

The Social Investment Business Limited

(A Company Limited by Guarantee)

Annual Report and Financial Statements

For the year ended 31 March 2011

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Company no 6490609

The Social Investment Business Limited
Annual Report and Financial Statements for the year ended 31 March 2011

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Officers and Professional Advisers

Company Registration Number	6490609
Date of Incorporation	1 February 2008
Registered Office.	5th Floor, 6 St Andrew Street London, EC4A 3AE
Board of Directors	Sir Stephen Bubb (Chair) Harriett Baldwin Anthony Cann Kevin Carey Simon Davidson Rupert Evenett Anne Longfield Russell Peters John Tizard Anne Tutt Fred Worth
Chief Executive	Jonathan Lewis
Company Secretary	Jane Newman
Bankers	Bank of Ireland 20 Berkeley Square London W1J 6LL
Solicitors	Russell-Cooke LLP 2 Putney Hill, London, SW15 6AB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London, Riverside, London, SE1 2RT
Members of Committees:	
The External Investment Committee	Harriett Baldwin (Chair), Robert Banner, Anthony Cann, Peter Clarke, Craig Dearden-Phillips, Rupert Evenett, Kenneth Ibbett, Anne Tutt
Audit & Compliance Committee	Kevin Carey (Chair), Russ Peters, Fred Worth, Anne Longfield
Group Remuneration Committee	John Tizard (Chair), Rupert Evenett, Anne Longfield, Denise Platt, Anne Tutt

Chairman's Report

In last year's annual report I highlighted the growth and strong performance of the public funds under The Social Investment Business' management, while noting the challenging economic and commissioning climate that the organisations we support were operating in. It is rewarding therefore to report this year that, despite these ongoing challenges, delivery of the Funds we manage through sub-contracts to our subsidiary business Futurebuilders England Limited (FBE), has been excellent. I am also pleased to report that, working across the group, we have made significant progress in identifying and developing innovative ways in which we can further support the sector and help realise our vision of a strong, well capitalised and thriving civil society sector that enriches the lives of the communities and individuals it serves.

Both of the Funds we manage on behalf of Government have performed well this year, demonstrating the sector's appetite for social investment and the efficacy of our model of 'engaged investing' that was developed by our parent charity, the Adventure Capital Fund (ACF), and brought to scale by The Social Investment Business.

This year marked the final year of disbursement for the Futurebuilders Fund which we manage on behalf of the Cabinet Office. The Fund was designed to test the hypothesis that charities and social enterprises that were unable to secure loan finance from commercial banks could, with the right support, service loans they then used to win and deliver public sector contracts. It is testament to the success of the 'engaged investor' approach and evidence of the high demand for social investment, that this year we disbursed 99% of committed funds and met or exceeded all contractual Key Performance Indicators (KPIs). Perhaps most rewarding is our performance against the KPI measuring the number of public service contracts won by investees, a measure which reflects the core objective of the Fund and a measure which we exceeded by over 25%.

The independent evaluation of the Fund by Sheffield Hallam University, which I cited in last year's annual report, noted the positive impact of the Fund. It is appropriate at the end of this financial year, with no more disbursements planned under the Fund other than those already offered, to reflect on the considerable achievement of the Fund and the difference it has made to hundreds of charities and social enterprises, strengthening them and their role in public service delivery. I am also delighted to be able to report that at the end of the financial year we signed an extension to the Futurebuilders contract with the Cabinet Office for the management of the loan book and returns for a further two years.

This year has also been a good year for the Social Enterprise Investment Fund (SEIF) which we manage on behalf of the Department of Health (DoH). Indeed, despite the unavoidable pause to marketing and disbursement of the Fund that preceded and followed the General Election, we not only disbursed all of the allocated funds but, at the request of the Department, committed and disbursed an additional £12m. The health and social care sector represents a real and growing opportunity for charities and social enterprises to bring their expertise and knowledge to a crucial area of public service delivery. It is excellent news for the sector therefore that at the end of this financial year, and at a time of considerable public spending cuts, the Secretary of State for Health announced the SEIF budget for the coming year.

As I mention earlier, we believe that, with the right support, charities and social enterprises can use loan finance to grow and strengthen. Our 'engaged investor' approach has always recognised this need for support, incorporating business support as a key part of our model. This year our business support team has continued to provide support to the organisations we invest in through the Funds we manage and, in addition, the team has also increased its reach and the number of organisations it helps by winning several new contracts, including contracts with the Welsh Assembly Government and the Big Lottery, Scotland.

Our mission is to support and strengthen the sector at both the organisational and strategic level, helping it become more sustainable and valued in public sector delivery. Fund management remains a key means of achieving this, especially as we know from our own experience that demand for finance currently exceeds supply. However, we are committed to identifying and developing further ways in which the sector can access the sustainable sources of capital it needs to flourish. In particular we have been exploring means by which sector organisations could work together, with support, to bid for and win contracts that would otherwise be out of the reach of any individual organisation. We pioneered this approach through the Third Sector Consortium (3SC) and are now developing ways in which this same approach could be tailored to increase the contract opportunities available to charities and social enterprises at both a national and local level.

All this activity is driven by our vision and our ambition for the sector. None of it would have been possible without the energy and commitment of the Board, the investment committees, the staff and the partners we work with.

A handwritten signature in black ink, appearing to read 'Stephen Bubb', with a stylized, cursive script.

Sir Stephen Bubb
Chairman

22 June 2011

Directors' Report

The Board of Directors of The Social Investment Business Limited (SIB) present their report together with the audited financial statements for the year ended 31 March 2011 in accordance with statutory requirements and the company's governing documents

The company changed its name on 9 April 2010 from Futurebuilders England Fund Management Limited to The Social Investment Business Limited. This Annual Report and Financial Statements will refer to the company as SIB.

The Directors who held office during the year are listed on page 2.

Objectives and Principal Activities

The vision of SIB, is a strong, well-capitalised and thriving civil society which enriches the lives of the people and the communities it serves.

Our mission is to

- have a transformative effect on the sector, strengthening it at both the organisational and strategic level so that it is more sustainable and valued in public sector delivery,
- bring more money into the sector, to meet the high demand for social investment and to support this with knowledge and expertise; and
- be a thought leader for social investment, based on our demonstrable success in helping third sector organisations of all sizes do more of what they do best

SIB's principal activity is fund management for the Futurebuilders Fund, the Modernisation Fund and the SEIF, all of which are sub-contracted to FBE. FBE uses the group's 'engaged investor' approach, providing support alongside loans and grants.

SIB is required to meet KPIs under both the Futurebuilders and SEIF contracts by the contracting Government Departments – the Office for Civil Society (OCS) and the Department of Health (DoH), respectively. All KPIs are for the calendar rather than financial year i.e. up until 31 December 2010. The KPIs are delivered through the sub-contract of the fund management to FBE.

The Futurebuilders Fund contract has three KPIs. These are around

- disbursement of individual investments within two years of commitment,
- the number of public service contracts won by investees, and
- customer satisfaction (as measured by an independent research agency)

Similar to 2009/10, we performed particularly well on the key KPI – the number of public service contracts won, with 283 contracts being awarded to investees against a target of 225. We also exceeded our customer satisfaction target, set for the year at 82%, achieving 85%. This level of customer satisfaction represents an improvement over the 78% achieved in 2009/10.

As a result of these achievements, payment of performance bonuses will be made by OCS.

Directors' Report continued

The KPIs for the SEIF contract were unchanged for 2010/11, being

- the number of start-ups,
- the number of growth organisations,
- the number of innovative products and services,
- customer satisfaction; and
- financial stability.

We performed well against these KPI targets as a result of which a performance bonus of £90k was earned.

Following the extension of the contract with OCS our objective for this next financial year is to continue with previous plans to achieve a sustainable organisation through new business development and winning further business. Both of these will be a particular focus of the Board in 2011/12.

Future Developments

2011/12 will be the third year we have held the SEIF contract and our efforts will continue to be on committing and disbursing these funds through FBE and their sub-contract with Local Partnerships UK. The Futurebuilders Fund is now fully committed and no longer open to new applications. However, following the contract extension from 1 April 2011, the company will continue to manage the loan book and returns through a sub-contract with FBE.

We also intend to continue tendering for a number of public sector fund management and business support opportunities as we seek to expand our commissioner base, specifically with regional development agencies and local authorities.

Risk Management

Risk Framework – Management of risk is the responsibility of the SIB Directors. To ensure that risks are managed and mitigated, an agreed risk framework is in place which enables management to identify and evaluate both strategic and operational risks and the actions needed to mitigate these risks taking into account existing and proposed controls. Following regular review, and recent ISO accreditation of SIB/FBE, an updated group Risk Policy and Procedure was recently agreed by the Boards of both ACF and SIB. All managers of the Directorates within FBE are involved in identifying and managing risk and a dedicated Cause for Concern team is in place to monitor investee performance. The Senior Management Team is required to review risk across the group on a monthly basis with formal strategic and operational risks registers updated and reviewed quarterly for the group as a whole.

The Audit & Compliance Committees of each of ACF and SIB receive the Top 10 Strategic Risk Table on a quarterly basis and the approved Strategic Risk Register on an annual basis for review and approval.

