

**SOCIAL INVESTMENT SCOTLAND  
(A COMPANY LIMITED BY GUARANTEE)**

**Trustees' Report and Consolidated Financial Statements  
for the year ended 31 March 2020**

**Registered Company Number: SC223302**

**Registered Charity Number: SC036875**

**SOCIAL INVESTMENT SCOTLAND**  
**REPORT AND FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

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## SOCIAL INVESTMENT SCOTLAND

### CHAIR'S STATEMENT

for the year ended 31 March 2020

The year to 31 March 2020 was my first full financial year as Chair of Social Investment Scotland (SIS). It has been another successful year during which the organisation has grown, and we have supported a broader range of organisations. SIS has continued to connect capital with communities whilst deploying investment to mission-driven businesses. Our position as a trusted and credible partner for a growing community of purpose-led organisations and investors has evolved, further enhancing the role of SIS as a provider of business support. The foregoing reflects the foundations of progress made over the past several years, and we look ahead to the implementation of an ambitious new strategy which mirrors both the evolution of SIS and also the scale of the opportunity which we believe exists. The board set a bold, longer-term vision for the future of the organisation which embraces its contribution to society and its place in the world.

Towards the end of the reporting period, no different to any charity or business, we started to feel the early impact of the COVID-19 global pandemic. The early financial impact of what was almost a complete lockdown of the economy is reflected in these financial statements and our early response to the challenges faced by our investees is detailed in the Trustees report.

At this juncture I would like to acknowledge the contribution of my colleagues who have left their roles on the Board of SIS during the year. Eric Gibson, who has chaired the Portfolio Risk Committee for several years, stood down as a Trustee in March 2020 and, during his time, made a significant contribution to the risk framework at SIS. I am grateful to him for everything he has done. I would also like to thank Bill Crossan who stepped down from the Board and as Chair of SIS Ventures in November 2019. Bill's support has been fundamental in establishing and progressing the work of SIS Ventures, and I am very pleased he will remain on the SIS Ventures board. Bill has been succeeded by David Ovens who joined the Board in December 2019. I am delighted to have an individual of David's calibre taking SIS Ventures to the next stage of its development.

During the last financial year, SIS has continued to make significant progress in making social investment available to communities, with investments made to date now reaching £82m in over 400 organisations. In the year to March 2020, from both the continued deployment of existing funds and the establishment of new funds, SIS has made new investments totalling £10.9m, including the following:

- £2m of new loans from SIS Community Finance. This fund is supported by investments from the SIS founding banks, later joined by Triodos Bank. Most of these loans continued to be smaller, straightforward investments with an average loan value, of those deployed in the year to March, of £54k.
- £2.1m of investments from the Social Growth Fund, which was established to provide finance to larger social enterprises across Scotland. This fund closed to new investment at the outset of the financial year, and in May 2019, SIS launched the Scottish Social Growth Fund, a £17m follow-on fund including investment from the Scottish Government, Big Society Capital (BSC), and the University of Edinburgh.
- £6.1m from the Community Enterprise Investment Facility (CEIF). The CEIF, backed by Big Society Capital, makes investments in social enterprise lenders who provide financial support to small and medium-sized enterprises in disadvantaged communities.
- £830k of investment, across both equity and loans, from Impact First, a fund managed by SIS Ventures Limited. These investments support high-growth and high-impact potential mission-led businesses.

During the year, SIS also continued to oversee and fund manage the Scottish Investment Fund (on behalf of the Scottish Government), Asda Community Capital Fund, Social Impact Accelerator Fund (on behalf of BSC) and the Affordable Credit Fund (on behalf of the Carnegie UK Trust and the Scottish Government).

## SOCIAL INVESTMENT SCOTLAND

### CHAIR'S STATEMENT

for the year ended 31 March 2020

One encouraging aspect we have observed is that the market of successful social enterprises continues to increase in size and shape, and if SIS is to continue to succeed, we need to play a role in supporting the continuation of "market building". During the period under review, SIS has expanded its offering, working directly with organisations to provide business support across a diverse number of topics: from investment readiness to product-based business support to growing and scaling ambitions. SIS has valued working in partnership with the Scottish Government, Creative Scotland, People's Postcode Lottery, Asda, and Community Shares Scotland to deliver this support to the sector. I am grateful to all of them and the numerous individuals who have supported the effort to make more social enterprises sustainable.

In March, our focus turned to COVID-19 response. Many of our customers were under immediate stress and continue to be so. We are endeavouring to do as much as we reasonably can to be supportive of those in need. Like many, our customers are currently facing unprecedented challenges and change. I hope as many as possible survive and then thrive, as in the future I believe mission-driven business will come much more to the fore in every segment of the economy. Should this transpire, it is critical that SIS is available to help such organisations grow and succeed. In the much more pressing period since the end of March, SIS has been working closely with a range of partners to provide support, guidance, and flexibility to help organisations navigate these difficult and uncertain times. The impact of the pandemic will be felt for some time to come, but in these challenging times, more so than ever, we are continually reminded of the important work and impact delivered by social enterprises and mission-led organisations.

Alongside the new strategy, as we move into the new year, there will be a shift in how we talk about our impact. As well as reporting on the impact through our investees, we will turn the lens on SIS and tell a collective story to show our own direct impact, alongside that of the customers, entrepreneurs and investors with whom we work. The foundations of this will be included in our 2020 Impact Report, which we look forward to sharing later in the year, and, in the meantime, impact highlights are illustrated within the Trustees Report. In parallel with our new strategy, a groupwide Theory of Change has been developed which sets various impact milestones to allow us to assess our performance in both financial and impact terms.

In the year under review, the Group results showed continued progress, with close to £11m invested in purpose-driven organisations. We created a surplus on unrestricted funds of £244k, and further detail on the results is set out in the Trustees Report. As we look ahead, SIS remains in a position of strength, supported on a practical level by reserves and liquidity. What has become enormously encouraging, however, is the ability of the organisation to pivot quickly, as Alastair Davis, SIS CEO, his Executive and the entire team at SIS showed in response to COVID-19. There was a determination to deal with the crises, keeping our customers at the heart of the organisation, to ensure that, in the most challenging of circumstances, those businesses under most stress were given the best support possible to allow them to come through the pandemic, whilst themselves enduring a fundamental change in the way business is done. I am extremely grateful to all the team at SIS who have shown prodigious ambition whilst working through a hugely challenging time for everyone.

Finally, without the support of our increasingly diverse group of partners, SIS would be unable to continue to meet its objectives. Their support is critical to enable us to fulfil our ambition of an Impact Economy. The support of a committed board of trustees, as well as members of our various fund boards and committees, remains crucial and is truly valued by me and the leadership team, never more than during the last few months. The passion and dedication of the entire team at SIS seems to know no bounds and I know they want to continue to lead and grow SIS's market-leading activity in pursuit of our mission - to make a real, measurable and sustainable impact upon people's lives. I am grateful to every one of them.

## SOCIAL INVESTMENT SCOTLAND

### REPORT OF THE TRUSTEES

for the year ended 31 March 2020

The trustees, who are also directors for the purposes of the Companies Act 2006, present their report with the financial statements for the year ended 31 March 2020.

#### Objectives and activities of the charitable company

##### Objectives

The objects of the charitable company are to promote the advancement of citizenship and community development within Scotland and elsewhere for the benefit of the public by supporting the social sector, and in particular widening access to funding for the social sector, identifying needs in the social sector, providing and developing and/or assisting in the provision and development of support and advice for the social sector, all with a view to developing capacities and skills in improving the financial sustainability and maximising the contribution of the social sector to society and such that, for the purpose of this clause the "social sector" shall be taken to comprise:-

- organisations which are recognised as charities;
- social organisations which are (i) independent and/or voluntary organisations and established for purposes that add value to the community as a whole, or a significant section of the community, and (ii) which are not established primarily to distribute a profit (and on the basis that, for the avoidance of doubt, local government or other statutory authorities shall not be deemed to fall within the voluntary sector for the purposes of this clause); and
- companies and other legal entities which are wholly owned or controlled by one or more social sector organisation

##### Review of activities (including achievements and performance)

Our activities during the past 12 months have continued to be primarily focused on the development of the social sector and social enterprises in Scotland through the provision of innovative social investment products and business support. SIS continues to grow its portfolio of investments via a range of funds and partnership programmes. An overview of activities is discussed in more detail below. However, the most notable achievements have included:

- Investments totalling £829k were made for the Impact First Fund, which uses the Enterprise Investment Scheme (EIS) and Social Investment Tax Relief (SITR). This fund adds to SIS's product offering and meets a growing demand for capital in mission-driven businesses. A second fund raise began during February 2020;
- Launch of Scottish Social Growth Fund, a follow-on fund from Social Growth Fund, a £17m fund including investment from the Scottish Government, Big Society Capital (BSC), and the University of Edinburgh;
- An additional £6.1m deployed from the Community Enterprise Investment Facility (CEIF), a new fund taken on by SIS in 2017 backed by Big Society Capital. The CEIF makes investment available to social enterprise lenders providing loan finance to SMEs in areas of multiple deprivation;
- Growing diversity of market development activity, which is helping to support social enterprises at all stages. This activity includes delivery of the Assist and Ambitions programmes, in partnership with the Scottish Government and People's Postcode Lottery, and continued evolution of the Retail Academy.

## SOCIAL INVESTMENT SCOTLAND

### REPORT OF THE TRUSTEES

for the year ended 31 March 2020

#### Summary of group activities

Our core loan fund, held within SIS Community Finance Ltd (SISCF), provides investments of up to £250k to third sector organisations for a range of purposes, using capital held under Community Investment Tax Relief (CITR) from a small group of investor banks. These simple loans support a range of organisations and purposes, including asset purchase/renovation, working capital, expansion funding, or grant bridging. This core capital base within subsidiary SISCF remains. During the year, the £2m facility provided by Triodos was renewed early, with an additional £1.5m of capital made available in the new facility to support growth in the CF pipeline. This renewed facility will mature in June 2024. Post year-end, the remaining investors secured their continued commitment to SIS by renewing their facilities until 2025.

Since April 2014, SIS has managed the follow-on Social Growth Fund. This fund uses funds recycled within the SIF, matched with the same amount of funding from Big Society Capital (BSC). BSC is a UK-wide financial institution set up to grow the size of the social investment marketplace, with capital of £600m to invest. The Social Growth Fund came to an end in March 2019 and, since its launch, it has been able to support the growth ambitions of 22 social enterprises across Scotland with £12.7m of funding.

In May 2019, building on the original partnership with Big Society Capital and the Scottish Government, Scottish Social Growth Fund (a follow-on fund to Social Growth Fund) was launched, with the addition of the University of Edinburgh as an investor, making £17m of capital available to Scotland's social enterprise sector, and generating great opportunity to connect more capital with communities and contribute to inclusive growth for Scotland. The first investment from this fund was deployed in May 2020.

SIS launched SIS Community Capital in May 2015: the UK's first mass participation, social investment fund backed by social investment tax relief (SITR). The fund raise attracted 26 private investors to invest a total of £399k, which was deployed into seven social enterprises in Scotland. SIS continues to manage this fund, which is performing in line with expectations.

Following the success of SIS Community Capital, a further fund backed by both SITR and the Enterprise Investment (EIS) has been established. The Impact First Fund sits within the subsidiary SIS Ventures Limited, which is a Financial Conduct Authority (FCA) authorised subsidiary. SIS Ventures provides both equity investment and loan finance in mission-driven businesses. The initial fund raise for Impact First raised £1.2m. During the year, Impact First made investments totalling £829k. It is expected the remainder of this first raise will be deployed by September 2020. Raising additional capital for this fund is a strategic priority in the new financial year.

Over the past few years, SIS has developed relationships and built up specialist knowledge in the affordable credit sector. This began through several loans provided to the affordable credit providers via Social Growth Fund, and now SIS manages two specific affordable credit funds. The first, Affordable Credit Fund (ACF), was launched in early 2018 in partnership with the Carnegie UK Trust. The purpose of the fund is to provide debt finance to not-for-profit Responsible Finance Providers to help them expand their loan books and provide greater access to affordable credit. In the prior year, the Scottish Government capitalised the fund with a further £1m of investment, taking the total fund up to £2m. Alongside the ACF, SIS manages the Social Impact Accelerator fund on behalf of BSC. This fund also provides loan finance to the affordable credit sector across the UK.

SIS was awarded the management of the CEIF fund in September 2017. The fund, delivered in partnership with BSC, has £30m of capital available to deploy to Community Development Finance Institutions (CDFIs) that operate in different parts of the UK, including areas outside Scotland, helping to build the CDFI marketplace and help deliver capital at scale. In the year to 31 March 2020, £6.1m was deployed from this fund, totalling £10.3m over the life of the fund.

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### REPORT OF THE TRUSTEES

for the year ended 31 March 2020

The charity also continues to manage a number of legacy funds, including Asda Community Capital, a loan fund capitalised by the proceeds of the 'carrier bag levy', and the Scottish Investment Fund (SIF), a fund managed on behalf of the Scottish Government. SIF has supported 67 organisations across Scotland via a mix of grant, loan, risk capital, and revolving credit, depending on the needs of the organisation. The recycled capital from this fund has been reinvested into both the Social Growth Fund and Scottish Social Growth Fund, as well as supporting some of the charity's COVID-19 response (discussed further on in this report).

Across these activities, interest income, from loans and fund management fees received from partners, covers operational costs and contributes to the operational sustainability of the Group.

The social investment marketplace in Scotland continues to develop, evolve, and mature, reflecting both the ambitions of Scotland's social enterprises and growing social need. Recognising that the growth of the market is not just about the supply of capital, SIS has continued to grow its own market-building activity with key partners. These programmes and activities help communities build capacity, confidence, and resilience. This has included delivery of the 'Assist' programme of workshops, in partnership with the Scottish Government, supporting investment readiness in earlier stage social enterprises. SIS also delivered a similar programme for organisations working in creative industries, in partnership with Creative Scotland. SIS continued to deliver the 'Ambitions' programme, in partnership with People's Postcode Lottery: a programme which has been evolved to support the needs and ambitions of more established social enterprises looking to scale up. Finally, SIS has also been evolving the third social enterprise Retail Academy. The Academy is an innovative programme providing support for consumer-facing social enterprises with an ambition to scale and linking them up with potential supply deals.

### Impact highlights

Since 2001, SIS has invested £82m in almost 400 customers, and this year alone, we approved a further £8.3m in new investments. SIS investments continue to reach people and communities in all 32 of Scotland's local authority areas. This year they also reached communities in the West Midlands, East Midlands, and Hertfordshire, and some investments are specifically helping to address international and global challenges.

Beyond investments, SIS has connected with over 1,000 attendees through our various market-building programmes and events. These initiatives, working with a range of other partners and funders, support enterprises and entrepreneurs, helping them evolve their organisations, seize opportunities, and navigate challenges.

Looking ahead, under our new strategy, our approach to impact will not only tell the story of the impact created by the enterprises and entrepreneurs with whom we work but will also tell the story of SIS's own direct impact. To support this, SIS has developed a Theory of Change, which will focus the impacts of our work and measure our contribution and progress towards our vision and mission. We look forward to being able to share our full impact report in the autumn of 2020.

### Financial review

The results for the year for the Group are set out in the consolidated statement of financial activities on page 20. The position of the Group at the end of the year is shown in the consolidated balance sheet on page 22.

Over the past 12 months, the organisation's total income has increased to £1,834k (2019: £1,567k). Total unrestricted income, including lending operations, management fees and grants amounted to £1,024k, a decrease of 7% from the prior year (2019: £1,101k). The decrease is due to a change in grant allocation year on year. Unrestricted income continues to be underpinned by the core Community Finance (CF) loan book with lending from this book reaching nearly £2m during this financial year, increasing lending income by 5% year on year.

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for the year ended 31 March 2020

Restricted income has increased to £810k (2019: £466k) in the current year. In the previous year, the Asda Welsh bag levy capital was transferred over to SIS, but during the course of that year it was passed over to Wales Council for Voluntary Action, which is fund manager for this levy capital. Further detail on this can be seen in Note 4.

Reported resources expended were managed in line with budget and are continually monitored through quarterly reforecasting. For the Group, resources expended have decreased year on year to £2,483k (2019: £3,307k). The main driver in this decrease is within restricted expenditure, as the previous year results include bad debts experienced within the Social Growth Fund, and the subsequent impairment of the fund as a result. The Social Growth Fund impairment is further discussed below.

Unrestricted expenditure increased to £1,999k (2019: £1,650k), largely due to increased bad debt/provision charge and this is further discussed below. Following transfer between unrestricted and restricted funds, which are further discussed in Note 17, the culmination of these results is a surplus of £244k on unrestricted funds (2019: £72k deficit).

For the year to 31 March 2020, before the impacts of COVID-19 took hold, bad debt charges across restricted and unrestricted funds were relatively low, with a charge of £95k on restricted funds and a credit of £33k on unrestricted funds, due to releases of provisions during the year. Following the year-end, once the implications and impact of the COVID-19 pandemic on our existing portfolio's became clear, loan provisions increased, linked to SIS's credit risk policy. On the basis that the pandemic was on-going at the year-end, those provisions solely due to the impact of COVID-19 have prudently been accounted for as an adjusting post-balance sheet event within the financial statements presented here. The position before and after these adjustments is set out in the table below. It is hoped that as we continue to support and work with existing customers through the challenges ahead, provision levels may drop as we all find adjustment in the 'new normal'. Any unwinding of these provisions will be reflected in the financial statements for 31 March 2021. Further detail on our COVID-19 pandemic response is discussed below.

|   | Group                |                        |           | Company              |                        |           |
|---|----------------------|------------------------|-----------|----------------------|------------------------|-----------|
|   | Restricted Funds (£) | Unrestricted Funds (£) | Total (£) | Restricted Funds (£) | Unrestricted Funds (£) | Total (£) |
| <b>Net result before adjusting events</b> | (556,227)            | 469,720                | (86,507)  | (1,025,717)          | 387,552                | (638,165) |
| <b>Adjusting event</b>                    | (336,772)            | (226,174)              | (562,946) | (336,772)            | -                      | (336,772) |
| <b>Net result after adjusting events</b>  | (892,999)            | 243,546                | (649,453) | (1,362,489)          | 387,552                | (974,937) |

As percentages of the outstanding loans, this comprises 7% (2019: 4%) of the Community Finance core loan book; 16% (2019: 7%) of the SIF loan book; 69% (2019: 34%) of the Asda loan book; and 2% (2019: 22%) of the SGF loan book. Provisions for bad and doubtful debts are recognised in line with the provisioning policy and are directly driven by the risk exposure to SIS. It is expected that provision levels will be higher as SIS makes higher risk loans through the Asda fund and in patient capital facilities through SGF and Scottish Social Growth Fund. Investments continue to be monitored closely through on-going loan monitoring, overseen by the Head of Credit and Compliance, Alistair Johnstone. It is hoped that as we continue to support and work with existing customers through the challenges ahead, provision levels will drop, as we all find adjustment in the 'new normal'. Further detail on our COVID-19 pandemic response is discussed below.



## SOCIAL INVESTMENT SCOTLAND

### REPORT OF THE TRUSTEES

for the year ended 31 March 2020

The Social Growth Fund gross loan book decreased over the year to £7,171k (2019: £9,122k) due to amortisation of the loan portfolio, and there was an overall result in the year of £344k surplus (2019: £1,171k deficit) as a result of steady loan interest and positive bad debt movements. The fund came to the end of its investment period on 31 March 2019 and therefore closed to new lending. A detailed consideration of the expected overall returns of the fund mean that, prudently, an impairment charge has been made against the shareholder loan within the company results for the year ending 31 March 2020.

During the prior year, the Asda Bag Levy fund closed to new applications as capital was fully deployed. The Asda product has provided loans with 12 months' capital and interest-free, and then interest at 5% with return yields expected to be c 4%. At the year-end there remains a loan book of £1.2m funded by this fund. Repayments made on Asda loans are granted to SIS as unrestricted funds and, in the year, £139k was granted to SIS under this fund.

The Scottish Investment Fund & SIS Community Capital continued to perform in line with expectations. Both funds are now fully drawn with the investment period complete, returning rates of 4% and 1.5% respectively.

The organisation continues to hold significant cash deposits, primarily reflecting SIF capital, which has either been recycled or has commitments to be drawn by investees in due course. The SIF recycled monies will continue to be used to capitalise the Social Growth Fund and Scottish Social Growth Fund; any surpluses generated along with interest on cash deposits will be returned to the SIF as restricted funds. Post year-end, some of the SIF recycled funds have also been used to capitalise COVID-19 resilience funds.

#### **Reserves policy and going concern**

The trustees have ultimate responsibility for ensuring the charitable company has an effective reserves policy linked to the organisation's risk management framework and long-term strategy. The reserves policy that was applied during the year considered the following:

- The level of reserves required to safeguard the operations of the SIS Group in the event of financial difficulties.
- The level of reserves required to ensure the Group maintains sufficient liquidity and resources to absorb bad debts and to cover loss of lending margin.
- The SIS Group must utilise reserves in a way which supports the overall objectives of the organisation.
- The SIS Group should not be holding excess reserves which could be used to benefit current and future customers of SIS.

The current reserves policy, which was refreshed during May 2019, aims to maintain unrestricted funds on the following basis:

#### **General unrestricted funds**

- Base reserve – The minimum amount required for SIS to fund a wind down of the group (£300k).
- Trading reserve – An amount set aside to support trading losses should they incur (£250k).
- Strategy reserve – Funds required to achieve growth and strategic plans, e.g. additional hires before income realised, innovation activities, and market-building activities (£150k-£200k).

## SOCIAL INVESTMENT SCOTLAND

### REPORT OF THE TRUSTEES

for the year ended 31 March 2020

#### ***Designated unrestricted funds***

These represent reserves held to safeguard the future core lending activities of the Group. These funds are used to absorb bad and doubtful debts on the core CITR book and provide a margin cover in the event of the loss of profitability in the SIS Community Finance loan book on re-financing of investor capital. Current levels held are:

Default reserve – £1.9m and reviewed quarterly.

Margin reserve – £350k and reviewed quarterly.

As at 31 March 2020, unrestricted funds of the Group represent £3,194k (2019: £2,950k), of which £2,252k (2019: £2,252k) has been designated to the future lending activities of the Group and supports activities of the Social Surplus Fund: see Note 17 in the financial statements. The reserves are to be held in cash or cash equivalent securities.

The reserves policy and the level of reserves are subject to ongoing monitoring and review by the leadership team and the SIS Capital and Finance Committee, using robust financial forecasting to ensure future activities and commitments can be met from existing resources. Any breaches or risks identified will be investigated, with appropriate actions being implemented following endorsement of the SIS Capital and Finance Committee.

Restricted reserves at 31 March 2020 comprise funding received in respect of the management, promotion and delivery of the Scottish Investment Fund, the Social Growth Fund, SIS Community Capital, Asda Bag Levy Fund, and Impact First Fund (SIS Ventures Limited).

During the year, a balance of £476k was transferred from restricted to unrestricted. This was the release of the remaining Asda Community Capital funds, which were made available to provide and assist in the provision of loans to charitable sector organisations in Scotland.

The charity continues to adopt the going concern basis in preparing these financial statements. Further reference to the going concern consideration in light of COVID-19 is further discussed below.

## SOCIAL INVESTMENT SCOTLAND

### REPORT OF THE TRUSTEES

for the year ended 31 March 2020

#### COVID-19

The pandemic took hold in the latter part of this financial year. As with organisations all over the UK and around the world, the impact of COVID-19 has been unprecedented and will be felt for some time to come. For SIS, the pandemic has affected both existing and new customers, changed strategic priorities and shifted our operations. To adapt, and in response to these challenges, SIS has done the following:

- Detailed and regular contact working with existing customers, and prospective customers, to offer flexibility & support.
- In partnership with the Scottish Government and other partners, launch of resilience support funding for the sector through the Third Sector Resilience Fund (TSRF) and the Credit Union Resilience Fund (CURF).
- Repurposed and re-planned all market-building activity, running specific support for the sector focused on resilience. In the April-to-June 2020 period alone there were over 600 attendees at online COVID-19 response events.
- Continued to work closely with our investors and partners to evolve our support for the sector.
- Reforecast and refreshed budget for future financial years, with sensitivity analysis, to consider the changes linked to COVID-19 across the SIS Group.

Despite these impacts and challenges, SIS remains resilient. The principal risks to the organisation, which are further discussed below, remain relevant during these unprecedented times. Led by a review of these risks within the risk management framework, updated forecasts for future financial years and supported by unrestricted reserves and operational cash, there are no material uncertainties that exist around the charity's ability to continue as a going concern.

## SOCIAL INVESTMENT SCOTLAND

### REPORT OF THE TRUSTEES

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#### Principal risks and uncertainties

The Board of Trustees, its sub-committees, and the leadership team review risks on an ongoing basis, evaluating the mitigative actions that are in place, and identifying any new risks, with the aim of implementing appropriate remedial action. The trustees believe that implementation of agreed actions and procedures will significantly reduce the probability and the impact of these risks.

In addition, the continuation of Grant Thornton as internal auditors further strengthens the control environment and governance arrangements at Group level. In the year, there were three internal audit reviews completed: People & Performance, Investments, and a Governance Skills review.

The main principal risks to SIS Group are as follows:

- **Mission and social impact** – The risk that the organisation does not achieve its mission and/or its charitable objectives, meaning the desired level of social impact is not achieved. Strategic framework in place, with operational plan to support delivery.
- **Capital imbalance** – The risk relating to the availability of appropriate capital to fund investment activity. The Capital and Finance Committee has oversight to monitor this risk and ensure the formation of appropriate contingencies. Capital action plans and liquidity forecasts are monitored at regular intervals.
- **Loan default** – The risk of financial or reputational loss on delinquent or non-performing loans, particularly in light of COVID-19. Higher risk loans are reported on as part of monthly portfolio reviews. During the uncertainty of the pandemic, monitoring of high-risk loans has taken place on a weekly basis. There are appropriate credit approval processes in place to provide challenge to approvals.
- **Capital deployment** – The risks arising due to under-deployment of capital funds, including reputational and financial impact. The leadership team monitors deal flow and pipeline on a regular basis. Team KPIs and targets are agreed where necessary, and a programme of business development activity is in place to continue to support deal flow.
- **Regulatory and compliance** – Risk associated with instances of non-compliance and violations of regulatory obligations. Internal compliances, practices and policies are overseen by the Head of Credit and Compliance, with regular reporting to the Board of Trustees. Appropriate policies and practices for key staff, with regular monitoring of training needs. Where necessary, support for compliance is sought from external third parties.

The Audit and Risk Committee reviews audited financial statements of the Charity and each of the subsidiaries and recommends them to the Board. It also reviews reports from the internal and external auditors, and monitors management actions to implement recommendations made in audit reports. It determines the frequency and process of tendering, for both external and internal audit services, and considers their appointment, fees, and independence and objectivity.

#### Future plans

During the year, SIS has undertaken a strategic refresh process, building on the foundations of progress made over the past several years. This process has been collaborative and consultative, with support from the Board of Trustees and Committees, SIS staff, and partners within the sector. Detailed stakeholder consultation has also formed an important part of the refresh process. Looking to the new year, SIS will be embarking on this new strategic chapter, with a new strategy to take the organisation through to 2030, underpinned by short-term action plans.

Under this new strategy, titled 'Building an Impact Economy', SIS's mission remains unchanged. SIS remains ambitious for the potential of social enterprise, both as a business model of choice and the creation of sustainable social impact within our communities. SIS believes that Scotland should be playing a full role, in a global context, to establish an impact economy that is aligned with the objectives of inclusive economic growth. Our vision is for an impact economy, where:

## **SOCIAL INVESTMENT SCOTLAND**

### **REPORT OF THE TRUSTEES**

**for the year ended 31 March 2020**

- Enterprises will be provided with the tools, support, and inspiration to plan, create and scale resilient social impact.
- Governments and their agencies can partner with social enterprises in a range of different ways, but particularly to enhance the delivery of social impact.
- Social entrepreneurs can readily access mission-aligned investment and support.
- Consumers and businesses can purchase products and services from social enterprises.
- Investors of all kinds can make purposeful investments for a financial and a social return.
- Businesses of all kinds implement responsible business approaches as standard.

### **Structure, governance, and management**

#### **Governing document and organisational structure**

On 5 September 2005, the company Social Investment Scotland (a company limited by guarantee) was granted charitable status. The charitable company is governed by the Memorandum and Articles of Association dated 18 September 2001 (as revised on 14 March 2016) and is a registered charity in Scotland.

In April 2020, a resolution was passed to amend the Articles of Association. In accordance with the revised Articles, trustees are appointed for a three-year term and can be reappointed for one further three-year term. On an exception basis, with the approval of Trustees, a Trustee may be appointed for a maximum of one further three-year term (maximum term of nine years in total).

The trustees are all independent non-executive directors of the charitable company and are responsible for all decisions. The trustees have delegated day-to-day management of the charitable company to Chief Executive Officer, Alastair Davis, and the leadership team.

#### **Group structure and relationships**

Social Investment Scotland is the focus for all supporting and subsidiary activities. It has subsidiary entities including SIS (Community Finance) Limited, SIS Community Capital Limited, SIS Ventures Limited, and Community Investment Facility Limited. The principal activity of all subsidiaries is the provision of loan finance to eligible social sector organisations. In addition, SIS Ventures Limited provides equity investment in mission-driven businesses.

On 15 April 2014, Social Investment Scotland and SIS (Community Finance) Limited entered into a members' agreement with Big Society Capital Limited (No. 07599565) to operate a fund called "The Social Growth Fund" for the purposes of providing debt finance to third sector organisations in Scotland. Social Growth Fund LLP (No. SO304839) was incorporated on 21 March 2014 by Social Investment Scotland and SIS (Community Finance) Limited, the designated members, to be the entity which holds the fund.

On 8 May 2019, Social Investment Scotland and SIS (Community Finance) Limited entered into a members' agreement with Big Society Capital Limited (No. 07599565) to operate a fund called "The Scottish Social Growth Fund" for the purposes of providing debt finance to third sector organisations in Scotland. Social Growth Fund 2 LLP (No. SO306589) was incorporated on 7 December 2018 by Social Investment Scotland and SIS (Community Finance) Limited, the designated members, to be the entity which holds the fund.

## SOCIAL INVESTMENT SCOTLAND

### REPORT OF THE TRUSTEES

for the year ended 31 March 2020

#### **Recruitment and appointment, induction, and training of trustees**

In accordance with the Memorandum and Articles of Association, which were revised following the year-end as noted above, the trustees are appointed for a three-year term and can offer themselves for a further term of office. The trustees are recognised as having a wide range of financial and voluntary sector expertise, and they either hold, or have held, high-level positions in public, private, and voluntary sector organisations. All trustees are fully briefed on their legal obligations under charity and company law and are presented with monthly information on the financial performance of the charitable company. They are also encouraged to meet with key employees and to attend strategy and team-building events. New trustees are recruited based on a skills analysis which identifies areas where specific support is required.

Trustees are involved in annual appraisals with the Chair which enable the identification of any training needs. Where such needs are identified, appropriate training is provided. Performance of the Board and committees is evaluated through self-appraisal on an annual basis.

#### **Committee structure**

The following committees and members have been established as part of the corporate governance structure of the charitable company and its subsidiaries:

##### **Portfolio risk committee:**

Eric Gibson (Chair)  
David Robertson  
Ryan Telfer

##### **Capital and finance committee:**

John Watt (Chair)  
Sam Bett  
Lynne Robertson  
Iain Watson  
Susan Younger

##### **Audit and risk committee:**

Kenneth McDowell (Chair)  
Sarah Boyes  
Morag McNeill

##### **Remuneration and appointments committee:**

Carol-Ann Boyter (Chair)  
Kenneth Barclay  
Alexander Kennedy

Post year-end, the governance structure within the SIS Group has been amended. The Portfolio Risk Committee has become a Risk Committee, considering all risks across the Group, as well as portfolio and credit risk. The Audit and Risk Committee will become a sole Audit Committee, focussing on both external and internal audit. These changes will be live in September 2020, with new Chairs appointed for both.

## **SOCIAL INVESTMENT SCOTLAND**

### **REPORT OF THE TRUSTEES**

**for the year ended 31 March 2020**

#### **Related parties**

As noted above, the charitable company has five subsidiary undertakings: SIS (Community Finance) Limited, SIS Community Capital Limited, SIS Ventures Limited, Affordable Credit Limited, and Community Investment Facility Limited. Affordable Credit Limited was dormant in the year to 31 March 2020.

Given the level of influence and control the SIS Group has over Social Growth Fund LLP and Social Growth Fund 2 LLP, the funds' activities have been 100% consolidated into the Group accounts.

All transactions with these subsidiaries have been reflected within these financial statements. There were no other related party transactions in the year.

For detail of related party transactions in the financial year, see Note 22.

#### **Remuneration of key management personnel**

The SIS Remuneration and Appointments Committee (RemCom) makes recommendations to the SIS board on appointments of board members and senior management, bearing in mind the requirements of the organisation. The committee reviews annually the performance of senior management and provides recommendations on policy to the SIS board on pay ranges, salary increases, ex gratia payments, and other rewards for SIS staff.

RemCom ensures that arrangements are in place, and followed, to provide best performance appraisal practice and best value for the organisation. In the year, a salary and benefits market review was completed by an independent external consultant, The Korn Ferry Hay Group, to provide a tool to benchmark current performance and pay.

## SOCIAL INVESTMENT SCOTLAND

### REPORT OF THE TRUSTEES

for the year ended 31 March 2020

#### Reference and Administrative details

##### Trustees

The trustees (who are also directors for the purposes of the Companies Act 2006) who served the charitable company during the year were as follows:

Kenneth Barclay (Chair)  
Carol-Ann Boyter  
William Crossan (Resigned 19 December 2019)  
Kenneth Fraser  
Celia Hodson  
Alexander Kennedy  
Kenneth McDowell  
Morag McNeill  
David Ovens (Appointed 19 December 2019)  
John Watt  
Susan Younger

**Secretary** Thomas Gillan (Resigned 19 December 2019)  
Jill Barrow (Appointed 19 December 2019)

**Leadership team** Alastair Davis FCIBS (Chief Executive Officer)  
Alistair Johnstone MCIBS (Head of Credit and Compliance)  
Chris Jamieson (Head of Investments)  
Jill Barrow (Head of Finance)  
Kieran Daly (Head of Market Building)  
Lindsay Wake (Head of Impact)

**Register company number** SC223302

**Registered charity number** SC036875

**Registered Office** 3<sup>rd</sup> Floor  
Playfair House  
6 Broughton Street Lane  
Edinburgh  
EH1 3LY

**Auditor** Azets Audit Services  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

**Solicitors** Morton Fraser LLP  
Quatermile Two  
2 Lister Square  
Edinburgh  
EH3 9GL

**Bankers** Bank of Scotland plc  
300 Lawnmarket  
Edinburgh  
EH1 2PH



## **SOCIAL INVESTMENT SCOTLAND**

### **REPORT OF THE TRUSTEES**

**for the year ended 31 March 2020**

#### **Statement of trustees' responsibilities**

The trustees (who are the directors of Social Investment Scotland for the purpose of company law and the trustees for the purposes of charity law) are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and parent charitable company, and of the income and expenditure of the group and parent charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group and parent charitable company will continue.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and parent charitable company, and enable them to ensure that the financial statements comply with the articles of association, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the group, for ensuring that the assets are properly applied in accordance with charity law, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

#### **Statement as to disclosure of information to auditor**

In so far as the trustees are aware:

- there is no relevant information of which the group and parent charitable company's auditor is unaware; and
- they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the group and parent charitable company's auditor is aware of the information.

**SOCIAL INVESTMENT SCOTLAND**

**REPORT OF THE TRUSTEES**

**for the year ended 31 March 2020**

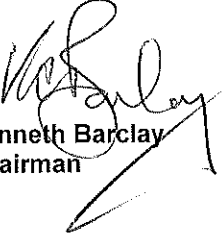
**Auditor**

On 7 September 2020, Group Audit Services Limited (trading as Scott Moncrieff Audit Services) changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

A resolution regarding the reappointment of the auditor will be put to the annual general meeting.

In approving the Report of the Trustees, the trustees are also approving the Strategic Report in their capacity as company directors.

Approved by the trustees on 16 September 2020 and signed on their behalf:



**Kenneth Barclay**  
Chairman

## SOCIAL INVESTMENT SCOTLAND

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCIAL INVESTMENT SCOTLAND

for the year ended 31 March 2020

#### Opinion

We have audited the financial statements of Social Investment Scotland (the parent charitable company) and its subsidiaries (the group) for the year ended 31 March 2020 which comprise the consolidated and parent charitable company statement of financial activities (incorporating the income and expenditure account); the consolidated and parent charitable company balance sheet; the consolidated and parent charitable company statement of cash flows; and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2020 and of the group's and the parent charitable company's income and expenditure 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and the provisions applicable for small entities, in the circumstances set out in note 20 to the financial statements, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. For example, the ongoing effect of COVID-19 on financial stability worldwide is ever-changing and therefore it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers, and the wider economy.

**SOCIAL INVESTMENT SCOTLAND**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**SOCIAL INVESTMENT SCOTLAND**  
**for the year ended 31 March 2020**

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the trustees, which includes the report of the directors prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the directors' included within the report of the trustees has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the report of the trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

**Responsibilities of the trustees**

As explained more fully in the trustees' responsibilities statement set out on page 13, the trustees (who are the directors for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**SOCIAL INVESTMENT SCOTLAND**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**SOCIAL INVESTMENT SCOTLAND**  
**for the year ended 31 March 2020**

**Responsibilities of the trustees (continued)**

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the trustees either intend to liquidate the parent charitable company or to cease operations, or have no realistic alternative but to do so.

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

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the parent charitable company's members, as a body, and the charitable company's trustees, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company, the parent charitable company's members, as a body, and the parent charitable company's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Harkness, Senior Statutory Auditor**

**Azets Audit Services**

**Chartered Accountants**

**Statutory Auditor**

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Date: 16 September 2020

**SOCIAL INVESTMENT SCOTLAND**

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
(INCLUDING CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT)**

for the year ended 31 March 2020

|                                    | Notes | Restricted<br>funds<br>£ | Unrestricted<br>funds<br>£ | 2020<br>Total<br>£       | 2019<br>Total<br>£       |
|------------------------------------|-------|--------------------------|----------------------------|--------------------------|--------------------------|
| <b>Income from:</b>                |       |                          |                            |                          |                          |
| Donations and legacies             |       | -                        | -                          | -                        | -                        |
| Charitable activities              | 4     | 747,450                  | 997,741                    | 1,745,191                | 1,488,053                |
| Investments                        |       | 62,220                   | 26,543                     | 88,763                   | 78,791                   |
| <b>Total</b>                       |       | <u>809,670</u>           | <u>1,024,284</u>           | <u>1,833,954</u>         | <u>1,566,844</u>         |
| <b>Expenditure on:</b>             |       |                          |                            |                          |                          |
| Charitable activities              | 6     | (484,585)                | (1,998,822)                | (2,483,407)              | (3,306,697)              |
| <b>Net income/(expenditure)</b>    | 5     | 325,085                  | (974,538)                  | (649,453)                | (1,739,853)              |
| Transfers between funds            | 17    | (1,218,084)              | 1,218,084                  | -                        | -                        |
| <b>Net movement in funds</b>       |       | <u>(892,999)</u>         | <u>243,546</u>             | <u>(649,453)</u>         | <u>(1,739,853)</u>       |
| <b>Total funds brought forward</b> |       | <u>15,829,350</u>        | <u>2,949,987</u>           | <u>18,779,337</u>        | <u>20,519,190</u>        |
| <b>Total funds carried forward</b> | 17    | <u><u>14,936,351</u></u> | <u><u>3,193,533</u></u>    | <u><u>18,129,884</u></u> | <u><u>18,779,337</u></u> |

All amounts relate to continuing activities.

There were no recognised gains or losses in either year other than those included above.

The notes on pages 25 to 49 form part of these financial statements

**SOCIAL INVESTMENT SCOTLAND**

**CHARITABLE COMPANY STATEMENT OF FINANCIAL ACTIVITIES  
(INCLUDING CHARITABLE COMPANY INCOME AND EXPENDITURE ACCOUNT)**

for the year ended 31 March 2020

|                                    | Notes | Restricted<br>Funds<br>£ | Unrestricted<br>Funds<br>£ | 2020<br>Total<br>£       | 2019<br>Total<br>£       |
|------------------------------------|-------|--------------------------|----------------------------|--------------------------|--------------------------|
| <b>Income from:</b>                |       |                          |                            |                          |                          |
| Donations and legacies             |       | -                        | 78,921                     | 78,921                   | 42,631                   |
| Charitable activities              | 4     | 216,636                  | 1,366,664                  | 1,583,300                | 1,058,011                |
| Investments                        |       | 57,944                   | 5,199                      | 63,143                   | 43,321                   |
| <b>Total</b>                       |       | <u>274,580</u>           | <u>1,450,784</u>           | <u>1,725,364</u>         | <u>1,143,963</u>         |
| <b>Expenditure on:</b>             |       |                          |                            |                          |                          |
| Charitable activities              | 6     | (984,429)                | (1,715,872)                | (2,700,301)              | (2,129,461)              |
| <b>Net expenditure</b>             | 5     | (709,849)                | (265,088)                  | (974,937)                | (985,498)                |
| <b>Transfer between funds</b>      | 17    | (652,640)                | 652,640                    | -                        | -                        |
| <b>Net movement in funds</b>       |       | <u>(1,362,489)</u>       | <u>387,552</u>             | <u>(974,937)</u>         | <u>(985,498)</u>         |
| <b>Total funds brought forward</b> |       | <u>19,243,436</u>        | <u>2,824,791</u>           | <u>22,068,227</u>        | <u>23,053,725</u>        |
| <b>Total funds carried forward</b> | 17    | <u><u>17,880,947</u></u> | <u><u>3,212,343</u></u>    | <u><u>21,093,290</u></u> | <u><u>22,068,227</u></u> |

All amounts relate to continuing activities.

There were no recognised gains or losses in either year other than those included above.

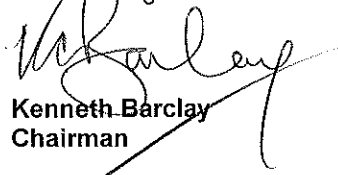
The notes on pages 25 to 49 form part of these financial statements

**SOCIAL INVESTMENT SCOTLAND**  
**CONSOLIDATED AND CHARITABLE COMPANY BALANCE SHEET**

As at 31 March 2020

|  | Notes | Group             |                   | Company           |                   |
|--|-------|-------------------|-------------------|-------------------|-------------------|
|  |       | 2020<br>£         | 2019<br>£         | 2020<br>£         | 2019<br>£         |
| <b>Fixed assets</b>                                      |       |                   |                   |                   |                   |
| Tangible fixed assets                                    | 9     | 24,034            | 28,941            | 24,034            | 28,941            |
| Investments  | 10    | -                 | -                 | 7,266,201         | 7,048,241         |
| <b>Total fixed assets</b>                                |       | <u>24,034</u>     | <u>28,941</u>     | <u>7,290,235</u>  | <u>7,077,182</u>  |
| <b>Current assets</b>                                    |       |                   |                   |                   |                   |
| Debtors – due within one year                            | 11    | 2,795,238         | 2,378,008         | 359,648           | 591,126           |
| Debtors – due after one year                             | 11    | 12,114,287        | 13,592,390        | 2,667,284         | 5,247,555         |
| Cash at bank and in hand                                 |       | 14,113,980        | 12,798,221        | 11,076,307        | 9,404,841         |
| <b>Total current assets</b>                              |       | <u>29,023,505</u> | <u>28,768,619</u> | <u>14,103,239</u> | <u>15,243,522</u> |
| Creditors: amounts falling due within one year           | 12    | (2,265,405)       | (276,876)         | (300,184)         | (252,477)         |
| <b>Net current assets</b>                                |       | <u>26,758,100</u> | <u>28,491,743</u> | <u>13,803,055</u> | <u>14,991,045</u> |
| <b>Total assets less current liabilities</b>             |       | <u>26,782,134</u> | <u>28,520,684</u> | <u>21,093,290</u> | <u>22,068,227</u> |
| Creditors: amounts falling due after more than one year: |       |                   |                   |                   |                   |
| Unsecured loans  | 13    | (8,652,250)       | (9,741,347)       | -                 | -                 |
| <b>Net assets</b>  |       | <u>18,129,884</u> | <u>18,779,337</u> | <u>21,093,290</u> | <u>22,068,227</u> |
| <b>Capital and reserves</b>                              |       |                   |                   |                   |                   |
| Restricted funds   | 17    | 14,936,351        | 15,829,350        | 17,880,947        | 19,243,436        |
| Unrestricted funds                                       | 17    | 3,193,533         | 2,949,987         | 3,212,343         | 2,824,791         |
|  |       | <u>18,129,884</u> | <u>18,779,337</u> | <u>21,093,290</u> | <u>22,068,227</u> |

These financial statements were approved and authorised by the trustees on 16 September 2020 and signed on their behalf by:

  
**Kenneth Barclay**  
 Chairman

The notes on pages 25 to 49 form part of these financial statements



SOCIAL INVESTMENT SCOTLAND

STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

|  | Note | Group             |                    | Company           |                  |
|--|------|-------------------|--------------------|-------------------|------------------|
|  |      | 2020<br>£         | 2019<br>£          | 2020<br>£         | 2019<br>£        |
| <b>Cash flows from operating activities:</b>                       |      |                   |                    |                   |                  |
| <b>Net cash (used in)/provided by operating activities:</b>        | 19   | 326,087           | (1,844,511)        | 2,341,167         | 920,506          |
| <b>Cash flows from investing activities:</b>                       |      |                   |                    |                   |                  |
| Investment income  |      | 88,763            | 78,791             | 63,143            | 43,321           |
| Purchase of tangible fixed assets                                  |      | (9,994)           | (14,664)           | (9,994)           | (14,664)         |
| Repayment/(additional) shareholder loans                           |      | -                 | -                  | (722,750)         | 429,053          |
| Investment in shares in group undertaking                          |      | -                 | -                  | (100)             | (75,000)         |
| <b>Net cash provided by/(used in) investing activities</b>         |      | <b>78,769</b>     | <b>64,127</b>      | <b>(669,701)</b>  | <b>382,710</b>   |
| <b>Cash flows from financing activities:</b>                       |      |                   |                    |                   |                  |
| Cash inflows from investors  |      | 910,903           | -                  | -                 | -                |
| <b>Net cash provided by financing activities</b>                   |      | <b>910,903</b>    | <b>-</b>           | <b>-</b>          | <b>-</b>         |
| <b>Change in cash and cash equivalents in the reporting period</b> |      | <b>1,315,759</b>  | <b>(1,780,384)</b> | <b>1,671,466</b>  | <b>1,303,216</b> |
| <b>Cash at the beginning of the reporting period</b>               |      | <b>12,798,221</b> | <b>14,578,605</b>  | <b>9,404,841</b>  | <b>8,101,625</b> |
| <b>Cash at the end of the reporting period</b>                     |      | <b>14,113,980</b> | <b>12,798,221</b>  | <b>11,076,307</b> | <b>9,404,841</b> |
| <b>Represented by:</b>   |      |                   |                    |                   |                  |
| Cash at bank and in hand   |      | 13,574,412        | 12,262,680         | 10,536,739        | 8,869,300        |
| Short term deposits  |      | 539,568           | 535,541            | 539,568           | 535,541          |
|  |      | <b>14,113,980</b> | <b>12,798,221</b>  | <b>11,076,307</b> | <b>9,404,841</b> |

The notes on pages 25 to 49 form part of these financial statements

**SOCIAL INVESTMENT SCOTLAND**  
**STATEMENT OF CASH FLOWS**  
for the year ended 31 March 2020

**Analysis of changes in net debt**

| <b>Group</b>                               | <b>At 1 April<br/>2019<br/>£</b> | <b>Reallocations<br/>£</b> | <b>Cash flows<br/>£</b> | <b>At 31 March<br/>2020<br/>£</b> |
|--|----------------------------------|----------------------------|-------------------------|-----------------------------------|
| Cash                                       | 12,798,221                       | -                          | 1,315,759               | 14,113,980                        |
|  | <u>12,798,221</u>                | <u>-</u>                   | <u>1,315,759</u>        | <u>14,113,980</u>                 |
| Loans falling due within one year          | -                                | (2,000,000)                | -                       | (2,000,000)                       |
| Loans falling due after more than one year | (9,741,347)                      | 2,000,000                  | (910,903)               | (8,652,250)                       |
|  | <u>(9,741,347)</u>               | <u>2,000,000</u>           | <u>(910,903)</u>        | <u>(8,652,250)</u>                |
| <b>Total</b>                               | <u><u>3,056,874</u></u>          | <u><u>-</u></u>            | <u><u>404,856</u></u>   | <u><u>3,461,730</u></u>           |

| <b>Company</b> | <b>At 1 April<br/>2019<br/>£</b> | <b>Cash flows<br/>£</b> | <b>At 31 March<br/>2020<br/>£</b> |
|----------------|----------------------------------|-------------------------|-----------------------------------|
| Cash           | 9,404,841                        | 1,671,466               | 11,076,307                        |
|                | <u>9,404,841</u>                 | <u>1,671,466</u>        | <u>11,076,307</u>                 |
| <b>Total</b>   | <u><u>9,404,841</u></u>          | <u><u>1,671,466</u></u> | <u><u>11,076,307</u></u>          |

The notes on pages 25 to 49 form part of these financial statements

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

**1 Accounting policies**

**General information**

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the company's transactions are denominated. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The charitable company is a private company limited by guarantee and is incorporated in Scotland. The charitable company's registered number is SC223302.

The company's registered address is 3<sup>rd</sup> Floor, Playfair House, 6 Broughton Street Lane, Edinburgh, EH1 3LY.

The continuing activity of Social Investment Scotland is provision of innovative social investment products and business support.

**Basis of accounting**

The financial statements have been prepared in accordance with the Financial Reporting Standard 102, as issued by the Financial Reporting Council (effective 1 January 2015), the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Companies Act 2006.

Social Investment Scotland meets the definition of a public benefit entity under FRS102.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The financial statements consolidate the results of the charitable company and its wholly owned subsidiaries as disclosed in Note 10. The charitable company together with its subsidiaries comprises the group.

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102), The Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Going concern**

The trustees are of the opinion that the group and parent charitable company can continue to meet their obligations as they fall due for the foreseeable future. The parent charitable company has significant cash reserves and regular income generated from interest on loans, fund management and specific grants and is able to restrict the loans given out if necessary.

Further detail around COVID-19 factors considered on the going concern assessment are discussed in the Trustees' Report.

As a consequence, the trustees have prepared the financial statements on the going concern basis.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

**1 Accounting policies (continued)**

**Recognition and allocation of income**

***Grants and voluntary income***

Income from grants, including capital grants, is recognised when the charitable company has legal entitlement to the funds, the receipt is probable, and the amount can be measured reliably.

Where there are terms placed on income that limit the charitable company's discretion over how that income can be used, that income is shown as restricted income in the accounts.

***Income from charitable activities***

The income from lending operations is included in incoming resources in the period in which the group is entitled to receipt. Certain advances from the Scottish Investment Fund bear interest which may be waived at the discretion of Social Investment Scotland subject to the achievement of specified social outcomes. Interest on these advances is included within income from charitable activities and a related provision for interest expected to be waived is charged to charitable activities.

The Charities SORP (FRS 102) recommends income from lending activities is classified as "charitable" when carried out by the charitable company, but as "other trading" when carried out by the group's subsidiaries. Each company carries out the same principal activity, being the provision of loan finance to third sector organisations based or operating in Scotland, in furtherance of the charitable purposes of the group. Therefore, the trustees consider it appropriate that these activities are classified consistently across the group as charitable income.

In the event of income being received in advance this is deferred and released in the year in which the event takes place. Any income not received in the year in which it is receivable is accrued at the year end.

***Investment income***

Interest is recognised using the effective interest rate applicable to the asset.

**Recognition and allocation of expenditure**

Expenditure is recognised on an accruals basis when the charitable company has entered into a legal or constructive obligation. Where possible, expenditure is allocated directly to the function to which it relates.

Charitable activities include expenditure associated with the strategic investment in the social sector in Scotland and include both the direct costs and support costs relating to these activities.

All support costs relate to the single activity of the company, being the provision of loan finance to third sector organisations based or operating within the UK.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the group and parent charitable company.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

**1 Accounting policies (continued)**

**Funds**

Unrestricted funds include incoming resources receivable or generated for the objects of the group without further specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the trustees.

Designated funds primarily represent reserves held to capitalise the future core lending activities of the organisation, as designated by the trustees.

Restricted funds are to be used for specific purposes as laid down by the donor.

**Tangible fixed assets**

Fixed assets costing £500 or more are included in the balance sheet at cost, less accumulated depreciation.

**Depreciation**

Depreciation is provided in the period in which the fixed assets are purchased. The rates of depreciation are calculated so as to write off the cost less residual value of each asset evenly over its expected useful life as follows:

Office equipment, fixtures and fittings: 25% straight-line

**Investments**

The trading subsidiaries of the charitable company along with any shareholders' loans are included in the financial statements at cost less impairment.

**Operating leases**

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

**Taxation**

Social Investment Scotland has been recognised by HM Revenue and Customs as a charity for the purposes of sections 466 to 493 Corporation Tax Act 2010 and section 256 Taxation of Chargeable Gains Act 1992. Accordingly, the charitable company is potentially exempt from taxation in respect of income or capital gains to the extent that such income or gains are applied to charitable purposes. Social Investment Scotland's trading subsidiaries are subject to corporation tax in the same way as any commercial organisation.

**Provisions**

Specific provisions against advances are recognised when a risk of non-recoverability is identified, as a result of regular monitoring and review by the trustees. Provisions made during the year, less amounts released, are charged to the statement of financial activities and are netted off against advances reported in the balance sheet.

**Debtors**

Concessionary loans are amounts due from customers for loans issued.

**Concessionary loans**

Loans issued by group companies, as members of a public benefit entity group, are deemed to be concessionary loans. Concessionary loans are initially measured at the amount paid. Subsequent to initial recognition, the carrying amount of concessionary loans at the reporting date is adjusted to reflect any repayments, accrued interest and impairment.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

**1 Accounting policies (continued)**

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Creditors**

Trade creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

**Financial assets and financial liabilities**

The charitable company only enters into basic financial instruments that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties and social enterprises. Financial instruments are classified as in accordance with Chapter 11 of FRS 102.

Financial instruments are recognised in the balance sheet when the charitable company becomes a party to the contractual provisions of the instrument. Financial instruments payable or receivable within one year are measured at the undiscounted amount expected to be paid or received. Financial instruments payable or receivable outwith one year are initially measured at transaction cost. Subsequent to initial recognition, at the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the contractual rights to the cash flows from assets are due to expire, or when the company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of financial activities.

**Pensions**

Pension contributions are made to the group defined contribution pension scheme. These are charged in the year in which they are incurred.

**Investment funding accounted for on an agency basis**

The charity receives funding from a number of entities for the purpose of providing loan finance to eligible social sector organisations. This funding is repayable.

Funding received for such investment and to be returned to lending entities is not disclosed within the Statement of Financial Activities or Balance Sheet as the charity is acting, in substance, as an agent in administering the funds of other entities in line with their instructions.

The charity receives a management fee in return for its services which is recognised as income in the financial statements.

**Funds held on a Nominee basis**

The group's financial statements include three subsidiaries (SIS Community Capital Limited, Community Investment Facility Limited and Impact First Nominees Limited) whose financial statements are prepared on a nominee basis as ultimately the economic benefit and liabilities arising from the funds under management lie with the original investors. The consolidation of these subsidiaries into the group's financial statements is prepared on the same basis.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

**2 Critical judgements and estimates**

In preparing the financial statements trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Advances of concessionary loans are reviewed regularly and given a risk rating, this rating is based on judgement after reviewing the available information from the borrower. There are certain ratings that require a provision to be made against the loan depending on whether there is deemed to be adequate security on the loan or not. Provisions are reviewed and updated in light of information available after the year end which indicates a loan was impaired at the year end or that a previously recognised provision needs to be adjusted. There is further discussion on this included within the Trustees Report.

Income from lending activities by subsidiaries is treated as charitable income in the consolidated statement of financial activities. This is because the substance of this income is the same as that carried out in the parent entity, therefore the trustees consider it appropriate that these activities are classified consistently across the group.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**3 Prior year Statement of Financial Activities**

**Group**

|                                    | Restricted<br>funds<br>£ | