trustees, for operational matters including finance, employment and lending related activity. Investment decisions are taken by a voluntary credit panel that meets bi-weekly and has representatives from the bank and external bodies with extensive social and financial sector experience and investment and credit skills.

Related Parties

The trustees consider National Westminster Bank plc to be a related party because of its continued close financial and operational support which has been provided throughout the year ended 31 December 2020 and prior years.

Pay policy for senior staff

The trustees consider the board of directors, who are also the Charity's trustees, and the senior management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Charity on a day to day basis. All trustees give of their time freely and no trustee received remuneration in the year ending 31 December 2020. The full-time staff working for the charity are paid by National Westminster Bank plc and pay is reviewed annually and a performance related increase is made where appropriate. The pay is benchmarked against pay levels for other roles with similar responsibilities elsewhere within the bank.

Risk management

The trustees have a risk management strategy which comprises:

- A semi-annual review of the principal risks and uncertainties that the charity faces;
- the establishment of policies, systems and procedures to mitigate those risks identified in the annual review; and
- the implementation of procedures designed to minimise or manage any potential impact on the charity should those risks materialise.

This work has identified that financial sustainability is the major financial risk for the charity. A key element in the management of financial risk is ensuring that credit risk appetite is applied consistently, that regular reviews of the loan portfolio are held and that active management of both existing and new clients ensure that risks and concerns are identified and addressed in a timely fashion.

Public Benefit

The trustees are aware of the obligations of the charity, which are set out in the Guidance issued by The Charities Commission under The Charities Act 2006. They are confident that the work of the charity in pursuit of its objects is delivering Public Benefit. The Trustees will comply with the future reporting requirements in this regard.

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2020****Trustees Indemnity Insurance**

The trustees are the directors of the Company. During the year and up to the date of approval of the financial statements, there was a qualifying third party indemnity in place for directors as allowed by Section 234 of the Companies Act 2006.

Trustees' responsibilities statement

The trustees (who are also directors of NatWest Social & Community Capital for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for the year. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

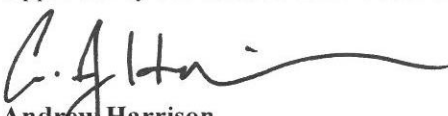
In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution proposing that Eden Currie Limited be re-appointed as auditor of the charity will be put to the Trustees.

Approved by the trustees on 29 June 2021 and signed on their behalf by


Andrew Harrison
Trustee

NATWEST SOCIAL & COMMUNITY CAPITAL**CHIEF EXECUTIVE OFFICER'S REPORT****FOR THE YEAR ENDED 31 DECEMBER 2020**

2020 will be a year that we will long remember, not only for the Coronavirus pandemic and the impact that has had on our daily lives, but also for increasing society's awareness of social issues such as inequality, inclusivity and climate change. It has also served to bring to the forefront the critical services that our customers and social enterprises and trading charities provide.

I am proud that this small team have risen to these challenges and continued to support our customers throughout, with the extraordinary support of our volunteers and other stakeholders. We recognised in early March 2020 that the situation had the potential to become serious and our trustees had the foresight to grant a portfolio wide six month capital and interest holiday in March 2020. The impact of this can be seen in the reduction of income receivable in the accounts.

Not only did this remove a major cashflow expense for our customers, it also allowed many to approach their other funders and request that they make similar allowances. We are also able to assist many with small grants, to allow them to pivot their business models to continue to deliver impact; with access to a 'buddy' sounding board, HR and employment advice and webinar support on remote working and employee wellbeing.

Recognising that many social enterprises were not able to access the support available from the government, we also took the decision to use our unrestricted funds to launch a Coronavirus Response Fund, offering grants to social enterprises and trading charities employing those from disadvantaged and vulnerable groups. Open to non-customers, I'm pleased that we provided grants of between £5,000 and £50,000 to 33 trading charities and social enterprises, which allowed these valuable businesses to weather the lockdown and survive to deliver impact into a new normal.