Directorate Risk Registers are reviewed and approved bi-annually. The ACF and SIB Boards receive the minutes of every Audit & Compliance Committee meeting together with the Top 10 Strategic Risk Register on a quarterly basis.

Directors' Report continued

Internal Audit – In addition to the above internal controls we seek assurance that SIB risks are managed through internal audit by an external company - BDO LLP. During the year, BDO reported directly to the SIB Audit & Compliance Committee and worked to an agreed internal audit plan based on risks to our strategic objectives and on providing assurance to the Audit & Compliance Committee in respect of our internal controls. For 2011/12, an internal audit plan was presented to the Audit & Compliance Committee in May.

Main Strategic Risks – There are two main, external influences on the achievement of our mission and strategic objectives having sufficient Funds to be able to offer to, and strengthen, the civil society sector, and the sector's ability to take up the Funds available.

The **market environment**, e.g. continued recession, change of Government and severe public sector spending cuts, has increased the risks that are attached to successful delivery of our strategic objectives both in terms of the Funds we receive and investees drawing down funds – i.e. meeting the criteria for drawdown (e.g. winning public service contracts) and their ability to repay, if the investment is a loan.

A further issue is **annuality**, the Government requirement for budgeted commitments and disbursements to be made by the end of a financial year, a particular constraint to those organisations with longer term projects.

In last year's report we identified, in particular, the **risk to the continuation of our fund contracts** for all companies in the group because of the market environment. However, we are pleased to report that all were confirmed for 2010/11 and subsequently extended into the 2011/12 financial year.

We also identified in last year's report that both the market environment and the annuality rules could limit investees' ability to draw down funds and increase the **risk of not meeting our commitment and disbursement targets**.

For FBE's delivery of the Communitybuilders Fund programme, the annuality rules were a particularly significant issue, impacted by the delay in making commitments at the beginning of the year in the run up to the General Election. Loans offered, associated with longer term projects, could not be drawn down in such short timescales – if not drawn down by the year end the funds would be lost, with the effect of severely reducing anticipated future returns into the fund.

The opportunity for ACF to secure the Communitybuilders endowment (which would allow us to carry funds over year ends) emerged in the course of the year and its success in doing so prior to year end mitigated this risk for 2010/11 and for future years, and is, hence, not considered a risk for 2011/12. A new contract for a minimum of three years between ACF and SIB is currently being negotiated, with a sub-contract for delivery, as now, by FBE.

Directors' Report continued

In respect of the Futurebuilders Fund, 87% of the disbursement target was drawn down by investees by year end or shortly thereafter. Where committed funds were not drawn down, the majority of cases can be attributed to loans and grants where original offer conditions were no longer met, or due to changes in the prospective investee's position. This year was the final disbursement year for the Futurebuilders Fund and so risks associated with annuality do not apply for 2011/12.

During the year, the SEIF budget was increased to allow for additional offers of capital grants allowing us to disburse an additional £12m. Next year, 2011/12, is the final contract year for commitments and disbursements and so annuality will continue to be important, though its impact is likely to be mitigated if, like this year, grants again constitute a large proportion of commitments made by the Fund. We will however continue to work closely with applicants and investees to mitigate this risk through our engaged investing approach.

Our risk management review during this year acknowledged that the impact of the market environment would remain a main strategic risk for the group for 2011/12, with the risk that contracts might not be renewed, or might otherwise be curtailed, reducing both Funds available to offer to civil society organisations and our own management fee income.

To mitigate this risk we focused during the year on ensuring excellent delivery on our existing contracts and meeting targets as detailed above, also maintaining our close working relationship with our contracting departments – all as evidence of our reliable delivery of fund management services. We have been rewarded by all three Funds being confirmed for 2011/12 – as mentioned above, the Communitybuilders Fund has been endowed to ACF as an 'evergreen Fund', we are also happy to report that the Futurebuilders Fund (incorporating the Modernisation Fund) contract with SIB has been extended for two years from 1 April 2011, and that the SEIF contract will also continue with SIB for 2011/12. Delivery of these Funds will continue to be sub-contracted to FBE.

However, whilst activity under all Fund contracts will continue for next year, the management fee income level has reduced in SIB, due to the change in the services required relating to the Futurebuilders Fund and Communitybuilders Fund. We have addressed this through a number of cost saving measures which will reduce costs within FBE for 2011/12. Our contracts allow the invoicing for management fee income in advance, which in turn allows us to maintain positive cash flow.

Whilst the rate of draw down by investees of funding offered to them did not reduce in 2010/11 as anticipated, we also acknowledge that the market environment remains a risk to civil society organisations in 2011/12 and may impact on take up of our available Funds.

To mitigate the risk to our ability to deliver our mission further, and to manage the income we need to do so, through FBE we have spent some resource in this financial year on developing new business and were able to secure new contracts for business support.

Directors' Report continued

Through this work we have also laid the foundations for future growth, spending time researching the market and developing products and services which will support sector delivery of public services in alternative ways and bring new money into the sector. This work will continue into 2011/12.

SIB's Audit & Compliance Committee has responsibility for reviewing the risks of both SIB and FBE and reporting on these to the Board of SIB to ensure proper management of the company and the delivery of the Funds. We regularly review and mitigate against risk through FBE's risk assurance framework, internal and external audits, and our own Board sub-committees dealing with specific areas of challenge. As FBE's executive and staff deliver all of SIB's current contracts we address operational risks through their processes. With respect to strategic risk, the Board and strategy sub-group focus on this and also work with FBE's senior management team.

Financial Review

The accounts of SIB include all income relating to the Service Agreements between Cabinet Office and Department of Health and SIB for the Fund Management of the Futurebuilders Fund (incorporating the Modernisation Fund) and SEIF contract, respectively, with costs of delivery included as a recharge from FBE. All transactions relating to the Futurebuilders Fund itself and the restricted investment element are subject to the Grant Agreement between Cabinet Office and FBE directly and, hence, are not reflected here. The SEIF is managed as Agent and the Fund is off balance sheet. Full detail can be found in the accounts of FBE, a copy of which can be requested from the Company Secretary of FBE.

SIB's Profit and Loss Account shows income for the year of £6.5m (2010: £6.4m), of which £3.9m (2010: £4.3m) relates to the management of the Futurebuilders Fund and includes a performance bonus of £80k (2010: £61k). Last year's income also included a contingency payment of £128k in response to extra costs being incurred by FBE to meet increased disbursement targets and without any end of year flexibility to carry funds forward.

SEIF fund management income was £2.4m (2010: £2.1m), including a performance bonus of £90k (2010: £53k). Included in the income for the previous year were transition costs of £218k, with no such amount included in the income to 31 March 2011. The balance of £0.2m (2010: £nil) relates to income from the company's contract with the Welsh Assembly Government (WAG) to provide business support services – which commenced in January 2011.

Funds costs incurred are those of FBE in delivery of the Funds. A gross profit of £214k (2010: £54k) is a result of efficiency savings achieved across all Funds.

Directors' Report continued

Structure, Governance and Management

Background and Legal Structure

SIB is a private company limited by guarantee and member of the group of which The Adventure Capital Fund is the ultimate parent. The group is formed as follows:

The Adventure Capital Fund (ACF) – charity and company limited by guarantee – sole member of.

The Social Investment Business Limited (SIB) (which changed its name from Futurebuilders England Fund Management Limited on 9 April 2010) – private company limited by guarantee – sole member of

Futurebuilders England Limited (FBE) – private company limited by guarantee

SIB is 100% shareholder in two dormant companies, ***The Social Investment Business Trading Company Limited*** and ***Third Sector Bidding Company Limited***

Both SIB and FBE have been trading under the name 'The Social Investment Business' since 28 July 2009

In 2009/10, FBE was one of the founding partners who set up the **Third Sector Consortia Management LLP (3SC)**, a management services company, in response to an express need from the third sector for a coordinated and effective quality response to the change in requirements of public sector commissioners, and this clearly fits in with SIB and FBE's mission

The partnership deed is dated 25 September 2009 and states that 'the Business of 3SC is the managing and delivering of public community services through its third sector collaborators and suppliers, promoting industry and commerce and supporting the community benefit activities of the Members'. The deed identifies eight initial members, including FBE, all with an equal share of 12.5% and paying £10,000 capital each. Currently, there are nine members with shares of 11.11% each

On 2 February 2010 FBE resigned as member and SIB was duly appointed in its place. This was to ensure that FBE remains focused solely on fund management and fund distribution

SIB holds fund management contracts as detailed below but does not employ any staff. It sub-contracts delivery of its funds under management to FBE. FBE employs the majority of the group's staff and is sub-contracted to deliver fund management services for all the major Government Funds under contract to the group – the Futurebuilders Fund, the Modernisation Fund, the SEIF and the Communitybuilders Fund. The three former contracts are sub-contracted to FBE by SIB and the latter by ACF. Over the next financial year (2011/12), the total management fee income for the SIB contracts is expected to be c£4.8m

Contracts/Agreements for Fund Distribution and Fund Management are as follows:

Directors' Report continued

Futurebuilders Fund – There are two agreements in place with the Cabinet Office in respect of the Futurebuilders Fund a grant agreement with FBE for fund distribution, and a services agreement with SIB for fund management, both covering the period ending on 31 March 2013 Both commenced on 1 April 2008 and, following their revision and extension by agreements signed on 31 March 2011, run to 31 March 2013 SIB sub-contracts management of the Fund to FBE with coterminous start and end dates. The Futurebuilders Fund was originally established in April 2004 and was run by a consortium led by Charity Bank until the Fund and its management was transferred to SIB in 2008 following an open tender

Modernisation Fund – In 2009/10 the Cabinet Office awarded The Social Investment Business Limited the management of the one year Modernisation Fund The grant and services agreements for the Futurebuilders Fund were amended to incorporate the Modernisation Fund

SEIF – In 2008/09, SIB won an open tender to deliver the DoH SEIF. The contract between the DoH and SIB for fund management incorporates fund distribution and is dated 5 March 2009. The three year contract runs from 1 June 2009 (after transition period) to 31 May 2012 The sub-contract for delivery between SIB and FBE is coterminous A further sub-contract is in place between FBE and Local Partnerships UK LLP (LPUK) and is also coterminous LPUK are sub-contracted to develop and support the portfolio of fund investments in regard to NHS start-ups/spin-outs SIB acts as agent for the SEIF in respect of Fund distribution and, therefore, the investments (loans and grants) are not recorded on SIB's balance sheet The external Investment Committee for this Fund is managed by DoH

Governance and Decision Making

During the period covered by these accounts, governance and management were covered by the Articles of Association of SIB, the Service Agreement between Cabinet Office and SIB, the Service Agreement between the Department of Health and SIB and the sub-contracts between SIB and FBE

SIB has a non-executive Board, an External Investment Committee, an Audit & Compliance Committee and a Group Remuneration Committee which govern SIB and retain governance rights and a supervisory role over FBE, as defined in SIB's Board and Committee Handbook Our Board and external Investment Committee members have been selected through a rigorous process and combines significant sector, financial and business expertise The Board meets at least 8 times each year

On 1 June 2010 a new Company Secretary was recruited to take up that office for each of the three companies in the group The role is responsible for, amongst other things, the governance of SIB and the whole group and reports to the Chair of the Board of SIB and the Chair of the Board of Trustees of ACF

Directors' Report continued

Related Parties

SIB, being a wholly owned subsidiary of ACF, for which consolidated financial statements are publically available, has taken advantage of the exemption set out in Financial Reporting Standard (FRS) 8, 'Related Party Transactions', not to disclose any transactions with ACF or FBE

Saeeda Ahmed is a member of the ACF Board. She is also the Chief Executive Officer of Trescom Limited. In the year, Trescom Limited received a grant of £Nil (2010 £19,800) from FBE

Fred Worth is a member of the ACF and SIB Boards. He is also a Trustee of the Royal Mencap Society. During the year, the Royal Mencap Society was offered and advanced a loan of £Nil (2010 £2,200,000) from the Futurebuilders Fund, and received a loan of £Nil (2010 £450,000) and a grant of £Nil (2010 £50,000) from the Modernisation Fund. The balance outstanding on the loans at the year end was £2,112,814 and £450,000, respectively (2010 £2,200,000 and £450,000, respectively)

Kevin Carey is a member of the SIB Board. He is also a consultant for AT Care. During the year AT Care received a loan of £300,000 (2010 £Nil) and a revenue grant of £Nil (2010 £99,194) from FBE

Anne Longfield is a member of the SIB Board and is also the Chief Executive Officer of 4 Children. In 2009 a £500,000 loan was advanced to 4 Children by FBE; the balance outstanding on the loan at the year end was £379,168 (2010 £412,594)

Rob Owen was a member of the SIB Board until he resigned on 28 May 2010. He is also the Chief Executive Officer of St Giles Trust. In the year St Giles Trust received a loan of £Nil (2010 £500,000) from FBE. The balance outstanding on the loan at the year end was £347,222 (2010 £500,000)

During 2009/10 FBE acquired a 12.5% interest in Third Sector Consortia Management LLP (No. OC347365), known as 3SC, at a cost of £10,000. There were eight initial members and a ninth member later joined, reducing the interest to 11.11%. FBE sold its interest before the 2010 year end (see note 7) and SIB acquired an interest at a cost of £10,000. During the year 3SC received a loan of £Nil from FBE (2010 £1,500,000). The balance outstanding on the loan at 31 March 2011 was £1,500,000 (2010 £1,500,000)

The company maintains a register of interests for Board, Investment Committee members and staff. At a meeting, where any investment or purchase decisions are taken, which would reasonably be seen as giving rise to a conflict of interest (principally over investments) the Chair of the meeting ensures at the outset that disclosure is made. The interest is agreed to be either declarable or disqualifying and is recorded as such in the minutes and, if appropriate, the individual withdraws from the meeting for the discussion and decision concerning the relevant item.

The company's procedures also ensure that senior staff are not engaged in purchasing goods or services from suppliers in which they would have an interest.

Directors' Report continued

Disclosure of Information to Auditors

Each of the persons who is a director at the date of the approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Statement of Directors' Responsibilities

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

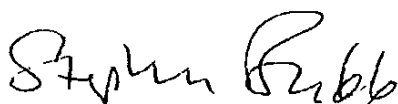
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

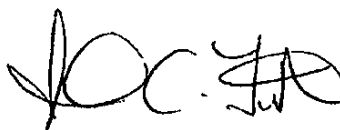
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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

Approved by the Board of Directors of SIB 22 June 2011 and signed on their behalf

Signed on behalf of the Board of Directors



Sir Stephen Bubb
Chairman



Anne Tutt
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SOCIAL INVESTMENT BUSINESS LIMITED

We have audited the financial statements of The Social Investment Business Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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



Liz Hazell (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

24 June 2011

The Social Investment Business Limited
company no 6490609

Profit and Loss Account

for the year ended 31 March 2011

	Notes	2011 £ '000	2010 £ '000
Turnover			
Funds income	2	<u>6,482</u>	<u>6,372</u>
		6,482	6,372
Cost of sales			
Funds cost	3	<u>(6,268)</u>	<u>(6,318)</u>
		(6,268)	(6,318)
Gross profit		214	54
Administrative expenses	4	<u>(24)</u>	<u>(9)</u>
Net profit on ordinary activities		190	45
Other interest receivable		2	2
Gift aid to ultimate parent		-	-
Net profit on ordinary activities before taxation		<u>192</u>	<u>47</u>
Corporation tax	6	<u>(58)</u>	<u>2</u>
Profit on ordinary activities after taxation		<u>134</u>	<u>49</u>

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

There were no recognised gains or losses in the current financial year other than those contained within the Profit and Loss Account, and accordingly a separate Statement of Total Recognised Gains and Losses has not been presented. All operations are continuing.

The accompanying accounting policies and notes on pages 18 to 22 form an integral part of these financial statements

The Social Investment Business Limited
company no 6490609

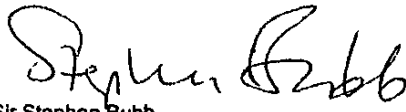
Balance Sheet

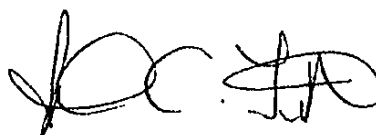
as at 31 March 2011

	Notes	2011 £ '000	2010 £ '000
Assets			
Investments	7	<u>10</u>	<u>10</u>
		10	10
Current assets			
Debtors	8	1,515	1,332
Cash at bank and in hand		<u>957</u>	<u>1,022</u>
		2,472	2,354
Creditors			
Creditors falling due within one year	9	<u>(2,263)</u>	<u>(2,279)</u>
		(2,263)	(2,279)
Net current assets		209	75
Total assets less current liabilities		<u>219</u>	<u>85</u>
Profit and loss account	10	<u>219</u>	<u>85</u>
		219	85

The accompanying accounting policies and notes on pages 18 to 22 form an integral part of these financial statements

These financial statements were approved by the Board on 22 June 2011 and were signed on its behalf by


Sir Stephen Bubb
Chairman


Anne Tutt
Director

The Social Investment Business Limited

Notes to the Financial Statements

for the year ended 31 March 2011

1 Significant accounting policies

a) Reporting entity

The Social Investment Business Limited (SIB) is a company limited by guarantee governed by the Companies Act 2006 and is domiciled in the United Kingdom. The company changed its name from Futurebuilders England Fund Management Limited which was registered at Companies House, on 9 April 2010.

b) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

c) Subsidiary

SIB has three wholly owned subsidiaries: Futurebuilders England Limited (FBE), Company no. 5066676, The Social Investment Business Trading Company Limited (Dormant), Company no. 6795515, and The Third Sector Bidding Company Limited (Dormant), Company no. 6944398. All are incorporated in the UK, registered address 5th Floor, 6 St Andrew Street, London, EC4A 3AE.

d) Going concern

The Directors have prepared forecasts of the company's cash and capital positions for the period ending twelve months from the date of these financial statements. Similar forecasts have also been prepared assuming stressed but plausible scenarios. The Directors consider the cash and reserves position of SIB to be sufficient to support the company for at least twelve months from the date of signing these accounts taking into account the value and length of the Fund management and other contracts in place and for this reason continue to adopt the going concern basis in preparing the annual accounts.

e) Cash flow statement / Consolidated accounts

SIB's parent is Adventure Capital Fund (ACF) and as group consolidated accounts are prepared, the company has taken advantage of the exemptions under Financial Reporting Standard (FRS) 1 'Cash flow Statements' from preparing a cash flow statement and under FRS 2 'Subsidiary undertakings' from preparing consolidated accounts, with FBE.

f) Income

All income relating to Fund Management is accounted for on an accruals basis. A performance bonus income is accounted for as SIB becomes entitled to that income which is earned when the performance targets are achieved. If an invoice is raised which relates to a future period the amount in relation to the future period is deferred and included within creditors.

g) Cost of sales

These are the costs incurred by the company in managing the Funds and are recognised in the year in which the activity takes place. All fund management activity necessary to deliver against the Futurebuilders and Modernisation Funds and the Social Enterprise Investment Fund has been sub-contracted to FBE, a wholly-owned subsidiary of SIB. Both sub-contracts for fund management are coterminous with the respective main government contracts.

The Social Investment Business Limited

Notes to the Financial Statements (continued)

for the year ended 31 March 2011

h) Taxation

Income tax expense comprises both current tax and deferred tax and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the consolidated financial statements

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised

i) Investments

The Company recognises its interest in 3SC at cost less impairment

j) Value Added Tax (VAT)

All items in the financial statements are stated exclusive of VAT, except for debtors and other receivables and creditors and other payables, which are presented on a VAT inclusive basis. Where VAT is not recoverable as input tax then it is recognised as part of the related asset or expense

The net amount of VAT recoverable from, or payable to, HM Revenue & Customs (HMRC) is included in debtors or creditors in the balance sheet

Commitments and contingencies are disclosed exclusive of VAT

2 Turnover

	2011 £ '000	2010 £ '000
<i>Futurebuilders Fund</i>		
Management Charge	3,864	4,115
Performance Bonus	80	61
Contingency Share	-	128
	<u>3,944</u>	<u>4,304</u>
<i>Social Enterprise Investment Fund</i>		
Management Charge	2,279	1,796
Performance Bonus	90	53
Transition Income	-	218
	<u>2,369</u>	<u>2,067</u>
<i>Welsh Assembly Government</i>		
Management Charge	<u>169</u>	-
	<u>169</u>	-
Other income	-	1
	<u>6,482</u>	<u>6,372</u>

The turnover shown above has all been generated in the United Kingdom

3 Cost of sales

Fund management relating to the Futurebuilders Fund (including the Modernisation Fund) and the Social Enterprise Investment Fund are sub-contracted to FBE therefore the fund management costs relate to FBE's service charge

The Social Investment Business Limited

Notes to the Financial Statements (continued)

for the year ended 31 March 2011

4 Administration expenses

	2011 £ '000	2010 £ '000
Auditors' remuneration - audit services	6	6
Auditors' remuneration - non audit services	-	9
Other administration cost	18	(6)
	<u>24</u>	<u>9</u>

5 Staff and board costs

SIB do not employ staff, as all staff are employed by FBE. Payments to the Board as remuneration for their services are recharged to FBE as part of the management charge. Total board costs are £162,000 (2010 £182,000) of which Sir Stephen Bubb is the highest paid at £31,000 (2010 £33,500). During the year no compensation was made to directors for loss of office (2010 £Nil).

6 Taxation - Factors affecting the current tax charge for the period

	2011 £ '000	2010 £ '000
Incoming resources	192	47
Tax at 28% (2010 21%) thereon	54	10
Effects of		
Over charge in prior period	10	(12)
Tax at marginal rates	(6)	-
Actual current tax charge	<u>58</u>	<u>(2)</u>

There is no deferred tax arising

7 Investments

SIB acquired an 11.11% interest, at a cost of £10,000, on 2 February 2010 in Third Sector Consortia Management LLP (No. OC347365), known as 3SC. The LLP is established to manage and deliver public and community services through its civil society collaborator and suppliers, promoting industry and commerce and supporting the community benefit activities of the Members, including promoting social welfare and health and providing assistance to unemployed and disadvantaged persons, children and young people.

Partner share of profits and losses for the year are treated as trading profit/loss on each partner respectively for corporation tax purposes. No distribution of profits have been received by SIB.

There are no contingent liabilities arising from the group's involvement in the investment.

There were no transactions during the year between SIB and 3SC and no amounts owing at the year end. During the year ended 31 March 2010 FBE made a loan to 3SC for £1.5m. The balance outstanding on the loan at the year ended 31 March 2011 was £1.5m (2010 £1.5m).

SIB is 100% shareholder in two dormant companies.

The Social Investment Business Trading Company Limited, a dormant private company limited by ordinary shares of £1 incorporated in the UK, was acquired by SIB on 24 September 2009. The company was acquired to register and protect the name.

Third Sector Bidding Company Limited, a dormant private company limited by guarantee incorporated in the UK, was acquired by SIB on 11 December 2009. The company was acquired to support civil society businesses in bidding for, winning and delivering public service contracts, also to improve the financial and strategic capability of the third sector.

The Social Investment Business Limited

Notes to the Financial Statements (continued)

for the year ended 31 March 2011

8	Debtors	2011	2010
		£ '000	£ '000
	Trade debtors	887	781
	Prepayments	538	551
	Accrued income	90	-
		<u>1,515</u>	<u>1,332</u>
9	Creditors: amounts falling due within one year	2011	2010
		£ '000	£ '000
	Trade creditors	129	-
	Amounts owed to subsidiary undertakings	1,184	1,445
	Corporation tax	52	4
	Other taxation and social security	179	270
	Deferred income	713	551
	Accruals	6	9
		<u>2,263</u>	<u>2,279</u>
10	Profit and loss account	2011	2010
		£ '000	£ '000
	Opening reserves brought forward	85	36
	Profit for the period	134	49
	Closing reserves carried forward	<u>219</u>	<u>85</u>

11 Related party transactions

SIB, being a wholly owned subsidiary of ACF, for which consolidated financial statements are publicly available, has taken advantage of the exemption set out in FRS 8 'Related Party Disclosures' not to disclose any transactions with ACF or FBE

Saeeda Ahmed is a member of the ACF Board. She is also the Chief Executive Officer of Trescom Limited. In the year, Trescom Limited received a grant of £Nil (2010 £19,800) from FBE.

Fred Worth is a member of the ACF and SIB Boards. He is also a Trustee of the Royal Mencap Society. During the year, the Royal Mencap Society was offered and advanced a loan of £Nil (2010 £2,200,000) from the Futurebuilders Fund, and received a loan of £Nil (2010 £450,000) and a grant of £Nil (2010 £50,000) from the Modernisation Fund. The balance outstanding on the loans at the year end were £2,112,814 and £450,000 respectively (2010 £2,200,000 and £450,000 respectively).

Kevin Carey is a member of the SIB Board. He is also a consultant for AT Care. During the year AT Care received a loan of £300,000 (2010 £Nil) and a revenue grant of £Nil (2010 £99,194) from FBE.

Anne Longfield is a member of the SIB Board and is also the Chief Executive Officer of 4 Children. In 2009 a £500,000 loan was issued to 4 Children by FBE, the balance outstanding on the loan at the year end was £379,168 (2010 £412,594).

Rob Owen was a member of the SIB Board until he resigned on 28 May 2010. He is also the Chief Executive Officer of St Giles Trust. In the year St Giles Trust received a loan of £Nil (2010 £500,000) from FBE. The balance outstanding on the loan at the year end was £347,222 (2010 £500,000).

The Social Investment Business Limited

Notes to the Financial Statements (continued)

for the year ended 31 March 2011

11 Related party transactions (continued)

During 2010 FBE acquired a 12.5% interest in Third Sector Consortia Management LLP (No. OC347365), known as 3SC at a cost of £10,000. There were eight initial members and a ninth member later joined reducing the interest to 11.11%. FBE sold its interest before the 2010 year end (see note 7) and SIB acquired that interest at a cost of £10,000. During the year 3SC received a loan of £Nil from FBE (2010: £1,500,000). The balance outstanding on the loan at year end was £1,500,000 (2010: £1,500,000).

The company maintains a register of interests for Board, Investment Committee members and staff. At a meeting, where any investment or purchase decisions are taken, which would reasonably be seen as giving rise to a conflict of interest (principally over investments), the Chair of the meeting ensures at the outset that disclosure is made. The interest is agreed to be either non-disqualifying or disqualifying and is recorded as such in the minutes and, if appropriate, the individual withdraws from the meeting for the duration of any discussion of the relevant item. The company's procedures also ensure that senior staff are not engaged in purchasing goods or services from suppliers in which they would have an interest.

12 Ultimate controlling party

ACF, a charity and company limited by guarantee and registered in the UK, is the ultimate parent undertaking and controlling party of the company. As ACF is the sole member they are the only parent undertaking to consolidate these financial statements and would undertake to contribute a sum not exceeding £1 to the assets of the company if it is wound up. Copies of the consolidated financial statements of ACF can be obtained from the Company Secretary, ACF, 5th Floor, 6 St Andrew Street, London, EC4A 3AE.

13 Guarantors

ACF (Charity number 1117185) is the sole member of the company.

Every member of the company undertakes to contribute a sum not exceeding £1 to the assets of the company if it is wound up during his or her membership or within one year afterwards.