



Adventure Capital Fund

(A Company Limited by Guarantee)

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2011



Charity no 1117185

Company no 5777484

Officers and Professional Advisers

Company Registration Number.

5777484

Date of Incorporation.

11 April 2006

Charity Registration Number

1117185

Registered Office

**5th Floor, 6 St Andrew Street
London, EC4A 3AE**

**Board of Trustees
(Trustees and Directors)**

Sir Stephen Bubb (Chair)	Dame Denise Platt
Saeeda Ahmed	John Tizard
Mike Baker	Anne Tutt
Anthony Cann	Fred Worth
Simon Davidson	Steve Wyler OBE

Chief Executive

Jonathan Lewis

Company Secretary

Jane Newman

Bankers

**Bank of Ireland plc
20 Berkeley Square, London, W1J 6LL**

**Co-operative Bank
80 Cornhill, London, EC3V 3NJ**

**Lloyds TSB Bank plc
Faryners House
25 Monument Street, London, EC3R 8BQ**

Solicitors

**Bates Wells & Braithwaite LLP
2-6 Cannon Street, London, EC4M 6YH**

Auditors

**PricewaterhouseCoopers LLP
Chartered Accountants, Statutory Auditors
7 More London Riverside, London, SE1 2RT**

Group companies: Adventure Capital Fund (ACF), the ultimate parent company, a charity and company limited by guarantee, The Social Investment Business Limited (SIB), a company limited by guarantee and wholly owned by ACF. SIB is the sole member of Futurebuilders England Limited (FBE), a company limited by guarantee, The Social Investment Business Trading Company Limited (dormant) and The Third Sector Bidding Company Limited (dormant)

Officers and Professional Advisers Continued

Sir Stephen Bubb, Trustee & Chair	Sir Stephen is Chief Executive of ACEVO, the Association of Chief Executives of Voluntary Organisations and Secretary General of Euclid Network, the network for third sector leaders in Europe. Sir Stephen is also Chair of The Social Investment Business Limited, ACF's wholly owned subsidiary. Sir Stephen was knighted in 2011 for his services to the civil society sector.
Saeeda Ahmed, Trustee	Saeeda established Trescom in 2001, as a 'community regeneration company' and social enterprise that works on improving economic, social and civic inclusion and accessibility for diverse groups in society. Saeeda is a Social Enterprise Ambassador for the Cabinet Office.
Mike Baker, Trustee & member of the ACF and Communitybuilders Investment Committees	Mike is Chief Executive of The Social Enterprise Loan Fund (TSELF), formerly known as the Local Investment Fund, a founder member of the Adventure Capital Fund.
Anthony Cann, Trustee & member of the ACF and Communitybuilders Investment Committees, Group Finance Committee and Audit & Compliance Committee	Anthony is a solicitor, now non-practising, and was from 2001-2006 the worldwide Senior Partner of Linklaters, an international law firm. He is also a Director of Smiths News PLC and of Panmure Gordon & Co plc and was Chairman of Changing Faces 2007-09. Anthony is also a Director of The Social Investment Business Limited.
Simon Davidson, Trustee, Vice Chair, Chair of Audit & Compliance Committee	Simon is a private equity investor in the retail, consumer and leisure sectors. He currently works for Exponent Private Equity, having previously worked for Apax Partners. His investments have included Travelex, Somerfield, Dreams, Radley, Quorn Foods and the Ambassador Theatre Group. Simon is also a Director of The Social Investment Business Limited.
Ben Hughes, Trustee - Resigned 26/01/11	Ben Hughes was Chief Executive of bassac, a membership organisation of over 90 community based organisations nationwide. Ben has been actively involved in a range of sector development programmes and community policy work and is a member of a number of government advisory groups and taskforces. Ben has over 20 years' experience of working in the voluntary and community sector including environmental organisations and community arts and advice.

Russ Peters, Trustee & member of Audit & Compliance Committee – Resigned 01/04/11	Russ is a former Main Board Director of P&O Russ is also a Director of The Social Investment Business Limited
Dame Denise Platt, Trustee and member of Remuneration Committee	Denise has held a variety of posts both nationally and locally, in local government and social care. She has wide ranging interests in the civil society and public sectors. Until recently she was Chair of the Commission for Social Care Inspection, she was a member of the Audit Commission and the Chair of the Local Innovation Awards Scheme. She is a Trustee of the Lloyds TSB Foundation and a member of the Committee on Standards in Public Life.
John Tizard, Trustee and Chair of Remuneration Committee	John is Director of the Centre for Public Service Partnerships (CPSP@LGIU). John is a member of the Independent Advisory Panel for the Local Government Innovations Scheme and an honorary Senior Fellow at the University of Birmingham. John is also a Director of The Social Investment Business Limited.
Anne Tutt, Trustee and Treasurer, member of the ACF and Communitybuilders Investment Committees, Audit & Compliance Committee, and Chair of the Group Finance Committee	Anne is an experienced Finance Director currently with a portfolio of consulting / non-executive interests across the government, social enterprise and private sectors. Anne is also a Director of The Social Investment Business Limited.
Fred Worth, Trustee & Chair of the ACF and Communitybuilders Investment Committees, member of the Group Finance Committee and Audit & Compliance Committee	Fred was most recently Finance Director of two start-up technology businesses and is a Non-Executive Director of North Staffs Combined Healthcare NHS Trust, a Trustee of Royal Mencap and is also a Director of The Social Investment Business Limited.
Steve Wyler OBE, Trustee	Steve is Director of Locality (formerly the Development Trusts Association), a founder member of the Adventure Capital Fund. Steve was awarded an OBE in 2011 for his work for the UK charitable sector.
Jonathan Lewis, Chief Executive	Prior to joining ACF Jonathan was Director of ITV Digital Channels. Jonathan is also Chief Executive of Futurebuilders England Ltd, Chairman of SOVA and a Trustee of Royal Free Hampstead NHS Trust.
Jane Newman, Director of Governance and Company Secretary	Prior to joining ACF Jane was a Partner of international law firm Simmons & Simmons LLP.

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Message from the Chairman

A good year for the Adventure Capital Fund and our wider Social Investment Business

We have a clear vision and ambition for our sector - a strong, well capitalised and thriving civil society, enriching the lives of the people and the communities it serves.

I have been pleased to see that over the last year strong progress has been made across all the funds we manage, as well as a number of exciting developments that are enabling us to identify new opportunities to support the sector through social investment. That all this has been achieved in a challenging economic environment is evidence of the sector's appetite for loan finance.

Without a doubt the most rewarding and significant development this year has been the Department for Communities and Local Government (DCLG)'s endowment of the Communitybuilders Funds to ACF. I paid public tribute to the Minister, Greg Clark MP, who so readily listened to the case I made to him and recognised the potential of an endowment.

This decision will create new opportunities for investment into community enterprise. It will allow us to continue to invest and reinvest in such groups and also leverage additional finance from trusts, foundations, philanthropists and commercial lenders. The endowment is testament to the success of the Fund and of the efficacy of the 'engaged investor' approach which ACF pioneered and the wider group brought to scale.

The year has also seen excellent performance across all the Funds the group manages and unstinting demand for social investment, despite the tough economic climate. The loan books across all of the three Funds that the group manages, as well as ACF's own and more established loan book, have matured, underpinned by our successful 'engaged investor' model.

We have continued to manage ACF's own Fund by supporting existing investments and making a small number of new investments and there have been very positive developments on all the other Funds managed by the group, with the Department of Health's Social Enterprise Investment Fund budget confirmed and the Cabinet Office Futurebuilders Fund contract extended.

The year marked the final year of disbursement for the Futurebuilders Fund contract. As I noted in last year's annual report, the Fund was fully committed by the end of the last financial year – illustration of the sector's high demand for loan finance. It is noteworthy that this year, almost all of the funds committed were disbursed. The group also exceeded all the KPIs set by the Cabinet Office. Particularly significant is performance against the KPI on public service delivery contracts won by investees, which we exceeded by more than 25%. The Futurebuilders Fund was designed to test the hypothesis that charities and social enterprises that were unable to secure loan finance from commercial banks could use such finance to win and deliver public sector contracts. Now that all the Futurebuilders funds are disbursed, it is right to pause and reflect on the success of the Fund, the difference it has made to the organisations it has supported and, most importantly, its impact on the communities and individuals that these organisations support.

I am delighted that at the end of this financial year we have just signed an extension of the Futurebuilders contract with the Cabinet Office, a contract to manage the loan book and returns for the next two years.

Message from the Chairman continued

The SEIF, which we manage on behalf of the Department of Health, has also had a successful year. The inevitable pause caused by the General Election did not dent applicants' interest in the Fund in what is a growing delivery area for the sector. Indeed, at the request of the Department of Health, we committed and disbursed an additional £12m to the original budget for the year. As the financial year drew to a close, the Secretary of State for Health announced funds for this coming year. At a time of considerable public spending cuts, this is welcome news for the sector.

While we are proud of our achievements and the support we give civil society organisations of all descriptions – charities, social enterprises, community groups, mutual and cooperatives – we remain unapologetically ambitious for the sector, and the group continues to explore ways in which we can bring more investment and capital into the sector. The UK social investment market, though still relatively young, has had a fast moving evolution. But there is still much that can be done to maximise the potential of social investment to transform organisations and the lives these organisations support. We look forward to working with our partners, stakeholders and investees to build on our success, strengthening an increasing number of organisations so they can help more people, in better ways, for the long term.

The establishment of the Big Society bank is another great opportunity for loan finance for the sector. I have been in discussion with key players on how to make it work well, drawing on the ACF group's considerable experience of loan finance.

Of course, none of this would be possible without the energy, commitment and skills of our Board and staff, my thanks to them all.



Sir Stephen Bubb
Chairman

23 June 2011

Report of the Board of Trustees

The Board of Trustees of the Adventure Capital Fund (ACF) present their report together with the audited group financial statements for the year ended 31 March 2011 in accordance with the Companies Act 2006 and the company's governing documents. These statements have been prepared under the Guidelines in the Accounting and Reporting by Charities: Statement of Recommended Practice, 2005 (Charities SORP).

The information on officers and professional advisers on page 1 forms part of this report

Objectives and Activities

ACF invests in community enterprises across England and has pioneered the use of loan and grant finance and support in making investments in community organisations. Our experience of supporting over 300 community enterprises since 2003 gives us a unique insight into the needs of these organisations.

SIB holds fund management contracts but does not employ any staff. It formally sub-contracts delivery of funds under management to its subsidiary undertaking, FBE.

The group has a clear vision – a strong, well-capitalised and thriving civil society that enriches the lives of the people and communities it serves.

Its mission is to

- have a transformative effect on the sector, strengthening it at both the organisational and strategic level so that it is more sustainable and valued in public sector delivery,
- bring more money into the sector, to meet the high demand for social investment and to support this with knowledge and expertise, and
- be a thought leader for social investment, based on our demonstrable success in helping third sector organisations of all sizes do more of what they do best.

Charitable Objects and Planned Activity

As stated in the Articles of Association, the objects for which ACF is established for the public benefit are

- the making of social investments by means of loans, grants, guarantees, equity, near equity or other financial interventions or assistance to charities or for charitable purposes; and
- promoting the efficient and effective application of charitable resources by those charities and for charitable purposes by the provision of financial advice, support and related assistance to charities and for charitable projects in relation to such loans, grants, guarantees, equity, near equity or other financial interventions and social investments.

Report of the Board of Trustees continued

These objects are pursued both through ACF, the parent charity and the other companies in the group, The Social Investment Business Limited (SIB), and Futurebuilders England Ltd (FBE) Whilst ACF's focus is on investment in community organisations via its own funds and the Communitybuilders Fund, both SIB and FBE have a broader remit and invest in and provide support to a wider grouping of civil society organisations with the particular aim of helping build a strong and well capitalised civil society sector

Our main activities through which we seek to achieve these objects are

- **Investing in community-based enterprises.** ACF's investments are a mixture of loans and grants and they are made in locally-led, neighbourhood-based community organisations seeking to generate unrestricted income. This activity is delivered through ACF's own funds, which now include the Communitybuilders Fund, specific aims for the year were to deliver, successfully, the Communitybuilders Fund and meet the commitment targets,
- **Engaged investing** and providing support to new and existing investees to make sure that they are well placed to make the most of the opportunities that our investments provide and build the foundations they need to become strong sustainable businesses, the specific aim for the year was to continue to support our existing investment portfolio under both the ACF and Communitybuilders Funds,
- **Activities of other companies in the group** (SIB and FBE) SIB manages two fund management contracts on behalf of Government departments. The Futurebuilders Fund is managed on behalf of the Office for Civil Society (OCS) and the Social Enterprise Investment Fund (SEIF) is managed on behalf of the Department of Health (DoH), with daily operations sub-contracted to FBE. FBE also provides fund management services to ACF for the Communitybuilders Fund. The group is also developing new areas of business and products to strengthen the sector through SIB and its subsidiaries.

These activities are also designed to meet our strategic objective of strengthening community organisations and supporting them to deliver maximum public benefit. To achieve this we also aim to be recognised as a leading investor in community enterprise, have excellent relationships with all key relevant stakeholders and be recognised as an authoritative voice on community enterprise.

In 2009/10 ACF also set two other annual objectives which were to explore new opportunities for partnership and collaboration and to identify and pursue new sources of funding. These objectives are being developed alongside our main priority which has been to concentrate on our existing investments and funds under management to ensure continuity and successful delivery in a difficult economic climate. We will continue to focus on these additional objectives in the coming year.

Endowment of the Communitybuilders Fund

A significant achievement, which came to fruition in the last month of the financial year, was confirmation by DCLG that the Communitybuilders scheme will continue into the next financial year and beyond, through endowment of the Fund to ACF. The Fund will now be owned and managed by ACF which will enable the Communitybuilders Fund to operate for the foreseeable future and to ensure stable and continued management.