We announced at the end of 2019 that we would be providing seven £20,000 grants as part of our 20th anniversary celebrations, to support social enterprises and community businesses to develop an innovative new project to help create positive impact on the most disadvantaged and vulnerable people and communities. We received almost 300 applications and are hugely grateful to the army of volunteers who helped us whittle these down to choose the winners in seven regions – not an easy task! One of the things that has thrilled me most over the past year has been seeing the resilience and determination shown by each of these seven, as they have successfully pivoted their business model to continue delivering impact through the crisis.

As ever, during the course of our work, we meet some amazing organisations delivering impact in a variety of ways; supporting those furthest from the labour market with training and employment skills, providing counselling and support for children whose parents are experiencing poor mental health, using horticulture to help young adults develop new skills and confidence, offering employment in supportive environments to those who would otherwise struggle to access the labour market. These are just some of the new grant and loan customers we've worked with over the course of the year. I'm proud that my team have done all of this, as well as helping and supporting our existing customers through some difficult times and adapting themselves to new constraints as we worked from home whilst trying to home school and negotiate access to the Wi-Fi!

In 2020 NatWest Social & Community Capital approved lending or grant funding of almost £1.5m to 56 enterprises. We continually review our propositions to make sure we have a loan offering that meets the real needs of as many social enterprises as possible. We've introduced more flexibility on interest rates and fees, more flexibility on track record and a greater focus on social impact and it's great to see the variety of businesses that we've been able to support and the varying ways they deliver impact in our communities.

It's sometimes easy to forget what a crucial role finance plays for social enterprises and how a loan at the right price and at the right time can make a huge difference. I'm pleased that during the year we have approved the first of our Repayable Grants, providing financial and non-financial support to two new social enterprises, one which provides training and support to those experiencing homelessness and one which links social enterprises with businesses looking to expand their supply chains. This is an exciting, innovative product which we hope to roll out further to support the growth of purpose-led business

NATWEST SOCIAL & COMMUNITY CAPITAL
CHIEF EXECUTIVE OFFICER'S REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

It would be particularly remiss of me during this strange and disruptive period not to offer a huge thanks to my supportive board, the army of volunteers from inside and outside the bank, to Julie Baker for her advice and encouragement and to NatWest for continuing to generously support our work. I also want to recognise the valued help we continue to receive from our On-Purpose Associates. Ali Glossop, for her work on our 20th anniversary grants programme; Heather Lynch and Lily Beadle without whom we would not have been able to deliver the Coronavirus Relief Fund; Tatwin Edmunds and Howie Roberts who have helped with our impact data collection and measurement and repayable grants and finally Ella Umansky for helping with the 2020 / 2021 impact report. As ever, although I get to write these words in the accounts, it's Tracy and John who keep the show on the road!

Finally, I would like to echo Andrew's welcome to our new trustees and his thanks to those who have left over the year. In particular, I'd like to say a personal thank you to Bernie and Thom, who have been involved in NatWest Social & Community Capital for nine and ten years respectively: your support and advice has been invaluable to me and I will miss the wisdom and experience you have both so generously shared over the years.



Megan Virrels
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF NATWEST SOCIAL & COMMUNITY CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of NatWest Social & Community Capital ('the charitable company') for the year ended 31 December 2020, which comprise of the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies, on pages fifteen to twenty five. 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 charitable company's affairs as at 31 December 2020, and of its incoming resources and application of resources, including its income and expenditure, 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. We are independent of the charitable 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF NATWEST SOCIAL & COMMUNITY CAPITAL (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' 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 trustees 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 trustees

As explained more fully in the trustees' responsibilities statement set out on page nine, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the charitable 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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF NATWEST SOCIAL & COMMUNITY CAPITAL (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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

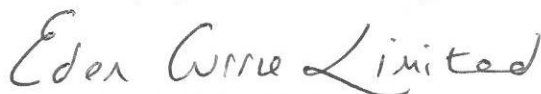
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.
- Performing audit work over the risk of understatement of income including substantive testing and obtaining corroborated explanations from Management.
- Performing audit work on bad debts reviewing for management bias and obtaining corroborated explanations from management

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

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



Paul Mannion ACA ACCA (Senior Statutory Auditor)

For and on behalf of Eden Currie Limited, Statutory Auditor
2 Highlands Court
Cranmore Avenue
Solihull
B90 4LE

29 June 2021

NATWEST SOCIAL & COMMUNITY CAPITAL

STATEMENT OF FINANCIAL ACTIVITIES
(Including Income and Expenditure Account)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Unrestricted Funds 2020 £	Unrestricted Funds 2019 £
Income:			
Donations and legacies	3	240,565	200,524
Income from charitable activities:			
Provision of loan finance	4	67,304	146,673
Income from investments	5	12,873	28,730
Total income		<u>320,742</u>	<u>375,927</u>
Expenditure:			
Expenditure on Charitable activities:			
Grants	6	1,509,405	-
Provision of loan finance	7	402,322	426,234
Total expenditure		<u>1,911,727</u>	<u>426,234</u>
Net surplus/(deficit)		(1,590,985)	(50,307)
Net gains/(losses) on investments	10	<u>236,144</u>	<u>423,938</u>
Net movement in funds during the year		(1,354,841)	373,631
Reconciliation of funds			
Total funds brought forward		12,044,335	11,670,704
Total funds carried forward	16	<u><u>10,689,494</u></u>	<u><u>12,044,335</u></u>

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continued activities.

NATWEST SOCIAL & COMMUNITY CAPITAL (REGISTERED NUMBER: 03901460)

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Fixed asset investments	10	2,814,199	2,580,055
Current assets			
Debtors falling due within one year	11	469,468	956,514
Debtors falling due after one year	11	789,786	578,625
Cash at bank and in hand		6,700,445	7,935,461
		<u>7,959,699</u>	<u>9,470,600</u>
Liabilities			
Creditors falling due within one year	13	<u>(84,404)</u>	<u>(6,320)</u>
Net Current Assets		7,875,295	9,464,280
Net assets		<u>10,689,494</u>	<u>12,044,335</u>
The funds of the Charity			
Unrestricted funds	16	10,689,494	12,044,335
Total Charity funds		<u>10,689,494</u>	<u>12,044,335</u>

These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006.

The financial statements were approved and authorised for issue by the trustee's on 29 June 2021 and signed on their behalf by:



Andrew Harrison
Chair of Trustees

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting Policies

a) Basis of Preparation

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 (as updated through Update Bulletin 1 published on 2 February 2016 and Update Bulletin 2 published on 5 October 2018), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Accounting Practice.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the charity.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Income:

(i) Donations and legacies

Income from donations and legacies is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received, and the amount can be measured reliably.

(ii) Income from investments

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

(iii) Gifts in kind

Donated services and volunteer time are included in incoming resources when the benefit to the charity is reasonably quantifiable and measurable. They are valued by the trustees at the amount the charity would have been willing to pay for the service or time on the open market.

Expenditure:

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure on charitable activities includes the costs relating to the provision of loan finance undertaken to further the purposes of the charity and their associated support costs.

Grants payable to third parties are within the charitable objectives. Where unconditional grants are offered, this is accrued as soon as the recipient is notified of the grant, as this gives rise to a reasonable expectation that the recipient will receive the grants.

(Continued...)

NATWEST SOCIAL & COMMUNITY CAPITAL**NOTES TO THE ACCOUNTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2020****1. Accounting Policies (Continued...)****Fund accounting**

General funds are unrestricted funds that are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Investments

Investments are recognised initially at fair value which is normally the transaction price excluding any transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains / (losses) on investments in the Statement of Financial Activities if the shares are publicly traded or their fair value can otherwise be measured reliably. Other investments are measured as cost less impairment.

Programme related investments

Programme related investments are made in pursuance of the charity's objects and are not held primarily for financial return. Such investments are stated at cost less any repayment of capital and provision for impairment. Any losses or impairment arising from such investments is charged as part of charitable activities within the Statement of Financial Activities.

Mixed motive investment

Mixed motive investments are made by the charity to generate a financial return and also contribute to the charity's objects. Such investments are valued at fair value which represents the bid price of the investment on the market in which it is listed. Any changes in the fair value of mixed motive investments are recognised in 'net gains / (losses) on investments in the Statement of Financial Activities

Critical accounting judgements and sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical evidence and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Loans

Loans are initially stated at amounts advanced and are subsequently carried at amortised cost using the effective interest method. Loans are assessed for indicators of impairment at each reporting end date, which is classified as a latent provision and is charged as part of charitable activities within the statement of financial activities.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

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

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(Continued...)

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting Policies (Continued...)

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Going Concern

The charity is exposed to risks within the financial lending market in which it operates and is also exposed to risks associated to the general business environment. The directors are aware of the effects of Covid-19 have taken action to minimise any resultant risks wherever possible. The Board is satisfied that there is no reason to believe that the company's current funding and liquidity position is insufficient and are therefore of the opinion that the financial statements should be prepared on a going concern basis.

2. Company Status

The charity is a company limited by guarantee and has no share capital. The members of the company are the trustees named on page one. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

3. Income from donations and legacies

	2020 £	2019 £
Donations	5,014	5,000
Donations – gifts in kind	235,551	195,524
	<u>240,565</u>	<u>200,524</u>

During the year the Charity received an unrestricted donation and gifts in kind from NatWest Group PLC totalling £5,014 (2019 £5,000) and £235,551 (2019 £195,524) respectively. For further details please refer to note eighteen.

4. Income from charitable activities

	2020 £	2019 £
Loans interest receivable	58,661	137,093
Loan administration fees	8,643	9,580
	<u>67,304</u>	<u>146,673</u>

5. Income from investments

	2020 £	2019 £
Dividends receivable	-	525
Bank interest receivable	12,873	25,763
Other interest receivable	-	2,442
	<u>12,873</u>	<u>28,730</u>

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

6. Grants provided during the year	Grants to institutions	Support costs (paid)	Support costs (gifts in kind)	Total
	£	£	£	£
20 th Anniversary Grants	140,000	3,935	58,217	202,152
Coronavirus Response Fund Grants	993,834	35,341	14,534	1,043,709
Customer Grants	263,544	-	-	263,544
Total	1,397,378	39,276	72,751	1,509,405

20th Anniversary grants - were issued to social enterprises, charities and community business across the United Kingdom. The aim of the grant is to fund an innovative new project to help create positive impact for the most disadvantaged, vulnerable people and communities. Full details of the seven 20th Anniversary grants made are available via the Charity's website (www.business.rbs.co.uk/business/loans-and-finance/social-community-capital/anniversary-grants.html) which includes details of the geographical location of recipients and details of each innovative new project.

Coronavirus Response Fund grants - were issued to social enterprises and trading charities that employ people from disadvantaged or vulnerable groups. The aim of the grant is to provide financial assistance to these organisations to reduce the impact of the coronavirus pandemic. The provision of the grant will bridge the income gap and enable the organisations to continue with employment and delivery of vital support service ensuring ongoing positive impact in their communities. Full details of the thirty-three Coronavirus Response Fund Grants made are available via the Charity's website (www.business.rbs.co.uk/business/loans-and-finance/social-community-capital/response-fund.html) which includes details of the geographical location of each recipient and their vital support service and social purpose.

Customer grants - were issued to thirteen existing borrowers who were ineligible for the Coronavirus Response Fund. The aim of the grant is to provide financial assistance to borrowers to pivot their business model to continue delivering impact throughout the lockdown period. The grants include amounts to enable the purchase of IT equipment to enable service users to access support and training following the cessation of face to face meetings. Also, amounts were granted to purchase transport to facilitate the delivery of goods and services to vulnerable isolating clients who were unable to attend the borrowers' premises in person.

7. Provision of loan finance	2020	2019
	£	£
Latent provisioning	213,412	208,574
Insurance	1,180	1,180
Travel	369	-
Marketing and public relations	906	12,884
Legal and professional fees	4,667	(9,733)
Bank charges	1,508	455
Auditors' remuneration	5,480	5,350
Portfolio administrative services and back office support	12,000	12,000
	<u>239,522</u>	<u>230,710</u>
Gifts in kind – Donated bank official time	68,000	72,598
Gifts in kind – Loan Officer and associated costs	94,800	102,926
Gifts in kind – 20 th Anniversary celebrations	-	20,000
Provision of loan finance	<u>402,322</u>	<u>426,234</u>

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

8. Analysis of Resources Expended

	General Support £	Governance Function £	Total £
Insurance	1,180	-	1,180
Marketing and public relations	906	-	906
Travel	369	-	369
Legal and professional fees	20,867	-	20,867
Bank charges	1,508	-	1,508
Agency costs	23,076	-	23,076
Auditors' remuneration	-	5,480	5,480
Portfolio administrative services & back office support	-	12,000	12,000
	<u>47,906</u>	<u>17,480</u>	<u>65,386</u>
Gifts in kind – Donated bank official time	55,034	27,500	82,534
Gifts in kind – 20 th Anniversary grant costs	58,217	-	58,217
Gifts in kind – Loan Officer and associated costs	94,800	-	94,800
	<u>255,957</u>	<u>44,980</u>	<u>300,937</u>

9. Net movement for the year

	2020 £	2019 £
This is stated after charging		
Auditors' remuneration	<u>5,480</u>	<u>5,350</u>

10. Fixed asset investments

	Programme related investment £	Mixed motive investment £	Total 2020 £
Cost or valuation			
At 1 January 2020	247,750	2,357,905	2,605,655
Revaluation	-	236,144	236,144
Disposals	(2,000)	-	(2,000)
At 31 December 2020	<u>245,750</u>	<u>2,594,049</u>	<u>2,839,799</u>
Impairment			
At 1 January 2020 and At 31 December 2020	<u>25,600</u>	<u>-</u>	<u>25,600</u>
Carrying amount			
At 1 January 2020	<u>222,150</u>	<u>2,357,905</u>	<u>2,580,055</u>
At 31 December 2020	<u>220,150</u>	<u>2,594,049</u>	<u>2,814,199</u>

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

Investments comprise of -	Programme related investment £	Mixed motive investment £	Total 2020 £
Investments			
The Charity Bank Limited	40,000		40,000
Black Country Reinvestment Society Limited	20,000		20,000
East Lancashire Moneyline (IPS) Limited	40,000		40,000
Wessex Reinvestment Society Limited	20,000		20,000
The Ethical Property Company Limited	15,750		15,750
Portsmouth Area Regeneration Trust (IPS) Limited	20,000		20,000
ICOF Community Capital Limited	10,000		10,000
Art Share (Social Help Association for Reinvesting in Enterprise) Limited	20,000		20,000
Derby Loans (IPS) Limited	20,000		20,000
London Rebuilding Society Limited	20,000		20,000
East End Fair Finance Limited	20,000		20,000
Equity Investments			
COIF Charity Funds		2,000,000	2,000,000
Total investments	245,750	2,000,000	2,245,750
Provision for Gain / (Impairment)	(25,600)	594,049	568,449
Net book value at 31 December 2020	220,150	2,594,049	2,814,199

The Trustees are of the opinion that fixed asset investments totalling £2,814,199 are disclosed at fair value.

