

6402143

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2011
FOR
SOCIAL FINANCE LIMITED**

WEDNESDAY



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COMPANIES HOUSE

SOCIAL FINANCE LIMITED
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FOR THE YEAR ENDED 30 SEPTEMBER 2011

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SOCIAL FINANCE LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2011

DIRECTORS

D W Blood
T H Eccles
B P Horn
Ms V J Hornby
D A Hutchison
O O Kolade
Ms P A Newman
Ms G Peacock
D N Robinson
J M Strachan
P S W Wheeler

SECRETARY

Mrs C N Callaway

REGISTERED OFFICE

131-151 Great Titchfield Street
London
W1W 5BB

REGISTERED NUMBER:

06402143 (England and Wales)

AUDITORS

RSM Tenon Audit Limited
Statutory Auditor
66 Chiltern Street
London
W1U 4JT

SOCIAL FINANCE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2011

The directors present their report with the financial statements of the company for the year ended 30 September 2011

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of financial advice and capital raising for Third Sector organisations

The Company Number is 06402143 (England and Wales)

REVIEW OF BUSINESS

Social Finance made significant progress over 2011. Our team has grown to 26 and will expand to 30 in the first half of 2012. The highlights of the year are shown below,

- Essex, Manchester and Liverpool Local Authorities engaged Social Finance to explore the feasibility of deploying Social Impact Bonds to support vulnerable adolescents and their families with the objective of preventing entry into care

- Social Finance continues to manage the Peterborough Social Impact Bond to reduce re-offending by short sentenced prisoners. We contracted four voluntary sector organisations and coordinate their interventions on the programme. To date, over 500 prisoners have been released into the community since the programme was launched.

- HM Treasury commissioned Social Finance to design business models for a basic budgeting bank account for low-income consumers. We reported our findings to the Financial Inclusion Task Force in April 2011.

- Social Finance launched the Disabled Child Finance Facility pilot in October 2010.

Further opportunities for Social Finance in 2012

- Social Finance continues to develop Social Impact Bonds in the areas of drug rehabilitation, homelessness and residential foster care as well as further applications in criminal justice.

- Social Finance is partnering with Sonen Investments (based in the US) to launch a Global Social Impact Fund of Funds to invest in established funds with sufficient track record of working in the developing world to alleviate poverty (eg microfinance, microinsurance, sustainable agriculture, health care, employment generating microenterprise and community based power). Social Finance will act as placement agent in Europe.

- Social Finance hopes to launch a VCT in the coming year to provide patient capital to social enterprises in the UK. Together with fund manager Finance South East, we aim to establish over time a £20m Social Impact VCT which will invest its capital through debt and equity into socially driven companies in the UK.

- We are working closely with legal and tax advisers to promote the application of the Enterprise Initiative Scheme tax incentive to a number of social investment products, including Social Impact Bonds. This would broaden the investor market significantly and pave the way for retail investment into social impact funds.

- Social Finance is piloting an Investor Advisory Service and working to expand the number of foundations active in social investment and assisting private banks and IFAs to meet the growing interest in the concept from high net worth and mass affluent investors.

SOCIAL FINANCE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2011

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2010 to the date of this report

D W Blood
T H Eccles
B P Horn
Ms V J Hornby
D A Hutchison
O O Kolade
Ms P A Newman
Ms G Peacock CBE
D N Robinson
J M Strachan
P S W Wheeler

Other changes in directors holding office are as follows

Sir R M Cohen - resigned 27 July 2011
Ms P Stroud – resigned 5 September 2011

SOCIAL FINANCE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors 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 directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD


Mrs C N Callaway - Secretary

Date 17 January 2012

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SOCIAL FINANCE LIMITED**

We have audited the financial statements of Social Finance Limited for the year ended 30 September 2011 set out on pages seven to thirteen. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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.

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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report 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 company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SOCIAL FINANCE LIMITED**

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 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the Directors' Report in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report

RSM Tenon Audit Limited

Richard Limburg (Senior Statutory Auditor)
for and on behalf of RSM Tenon Audit Limited
Statutory Auditor
66 Chiltern Street
London
W1U 4JT

Date

25 Jan 2012

SOCIAL FINANCE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	30 9 11 £	30 9 10 £
TURNOVER		610,641	608,821
Administrative expenses		<u>2,363,271</u>	<u>1,318,944</u>
		(1,752,630)	(710,123)
Other operating income		<u>1,829,899</u>	<u>523,032</u>
OPERATING PROFIT/(LOSS)	2	77,269	(187,091)
Interest receivable and similar income		<u>172</u>	<u>270</u>
		77,441	(186,821)
Interest payable and similar charges		<u>12,478</u>	<u>8,301</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		64,963	(195,122)
Tax on loss on ordinary activities	3	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		<u>64,963</u>	<u>(195,122)</u>

The notes form part of these financial statements

SOCIAL FINANCE LIMITED

**BALANCE SHEET
30 SEPTEMBER 2011**

	Notes	30 9 11 £	£	30 9 10 £	£
FIXED ASSETS					
Tangible assets	5		17,531		23,865
Investments	6		<u>2</u>		<u>2</u>
			17,533		23,867
CURRENT ASSETS					
Debtors	7	138,080		314,295	
Cash at bank		<u>1,038,869</u>		<u>607,597</u>	
		1,176,949		921,892	
CREDITORS					
Amounts falling due within one year	8	<u>662,971</u>		<u>582,987</u>	
NET CURRENT ASSETS			<u>513,978</u>		<u>338,905</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			531,511		362,772
CREDITORS					
Amounts falling due after more than one year	9		<u>299,116</u>		<u>295,340</u>
NET ASSETS			<u>232,395</u>		<u>67,432</u>
CAPITAL AND RESERVES					
Called up share capital	11		1,000,013		900,013
Profit and loss account	12		<u>(767,618)</u>		<u>(832,581)</u>
SHAREHOLDERS' FUNDS			<u>232,395</u>		<u>67,432</u>

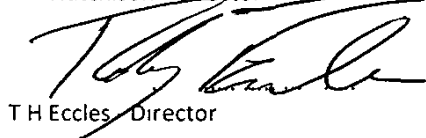
The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved for issue by the Board of Directors on
were signed on its behalf by

17 January 2012 and



D A Hutchison - Director



T H Eccles - Director

The notes form part of these financial statements

SOCIAL FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared on a going concern basis as this is deemed appropriate by the directors

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Preparation of consolidated financial statements

The financial statements contain information about Social Finance Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken the option under Section 398 of the Companies Act 2006 not to prepare consolidated financial statements

Income recognition

Turnover represents net invoiced sales of services, excluding value added tax. Grants and donations are recognised when they are received and are included in other operating income. The exception to this is when income relates to a specific project or when funding spans several years, in which case it is accrued over the life of the project and recognised income is compared to expenditure on that project for reasonableness

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Plant and machinery etc - 33% on cost

Deferred tax

Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as likely to be recoverable

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

2 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging

	30 9 11	30 9 10
	£	£
Depreciation - owned assets	17,899	16,910
Auditors' remuneration	<u>9,000</u>	<u>6,600</u>
Directors' remuneration and other benefits etc	<u>276,121</u>	<u>261,371</u>

SOCIAL FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

3 TAXATION**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 30 September 2011 nor for the year ended 30 September 2010

Factors that may affect future tax charges

The company has tax losses of £743,580 (2010 - £835,965) carried forward to future periods. A deferred tax asset in relation to these losses has not been provided in the financial statements as the directors consider that it would not be prudent to do so until the company establishes sustained profitability. The potential deferred tax asset is calculated to be in the region of £148,000 (2010 - £167,000)

4 BIG LOTTERY FUND GRANT

Social Finance Limited received payments of £1,600,001 from a grant (restricted funds) from the Big Lottery Grant Fund during the year (2010 - £400,000) (Grant reference number SGD/1/01375539). Income recognised during the year was £1,516,668 (2010 - £66,667), included within other operating income. Within cash at bank is £534,844 (2010 - £400,000) which is segregated for the Big Lottery Fund Grant. The total grant is £5 million over a three year period. These funds are restricted funds which are specifically limited to the designated activities set out in the terms and conditions of the grant agreement. The aim of the grant is to allow Social Finance to promote a wider understanding of the Social Impact Bond and facilitate the development of a Social Impact Bond market place within the UK.

5 TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
At 1 October 2010	50,728
Additions	11,658
Disposals	(92)
At 30 September 2011	<u>62,294</u>
DEPRECIATION	
At 1 October 2010	26,863
Charge for year	<u>17,899</u>
At 30 September 2011	<u>44,762</u>
NET BOOK VALUE	
At 30 September 2011	<u>17,532</u>
At 30 September 2010	<u>23,865</u>

SOCIAL FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

6 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 October 2010	<u>2</u>
At 30 September 2011	<u>2</u>
NET BOOK VALUE	
At 30 September 2011	2
At 30 September 2010	<u><u>2</u></u>

The company's investments at the balance sheet date in the share capital of companies include the following

Social Impact Partnership General Partner Limited

Nature of business General Partner in Social Impact Partnership LP

	%
Class of shares	holding
Ordinary	100 00

Social Impact Partnership General Partner Limited was dormant until it became a partner in Social Impact Partnership LP on 27 October 2010. The company has net assets of £1 and had no profit and loss activity in the year ended 30 September 2011.

Social Impact Partnership Founder Partner Limited

Nature of business Partner in Social Impact Partnership LP

	%
Class of shares	holding
Ordinary	100 00

Social Impact Partnership Founder Partner Limited was dormant until it became a partner in Social Impact Partnership LP on 27 October 2010. The company has net assets of £1 and had no profit and loss activity in the year ended 30 September 2011.

7 DEBTORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 9 11 £	30 9 10 £
Trade debtors	62,382	35,741
Other debtors	<u>75,698</u>	<u>278,554</u>
	<u><u>138,080</u></u>	<u><u>314,295</u></u>

Other debtors include unpaid share capital of £13 (2010 - £13)

SOCIAL FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 9 11	30 9 10
	£	£
Trade creditors	90,732	48,972
Taxation and social security	52,455	37,982
Other creditors	<u>519,784</u>	<u>496,033</u>
	<u>662,971</u>	<u>582,987</u>

Other creditors include deferred income totalling £442,010 (2010 - £460,047)

9 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 9 11	30 9 10
	£	£
Other creditors	<u>299,116</u>	<u>295,340</u>

Other creditors falling due after more than one year include a grant of £15,000 which is convertible into equity in any investment advisory service set up by the company as a separate entity

Amounts falling due in more than five years

Repayable otherwise than by instalments		
Other loans due in more than 5 years (non-instalments)	<u>284,116</u>	<u>295,340</u>

10 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	30 9 11	30 9 10
	£	£
Expiring		
Between one and five years	<u>194,347</u>	<u>153,450</u>

11 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	30 9 11	30 9 10
			£	£
100	Preference	£1,000	100,000	100,000
9	Founder (preference)	£100,000	<u>900,000</u>	<u>800,000</u>
			<u>1,000,000</u>	<u>900,000</u>

Allotted and issued

Number	Class	Nominal value	30 9 11	30 9 10
			£	£
13	Ordinary	£1	<u>13</u>	<u>13</u>

1 Founder (preference) share of £100,000 was allotted and fully paid for in cash at par value during the year. The Ordinary shares have full voting rights but have no dividend entitlement. The Preference shares are non-redeemable, have no voting rights but have full dividend entitlement. The Founder shares are non-redeemable and have no voting rights or dividend entitlement.

SOCIAL FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

12 RESERVES

	Profit and loss account £
At 1 October 2010	(832,581)
Surplus for the year	<u>64,963</u>
At 30 September 2011	<u>(767,618)</u>

13 TRANSACTIONS WITH DIRECTORS

Other creditors include an accrual of interest payable of £3,262 (2010 - £3,262) owed to the R and S Cohen Foundation, a charity of which the former director Sir R M Cohen is a trustee

Turnover includes £186,485 (2010 - £233,513), trade debtors include £nil (2010 - £35,741) and other debtors include £nil (2010 - £207,145) relating to Social Impact Partnership LP, of which the company's subsidiaries are partners

Turnover includes £113,565 (2010 - £nil) and trade debtors include £17,088 (2010 - £nil) relating to Big Society Capital, a company of which the former director Sir R M Cohen is Chairman

Turnover includes £25,209 (2010 - £nil) and trade debtors include £25,209 (2010 - £nil) relating to Social Finance, Inc, a company of which the director David Blood and the former director Sir R M Cohen are non-executive directors

Other operating income includes £55,000 (2010 - £nil) relating to David Blood, a director of the company

Other operating income includes £20,000 (2010 - £nil) relating to The Generation Foundation, a charity of which the director David Blood is a trustee

Other operating income includes £75,000 (2010 - £nil) relating to The Apax Foundation, a charity of which the trustee of a charitable shareholder in Social Finance Limited is also a trustee

14 ULTIMATE CONTROLLING PARTY

The company is controlled by the board of directors, each director being entitled to one Ordinary share of £1 each

15 POST BALANCE SHEET EVENTS

The company incorporated a wholly owned subsidiary, Social Finance VCB Limited, on 23rd November 2011. The subsidiary is currently dormant, it is intended that it will be a venture capital business

SOCIAL FINANCE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	30 9 11		30 9 10
	£	£	£
Turnover			
Contracts		610,641	608,821
Other income			
Grants received	1,679,899		423,032
Donations received	150,000		100,000
Deposit account interest	<u>172</u>		<u>270</u>
		<u>1,830,071</u>	<u>523,302</u>
		2,440,712	1,132,123
Expenditure			
Premises costs	150,221		75,515
Directors' salaries	246,121		240,621
Directors' fees	30,000		20,750
Wages	1,029,964		607,865
Social security	149,031		98,035
Consultants fees	277,821		12,000
Telephone	19,657		4,472
Post and stationery	20,178		12,078
Promotional items	110,528		62,290
Travelling	57,626		31,754
Licences and insurance	46,809		38,920
Subscriptions and publications	1,968		892
Computer expenses	52,499		16,190
Sundry expenses	3,027		75
Conferences and training	109,764		13,659
Accountancy	6,189		8,724
Recruitment costs	2,058		14,762
Legal fees	20,338		33,316
Auditors' remuneration	9,000		6,600
Depreciation of tangible fixed assets	17,899		16,910
Entertainment	2,482		3,414
Bank charges	<u>91</u>		<u>102</u>
		<u>2,363,271</u>	<u>1,318,944</u>
Carried forward		77,441	(186,821)

This page does not form part of the statutory financial statements

SOCIAL FINANCE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	30 9 11		30 9 10	
	£	£	£	£
Brought forward		77,441		(186,821)
Finance costs				
Loan interest	<u>12,478</u>	<u>12,478</u>	<u>8,301</u>	<u>8,301</u>
NET PROFIT/(LOSS)		<u><u>64,963</u></u>		<u><u>(195,122)</u></u>

This page does not form part of the statutory financial statements