

Company registration number: 06402143

**SOCIAL FINANCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**



**SOCIAL FINANCE LIMITED**  
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**SOCIAL FINANCE LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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The directors present their report and the financial statements for the year ended 30 September 2019.

**Directors of the company**

The directors who held office during the year were as follows:

D Anderson

D W Blood - Chairman

E J Bolton

A G Clinch

T H Eccles

H Edwards

R Gillespie

V J Hornby

D A Hutchison

B E Jupp

D N Robinson

P S W Wheeler

**Principal activity**

The principal activity of the company is that of providing analysis, financial advice and services to those seeking to deliver improved social outcomes.

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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#### **Review of Business**

Social Finance continued to make real progress in working with partners to address a range of entrenched social problems in the UK and internationally, despite the political paralysis and economic uncertainty which persisted throughout the year surrounding the prolonged Brexit negotiations. In these uncertain times, our mission to develop and scale sustainable ways of improving the lives of vulnerable people and communities remains as relevant as ever.

At the heart of our work is an ambition to drive systemic change through a laser focus on outcomes. We actively seek opportunities to improve lives in areas where there is acknowledged failure, costs are high and effective responses all too often lacking. A focus on the real lived experience of people is essential in creating the right solutions and we build partnerships with organisations on the front line to ensure that our work is grounded in reality. By bringing this perspective together with our skills in social research, investment rigour, digital design and data analysis, we unlock insights to help drive service improvements and design, build and deliver new projects to transform outcomes for people living with difficult issues. We are indebted to our partners across the voluntary, public and private sectors for the expertise and insight they bring.

In September 2017 we identified a portfolio of specific projects which would enable us to track our progress towards delivering impact at scale. We continued to make good progress across the majority of the portfolio in the year and are on course to deliver our medium term objectives by 2020. Around 80% of our activity was focused on 17 'Big Bets', of which 13 are UK based, with four in the international development sector. In the UK, we work with and are supported by partners ranging from trusts and foundations, to central and local government, health bodies and impact investors - all united by a shared ambition for wider systems change to empower progress in social issues.

During the year, two key strategic themes emerged. First, we reflected on our experience in pursuing our ambition to deliver impact at scale. We established the Accelerator to capture our learnings to date and provide the intensive focus we have found is necessary to achieve our strategic ambition across our portfolio of projects.

Second, we witnessed the increasing importance of our ability to analyse and gather insight from data around vulnerable populations. This aligned with an emphasis from central government on supporting local government to rethink how they engage with data and technology. There is a growing recognition within the public sector of the need for common data models and infrastructure to reduce fragmentation, increase collaboration and allow many more parties to participate. Local authorities are increasingly keen to collaborate in this area to identify and solve common problems. Social Finance's ability to combine its expertise in terms of data analysis with an understanding of the underlying social problem is unusual and has underpinned a substantial growth in its work in this area during the year. In order to capture the opportunity, we have invested in training our staff in data science. These initiatives offer significant potential to transform the quality of the decisions taken in public services which affect the lives of the most vulnerable and improve the allocation of resources and outcomes.

In the international development arena we are encouraged to see an increasing interest in aligning delivery incentives and outcomes, with several international funders and donor agencies moving towards establishing significant funding sources for outcomes based approaches to transforming social issues. Since Social Finance created the world's first Social Impact Bond (SIB) in 2010, there are now 164 SIBs mobilising over \$440 million in 27 countries around the world<sup>1</sup>. We continue to see significant international interest in our work and are exploring ways to formalise the partnership between members of the Social Finance Global Network. ( <sup>1</sup> Government Outcomes Lab, UK, figures collated in late August 2019)

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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The business has continued to make progress in covering operating costs through project related income which now fully cover 100% of its overhead costs (2018: 94%) for the first time since the original support from The National Lottery Community Fund to develop the SIB market expired in 2013. This is a major milestone and it is particularly encouraging to see that our work is valued at a time of unprecedented economic pressure in the public finances.

Staff numbers grew to 83 FTE employees and three FTE consultants at the year end (2018: 74 employees, four consultants). A further seven employees and two consultants were recruited as part of the IPS Grow contract within our Health and Employment Partnerships.

This year saw us approach the end of our current strategic period and we embarked on the process of developing a refreshed corporate strategy for delivery in the period 2020 - 23. We undertook a deep learning exercise to reflect on the experiences, successes and challenges of our existing strategy and looked ahead to some of the potential social trends of the years to come. This insight will ultimately inform our new strategy which we will launch in 2020.

#### **UK Advisory**

Our Advisory team carries responsibility for the thematic leadership within Social Finance of our work in Housing, Children's Services, Education, Youth, Financial Inclusion and Criminal Justice. The team worked with 45 local authorities, five central Government departments, the Welsh Government and 14 social enterprises over the year in developing business cases for social change, a number of which are led by data science.

With the generous support of the Christie Foundation, we continued to explore how to build a common data infrastructure and set of standards for public agencies to enable them to form better insights into the data they collect around vulnerable populations. We continued to build recognition of our work in this area with central and local government, where there is interest in our offer of data skills combined with our understanding and empathy for the social problem. Advisory income from this strand of our work grew sharply in the year.

We continued to support the Department of Culture, Media and Sport as it developed its strategy towards the next generation of outcomes contracts in the UK and advised on ways to deploy impact investment more extensively in local areas to support better social outcomes. We worked with Skill Mill, a social enterprise, to develop a Social Impact Bond to operate in ten cities to support high risk youth offenders into work, and with the London Borough of Bexley to develop and mobilise a SIB to enable up to 300 individuals with complex needs living in temporary accommodation to move into sustainable accommodation.

Positive Family Partnerships - the platform we created in 2018 to deliver therapeutic support to families across London with adolescent children at risk of entering the care system - completed the first year of operations. From the initial five boroughs, the programme has expanded to ten in 2019. While referrals are below the original plan, outcomes measured as days in care averted are significantly ahead of expectations.

#### **Health and Social Care**

Our work in this area is arranged around two key initiatives - the Care and Wellbeing Fund, and Health and Employment Partnerships. The Care and Wellbeing Fund is a £12m investment fund from Macmillan Cancer Support and Big Society Capital, managed by Social Finance which has structured a number of investments around the two themes of End of Life Care and Local Integrated Care. The Fund entered its fifth and final year of deployment (the investment period is scheduled to end in July 2020). We have committed £5.4 million of the Fund, across nine investments, including an investment in a large primary care provider. The rate of deployment reflects major challenges to working in the health system, but there is a strong pipeline of opportunities. The majority of projects are making good progress against their impact targets, and some have already stimulated replication within the system.

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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Significant achievements this year included reaching final agreement with the charity Independent Age for them to replicate the Reconnections service that has successfully tackled loneliness among older people in Worcestershire. We seconded key staff to Independent Age to enable this exciting development in scaling a successful intervention. Another initiative, the pilot End of Life Care improvement project to support better care in care homes in Haringey, concluded having met its social objectives and fully returned capital.

Social Finance is grateful for the grant support received from Macmillan Cancer Support and the Health Foundation during the year to support the development of the pipeline for the Care and Wellbeing Fund.

Health and Employment Partnerships houses our work supporting people with health conditions into employment, and had a successful year. We fully mobilised the large IPS (Individual Placement and Support) Grow programme to support the expansion of IPS services nationally and have submitted a proposal for a further year of funding for 2020-21. This contract accounts for £897k revenue in the year. It deployed eight regional leads and a small central team including secondees and consultants to deliver implementation support, workforce development and tools to improve the collection and reporting of outcomes data. The investments in the IPS Social Impact Bond are performing well with nearly 700 people with mental health issues or drug and alcohol addictions supported into paid work by financial year end. The programme is on track to deliver a positive return to investors.

#### **Impact Incubator**

The Impact Incubator is a partnership with six major UK trusts and foundations to explore new ways of tackling social issues, with an ambition to scale solutions that result in lasting widespread change for significant numbers of people. Four projects are well established and others are at various stages of development.

The Drive project, which challenges perpetrators of domestic abuse to stop their behaviour, is operating in eight sites in six Police and Crime Commissioner Areas since its launch in 2015. Drive is a partnership with Safe Lives and Respect as well as charitable foundations, Police and Crime Commissioners, local authorities, charities and Central Government. The final evaluation of the initial three pilot sites is due in early 2020 and will provide a robust quantitative evaluation of a perpetrator response. Insights from Drive and the interim evaluation influenced national policy and were cited in the Government's response to the draft Domestic Violence and Abuse bill consultation.

Black Thrive seeks to tackle systemic inequalities in the provision of mental health support to black communities in the Lambeth area of south London. We supported Black Thrive in its efforts to attract deeper engagement from partners, spread its impact beyond Lambeth and helped it to secure a £650,000 grant for a programme to increase employment among black residents with long term conditions.

Reset pioneers community-led resettlement of refugees in the UK, with over 420 refugees settled to date. We continue to make headway in this issue, including engaging with the growing international sponsorship movement and groups in Ireland and New Zealand are exploring how they might replicate the Reset model. We also conducted feasibility research to investigate a sponsorship model to resettle unaccompanied minors in the UK.

Leaving Well, our digital tool to improve the experience of young people leaving the social care system, is now operational in four local authorities with over 1500 users. As we look to widen the impact and achieve systemic change, we are exploring a partnership with two charities alongside our local authority partners.

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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Outside of these projects, the Impact Incubator explored a number of other issues where there may be significant opportunities to address systemic failures in the provision of support to people in challenging circumstances. In our work on school exclusions we completed detailed data analysis in Cheshire West and Chester to drive new insights and in Gloucestershire we created a prototype common-outcomes framework. This led to partnerships with both local authorities to develop a model to maximise access to education for at risk young people. We also secured support from a separate group of foundations to explore how to improve quality of life for older people and are focused on two specific themes - better access to transport, and addressing the problem of involuntary exits from the labour market which affects around one million people aged 50 - 65.

Earlier this year the Impact Incubator established a learning programme to explore more deeply and share experiences of driving transformation at scale. A series of events across the country in summer 2019 will be replicated in 2020 and a website and social media activity will amplify the conversation about systems change.

We acknowledge and thank our foundation partners who continue to support the Impact Incubator with multi-year grant commitments, a proportion of which were drawn in the year:

- £100k Comic Relief
- £500k Esmée Fairbairn Foundation
- £2,025k National Lottery Community Fund
- £300k Paul Hamlyn Foundation
- £200k Treebeard Trust
- £225k Tudor Trust

In line with specific reporting requirements set out in grant agreements, in the year to 30 September 2019, Social Finance drew down:

- £33k of the Comic Relief grant, and £4k was brought forward from the previous year, with the total amount spent
- £470k of the National Lottery Community Fund grant, and £136k was brought forward from the previous year, against which £440k was spent and the balance was deferred into the next financial year
- £100k of the Paul Hamlyn Foundation, and £50k was brought forward from the previous year, against which £100k was spent and the balance was deferred into the next financial year

We also acknowledge and thank partners for their additional programmatic grant commitments to Social Finance for work on specific Impact Incubator initiatives, some of which are multi-year commitments:

- £59k Dulverton Trust
- £1,000k Esmée Fairbairn Foundation
- £373k Fidelity Foundation
- £500k Garfield Weston Foundation
- £60k John Ellerman Foundation
- £50k J Leon
- £59k Rayne Foundation
- £50k Segelman Trust
- £36k Shapiro Foundation
- £60k Tudor Trust

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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#### **International**

This has been a landmark year for our international development work, with the launch of four Development Impact Bonds (DIBs). In April we launched a \$2.8 million DIB to scale up the delivery of Kangaroo Mother Care to ten hospitals in Cameroon. A proven method of saving and improving the lives of newborns, the programme encourages skin-to-skin contact, breastmilk feeding and close monitoring after leaving hospital, with 230 babies benefitting from the service by September 2019. In May we launched a \$0.4 million impact bond in Chile to improve opportunities for vulnerable children by raising literacy levels in 11 schools.

Although officially launched after the year end in November 2019, the majority of the development work of our other two DIBs took place within the financial year under review. The first of these was the Finance 4 Jobs programme in Palestine, a \$5 million programme matching skills training with job opportunities for unemployed young people in the West Bank and Gaza. We were also very pleased to launch the world's first DIB for Water, Sanitation and Hygiene in Cambodia which aims to eliminate the practice of open defecation through a market based approach to improving access to sanitation facilities. This \$10 million DIB went from feasibility stage to launch in just nine months, a particularly streamlined approach to DIB development arising from close alignment of partner goals.

In all of our DIBs we were fortunate to work with investors, funders and delivery partners who share our conviction that the way money is spent is as important as the amount of finance available in terms of delivering improved outcomes.

Our work in Latin America continues to grow and earlier this year we were pleased to partner with several other organisations on the launch of the Latin American Network for Payment by Results. We are working with governments, funders and investors on projects in several countries, including SIBs to prevent recidivism and homelessness in Chile, a SIB for youth employment in Mexico, an outcomes fund to promote employment of vulnerable populations in Colombia, and an urban integration loan fund in Argentina. We have also collaborated on broader market development initiatives in Mexico and Chile.

We were pleased to be part of a consortium led by the UK's Government Outcomes Lab to develop a global learning platform aimed at catalysing outcomes-based financing by governments and donors. The new platform launched successfully in the summer and is home to the growing global knowledge hub for those exploring new approaches to improving social outcomes.

During the year we disbursed £1.93 million from philanthropic funders to school operators in our role as grant fund administrator in the Liberian education programme. The accounts reflect this in both turnover and subcontract costs. Our role in this programme concluded in August, but the evaluation of the programme has encouraged continued philanthropic support for the stronger performing operators.

#### **Financing and Governance**

The Board of Social Finance met six times in the year. Standing items include a business activity report, incorporating a record of risk, HR review and financial forecasts. During the year the Board established a Remuneration Committee to review staff compensation to ensure that the organisation is able to attract and retain the right skills and meet its strategic aims. The company manages cash on a weekly basis and benefits from a £1 million working capital facility provided by Big Society Capital. Social Finance drew down a portion of this facility twice during the year with repayments made within six months. At financial year end, the facility was undrawn.

During the year we took the opportunity to strengthen our financial position by lengthening the maturities of our liabilities. Our £300k loan from the Esmée Fairbairn Foundation now matures in April 2023, our £300k loan from the Golden Bottle Trust now matures in May 2025 and our £1m revolving credit facility from Big Society Capital now matures in September 2024.



**SOCIAL FINANCE LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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We also gratefully acknowledge the support we received from the Linbury Trust, who provided £125k of core funding in the year. The flexibility of this funding is of critical importance as we invest to strengthen the business and manage uncertainty.

**Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

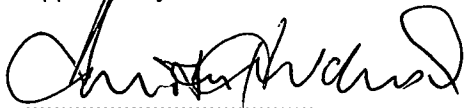
**Reappointment of auditors**

The auditors Albert Goodman LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Small companies provision statement**

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

Approved by the Board on 20 January 2020 and signed on its behalf by:



.....  
D A Hutchison  
Director

## **SOCIAL FINANCE LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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The directors acknowledge their responsibilities for preparing the Annual Report 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 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.

## **SOCIAL FINANCE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCIAL FINANCE LIMITED**

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#### **Opinion**

We have audited the financial statements of Social Finance Limited (the 'company') for the year ended 30 September 2019, which comprise the Profit and Loss Account, Balance Sheet, 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 FRS 102 Section 1A '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 company's affairs as at 30 September 2019 and of its profit 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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 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.

## **SOCIAL FINANCE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCIAL FINANCE LIMITED**

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#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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.

#### **Opinion on other matter 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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

#### **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 in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

**SOCIAL FINANCE LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCIAL FINANCE LIMITED**

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**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alison Kerr FCA (Senior Statutory Auditor)  
For and on behalf of Albert Goodman LLP, Statutory Auditor

Goodwood House  
Blackbrook Park Avenue  
Taunton  
Somerset  
TA1 2PX

Date: 20 January 2020

**SOCIAL FINANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
Turnover	3	10,223,233	9,073,644
Administrative expenses		<u>(10,031,752)</u>	<u>(8,974,538)</u>
Operating profit		191,481	99,106
Income from shares in group undertakings		24,000	19,570
Interest payable and similar charges		<u>(35,422)</u>	<u>(34,842)</u>
Profit before tax		<u>180,059</u>	<u>83,834</u>
Profit for the financial year		<u>180,059</u>	<u>83,834</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

**SOCIAL FINANCE LIMITED**

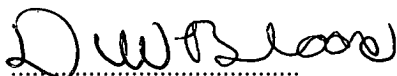
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**BALANCE SHEET AS AT 30 SEPTEMBER 2019**

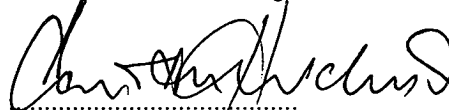
	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	5	91,753	65,892
Investments	6	6	9
Other financial assets	7	6,250	6,250
		<u>98,009</u>	<u>72,151</u>
<b>Current assets</b>			
Debtors	8	1,027,297	1,573,074
Cash at bank and in hand	9	3,115,067	2,513,380
		<u>4,142,364</u>	<u>4,086,454</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(2,381,162)</u>	<u>(2,466,235)</u>
<b>Net current assets</b>		<u>1,761,202</u>	<u>1,620,219</u>
<b>Total assets less current liabilities</b>		<u>1,859,211</u>	<u>1,692,370</u>
<b>Creditors: Amounts falling due after more than one year</b>	10	<u>(655,959)</u>	<u>(669,177)</u>
<b>Net assets</b>		<u>1,203,252</u>	<u>1,023,193</u>
<b>Capital and reserves</b>			
Called up share capital		1,000,013	1,000,013
Profit and loss reserve		<u>203,239</u>	<u>23,180</u>
<b>Total equity</b>		<u>1,203,252</u>	<u>1,023,193</u>

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised by the Board on 20 January 2020 and signed on its behalf by:



D W Blood  
Chairman



D A Hutchison  
Director

**SOCIAL FINANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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**1 General information**

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

92 Albert Embankment  
9th Floor, Tintagel House  
London  
SE1 7TY

**2 Accounting policies**

**Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Statement of compliance**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

**Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are presented in Sterling (£).

**Turnover recognition**

Turnover represents invoiced sales of services (net of value added tax), grants and donation income. Income from sale of services is recognised in the period to which the services were delivered. Grant and donation income relating to a specific project is recognised by matching the relevant expenditure. If there is no specific project involved, the income is recognised when receivable.

**Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.



**SOCIAL FINANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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**Tangible assets**

Tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

**Depreciation of tangible assets**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Plant and machinery	33% straight line

**Business combinations**

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

**Investments**

Investments in subsidiaries are measured at cost less impairment.

Dividends on equity securities are recognised in income when receivable.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Debtors**

Trade debtors are amounts due for work undertaken in the ordinary course of business. Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts as recorded.

Other debtors include accrued income which is accounted for in line with the turnover recognition accounting policy.

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**Creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are measured at the transaction amount and are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Deferred income is accounted for in line with the turnover recognition accounting policy

**Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

**Reserves**

Called up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period profits and losses.

**Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**Defined contribution pension obligation**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

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**3 Turnover**

The analysis of the company's turnover for the year from continuing operations is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Fees and commission	4,926,313	3,833,084
Programmatic grants	5,171,920	4,940,560
Donations	<u>125,000</u>	<u>300,000</u>
	<u><u>10,223,233</u></u>	<u><u>9,073,644</u></u>

Included within the programmatic grants above is income received related to the Liberian Education Advancement Programme (as explained in the Directors Report) which is received by Social Finance and then paid to sub-contractors to undertake the work. The impact of this turnover is shown below.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Total turnover above	10,223,233	9,073,644
Less turnover in relation to Liberian Education Advancement Programme	<u>(1,931,267)</u>	<u>(1,903,270)</u>
Turnover in relation to work undertaken by Social Finance	<u><u>8,291,966</u></u>	<u><u>7,170,374</u></u>

The company has incurred sub-contract costs of £1,931,267 (2018: £1,903,270) in relation to the Liberian Education Advancement Programme as detailed in the Directors' Report.

**4 Staff numbers**

The average number of persons employed by the company (including executive directors) during the year was 85 (2018 - 80).

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**5 Tangible assets**

	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost or valuation</b>		
At 1 October 2018	161,148	161,148
Additions	69,538	69,538
Disposals	<u>(8,514)</u>	<u>(8,514)</u>
At 30 September 2019	<u>222,172</u>	<u>222,172</u>
<b>Depreciation</b>		
At 1 October 2018	95,256	95,256
Charge for the year	43,160	43,160
Eliminated on disposal	<u>(7,997)</u>	<u>(7,997)</u>
At 30 September 2019	<u>130,419</u>	<u>130,419</u>
<b>Carrying amount</b>		
At 30 September 2019	<u>91,753</u>	<u>91,753</u>
At 30 September 2018	<u>65,892</u>	<u>65,892</u>

**6 Investments**

	<b>2019 £</b>	<b>2018 £</b>
Investments in subsidiaries	<u>6</u>	<u>9</u>
<b>Subsidiaries</b>		<b>£</b>
<b>Cost or valuation</b>		
At 1 October 2018		9
Disposals		<u>(3)</u>
At 30 September 2019		<u>6</u>
<b>Carrying amount</b>		
At 30 September 2019		<u>6</u>
At 30 September 2018		<u>9</u>

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**7 Other financial assets (current and non-current)**

	Financial assets at cost less impairment £	Total £
<b>Non-current financial assets</b>		
<b>Cost or valuation</b>		
At 1 October 2018	<u>6,250</u>	<u>6,250</u>
At 30 September 2019	<u>6,250</u>	<u>6,250</u>
<b>Carrying amount</b>		
At 30 September 2019	<u><u>6,250</u></u>	<u><u>6,250</u></u>

**8 Debtors**

	2019 £	2018 £
Trade debtors	504,618	1,187,447
Other debtors	82,806	95,505
Accrued income	<u>439,873</u>	<u>290,122</u>
Total current trade and other debtors	<u><u>1,027,297</u></u>	<u><u>1,573,074</u></u>

**9 Cash and cash equivalents**

	2019 £	2018 £
Cash at bank	<u><u>3,115,067</u></u>	<u><u>2,513,380</u></u>

Included in cash at bank are amounts received in advance for work not yet undertaken of £1,712,765 (2018 - £1,584,121).

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**10 Creditors**

	2019 £	2018 £
<b>Due within one year</b>		
Trade creditors	222,949	92,833
Taxation and social security	286,646	279,984
Other creditors	381,573	406,613
Deferred income	1,489,994	1,686,805
	<u>2,381,162</u>	<u>2,466,235</u>
<b>Due after one year</b>		
Loans and borrowings	<u>655,959</u>	<u>669,177</u>

**Creditors: amounts falling due after more than one year**

	2019 £	2018 £
<b>Due after one year</b>		
Loans and borrowings	<u>655,959</u>	<u>669,177</u>

	2019 £	2018 £
<b>Due after more than five years</b>		
After more than five years not by instalments	<u>300,000</u>	<u>-</u>
	<u>300,000</u>	<u>-</u>

Creditors include loans not repayable by instalments of £300,000 (2018 - £nil) due after more than five years.

Creditors of more than one year includes a loan of £55,959 which is being repaid with the proceeds of outcome payments from the associated project. Social Finance's responsibility to repay the loan is limited to the outcome payments actually received.

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**11 Share capital**

**Allotted, called up and fully paid shares**

	No.	2019 £	No.	2018 £
Ordinary shares of £1 each	13	13	13	13
Founder shares of £100,000 each	9	900,000	9	900,000
Preference shares of £1,000 each	100	100,000	100	100,000
	<u>122</u>	<u>1,000,013</u>	<u>122</u>	<u>1,000,013</u>

Ordinary shares have full voting rights with no dividend entitlement. Founder shares have no voting rights with no dividend entitlement. Preference shares have no voting rights with a dividend entitlement solely in the event that dividends are payable and declared. The directors have no intention of declaring dividends reflecting the "not for distribution" nature of the company.

**12 Financial commitments, guarantees and contingencies**

**Amounts not provided for in the balance sheet**

The total amount of financial commitments not included in the balance sheet is £636,442 (2018 - £1,290,201). The commitments represent the future minimum lease payments under non-cancellable operating leases.

**13 Related party transactions**

**Other transactions with directors**

During the year the company received a grant totalling £150,000 (2018: £nil) from a director, of which £35,000 has been included in turnover with the balance held within deferred income.

The company has taken advantage of the exemption from disclosing transactions with wholly owned subsidiaries.

**14 Parent and ultimate parent undertaking**

The company's immediate parent is the board of directors, with all the ordinary shares being held by the directors.