

Company registration number: 06402143

**SOCIAL FINANCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

SATURDAY



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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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The directors present their report and the financial statements for the year ended 30 September 2018.

#### **Directors of the company**

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

D Anderson

B Bailey (resigned 29 November 2017)

D W Blood - Chairman

E J Bolton (appointed 25 July 2018)

A G Clinch

T H Eccles

H Edwards

A M Evans (resigned 18 September 2018)

R Gillespie

V J Hornby

D A Hutchison

B E Jupp (appointed 25 July 2018)

P J Lawrence (appointed 29 November 2017 and resigned 21 February 2018)

D N Robinson

P S W Wheeler

#### **Principal activity**

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

## SOCIAL FINANCE LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

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#### Review of Business

The past year reflected another year of encouraging progress for Social Finance, working with partners to develop and implement new ways of tackling specific entrenched social problems. We collaborate to develop techniques and tools to gather insight and build new models to support change that is both sustainable and scalable. All our work depends on developing deep partnerships across the voluntary, public and private sectors. Social Finance is indebted to our partners for the expertise and insights they bring.

We concentrate on social problems where the outcomes are poor; where the system is acknowledged to be failing; where the costs of failure are high; and where there is an appetite for change. Very often our models are based on a transformative insight - a new way of thinking about a problem - which emerges through working with the experts, through a consistent focus on the person at the centre, and through an analysis of the systemic barriers to change and the gaps in support. Social Finance's digital capability enables the linking of data around a specific social issue. From this Social Finance generates insights which inform both the design and delivery of services and develops tools which enable others to deliver improved outcomes.

Social Finance works with endowed foundations and partners within the public sector - with local government and within the health sector - to rethink how society can support specific vulnerable groups. In international development, we partner with national and multilateral donors and foundations who see a focus on outcomes - supported by investment - as a way to deliver an increase in aid effectiveness. Social Finance supports social enterprises to grow and scale their impact and raise the finance to do so from investors who value their purpose.

In September 2017, Social Finance defined its strategy to deliver *Impact at Scale* through 15 key projects. In the year to 30 September 2018, good progress was made across the majority of these projects. Significant strides were made towards delivering on our strategy of impact at scale in areas including our work on domestic abuse, refugee integration, children on the edge of care, health and employment and outcomes funds.

Momentum continues in Impact Bonds - an important part of our heritage. The global Impact Bond market has grown to over 120 programmes operational in 24 countries by September 2018. Complexity and scale remain challenges for the Impact Bond tool. This has led the international donor community to set up a working group to promote Outcomes Funds - a mechanism to launch multiple Impact Bonds simultaneously to test thematic and/or geographic solutions to different social challenges. In the UK, Social Finance is advising the government on the next generation of Social Impact Bonds.

2017/ 2018 marked a significant milestone for Social Finance as it celebrated its 10th anniversary in London and the SF global network expanded, adding India and the Netherlands to existing members in the UK, Israel and the US.

In the UK, the business has continued to make progress in covering operating costs through project related income which now stands at 94% (2017: 88%). Staff numbers have grown to 74 FTE employees and 4 FTE consultants at year end (2017: 69 employees, 4 consultants). Social Finance moved offices in August 2018 to Vauxhall after eight years in Great Titchfield Street, upgrading infrastructure and equipment to ensure a smooth improvement to its working environment.

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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#### **UK Advisory and our Digital Capability**

Relationships with a number of large local and combined authorities shifted focus over the year, as councils wanted to engage on particular projects rather than broader strategic partnerships. As a result, Social Finance merged its advisory and enterprise teams to focus on the design, funding and mobilisation of business cases for social impact and, where appropriate, incorporate data and technology solutions with Social Finance's Digital Labs capability. The Advisory team carries thematic leadership within Social Finance for Housing, Children's Services, Education, Youth and Criminal Justice. The team has worked with 20 local authorities, three central government departments and 23 social enterprises over the year, a number of which are data and digital-led.

Supported by the Christie Foundation, the digital team is exploring how to build a common data infrastructure and set of standards for public agencies. This in turn should lead to better, more systematic decision making and support for service users. Considerable progress was made during the year in terms of identifying use cases which help decision makers make better informed decisions in their work with vulnerable groups. As an important example of taking our innovations to greater scale, the initiative also deepened its dialogue with the key stakeholders including Office of National Statistics, Information Commissioner's Office and Ministry of Housing, Communities and Local Government (MHCLG).

