

NATWEST SOCIAL & COMMUNITY CAPITAL

(A Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

**BK PLUS AUDIT LIMITED CHARTERED
CERTIFIED ACCOUNTANTS AND
STATUTORY AUDITOR**

NATWEST SOCIAL & COMMUNITY CAPITAL

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FOR THE YEAR ENDED 31 DECEMBER 2022

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NATWEST SOCIAL & COMMUNITY CAPITAL
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

LEGAL STATUS:	Company Limited by Guarantee
TRUSTEES:	Andrew Harrison Ben Smith Debra Phillips Ash Mohammed Parita Doshi Joshua Meek John Dixon
CHIEF EXECUTIVE OFFICER:	Megan Virrels
SECRETARY:	Andrew Perrett
REGISTERED OFFICE:	250 Bishopsgate London EC2M 4AA
REGISTERED COMPANY NUMBER:	03901460 (England and Wales)
REGISTERED CHARITY NUMBER:	1079626
AUDITOR:	BK Plus Audit Limited Chartered Certified 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 2022**

I am delighted to report to you that 2022 was another successful year for NatWest Social & Community Capital across a range of financial and impact objectives, despite the strong headwinds caused by the invasion of Ukraine and the growing cost of living crisis.

As we face into rising food prices and increased financial stress, the role played by social enterprises continues to be as crucial as ever. Our customers face the challenges of energy cost increases and rising inflation with resilience and commitment, remaining laser focused on the delivery of impact as they continue to generate sustainable growth and thriving communities which support and create opportunities for all.

We've enjoyed a strong period of demand for our support, with over £1 million in new loans approved, more than double the total for the prior period. Over the year we have provided funding to a company that provides training and qualifications for children struggling with mainstream schooling; a climbing wall delivering support to excluded youth and a provider of early intervention support to school pupils. We also start 2023 with a robust pipeline, having approved a further two loans in the week before Christmas which we look forward to converting into interest earning assets over the coming year.

As well as financial support, we have continued to link our customers with colleagues from the bank, who have provided support through their skills-based volunteering; amongst other things, carrying out a user experience review of a website and developing business plans and forecasts.

We continue to see a good level of repayment from our existing portfolio which, coupled with the funds advanced over the course of the period has meant that we end the year with a broadly flat balance sheet of drawn assets at £10.7 million; this demonstrates our commitment to recycle the funds repaid, lending them out again to continue to deliver our mission of supporting social enterprises to make a positive impact on UK communities.

As Chair, I am keen to ensure that our strategy remains fit for purpose, that we meet the customer needs and supply gaps identified through our market analysis. Despite the strong performance in lending approvals we continue to hold a significant part of our assets in cash or near cash investments. For the first time this year, we invested in external business development support and are grateful to Bertie Herrtage for his work over the course of the year.

However, as a board of trustees we want to go further. At our strategy offsite in September, facilitated by Good Business, we set ourselves the very ambitious target of becoming a total return focused fund, delivering impact across both our direct lending and our investment portfolio, aiming to be fully invested or committed by the end of our 25th year in 2025. We have commissioned The Change Coefficient to produce a strategy report, to identify the opportunities in the market that will best enable us achieve this objective and continue to support more social enterprises on their journey towards greater financial sustainability, enabling them in turn to drive positive change in UK communities.

We welcomed Josh Meek and John Dixon to the board of trustees in September, to replace Niamh Goggin and Stuart Johnstone, both of whom took the decision to leave us to allow them to focus on demanding new roles. John, our new Bank trustee, brings a wealth of experience in the TMT sector and Josh, who has supported us on the credit panel for some time, will now share his network, sector knowledge and impact measurement expertise with the wider board. I look forward to working closely with them both over the coming years.

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 2022. 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 2023.

Andrew Harrison
Chair of Trustees

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT****FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022.

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 NatWest Group 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, providing skills based support to our customers and assisting our work in innumerable other ways.

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****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 sixth customer survey and published its seventh social impact report, developing 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. The cost of living crisis and the economic impacts of the invasion of Ukraine have resulted in subdued appetite across the sector, although we have approved loans to nine social enterprises, representing eight new customers for the charity.

Financial Review

We approved loans of £1,048,000 over the course of the year, advancing loan funds of £496,942 by year end, broadly matching the loan repayments received from our existing clients resulting in a largely static portfolio value.

