Company registration number: 06402143

SOCIAL FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

SOCIAL FINANCE LIMITED

CONTENTS

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present their report and the financial statements for the year ended 30 September 2020.

Directors of the company

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

D Anderson

O M Barder (appointed 20 January 2020)

D W Blood - Chairman

E J Bolton

M B Christie (appointed 20 January 2020)

A G Clinch

T H Eccles

H Edwards

R Gillespie

S E Gordon (appointed 20 January 2020)

M A Harrison (appointed 20 January 2020)

V J Hornby

D A Hutchison

B E Jupp (ceased 21 July 2020)

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.

Review of Business
Social Finance is committed to making change happen in a range of challenging social problems in the UK and internationally. We start by understanding the issues to build a vision for change and work with partners and communities to reshape systems in ways that deliver and sustain meaningful change. We bring a blend of data science, investment analysis, social research and programme design to help our partners achieve strong social outcomes. Crucially, our focus on outcomes underpins an adaptive approach that enables delivery to flex in response to external factors. In these exceptionally challenging and unpredictable times - with the Covid-19 pandemic, global recession and protracted Brexit negotiations all exacerbating social problems - the Social Finance way of pursuing impact at scale remains as relevant as ever.

We started the year building on the momentum of the previous period, which saw increasing alignment between Government and local authorities' funding priorities and our areas of work. In the international development context, we were pleased to see the continued market focus on outcomes based approaches, including the Department for International Development putting £200m into an outcomes fund housed within the World Bank. Other funders and donor agencies also made significant investments in this area. Since Social Finance created the world's first Social Impact Bond in 2010, there are now 201 impact bonds worldwide with a total capital raise of $US456m.[1] Over the last year we cemented our position in this market by participating in the feasibility study of several Payment by Results initiatives, successfully implementing two development impact bonds and helping design several outcomes funds.

In the UK our capability in digital services and data analysis continued to grow, with notable project wins in helping UK public bodies to refine their digital offer in areas such as children's services, housing and family support. Our MHEP programme, which supports people with serious health conditions and disabilities into paid employment, celebrated helping its 1000th client into a job. Our IPS Grow programme which supports the delivery of Individual Placement Support nationally was extended for a further year to March 2021 with funding from NHS England, signaling the potential for a move into more mainstream provision.

The second half of the year was of course dominated by the coronavirus pandemic. Disruption to public and voluntary sector services, combined with the sharpest recession for 300 years, created a perfect storm that increased the already acute levels of social need that our work addresses. We reviewed the portfolios in each of our business units, working with our funders and delivery partners to support them in responding to the demands of the radically changed socioeconomic picture. As our partners responded flexibly by continuing to provide services in a remote working environment, our business proved resilient in the face of these unprecedented challenges and we were able to make encouraging progress. Our initiatives continued to grow with additional funding and expansion of services in areas such as End of Life Care, Health and Employment Partnerships, and the Drive domestic abuse perpetrators programme. Our data and digital business once again proved invaluable to partners from children's services and health programmes in the UK to our international development work. We also made progress with our sister organisations in the Social Finance Global Network to set up an entity to coordinate the network's membership criteria and protect our brand.

[1] *UK Government Outcomes Lab, Global Impact Bond Landscape monthly snapshot, December 2020*

The other major external influence on our work was the emphasis on racial justice following the renewed momentum behind the Black Lives Matter movement. We recognised the need to develop a more concerted approach to diversity and inclusion and reflected on how Social Finance can be better both internally in our culture and recruitment practices, and externally in the way that we design programmes to be more cognizant of racial justice issues. We developed and implemented initiatives to improve our work including moving to blind recruitment practices; setting up a Race Equity Advisory Group to provide expert guidance and challenge; and a deep dive into diversity data in our programmes. We will continue to develop our plans in this area, which will be an agenda item at every Board meeting.

Our portfolio continues to be organised around a series of 'Big Bets' that allow us to track our progress towards delivering impact at scale. We continued to make good progress in most of these, with around 80% of our activity focused on these projects. Some issue areas did experience setbacks due to the pandemic. The Reset charity initiated by our Impact Incubator, was frustrated in its ambitions of welcoming refugees into UK communities due to a global pause on refugee resettlement. Some progress was still made with a move to online training delivery and an increase in community applications to sponsor refugees. However, the policy environment and future funding support for the sector remains uncertain.

Despite the challenging conditions during the year, we continued to cover all but a small proportion of our operating costs through project related income, which covered 95% of our overhead costs (2019: 100%). We are encouraged to see that our work continues to be valued at a time of exceptional economic pressure in the public finances.

