



Social Investment Business Foundation
Annual report and Consolidated
Financial Statements

Year Ended 31 March 2018

Company Number 5777484
Charity number 1117185



Social Investment Business Foundation

Report and financial statements
for the year ended 31 March 2018

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Directors

Rt Hon Hazel Blears (Chair)
Anand Shukla
Hugh Rolo
Jim Rice
Jeremy Newman
Jenny North
Richard Pelly OBE

Secretary and registered office

Paul Green (Resigned 12 July 2017)
Caroline Forster (Appointed 12 July 2017)
Can Mezzanine, 7-14 Great Dover Street, London
SE1 4YR

Company number

5777484

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick
West Sussex, RH6 0PA

Social Investment Business Foundation

Directors' report for the year ended 31 March 2018

1. Report of the Board of Directors

The Board of Directors of Social Investment Business Foundation (SIB Foundation) present their report together with the audited financial statements for the Group for the year ended 31 March 2018 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).

2. Objectives and Activities

The objects of the Charity are to promote for the public benefit all purposes as are recognised as charitable under the laws of England and Wales including but not limited to:

- supporting community organisations in areas of social need that are charities and the charitable activities of other community organisations, including by provision of advice, support and assistance; and/or
- the making and the promotion of social investments by means of loans, grants, guarantees, equity, near equity or other financial interventions or assistance to charities or for charitable purposes, including but not limited to supporting community organisations operating in areas of social need; and/or
- 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.

SIB Foundation is committed to helping impact-led organisations improve people's lives. We aim to do this by:

- providing the money and support they need directly
- providing a platform for partners to support them
- using our knowledge and experience to inform our own work and influence others

All our activities are underpinned by:

- aiming to maximise the impact we can have with the resources we have
- placing our customers at the heart of the business
- our five core values that inform our relationships with the charities and social enterprises we work with and how we conduct our everyday work:

- Put People First
- Curious
- Bold
- Collaborative
- Accountable

SIB Foundation manages the Adventure Capital Fund and the Communitybuilders Fund, both of which invest in community based social enterprises. SIB Foundation is the parent company of Social Investment Business Limited (SIB Limited), which holds and delivers fund management contracts on behalf of third parties, mainly Government departments, and Futurebuilders England Limited (FBE), which holds the assets of the Futurebuilders and Modernisation Funds. Collectively the Group is referred to as Social Investment Business (SIB).

In March 2018 SIB Foundation established a new subsidiary company limited by shares, Forward Enterprise FM Ltd. Forward Enterprise FM Ltd was established with the sole purpose of making investments in enterprises working with or being led by ex-offenders or people in recovery from addiction and creating employment opportunities for people from these communities. The Foundation is the sole shareholder of this company. The Foundation is also a shareholder and investor in Social and Sustainable Capital (SASC).

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3. The Group's specific objectives for the year 2017/18 were:

1. Protect the Foundation's assets so that we can generate funds for investment.
2. Improve Social Impact measurement to understand how we are helping impact led organisations to improve people's lives.
3. Invest in our people to support excellent service delivery.
4. Invest in and improve systems to support excellent service delivery.
5. Develop new business by listening to our customers, using our experience and collaborating with partners to run pilots and programmes and build on approaches that work.
6. Develop as a learning organisation by drawing on emerging lessons from all corporate activity to inform current and future operations and share lessons learned via research reports.
7. Deliver high quality customer service.

How did we do?

This section of the report details the progress we made against our seven objectives for the year.

3.1 Protect the Foundation's assets so that we can generate funds for investment.

We achieved better than expected levels of loans repayments through the team supporting loan investees to improve performance, particularly cases where we were not expecting to receive scheduled repayments.

During the year we used returns from our own fund, Communitybuilders, to meet our investment commitment in Social and Sustainable Capital's Community Investment Fund. We are a joint investor alongside Big Society Capital in this fund.

During the year repayments of Futurebuilders loans reached the 50% mark enabling us to return a further £26.2m to the Department for Digital, Culture, Media and Sport (DCMS) to support their other commitments such as the Access – The Foundation for Social Investment.

In 2017/18, we committed grants of £8,563,985 to 256 charities and social enterprises, through programmes run on behalf of partners, Big Lottery Fund and Access – The Foundation for Social Investment.

Our grants management activity is a key element of how we seek to achieve our vision and mission, providing access to finance and support that helps charities and social enterprises improve their sustainability and deliver greater social impact. The grants programmes we ran in 2017/18 enabled us to support organisations ranging from those with very early stage ideas on how to develop their organisation and build resilience, through to those with more advanced business models and clear plans to bid for new contracts or to raise finance.

3.2 Improve Social Impact measurement to understand how we are helping impact led organisations to improve people's lives.

Overseen by the Board's Impact Committee, in 2017/18 we developed a fund impact assessment framework to support decisions on new fund ideas. The framework considers factors including fund purpose and impact potential for charities and social enterprises who might apply to the fund and their users. It also looks at sustainability of new ideas and the potential for us to learn from the ideas and share that learning. We will also develop specific Impact Frameworks for all new funds which we will use to monitor their impact. The first example of this is the Forward Enterprise Fund. With this fund we will collect information to assess the impact of the fund on:

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Directors' report for the year ended 31 March 2018

- users / beneficiaries i.e. people in recovery, such as increased employment opportunities and increased acceptance of people in recovery in the work place
- building financial sustainability and business effectiveness of the charities and social enterprises; and
- the quality of the support provided by SIB

3.3 Invest in our people to support excellent service delivery.

We continue to embed our values in all areas of our work. Our values form part of our recruitment processes and inform new areas of work including the Staff Challenge (see below) and research and development activity.

We recruited a new Chief Executive Officer, Nick Temple. Nick joined us in January 2018, from his previous role as Deputy Chief Executive of Social Enterprise UK. We have enhanced our research capabilities in the year by recruiting two members of staff to support our growing research activity.

During the year, we completed a role benchmarking exercise and developed a new job evaluation framework. We have also reviewed our overall benefits packages to ensure that we are able to attract and retain talented and committed staff.

3.4 Invest in and improve systems to support excellent service delivery

We have continued work on the implementation of our new Salesforce Customer Relationship Management (CRM) system. This includes the development of a new system to manage our loans. In March 2018 we completed implementation of an end to end automation of our grants processes, enabling us to receive grant applications online and produce electronic offer letters. This automation will improve our customer service delivery. In the year ahead we will continue to develop the CRM, to support further improvements in our customer service and improve our management of data and information.

In preparation for ensuring that we are compliant with new GDPR regulations by 25 May 2018 we have reviewed data held by all departments and agreed action plans for making required changes. We have also reviewed our cyber security processes and started a programme of staff training workshops to raise awareness on both GDPR and cyber security issues.

3.4 Develop new business by listening to our customers, using our experience and collaborating with partners to run pilots and programmes and build on approaches that work.

