

# **The Social Investment Business Limited**

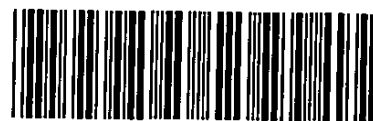
(A Company Limited by Guarantee)

## **Annual Report and Financial Statements**

**For the year ended 31 March 2012**

**Company no 6490609**

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## **The Social Investment Business Limited**

### **Officers and Professional Advisers**

Company Registration Number:	6490609
Date of Incorporation	1 February 2008
Registered Office	1st Floor, Derbyshire House, St Chad's Street London, WC1H 8AG
Board of Directors.	Sir Stephen Bubb (Chair) Harriett Baldwin Anthony Cann Kevin Carey Simon Davidson (resigned 31 January 2012) Rupert Evenett (resigned 23 March 2012) Jonathan Lewis (resigned 13 July 2011) Anne Longfield (resigned 31 December 2011) Russell Peters (resigned 31 December 2011) John Tizard Anne Tutt Fred Worth
Chief Executive	Jonathan Jenkins (appointed 26 September 2011)
Company Secretary	Jane Newman (resigned 21 December 2011) Darren Garner (appointed 21 December 2011, resigned 26 April 2012) Jonathan Jenkins (appointed 17 May 2012)
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
<b>Members of Committees:</b>	
The External Investment Committee	Harriett Baldwin (Chair), Robert Banner, Anthony Cann, Peter Clarke, Kenneth Ibbett, Anne Tutt
Audit & Compliance Committee	Kevin Carey (Chair), Fred Worth, Russ Peters (resigned 31 December 2011)
Group Remuneration Committee	John Tizard (Chair), Anne Tutt, Rupert Evenett (resigned 23 March 2012)

# **The Social Investment Business Limited**

Annual Report and Financial Statements for the year ended 31 March 2012

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## **The Social Investment Business Limited**

### **Chairman's Report**

In last year's annual report I noted the challenging economic and commissioning climate in which we and the organisations we support were operating. During this year we have responded to the economic environment by restructuring, moving premises to reduce our cost base and developed innovative ways of more economically undertaking our core business of fund management. While this year has been challenging financially, we are now structured with reduced overheads to be able to better respond to the needs of the marketplace. With a new CEO and new executive team in place, the Board is excited about the opportunities for the growth of the newly restructured organisation.

Despite these challenges, it is rewarding to report that delivery of the Funds we manage through sub-contracts to our subsidiary business, Futurebuilders England Limited (FBE), has continued to be successful this year. I am also pleased to report that, working across the Group, we have made significant progress in identifying and developing a clear vision and strategy for the future in terms of how 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.

All 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 has also been a good year for the Social Enterprise Investment Fund (SEIF) which we manage on behalf of the Department of Health. 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.

We believe that, with the right support, charities and social enterprises can use loan finance to grow and strengthen. So we are delighted the Cabinet Office has also awarded us a new Government contract to manage a £10 million fund that can help social ventures prepare themselves to raise additional social investment and/or to run public services. The Investment and Contract Readiness (ICR) Fund will be fully launched by the end of April 2012, and will focus on supporting social ventures that have the potential for high growth and delivering positive social impact.

The ICR Fund also has an important role to play in developing the social investment market as for the first time a group of high calibre investors have come together to shape the programme to maximise the likelihood of organisations attracting significant investment. It is designed to help social ventures that are not yet 'investment ready' or ready to win a public service contract. Likely areas for support, include business planning, proving impact, building financial management systems and strengthening senior management teams.

## **The Social Investment Business Limited**

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 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 with its work for the contracts with the Welsh Assembly Government and the Big Lottery, Scotland

We are also delighted to have been appointed to run the £20 million plus Social Action Fund on behalf of the Cabinet Office. We have delivered two funding rounds for the programme that encourages increased volunteering on a large scale. From the many organisations we have worked with over the past 10 years, we recognise the importance of volunteering and are excited that through this Fund, organisations will be able to support more people to get involved.

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.



Sir Stephen Bubb  
**Chairman**

26 June 2012

## **The Social Investment Business Limited**

### **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 2012 in accordance with statutory requirements and the company's governing documents

### **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 to do more of what they do best

SIB's **principal activity** is fund management for the Futurebuilders Fund, the Modernisation Fund, the Communitybuilders Fund and the Social Enterprise Investment Fund (SEIF), all of which are sub-contracted to FBE. FBE uses the Group's 'engaged investor' approach, to provide support alongside loans and grants

SIB is required to meet Key Performance Indicators of the funds we manage including both the Futurebuilders and SEIF contracts by the contracting Government Departments – the Office for Civil Society and the Department of Health, respectively, and under the Communitybuilders contract by its parent, Adventure Capital Fund. All KPIs are for the calendar rather than financial year i.e. up until 31 December 2011, except in respect of Communitybuilders which are for the financial year. KPIs are delivered through the sub-contract of the fund management to FBE.

Performance payments are payable on attainment of KPIs under the SEIF and Communitybuilders fund management contracts only.

The Futurebuilders Fund contract has three KPIs. Following the contract extension, the KPIs applying to both the 2011/12 and 2012/13 financial years relate to

- Loan repayments,
- Loan write offs, and
- customer satisfaction (as measured by an independent research agency)

## **The Social Investment Business Limited**

### **Directors' Report** continued

We exceeded all three of the KPIs set by the Cabinet Office for 2012:

- The repayments KPI of £6m was exceeded as we achieved £8.9m.
- The KPI for write offs was also exceeded, with a cumulative rate of 4.14%, compared with an annual target figure of 8% averaged over the last 6 years
- The target customer satisfaction KPI was to show incremental growth over the previous year and this was achieved

The KPIs for the SEIF contract for 2011/12 were as follows

- the number of start-ups,
- the number of growth organisations,
- the number of innovative products and services,
- customer satisfaction and complaints; and
- investment portfolio.

We performed well against these KPI targets as a result of which a performance bonus of £67k (2010/11 £90k) was earned

The Communitybuilders contract has three KPIs for 2011/12. These are around

- Customer satisfaction,
- Investment quality,
  - o Achievement of commitment targets
  - o Loan / grant ratio
  - o Risk profile; and
- Write off rates

As a result of our performance against these KPIs, a performance bonus of £33k was earned. A performance bonus was not included in the contract in 2010/11.

### **Structure, Governance and Management**

#### **Background and Legal Structure**

##### *Company*

**The Social Investment Business Limited** is a private company limited by guarantee. SIB changed its name from Futurebuilders England Fund Management Limited on 9 April 2010.

##### *Ultimate parent undertaking*

**The Adventure Capital Fund** is the ultimate parent undertaking and sole member of SIB. ACF is a charity and company limited by guarantee.

##### *Other group entities*

SIB is the sole member of **Futurebuilders England Limited**, a private company limited by guarantee. SIB is also 100% shareholder in two dormant companies, **The Social Investment Business Trading Company Limited** and **The Third Sector Bidding Company Limited**.

## **The Social Investment Business Limited**

### **Directors' Report** continued

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

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 seven members with shares of 14.29% each.

FBE sold its interest before the 2010 year end and SIB acquired that interest at a cost of £10,000. During 2010 3SC received a £1.5m loan from the Modernisation Fund. The balance outstanding on this loan at 31 March 2012 was £1.5m (31 March 2011 £1.5m)

#### *Fund management contracts*

SIB holds fund management contracts as detailed below but does not employ any staff, other than the Chief Executive, Jonathan Jenkins. 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 Funds under contract to the group – the Futurebuilders Fund, the Modernisation Fund, the SEIF, The Social Action Fund, Investment and Contract Readiness Fund and the Communitybuilders Fund. The five former contracts are sub-contracted to FBE by SIB and the latter by ACF.

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

**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 Chantry 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.



## **Directors' Report continued**

**Social Enterprise Investment Fund** – In 2008/09, SIB won an open tender to deliver the DoH SEIF. The original contract between the DoH and SIB for fund management incorporated fund distribution and is dated 5 March 2009. The original three year contract ran from 1 June 2009 (after a transition period) to 31 May 2012. In May 2012 agreement was reached with DoH to revise and extend the contract for a maximum of a further two years, to 31 May 2014. Delivery is undertaken by FBE under a coterminous sub-contract from SIB. A further sub-contract is also in place between FBE and Local Partnerships UK LLP (LPUK). LPUK are sub-contracted to develop and support the portfolio for Fund investments relating 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 FBE's or SIB's balance sheet. The External Investment Committee for this Fund is managed by DoH.

**Social Action Fund** - In 2011/12 Cabinet Office awarded SIB a contract for the delivery and portfolio management of the £21m Social Action Fund. This contract commenced on 7 September 2011 and expires on 31 March 2013. The contract provides for a potential extension for a period ending no later than 31 March 2015. A variation to this contract was signed in March 2012 in relation to an agreement for SIB to undertake enhanced monitoring and support.

**Investment and Contract Readiness Fund** - In 2011/12 Cabinet Office awarded SIB a contract for the delivery and portfolio management of the £10m Investment and Contract Readiness Fund. This contract started on 30 January 2012 and expires on 31 March 2015.

**Communitybuilders** – Following the endowment of the Communitybuilders Fund to ACF in March 2011, ACF entered into an agreement with SIB to provide Fund Management services for an initial three year period subject to annual review and with delivery sub-contracted to FBE.

### **Management**

The Directors who held office during the year are listed on page 1. The executive management team of Futurebuilders England Limited are responsible for the day to day management of SIB. The executives act under delegated authority given to them by the Board. The executive management team throughout the year were

Jonathan Lewis	- Chief Executive (resigned 13 July 2011)
Ian Charlesworth	- Commercial Director (resigned 31 August 2011)
Claire Cox	- Communications Director (resigned 7 July 2007)
Darren Garner	- Finance Director (resigned 26 April 2012)
Sue Peters	- Managing Director, Investments (resigned 31 December 2011)
Jane Newman	- Director of Governance (resigned 21 December 2011)
Jonathan Jenkins	- Chief Executive (appointed 26 September 2011)
Geoff Burnand	- Director of New Funds (appointed 5 March 2012)
Seb Elsworth	- Director of Partnerships and Communications (appointed 1 April 2012)
Suthan Santhaguru	- Interim Finance Director (appointed 27 April 2012)

## **The Social Investment Business Limited**

### **Directors' Report** continued

#### **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 DoH 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 combine significant sector, financial and business expertise. The Board meets at least 6 times each year.

The Company Secretary 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. On 21 December 2011 the role of Company Secretary was transferred to Darren Garner following the resignation of Jane Newman. Darren Garner resigned as company secretary on 26 April 2012 and Jonathan Jenkins was appointed on 17 May 2012.

#### **Related Parties**

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 Financial Reporting Standard (FRS) 8, 'Related Party Transactions', not to disclose any transactions with ACF or FBE.

Related party transactions are referred to in detail in the notes to the financial statements.

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.

## **The Social Investment Business Limited**

### **Directors' Report continued**

#### **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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **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.

## **Directors' Report continued**

### **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.

SIB and FBE are ISO accredited and have a Board-approved group Risk Policy and Procedure, which is subject to periodic review and all managers of the Directorates within FBE are involved in identifying and managing risk. In addition, a dedicated Cause for Concern team is in place to monitor investee performance. The executive management team is required to review risk across the group on a regular basis with formal strategic and operational risks registers updated and reviewed for the group as a whole as appropriate.

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. The ACF and SIB Boards receive the minutes of every Audit & Compliance Committee meeting together with the Top 10 Strategic Risk Register following review by the Audit & Compliance Committee.

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 focus on this and also work with FBE's senior management team.

**Internal Audit** – In addition to the above internal controls the Directors receive further assurance that SIB risks are managed through internal audit by an external company - BDO LLP. During the year, BDO LLP 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 2012/13, an internal audit plan was presented to the Audit & Compliance Committee in May 2012.

**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 - the impact of Government austerity measures 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.

**Directors' Report** continued

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. Combined with market environment risks, annuality rules could limit investees' ability to draw down funds and increase the risk of not meeting our commitment and disbursement targets. For 2011/12 this risk only applied to SEIF. However, this risk was in part mitigated as the agreed SEIF disbursement budget for 2011/12 of £20.5m was predominantly in respect of grants.

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. Whilst we also reported that contracts were extended into the 2011/12 financial year, this risk remains. 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 the foreseeable future, 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, and to manage the expected reduction in income, 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.

As reported last year, whilst activity under all Fund contracts continued, the level of management fee income received by SIB was significantly lower due to the change in the services required relating to the Futurebuilders Fund and Communitybuilders Fund. We initially addressed this through a number of cost saving measures which were implemented to take effect from April 2011 and also underwent significant restructuring to reduce the underlying cost base of the organisation later in the year. Our principal contracts, excluding SEIF which is invoiced monthly in arrears, allow the invoicing for management fee income in advance, which in turn allows us to maintain positive cash flow.

Following the appointment of a new CEO, a strategic review was undertaken and resulted in the SIB Board agreeing new corporate objectives, principally adopting a more targeted approach to winning new business, steering SIB back towards fund management activities and "engaged investment".

During the year we were awarded the contract to manage the Cabinet Office's Social Action Fund programme in September 2011 and a contract from the Department for Communities and Local Government (DCLG) to manage the Right to Challenge in April 2012, we are also delighted to report that the SEIF contract between SIB and DoH has been extended for a further two years with delivery sub-contracted to FBE.

The objectives are covered in greater detail under "Future developments" elsewhere in this document. The directors believe that the revised objectives provide increased focus on

## **The Social Investment Business Limited**

### **Directors' Report continued**

mission, lays the foundations for our future sustainable growth and will help bring new money into the sector

### **Financial Review**

#### **Going Concern**

The Directors have prepared forecasts of the company's cash and capital positions for the period ending September 2013, eighteen 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.

#### **This Year's Performance**

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 by FBE. Full detail can be found in the accounts of FBE, a copy of which can be requested from the Company Secretary of FBE.

As referred to above, turnover for the year ended 31 March 2012 has reduced to £4.7m (2011 £6.5m) due principally to the changed nature of fund management contracts for the Futurebuilders Fund and Communitybuilders Fund. During the year SIB successfully tendered for, and in September 2011 won, a contract with Cabinet Office to manage and deliver their Social Action Fund programme, resulting in additional turnover of £267k. Income from the management of the Welsh Government's programme to support credit unions amounted to £251k (2011 £169k). Performance bonuses of £67k (2011 £90k) have been included in respect of achievement of KPIs under fund management contracts.

Cost of sales has shown a corresponding decrease to £4.7m (2011 £6.3m) to mitigate the reduction in turnover and include the effects of measures taken to reduce operational costs.

In the year ended 31 March 2012 SIB made a loss after taxation of £20k. As a result of which, SIB's reserves have decreased to £199k at 31 March 2012 (2011 £219k).

The cash position of SIB has been closely monitored and managed throughout the year and although the cash position has reduced when compared with the position at 31 March 2011, reducing from £957k to £233k, this largely reflects timing. The closing cash position at 31 March 2012 is much more closely aligned to the reserves position of SIB.

## **Directors' Report continued**

### **Future Developments**

In September 2011, Jonathan Jenkins joined SIB as Chief Executive (as well as CEO of all group companies) and conducted a strategic review. One of the outcomes of the review was a list of seven corporate objectives that SIB is to pursue in 2012/13. The seven objectives set for the year are

- Financial and personnel sustainability,
- Focus on social / community fund management,
- Develop relationship based engaged investment,
- Diversify funding sources,
- Focus on partnering and brokering,
- Simplify corporate and governance structures, and
- Create and communicate specific success measures

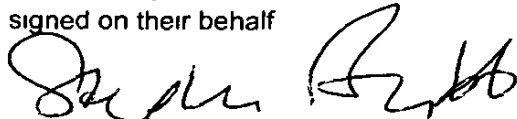
Diversification of funding sources will be pursued alongside the on-going management of existing contracts. A new Director of Funds was appointed in March 2012 to spearhead this particular activity. We also intend to continue tendering for further fund management opportunities that support our progress towards the above objectives.

Following contract extension from 1 April 2011, 2012/13 will be the second year SIB (through a sub-contract with FBE) has managed the Futurebuilders and Modernisation Fund loan books and returns. Our efforts will be focused on the effective and efficient management of the loan book and returns and we intend to tender for continuing involvement with the portfolio beyond March 2013, for which discussions have already commenced.

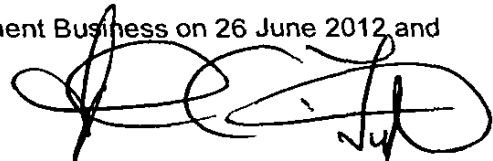
In May 2012 agreement was reached with DoH to revise and extend the SEIF contract for a maximum of a further two years, to 31 May 2014. Delivery is undertaken by FBE under a coterminous sub-contract from SIB. A further sub-contract is also in place between FBE and Local Partnerships UK LLP (LPUK). LPUK are sub-contracted to develop and support the portfolio for Fund investments relating 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.

Over the next financial year (2012/13), the total management fee income for the SIB contracts is expected to be at very similar levels to those reported in the 2011/12 financial year.

Approved by the Board of Directors of the Social Investment Business on 26 June 2012 and signed on their behalf



**Sir Stephen Bubb**  
**Chairman**



**Anne Tutt**  
**Director**

## **The Social Investment Business Limited**

### **Independent Auditors' Report**

### **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 2012 which comprise the Profit and Loss Account, Balance Sheet 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 10, 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 2012 and of its loss 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



**The Social Investment Business Limited**

**Independent Auditors' 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.

*Liz Hazell*

Liz Hazell (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London 28 June 2012.

**The Social Investment Business Limited**  
**Company no 6490609**

**Profit and Loss Account**

for the year ended 31 March 2012

	Notes	2012 £ '000	2011 £ '000
<b>Turnover</b>			
Fund management income	2	<u>4,711</u>	<u>6,482</u>
		4,711	6,482
<b>Cost of sales</b>			
Fund management cost	3	<u>(4,709)</u>	<u>(6,268)</u>
		(4,709)	(6,268)
<b>Gross profit</b>		2	214
Administrative expenses	4	<u>(37)</u>	<u>(24)</u>
<b>Net (loss)/ profit on ordinary activities</b>		(35)	190
Other interest receivable		1	2
<b>Net (loss)/ profit on ordinary activities before taxation</b>		<u>(34)</u>	<u>192</u>
Tax credit/(charge) on (loss)/profit on ordinary activities	6	<u>14</u>	<u>(58)</u>
<b>(Loss)/ profit for the financial year</b>		<u>(20)</u>	<u>134</u>

There is no material difference between the (loss)/ profit on ordinary activities before taxation and the (loss)/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 notes form an integral part of these financial statements

**The Social Investment Business Limited**  
Company no 6490609

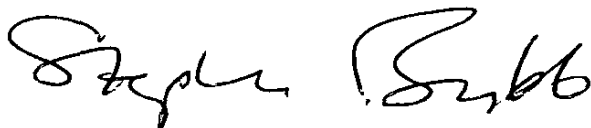
**Balance Sheet**

as at 31 March 2012

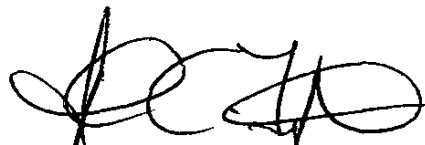
	Notes	2012 £ '000	2011 £ '000
<b>Assets</b>			
Investments	7	<u>10</u>	<u>10</u>
		10	10
<b>Current assets</b>			
Debtors	8	304	1,515
Cash at bank and in hand		<u>233</u>	<u>957</u>
		537	2,472
<b>Creditors</b>			
Creditors falling due within one year	9	<u>(348)</u>	<u>(2,263)</u>
		(348)	(2,263)
<b>Net current assets</b>		189	209
<b>Total assets less current liabilities</b>		<u>199</u>	<u>219</u>
<b>Profit and loss account</b>	10	<u>199</u>	<u>219</u>
<b>Total shareholders' funds</b>		<u>199</u>	<u>219</u>

The accompanying notes form an integral part of these financial statements

These financial statements were approved by the Board on 26 June 2012 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 2012

#### **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 1st Floor, Derbyshire House, St Chad's Street, London, WC1H 8AG.

##### **d) Going concern**

The Directors have prepared forecasts of the company's cash and capital positions for the period ending September 2013, eighteen 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 Fund, Modernisation Fund, Social Enterprise Investment Fund, Communitybuilders Fund, the Social Action Fund, the All Wales Credit Union Support Programme and Investment Readiness contracts have been sub-contracted to FBE, a wholly-owned subsidiary of SIB. 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 2012

#### 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

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

	2012 £ '000	2011 £ '000
<i>Futurebuilders Fund</i>		
Management Charge	1,000	3,864
Performance Bonus	-	80
	<u>1,000</u>	<u>3,944</u>
<i>Social Enterprise Investment Fund</i>		
Management Charge	2,060	2,279
Performance Bonus	67	90
	<u>2,127</u>	<u>2,369</u>
<i>Communitybuilders Fund</i>		
Management Charge	1,002	-
Performance Bonus	33	-
	<u>1,035</u>	<u>-</u>
<i>Welsh Assembly Government</i>		
Management Charge	251	169
<i>Social Action Fund</i>		
Management Charge	267	-
<i>Investment Readiness</i>		
Management Charge	29	-
Other income	2	-
	<u>4,711</u>	<u>6,482</u>

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

**The Social Investment Business Limited**

**Notes to the Financial Statements (continued)**  
for the year ended 31 March 2012

**3 Cost of sales**

	2012 £ '000	2011 £ '000
<i>Futurebuilders Fund</i>		
Management Charge	1,000	3,650
Performance Bonus	-	80
	<u>1,000</u>	<u>3,730</u>
<i>Social Enterprise Investment Fund</i>		
Management Charge	2,065	2,279
Performance Bonus	62	90
Transition Costs	-	-
	<u>2,127</u>	<u>2,369</u>
<i>Communitybuilders Fund</i>		
Management Charge	1,002	-
Performance Bonus	33	-
	<u>1,035</u>	<u>-</u>
<i>Welsh Assembly Government</i>		
Management Charge	251	169
<i>Social Action Fund</i>		
Management Charge	267	-
<i>Investment Readiness</i>		
Management Charge	29	-
	<u>4,709</u>	<u>6,268</u>

## The Social Investment Business Limited

### Notes to the Financial Statements (continued)

for the year ended 31 March 2012

#### 4 Administration expenses

	2012	2011
	£ '000	£ '000
Auditors' remuneration - audit services	4	6
Auditors' remuneration - non audit services	2	-
Other administration costs	31	18
	<u>37</u>	<u>24</u>

#### 5 Staff and board costs

SIB has one member of staff. Payments to staff and to the Board as remuneration for their services are incurred by Futurebuilders England Limited.

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

	2012	2011
	£ '000	£ '000
Incoming resources	(34)	192
Tax at 20% (2011: 28%) thereon	7	(54)
Effects of		
Utilisation of tax losses	(7)	
Over charge in prior period	14	(10)
Tax at marginal rates		6
Actual current tax credit/(charge)	<u>14</u>	<u>(58)</u>

#### 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 through the Modernisation Fund. The balance outstanding on the loan at 31 March 2012 was £1.5m (2011: £1.5m).

SIB is 100% shareholder in two dormant companies.

The Social Investment Business Trading Company Limited, a dormant private company limited by one ordinary share 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 company is still dormant.

## The Social Investment Business Limited

### Notes to the Financial Statements (continued)

for the year ended 31 March 2012

<b>8</b>	<b>Debtors</b>	<b>2012</b>	<b>2011</b>
		£ '000	£ '000
	Trade debtors	182	887
	Amounts owed from subsidiary undertakings	33	-
	Prepayments	11	538
	Corporation tax	11	-
	Accrued income	67	90
		<u>304</u>	<u>1,515</u>
<b>9</b>	<b>Creditors amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
		£ '000	£ '000
	Trade creditors	1	129
	Amounts owed to subsidiary undertakings	265	1,184
	Corporation tax	-	52
	Other taxation and social security	77	179
	Deferred income	1	713
	Accruals	4	6
		<u>348</u>	<u>2,263</u>
<b>10</b>	<b>Profit and loss account</b>	<b>2012</b>	<b>2011</b>
		£ '000	£ '000
	Opening reserves brought forward	219	85
	(Loss)/profit for the period	(20)	134
	Closing reserves carried forward	<u>199</u>	<u>219</u>

### 11 Related party transactions

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 FRS 8 'Related Party Disclosures' not to disclose any transactions with ACF or FBE

Stephen Bubb is the Chair of both the ACF and SIB Boards. He is also Chief Executive of ACEVO. During the year FBE purchased services from ACEVO for £49,462 (2011: £53,078) relating to membership fees, sponsorship and conference fees and training courses. During the year ACF purchased services from ACEVO for £Nil (2011: £4,200) relating to membership fees, sponsorship and conference fees and training courses.

Fred Worth is a member of the ACF and SIB Boards. He is also a Trustee of the Royal Mencap Society. The Royal Mencap Society was offered and advanced loans during 2010 from the Futurebuilders Fund and the Modernisation Fund. The balances outstanding on these loans at the year end were £2,008,306 and £337,500 respectively (2011: £2,112,814 and £450,000 respectively). During the year The Royal Mencap Society received a revenue grant of £115,965 from the Social Action Fund.

Kevin Carey is a member of the SIB Board. He is also a consultant for AT Care. During 2011 AT Care received a loan of £300,000 and the balance outstanding on this loan at 31 March 2012 was £304,290.

Anne Longfield was a member of the SIB Board until she resigned on 31 December 2011. She 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 £343,736 (2011: £379,168).



## **The Social Investment Business Limited**

### **Notes to the Financial Statements (continued)**

for the year ended 31 March 2012

**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, there are now currently seven members each with an interest of 14.29%. FBE sold its interest before the 2010 year end and SIB acquired that interest at a cost of £10,000. During the year ended 31 March 2010 3SC received a loan of £1,500,000 from the Modernisation Fund in FBE (2011: £nil). The rate of interest charged on the loan is 3% and the loan has a capital repayment holiday of 24 months from 19 March 2010. The balance outstanding on the loan at year end was £1,500,000 (2011: £1,500,000).

**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. Copies of the consolidated financial statements of ACF can be obtained from the Company Secretary, ACF, 1st Floor, Derbyshire House, St Chad's Street, London, WC1H 8AG.

**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.