

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2005  
FOR  
SOCIAL FINANCE LIMITED**

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**SOCIAL FINANCE LIMITED**

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FOR THE YEAR ENDED 30 SEPTEMBER 2009**

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**SOCIAL FINANCE LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2009**

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**DIRECTORS**

D W Blood  
Sir R M Cohen  
T H Eccles  
B P Horn - Chairman  
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**

42 Portland Place  
London  
W1B 1NB

**REGISTERED NUMBER**

06402143 (England and Wales)

**AUDITORS**

HLB Vantis Audit plc  
Chartered Accountants and  
Registered Auditors  
66 Wigmore Street  
London  
W1U 2SB

**SOCIAL FINANCE LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2009**

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The directors present their report with the financial statements of the company for the year ended 30 September 2009

**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

**REVIEW OF BUSINESS**

In the 12 months to the end of September 2009, Social Finance has made good progress in pursuit of its core mission. We seek ways of mobilising a variety of sources of private sector capital to address a range of social issues at scale by developing financial products which better meet the needs of investors and support social purpose organisations as they seek to raise and deploy capital. We also seek to develop investor confidence by building greater awareness of social investment opportunities among different categories of investor. During the period under review, we have

- Marketed extensively a loan capital offering for East Lancashire Moneyline (ELM) to social investors to raise funding to enable ELM to extend the reach of its services. ELM is the largest socially motivated CDFI lender to those in the personal sector that are financially excluded,
- Made substantial progress in developing an application of the Social Impact Bond designed to drive a reduction in the rate of reoffending amongst short sentence prisoners that we are seeking to pilot in 2010,
- Commenced marketing of a property fund to social investors. The fund addresses the property requirements of third sector organisations which so often constrains their ability to grow,
- Completed a feasibility study on the financing options for a charity focussed on developing and operating retirement villages,
- Commenced work on a Fund of Funds to open up the social investment market in the UK to retail investors,
- Began negotiations with potential service providers for a Disabled Child Finance Facility to improve the access of families with disabled children to financial products better tailored to meet their needs,
- Convened the first steering group meeting to develop the Global Impact Investing Network in the UK, building on the global initiative launched and sponsored by the Rockefeller Foundation in the US,
- Hosted a highly successful conference with the City of London at the Mansion House - the first conference in the UK to be focussed on potential social investors. Speakers were drawn from political circles, mainstream and specialist financial intermediaries, investors and campaigning organisations,
- Contributed to the consultation launched by the Office of the Third Sector into the design and function of the Social Investment Wholesale Bank,
- Published research documents on the concept of the Social Impact Bond and the issues surrounding the implementation of mergers in the charity sector, and
- Achieved national and international media coverage of our work

During the period, the executive team has been strengthened with the recruitment of an experienced chief executive and is now 11 strong benefiting from a diverse range of complementary skills to enable the team to operate across different cultures effectively. The team benefits from the support of a strong Board with considerable experience of the private, public and third sectors.

This period has presented us with a number of opportunities and challenges. It is clear that there is substantial interest from third sector and public sector entities for the services that we provide. These organisations welcome a partner to help them think through new ways of structuring and financing larger scale programmes to address social issues. There is also considerable interest amongst a wide spectrum of investors in the concept of social investment.

## **SOCIAL FINANCE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2009**

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However, the market for social investment is at a very early stage of development. While the potential for the market is very large, and conservative assumptions suggest that it could total in time many billions of pounds, building an awareness of and confidence in the asset class will take time, patience and a series of well structured investment opportunities to stimulate and crystallise investor interest. In many of the largest areas of potential impact, Social Finance's success depends on effectively co-ordinating a wide range of stakeholders including government, social particularly where innovative techniques are involved, our experience to date suggests that these opportunities, such as the Social Impact Bond, have the potential to have a very significant impact on not just the UK social arena but, as a precedent, worldwide.

We are more certain than ever that Social Finance's contribution is needed and that we are doing work that is valued even though it may take time to generate long term sustainable income streams.

#### **FUTURE DEVELOPMENTS**

Since year end we have received a grant from the Rockefeller Foundation of £443k to support the activities of Social Finance and have received a pledge of a further £300k of loan funding from Esmée Fairbairn -one of the largest foundations in the UK.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 October 2008 to the date of this report.

D W Blood  
Sir R M Cohen  
TH Eccles  
B P Horn - Chairman  
Ms V J Hornby  
O O Kolade  
Ms P A Newman  
Ms G Peacock  
D N Robinson  
J M Strachan  
P S W Wheeler

Other changes in directors holding office are as follows:

D A Hutchison - appointed 12 May 2009  
S T Lloyd - resigned 17 November 2008  
M W Pike - resigned 6 August 2009

**SOCIAL FINANCE LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2009**

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**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). The financial statements are required by law to 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 20/1/10

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

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We have audited the financial statements of Social Finance Limited for the year ended 30 September 2009 on pages seven to eleven. 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 Sections 495 and 496 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 an 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 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.

**Qualified opinion on financial statements arising from limitation in audit scope**

The evidence available to us was limited because the financial statements for the period ended 30 September 2008 were unaudited and we have been unable to carry out auditing procedures necessary to obtain adequate assurance regarding the opening balances and corresponding amounts. Any adjustments to the opening balances would have a consequential effect on the loss for the year. In addition the amounts shown as corresponding amounts for the year ended 30 September 2008 may not be comparable with the figures for the current period.

Except for the financial effects of such adjustments, if any, that might have been found to be necessary had we been able to obtain sufficient evidence concerning the opening balances as at 1 October 2008 and corresponding amounts, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its loss 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.

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

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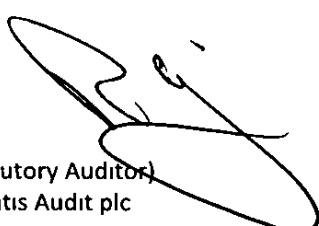
**Matters on which we are required to report by exception**

In respect solely of the limitation on our work relating to opening balances and corresponding amounts, described above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records had been kept

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

- 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
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



Richard Limburg (Senior Statutory Auditor)  
for and on behalf of HLB Vantis Audit plc  
Chartered Accountants and  
Statutory Auditor  
66 Wigmore Street  
London  
W1U 2SB

Date

21/1/10



**SOCIAL FINANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2009**

		Year Ended 30 9 09 £	Unaudited Period 17 10 07 to 30 9 08 £
	Notes		
<b>TURNOVER</b>		1,500	-
Administrative expenses		<u>815,755</u>	<u>221,682</u>
		(814,255)	(221,682)
Other operating income		<u>404,347</u>	<u>100</u>
<b>OPERATING LOSS</b>	2	(409,908)	(221,582)
Interest receivable and similar income		<u>265</u>	<u>-</u>
		(409,643)	(221,582)
Interest payable and similar charges		<u>881</u>	<u>5,353</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(410,524)	(226,935)
Tax on loss on ordinary activities	3	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>(410,524)</u>	<u>(226,935)</u>

The notes form part of these financial statements

**SOCIAL FINANCE LIMITED**

**BALANCE SHEET  
30 SEPTEMBER 2009**

	Notes	30 9 09	Unaudited 30 9 08
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	4	11,313	13,872
<b>CURRENT ASSETS</b>			
Debtors	5	23,114	8,047
Cash at bank		<u>284,776</u>	<u>82,120</u>
		307,890	90,167
<b>CREDITORS</b>			
Amounts falling due within one year	6	<u>56,649</u>	<u>25,608</u>
<b>NET CURRENT ASSETS</b>		<u>251,241</u>	<u>64,559</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		262,554	78,431
<b>CREDITORS</b>			
Amounts falling due after more than one year	7	-	<u>205,353</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>262,554</u>	<u>(126,922)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	900,013	100,013
Profit and loss account	9	<u>(637,459)</u>	<u>(226,935)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>262,554</u>	<u>(126,922)</u>

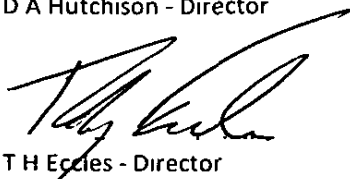
The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Approved by the Board for issue on

20/1/10



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 2009**

**1 ACCOUNTING POLICIES**

**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)

**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. As described in their report, the directors believe that despite the losses incurred to date the company will continue as a going concern and their forecast projects a net asset position in the next three years.

**Income recognition**

Turnover represents net invoiced sales of services, excluding value added tax. Grants and donations are recognised when they are received.

**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 LOSS**

The operating loss is stated after charging

	Year Ended 30 9 09 £	Period 17 10 07 to 30 9 08 £
Depreciation - owned assets	7,088	2,865
Auditors' remuneration	<u>8,400</u>	<u>-</u>
Directors' remuneration and other benefits etc	<u>154,217</u>	<u>93,679</u>

**SOCIAL FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

**3 TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 30 September 2009 nor for the period ended 30 September 2008

**Factors that may affect future tax charges**

The company has tax losses of £663,708 (2008 - £234,140) 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 profitability. The potential deferred tax asset is calculated to be in the region of £133,000 (2008 - £49,000)

**4 TANGIBLE FIXED ASSETS**

	Plant and machinery etc £
<b>COST</b>	
At 1 October 2008	16,737
Additions	<u>4,529</u>
At 30 September 2009	<u>21,266</u>
<b>DEPRECIATION</b>	
At 1 October 2008	2,865
Charge for year	<u>7,088</u>
At 30 September 2009	<u>9,953</u>
<b>NET BOOK VALUE</b>	
At 30 September 2009	<u>11,313</u>
At 30 September 2008 (Unaudited)	<u>13,872</u>

**5 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30 9 09 £	Unaudited 30 9 08 £
Other debtors	<u>23,114</u>	<u>8,047</u>

Other debtors include unpaid share capital of £13 (2008 - £13)

**6 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30 9 09 £	Unaudited 30 9 08 £
Trade creditors	1,704	366
Taxation and social security	28,870	11,775
Other creditors	<u>26,075</u>	<u>13,467</u>
	<u>56,649</u>	<u>25,608</u>

**SOCIAL FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

**7 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	30 9 09	Unaudited 30 9 08
	£	£
Other creditors	<u>-</u>	<u>205,353</u>

Loans represent amounts which were paid in advance of the issue of share capital after the year end Interest on loans is payable at the Bank of England base rate

**8 CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid			30 9 09	Unaudited 30 9 08
Number	Class	Nominal value	£	£
100	Preference	£1,000	100,000	-
8	Founder (preference)	£100,000	<u>800,000</u>	<u>100,000</u>
			<u>900,000</u>	<u>100,000</u>

Allotted and issued			30 9 09	Unaudited 30 9 08
Number	Class	Nominal value	£	£
13	A Ordinary	£1	<u>13</u>	<u>13</u>

7 Founder (preference) shares of £100,000 each were allotted and fully paid for cash at par 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

**9 RESERVES**

	Profit and loss account £
At 1 October 2008 (Unaudited)	(226,935)
Deficit for the year	<u>(410,524)</u>
At 30 September 2009	<u>(637,459)</u>

**10 TRANSACTIONS WITH DIRECTORS**

Creditors due after 1 year at 30 September 2008 included £102,947 owing to the R and S Cohen Foundation, a charity of which the director Sir Ronald Cohen is a trustee This amount comprised loan capital of £100,000 plus accrued interest of £2,947 The capital was repaid during the year, leaving interest of £3,262 payable to the R and S Cohen Foundation at 30 September 2009

**11 ULTIMATE CONTROLLING PARTY**

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