We were successful in our application for an investment of £2,053,302 from the Growth Fund managed by Access – The Foundation for Social Investment for the Forward Enterprise Fund, with funds from Big Society Capital and Big Lottery Fund. The Fund's vision is to support the setting up and scaling up of recovery enterprises that are working with or being led by ex-offenders or people in recovery from addiction and creating employment opportunities for people from these communities. We will run the fund in partnership with the Forward Trust, one of the largest offender rehabilitation and recovery organisations in the UK. The Forward Trust has extensive reach into, and knowledge of, the recovery enterprise sector. In addition to direct investment the Fund will provide a package of support (via approved providers) and pre-investment funding (via Crowdfunder).

During the year we implemented a programme of research work to help us identify gaps in the social investment market and how SIB might be able to address these gaps, working with partners in these areas. This work included research into the investment requirements of health and social care social enterprises, community-led housing solutions and investment in merger and turnaround support for charities and social enterprises. We plan to share this research in the coming year.

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Directors' report for the year ended 31 March 2018

We were successful in a tender exercise run by Healthy London Partnership to carry out research into a Health Fund for London. We have also taken on a project management and secretariat support role for a DCMS Social Investment Taskforce looking into how to grow a culture of social impact investment in the UK. These initiatives represent new areas of work for SIB which we hope to further develop in the coming years.

3.5 Develop as a learning organisation by drawing on emerging lessons from all corporate activity to inform current and future operations and share lessons learned via research reports.

In March 2018 we published our first in-house research report, *Strength in Numbers*, a report looking at the effectiveness of the investment and contract readiness programmes we have run over the last five years. We received a grant of £10,000 from the Access Foundation for Social Investment to support this research.

During the year we ran a Staff Challenge where staff were invited to submit ideas for new initiatives drawing upon their knowledge and experience of the organisations we support. We were pleased with how staff responded to the Challenge, submitting ten Expressions of Interest. Four were successful:

- New ways of investing in the circular economy
- Testing improved ways of investing via revenue participation
- Research into innovation in the peer to peer lending market; and
- Explore new approaches to providing tailored support to encourage small Black, Asian and Minority Ethnic groups to access repayable finance

Work on these four projects will carry on during 18/19 and we will share learning from them as they progress.

3.6 Deliver high quality customer service

A key milestone in the year was the establishment of our Customer Focus Panel. We recruited ten representatives of social sector organisations to join the panel through external recruitment. The members of the panel work across sectors such as childcare, services for people with disabilities, advocacy services for older people and resettlement support for refugees. They are drawn from across England - Yorkshire and Humberside, South West, North West, West Midlands, South East and London. The role of the panel is to act as a sounding board for SIB. The panel will help us identify and co-design new initiatives and suggest how we can improve services for customers.

Our annual customer survey was carried out for the year ended 31 March 2017 using the Net Promoter Score methodology as in the previous two years. The survey results showed a modest improvement on the previous year's performance with an NPS score of 19 in comparison to 13 in 2016. We have also started to seek more immediate customer feedback by sending a short survey to customers at key points in our relationships with them e.g. decisions and changes variations to existing loans and grants.

4 Future Developments

Our new CEO, Nick Temple, is leading the development of our new strategic priorities and objectives. Our strategic priorities for 2018/19 are:

1. Putting our customers at the heart of everything we do
2. Being an active and innovative intermediary
3. Being recognised as a knowledge-base and advocate for impact-led organisations need
4. Building a stronger business model and finances
5. Investing in our people and systems to help achieve excellence.

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Directors' report for the year ended 31 March 2018

We plan to announce two new investment funds during 2018/19 and to build new strategic partnerships to support delivery of these funds. We will seek to involve customers in the design of these new funds. We will also continue to develop as a learning organisation through further research work with a specific focus on our loan activity through a review of 15 years of loan investment activity.

5 Main Strategic Risks

SIB maintains a risk register which identifies the key strategic risks facing the organisation. This register is a working document and is discussed and reviewed at the Director's Group meetings and then again by both the Audit and Finance Committee and Joint Board. The risk register is updated to reflect recent operational and financial developments, strategic objectives and changes in the external environment. Each risk is analysed according to its perceived potential impact, likelihood of occurrence together with actions that have or will be taken in mitigation.

At the time of the publishing of this report the risk register listed our ten main areas of concern, these can be grouped roughly into the following areas:

- Data quality, systems and staff;
- Performance of our funds and those that we manage for others;
- Building a reputation for learning and research; and
- New business targets

The Directors are satisfied that there are procedures in place commensurate with these key risks to prevent or manage their effects. These procedures include the active monitoring and updating of control systems and procedures to ensure we are managing and taking appropriate action. Where appropriate, financial provision will be made on the balance sheet, reserves set aside, or financial plans updated. In addition, the internal audit plan is developed and implemented each year is based on these risks, progress against this plan and reports from our internal audit partner, Grant Thornton, are monitored by the Audit and Finance Committee.

6 Going Concern

The Directors consider it appropriate to prepare consolidated financial statements on a going concern basis.

They consider the cash and reserves position of SIB Foundation to be sufficient to support the charity for at least 12 months from the date of signing these financial statements taking into account both the funds of SIB Foundation and the Communitybuilders endowment.

In addition, the Joint Board discussed a number of financial scenarios over the next eight years for the group. These scenarios set out very clearly the expected operating cash flows and the underlying financial stability of the group and individual organisations within the group.

Both the Directors of SIB Foundation and SIB Limited 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 financial statements. Based on this information they continue to adopt the going concern basis in preparing the consolidated financial statements.

7 This year's performance

The Statement of Financial Activities (SOFA) shows that the group made a deficit for the year of £8,220,000 before tax of which £8,015,000 was a payment to DCMS from Futurebuilders loan repayments. The remaining figure of £205,000 allowed for investment in new business systems and supported research work to help us identify gaps in the social investment market and how SIB might be able to address these gaps. This compares

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Directors' report for the year ended 31 March 2018

to a deficit of £8,809,000 (which included a payment of £11,300,000 to DCMS from Futurebuilders) in the prior year.

Overall income decreased by £895,000 to £3,752,000 and expenditure decreased by £3,219,000.

8 Reserves Policy

The Board has ultimate responsibility for ensuring SIB Foundation has an appropriate Reserves Policy, with these principles also applied to Group companies. 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 policies are reviewed each year.

The policy is to balance the goal of sustainability with the aim of being 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.

SIB Foundation's reserves policy stipulates that the cash and reserves position is to be sufficient to cover a minimum of six months operating costs and to enable SIB Foundation to develop new initiatives in support of its charitable objects. The Trustees have agreed a target reserves of £1.5m to £2m to support this. At the end of the year, the Group's cash and free reserves stood at £1.6m.

9 Treasury Policy & Procedures

SIB Foundation and the Group as a whole operate with a Treasury Policy, based on four criteria of Security, Business Needs, Ethical and Influence.

SIB Foundation has a number of bank accounts across which funds are deposited to spread risk, our policy limits a maximum of £10m in any individual bank which must be AA rated in line with our key principle of security for our assets. These limits were last reviewed and agreed at the Audit and Finance Committee on 6 June 2017, any funds in excess of £10m at any one institution are also reviewed regularly at the Audit and Finance Committee and action agreed.

We hold assets on behalf of funds that are not our own. We have significant amounts of money held in cash, because this money can be called upon to be disbursed or returned to its owners at short notice.

10 Structure, Governance and Management

(a) Background and Legal Structure

The Group is formed as follows:

SIB Foundation – the ultimate parent company, a charity and company limited by guarantee

SIB Limited is a private company limited by guarantee and a subsidiary of SIB.

SIB Limited is the sole member of FBE, a private company limited by guarantee.

Forward Enterprise FM Ltd is a private company limited by shares, with SIB Foundation its sole shareholder.

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(b) 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.

SIB Foundation is governed by seven members of the Board of Directors. During the year the following Board Sub-Committee Structure was in place:

SIB Foundation Investment Committee
Group Audit & Finance Committee
Group Remuneration Committee
Impact Committee

SIB Limited has a Board comprising eight Non-Executive Directors, these govern SIB Limited and retain governance rights and a supervisory role over FBE. FBE's Board of Directors is the Executive Senior Management Team of SIB Limited. Forward Enterprise FM Ltd has a Board of three Directors drawn from the SIB Foundation Board.

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 Directors delegate the day-to-day management of the Group to the Executive team. The Executive team throughout the year were:

Nick Temple	Chief Executive (from 8 January 2018)
Caroline Forster	Deputy Chief Executive (Interim Chief Executive, 1 April 2017 to 7 January 2018)
Paul Green	Director of Finance and Corporate Resources (resigned 31 July 2017)

Details of the Directors who served during the year and to the date of signing the financial statements are shown on page 1 of this report. Five Directors are also Directors of SIB Limited.

Each member agrees to contribute £1 in the event of the charity winding up. The remaining Founder Member, Locality, has the right to nominate a representative to sit on the Board of Directors.

The Directors are committed to ensuring that the Boards 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 Directors includes skills and expertise in the following areas: banking and investment, community regeneration and social enterprise, business, commercial law and financial and risk management.

(c) Public Benefit Statement

The Directors 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 and activities will deliver public benefit and help us to meet our aims and objectives.

The Directors have a duty to include in this Annual Report a statement on 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 objectives.

(d) Fundraising statement

Section 162a of the Charities Act 2011 requires charities to make a statement regarding fundraising activities. Although we do not undertake widespread fundraising from the general public, the legislation defines fund

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Directors' report for the year ended 31 March 2018

raising as "soliciting or otherwise procuring money or other property for charitable purposes." Such amounts receivable are presented in our accounts as "voluntary income" and includes legacies and grants.

In relation to the above we confirm that all solicitations are managed internally, without involvement of commercial participators or professional fundraisers, or third parties. The day to day management of all income generation is delegated to the Executive team, who are accountable to the Directors.

The Foundation is not bound by any undertaking to be bound by any regulatory scheme and the Foundation does not consider it necessary to comply with any voluntary code of practice.

We have received no complaints in relation to fundraising activities. Our terms of employment require staff to behave reasonably at all times; as we do not approach individuals for funds we have not specified this to fundraising activities nor do we consider it necessary to design specific procedures to monitor such activities.

(e) Related parties

Related party transactions are referred to in detail in the notes to the financial statements.

(f) Statement of Directors' Responsibilities

The Directors (who are also directors of SIB Foundation for the purposes of company law) are responsible for preparing the Directors' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Directors' report for the year ended 31 March 2018

(g) Disclosure of Information to Auditors

In so far as the Directors are aware:

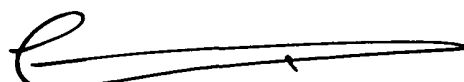
- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Directors of SIB Foundation on 11 July 2018 and signed on their behalf.



Hazel Blears
Chair



Jeremy Newman
Director

Social Investment Business Foundation

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF SOCIAL INVESTMENT BUSINESS FOUNDATION

Opinion

We have audited the financial statements of Social Investment Business Foundation ("the parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated statement of financial activities, the consolidated and Foundation balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2018 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions related to going concern

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

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

Other information

The other information comprises the information included in the Annual Report and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. The other information comprises the Directors' report. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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Independent auditor's report (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report, which includes the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report, which includes the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Director's report (which includes the strategic report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Charitable Company, 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 Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors (who are also the trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

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Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Don Bawtree (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick

Date: 12 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Social Investment Business Foundation

Consolidated Statement of Financial Activities for the year ended 31 March 2018

	Note	Unrestricted funds 2018 £'000	Restricted funds 2018 £'000	Group 2018 £'000	Group 2017 £'000
Income from:					
Charitable activities:					
Investment income	2	-	1,857	1,857	2,591
Fund management income	3	1,896	-	1,896	1,939
Other income	4	-	-	-	117
Total income		1,896	1,857	3,752	4,647
Expenditure on:					
Charitable activities:					
Fund management costs	5	2,535	967	3,502	3,527
Cost of generating funds		-	-	-	-
Repayment to DCMS	6	-	8,015	8,015	11,300
Net (incoming)/outgoing resources from associate	11	23	-	23	(28)
Interest transferred to management fee	6	-	1,047	1,047	1,007
Total expenditure		2,558	10,029	12,587	15,806
Net gains/(losses) on investments					
Investment provision decrease	6	-	614	614	2,350
Net expenditure		(661)	(7,558)	(8,220)	(8,809)
Transfer between funds	6	484	(484)	-	-
Net expenditure before taxation	7	(177)	(8,042)	(8,220)	(8,809)
Taxation on profit on ordinary activities	9	-	(454)	(454)	(331)
Net movement in funds		(177)	(8,496)	(8,674)	(9,140)
Reconciliation of funds					
Funds balance brought forward at 1 April		1,858	70,952	72,810	81,950
Funds balance brought forward at 31 March		1,681	62,456	64,137	72,810

SIB Foundation has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own statement of financial activities. The deficit for the year generated by the Foundation was £2,554,000 (2017: £305,000).

The notes on pages 18 to 40 form part of these financial statements

Social Investment Business Foundation

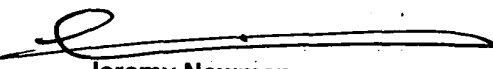
Consolidated balance sheet at 31 March 2018

Company number 05777484	Note	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Fixed assets					
Tangible assets	10	88	57	58	53
Mixed motive financial investments - loans to investees	11	38,917	46,467	9,011	11,447
Financial investments - loan to subsidiary		-	-	328	391
Financial investments - investment in associate	12	341	367	341	367
Financial investments - (SASC) funding (Mixed motive investment)		11,500	11,500	11,500	11,500
		58,846	58,391	21,237	23,758
Current assets					
Debtors	13	458	789	224	428
Short term deposits		7,733	21,575	6,361	7,096
Cash at bank and in hand		11,945	18,302	10,445	10,731
		20,136	40,666	17,031	18,255
Liabilities					
Creditors: amounts falling due within one year	9,14	(994)	(810)	(301)	(120)
Recycled funds due back to DCMS	14	-	(18,178)	-	-
Grants payable	15	(307)	(342)	(306)	(304)
Amounts due to associate		(4,794)	(6,167)	(4,794)	(6,167)
		(6,095)	(25,497)	(5,401)	(6,591)
Net current assets		14,041	15,169	11,630	11,664
Total assets less current liabilities		64,887	73,560	35,867	35,422
Creditors: amounts falling due after more than one year					
Provisions for liabilities – SASC coupon		(750)	(750)	(750)	(750)
Net assets	16	64,137	72,810	32,117	34,672
The funds of the charity:					
Unrestricted income funds		1,681	1,858	759	883
Restricted income funds		62,456	70,952	31,358	33,789
Total charity funds	16	64,137	72,810	32,117	34,672

The deficit of the Foundation for the year was £2,554,000 (2017 - £305,000).

The financial statements were approved by the Board of Directors and authorised for issue on 11 July 2018.


Hazel Bleas
Chair


Jeremy Newman
Director

The notes on pages 18 to 40 form part of these financial statements.

Social Investment Business Foundation

Consolidated statement of cash flows for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities	18	(28,921)	(12,256)
Cash flows from investing activities			
Purchases of tangible fixed assets		(61)	(55)
Payment to associate		(1,373)	(1,889)
Investment income		1,857	2,250
Payments for financial investments		(122)	(831)
Repayments of financial investments		8,422	7,120
Net cash from investing activities		8,723	6,595
Net decrease in cash and cash equivalents		(20,199)	(5,661)
Cash and cash equivalents at beginning of year		39,877	45,538
Cash and cash equivalents at end of year		19,678	39,877

	Balance at 1 April 2017	Movement during the year £'000	Balance at 31 March 2018 £'000
Cash	18,302	(6,357)	11,945
Short term deposits	21,575	(13,842)	7,733
Cash and cash equivalents at end of year	39,877	(20,199)	19,678

The notes on page 18 to 40 form part of these financial statements.

Social Investment Business Foundation

Notes forming part of the financial statements for the year ended 31 March 2018

1 Accounting policies

a) Basis of preparation

The Social Investment Business Foundation (SIB Foundation) is a charity governed by the Companies Act 2006 and the Charities Act 2011.

SIB (the Group) consists of the ultimate parent SIB Foundation (the Foundation), SIB Limited (SIB Limited - 100% owned), and its subsidiaries: Futurebuilders England Limited (FBE - 100% owned) and Forward Enterprise FM Ltd Limited (100% owned - a dormant company). Both SIB Limited 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 SIB Foundation:

The Group is authorised for the Communitybuilders Fund, Futurebuilders Fund and Modernisation Fund, as the Fund Manager, to act as the Principal therefore all transactions relating to the Funds are recorded on the Statement of Financial Activities and Balance Sheet. The Group has also included the results of the Investment and Contract Readiness Fund on its Balance Sheet and Statement of Financial Activities. This contract does not have an express statement confirming that SIB Limited acts as principal, however DCMS has advised that, in its opinion, SIB Limited is considered to act as principal on the contract based on the fact that grant decisions are made by SIB.

The Group is authorised for the Social Enterprise Investment Fund (SEIF), as the Fund Manager, to act as the Agent therefore transactions relating to the Fund are not part of the Financial Statements. Income received for managing the Fund and the cost associated with managing the Fund are recorded in the financial statements. The Group acts as the Agent in respect of the Centre for Social Action Fund, Big Potential (Big Lottery) and Access Reach and Access Impact Funds.

b) Basis of preparation

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, Charities Act 2011 and applicable accounting standards in the United Kingdom. These financial statements have also been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

The Foundation constitutes a public benefit entity as defined by FRS 102.

c) Going concern

The Directors have prepared forecasts of the Group's cash and capital positions for the period ending September 2019, eighteen months from the date of these financial statements. The Directors consider the cash and reserves position of the Group's to be sufficient to support the Group for at least twelve months from the date of signing these financial statements 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 annual financial statements. There are no material uncertainties about the Foundation's ability to continue as a going concern.

SIB Limited is a subsidiary of the Foundation. At the financial year end SIB Limited had net assets of £921k.

Social Investment Business Foundation

Notes forming part of the financial statements for the year ended 31 March 2018

1 Accounting policies (continued)

d) Consolidated financial statements

The financial statements have been consolidated on a line by line basis in accordance with FRS 102. SIB Foundation has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own statement of financial activities.

Futurebuilders England Limited fund treatment

The contracts dated 1 April 2011 between the Cabinet Office and SIB Limited and between the Cabinet Office and FBE to manage the funds advanced by the Cabinet Office to FBE expired on 31 March 2013. Those contracts expressly stated that FBE was acting as principal and on this basis, and taking into account the substance of the relationship with the Cabinet Office, the assets and liabilities of FBE were fully consolidated in the accounts of the Group at 31 March 2018 and previous years and the monies advanced by the Cabinet Office were treated as Restricted funds.

In particular, the Cabinet Office has advised that, in its opinion, FBE continues to act as principal under the contract and the contract specifically states that FBE "will hold the assets and liabilities of the fund on its balance sheet" although the new contract does not have an express statement confirming that FBE acts as principal not as agent.

In all these circumstances, the assets and liabilities of FBE continue to be fully consolidated in the Group's accounts at 31 March 2018 and the monies advanced by the Cabinet Office continue to be treated as Restricted funds.

However, under the new contract the Cabinet Office:

- has the right to terminate the contract at any time by giving at least three months' notice;
- will be given all shares in Futurebuilders England Limited for no consideration at the end of such notice period; and
- can require Futurebuilders England Limited to "deal with the Funds in the manner directed by the Cabinet Office".

If the above were to occur there would be a change in the nature of the relationship with the Cabinet Office and in the substance of the agreement with The Social Investment Business Limited. In such circumstances, the Group would immediately recognise in its accounts:

- a disposal of a subsidiary undertaking for no consideration should the Cabinet Office serve notice to terminate the contract; or
- a liability should the Cabinet Office make a request for funds to be returned to them.

The Futurebuilders contract with the Cabinet Office was transferred to DCMS during 2016/17. This means that all amounts previously paid and owed to Cabinet Office have been transferred to DCMS

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.

Social Investment Business Foundation

Notes forming part of the financial statements for the year ended 31 March 2018

1 Accounting policies (continued)

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 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

Investment in associate - SASC

During 2013, SIB Foundation acquired a 29% share of Social and Sustainable Capital LLP (SASC) - entitling the Group to a 51% share of all future profit distributions. The investment in this associate has been accounted for using the equity method - with the initial investment recognised at cost which is considered to be the fair value of the consideration paid by the group. The carrying amount of the investment is increased or decreased to recognise the Group's share of the profit or loss of SASC - and this profit or loss is reflected in the Group's results for the period.

As at 31 March 2018, SIB Foundation had committed £10m to SASC from the Communitybuilders Fund to invest into SASC's Community Investment Fund. SIB Foundation also committed £1.5m as first loss provision on SASC's Third Sector Loan Fund. It is estimated that £750k of the loss provision will be repaid to SIB Foundation over 10 years, and therefore a provision for the remaining £750k is included in the financial statements.

g) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Group is legally entitled, receipt is probable and the amount can be measured reliably.

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 the notes below.

h) Resources expended

Resources expended are recognised once there is a legal or constructive obligation to make a payment to a third party and on an accruals basis in the period in which they are incurred. Resources expended include attributable VAT when this cannot be recovered.

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

Social Investment Business Foundation

Notes forming part of the financial statements for the year ended 31 March 2018

1 Accounting policies (continued)

Expenditure is allocated between:

- expenditure incurred directly to the fulfilment of the charity's objectives; and
- expenditure on the governance infrastructure which allows the charity to operate and to generate the information required for public accountability.

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; and
- premises and operational costs are allocated pro rata to staff time.

Governance costs are costs incurred in relation to 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. The expenditure classed as governance costs has been detailed in note 5.

Support costs are functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office, finance and human resources costs. The basis on which support costs have been allocated is set out in note 5.

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.

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

Corporation tax expense comprises both current tax and deferred tax and is calculated using tax rates that have been enacted or substantively enacted by the 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 corporation tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the consolidated financial statements.

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 income receivable and operating profits.

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018

1 Accounting policies (continued)

l) 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 Profit and Loss Account 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:

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

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

m) Financial investments

Financial investment loans, equivalent to mixed motive 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.

n) Social Return on Investments

SIB Foundation offers, 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 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.

o) 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 books of the Futurebuilders, Modernisation, Communitybuilders and Adventure Capital Funds results in a further specific provision being made to the financial investments, after taking account of individual specific provisions. 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.

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

1 Accounting policies (continued)

Significant judgement and estimates – provisions

Preparation of the financial statements requires management to make significant judgements and estimates. Significant judgements and estimates have been used in the calculation of risk calibrated provisions which are deducted from financial investments after the deduction of specific provisions. These provisions are calculated by applying impairments to financial investments after assessing their likelihood of default based on financial and subjective metrics.

In respect of financial investments, the amount of risk calibrated provision applied to the financial investments this financial year is £2,446,000 (2017: £3,564,000).

p) 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.

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

Commitments and contingencies are disclosed exclusive of VAT.

2 Investment income

	Group 2018 £'000	Group 2017 £'000
<i>By nature</i>		
Interest on investments	1,731	2,401
Interest on bank deposits	88	190
Other income	38	-
	<u>1,857</u>	<u>2,591</u>

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

In 2018, £1,857,000 of the investment income (2017: £2,591,000) was attributable to restricted income funds with none (2017: Nil) being attributed to unrestricted funds.

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

3 Fund management income

	Group 2018 £'000	Group 2017 £'000
Total fund management income	1,896	1,939

Fund management income is derived from managing grant and loan funds, all of which is attributable to unrestricted funds.

The prior year figure of £1,939,000 all related to unrestricted funds.

4 Other incoming resources

	Group 2018 £'000	Group 2017 £'000
Other income including business support income	-	117
	-	117

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 these funds. In 2018, of other incoming resources, £Nil (2017: £117k) was attributable to restricted income funds and £nil (2017: £nil) unrestricted funds.

5 Analysis of fund management and governance costs

	Group 2018 £'000	Group 2017 £'000
Staff costs	1,320	1,662
Premises and operational	174	151
Legal and other professional	15	-
Depreciation/Amortisation	20	24
Operating leases for land and buildings	112	147
Business consultants - investee support	133	134
Other consultancy	29	66
Other direct cost	170	42
Direct fund management	329	384
LIF management fee	375	
Governance	392	438
Support costs	433	477
	3,502	3,527

All of the above costs relate to fund management costs.

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

Governance and support costs comprise the following:

	Group		Foundation		Basis of apportionment
	Governance £'000	Support costs £'000	Governance £'000	Support costs £'000	
Staff costs	188	268	170	-	Staff time
Premises and operational	19	64	23	-	Staff time
Legal and other professional	1	6	-	-	Invoices
Board and investment committee costs	35	-	-	-	Invoices
Depreciation/Amortisation	8	1	8	-	Staff time
Auditors' remuneration - audit services	45	-	17	-	Governance
Auditors' remuneration - non audit services	16	-	-	-	Governance
Auditor's remuneration – internal audit	22	-	-	-	Governance
Operating leases for land and buildings	8	46	-	-	Staff time
Other consultancy	2	13	-	-	Staff time
Other direct cost	48	35	42	-	Staff time
	<u>392</u>	<u>433</u>	<u>260</u>	<u>-</u>	

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

6 Fund costs

	Group 2018 £'000	Group 2017 £'000
Transfer to management fee - Communitybuilders Fund	484	549
Interest transferred to management fee – Futurebuilders Fund	1,047	1,007

Transfer to management fee - Communitybuilders Fund represents a transfer from the restricted Communitybuilders Fund to SIB Limited as payment of the fund management fee. This is shown as a transfer between restricted and unrestricted funds on the face of the Statement of Financial Activities.

Interest transferred to management fee - Futurebuilders Fund represents the payment of the management fee from DCMS to SIB Limited from returns to the Fund. Both transfers have been accounted for as unrestricted income.

	Group 2018 £'000	Group 2017 £'000
Repayment to DCMS	8,015	11,300

During the year, DCMS requested a return of an additional £8,015,000 to the £18,178,000 originally forecasted. Of this liability, £26,193,000 was paid to DCMS during the year (2017: £10,421,655).

Investment provision/write offs made in year

	Group 2018 £'000	Group 2017 £'000
<i>Write offs</i>		
Capital	1,278	542
Interest	34	627
	<u>1,312</u>	<u>1,169</u>
<i>Provisions</i>		
Capital	(2,026)	(2,544)
Interest	100	(975)
	<u>(1,926)</u>	<u>(3,519)</u>
	<u>(614)</u>	<u>(2,350)</u>

Of the above reduced capital provision of £2,026,000 a specific charge of £2,204,000 (2017: £1,309,000) has been made on 7 (2017: 12) investments during the year and £3,457,000 (2017: £1,548,145), released from provisions relating to 28 investments. The remaining balance of £773,000 (2017: £2,335,000) relates to a decrease in provision based on the calibrated risk approach. The interest provision has increased by £100,000 (2017: decreased by £975,000). The above capital provisions also includes amounts related to guarantees.

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

7 Net expenditure for the year

	Group 2018 £'000	Group 2017 £'000
Net expenditure is stated after charging:		
Depreciation/amortisation	20	24
Operating leases for land and buildings	112	147
Auditors' remuneration – audit services current year	45	40
Auditors' remuneration – non audit services	16	12
Internal audit	18	12

8 Staff costs

	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Wages and salaries	1,517	1,904	166	255
Social security costs	155	185	24	27
Other pension costs	136	187	28	51
	<u>1,808</u>	<u>2,277</u>	<u>218</u>	<u>334</u>

Included in the figures above are payments made to key management personnel defined as Directors and the Group Senior Management team (Chief Executive, Director of Investments and Director of Corporate Resources).

The payments to Directors of SIB Foundation Board are for their services to the Group. Authority for remunerating Directors is included within the memorandum and articles of SIB Foundation. The total SIB Foundation Directors remuneration is £29,813 (2017: £27,147) of which Hazel Blears is paid at £12,480 (2017: £12,480). Hazel Blears is paid by SIB Ltd at £24,960 via A Mon Avis Limited of which £12,480 is recharged to SIB Foundation.

Payments are also made to the Directors of SIB, a subsidiary of SIB Foundation. The total SIB Limited Director remuneration costs are £50,480 (2017: £79,879) of which £nil (2017: £399) relates to pension payments. This means that the total Group Trustee and Director costs amounted to £80,293 (2017: £107,026) including pension payments of £nil (2017: £399).

Remuneration for the Group Senior Management team totalled £354,114 (2017: £305,974) including pension payments of £36,810 (2017: £35,127).

During the year £25,000 compensation was made to employees for loss of office (2017: £55,374).

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

8 Staff costs (continued)

The monthly average number of Full Time Equivalent employees was as follows:

	Group 2018	Group 2017	Foundation 2018	Foundation 2017
Operational staff	29	35	3	4
Management staff	3	3	1	1
	<u>32</u>	<u>38</u>	<u>4</u>	<u>5</u>

Number of employees in the following salary ranges:

	Group 2018	Group 2017	Foundation 2018	Foundation 2017
£60,000 - £69,999	6	5	1	-
£80,000 - £89,999	1	2	1	1
£100,000-£109,999 *	-	1	-	-
	<u>7</u>	<u>8</u>	<u>2</u>	<u>1</u>

* Includes Chief Executive

Board, Investment Committee and Directors' costs remuneration

	Salary		Pension		Expenses	
	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£
Stephen Bubb	-	-	-	-	-	-
Hazel Blears	24,960	24,960	-	-	1,663	3,268
Anne Tutt	-	19,000	-	399	72	1,250
Edward Lord	1,000	8,000	-	-	-	-
Fred Worth	-	-	-	-	34	158
Jeremy Newman	16,333	8,000	-	-	287	253
Carolyn Aitchison	-	6,667	-	-	-	19
Louise Keeling	7,000	5,000	-	-	-	-
Richard Pelly	7,000	5,000	-	-	-	128
Crispin Blunt	-	5,000	-	-	-	-
Anand Shukla	-	5,000	-	-	-	-
Julie Currie	12,000	5,000	-	-	-	-
Jim Rice	4,000	5,000	-	-	-	53
Jeremy Nicholls	4,000	5,000	-	-	378	1,454
Jenny North	4,000	5,000	-	-	-	-
	<u>80,293</u>	<u>106,627</u>	<u>-</u>	<u>399</u>	<u>2,434</u>	<u>6,584</u>

These Board and Investment Committee costs are included in the staff costs detailed above.

Social Investment Business Foundation

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

Pensions

SIB Foundation operates a defined contribution pension scheme open to all staff employees (including Directors), administered by AEGON, and pays employer's contributions at three different rates for all staff who were employed before the 1st August 2016: 6.79%, 9.06% and 11.33% depending on the level of employee contribution and two rates for all staff employed on the 1st August 2016 and onwards: 4% and 8% depending on the level of employee contribution.

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.

Outstanding pension contributions for the Group at the year end was £14,139 (2017: £NIL).

Other Board, Investment Committee and Directors' Costs

A total of £2,916 was paid in other Board, Investment Committee and Director costs in the year ended 31 March 2018, which represents Directors' expenses, mainly travel, paid to 3 Directors during the period.

9 Taxation on profit on ordinary activities

SIB Foundation as a registered charity is exempt from Corporation tax under the Corporation Tax Act 2010 (chapters 2 and 3 of part II, section 466 onwards) or Section 256 of the Taxation for Chargeable Gains Act 1992, to the extent surpluses are applied to its charitable purposes.

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 Limited 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:

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before taxation	(5,671)	(8,520)
Tax at 19% thereon	1,078	1,586
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(1,523)	(2,260)
Deferred tax not recognised	(10)	343
Adjustment in respect of the prior period	1	
Total tax charge for period	(454)	(331)

A potential deferred tax asset of £3,498 exists at the year end (2017: £10,070) relating to fixed asset timing differences. This has not been recognised within the financial statements.

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

10 Tangible fixed assets

	Leasehold fixtures & fittings £'000	Office equipment & IT £'000	Total £'000
<i>Cost or valuation</i>			
At 1 April 2017	120	182	302
Additions		61	61
At 31 March 2018	120	243	363
<i>Accumulated Depreciation</i>			
At 1 April 2017	120	126	246
Charge for year	-	29	29
At 31 March 2018	120	155	275
<i>Net book value</i>			
At 31 March 2018	-	88	88
At 1 April 2017	-	56	56

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

11 Investments

Financial investments are in the form of loans and guarantees and are mixed motive investments. This year the group have made specific provisions against 8 loans (2017: 12) which may be non-performing.

The Directors believe that the carrying value of the investments is supported by their underlying assets.

<i>Cumulative</i>	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Loans disbursed	154,849	154,727	27,171	27,061
Loans transferred from FBE	-	-	4,258	4,258
Capitalised interest	364	364	-	-
Repayments received	(84,361)	(75,940)	(11,414)	(10,225)
Loan repayment received (Social Return on Investment)	(829)	(829)	(829)	(829)
Transfer loan to grant	(288)	(288)	(288)	(288)
Loan balance at 31 March 2018 before write off and provisions	69,735	78,034	18,898	19,977
Loans written off	(10,971)	(9,694)	(1,283)	(1,210)
Bad debt provision	(19,847)	(21,873)	(8,604)	(7,320)
	(30,818)	(31,567)	(9,887)	(8,530)
Balance at 31 March	38,917	46,467	9,011	11,447
<i>In year</i>	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Loan balance at 1 April	46,467	50,393	11,447	13,552
New loan disbursed	122	832	110	816
Capitalised interest	-	364	-	-
Repayments received	(8,422)	(7,123)	(1,189)	(3,076)
Loan balance at 31 March before write off and provisions	38,168	44,466	10,368	11,292
Loans written off	(1,278)	(542)	(73)	(264)
Bad debt provision	2,027	2,543	(1,284)	419
	749	2,001	(1,357)	155
Balance at 31 March	38,917	46,467	9,011	11,447

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

11 Investments (continued)

	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Maturity of loans and advances:				
Within 1 year	835	442	136	19
Over 1 year to 5 years	4,802	7,114	3,886	3,927
Over 5 years	33,280	38,911	4,989	7,501
	<u>38,917</u>	<u>46,467</u>	<u>9,011</u>	<u>11,447</u>

At 31 March 2018 there are loans to the value of £Nil (2017: £120,000) which are potentially repayable by social outputs.