11. Debtors

	2020 £	2019 £
Loan portfolio	2,123,092	2,202,960
Latent provisioning	(905,273)	(691,861)
Accrued loan interest and fees receivable	31,918	22,137
	1,249,737	1,533,236
Accrued bank interest receivable	1,633	1,711
Prepayments	7,884	192
	1,259,254	1,535,139
	2020 £	2019 £
Amounts falling due after more than one year and included in debtors	789,786	578,625

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

12. Summary of capital element of loan portfolio

	2020 £	2019 £
Balance at 1 January 2020	1,533,236	1,755,312
New loans during the year	708,285	804,928
Interest and fees charged	67,304	146,673
Capital, interest and fee repayments	(845,676)	(965,103)
Latent provisioning	(213,412)	(208,574)
Balance at 31 December 2020	<u>1,249,737</u>	<u>1,533,236</u>

Portfolio loans have been made in accordance with the charity's objectives to help local community groups and charities.

13. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	32,584	1,000
Accruals	5,400	5,320
Grants payable	46,420	-
	<u>84,404</u>	<u>6,320</u>

14. Corporation tax

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

15. Trustees emoluments

The trustees did not receive any remuneration during this period (2019 £nil).

Expenses totalling £369 were reimbursed to one trustee during this period (2019 £nil).

16. Funds

The balance of £10,689,494 (2019 £12,044,355) on the unrestricted fund at the balance sheet date was held as follows:

	2020 £	2019 £
Investments	2,814,199	2,580,055
Loan portfolio	1,249,737	1,533,236
Cash at bank	6,700,445	7,935,461
Other debtors	9,517	1,903
Other creditors	(84,404)	(6,320)
	<u>10,689,494</u>	<u>12,044,355</u>

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

16. Funds (Continued...)

	Balance 1 January 2020 £	Income £	Expenditure £	Gains and (losses) £	Balance 31 December 2020 £
Unrestricted funds	<u>12,044,335</u>	<u>320,742</u>	<u>(1,911,727)</u>	<u>236,144</u>	<u>10,689,494</u>

17. Analysis of net assets between funds

	Fixed asset investments £	Net current assets £	Total £
Unrestricted funds	<u>2,814,199</u>	<u>7,875,295</u>	<u>10,689,494</u>

18. The cost of key management personnel

The key management personnel of the charity comprise the trustees, the Chief Executive Officer and the credit panel. The total cost of the key management personnel totals £59,279 (2019: £60,582).

The costs associated to key management personnel have been donated to the charity and therefore have been recognised as a Gift in Kind. For further details please refer to note nineteen.

19. Related Party Transactions

The majority of the Board of trustees are also employees of the NatWest Group PLC, which provided donated income and carried out banking services for the Fund.

Income and expenditure incurred on normal commercial terms relating to NatWest Group PLC during the year ended 31 December 2020 were as follows

	2020 £	2019 £
Income		
Gifts in kind	235,551	195,524
Donation	<u>5,014</u>	<u>5,000</u>
	<u>240,565</u>	<u>200,524</u>
Expenses		
Gifts in kind – Donated bank official time	82,534	72,598
Gifts in kind – Loan Officers and associated costs	94,800	102,926
Gifts in kind – 20 th Anniversary celebrations	-	20,000
Gifts in kind – 20 th Anniversary grant costs	<u>58,217</u>	<u>-</u>
	<u>235,551</u>	<u>195,524</u>

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

20. Events after the end of the period

The financial impact on the charity's investment and loan portfolio as a result of Covid-19 has been considered and the trustees believe that the prudent latent provision included within the Charity's financial statements will assist in maintaining the Charity's unrestricted funds within the level required by the charity's reserves policy.

In addition, the trustees have considered the financial impact of Covid 19 on the Charity's wider beneficiary groups; specifically social enterprises which represent the most marginalised sector of society and those social enterprises reliant upon trading.