Report of the Board of Trustees continued

Under the endowment, ACF will be able to take a longer term view of investments and will ensure that they can be made and disbursed over timescales which meet the needs of community groups and the complex projects they are undertaking

As well as allowing long-term flexibility for investing in community organisations, the endowment of the Fund is endorsement of ACF's pioneering model of social investment over the last decade and supports achievement of our strategic objectives. It increases the funds available for long term investment by us in community enterprise, allowing us to continue building our knowledge and expertise on supporting successful community enterprises and is also an acknowledgement of ACF's success in delivering the Fund to date

Under the endowed fund, loan repayments can be recycled back into the sector through new investment activity. It allows us to run the Fund with greater efficiency through long-term financial planning, and delivering value for money. We believe this makes the Fund attractive to other investors also seeking to support sustainable communities and we will be pursuing fund-raising opportunities to enhance the Fund's impact.

Investing in Communities

We make investments in community organisations, within our charitable objectives, to enable them to become strong sustainable profit-making enterprises that are well equipped to use these profits to deliver and provide activities and services needed by, and in close proximity to, those living and working in the neighbourhoods they serve. Our investments enable organisations to take over and manage assets, identify and deliver new services and develop multiple sources of income. We provide loan and grant finance to support capital works and working capital needs as well as grants to help organisations develop and plan their business ideas. We also provide support to our investees to help them implement and make a success of their enterprise activities.

Both the ACF and Communitybuilders Funds invest in local community led organisations through a mix of loan and grant with advisory support. The purpose of both Funds is to enable the organisations to provide services and resources which promote cohesion and regeneration in their local communities and to steer away from grant dependencies by developing income streams. The investments we make often act as a lever for organisations to raise funds from other sources, acting either as the first or last brick in complex funding packages. ACF's leverage record, in particular, is one we are proud of and the endowment of the Communitybuilders Fund, and the increased flexibility it brings to timescales, will enable us to continue to use our funds to achieve maximum leverage.

One new investment was made from the ACF Fund in the current financial year bringing the total number of organisations receiving main investments since inception to over forty. In addition seven organisations in the existing portfolio have received further investments either to expand their services or to help them through the difficult economic period.

Communitybuilders - We have performed well against our commitment targets for the year, although achievement of the annual target was affected by inevitable delays in the first half of the year in the period leading up to the General Election and afterwards, following the change in Government and the resulting review of funding priorities. It was further impacted by a change in Departmental practice resulting in less flexibility for the programme, with all commitments in the year to be disbursed to investees before year end.

Report of the Board of Trustees continued

This meant that many organisations that might have applied for funds were no longer able to do so as they would not have met the new disbursement timescales. Despite these challenges we were still able to commit a large proportion of the funds to neighbourhood-based locally led community organisations, in the form of development support, feasibility grants or as a main investment (comprising loans and grants).

At a time when many organisations are struggling to deal with the impact of public sector cuts including reduced grant aid we see the investments we have made to date through both ACF and Communitybuilders Funds as important mechanisms for helping organisations to generate new and diverse sources of income and a means for them to deliver public benefit.

The remainder of this section provides some illustrative case studies of organisations we have invested in and the public benefit delivered by our investments.

Bootstrap Company During the year we were pleased to be able to agree a further investment of ACF Funds of £25,000 to help Bootstrap carry out capital works to enhance its roof garden which is a major draw for the local community. Bootstrap Company manages three buildings leased from Hackney Council which together house 60 community and small business organisations, providing over 400 jobs. Two years ago, Bootstrap was struggling with cash flow and a need to carry out long overdue building improvements. ACF stepped in with investments to the value of £379,540 (loans and grants) to enable them to carry out the building works and reduce the pressures on their cash flow. Alongside the investment we have provided support on business planning and governance. Today, Bootstrap management has been strengthened and it has a promising future with new projects and increased engagement with the local community. It has 100% occupancy of its managed workspace and is anticipating substantially increased operating surpluses this year, some of which it will invest in community activities such as Hackney Pirates, an innovative education project developing literacy and creativity in young people.

E:merge Through a survey conducted in May 2010, we found that the ACF Business Development Grant programme, which provided grants to help community organisations develop their business ideas and which had run for the previous six years, had enabled a majority of recipients to raise further investment because of the work they had carried out with the grant. In some cases, this was in the form of a Main Investment from ACF or Communitybuilders.

One such example is E:merge which works with young people in an area of Bradford which has a larger than average number of people under the age of 19, with high unemployment and a mixed ethnic community. E:merge helps young people to improve their lives through training and employment. Many of the young people work as volunteers and have become members of staff as well as participants. In 2008, ACF awarded E:merge a business development grant to enable it to commission a detailed proposal to develop its building. Following completion of this work, E:merge was successful with its application to ACF for a main investment of £50,000 to undertake the next phase of the capital works which would allow it to develop its education work with permanently excluded students.

Hebden Bridge Community Association (HBCA) A Communitybuilders investment has helped Hebden Bridge, a small rural town in West Yorkshire, which had lost a number of its community buildings and services due to local government re-organisation some years ago. Led by a group of local residents, HBCA was established to take on the ownership and management of the old Victorian town hall following its transfer by the Council.

Report of the Board of Trustees continued

In a previous year, HBCA received a business development grant from ACF to help with the preparatory work needed for the asset transfer which took place in April 2010. The organisation subsequently applied for and received a feasibility grant (£75,000) in 2009/10 and then a main investment (£2m) from the Communitybuilders Fund in this financial year to help with the refurbishment and extension of the town hall which, once completed, will act as a community hub from which HBCA can provide much needed facilities and services for the local community and businesses.

These case studies show how social investment offered by ACF's group of Funds can help local communities to take over and manage community assets, provide services of value and in close proximity to those living and working in the area, and in doing so deliver considerable public benefit. ACF's role as an engaged investor is key to the success of these organisations.

Engaged Investing

Engaged investing is integral to all stages of our investment process, from application through to portfolio management, and is central to our investment strategy for both the ACF and Communitybuilders Funds.

For Communitybuilders, with an investment portfolio still in its infancy, engaged investing during the year was primarily focused on the application stage and support to community organisations undertaking large capital projects. Over the next year, whilst we will continue to make new investments, we will also provide on-going support through portfolio management of existing investments.

The organisations supported from ACF's existing funds are of a greater maturity in investment terms and the way in which we engage with them has developed and changed over time. The focus of the year has been on supporting the stabilisation and growth of these investments. At the year end we had an active portfolio of 33 organisations many of whom have been adversely affected by the unfavourable economic climate and public sector cuts. As an engaged investor we seek to help organisations to review their business model and identify solutions to the problems they are facing.

We can support organisations in a number of ways, through investment restructuring, or through providing support or additional finance (see below) and we have been reviewing these to ensure that they are fit for purpose in the current economic climate.

Investment Re-structuring

Re-structuring an investment can include

- Suspension of interest and/or capital payments for a period of time
- Reviewing the conditions attaching to a loan e.g. in the event of structural changes proposed by an organisation
- Extension of a loan term

These measures can give an organisation breathing space in which to strengthen its cash flow or develop a new income strand. Most re-structures also involve the organisation taking a long hard look at its operations and, often, making tough decisions to ensure the long term viability of the organisation. We do not re-structure investments unless the board and senior staff buy into the need for them to make organisational change where needed alongside re-structuring. Currently, eight out of thirty three investees have had their investments restructured, which has allowed them much needed breathing space.

Report of the Board of Trustees continued

Further investment

Further investment can have two main purposes – stabilisation of those organisations that are struggling due to the financial climate, and expansion for those that have identified new business opportunities. In the last year we have made further investments in seven organisations. This includes a further investment in Bootstrap Company, details of which are in the section above

Support

Of our portfolio of 33 organisations, 20 have received regular support in the last year. As well as providing investees with a dedicated supporter to work with the organisation, ACF can also take the engaged investor approach a step further by providing funds for interim management or specialist support e.g. financial expertise, which it has done on several occasions during the year ended 31 March 2011

We maintain regular contact (phone calls, emails and visits) with all our investees and receive a range of information, particularly financial, which can also act as early warning indicators and help us to identify the best way in which we can support our investees to address the issues they are facing

Whilst the details of investments that we have restructured during the year are of necessity confidential we present here two examples of the success of the engaged investor approach. **Alt Valley Community Trust (AVCT)** and **Burton Street Foundation** have both been successful in winning investments from several funds across the Group in past years, and continued to receive support during the year

AVCT was established 20 years ago and is located in an economically deprived area of Liverpool where, in partnership with Neighbourhood Services Company and Neighbourhood Services Company Training, it owns and manages a number of community facilities in the neighbourhood bought with investments from ACF, Communitybuilders, Futurebuilders and SEIF. These buildings provide sports and leisure facilities, a farm, catering services and a range of training programmes as well as space for the local community to meet. Between them, the three organisations employ over 120 people, provided 230 paid training opportunities via the Future Jobs Fund and have a combined turnover in excess of £3 million proving that community organisations can become self-financing. This represents a 37% increase in turnover since ACF first invested in the group of companies in 2003. For the local community, this growth has resulted in better and more diverse training, education and community facilities and a greater chance of securing employment.

Burton Street Foundation (BSF) was an organisation which was struggling to stay afloat but is a great example of what can be achieved through the engaged investor approach, to the extent that the Foundation has now been successful in applying for a bank loan to facilitate repayment of its loans from ACF.

Burton Street Foundation operates a complex of Victorian school buildings in Hillsborough, Sheffield, from which it provides day support for 120 adults with learning and physical difficulties along with an outreach programme and a range of community facilities for local residents and small businesses in the area. BSF received an investment of £390,000 in 2003 with further finance in 2006.

Report of the Board of Trustees continued

However, in 2007, the Foundation was in crisis and required urgent action if it was to survive. ACF intervention led to appointing an interim Chief Executive and new Board members to oversee a total restructuring and the negotiation of the payment of its creditors. Following these appointments and further investment from ACF, the organisation was stabilised.

The interim Chief Executive is now permanent; it has since been successful in raising grants from a range of sources; and has also received an investment of £1.1m from Communitybuilders to refurbish and extend the centre so that it can provide even more services and activities to the community. It now operates as a viable community enterprise providing services to the whole community from a larger and revitalised site.

The Year Ahead

Our charitable objectives will continue to direct our activity in the year ahead and our overall strategic objectives remain the same. Our annual objectives, which in their current form will underpin our work during the first part of the year, are in the process of being reviewed in the context set by the endowment of the Communitybuilders Fund and the prevailing economic climate.

The endowment of the Communitybuilders Fund brings both opportunities and responsibilities and, in recognition of its importance, is where our efforts will be concentrated in the year ahead. This will include reviewing the investment activity of the Fund to date and developing a new investment strategy and plan to ensure that the Fund is established as a long-term and sustainable means of investing in community enterprise. Integral to this will be our ability to grow and increase the impact of the endowment through effective Treasury management and leverage of additional funds for investment in the community.

Our other main objective in the next year is to ensure the continued support and growth of our investees, through both the ACF and Communitybuilders Funds. We will continue to act as an engaged investor and to work in partnership with our investees to identify new ways of supporting them. For the majority of Communitybuilders investees, their projects are still at an early stage and organisations are not yet able to start to generate income from them so the impact of the current economic climate on their businesses is not yet clear. However, based on our experience of managing the existing ACF investment portfolio over the last eight years we know that continued support for and engagement with our investees will be crucial. We recognise the importance of consulting our investees directly on ways of engaging with them and will be aiming to increase this activity in the next year.

In respect of SIB, its strategic objectives for the year ahead are

- **To continue the strong performance in managing current funds** and retain those funds within the group. This will, again, be measured by meeting KPIs, achieving disbursement targets and minimising write-off rates,
- **Develop new models of delivery for fund management** contracts and increase efficiency on existing contracts ensuring a value for money service,
- **Increase civil society delivery of public services** through existing and new funds and alternative models of delivery, addressing both the needs of civil society organisations and commissioners of public services,
- **Make social investment an attractive option for investors** individual, institutional and corporate, to attract more capital into the civil society sector,

Report of the Board of Trustees continued

- **To be recognised as an authoritative voice on social enterprise** by pursuing excellent relationships with all key relevant stakeholders and working to improve our credibility, as well as reaching new audiences

Whilst work is underway to develop new partnerships and new areas of business, all falling within our overall group objectives, this work takes time and we expect to start to see the results in the year ahead and beyond

Risk Management

Risk Framework - It is the responsibility of the Trustees under charity law to ensure that risks are managed and mitigated. An agreed risk framework is in place covering ACF, SIB and FBE which enables management to identify and evaluate both strategic and operational risks and the actions needed to mitigate these risks taking into account existing and proposed controls. Following regular review, and recent ISO accreditation of SIB/FBE, an updated group Risk Policy and Procedure was recently agreed by the Boards of ACF and SIB. All managers of the Directorates are involved in identifying and managing risk and, within FBE, a dedicated Cause for Concern team is in place to monitor investee performance. The Senior Management Team is required to review risk monthly across the group with formal strategic and operational risks registers updated and reviewed quarterly for the group as a whole.

The Audit & Compliance Committees of each of ACF and SIB receive the Top 10 Strategic Risk Table on a quarterly basis and the approved Strategic Risk Register on an annual basis for review and approval. Directorate Risk Registers for SIB are reviewed and approved bi-annually. The ACF and SIB Boards receive the minutes of every Audit & Compliance Committee meeting together with the Top 10 Strategic Risk Register on a quarterly basis. Each Board has ultimate responsibility for the management of relevant risk.

Internal Audit - In addition to the above internal controls we provide further assurance that SIB/FBE risks are managed through internal audit by an external company - BDO LLP. During the year, BDO reported directly to the SIB Audit & Compliance Committee and worked to an agreed internal audit plan based on risks to our strategic objectives and on providing assurance to the committee in respect of our internal controls. In 2011/12, BDO LLP will also provide internal audit services to ACF.

Main Strategic Risks - There are two main, external, influences on the achievement of our mission and strategic objectives: having sufficient Funds to be able to offer to, and strengthen, the civil society sector, and the sector's ability to take up the Funds available.

The **market environment**, e.g. continued recession, change of Government and severe public sector spending cuts, has increased the risks that are attached to successful delivery of our strategic objectives both in terms of the Funds we receive and investees drawing down funds – i.e. meeting the criteria for drawdown (e.g. winning public service contracts) and their ability to repay, if the investment is a loan.

A further issue is **annuality**, the Government requirement for budgeted commitments and disbursements to be made by the end of a financial year, which is a particular constraint to those organisations with longer term projects.

Report of the Board of Trustees continued

In last year's report we identified, in particular, the **risk to the continuation of our Fund contracts** for all companies in the group because of the market environment. However, we are pleased to report that all were confirmed for 2010/11 and activity extends into the 2011/12 financial year.

We also identified in last year's report that both the market environment and the annuality rules could limit investees' ability to draw down funds and increase the **risk of not meeting our commitment and disbursement targets**. Again, we are pleased to report that all targets have been met for 2010/11, taking into account the flexibility offered within the funds during the year.

For ACF's management of Communitybuilders (and delivery by FBE), the annuality rules were a particularly significant issue, impacted by the delay in making commitments at the beginning of the year in the run up to the election. Loans offered, associated with longer term projects, could not be drawn down in such short timescales – if not drawn down by the year end the funds would be lost with the effect of severely reducing anticipated future returns into the Fund. The opportunity to secure the Communitybuilders endowment (which would allow us to carry funds over year ends) emerged in the course of the year and our success in doing so prior to year end mitigated this risk for 2010/11 and for future years, and is, hence, not a risk for 2011/12. Management and administration of the Fund is currently sub-contracted to FBE. ACF has indicated to SIB that it intends to continue this arrangement for a further period of up to three years, on terms to be agreed.

In respect of the Futurebuilders Fund, 87% of the disbursement target was drawn down by investees by year end or shortly thereafter. Where committed funds were not drawn down, the majority of cases can be attributed to loans and grants where original offer conditions were no longer met, or due to changes in the prospective investee's position. This year was the final disbursement year for the Futurebuilders Fund and so risks associated with annuality do not apply for 2011/12.

During the year, the SEIF budget was increased to allow for additional offers of capital grants and, as a result, we exceeded our original disbursement target by £12m from additional budget. Next year, 2011/12, is the final contract year for commitments and disbursements and so annuality will continue to be important, though its impact is likely to be mitigated if, like this year, grants again constitute a large proportion of commitments made by the Fund. We will however continue to work closely with applicants and investees to mitigate this risk through our engaged investing approach.

Our risk management review during this year acknowledged that the impact of the market environment would remain a main strategic risk for the group for 2011/12, with the risk that contracts might not be renewed, or might otherwise be curtailed, reducing both funds available to offer to civil society organisations and our own management fee income.

To mitigate this risk we focused during the year on ensuring excellent delivery on our existing contracts and meeting targets as detailed above, also maintaining our close working relationship with our contracting departments – all as evidence of our reliable delivery of fund management services. We have been rewarded by all three Funds being confirmed for 2011/12 – as mentioned above the Communitybuilders Fund has been endowed to ACF as an 'evergreen Fund', we are also happy to report that the Futurebuilders Fund (incorporating the Modernisation Fund) contract with SIB has been extended for two years from 1 April 2011, and that the SEIF contract will also continue with SIB for 2011/12. Delivery of these Funds will be sub-contracted to FBE, as they are currently.

Report of the Board of Trustees continued

However, whilst activity under all Fund contracts will continue for next year, the management fee income level has reduced in SIB, and hence in FBE, due to the change in the services required relating to the Futurebuilders Fund and Communitybuilders Fund. We have addressed this through a number of cost saving measures which will reduce costs for 2011/12. Our contracts allow us to invoice for management fee income in advance, which in turn allows us to maintain positive cash flow.

Whilst the rate of draw down by investees of funding offered to them did not reduce in 2010/11 as anticipated, we also acknowledge that the market environment remains a risk to civil society organisations in 2011/12 and may impact on take up of our available Funds.

To mitigate the risk to our ability to deliver our mission further, and to manage the resources we need to do so, the group has also spent some resource in this financial year on developing new sources of income and SIB has been successful in securing new contracts for business support. Through this work we have also laid the foundations for future growth, spending time researching the market and developing products and services which will support sector delivery of public services in alternative ways and bring new money into the sector. This work will continue into 2011/12.

Financial Review

Going Concern

The Trustees consider it appropriate to prepare consolidated accounts on a going concern basis.

They consider the cash and reserves position of ACF to be sufficient to support the charity for at least 12 months from the date of signing these accounts taking into account both the ACF Funds and the Communitybuilders endowment (described in detail on page 8).

The Directors of ACF's subsidiary companies prepared forecasts of each company's cash and capital positions for the period ending twelve months from the date of these financial statements. Similar forecasts have also been prepared assuming stressed but plausible scenarios. The Directors consider the cash and reserves positions of those companies to be sufficient to support the relevant company for at least twelve months from the date of signing these accounts taking into account the value and length of the Fund management and other contracts in place. The Trustees have reviewed the cash and reserves positions of the subsidiary companies and concur with the Directors of those companies that cash and reserves are sufficient to support the relevant company for at least twelve months from the date of signing of the accounts and for this reason continue to adopt the going concern basis in preparing the annual accounts.

This Year's Performance

The year has seen continued delivery of the three Funds: Communitybuilders, Futurebuilders incorporating the Modernisation Fund and the SEIF, and stability in the Charity's own activities. As we act as agent of SEIF, corresponding activity is not reflected in the Statement of Financial Activities nor the Balance Sheet, but we do include a Statement of Trust as a note to the accounts (note 31).

Report of the Board of Trustees continued

The Statement of Financial Activities reflects the stabilised activity and shows fund management income of £9.8m in the current year, similar to that of 2010/11 (£9.5m)

Having performed extremely well against the Futurebuilders Fund KPIs, we earned **performance bonuses** of £80k (£61k 2009/10). We also performed well against KPIs in the SEIF contract for which a performance bonus of £90k (£53k 2009/10) was earned. There is no performance bonus in the Communitybuilders contract.

Within the group, we introduced a new stream of activity this year, providing **business support** from our own staff team and earned £653k. We plan to grow this income stream in the next financial year. Both the performance bonus and income from business support are treated as income of the unrestricted funds and included within "other incoming resources".

Fund income for the year as disclosed in the SOFA is £76.2m, an improvement over the levels reported in 2009/10 of £74.2m. We also received, as cash inflow, £49.7m in respect of SEIF activity (£10.3m 2009/10) as detailed in note 31 to the accounts. Of the £76.2m, £36.1m is in respect of the Futurebuilders Fund (£43.3m 2009/10) and the remaining £40.1m in respect of the Communitybuilders Fund (£22.4m 2009/10).

The £76.2m of fund income relates to loans and grants forecast to be disbursed during the year or shortly afterwards. Taking into account cash balances brought forward and carried forward, this approximately equates to disbursements made during the year as shown below.

Loans and guarantees of £33.6m were disbursed to beneficiaries during the year (£46.5m 2009/10), comprising £29.4m from the Futurebuilders Fund (£38.2m 2009/10) and £4.2m to Communitybuilders investees (£nil 2009/10).

Grants and support disbursed during the year totalled £14.7m (£7.0m 2009/10), including £6.3m from the Futurebuilders Fund (£5.3m 2009/10), £8.0m from the Communitybuilders Fund (£0.7m 2009/10) and £0.4m from ACF's own funds (2009/10 £0.8m).

As disclosed in note 31 to the accounts, £42.6m of grants were disbursed from the SEIF (£8.3m 2009/10), together with a further £7.9m of loans (£2.0m 2009/10).

The Futurebuilders Fund was fully disbursed at year end or shortly thereafter. The Communitybuilders Fund has £33.9m of undisbursed commitments at year end because of the nature of the investees' longer term projects.

Fund costs as disclosed in the SOFA, of £13.4m comprise new (net) grant commitments made during the year, lower than the £20.1m reported in 2009/10 as a result of the closing of the Futurebuilders Fund to new applications in February 2010. Communitybuilders Fund offers were made of £14.1m (£12.8m 2009/10). Withdrawals of £0.7m (£7m offered 2009/10) relate to the Futurebuilders Fund in the final months of the offer and disbursement period of the Futurebuilders contract.

Total unrestricted resources expended for the year was £9.2m (£8.1m 2009/10), comprising £8.5m (£7.1m 2009/10) of fund management costs, £0.2m (£0.5m 2009/10) of costs of generating funds and a further £0.5m (£0.5m 2009/10) of governance costs.

Report of the Board of Trustees continued

Unrestricted surplus before tax is £1.3m, and compares with a surplus of £1.6m for the year ended 31 March 2010. A decision regarding gift aid to ACF will be made prior to 31 December 2011 by the Board of SIB. Any approved gift aid will be paid prior to 31 December 2011 and will reduce the corporation tax charge accordingly.

A full analysis of the group's income and expenditure is given in notes 2 to 8 to the accounts. SEIF investment activity is shown in note 31 to the accounts.

Total Funds under management - At the end of the financial year the total investment books which we manage (loans, guarantees, grants and support) stood at £260m offered (£204m 2009/10) an increase of £56m in the year against a 2009/10 annual increase of almost £100m, reflecting the end of the offer window of the Futurebuilders and Modernisation Funds. Whilst the numbers of offers in the year reduced, the number of disbursements made increased by 57%. Total disbursements made in the year were £98.0m compared to £63m in 2009/10. In total, across all Funds, we have disbursed £222.7m to civil society organisations.

A full analysis of the Charity's charitable activities during the year, excluding costs incurred on the Communitybuilders fund, is shown in note 7 to the financial statements. The total spent was £453k (2010 £1,579k).

Futurebuilders Fund - By the end of the financial year, and the end of the offer and disbursement stage of the Futurebuilders programme, we have committed total cumulative investment offers of £143m in the form of loans, grants and business support. This is lower than the £153m reported in 2009/10 as there have been withdrawals from the Fund of almost £10m during the year relating to loans and grants that were not disbursed post offer due to offer conditions no longer being met or changes in the prospective investee's position. Of the final commitment total, 82% are loans, 10% are capital grants and 8% are revenue grants and support. By the end of the financial year we have invested in 379 organisations with over 756 separate investments.

Of the Fund total to be disbursed of £143m, c£2m was paid out in the early months of 2011/12. Including this amount, in the final year of the programme, we disbursed £38m of capital (£43m 2009/10). We also disbursed our full revenue budget of £0.5m during the year.

In a year of Government spending cuts, potentially impacting on the civil society organisations that the Fund is aimed at, and against a final deadline cut-off date for disbursements – with 88% of our investees having met the criteria for drawdown – both represents an exceptional performance and is a testament to the organisations and our investment team.

Modernisation Fund - This one year Fund of £8.5m was fully offered and disbursed in 2009/10, being targeted at supporting civil society organisations through the recession, with 49 organisations receiving benefit.

SEIF - We act as agent in delivering this contract and, therefore, the financial transactions are off-balance sheet. However, more detail on SEIF activity is disclosed in note 31 to the accounts. Over £39.1m (£23m 2009/10) was committed during the year, across 221 organisations, with over £50m disbursed including undisbursed commitments from last year.

Report of the Board of Trustees continued

Of the £39.1m over £34.9m (c£14m 2009/10) related to capital grant offers made, all of which have been accepted. This was a great achievement as an additional budget of £8m was only given in the last quarter of the financial year.

Almost £7m of loans were committed (£3m 2009/10), all of which were disbursed at the year end. Our revenue target was to disburse £7.7m (£7.0m 2009/10), comprising an original target of £3.3m plus an additional amount of £4.4m agreed later in the year. The full amount of £7.7m was disbursed by the financial year end.

Communitybuilders Fund - During the year we offered £27.2m in total (£19.1m 2009/10), of which £14.6m was for loans (£8.1m 2009/10), £9.3m related to capital grants (£7.4m 2009/10) and £3.3m was in the form of revenue grants and support (£3.7m 2009/10).

Returns to the Funds - We have seen cash returns to the Funds this year of £10.3m (£6.3m 2009/10) comprising £8.2m relating to the Futurebuilders Fund (£6.3m 2009/10), £1.2m relating to the Modernisation Fund (£nil 2009/10), £0.7m relating to ACF's own Fund (£nil 2009/10) and £0.1m relating to Communitybuilders Fund.

Write-offs and Provisions (note 8 to the accounts) - One of the aims of the Funds is to overcome obstacles to efficient public and/or community service delivery from civil society organisations. We aim to address this by providing a unique investment model for civil society organisations involving loans, grants and other support. ACF makes investments which present relatively high levels of risk, operating as we do in a sector of the social investment market where community enterprises are fundable, but not by commercial lenders such as mainstream banks. Given this we expect to have a relatively high level of write-offs but seek to mitigate this through developing a close relationship with the organisations in our portfolio to maximise their chances of success, manage the risks and protect our investments. Our loans are often unsecured and are offered in advance of our investees securing contracts from which to repay our loan. This is, therefore, a high risk investment model, where we believe that the group's 'engaged investor' approach, which we use, is one of the key factors in risk mitigation.

During the financial year ended 31 March 2011 capital write-offs and net provisions totalling £4,397k were made (£4,183k 2009/10), comprising £4,252k in respect of the more mature Futurebuilders Fund and Modernisation Fund and a further £145k in respect of the Communitybuilders Fund. We have written-off £1,258k (£452k 2009/10) in respect of the Futurebuilders and Modernisation Funds on 11 (4 2009/10) investments, including £958k (£72k 2009/10) provided for in the previous financial year and released in this current year.

We have made further specific provisions against 20 (2009/10 - 10) investments totalling £2,365k (£2,137k 2009/10) and have also accounted for a further provision based on class of assets (investments) and calibrated by risk grading of £1,459k (2009/10 - £1,665k). In addition, a further £127k (2009/10 - £nil) was written off in respect of guarantees called upon.