All investments are UK based with loan agreements ranging in length from 1 to 27 years with interest rates up to 6%.

Investment provisions (capital)

	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Provision brought forward	21,873	24,418	7,320	7,739
Increase/(decrease) in provisions	2,220	198	1,654	(317)
Provisions (written off)/released during the year	(4,245)	(2,743)	(369)	(102)
	<u>19,847</u>	<u>21,873</u>	<u>8,604</u>	<u>7,320</u>

SIB Foundation

The Foundation shows a increase in provision in the year of £1,284,000 comprising a decrease in ACF funds of £57,000 (2017: decrease of £204,000), increase in Communitybuilders provision of £1,347,000 (2017: decrease £356,000) and a decrease in the Liverpool LIF provision of £5,000 (2017: increase of £141,000). The movement in ACF funds provision is explained by a decrease in the specific provision of £93,000 due to write-offs (2017: £141,000 decrease). The increase in Communitybuilders provision is explained by a decrease in the general provisions of £221,000 (2017: £465,000) and a large increase in specific provision of £1,638,000 (2017: 676,000) of 2 loans (2017: 3 loans).

Futurebuilders England Limited

During the year, 5 (2017: 2) loans or guarantees (2017: 0) were written off, comprising loans of £1,204,893 (2017: £277,656) and £NIL of guarantees (2017: £Nil). In addition, there were no capital adjustments (2017: £Nil).

Specific provisions for 5 loans totalling £567,000 (2017: £514,000, 5 loans) were made during the year. In addition to this, a risk calibrated provision reduction of £583,000 was made (2017 decrease: £1,807,000) and provisions for 15 loans totalling £3,294,000 were released (2017: £832,000, 19 loans).

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

12 Financial investments – other mixed motive investments

SASC

Movement in the carrying amount of investment in SASC

	Group 2018 £'000	Group 2017 £'000
Balance at 1 April	366	359
Share of profit/(loss) in associate	(26)	8
Balance at 31 March	340	366

Income/(expenditure) from interest in associate undertaking

	Group 2018 £'000	Group 2017 £'000
Revenue	1,062	825
Operating expenses	(1,114)	(810)
Profit(loss) after drawings	(52)	15

Share of net assets of associate

SIB Foundation acquired a 29% interest in SASC during 2013/14 in return for a 51% share on any distributions made. SASC is an FCA authorised and regulated fund manager and social enterprise providing finance to charities and social enterprises to help social sector organisations deliver scalable and sustainable solutions to social issues by providing simple financing for viable organisations so that they can continue to grow and achieve greater impact.

As at 31 March 2018, SIB Foundation's share of net assets in SASC amounted to £340,000. This decrease of £160,000 on the initial investment of £500,000 in SASC is as a result of SIB Foundation accounting for the 51% share of losses suffered by SASC to date.

13 Debtors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Trade debtors	115	99	2	1
Amounts due from subsidiary undertakings	-	-	18	-
Investee interest receivable	216	511	179	370
Prepayments and accrued income	127	179	26	57
	458	789	224	428

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

14 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Trade creditors	104	106	-	24
Amounts due to subsidiary undertakings	-	-	217	-
Corporation tax	454	333	-	-
Other taxation and social security	62	81	25	30
Other creditors	24	18,186	5	-
Accruals	311	258	47	42
Deferred income	38	25	7	25
	<u>994</u>	<u>18,988</u>	<u>301</u>	<u>120</u>

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

15 Grants payable

In year

	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Grant payable at 1 April	342	353	304	315
Grants offered	16	44	16	44
Grants paid	(14)	(54)	(14)	(54)
Grant commitments withdrawn	(38)			
Grants payable at 31 March	<u>307</u>	<u>342</u>	<u>306</u>	<u>304</u>

Grants awarded

	Group 2018 £'000	Group 2017 £'000
Community Cohesion	<u>16</u>	<u>44</u>

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

16 Reserves/Funds

	Balance at 1 April 2017	Incoming resources	Investment income	Resources expended including tax	Balance at 31 March 2018
Group	£'000	£'000	£'000	£'000	£'000
Restricted funds:					
Futurebuilders Fund	30,825	-	1,334	(1,061)	31,098
Communitybuilders Fund	27,759	-	376	(1,666)	26,469
Other Funds	12,368	-	147	(7,626)	4,889
Restricted funds	70,952	-	1,857	(10,353)	62,456
Unrestricted funds	1,858	2,380	-	(2,558)	1,681
Total	72,810	2,380	1,857	(12,911)	64,137

Reserves/Funds – previous year

	Balance at 1 April 2016	Incoming resources	Investment income	Resources expended including tax	Balance at 31 March 2017
Group	£'000	£'000	£'000	£'000	£'000
Restricted funds:					
Futurebuilders Fund	39,475	-	1,956	(10,606)	30,825
Communitybuilders Fund	27,595	97	468	(401)	27,759
Other Funds	13,051	-	167	(851)	12,368
Restricted funds	80,122	97	2,591	(11,858)	70,952
Unrestricted funds	1,829	2,489	-	(2,459)	1,858
Total	81,951	2,586	2,591	(14,318)	72,810

Other Funds includes ACF General Fund, London BDG Fund, Modernisation Fund and Liverpool LIF Funds.

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.

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

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

16 Reserves/Funds (continued)

The Communitybuilders Fund provides loans, grants and business support to multi-purpose, inclusive, community-led organisations (sometimes known as Community Anchors). This restricted fund is due to be endowed to SIB Foundation in FY20-21 at which point the current restrictions will be lifted.

The Liverpool LIF fund provides loan funding to community organisations in the Liverpool City Region to develop, grow and increase their community and economic impact.

17 Analysis of net assets between funds

	Fixed assets and debtors £'000	Financial investments £'000	Total liabilities £'000	Total funds £'000
Group				
Restricted funds	18,351	50,410	(6,305)	62,456
Unrestricted funds	2,089	347	(755)	1,681
Total	<u>20,441</u>	<u>50,757</u>	<u>(7,058)</u>	<u>64,137</u>

Analysis of net assets – previous year

	Fixed assets and debtors £'000	Financial investments £'000	Total liabilities £'000	Total funds £'000
Group				
Restricted funds	38,757	57,962	(25,767)	70,952
Unrestricted funds	1,968	372	(482)	1,858
Total	<u>40,725</u>	<u>58,334</u>	<u>(26,249)</u>	<u>72,810</u>

18 Cash flow statement – reconciliation of net incoming resources

	Group 2018 £'000	Group 2017 £'000	Foundation 2018 £'000	Foundation 2017 £'000
Net resources expended after taxation	(8,674)	(9,141)	(2,554)	(305)
Investments income and bank interest received	(1,857)	(2,591)	(508)	(617)
Depreciation/amortisation	29	32	-	-
Increase in financial investment provisions/write offs	(749)	(2,001)	1,490	(243)
Financial investments repaid by social return	-	150	-	-
Decrease in debtors	331	1,334	204	88
(Decrease)/Increase in creditors	(17,989)	-	181	(7)
(Decrease)/Increase in grants payable	(35)	(11)	2	(11)
Net outgoing/(incoming) resources from associate	23	(28)	-	-
Net cash outflow used in operating activities	<u>(28,921)</u>	<u>(12,256)</u>	<u>(1,186)</u>	<u>(1,095)</u>

Social Investment Business Foundation

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

19 Contingent liabilities

SIB Foundation

If an investee of the Foundation 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 SIB Foundation 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.

FBE

i) The company has contingent liabilities of £69,000 in respect of Futurebuilders Fund bank guarantees made on behalf of investees (2017: £69,000). 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 came to an end on 31 March 2013. FBE's parent company, The Social Investment Business Limited, won a new contract to manage the fund commencing on 1 April 2013 for three years. An agreement was signed on 26 August 2015 to further extend the contract from March 2016 to March 2019. FBE entered into a portfolio holding contract with the Cabinet Office on 1 April 2013, for the duration of the contract, income will be acknowledged in the Statement of Financial Activities and the loan books represented on Balance Sheet. During 2016/17, the FBE contract was transferred from Cabinet Office to DCMS. At the end of the contract, the Funds will revert to DCMS. The total funds value at 31 March 2018 was £31,100,000 (2017: £37,164,000).

iii) The amount of loans not drawn down to beneficiaries for the Futurebuilders Fund, £243,000 (2017: £255,000) represents a contingent liability. This includes the bank guarantees made of £69,000 (2016: £69,000) as stated above i).

20 Related party transactions

Hugh Rolo is a member of the SIB Foundation Board. SIB paid £81,876 in costs to Locality (2017: £81,700) relating for services relating to delivery of the Big Potential Breakthrough programme. Hugh Rolo is employed as the Director of Development at Locality.

SIB Foundation is a partner in SASC which includes; The Third Sector Loan Fund LLP and the Community Investment Fund LP. During the financial year, SIB Foundation paid SASC £1,374,239 in relation to these funds (2017: £1,889,094). Carolyn Aitchison and Anne Tutt represented SIB Foundation on the SASC Board until 31 March 2017. They have been replaced by Jeremy Newman and Julie Currie whom both report to the SIB Foundation Board on SASC.

SIB Foundation paid SIB Limited £484k in relation to managing the Communitybuilders Fund, £329k in relation to the Big Potential management fee and £328k towards operational and premises costs. SIB Foundation received £12k in interest and £63k in capital regarding an intercompany loan between SIB Foundation and SIB Ltd.

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

21 Investment in subsidiary

SIB Foundation is the parent company and sole member of SIB Limited, incorporated in England and Wales on 1 February 2008 and formed to administer the Futurebuilders Fund. SIB Limited is the parent company of FBE incorporated in England and Wales, which, up until 30 November 2012, it subcontracted the service delivery to. Both companies are limited by guarantee and have registered offices at CAN Mezzanine, 7 - 14 Great Dover Street, London, SE1 4YR.

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

Profit and loss account

	SIB Limited For the year ended 31 March 2018 £'000	SIB Limited For the year ended 31 March 2017 £'000	FBE For the year ended 31 March 2018 £'000	FBE For the year ended 31 March 2017 £'000
Incoming resources	2,654	2,821	1,349	1,974
Resources expended	(2,715)	(3,114)	(6,958)	(10,200)
Net deficit for the period before taxation	(61)	(293)	(5,609)	(8,226)

Balance sheet

	SIB Limited As at 31 March 2018 £'000	SIB Limited As at 31 March 2017 £'000	FBE As at 31 March 2018 £'000	FBE As at ended 31 March 2017 £'000
Fixed assets	29	2	29,904	35,019
Current assets				
Debtors	435	245	37	140
Cash at bank and in hand	1,259	1,508	1,613	20,553
	1,694	1,753	1,651	20,693
Current liabilities	(474)	(382)	(454)	(18,547)
Net current assets	1,220	1,371	1,196	2,146
Total assets less current liabilities	1,249	1,373	31,100	37,165
Creditors due after more than 1 year	(328)	(391)	-	-
Net assets	921	982	31,100	37,165

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

22 Guarantors

Locality (formerly The Development Trusts Association) Registered Charity no: 1036460 is the founders of SIB Foundation. The Directors appointed by the Board are the non-founder Directors. Each of the founder and non-founder Directors are the members of the Foundation. Every member undertakes to contribute a sum not exceeding £1 to the assets of the Foundation if it is wound up during his or her membership or within one year afterwards.

23 Amount disbursed as agent

SIB Limited manages and disburses the restricted funds below as agent, therefore the grants, related disbursements, assets and liabilities are excluded from the Group's financial statements.

Centre for Social Action Fund	2018 £'000	2017 £'000
Balance at 1 April	297	325
Cabinet Office funds received	-	-
Cabinet Office funds refunded	(297)	-
	-	325
Disbursed to investees	-	(27)
Balance unspent at 31 March	-	297
Social Enterprise Investment Fund (SEIF)	2018 £'000	2017 £'000
Balance at 1 April	2	2
Department of Health funds returned	(2,062)	(1,570)
Repayments from investees	2,062	1,578
	2	10
Disbursed to investees	-	(7)
Balance unspent at 31 March	2	2
DCLG Community Rights Funds	2018 £'000	2017 £'000
Balance at 1 April	-	164
DCLG funds received	-	(176)
DCLG funds refunded	-	11
	-	-
Disbursed to investees	-	-
Balance unspent at 31 March	-	-

Social Investment Business Foundation

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

23 Amount disbursed as agent (continued)

Impact Readiness Fund (IRF II)	2018 £'000	2017 £'000
Balance at 1 April	-	204
DCMS funds received	-	1,856
	-	2,060
Disbursed to investees	-	(2,060)
Balance unspent at 31 March	-	-
Big Potential	2018 £'000	2017 £'000
Balance at 1 April	2,695	1,035
Big Lottery funds received	6,774	8,491
Big Lottery funds refunded	66	
	9,535	9,525
Disbursed to investees	(7,050)	(6,831)
Balance unspent at 31 March	2,485	2,695
Access Reach	2018 £'000	2017 £'000
Balance at 1 April	-	-
Access Reach funds received	1,391	-
	1,391	-
Disbursed to investees	(1,184)	-
Administrative costs	(84)	-
Balance unspent at 31 March	123	-
Access Impact	2018 £'000	2017 £'000
Balance at 1 April	-	-
Access Impact funds received	467	-
	467	-
Disbursed to investees	(401)	-
Administrative costs		-
Balance unspent at 31 March	66	-