Social Impact Bonds continue to attract funding and attention. The Government's Life Chances Fund (LCF) allocated its £80m outcomes funding by July 2018. In September 2018 Social Finance was awarded a contract by the Department of Culture, Media and Sport to advise on the next generation of Social Impact Bonds. Social Finance worked with Sheffield City Council to design a city-wide £80m outcomes fund for which £19m of Life Chances Funding was secured, making it the largest LCF initiative and the first local government-led outcomes fund at scale.

Delivery of the Fair Chance Fund (FCF) and Youth Engagement Fund (YEF) Impact Bonds managed by Social Finance ended in 2017/18. 1,723 young people at risk of becoming NEET (Not in Education, Employment or Training) benefitted from the YEF service and the contract out-performed against four of the six outcomes targets. In total, the two Fair Chance Fund projects managed by Social Finance, supported 567 young people over three years. Accommodation outcomes were particularly strong compared to targets. The Social Finance projects returned investors' capital together with a positive return.

To support families with children at risk of entering the care system, the Positive Family Partnership Social Impact Bond, developed by Social Finance, launched therapeutic services across six London Boroughs. The Social Impact Bond is structured to allow for more councils to join the programme and by 30 September 2018, three additional councils were in discussion to join the programme. Social Finance worked with three authorities in the East Midlands to launch a regional Social Impact Bond platform, to support children in care and on the edge of care. These programmes build on earlier work in Essex, where Social Finance's first local authority Social Impact Bond ends in December 2018. 388 children have been provided with family therapeutic support; 89% remain out of care.

#### **Social Enterprises and Investment**

During the year, Social Finance advised Big Society Capital on their housing strategy with a target to deploy £75-100m over the next three years. Social Finance developed the detailed outline of a fund to focus on vulnerable women, particularly female offenders and those suffering domestic abuse.

In July 2018, Social Finance finalised a £5m debt capital raise - the largest in the market to date - for Five Lamps, a Community Development Finance Institution, that lends to those at risk of financial exclusion. We are working with two other credit unions considering possible capital raises and future growth.

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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The Bright Futures Fund, designed to offer UK retail investors access to investments which qualify for Social Investment Tax Relief, made one investment in FY 2017/18 into Britannia, a café near Norwich prison that employs ex-offenders. In common with other funds operating in this space, deployment of capital has been challenging due to the tightening of HMRC requirements on the eligibility of enterprises to social investment tax relief. We will review progress in 2018/2019.

#### **Adult Care and Health**

The Care and Wellbeing Fund - the £12m investment fund from Macmillan and Big Society Capital, managed by Social Finance - expanded its investment strategy to include primary and community care.

The Care and Wellbeing Fund committed £1.27m of capital this year taking total commitments by the Fund to £4.9m. Two new programmes from the End Of Life Care Integrator were launched. Both were supported by outcomes funding from the Big Lottery Fund's Commissioning Better Outcomes Fund. Two further investments were made - in primary care and in community nursing.

Health and Employment Partnerships (HEP), houses our work supporting into employment, people with health conditions. HEP made significant strides towards impact at scale in May 2018 with the launch of the West Midlands trial. The trial aims to provide Individual Placement Support (IPS) to c.3,300 people with the goal of job placements for people with a range of health issues. We believe this is the largest trial in the world looking at IPS in a community setting. The Mental Health and Employment Social Impact Bond expanded once again in 2018. It became operational in six councils, with Big Lottery Fund support. Its most recent expansion, supported by Life Chances Fund, will deliver IPS services to support into work, people in West London with alcohol and substance misuse issues.

The Reconnections programme in Worcestershire was referenced as one of the leading examples of innovation to tackle loneliness. Social Finance partnered with Independent Age, a national charity, to consider how to scale the Reconnections programme to different parts of the country.

Social Finance is grateful for the multi-year support of £125k p.a. received respectively from the Health Foundation and Macmillan Cancer Support, which underpins the development work of the Care and Wellbeing Fund, and to Macmillan Cancer Support for a £50k p.a. grant to support the development of the End of Life Care Integrator (from April 2018). Social Finance thanks the John Ellerman Foundation for a £53k grant to support work to capture what has been learned in the Shared Lives Investment Incubator, a model of care for vulnerable adults.