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, coupled with the economic consequences of the Ukraine invasion and subsequent cost of living crisis 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 the subsequent economic uncertainty, exacerbated by the war in Ukraine and rise in energy and food prices 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. £594,260 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

NatWest S&CC's purpose is to provide community business investment to social enterprises, charities, community interest companies and co-operatives who are unable to access sufficient mainstream finance and who are delivering impact in our priority areas. Where capital is not yet committed for this purpose, we seek to protect against inflation, cover operating costs, subsidise the risk / return taken on committed capital and, where possible, provide surplus to create a budget for "Special Initiatives", which may include repayable grants and consultancy. Uncommitted capital will be held within responsible investment structures which act to avoid harm to society and the environment. The investment sub-committee, under delegated authority from the Board, is carrying out a review of our investment policy to focus on a total return strategy, aiming to deliver impact across both direct lending and the investment portfolio. It is likely that we will go out to tender for advice to help us deliver on these ambitions in 2023.

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****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 2022 the Charity's unrestricted reserves totalled £10,776,914. At this date the value of funds committed to investments and loan portfolio total £3,764,288 and available cash reserves total £7,012,626.

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; we aim to have all funds committed by year end 2025. 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 NatWest Group 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.

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

Andrew Harrison

Ben Smith

Debra Phillips

Ash Mohammed

Parita Doshi (appointed 29 March 2022)

Joshua Meek (appointed 14 September 2022)

John Dixon (appointed 14 September 2022)

Stuart Johnstone (resigned 22 June 2022)

Niamh Goggin (resigned 13 January 2023)

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2022**

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 Charity 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 Boards 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.

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 finance and risk, board development and marketing and communications 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 fortnightly 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 NatWest Group 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 2022 and prior years.

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****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 2022. The full-time staff working for the charity are paid by NatWest Group 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.

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).

NATWEST SOCIAL & COMMUNITY CAPITAL**TRUSTEES' REPORT (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

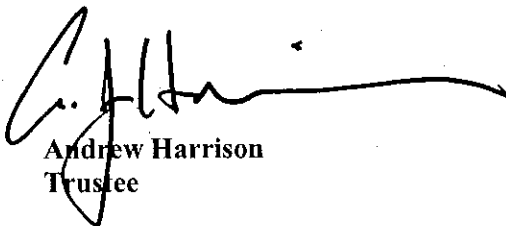
In so far as the trustees are aware:

- 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 BK Plus Audit Limited be re-appointed as auditor of the charity will be put to the Trustees.

Approved by the trustees on 12 July 2023 and signed on their behalf by



Andrew Harrison
Trustee

NATWEST SOCIAL & COMMUNITY CAPITAL**CHIEF EXECUTIVE OFFICER'S REPORT****FOR THE YEAR ENDED 31 DECEMBER 2022**

As the economic uncertainty provoked by the Ukraine invasion impacted food and fuel prices, causing a cost of living crisis, the services that our customers, social enterprises and trading charities, provide remain crucial to supporting many within our communities. Social issues such as inequality and inclusivity remain at the forefront of our awareness as rising food and fuel prices hit some of the most vulnerable in our society the hardest.

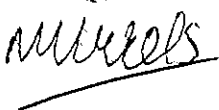
We continue to be amazed by the resilience and fortitude shown as our customers once again respond to the challenges facing them. As ever, during the course of our work, we meet so many amazing organisations delivering impact in a variety of ways; providing leadership and resilience training to young people in a sports-based environment, safeguarding local assets and regenerating community spaces, developing affordable housing and using the rental receipts to support young people in education and delivering early intervention mental health support in schools. These are just some of the customers we've worked with over the course of the year and as always, 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.

In 2022 S&CC approved ten new facilities of over £1 million to nine enterprises, eight of whom are new customers. 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. Following a strategy review, 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.

Looking ahead, we are continuing to invest in strategic projects to both build our operational efficiency and generate more business. This year we completed the move of our back-office to a different service provider which offers more functionality to support our customers; transferring over all the loans, ensuring that the direct debits were set up to collect and the loan interest records correctly was a major project which we completed without additional resource, so my thanks are due to the team for their hard work and diligence in ensure all went (mostly) smoothly. Over the course of the year, we have supported 280 social entrepreneurs through direct mentoring, provision of volunteer support and through delivery of webinars and seminars.

We also continue to invest in our communications to ensure that more social enterprises are aware of the support we can provide. We have produced a further two videos showcasing our amazing clients and the great work that they do, as well as a 'This is us' video introducing S&CC and how we can help. I am also very proud to say that we won the Nationwide Social Lender of the Year in the UK Enterprise Awards 2022, the Social Lender of the Year in the LiveWire Global Awards 2022/23 and were shortlisted in the Social Investment Deal of the Year category at the 2022 SEUK awards.

Without the support of the board and the army of volunteers from inside and outside the bank, none of this would happen. Thanks are owed to them, as well as to Julie Baker and 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. Jack Graham for his work on marketing and comms, Natalie Richards for helping with the back office transformation, Louisa Hungate for her work on impact and pricing and Ania Soleimani for support on the strategy review. Thanks finally to Brendan and Tracy for keeping the show on the road!



Megan Virrels
Chief Executive Officer

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF NATWEST SOCIAL & COMMUNITY CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2022**

Opinion

We have audited the financial statements of NatWest Social & Community Capital ('the charitable company') for the year ended 31 December 2022, 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 thirteen to twenty-three. 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 2022, 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 2022

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 eight, 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 2022

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.

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 the latent provision 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.

BK Plus Audit Limited

Paul Mannion FCA FCCA (Senior Statutory Auditor)

For and on behalf of BK Plus Audit Limited,

Chartered Certified Accountants

Statutory Auditor

2 Highlands Court

Cranmore Avenue

Solihull

B90 4LE

12 July 2023

NATWEST SOCIAL & COMMUNITY CAPITAL

STATEMENT OF FINANCIAL ACTIVITIES
(Including Income and Expenditure Account)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Unrestricted Funds 2022 £	Unrestricted Funds 2021 £
Income:			
Donations and legacies	3	162,045	163,868
Income from charitable activities:			
Provision of loan finance	4	69,998	103,369
Income from investments	5	13,839	593
Total income		<u>245,882</u>	<u>267,830</u>
Expenditure:			
Expenditure on Charitable activities:			
Grants	6	-	7,692
Provision of loan finance	7	220,711	338,673
Total expenditure		<u>220,711</u>	<u>346,365</u>
Net surplus/(deficit)		25,171	(78,535)
Net gains/(losses) on investments	10	<u>(294,068)</u>	<u>434,852</u>
Net movement in funds during the year		<u>(268,897)</u>	<u>356,317</u>
Reconciliation of funds			
Total funds brought forward		11,045,811	10,689,494
Total funds carried forward	16	<u>10,776,914</u>	<u>11,045,811</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 2022

	Note	2022 £	2021 £
Fixed assets			
Fixed asset investments	10	2,954,983	3,249,051
Current assets			
Debtors falling due within one year	11	84,452	225,254
Debtors falling due after one year	11	726,897	523,538
Cash at bank and in hand		<u>7,018,582</u>	<u>7,054,668</u>
		7,829,931	7,803,460
Liabilities			
Creditors falling due within one year	13	<u>(8,000)</u>	<u>(6,700)</u>
Net Current Assets		7,821,931	7,796,760
Net assets		<u>10,776,914</u>	<u>11,045,811</u>
The funds of the Charity			
Unrestricted funds	16	10,776,914	11,045,811
Total Charity funds		<u>10,776,914</u>	<u>11,045,811</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 trustees on 12 July 2023 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 2022

1. Accounting Policies

a) Basis of Preparation

The financial statements of the charitable company, which is a public benefit entity as defined by FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) '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) (effective 1 January 2019)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', 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.

The charitable company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- The requirements of Section 7 Statement of Cash Flows

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.

(Continued...)

NATWEST SOCIAL & COMMUNITY CAPITAL**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2022****1. Accounting Policies**

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.

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.

(Continued...)

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies (Continued...)

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.

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.

Repayable Grants

These grants contain a contingent clause relating to their repayment terms. These payments will be treated as a grant in the Statement of Financial Activities until it is virtually certain that the criteria to become repayable are met. The payment will then be reversed from the Statement of Financial Activities and included within the loan portfolio and recognised as a debtor.

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

	2022 £	2021 £
Donations	5,000	5,000
Donations – gifts in kind	157,045	158,868
	<u>162,045</u>	<u>163,868</u>

During the year the Charity received an unrestricted donation and gifts in kind from NatWest Group PLC totalling £5,000 (2021 £5,000) and £157,045 (2021 £158,868) respectively. For further details please refer to note nineteen.

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

4. Income from charitable activities

	2022 £	2021 £
Loans interest receivable	69,998	100,819
Loan administration fees	-	2,550
	<u>69,998</u>	<u>103,369</u>

5. Income from investments

	2022 £	2021 £
Bank interest receivable	13,839	593
	<u>13,839</u>	<u>593</u>

6. Grants provided during the year

	Total 2022 £	Total 2021 £
Coronavirus Response Fund Grants	-	7,692
Total	<u>-</u>	<u>7,692</u>

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

7. Provision of loan finance	2022 £	2021 £
Latent provisioning	1,205	137,894
Insurance	1,563	1,455
Marketing and public relations	265	9,144
Legal and professional fees	7,020	11,825
Consultancy	19,244	-
Sundry expenses	35	154
Bank charges	140	494
Auditors' remuneration	7,000	6,839
Portfolio administrative services and back office support	27,194	12,000
	63,666	179,805
Gifts in kind – Donated bank official time	64,648	68,072
Gifts in kind – Loan Officer and associated costs	92,397	90,796
Provision of loan finance	220,711	338,673