Details of SIB and FBE's individual accounts can be obtained from the Company Secretary of SIB and FBE at 5th Floor, 6 St Andrew Street, London EC4A 3AE.

Report of the Board of Trustees continued

Reserves Policy

The Board has ultimate responsibility for ensuring ACF has an effective Reserves Policy. During the financial year revised Reserves Policies were agreed for all companies in the group.

The Reserves Policies are established to ensure that each company has adequate reserves and/or retained profits to meet the current and future needs of the group business, whilst taking into consideration the requirements of the individual subsidiaries and ensuring they comply with the Companies Act 2006 and the Charities SORP.

The policy is to balance the goal of sustainability with the aim of being tax efficient as a not-for-profit organisation. Decisions on the appropriate, sustainable levels of reserves will be informed by a combination of short term working capital requirements, projected levels of operating costs, estimates of contract exit costs and availability of funds for new business development. The reserves are to be held in cash or cash equivalent securities.

The ACF Board has agreed that the Chanty's reserves need to be at least enough to continue to manage and monitor our investments on an on-going basis and has made a commitment to retaining a portion of our funds to support our existing investment portfolio with further investments. This remains of particular importance given the continued difficult economic climate when access to additional financial support may be crucial to ensuring the long term survival of our investees and, in turn, their ability to meet their commitments to us. The amount retained for this purpose is kept under review by the ACF Investment Committee.

The restricted reserves of the charity at 31 March 2011 were £6,729,000 (2010: £6,828,000). The total restricted reserves of the group are £142,847,000 (2010: £80,296,000), of which £94,530,000 (2010: £56,416,000) relates to the Futurebuilders Fund designated for FBE to make investments in third sector organisations committed to winning public sector contracts, £6,046,000 (2010: £7,413,000) which relates to the Modernisation Fund to help organisations be more resilient to the impact of the economic downturn and £35,542,000 (2010: £9,639,000) which relates to the Communitybuilders Fund for investments in community anchors and which has been permanently endowed to ACF (see page 8 for further details). There are unrestricted funds of £2,491,000 (2010: £1,535,000) which relates to surplus on group operating costs. Full details of the reserves held within the ACF group are shown in note 24.

Report of the Board of Trustees continued

Treasury Management Policy

During the financial year a revised Treasury Management Policy was agreed, and is based on four key principles: Compliance; Security; Access and Yield, meaning that investments are protected, access is facilitated and, lastly, returns are optimised. The policy applies to current and any future similar funds. Where future funds of a different nature are taken on, the Finance Committee will consider whether Treasury management according to the current policy is suitable. This will be considered at the planning stage to ensure that appropriate arrangements are in place when the initial funds are received.

ACF has a number of bank accounts across which funds are deposited to spread risk. SIB and FBE's policy has been to 'pool' bank accounts within each company for interest purposes which allows us to receive a higher rate of interest on the combined cash balance. This higher interest value is allocated to the individual appropriate accounts, all of which remain segregated. Longer period bank balances have historically been deposited in Treasury deposit/call accounts. During this last year we have experienced extremely low interest rates but also we have only drawn down funds when we are forecasting short term disbursements, in order that we do not maintain high bank balances for any sustained period of time. We also established accounts with facilities that 'sweep' daily balances into separately identifiable overnight deposit accounts.

The £27m of cash received under the endowment contract of 23 March 2011 significantly increases the cash balances held by ACF. Plans for the investment of this money are being established to ensure investment periods support the future cash needs of the Fund.

As at 31 March 2011, all the company's investments were held in cash deposits with a limited number of financial institutions and with original maturity of between 1 day and 6 months.

Programme Related Investments and Grants Policy

The group's main mechanism for investing in community and civil society organisations is through programme related investments (loans) and grants. In the majority of the Funds we manage, loans account for the largest proportion of the investments we make although grants are available from all the Funds with the proportion of grant available varying from Fund to Fund. The level of grant funding we provide is dependent on a number of factors including the purpose of the funding being provided, the needs of the market the Fund is designed to meet and the level of debt finance that an individual organisation can support. Our assessment method for loan fund programmes is to start at 100% loan and work back to establish the amount of loan that an organisation can afford. We match the realistic income streams for an organisation against potential repayment schedules and social impact. It is critical to maintain a balance – it is not our intention to invest in an organisation and leave it weaker than when we invested by reducing reserves or skewing its balance sheet – but neither is it our role to remove all risk.

Having a high proportion of loans in a Fund is significant in creating sustainability of that Fund and, we hope, to accelerate culture change in the sector. In all cases we review whether an organisation is able to access debt finance from a bank. If they are, then we ask them to pursue this option so that we are able to concentrate our Funds on organisations that cannot do so, enabling us to fill a gap in the market. We regard the rigours of loan finance and the cultural changes it brings as one of the routes to sustainability for the organisations in which we invest.

Report of the Board of Trustees continued

Our overall policy is to award loans and grants on the basis of how an organisation meets the Fund investment policy and criteria of the relevant Fund. Full details of policy and criteria are available on the websites for each individual Fund. The websites also provide details on what the investments can be used for and information on the investments we have made.

Structure, Governance and Management

Background and Legal Structure

The group is formed as follows

The Adventure Capital Fund – the ultimate parent company, a charity and company limited by guarantee. ACF was established as a partnership of four organisations in 2004, the Development Trusts Association (renamed Locality following a merger with bassac from 1 April 2011), the Scarman Trust, the New Economics Foundation and The Social Enterprise Loan Fund (TSELF, formerly the Local Investment Fund). TSELF acted as the accountable body for ACF. In April 2006 ACF was established as a company limited by guarantee and as a registered charity. In December 2006 Of the four original partners three became members and each made a guarantee to the value of £1 in the event that ACF is wound up. Last year the membership reduced to two as The Scarman Trust was dissolved as a company in October 2009. In February 2008, ACF won a contract to manage the Futurebuilders Fund then formed a group comprising the following companies

The Social Investment Business Ltd (SIB) – a company limited by guarantee and wholly owned by ACF, formerly named Futurebuilders England Fund Management Limited (FBEFM) until its name change on 9 April 2010

Futurebuilders England Limited (FBE) – a company limited by guarantee and wholly owned by SIB

SIB is 100% shareholder in two dormant companies. The Social Investment Business Trading Company Limited and The Third Sector Bidding Company Limited. Both were acquired in the financial year 2009/10 and have never traded.

Both FBE and SIB have been trading under the name 'The Social Investment Business' since 28 July 2009.

The majority of the Group's staff are employed by FBE.

In 2009/10 FBE was one of the founding partners who set up the Third Sector Consortia Management LLP (3SC), a management services company, in response to an express need from the third sector for a coordinated and effective quality response to the change in requirements of public sector commissioners. FBE was one of the eight initial members, currently there are nine (11.11%) paying £10,000 capital each. On 2 February 2010 FBE resigned as member and SIB was duly appointed in its place. This was to ensure that FBE remains focused solely on fund management and fund distribution.

Report of the Board of Trustees continued

Contracts/Agreements for Fund Distribution and Fund Management are as follows

ACF – In 2003, the Home Office agreed to fund a new venture to invest in locally run community organisations (with total funds available of £15m for 2004 to 2009). Returns to the Fund remain with ACF for reinvestment and contribution to the Charity's operating costs.

Communitybuilders Fund – In 2009/10 ACF won a contract from the DCLG to manage the Communitybuilders Fund. The original contract commenced on 25 June 2009 with a term of five years to 21 June 2014. This contract was terminated and replaced by a contract that endowed the Communitybuilders Fund to ACF with effect from 23 March 2011. ACF sub-contracted the management and delivery of this Fund to FBE. ACF has indicated to SIB that it intends to continue to sub-contract delivery for a further period of three years on terms to be agreed.

Futurebuilders Fund – There are two agreements in place with the Cabinet Office (CO) in respect of the Futurebuilders Fund: a grant agreement with FBE for fund distribution, and a services agreement with SIB for fund management, both covering the period ending on 31 March 2013.

Both commenced on 1 April 2008 and, following their revision and extension by agreements signed on 31 March 2011, run to 31 March 2013. SIB sub-contracts management of the Fund to FBE with coterminous start and end dates. The Futurebuilders Fund was originally established in April 2004 and was run by a consortium led by Charity Bank until the Fund and its management was transferred to SIB in 2008 following an open tender.

Modernisation Fund – In 2009/10 the Cabinet Office awarded SIB the management of the one year Modernisation Fund. The grant and services agreements for the Futurebuilders Fund were amended to incorporate the Modernisation Fund.

SEIF – In 2008/09, SIB won an open tender to deliver the DoH SEIF. The contract between the DoH and SIB for fund management incorporates fund distribution and is dated 5 March 2009 and runs from 1 June 2009 (after a transition period) to 31 May 2012. The sub-contract for delivery between SIB and FBE is coterminous. A further sub-contract is in place between FBE and Local Partnerships UK LLP (LPUK) and is also coterminous. LPUK are sub-contracted to develop and support the portfolio for Fund investments relating to NHS start-ups/spin-outs. SIB acts as agent for the SEIF in respect of Fund distribution and, therefore, the investments (loans and grants) are not recorded on SIB's balance sheet. The external Investment Committee for this Fund is managed by DoH.

Governance and Decision Making

The governance structures and decision making processes for all the companies in the group are laid out in the relevant articles of association, governance handbook and relevant Government contracts and sub-contracts between the group companies and/or partners. ACF is also a registered charity - the objects of the Charity are to make social investments by means of loans, grants, equity, near equity, guarantees or other financial assistance to charities or for charitable purposes and to promote the efficient and effective application of charitable resources by those charities and for charitable purposes by the provision of financial advice, support and related assistance to our investee organisations.

Report of the Board of Trustees continued

Given the rapid growth of the group over the last three years we recognise the importance of ensuring that we have efficient and effective governance. To this end we are currently reviewing our governance structures, including ACF's charitable objects. This will help to provide clarity on the respective roles and focus of ACF, the charity, and the group.

ACF's governance structures include the main Board of Trustees, ACF and Communitybuilders Investment Committees, Audit & Compliance Committee and a group Remuneration Committee, which was established during the year.

The Board of Trustees meets quarterly and holds an annual strategic planning day. Its key functions include:

- reviewing and guiding ACF's corporate strategy, annual budget and business plans,
- monitoring the effectiveness of ACF's governance practices and making changes as necessary
- setting and monitoring performance objectives; and
- selection, remuneration and monitoring of key senior executives

ACF's Board of Trustees also receives regular reports on the activities of the other companies within the group.

The Investment Committees are authorised to make investments on behalf of the relevant Fund in accordance with the Investment Policy agreed by the Board.

The Audit & Compliance Committee is responsible for:

- relationship with external audit and internal audit,
- ensuring the integrity of ACF's accounting and financial practices,
- examining and reviewing all systems and methods of control including financial and risk management, and
- ensuring that the Charity complies with all aspects of the law, relevant regulation and good practice

To further support the Board of Directors, a separate joint/group Finance Committee was formed during the year. The Finance Committee is an advisory committee and does not form part of the company's formal governance structure. The Finance Committee meets quarterly and comprises four non-executive directors drawn from the ACF and SIB Boards and reports to both Boards. Its remit is to review financial information before being presented to the Board for approval, including annual budgets, quarterly forecasts, monthly management accounts, financial policies, tax and any other related issues as requested by the respective Boards.

The Board and external Investment Committees for both ACF and SIB have been selected through a rigorous process and combines significant sector, financial and business expertise.

SIB has a Board comprising eleven non-executive members and the Chief Executive, an Investment Committee, Audit and Compliance Committee as well as the group Remuneration Committee and group Finance Committee. These govern SIB and retain governance rights and a supervisory role over FBE. During the year the Board met 8 times, including its annual strategic planning day. FBE's Board of Directors is the Executive Senior Management Team of FBE.

Report of the Board of Trustees continued

For the group as a whole we also ensure that governance and decision making processes are in line with and enable us to meet contractual obligations set in the agreements with the relevant Government department

The role of the Company Secretary also focuses on further improving the governance of the whole group and reports to the Chair of the Board of Trustees of ACF

Trustees, Recruitment, Induction and Training

Details of the Trustees who served during the year and up to the date of signing the accounts are shown on pages 2 to 3 of this report

None of the Trustees is an individual member of ACF or have any beneficial interest in the company Six Trustees are also Directors of SIB

Two of the Trustees, Steve Wyler and Mike Baker, represent the current two members of ACF, Locality (renamed from the Development Trusts Association in April 2011) and The Social Enterprise Loan Fund Each of these members agrees to contribute £1 in the event of the charity winding up The members each have the right to nominate a representative to sit on the Board of Trustees

It is ACF policy that our Board will have the combination of skills necessary to support the effective provision of finance to charities and community enterprises In particular we will ensure that our Board of Trustees includes skills and expertise in the following areas banking and investment, community regeneration and social enterprise, business, commercial law and financial and risk management

When we need to recruit new Trustees we follow the process outlined below

- agree responsibility for overseeing the process and ensure impartiality;
- review the skills / expertise we most need to recruit,
- decide how to recruit e.g. advertising / agency services,
- broaden the diversity of the Board so long as that is consistent with obtaining the right skills,
- undertake appropriate background checks e.g. take up references, and
- send an appointment letter detailing the terms and conditions of the appointment

Having selected the best individual, our induction and training process includes

- providing copies of key ACF documents such as the Articles of Association, latest Audited Accounts, Management Accounts, minutes of recent Board and Investment Committee Meetings and evaluation reports,
- providing relevant Charity Commission publications e.g. "The essential Trustee – what you need to know", and arranging a familiarisation programme that includes time with the Chair, Chief Executive, other ACF staff and Trustees and at least one investee organisation

This policy and approach also applies to the recruitment, induction and training of Directors appointed to the Board of SIB

Report of the Board of Trustees continued

Public Benefit Statement

The Trustees have considered the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. We are mindful of the need to ensure that all funds will deliver public benefit and help us to meet our aims and objectives. With all the investments we look for both financial and social returns. To support this objective we have developed Investment Plans for each of ACF's Funds which ensure that the public benefit arising from potential investments is identified and tested in the assessment and decision making process and is monitored post-investment.

The Trustees have a duty to include in this Annual Report the Charity's public benefit and demonstrate that:

- They are clear about what benefits are generated by the activities of the charity, and
- The benefits and beneficiaries are related and appropriate to the Charity's objects and aims.

We have set out under 'Objectives and Activities' above how we deliver public benefit against our charitable objects, illustrated by case studies.

Related parties

The Charity has taken the exemption available under FRS 8 not to disclose any transactions between the Charity and its subsidiaries.

The Adventure Capital Fund has two members, The Social Enterprise Loan Fund (TSELF) and Locality (renamed from the Development Trusts Association in April 2011). Payments totalling £nil (2010: £2,949) were made to TSELF in the period for provision of book-keeping services and £29,884 (2010: £23,098) for rent and services charge. Payments totalling £108,664 (2010: £98,338) were made to the Development Trust Association for support and assessment services for Adventure Capital Fund investees. Payment of £1,002,166 (2010: £1,151,247) was made to the Development Trust Association for fund management fee and support services for Communitybuilders Investees.

Sir Stephen Bubb is the Chair of both the ACF and SIB Boards. He is also Chief Executive of ACEVO. During the year FBE purchased services from ACEVO for £53,078 (2010: £21,000) relating to membership fees, sponsorship and conference fees and training courses. During the year ACF purchased services from ACEVO for £4,200 (2010: £8,612) relating to membership fees, sponsorship and conference fees and training courses.

Saeeda Ahmed is a member of the ACF Board. She is also the Chief Executive Officer of Trescom Limited. In the year, Trescom Limited received a grant of £nil (2010: £19,800) from FBE.

Fred Worth is a member of the ACF and SIB Boards. He is also a Trustee of the Royal Mencap Society. During the year, the Royal Mencap Society was offered and advanced a loan of £nil (2010: £2,200,000) from the Futurebuilders Fund, and received a loan of £nil (2010: £450,000) and a grant of £nil (2010: £50,000) from the Modernisation Fund. The balance outstanding on the loans at the year end was £2,112,814 and £450,000, respectively (2010: £2,200,000 and £450,000, respectively).

Report of the Board of Trustees continued

Kevin Carey is a member of the SIB Board. He is also a consultant for AT Care. During the year AT Care received a loan of £300,000 (2010: £nil) and a revenue grant of £nil (2010: £99,194) from FBE.

Anne Longfield is a member of the SIB Board and is also the Chief Executive Officer of 4 Children. In 2009 a £500,000 loan was advanced to 4Children by FBE, the balance outstanding on the loan at the year end was £379,168 (2010: £412,594)

Rob Owen was a member of the SIB Board until he resigned on 28 May 2010. He is also the Chief Executive Officer of St Giles Trust. In the year St Giles Trust received a loan of £nil (2010: £500,000) from FBE. The balance outstanding on the loan at the year end was £347,222 (2010: £500,000)

During 2009/10 FBE acquired a 12.5% interest in Third Sector Consortia Management LLP, known as 3SC, at a cost of £10,000. There were eight initial members and a ninth member later joined reducing the interest to 11.11%. FBE sold its interest before the 2010 year end (see note 18) and SIB acquired an interest at a cost of £10,000. During the year 3SC received a loan of £nil from FBE (2010: £1,500,000). The balance outstanding on the loan at year end was £1,500,000 (2010: £1,500,000).

At any meeting, where any investment or purchase decisions are taken, which would reasonably be seen as giving rise to a conflict of interest (principally over investments) the Chair of the meeting ensures at the outset that disclosure is made. The interest is agreed to be either declarable or disqualifying and is recorded as such in the minutes and, if appropriate, the individual withdraws from the meeting for the discussion and decision concerning the relevant item. The group's procedures also ensure that senior staff are not engaged in purchasing goods or services from suppliers in which they would have an interest.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of the Adventure Capital Fund for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

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

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

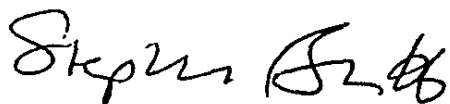
Report of the Board of Trustees continued

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

The maintenance and integrity of the group's websites is the responsibility of the Trustees, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Trustees of ACF 23 June 2011 and signed on their behalf

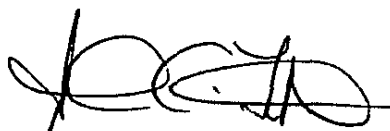
Signed on behalf of the Board of Trustees



Sir Stephen Bubb

Chairman

23 June 2011



Anne Tutt

Treasurer

23 June 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF ADVENTURE CAPITAL FUND

We have audited the financial statements of Adventure Capital Fund for the year ended 31 March 2011 which comprise Consolidated Statement of Financial Activities, the Consolidated Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement (set out on page 27), 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

We have been appointed auditors under the Companies Act 2006 and section 43 of the Charities Act 1993 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Charity's members and trustees as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and with Regulation 30 of The Charities (Accounts and Reports) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Adventure Capital Fund Annual Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2011, and of the group's incoming resources and application of resources, including its income and expenditure and group's cash flows, 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 and the Charities Act 1993

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 1993 require us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent charitable company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Liz Hazell

Liz Hazell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
London
24 June 2011

PricewaterhouseCoopers LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**Statement of Financial Activities
(Incorporating an Income & Expenditure Account)
for the year ended 31 March 2011**

		Unrestricted Funds	Restricted Funds	Group	Group	Charity	Charity
Notes	2011 £ '000	2011 £ '000	2011 £ '000	2010 £ '000	2011 £ '000	2010 £ '000	
Incoming resources							
Income from generating funds							
Investment income	2	2	4,249	4,251	2,671	448	238
Incoming resources from not for profit activities							
Fund management income	3	9,780	-	9,780	9,509	3,298	3,138
Fund income	4	-	76,177	76,177	74,206	40,052	22,388
Other incoming resources	5	659	1,936	2,595	4,536	300	278
Total incoming resources		10,441	82,362	92,803	90,922	44,098	26,050
Resources expended							
Cost of generating funds	6	187	-	187	540	221	213
Resources expended from not for profit activities							
Fund management costs	6	8,509	-	8,509	7,083	2,704	2,874
Fund costs	8	-	13,356	13,356	20,883	2,926	12,757
Loans and grants transferred from subsidiary company		-	-	-	-	11,176	-
Charitable activities	7	-	453	453	1,579	719	1,885
Investment provisions/writes off	8	-	4,442	4,442	2,235	146	-
Interest transferred to Management fee		-	1,691	1,691	-	-	-
Governance costs	6	475	-	475	536	245	150
Total resources expended		9,171	19,942	29,113	32,856	18,137	17,679
Net income before taxation		1,270	62,420	63,690	58,066	25,961	8,371
Corporation tax (charge)/credit	13	(314)	131	(183)	149	-	-
Net income for the year		956	62,551	63,507	58,215	25,961	8,371
Reconciliation of Funds							
Funds brought forward at 1 April		1,535	80,296	81,831	23,618	16,827	8,256
Funds carried forward at 31 March		2,491	142,847	145,338	81,831	42,688	16,627

There is no material difference between the net income on ordinary activities before taxation and the net income for the financial year stated above and their historical cost equivalents

There were no recognised gains or losses in the current financial year other than those included in the Consolidated Statement of Financial Activities, and accordingly a separate Statement of Total Recognised Gains and Losses has not been presented. All activities are continuing.

The accompanying accounting policies and notes on pages 34 to 54 form an integral part of these financial statements

Consolidated Balance Sheet As at 31 March 2011

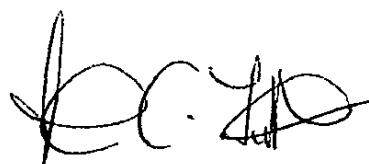
		Group	Group	Charity	Charity
	Notes	2011 £ '000	2010 £ '000	2011 £ '000	2010 £ '000
Assets					
Intangible assets	14				
Negative goodwill		(17,311)	(19,242)	-	-
Software assets		7	8	-	-
Tangible fixed assets	16	288	192	-	-
Financial investments	17, 18, 32	107,521	83,583	7,841	3,109
		<u>90,503</u>	<u>64,519</u>	<u>7,841</u>	<u>3,109</u>
Current Assets					
Debtors falling due within one year	19	3,742	5,078	1,223	2,054
Short Term Deposits		1,535	-	1,535	-
Cash at bank and in hand		87,507	35,334	48,105	25,287
		<u>72,784</u>	<u>40,410</u>	<u>50,863</u>	<u>27,341</u>
Current Liabilities					
Creditors falling due within one year	20	(2,195)	(4,622)	(405)	(13,128)
Grants payable	21	(15,751)	(18,438)	(15,508)	(658)
Provisions for liabilities and charges	22	(3)	(38)	(3)	(38)
		<u>(17,949)</u>	<u>(23,098)</u>	<u>(15,916)</u>	<u>(13,823)</u>
Net Current Assets		<u>54,835</u>	<u>17,312</u>	<u>34,947</u>	<u>13,518</u>
Total Assets less Current Liabilities		145,338	81,831	42,588	16,627
Creditors falling due after more than one year	21	-	-	-	-
Net Assets		<u>145,338</u>	<u>81,831</u>	<u>42,588</u>	<u>16,627</u>
Unrestricted		2,491	1,535	288	160
Restricted		142,847	80,296	42,300	16,467
Total Funds	24	<u>145,338</u>	<u>81,831</u>	<u>42,588</u>	<u>16,627</u>

The accompanying accounting policies and notes on pages 34 to 54 form an integral part of these financial statements

These financial statements were approved by the Board on 23 June 2011 and were signed on its behalf by



Sir Stephen Bubb
Chairman



Anne Tutt
Treasurer

Consolidated Cash Flow Statement

For the year ended 31 March 2011

		Group	Group
	Notes	2011	2010
		£ '000	£ '000
Net Cash inflow from Operating Activities	26	57,808	65,811
Returns on Investments and Servicing of Finance			
Investment income		4,251	2,671
Capital Expenditure and Financial Investments			
Payments for fixed assets		(147)	(227)
Payments for financial investments		(34,372)	(48,505)
Repayments of financial investments		6,168	4,360
		<u>(28,351)</u>	<u>(42,372)</u>
Acquisitions		-	(10)
Increase in Cash		<u>33,708</u>	<u>26,100</u>
Reconciliation of Movement in Net Funds			
Net funds at 1 April		35,334	9,234
Increase in cash in the year		33,708	26,100
Net funds at 31 March		<u>69,042</u>	<u>35,334</u>

Net funds consist solely of cash at bank and in hand

The accompanying accounting policies and notes form an integral part of these financial statements

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

1 Significant accounting policies

a) Reporting entity

The Adventure Capital Fund (ACF) is a charity governed by the Companies Act 2006 and Charities Act 1993 as amended by the Charities Act 2006

ACF (the Group) consists of the ultimate parent the Adventure Capital Fund (the Charity), The Social Investment Business Limited (SIB - 100% owned), and its subsidiaries Futurebuilders England Limited (FBE - 100% owned) and two dormant companies The Social Investment Business Trading Company Limited and The Third Sector Bidding Company Limited - both of which were acquired during the year and have never traded. Futurebuilders England Fund Management Limited (FBEFM) changed its name to The Social Investment Business Limited on 9 April 2010. Both SIB and FBE have traded under the name of The Social Investment Business since 28 July 2009.

The Group managed the following third party Funds during the financial year and managed our own funds at ACF.

The Group is authorised for the Futurebuilders Fund and Modernisation Fund, as the Fund Manager, to act as the Principal therefore all transactions relating to the Fund are recorded on the Statement of Financial Activities and Balance Sheet.

b) Basis of preparation

Statement of compliance

These financial statements for the Group are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. They follow the recommendations in the Statement of Recommended Practice: Accounting and Reporting by Charities (the SORP) issued in March 2005. The Charity has adapted the Companies Act formats to reflect the Charities SORP and the special nature of the Charity's activities. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

c) Going concern

The Trustees consider the cash and reserves position to be sufficient to support the group for at least twelve months from the date of signing these accounts taking into account the value and length of the Fund management and other contracts in place and for this reason continue to adopt the going concern basis in preparing the consolidated accounts.

d) Basis of consolidation

The accounts have been consolidated on a line by line basis in accordance with FRS 2 Accounting for Subsidiary Undertakings.

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

e) Fund Accounting

Restricted Funds

Restricted Funds are to be used for specific purposes either laid down by the funder or specified in each agreement for the benefit of identified beneficiaries. Expenditure incurred by the Charity for these purposes is charged to the fund, together with a fair allocation of overheads, support costs and interest income

Unrestricted Funds

Unrestricted Funds are available for use against operating costs in delivery of specific funds as stated in the service agreements in place and within the overall price therein, but at the trustees/directors discretion in how delivery is achieved within that price. Where gain share thresholds are included in a specific contract, any saving on costs below that threshold is repayable to the appropriate funder on a proportionate basis per the agreement

f) Investments

The Company recognises its interest in 3SC at cost less impairment

g) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the group is legally entitled or receipt is reasonably certain

Investment income, including associated tax, relating to both unrestricted and restricted funds, is recognised when receivable

Fund management fee income is recognised when the Group is entitled to the income based on the fund management contract

Fund income in respect of investment activity, when the Group is Principal, is recognised when a drawdown request is made. Investments offered to investees but not yet requested as a draw down from the Fund Authority at the Balance Sheet date are disclosed as contingent assets.

Fund income in respect of investment activity, when the Company is Agent, is not recognised in the Statement of Financial Activities but disclosed within notes (see note 31)

h) Resources expended

Resources expended are recognised on an accruals basis in the period in which they are incurred. Resources expended include attributable VAT when this cannot be recovered

Items of indirect expenditure are apportioned on an appropriate basis as follows

- Within Governance costs, staff time is attributed on an analysis of time spent on the various activities
- Fund management costs and Cost of generating funds are allocated as incurred and according to time spent
- Premises and operational costs are allocated pro rata to staff time

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

Governance costs are costs incurred in connection with meetings of the Board of Directors and Committees of the Company, fees paid to the statutory auditors, internal auditors and legal fees where they are not for services provided in relation to our fund management activities

Fund costs relating to grants offered are recognised at the point of offer communication to the investee, as this gives rise to a constructive obligation. Loan offers communicated are recognised as a Financial investment in the Balance Sheet only once a disbursement has been made to the investees.

Charitable activities costs incurred on activities comprise all the resource applied by the Group in undertaking its charitable objectives.

Expenditure is allocated between

- expenditure incurred directly to the fulfilment of the charity's objectives
- expenditure incurred directly in the effort to raise voluntary contributions
- expenditure on the governance infrastructure which allows the charity to operate and to generate the information required for public accountability

i) Defined contribution pension schemes

The Group operates two defined contribution pension schemes. Contributions to the defined contribution pension schemes are recognised as an expense in the Statement of Financial Activities as incurred

j) Operating leases

Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term

k) Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance sheet date

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised

The Group's subsidiaries are liable for corporation tax on investment receivable and operating profits. The grant agreement allows for a tax reserve whereby the funding authority absorb corporation tax due on loan interest received but not accrued. The amount applicable to loan interest accrued is charged to the unrestricted resources expended

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

l) Intangible assets

Goodwill

Negative goodwill is amortised in the Statement of Financial Activities in the periods in which the non-monetary assets acquired are amortised or sold. Goodwill is amortised in line with any diminution in value of the non-monetary assets, specifically the financial investments.

Software acquisition and development

Acquired software assets are shown at cost (comprising the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use), less accumulated amortisation and impairment, except for items costing less than £1,500 which are written off to the consolidated Statement of Financial Activities in the year of purchase. Costs associated with maintaining computer software are recognised as an expense when incurred.

The carrying value of a software asset is amortised on a straight-line basis over the shorter of three years or its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Activities.

m) Tangible fixed assets

Tangible Fixed Assets are shown at cost (comprising the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use), less accumulated depreciation and impairment, except for items costing less than £2,000 which are written off to the consolidated Statement of Financial Activities in the year of purchase.

Depreciation

Depreciation is provided on a straight-line basis on all tangible fixed assets, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

IT and Office equipment	3-5 years (20% - 33% per annum)
Leasehold fixtures and fittings	5 years (20% per annum)

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

n) Financial investments

Financial investment loans, equivalent to programme related investments, are recognised at the point of the disbursement under the conditions set out in the loan agreement with the investee. Loans offered and communicated but not disbursed to the investee at the balance sheet date are disclosed as contingent liabilities. Loans offered to potential investees, not requested as drawdown, at balance sheet date are disclosed as contingent assets (see note 29 and 30).

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

o) Social Return on Investment (SROI) repayments

ACF offer, as part of an investment package, loans that are repayable by social return. The social return is measured over a specified period of time. The treatment of the loans in the accounts is as financial investments and as the loan is repaid by social return it is converted to a grant. If it is not, the investment remains as a loan and becomes financially repayable.

If a loan, repayable by social return, is deemed likely to be repaid by social return and thus converted to a grant in the future, a provision is made in the Consolidated Statement of Financial Activities reducing the financial investment balance.

p) Provisions

The Group recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

The Group makes specific provisions for impairment against loans when, as a result of frequent monitoring and review by the Investment Committees, it is considered that recovery is doubtful. A calibrated risk approach to the investment book of FBE, and the Communitybuilders Fund, results in a further specific provision being made to the financial investments, after taking account of individual specific provisions. A general provision is also made on ACF loans as the Board consider that there is a greater risk of impairment due to the type of investees in which the fund invests and the relatively small size of the investment portfolio. Provisions made during the year, less amounts released, are charged to the Statement of Financial Activities and are netted off against financial investments in the balance sheet.

q) Value Added Tax (VAT)

All items in the financial statements are stated exclusive of VAT, except for debtors and other receivables and creditors and other payables, which are presented on a VAT inclusive basis. Where VAT is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of VAT recoverable from, or payable to, HM Revenue & Customs (HMRC) is included as part of debtors or creditors in the balance sheet.

Commitments and contingencies are disclosed exclusive of VAT.

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

2 Investment income

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
<i>By Fund</i>				
Unrestricted	2	2	-	-
ACF Funds	349	239	349	238
Futurebuilders Fund	3,741	2,430	-	-
Modernisation Fund	45	-	-	-
Communitybuilders Fund	114	-	89	-
	<u>4,251</u>	<u>2,671</u>	<u>448</u>	<u>238</u>
<i>By nature</i>				
Interest on investments	4,131	2,617	330	187
Interest on bank deposits - restricted	120	52	118	51
Interest on bank deposits - unrestricted	-	2	-	-
	<u>4,251</u>	<u>2,671</u>	<u>448</u>	<u>238</u>

Investment income relates to loan interest receivable on ACF Funds and on the Futurebuilders Fund, Modernisation Fund and Communitybuilders Fund. Loans disbursed under the Modernisation Fund were at zero percent interest with the exception of 3SC

3 Fund management fee income

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
<i>By Fund</i>				
<i>Management fee</i>				
Futurebuilders Fund	3,884	3,918	-	-
Modernisation Fund	-	325	-	-
Communitybuilders Fund	3,298	3,138	3,298	3,138
Social Enterprise Investment Fund	2,278	2,014	-	-
Welsh Assembly Government	169	-	-	-
	<u>9,610</u>	<u>9,395</u>	<u>3,298</u>	<u>3,138</u>
<i>Performance bonus</i>				
Futurebuilders Fund	80	61	-	-
Social Enterprise Investment Fund	90	53	-	-
	<u>170</u>	<u>114</u>	<u>-</u>	<u>-</u>
Total	<u>9,780</u>	<u>9,509</u>	<u>3,298</u>	<u>3,138</u>

4 Fund income

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
<i>By Fund</i>				
Futurebuilders Fund	36,125	43,305	-	-
Modernisation Fund	-	8,606	-	-
Communitybuilders Fund	40,052	22,396	40,052	22,396
	<u>76,177</u>	<u>74,206</u>	<u>40,052</u>	<u>22,396</u>

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

5 Other incoming resources

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Amortisation of negative goodwill	1,831	4,332	-	-
Recharge to FBE (salaries and related costs)	-	-	295	260
3SC Recharge	-	45	-	-
Other	664	159	5	18
	<u>2,595</u>	<u>4,536</u>	<u>300</u>	<u>278</u>

Business Support income in respect of the Funds is for support provided to investees by staff and external consultants, under the Communitybuilders Fund and the Social Enterprise Investment Fund, and which has been recharged to the Funds

6 Analysis of Cost Generating Funds, Fund management and Governance

Group Activity

	Cost of generating Funds £ '000	Fund management costs £ '000	Governance £ '000	Group 2011 £ '000	Group 2010 £ '000
Staff costs	114	4,858	69	5,041	3,439
Premises and operational	14	478	8	496	565
Legal and other professional	4	54	-	58	122
Board and investment committee costs	-	-	155	155	182
Trustees' costs	-	-	27	27	28
Depreciation/Amortisation	1	50	1	52	40
Auditors' remuneration - audit services	-	6	114	120	113
Auditors' remuneration - non audit services	-	-	22	22	76
Auditors' remuneration - internal audit	-	-	48	48	24
Operating leases for land and buildings	-	258	-	258	254
Business consultants - investee support	-	464	-	464	181
Other consultancy	4	173	2	179	53
Other direct cost	34	1,505	20	1,559	2,059
SEIF sub-contract costs	-	470	-	470	349
SEIF Transition	-	-	-	-	115
Communitybuilders Fund - Subcontractor	16	201	11	228	507
Trade debtor provisions/write off	-	(6)	-	(6)	52
	<u>187</u>	<u>8,509</u>	<u>475</u>	<u>9,171</u>	<u>8,159</u>

ACF Activity

	Cost of generating Funds	Fund management costs	Governance	Charity 2011	Charity 2010
Staff costs	7	89	5	101	66
Premises and operational	5	34	-	39	9
Legal and other professional	8	62	-	70	13
Trustees' costs	-	-	27	27	28
Auditors' remuneration - audit services	-	-	70	70	48
Communitybuilders Fund - subcontractors	201	2,519	143	2,863	2,875
	<u>221</u>	<u>2,704</u>	<u>245</u>	<u>3,170</u>	<u>3,037</u>

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

7 Charitable activities

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Staff costs	139	147	405	407
Other direct costs	11	148	11	182
Investment provision	7	18	7	18
Grants made	220	848	220	848
Refund of grants paid	(4)	(8)	(4)	(8)
Grant commitment withdrawn	-	-	-	-
Investments as social return	-	296	-	296
Support costs	80	132	80	132
	<u>453</u>	<u>1,579</u>	<u>719</u>	<u>1,885</u>

8 Fund costs

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
<i>Grants/direct support offered</i>				
Futurebuilders Fund	(782)	7,034	-	-
Modernisation Fund	1	1,092	-	-
Communitybuilders Fund	14,117	12,757	2,928	12,757
	<u>13,356</u>	<u>20,883</u>	<u>2,928</u>	<u>12,757</u>

Of the above £13,356,000 (2010 £20,883,000) the amount relating to grants offered is £11,692,000 (2010 £19,187,000) and direct support of £1,664,000 (2010 £1,696,000).

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Interest transferred to Management fee	<u>1,891</u>	<u>-</u>	<u>-</u>	<u>-</u>

In FBE, under the Futurebuilders and Modernisation Funds, cash received in respect of interest payments on investments has been utilised as part payment towards the fund management fee to FBE. This is shown as a cost to the restricted fund.

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
<i>Investment provisions/write offs</i>				
<i>Write offs</i>				
Capital	1,385	452	-	-
Interest	105	10	-	-
	<u>1,490</u>	<u>462</u>	<u>-</u>	<u>-</u>
<i>Provisions</i>				
Capital	3,012	1,601	146	-
Interest	(60)	172	-	-
	<u>2,952</u>	<u>1,773</u>	<u>146</u>	<u>-</u>
	<u>4,442</u>	<u>2,235</u>	<u>146</u>	<u>-</u>

Of the above capital provision a specific charge of £2,365,000 (2010. £2,137,000) has been made on 20 (2010 ten) investments during the year and £958,000 released from provisions in respect of loans written off. The remaining balance of £1,459,000 (2010 £1,665,000) relates to an increase in provision based on a calibrated risk approach. The interest provision has decreased by £60,000 (2010 increase of £172,000) and is attached to the specific provision. The above capital provisions also includes amounts related to guarantees.

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

9 Net income

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Net income is stated after charging				
Depreciation/Amortisation	62	40	-	-
Operating leases for land and buildings	258	254	-	-
Auditors' remuneration - audit services current year	120	113	70	48
Auditors' remuneration - non audit services	22	76	-	-
Auditors' remuneration - internal audit	48	24	-	-
Amortisation of negative goodwill (note 15)	(1,831)	(4,332)	-	-

10 Staff costs

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Wages and salaries	4,676	3,149	413	387
Social security costs	470	309	60	44
Pension costs	301	127	43	42
	<u>5,447</u>	<u>3,585</u>	<u>506</u>	<u>473</u>
Highest Paid Employee				
Emoluments	143	140	143	140
Pension	16	26	16	26

Pensions

ACF operates a group personal pension scheme open to all staff employees, administered by Aviva, and pays an employer's contribution of 11.33% (2010 11.33%). FBE operates a stakeholder pension scheme open to all staff employees (including directors), administered by Friends Provident and Standard Life, and pays an employer's contribution of 11.33% (2010 11.33%).

The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable under the schemes by the group to the Funds.

The average number of Full Time Equivalent Employees during the year was as follows

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Operational staff	88	62	4	4
Management staff	11	32	2	2
	<u>99</u>	<u>94</u>	<u>6</u>	<u>6</u>
Number of senior employees staff in the following salary ranges				
	Group 2011	Group 2010	Charity 2011	Charity 2010
£80,000 - £89,999	3	5	1	1
£80,000 - £89,999	2	3	-	-
£90,000 - £99,999	3	1	1	1
£130,000 - £139,999	-	1	-	1
£140,000 - £149,999	1	-	1	-
	<u>9</u>	<u>10</u>	<u>3</u>	<u>3</u>

The pension contributions for the above senior employees staff totalled £27,000 in the year (2010 £24,000). The number of senior employees staff to whom retirement benefits are accruing under the defined contribution scheme is two (2010 two).

Outstanding pension contributions for the Group at the year end were £30,000 (2010 £6,000). During the year no compensation was made to directors for loss of office (2010 £nil).

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

11 Board and Investment Committee costs

Board and investment committee costs, in relation to FBE, are payments to the board as remuneration for their services. Total of board and investment committee costs are £162,000 (2010: £182,000) of which Sir Stephen Bubb is the highest paid at £31,000 (2010: £33,500).

12 Trustees' costs

A total of £55,000 (2010: £28,000) was paid out in Trustee costs in the year ended 31 March 2011. This includes remuneration (including social security costs) of £32,000 (2010: £12,000) paid to the Chair of the board and a contribution of £13,000 (2010: £9,000) for secretarial and administrative support. Of the remaining £10,000, £3,000 (2010: £2,000) relates to trustee indemnity insurance and £7,000 (2010: £6,000) represents trustees' expenses, mainly travel, paid to trustees during the period.

13 Taxation

FBE is not subject to corporation tax on Fund income on drawn down requests in respect of investments to Civil Society Organisations. Corporation tax is chargeable to the restricted Fund where it relates to loan interest received. Corporation tax relating to interest accrued is borne by FBE and is included as a charge against the unrestricted management fee.

Any tax-adjusted surplus arising in FBE and SIB on the payment they receive to cover operational and management costs will be taxable. The tax charge arising on the payment received to cover operational and management costs differs from the surplus/deficit on that payment as follows:

Incoming resources		
Net incoming resources before taxation	35,782	58,086
Tax at 28% (28%) thereon	10,022	16,258
Effects of:		
Expenses not deductible for tax purposes	3,330	5,375
Capital allowances in excess of depreciation	(29)	(28)
Movement in short term timing differences	-	(1)
Non taxable income	(13,164)	(21,739)
Utilisation of tax losses	-	-
Tax at marginal rate	(6)	(5)
Prior Period Adjustment	20	-
Over charge in prior period	10	(12)
Actual current tax (refund)/charge	<u>183</u>	<u>(149)</u>

Factors that may affect the future tax charge

A potential deferred tax liability of £9,000 exists at the year end (2010: £9,000) relating to fixed asset timing differences. This has not been recognised within the account.

14 Intangible assets

Group	Negative goodwill	Software	Total
Cost	£ '000	£ '000	£ '000
at 1 April 2010	(25,239)	47	(25,192)
Additions	-	5	5
at 31 March 2011	<u>(25,239)</u>	<u>52</u>	<u>(25,187)</u>
Amortisation			
at 1 April 2010	(5,997)	41	(5,956)
Charge for year	(1,931)	4	(1,927)
Fair value adjustment	-	-	-
at 31 March 2011	<u>(7,928)</u>	<u>45</u>	<u>(7,883)</u>
Net book value			
at 31 March 2011	<u>(17,311)</u>	<u>7</u>	<u>(17,304)</u>
at 1 April 2010	<u>(19,242)</u>	<u>6</u>	<u>(19,236)</u>

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

15 Acquisition of Futurebuilders Limited

On 1 April 2008, the membership of FBE was transferred to SIB, a wholly owned subsidiary of ACF. At this stage FBE became a 100% subsidiary undertaking of ACF group for accounting purposes, by virtue of changes to its board of directors. FBE's mission has been to improve public service delivery through long term investment in the Civil Society in England. This has been accounted for using the acquisition method of accounting.

The Trustees considered it necessary to make an adjustment to the balance sheet to reflect the fair value of FBE's assets at acquisition, in light of a difference in accounting policies, specifically general bad debt provision.

The fair values of the assets and liabilities of FBE at the date of acquisition were as follows

	Total book value at 1 April 2008 £ '000	Total adjustments at 1 April 2008 £ '000	Total fair value at 1 April 2008 £ '000
Tangible fixed assets	47	-	47
Financial investments	26,562	(1,328)	25,234
Debtors	708	-	708
Cash at bank and in hand	3,747	-	3,747
Creditors amounts falling due within one year	(4,929)	-	(4,929)
Creditors amounts falling due after one year	(896)	-	(896)
Net assets	25,239	(1,328)	23,911

Negative goodwill arising from the acquisition of FBE is amortised in line with any diminution in value of the non-monetary assets, specifically any provisions made in the year against the opening financial investments. For the year ended 31 March 2011 £1,931,000 (2010 £4,332,000) was released to the consolidated statement of financial activities.

The performance of FBE and SIB is shown in note 32. The net incoming resources of FBE were £35,482,000 for the year (2010 £43,404,000).

Negative goodwill

	2011 £ '000	2010 £ '000
Balance at 1 April	19,242	23,574
Amortisation re provisions against financial investments	(1,931)	(4,332)
Negative goodwill at 31 March	<u>17,311</u>	<u>19,242</u>

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

16 Tangible fixed assets

	Leasehold Fixtures & Fittings £ '000	Office Equipment & IT £ '000	Total £ '000
Group			
Cost			
at 1 April 2010	287	57	344
Additions	-	142	142
at 31 March 2011	287	199	486
Depreciation			
at 1 April 2010	121	31	152
Charge for year	41	7	48
at 31 March 2011	162	38	200
Net book value			
at 31 March 2011	125	161	286
at 1 April 2010	166	26	192

All tangible fixed assets are held by FBE

17 Financial investments

Financial investments are in the form of loans and are programme related. This year the group has made specific provisions against 20 loans (2010: 14) which may be non-performing.

Cumulative

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
New loans disbursed	133,781	99,409	7,117	6,221
Loans transferred from FBE	-	-	4,258	-
Repayments received	(13,629)	(7,481)	(1,824)	(1,123)
Loan repayment received (Social Return on Investment)	(897)	(597)	(597)	(597)
Transfer loan to grant	(288)	(288)	(288)	(288)
Loan balance at 31 March before write off and provisions	119,167	91,063	8,766	4,213
Loans written off	(4,008)	(2,854)	(148)	(50)
Bad debt provision	(7,647)	(4,856)	(979)	(1,054)
	(11,655)	(7,510)	(1,125)	(1,104)
Balance at 31 March	107,511	83,553	7,641	3,109

In year

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Loan balance at 1 April	83,553	43,373	3,109	2,941
Loans transferred from FBE	-	-	4,258	-
New loans disbursed	34,372	46,505	896	823
Repayments received	(5,188)	(4,360)	(501)	(445)
Loan repayment received (Social Return on Investment)	(100)	(301)	(100)	(301)
Transfer loan to grant	-	400	-	-
Loan balance at 31 March before write off and provisions	111,657	85,617	7,662	3,118
Loans written off	(1,355)	(382)	(98)	-
Bad debt provision	(2,791)	(1,682)	75	(9)
	(4,146)	(2,064)	(21)	(9)
Balance at 31 March	107,511	83,553	7,641	3,109

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Maturity of loans and advances				
Within 1 year	1,176	47	-	-
Over 1 year to 5 years	17,312	18,174	1,199	274
Over 5 years	89,023	67,332	6,442	2,835
	107,511	83,553	7,641	3,109

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

At 31 March 2011 there are loans to the value of £220,000 (2010 £320,000) which are potentially repayable by social outputs

All investments are UK based.

Investment Provisions (Capital and Interest)

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Provisions brought forward	4,856	3,245	1,054	1,045
Increase/(decrease) in provisions	3,769	1,566	(25)	(107)
Provisions written off during the year	(1,054)	(71)	(96)	-
Increase in potentially repayable by social returns	-	220	-	220
Social returns provisions written off during the year	(100)	(104)	(100)	(104)
Provisions carried forward	7,501	4,856	833	1,054

ACF shows a decrease in provision in the year of £25,000 (2010 £107,000). This represents a decrease in specific provision of £nil (2010. £125,000) and a decrease of £25,000 (2010 £18,000 increase) in general provision for the year ended 31 March 2011. The general provision is set at 7.5% (2010. 7.5%)

FBE has written off 11 (2010. four) investments totalling £1,258,000 (2010. £453,000) and made specific provisions for 20 (2010. ten) investments of £2,365,000 (2010. £2,137,000). In addition a guarantee of £127,000 (2010 £nil) has been written off during the year

In addition the calibrated risk approach to the investment books has resulted in an additional specific provision of £1,459,000 (2010 £1,665,000) being made to the financial investments, after taking account of individual specific provisions. The financial investments at 31 March 2011 were £99,870,000 (2010 £80,444,000). These adjustments have been made in the Balance Sheet and netted off against financial investments

18 Financial investments - Other

	Group 2011 £ '000	Group 2010 £ '000
Movements in the carrying amount of investments in 3SC		
Balance at 1 April	10	-
New investments during the year	-	10
Disposal of investments during the year	-	-
Share of total recognised revenues and expenses	-	-
Balance at 31 March	10	10

SIB acquired an 11.11% interest, at a cost of £10,000, on 2 February 2010 in Third Sector Consortia Management LLP (No. OC347365), known as 3SC. The LLP is established to manage and deliver public and community services through its civil society collaborator and suppliers, promoting industry and commerce and supporting the community benefit activities of the Members, including promoting social welfare and health and providing assistance to unemployed and disadvantaged persons, children and young people.

Partner share of profits and losses for the year are treated as trading profit/loss on each partner respectively for corporation tax purposes. No distribution of profits have been received by the Group.

There are no contingent liabilities arising from the group's involvement in the investment.

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

19 Debtors: Amounts falling due within one year

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Amounts due from subsidiary undertakings	-	-	1,020	-
Trade debtors	912	1,818	-	969
Corporation tax	-	145	-	-
Prepayments	639	1,700	-	1,000
Investee interest receivable	1,997	1,359	202	85
Other debtors and accrued income	184	54	1	-
	<u>3,742</u>	<u>5,076</u>	<u>1,223</u>	<u>2,054</u>

20 Creditors: Amounts falling due within one year

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Amounts due to subsidiary undertakings	-	-	-	10,971
Trade creditors	350	819	14	668
Corporation tax	29	-	-	-
Other taxation and social security	155	471	347	463
Other creditors	118	111	-	-
Accruals	295	468	41	57
Deferred income	1,250	2,753	3	969
	<u>2,195</u>	<u>4,622</u>	<u>405</u>	<u>13,126</u>

All of the above deferred income has been released since the Balance Sheet as it relates to quarter one of the next financial year.

21 Grants payable

Cumulative

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Grants transferred at 1 April 2008	5,404	5,404	-	-
Grants transferred from FBE	-	-	15,450	-
Grants offered	40,920	28,888	5,299	5,103
Grants paid	(30,140)	(15,419)	(4,808)	(4,011)
Refund of grants paid	(60)	(60)	(60)	(60)
Grant commitments withdrawn	(373)	(373)	(373)	(373)
Grants payable at 31 March	<u>15,751</u>	<u>18,438</u>	<u>15,508</u>	<u>659</u>
Less than one year	15,751	18,438	15,508	659
Over 1 year to 5 years	-	-	-	-
	<u>15,751</u>	<u>18,438</u>	<u>15,508</u>	<u>659</u>

In year

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Grants payable at 1 April	18,438	5,950	659	788
Grants transferred from FBE	-	-	15,450	-
Grants offered	12,034	20,036	198	848
Grants paid	(14,721)	(7,540)	(787)	(949)
Refund of grants paid	-	(8)	-	(8)
Grant commitments withdrawn	-	-	-	-
Grants payable at 31 March	<u>15,751</u>	<u>18,438</u>	<u>15,508</u>	<u>659</u>
Less than one year	15,751	18,438	15,508	659
Over 1 year to 5 years	-	-	-	-
	<u>15,751</u>	<u>18,438</u>	<u>15,508</u>	<u>659</u>

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

An analysis of the group's grants paid during the year, the purposes for which the grants were to be used, the number of organisations to which grants were paid and the total value of grants made in respect of each such purpose is set out below

Grants Awarded	2011 Number of Organisations	2011 Value £ '000	2010 Number of Organisations	2010 Value £ '000
Education & Learning	-	-	8	3,548
Health & Social Care	-	-	8	2,242
Environment	-	-	1	70
Community Cohesion	50	12,199	31	9,001
General charitable purposes	-	-	2	70
Other	-	(165)	-	5,105
	<u>50</u>	<u>12,034</u>	<u>50</u>	<u>20,038</u>

Below is an analysis of the top 50 grants offered during the year.

	2011 £ '000	Sector
Mary Ward Centre	1,062	Community Cohesion
West Faversham Community Association	878	Community Cohesion
Prudhoe Community Partnership	860	Community Cohesion
Holborn Community Association	803	Community Cohesion
Newhaven Community Development Association	802	Community Cohesion
Hebden Bridge Community Association	793	Community Cohesion
Heeley Development Trust	732	Community Cohesion
The Vine Trust Walsall	674	Community Cohesion
Walsand People's Centre	608	Community Cohesion
SOAR Enterprises	420	Community Cohesion
Gamlingay Community Centre	355	Community Cohesion
Hitchin Town Hall Limited	343	Community Cohesion
Ulverston Ford Park Community Group	303	Community Cohesion
North Yorkshire Learning Consortium	276	Community Cohesion
Manor Development Company	273	Community Cohesion
Brampton & Beyond Community Trust	232	Community Cohesion
Action for Business (Bradford)	195	Community Cohesion
Global Community Connect	186	Community Cohesion
Dalgarno Neighbourhood Trust	182	Community Cohesion
Coast & Moors Voluntary Action	165	Community Cohesion
Oblong Ltd	138	Community Cohesion
St Peter's Community Partnership	136	Community Cohesion
Natural Conclusions CIC	126	Community Cohesion
High Bickington Community Centre Property Trust	124	Community Cohesion
Great Eccleston Village Centre Limited	115	Community Cohesion
Osmani Trust Limited	90	Community Cohesion
Totnes Development Trust	75	Community Cohesion
West Itchen Community Trust	75	Community Cohesion
The Post Sixteen Centre at St George's Limited	73	Community Cohesion
Bath Place Community Venture	72	Community Cohesion
Wells and Mendip Museum	70	Community Cohesion
Ouseburn Trust	65	Community Cohesion
Smethwick Bangladeshi Youth Forum	65	Community Cohesion
The Green Centre	62	Community Cohesion
Brixton Community Trust	60	Community Cohesion
Beechwood & Ballantyne Community Housing Association Ltd	58	Community Cohesion
The Seedley & Langworthy Trust	57	Community Cohesion
Pnory Campus	55	Community Cohesion
Bramley & Rodley Community Action (BARCA Leeds)	54	Community Cohesion
Whitwick Community Coffee Shop T/A Community Connections	54	Community Cohesion
Witheridge Pre-School	52	Community Cohesion
Minehead Development Trust	51	Community Cohesion
Bewdley Development Trust	50	Community Cohesion
Devon Heartlands Community Development Trust	49	Community Cohesion
Hackney Council for Voluntary Service	45	Community Cohesion
The Lenton Centre	40	Community Cohesion
Viva Arts and Community Group	40	Community Cohesion
Friar park Millennium Centre	40	Community Cohesion
East Lindsey Citizens Advice Bureau	38	Community Cohesion
High Street Centre	38	Community Cohesion
Other	(165)	
	<u>12,034</u>	

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

22 Provisions for liabilities and charges

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
	Onerous lease	Onerous lease	Onerous lease	Onerous lease
Provisions 1 April	38	136	38	77
Additional provisions made during year	-	-	-	-
Provisions reversed during the year	-	(59)	-	-
Provisions utilised during the year	(35)	(39)	(35)	(39)
Provisions at 31 March	<u>3</u>	<u>38</u>	<u>3</u>	<u>38</u>

23 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	Group 2011 £ '000	Group 2010 £ '000	Charity 2011 £ '000	Charity 2010 £ '000
Annual commitment on leases expiring				
Within 1 year	9	54	3	38
Within 2 to 5 years	84	8	-	-
More than 5 years	<u>236</u>	<u>236</u>	<u>-</u>	<u>-</u>
	<u>309</u>	<u>298</u>	<u>3</u>	<u>38</u>

24 Reserves/Funds

	Balance at 1 April 2010 £ '000	Incoming Resources £ '000	Investment Income £ '000	Resources Expended £ '000	Balance at 31 March 2011 £ '000
Group					
Restricted Funds					
ACF general Fund	6,826	5	349	(453)	6,727
London BDG Fund	2	-	-	-	2
Futurebuilders England Fund	56,416	38,187	3,741	(3,814)	94,530
Modernisation Fund	7,413	-	45	(1,412)	6,046
Communitybuilders Fund	<u>9,639</u>	<u>40,052</u>	<u>114</u>	<u>(14,263)</u>	<u>35,542</u>
Restricted Funds carried forward	80,296	78,244	4,249	(19,942)	142,847
Unrestricted Funds	<u>1,535</u>	<u>10,439</u>	<u>2</u>	<u>(9,485)</u>	<u>2,491</u>
Total Funds carried forward	<u>81,831</u>	<u>88,683</u>	<u>4,251</u>	<u>(29,427)</u>	<u>145,338</u>
Parent					
Restricted Funds					
ACF general Fund	6,826	300	349	(719)	6,756
London BDG Fund	2	-	-	-	2
Communitybuilders Fund	<u>9,639</u>	<u>40,052</u>	<u>99</u>	<u>(14,248)</u>	<u>35,542</u>
Restricted Funds carried forward	16,467	40,352	448	(14,967)	42,300
Unrestricted Funds	<u>180</u>	<u>3,298</u>	<u>-</u>	<u>(3,170)</u>	<u>288</u>
Total Funds carried forward	<u>16,627</u>	<u>43,650</u>	<u>448</u>	<u>(18,137)</u>	<u>42,588</u>

The purpose of the ACF general Fund is to make investments in and support community enterprises to build capacity and enable them to achieve entrepreneurial success. This includes, with OCS agreement, payment of related overhead costs.

The London BDG Fund is for grants and support to community organisations in London to develop enterprise activities.

The Futurebuilders Fund provides loan financing, often combined with grants and professional support, to civil society organisations in England that need investment to help them bid for, win and deliver public service contracts. This Fund is closed for new applications.

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

The Modernisation Fund provided interest-free loans to help organisations be more resilient to the impact of the economic downturn. This Fund closed last financial year for new applications

The Communitybuilders Fund provides loans, grants and business support to multi-purpose, inclusive, community-led organisations (sometimes known as Community Anchors)

25 Analysis of Net Assets between Funds

	Fixed and current assets 2011 £ '000	Financial investments 2011 £ '000	Current liabilities 2011 £ '000	Negative goodwill 2011 £ '000	Total Funds 2011 £ '000
Group					
ACF general Fund	4,334	3,000	(807)	-	6,727
London BDG Fund	2	-	-	-	2
Futurebuilders England Fund	16,947	95,136	(242)	(17,311)	94,530
Modernisation Fund	1,312	4,734	-	-	6,046
Communitybuilders Fund	47,228	4,841	(16,327)	-	35,542
Restricted Funds	69,823	107,511	(17,176)	(17,311)	142,847
Unrestricted Funds	3,254	10	(773)	-	2,491
Total Group	73,077	107,521	(17,949)	(17,311)	145,338
Parent					
ACF general Fund	4,334	3,000	(578)	-	6,756
London BDG Fund	2	-	-	-	2
Communitybuilders Fund	46,239	4,841	(15,338)	-	35,542
Restricted Funds	50,575	7,841	(15,916)	-	42,300
Unrestricted Funds	288	-	-	-	288
Total Parent	50,863	7,841	(15,916)	-	42,588

26 Cash Flow Statement - Reconciliation of Net Incoming Resources to Net Cash Inflow from Operating Activities

	Group 2011 £ '000	Group 2010 £ '000
Net incoming resources	63,507	58,215
Investments income and bank interest received	(4,251)	(2,871)
Depreciation/Amortisation	62	40
Onerous lease provision	(35)	(98)
Goodwill amortisation	(1,931)	(4,332)
Increase in financial investment provisions/write offs	4,146	2,064
Financial investments repaid by social return	100	301
Financial investments transferred to grant	-	(400)
Decrease/(increase) in debtors	1,334	(2,102)
(Decrease)/increase in creditors	(2,427)	2,306
(Decrease)/increase in grants	(2,687)	12,488
Net cash inflow from operating activities	57,808	65,811

27 Contingent Asset

FBE has a contingent asset of £nil (2010 £49,489,000) owing from Cabinet Office relating to offers in respect of Futurebuilders Fund loans and grants made to future investees, which have been approved by the board, where a commitment is measurable and there is reasonable certainty of disbursement. The amount of Grants not drawn down by beneficiaries, £242,000 (2010 £7,271,000), has been included as a liability in the financial statements. The amount of loans and guarantees not drawn down by the beneficiaries as at 31 March 2011 is £1,685,000 (2010 £40,598,000) which represents a contingent liability of the Fund.

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

FBE has a contingent asset of £nil (2010: £8,067,000) owing from ACF relating to offers in respect of Communitybuilders fund loans made to future investees, which have been approved by the board, where a commitment is measurable and there is reasonable certainty of disbursement. Funds relating to these offers have not been drawn down from ACF nor have the funds been disbursed to beneficiaries. A corresponding contingent liability of £nil (2010: £8,067,000) is, therefore, also recognised. All grant offers have been drawn down from ACF and undisbursed amounts have been included as a liability in the financial statements.

28 Contingent Liabilities

Adventure Capital Fund

- i) The charity offered, but did not advance, £81,000 (2010: £612,000) of new loans as at 31 March 2011.
- ii) If an investee of the Charity sells an asset purchased with those Funds, the Home Office could require a partial repayment of its grant to the extent of any sales proceeds received by ACF under any security it holds over the investee. This could be regarded as a contingent liability but any obligation to pay the Home Office would be matched by Funds received from the investee.

Futurebuilders England Limited

- i) The company has contingent liabilities of £505,000 in respect of Futurebuilders Fund bank guarantees made on behalf of investees (2010: £1,090,000). The bank guarantees become contingent liabilities once the bank guarantee agreement has been signed by FBE.
- ii) FBE's contract with Cabinet Office to deliver and manage the investment portfolio of the Futurebuilders and Modernisation Funds has been extended for a further two years and expires on 31 March 2013. For the duration of the contract, income is being acknowledged in the Statement of Financial Activities and the loan books represented on Balance Sheet. At the end of the contract, the Funds, which are shown as separate restricted funds (note 24) will revert to Cabinet Office. The total funds value at 31 March 2011 is £117,348,000 (2010: £83,068,000).
- iii) The amount of loans not drawn down to beneficiaries for the Futurebuilders Fund, £1,685,000, (2010: £40,598,000) represents a contingent liability. This includes the bank guarantees made of £505,000 (2010: £1,440,000) as stated above i).
- iv) The amount of loans not drawn down to beneficiaries for the Communitybuilders Fund, £nil (2010: £8,067,000), represents a contingent liability.

29 Related Party Transactions

The Charity has taken the exemption available under FRS 8 not to disclose any transactions between the Charity and its subsidiaries.

The Adventure Capital Fund has two members, The Social Enterprise Loan Fund (TSELF) and the Development Trusts Association. Payments totalling £nil (2010: £2,949) were made to TSELF in the period for provision of book-keeping services and £29,884 (2010: £23,098) for rent and services charge. Payments totalling £108,664 (2010: £98,338) were made to the Development Trust Association for support and assessment services for Adventure Capital Fund investees. Payment of

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

£1,002,166 (2010: £1,151,247) was made to the Development Trust Association for fund management fee and support services for Communitybuilders Investees

Stephen Bubb is the Chair of both the ACF and SIB Boards. He is also Chief Executive of ACEVO. During the year FBE purchased services from ACEVO for £53,078 (2010: £21,000) relating to membership fees, sponsorship and conference fees and training courses. During the year ACF purchased services from ACEVO for £4,200 (2010: £8,612) relating to membership fees, sponsorship and conference fees and training courses.

Saeeda Ahmed is a member of the ACF Board. She is also the Chief Executive Officer of Trescom Limited. In the year, Trescom Limited received a grant of £nil (2010: £19,800) from FBE.

Fred Worth is a member of the ACF and SIB Boards. He is also a Trustee of the Royal Mencap Society. During the year, the Royal Mencap Society was offered and advanced a loan of £nil (2010: £2,200,000) from the Futurebuilders Fund, and received a loan of £nil (2010: £450,000) and a grant of £nil (2010: £50,000) from the Modernisation Fund. The balance outstanding on the loans at the year end were £2,113,000 and £450,000 respectively (2010: £2,200,000 and £450,000 respectively).

Kevin Carey is a member of the SIB Board. He is also a consultant for AT Care. During the year AT Care received a loan of £300,000 (2010: £nil) and a revenue grant of £nil (2010: £99,194) from FBE.

Anne Longfield is a member of the SIB Board and is also the Chief Executive Officer of 4Children. In 2009 a £500,000 loan was issued to 4 Children by FBE; the balance outstanding on the loan at the year end was £379,168 (2010: £412,594).

Rob Owen was a member of the SIB Board until he resigned on 28 May 2010. He is also the Chief Executive Officer of St Giles Trust. In the year St Giles Trust received a loan of £nil (2010: £500,000) from FBE. The balance outstanding on the loan at the year end was £347,222 (2010: £500,000).

During 2010 FBE acquired a 12.5% interest in Third Sector Consortia Management LLP (No. OC347365), known as 3SC at a cost of £10,000. There were eight initial members and a ninth member later joined reducing the interest to 11.11%. FBE sold its interest before the 2010 year end (see note 18) and SIB acquired that interest at a cost of £10,000. During the year 3SC received a loan of £nil from FBE (2010: £1,500,000). The balance outstanding on the loan at year end was £1,500,000 (2010: £1,500,000).

At a meeting, where any investment or purchase decisions are taken, which would reasonably be seen as giving rise to a conflict of interest (principally over investments) the Chair of the meeting ensures at the outset that disclosure is made. The interest is agreed to be either non-disqualifying or disqualifying and is recorded as such in the minutes and, if appropriate, the individual withdraws from the meeting for the duration of any discussion of the relevant item. The company's procedures also ensure that senior staff are not engaged in purchasing goods or services from suppliers in which they would have an interest.

30 Holding Company

There is no ultimate holding company of ACF.

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

31 Statement of Trust for the Social Enterprise Investment Fund (SEIF)

	SEIF 2011 £ '000	SEIF 2010 £ '000
Loans offered	9,954	3,184
Less loans disbursed	(9,954)	(2,018)
Total loan commitments	-	1,168
Grants offered	52,841	20,465
Less grants disbursed	(50,894)	(8,338)
Total grant payable	1,947	12,127
Total commitments at 31 March	1,947	13,295
Fund Management Statement		
	2011 £ '000	2010 £ '000
	Total	Total
Net Funds at 1 April	15	-
Inflows		
Grants received from funders - Capital	42,220	3,415
Grants received from funders - Resource	7,542	6,850
Grants refunded	227	-
	49,989	10,265
Income from investments received	154	48
Loans repaid	343	56
	50,486	10,369
Outflows		
Grants disbursed - Capital	(34,859)	(1,456)
Loans disbursed - Capital	(7,938)	(2,018)
Grants disbursed - Resource	(7,696)	(6,882)
	(50,493)	(10,354)
Net Funds at 31 March (Department of Health)	8	15

Accrued interest as at the year ended 31 March 2011 was £109,000 (2010 £26,000)

Notes to the Consolidated Financial Statements for the year ended 31 March 2011

32 Investment in Subsidiary

ACF is the parent company and sole member of SIB, incorporated in England and Wales on 1 February 2008 and formed to administer the Futurebuilders Fund. SIB is the parent company of FBE incorporated in England and Wales, which it subcontracts the service delivery to. Both companies are limited by guarantee and have registered offices at, 5th Floor, 6 St Andrew Street, London EC4A 3AE.

A summary of the financial results of the subsidiaries are below:

Profit and Loss Account

	SIB for the year ended 31 March 2011 £'000	SIB for the year ended 31 March 2010 £'000	FBE for the year ended 31 March 2011 £'000	FBE for the year ended 31 March 2010 £'000
Incoming resources	6,484	6,374	62,119	74,218
Resources expended	(6,292)	(6,327)	(28,512)	(30,961)
Net incoming resources	192	47	35,607	43,255
Corporation tax	(58)	2	(125)	149
Net incoming resources for the period after taxation	134	49	35,482	43,404

Balance Sheet

	SIB As at 31 March 2011 £'000	SIB As at 31 March 2010 £'000	FBE As at 31 March 2011 £'000	FBE As at 31 March 2010 £'000
Fixed Assets	10	10	100,163	60,642
Current Assets				
Debtors	1,515	1,332	3,602	14,373
Cash at bank and in hand	857	1,022	18,440	9,024
	2,472	2,354	22,042	23,397
Current Liabilities				
Creditors	(2,263)	(2,279)	(2,123)	(1,902)
Grants payable	-	-	(242)	(17,779)
Provision	-	-	-	-
Current Liabilities	(2,263)	(2,279)	(2,365)	(19,681)
Net Current Assets	209	75	19,677	3,716
Net Assets	219	85	119,840	64,358

33 Post balance sheet date events

There have been no significant events after the balance sheet date.