#### **Impact Incubator**

The Impact Incubator - Social Finance's social innovation work with charitable trusts and foundations - almost doubled its scale of activity this year. £3.36m funding was awarded to London's Mayor's Office of Policing and Crime (MOPAC) from the Police Transformation Fund to expand the Drive programme for perpetrators of domestic abuse to five new areas (Croydon, Cardiff, Birmingham and Sandwell, and West Mercia). Social Finance has continued to work with partners Respect and SafeLives to support the launch of these new sites and to develop a strategy for scaling impact. Drive was cited in the government's consultation on the new Domestic Violence and Abuse Bill.

Social Finance and partner Good Faith Partnership, supported the establishment in April 2018 of a new charity, Reset Communities and Refugees, to capacity build and support the growth of community sponsorship of refugees - a grassroots approach to integration. It brings together 11 refugee and faith organisations and has been awarded Home Office funding.

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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Social Finance's Leaving Well team has developed a pilot version of a digital tool to improve outcomes for care leavers - working in sprints with young people and personal advisors from three local councils in Southampton, Leeds and the London Borough of Havering. This tool is being rolled out in six local authorities and over 60 personal advisors and 300 young people are registered to use it.

Black Thrive entered its second year of delivery in Lambeth, focussed on addressing inequalities in black mental health and wellbeing. Black Thrive's inaugural director stepped down in September 2018. A successor has been identified and to bridge the gap until a new director is in place, Social Finance seconded a staff member to support operational delivery. There is national interest in the mental health challenges faced by the BME community, and Social Finance is working with partners to develop a scale strategy to roll out the collective impact approach pioneered in Lambeth.

The Impact Incubator team and partners identified two new areas to focus its efforts. It is now looking at how to reduce numbers of young people leaving mainstream schooling for Alternative Provision (AP). Social Finance has been holding discussions with local authorities who share our vision for developing a new model, to understand the costs of exclusions and the best intervention points.

The other issue taken up by Social Finance is to look at improving outcomes for people who need access to legal aid. The Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) has restricted the scope of cases eligible for legal aid. In the field of welfare benefits there has been a reduction of more than 99% in cases granted legal aid. Benefits issues tend to cluster with housing, debt and immigration issues, and the effects are acute. The Impact Incubator is developing an early intervention model with a local authority.

In April 2018, the Social Finance's Impact Incubator announced a new partnership with the Big Lottery Fund, Paul Hamlyn Foundation, Comic Relief and Treebeard Trust. The foundations committed an additional £3m+ of funding over five years. The new partners join Esmée Fairbairn Foundation and the Tudor Trust. Social Finance acknowledges and thanks these partners for their multi-year grant commitments specifically to support the Impact Incubator of:

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

In line with reporting requirements set out in grant agreements, in the year to 30 September 2018, Social Finance drew down:

- £400k of the Big Lottery Fund grant, against which £271,181 was spent.
- £33k of the Comic Relief grant against which £29,120 was spent.
- £100k of the Paul Hamlyn Foundation grant, against which £82,124 was spent.

The balance of each was deferred into the next financial year.

## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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

- £50k AB Charitable Trust
- £1,000k Esmée Fairbairn Foundation
- £500k Garfield Weston Foundation
- £25k J Leon
- £72k Lankelly Chase
- £24k The Segelman Trust
- £100k Unbound Philanthropy

#### **International**

The Social Finance Global Network expanded this year with the launch of Social Finance India in May and Social Finance Netherlands in October 2018. The addition of these partners to the existing network of Social Finance UK, US and Israel, will enable us to better support market building initiatives in key geographies.

In 2018, the international team has focused on building momentum around Outcomes Funds, given their potential to revolutionize and scale deal flow in Impact Bonds. The Social Finance team has provided the secretariat (with Levoca Impact) to an international donor-led "Impact Bond Working Group". At the specific fund level, we are supporting the development of health and education focused funds. A number of 'first mover' donor agencies have emerged, including DFID (UK), SECO (Switzerland), GAC (Canada) and Foreign Ministry (Belgium), who are looking to ringfence funding for Outcomes Fund design and launch.