8. Analysis of Resources Expended

	General Support £	Governance Function £	Total 2022 £	Total 2021 £
Insurance	1,563	-	1,563	1,455
Marketing and public relations	265	-	265	9,144
Legal and professional fees	26,264	-	26,264	11,825
Sundry expenses	35	-	35	154
Bank charges	140	-	140	494
Agency costs	-	-	-	7,692
Auditors' remuneration	-	7,000	7,000	6,839
Portfolio admin services & back office support	-	27,194	27,194	12,000
	28,267	34,194	62,461	49,603
Gifts in kind – Donated bank official time	37,148	27,500	64,648	68,072
Gifts in kind – Loan Officer and associated costs	92,397	-	92,397	90,796
	157,812	61,694	219,506	208,471

9. Net movement for the year

This is stated after charging

	2022 £	2021 £
Auditors' remuneration	7,000	6,839

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

10. Fixed asset investments

	Programme related investment	Mixed motive investment	Total 2022
	£	£	£
Cost or valuation			
At 1 January 2022	240,150	3,028,901	3,269,051
Revaluation	-	(294,068)	(294,068)
At 31 December 2022	<u>240,150</u>	<u>2,734,833</u>	<u>2,974,983</u>
Impairment			
At 1 January 2022 and			
At 31 December 2022	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Carrying amount			
At 1 January 2022	<u>220,150</u>	<u>3,028,901</u>	<u>3,249,051</u>
At 31 December 2022	<u>220,150</u>	<u>2,734,833</u>	<u>2,954,983</u>

Investments comprise of -

	Programme related investment	Mixed motive investment	Total 2022
	£	£	£
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	<u>245,750</u>	<u>2,000,000</u>	<u>2,245,750</u>
Provision for Gain / (Impairment)	<u>(25,600)</u>	<u>734,833</u>	<u>709,233</u>
Net book value at 31 December 2022	<u>220,150</u>	<u>2,734,833</u>	<u>2,954,983</u>

The Trustees are of the opinion that fixed asset investments totalling £2,954,983 are disclosed at fair value.

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

11. Debtors

	2022 £	2021 £
Loan portfolio	1,395,151	1,648,995
Latent provisioning	(594,260)	(920,250)
Accrued loan interest and fees receivable	8,414	18,282
	809,305	747,027
Accrued bank interest receivable	1,782	1,513
Prepayments	262	252
	<u>811,349</u>	<u>748,792</u>
	2022 £	2021 £
Amounts falling due after more than one year and included in debtors	<u>726,897</u>	<u>523,538</u>

12. Summary of capital element of loan portfolio

	2022 £	2021 £
Balance at 1 January 2022	747,047	1,249,737
New loans during the year	496,942	115,000
Interest and fees charged	69,998	103,369
Capital, interest and fee repayments	(503,477)	(583,185)
Latent provisioning	(1,205)	(137,894)
Balance at 31 December 2022	<u>809,305</u>	<u>747,027</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

	2022 £	2021 £
Trade creditors	-	1,000
Accruals	8,000	5,700
	<u>8,000</u>	<u>6,700</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.

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

15. Trustees emoluments

The trustees did not receive any remuneration during this period (2021:nil).

Expenses totalling £nil were reimbursed to trustees during this period (2021:nil).

16. Funds

The balance of £10,776,914 (2021 £11,045,811) on the unrestricted fund at the balance sheet date was held as follows:

	2022 £	2021 £
Investments	2,954,983	3,249,051
Loan portfolio	809,305	747,027
Cash at bank	7,018,582	7,054,668
Other debtors	2,044	1,765
Other creditors	(8,000)	(6,700)
	<u>10,776,914</u>	<u>11,045,811</u>

	Balance 1 January 2022 £	Income £	Expenditure £	Gains and (losses) £	Balance 31 December 2022 £
Unrestricted funds	<u>11,045,811</u>	<u>245,882</u>	<u>(220,711)</u>	<u>(294,068)</u>	<u>10,776,914</u>

17. Analysis of net assets between funds

	Fixed asset investments £	Net current assets £	Total £
Unrestricted funds	<u>2,954,983</u>	<u>7,821,931</u>	<u>10,776,914</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 £58,373 (2021: £59,921).

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.

NATWEST SOCIAL & COMMUNITY CAPITAL

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 were as follows

	2022 £	2021 £
Income		
Gifts in kind	157,045	158,868
Donation	<u>5,000</u>	<u>5,000</u>
	<u>162,045</u>	<u>163,868</u>
Expenses		
Gifts in kind – Donated bank official time	64,648	68,072
Gifts in kind – Loan Officers and associated costs	<u>92,397</u>	<u>90,796</u>
	<u>157,045</u>	<u>158,868</u>