Staff numbers grew to 86 FTE employees and one FTE consultant at the year end (2019: 83 employees, three consultants). A further eight employees and one consultant (2019: seven employees and one consultant) were employed as part of the IPS Grow contract within our Health and Employment Partnerships.

From 17 March 2020 to 30 September 2020, Social Finance staff predominantly worked from home. The office opened for the first time since 16 March on 15 September for three working days on a restricted basis with measures in place to align with the risk assessment carried out to be Covid-secure. This included a minimum two metre social distancing between occupied desks. Since the end of the financial year, access to the office reflected changes in the Government guidance.

UK Advisory

Our Advisory team, including our expertise in digital and data, works across the landscape of public bodies and services in the UK from central to local government and also supports social enterprises and investors. The team is responsible for the bulk of our work in several Big Bet themes and helps partners to develop projects tackling issues in housing, children's services, education, justice and local strategic partnerships.

An immediate effect of the pandemic was a sharp decline in public sector procurement, but this subsequently recovered and our data and digital business in particular proved important to funders and commissioners. We continued our work in supporting councils to mine the power of data to unlock insights for improving service delivery in issues such as children's services, where we created a data science apprenticeship scheme with the aim of building skills and capacity in the sector.

The team's work in advising the public sector achieved several notable results this year including developing the business case for the Government's commitment of £46m for the Changing Futures programme for people with multiple and complex needs, announced at the Spending Review. We also developed a scenario planning methodology to help local authorities think through their short and long term response to rebuilding services after Covid-19, which was greatly appreciated by the sector and attracted good media coverage.

We made significant progress in housing issues with funding from Big Society Capital, Trust for London and pro bono support from Knight Frank to develop the shape of a key worker fund to support those on low incomes into affordable accommodation. Other notable achievements in this area included supporting a housing association, Thames Reach, to secure the largest grant (£8.6m) awarded by the MHCLG Next Steps Accommodation programme.

The provision of expert analysis and support for social investment continues to be an important strand of our work. In August we were pleased to see the launch of a pioneering Social Impact Bond for the Skill Mill, enabling the organisation to scale up its work supporting young ex-offenders into work across seven local authorities in England. In September, we helped secure £5.5m of investment from the Liverpool City Region and £1m from Power to Change to capitalise Kindred CIC, which will provide finance and support to grow the social economy in the region. We also advised two significant private sector companies on aligning their core activities towards addressing defined social challenges.

Health and Social Care

This portfolio is structured on the two major initiatives of the Care and Wellbeing Fund (CWF), and Health and Employment Partnerships (HEP). CWF is a groundbreaking initiative bringing an outcomes based focus to the improvement of end of life care, and primary and community care via a £12m investment partnership with funding from Macmillan Cancer Care and Big Society Capital. The Fund, which is independent of but managed by Social Finance, reached the end of its investment period on 31 July this year, having successfully agreed a further £4.22m of additional investments, bringing total capital committed to just under £11m. We are grateful to our investment partners and to the Health Foundation whose support enabled us to embed understanding of social impact investment among health professionals.

In its community care work, the CWF focuses on older people's care and end of life care. Summer 2020 saw the successful launch of an end of life care hub in Sutton, via the Fund's End of Life Care Integrator platform. This aims to support people, and their carers, in their homes through improved community care and to allow them to live well during the last stages of their life. Through the CWF we were also pleased to act as an investment partner with the NHS in creating a new community wellbeing hub in a socially deprived area of Newcastle, and in Somerset, supporting the development of the primary care social enterprise, Symphony Healthcare Services. During COVID, we saw our End of Life Care services designated as services critical to their communities. Unfortunately, the pandemic resulted in CWF's investment in Oomph! being written down, as its business model depended on access to care homes.

Our HEP initiative supports disabled people and people living with health conditions to have an equal opportunity to thrive through lasting and fulfilling employment. The two major HEP initiatives are a Social Impact Bond (Mental Health and Employment Partnership or MHEP), which benefits from investment from Big Issue Invest to allow it to bring capital investment to service providers to share contractual risk; and a national infrastructure programme that supports the scale up of evidence based supported employment services in NHS mental health teams (IPS Grow). This year MHEP, which is advised and managed by Social Finance, achieved a major milestone with its 1,000th person with a severe mental illness, drug & alcohol addiction, or a learning disability supported into paid work. Of these, 100 clients of MHEP-funded services found paid work during the pandemic. Aside from these two major programmes, through our HEP initiative, we worked this year in Scotland and Ireland to develop evidence based employment services, continued its work with the West Midlands Combined Authority and Greater Manchester Combined Authority, and began a partnership with the Black Stork Charity to develop vocational rehabilitation support for trauma patients.

Impact Incubator

The Impact Incubator is a partnership with six UK trusts and foundations, to explore ways of bringing philanthropy to tackle persistent social problems in new ways. The Incubator's approach starts with a clear understanding of the issues and uses this to frame a long term ambition for change that develops and scales solutions to benefit significant numbers of people.

The Drive partnership was established to change the way that statutory and voluntary agencies respond to high harm perpetrators of domestic violence and abuse. 2020 was a very significant year for Drive, which saw the programme directly shaping (and being referenced in) the Government's response to the Domestic Abuse Bill and a new £10m fund for 'innovative new approaches like Drive'. Drive also brought together over 80 organisations in a joint call for a national perpetrator strategy which attracted significant support and media coverage. The partnership expanded its services into several new areas in England and also received an excellent evaluation referencing significant reductions in abusive and controlling behaviour among the perpetrators it works with. We are grateful to our founding partners SafeLives, Respect and Lloyds Bank Foundation England and Wales for their ongoing support and commitment to this groundbreaking initiative.

Black Thrive was set up to address inequalities in mental health provision for black communities in Lambeth, south London. The initiative's profile increased following the renewed attention to racial justice and the disproportionate effect of Covid-19 on ethnic minority communities, which saw Black Thrive contributing to national policy debates. We are now supporting the spin out of Black Thrive from its host organisation into a fully independent entity that has been designed to help the approach scale to other areas.

The independent charity Reset, which we helped establish, is at the forefront of the community sponsorship movement and has now settled around 450 refugees in the UK. The charity had to adapt it's work due to the impact of Covid-19 and the global halt in refugee resettlement. We continue to help them as they support communities ahead of the anticipated restart of resettlement in 2021. In the same policy area, we successfully supported the Home Office to design and then secure £10m for a Refugee Transitions Outcomes Fund.

Leaving Well is a digital tool that enables young people leaving the care system to have a better experience in transitioning to adulthood. This year we completed development and piloting of the tool. We have put in place scaling plans which involve partnering with others to maximise the reach and impact into local authorities across the UK.

In addition to the four initiatives outlined above, the Impact Incubator also worked to develop several other earlier stage programmes. Notably, our work coproducing new approaches to school exclusions with Gloucestershire, and Cheshire West and Chester councils proved influential. Our research of the data revealed a gender bias in exclusions, attracted high profile national media coverage and continues to influence the policy agenda. We also entered into an exciting new partnership with Children in Need and will be coproducing a programme of work around violence impacting young people.

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 and £150k (two separate grants) Comic Relief
- £500k Esmée Fairbairn Foundation
- £2,025k National Lottery Community Fund
- £300k Paul Hamlyn Foundation
- £200k Treebeard Trust
- £225k and £150k (two separate grants) Tudor Trust

In line with specific reporting requirements set out in grant agreements, in the year to 30 September 2020, Social Finance drew down:
• £30k of the Comic Relief grants, with the total amount spent and further £20k of expenditure accrued
• £340k of the National Lottery Community Fund grant, and £164k was brought forward from the previous year, against which £403k was spent and the balance was deferred into the next financial year
• £50k of the Paul Hamlyn Foundation grant was brought forward from the previous year, with the total amount spent

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:
• £104k BBC Children in Need
• £35k Comic Relief
• £59k Dulverton Trust
• £1,000k Esmée Fairbairn Foundation
• £373k Fidelity Foundation
• £50k J Leon
• £60k and £60k (two separate grants) John Ellerman Foundation
• £15k Lloyds Bank Foundation for England and Wales (via SafeLives)
• £100k Porticus Foundation
• £59k and £60k (two separate grants) Rayne Foundation
• £50k Segelman Trust
• £24k Shapiro Foundation (via Reset Communities and Refugees)
• £60k and £60k (two separate grants) Tudor Trust

International
The pandemic affected the regions in our international development portfolio later than Europe or the US, and is one of many health crises affecting low to middle income countries. Many funders and donor agencies maintained their commitments and we did not see a major impact on our pipeline. However, in some areas such as Latin America and South Africa the pandemic had deeper effects that are leading to delays in some of our projects. We expect more noticeable impact on our business in 2021, as funding priorities are realigned.

In this context we worked hard to raise awareness of the benefits that outcomes based approaches to funding and programme management could bring to providers and funders alike by, for instance, writing various articles highlighting the benefits of outcomes based approaches, which were shared across social media channels. We also saw the benefits of adaptive management as we supported our partners to pivot their service delivery to cope with the impact of Covid-19. For example, in Cameroon we switched to online verification processes in the Kangaroo Mother Care programme, which continued to demonstrate encouraging results in the quality of care provided in its nine hospitals.

Early in this period we launched a Development Impact Bond for youth training and employment in the West Bank and Gaza. The region was seriously affected by the pandemic, but the initiative now has four live training programmes and a 23 month extension was approved by the World Bank. We see great potential for outcomes based approaches to support training and skilling initiatives across the world, including our involvement in youth employment PbR initiatives in Mexico, Colombia and Mozambique. We hosted a successful webinar on this subject with input from stakeholders in India and Latin America and are also exploring opportunities for influencing work in this area with our sister organisations in the Social Finance Global Network.

A key development this year was in extending our reach into new issue areas and establishing relations with new partner organisations. We completed a significant piece of work for Humanity United on developing a smart subsidy model to tackle bonded labour abuses in multinational supply chains, based on an analysis of the issue in the Nepal - Malaysia migration corridor. We are also pleased to be supporting the Oak Foundation to rethink its wildlife conservation and trade programme using a more integrated approach that links wildlife outcomes with thriving local communities across southern Africa.

Finally, we would like to acknowledge and thank The Blue Haven Fund for their $150k supporting our international efforts. Their funding has allowed us to innovate and communicate more widely the lessons from the work we are doing.

Emerging strategic themes

In March, we decided to pause the development of a refreshed corporate strategy while we explored how our business could best respond to the new environment. During this process two key themes emerged, which will inform our future strategic direction. First, we see increasing opportunities for collaboration between our business units on pressing social issues such as the needs of children and young people. A natural evolution of our model is to develop cross-organisational strategies drawing together our expertise in data, social research and financial analysis to tackle a range of issues. One example is an integrated approach by our Impact Incubator and Advisory teams to issues affecting young people, including existing challenges such as serious violence and growing problems like youth unemployment that are exacerbated by the pandemic and recession.

The second theme is an increasing convergence across our teams on systems change as a route to achieving widespread and lasting impact. Our Accelerator project extracted learnings from across our initiatives into a framework for how organisations can pursue social impact at scale, supported by a series of case studies from our work that show systems change in practice. By putting these insights at the heart of our work and sharing them for the benefit of others, we hope to enhance our mission delivery by both sharpening our own focus on impact at scale and influencing the broader social change landscape.

Financing and Governance

The Board of Social Finance met six times in the year. Standing items include a review of progress with our strategy to improve diversity and inclusion, business activity report, incorporating a record of risk, HR review and financial forecasts. The Remuneration Committee met 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 in December 2019 and fully repaid by February 2020. It did not prove necessary to draw in the facility throughout the period of the pandemic and at the financial year end the facility was undrawn. In the period following March 2020, Social Finance also managed cash levels by taking advantage of HMRC deferment of liabilities. As at year end, £163,979 being the March 2020 VAT liability is included within the creditors, this is due to be paid in monthly instalments from March 2021.

We continue to benefit from the relatively long term maturities of our liabilities. Our £300k loan from the Esmée Fairbairn Foundation matures in April 2023, our £300k loan from the Golden Bottle Trust matures in May 2025 and our £1m revolving credit facility from Big Society Capital matures in September 2024.

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 ....20.01.2021........ and signed on its behalf by:

....

D A Hutchison

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

Opinion

We have audited the financial statements of Social Finance Limited (the 'company') for the year ended 30 September 2020, 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 2020 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 9, 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.

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. 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.

Albert Goodman

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

22 January 2021

SOCIAL FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £	2019 £
Turnover	3	8,859,565	10,223,233
Administrative expenses		(8,741,065)	(10,031,752)
Operating profit		118,500	191,481
Income from shares in group undertakings		25,000	24,000
Interest payable and similar charges		(34,086)	(35,422)
Profit before tax		109,414	180,059
Profit for the financial year		109,414	180,059

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
(REGISTRATION NUMBER: 06402143)
BALANCE SHEET AS AT 30 SEPTEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	5	78,824	91,753
Investments	6	5	6
Other financial assets	7	-	6,250
		78,829	98,009
Current assets			
Debtors	8	1,411,007	1,027,297
Cash at bank and in hand	9	2,417,923	3,115,067
		3,828,930	4,142,364
Creditors: Amounts falling due within one year	10	(1,953,164)	(2,381,162)
Net current assets		1,875,766	1,761,202
Total assets less current liabilities		1,954,595	1,859,211
Creditors: Amounts falling due after more than one year	10	(641,929)	(655,959)
Net assets		1,312,666	1,203,252
Capital and reserves			
Called up share capital	11	1,000,013	1,000,013
Profit and loss account		312,653	203,239
Total equity		1,312,666	1,203,252

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-Jan-2021 | 16:43 GMT and signed on its behalf by:

DocuSigned by:
David Blood
F94DEBGD35594D1...