Over the past three years, we have been working with the Government of Cameroon and the Palestinian Authority to design respectively, the Kangaroo Mother Care Development Impact Bond (DIB) to support nutrition of low birthweight babies and the Skills and Employment DIB matching skills in the labour force to local employers' needs. The two DIBs have involved a total capital raise of c.USD\$2.5m from five investors. We aim to launch both DIBs in early 2019.

Social Finance's role as grant administrator in the Liberian Education Advancement Programme (LEAP, formerly known as Partnership Schools for Liberia) expanded in 2017/ 2018. Social Finance is supporting the Liberian Ministry of Education to manage and oversee the performance of 194 schools under the LEAP programme. The programme is now entering its third year of delivery. In its capacity as grant administrator, Social Finance has received £1.9m from philanthropic funders of the programme, and has disbursed the same amount during the year to the school operators in Liberia. This sum is reflected in both turnover and subcontract costs.

Social Finance's partnership with Inter-American Development Bank to promote Impact Bonds in Latin America made significant progress at the end of 2018. The Buenos Aires youth employment SIB was signed in November 2018 between the government of the city of Buenos Aires, a group of investors that includes a prominent Argentinian family office and several major commercial banks, as well as the Inter-American Development Bank.

Social Finance is grateful to Omidyar Network for its multi-year USD\$1.5m grant commitment to enable the growth of development impact bonds and strengthen the ecosystem around them.



## **SOCIAL FINANCE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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#### **Board Members**

During the year, the Board said farewell to Brian Bailey, Alison Evans and Penny Lawrence. Both Brian and Alison provided wise counsel and support over a number of years and we are very grateful for their contribution to Social Finance. It was with sadness that we accepted Penny's decision to step down from the Board and miss the contribution she was clearly beginning to make. The Board appointed two new executive members, Emily Bolton and Benedict Jupp, to its Board in July 2018.

#### **Financing and Governance**

The Board of Social Finance met five times in the year. Standing items include a business activity report, incorporating a record of risk, HR review and financial forecasts. The company manages cash on a weekly basis and benefits from a £1m working capital facility provided by Big Society Capital. Social Finance drew and repaid a portion of this facility twice during the year. At the year end, the facility was undrawn.

#### **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 15 January 2019 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 2018, 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 2018 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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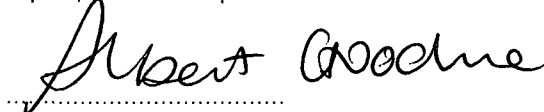
#### **Auditor's responsibilities for the audit of the financial statements**

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

Mary Street House  
Mary Street  
Taunton  
Somerset  
TA1 3NW

Date: 15 January 2019

**SOCIAL FINANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	<b>Note</b>	<b>2018 £</b>	<b>2017 £</b>
Turnover	3	9,073,644	6,428,007
Administrative expenses		<u>(8,974,538)</u>	<u>(6,337,053)</u>
Operating profit		99,106	90,954
Income from shares in group undertakings		19,570	17,500
Other interest receivable and similar income		-	290
Interest payable and similar charges		<u>(34,842)</u>	<u>(35,652)</u>
Profit before tax		<u>83,834</u>	<u>73,092</u>
Profit for the financial year		<u><u>83,834</u></u>	<u><u>73,092</u></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**

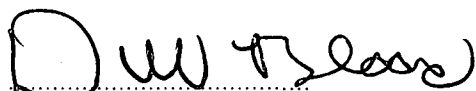
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**BALANCE SHEET AS AT 30 SEPTEMBER 2018**

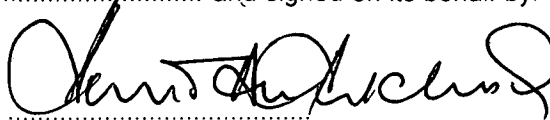
	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	5	65,892	47,709
Investments	6	9	9
Other financial assets	7	6,250	6,250
		<u>72,151</u>	<u>53,968</u>
<b>Current assets</b>			
Debtors	8	1,573,074	1,459,970
Cash at bank and in hand		2,513,380	2,291,373
		<u>4,086,454</u>	<u>3,751,343</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(2,466,235)</u>	<u>(2,189,368)</u>
<b>Net current assets</b>		<u>1,620,219</u>	<u>1,561,975</u>
<b>Total assets less current liabilities</b>		1,692,370	1,615,943
<b>Creditors: Amounts falling due after more than one year</b>	10	<u>(669,177)</u>	<u>(676,584)</u>
<b>Net assets</b>		<u>1,023,193</u>	<u>939,359</u>
<b>Capital and reserves</b>			
Called up share capital		1,000,013	1,000,013
Profit and loss reserve		<u>23,180</u>	<u>(60,654)</u>
<b>Total equity</b>		<u>1,023,193</u>	<u>939,359</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 15 JANUARY 2019 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 2018**

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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 2018**

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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>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Fees and commission	3,833,084	4,077,115
Programmatic grants	4,940,560	1,975,892
Donations	300,000	375,000
	<u>9,073,644</u>	<u>6,428,007</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>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Total turnover above	9,073,644	6,428,007
Less turnover in relation to Liberian Education Advancement Programme	<u>(1,903,270)</u>	<u>-</u>
Turnover in relation to work undertaken by Social Finance	<u>7,170,374</u>	<u>6,428,007</u>

The company has incurred sub-contract costs of £1,903,270 (2017: £Nil) 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 80 (2017 - 71).

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**5 Tangible assets**

	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost or valuation</b>		
At 1 October 2017	227,392	227,392
Additions	53,351	53,351
Disposals	<u>(119,595)</u>	<u>(119,595)</u>
At 30 September 2018	<u>161,148</u>	<u>161,148</u>
<b>Depreciation</b>		
At 1 October 2017	179,683	179,683
Charge for the year	34,454	34,454
Eliminated on disposal	<u>(118,881)</u>	<u>(118,881)</u>
At 30 September 2018	<u>95,256</u>	<u>95,256</u>
<b>Carrying amount</b>		
At 30 September 2018	<u>65,892</u>	<u>65,892</u>
At 30 September 2017	<u>47,709</u>	<u>47,709</u>

**6 Investments**

	<b>2018 £</b>	<b>2017 £</b>
Investments in subsidiaries	<u>9</u>	<u>9</u>
<b>Subsidiaries</b>		<b>£</b>
<b>Cost or valuation</b>		
At 1 October 2017		<u>9</u>
<b>Provision</b>		
<b>Carrying amount</b>		
At 30 September 2018		<u>9</u>
At 30 September 2017		<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 2017	6,250	6,250
At 30 September 2018	6,250	6,250
<b>Impairment</b>		
<b>Carrying amount</b>		
At 30 September 2018	6,250	6,250

**8 Debtors**

	2018 £	2017 £
Trade debtors	1,187,447	801,687
Other debtors	95,505	211,391
Accrued income	290,122	446,892
Total current trade and other debtors	1,573,074	1,459,970

**9 Cash and cash equivalents**

	2018 £	2017 £
Cash at bank	2,513,380	2,291,373

Included in cash at bank are amounts received in advance for work not yet undertaken of £1,584,121 (2017 - £1,341,151). This balance is shown in note 10 within deferred income.

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**10 Creditors**

	<b>Note</b>	<b>2018 £</b>	<b>2017 £</b>
<b>Due within one year</b>			
Trade creditors		92,833	196,796
Taxation and social security		279,984	255,165
Other creditors		406,613	386,256
Deferred income		<u>1,686,805</u>	<u>1,351,151</u>
		<u><u>2,466,235</u></u>	<u><u>2,189,368</u></u>
<b>Due after one year</b>			
Loans and borrowings		<u><u>669,177</u></u>	<u><u>676,584</u></u>

Creditors of more than one year includes a loan of £69,177 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**

	<b>No.</b>	<b>2018 £</b>	<b>No.</b>	<b>2017 £</b>
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	<u>100</u>	<u>100,000</u>	<u>100</u>	<u>100,000</u>
	<u><u>122</u></u>	<u><u>1,000,013</u></u>	<u><u>122</u></u>	<u><u>1,000,013</u></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.

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**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 £1,290,201 (2017 - £193,250). 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 donations of £250,000 (2017 - £nil) from one of its directors.

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.