D W Blood
Chairman

D A Hutchison
Director

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 (£).

These financial statements are prepared on the going concern basis which the directors have concluded is appropriate following a detailed forecasting process, taking into account both the expected position and also allowing for the potential impact of Covid-19 on both revenue and expenditure. The Directors report sets out the working capital financing available to the company and also how the company successfully adapted to the pandemic during 2020.

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 rate on the date when the fair value is re-measured.

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

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:

Asset class	Depreciation method and rate
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.

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.

3 Turnover

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

	2020	2019
	£	£
Fees and commission	5,805,617	4,926,313
Programmatic grants	2,778,948	5,171,920
Donations	275,000	125,000
	8,859,565	10,223,233

Included within 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.

	2020	2019
	£	£
Total turnover above	8,859,565	10,223,233
Less turnover in relation to Liberian Education Advancement Programme	-	(1,931,267)
Turnover in relation to work undertaken by Social Finance	8,859,565	8,291,966

The company has incurred sub-contract costs of £Nil (2019: £1,931,267) 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 directors) during the year was 101 (2019 - 85).

5 Tangible assets

	Plant and machinery £	Total £
Cost or valuation		
At 1 October 2019	222,172	222,172
Additions	41,557	41,557
Disposals	(1,167)	(1,167)
At 30 September 2020	262,562	262,562
Depreciation		
At 1 October 2019	130,419	130,419
Charge for the year	53,481	53,481
Eliminated on disposal	(162)	(162)
At 30 September 2020	183,738	183,738
Carrying amount		
At 30 September 2020	78,824	78,824
At 30 September 2019	91,753	91,753

6 Investments

	2020 £	2019 £
Investments in subsidiaries	5	6

Subsidiaries	£
Cost or valuation	
At 1 October 2019	6
Disposals	(1)
At 30 September 2020	5
Carrying amount	
At 30 September 2020	5
At 30 September 2019	6

7 Other financial assets (current and non-current)

	Financial assets at cost less impairment £	Total £
Non-current financial assets		
Cost or valuation		
At 1 October 2019	6,250	6,250
Disposals	(6,250)	(6,250)
At 30 September 2020	-	-
Carrying amount		
At 30 September 2020	-	-
At 30 September 2019	6,250	6,250

8 Debtors

	2020 £	2019 £
Trade debtors	917,735	504,618
Other debtors	115,216	82,806
Accrued income	378,056	439,873
Total current trade and other debtors	1,411,007	1,027,297

9 Cash and cash equivalents

	2020 £	2019 £
Cash at bank	2,417,923	3,115,067

Included in cash at bank are amounts recieved in advance for work not yet undertaken of £643,203 (2019: £1,712,765).

10 Creditors

Creditors: amounts falling due within one year

	2020	2019
	£	£
Due within one year		
Trade creditors	111,457	222,949
Taxation and social security	697,015	286,646
Other creditors	478,571	381,573
Deferred income	666,121	1,489,994
	1,953,164	2,381,162
Due after one year		
Loans and borrowings	641,929	655,959

Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Due after more than five years		
After more than five years not by instalments	-	300,000

The loan of £300,000 identified in 2019 as not repayable by instalments and due after more than five years is now repayable within five years and therefore no longer identified separately. There has been no change to the terms of this loan.

Creditors of more than one year includes a loan of £41,929 (2019: £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.

11 Share capital

Allotted, called up and fully paid shares

	2020 No.	2020 £	2019 No.	2019 £
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
	122	1,000,013	122	1,000,013

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 £630,594 (2019 - £636,442). 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 (2019: £150,000) from a director, all of which has been included in this year's turnover. From the 2019 grant £107,793 (2019: £35,479) is included in the turnover which funded a particular programme. The balance of the grant of £6,728 (2019 - £115,000) was 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 has no parent company with all the ordinary shares being held by the directors.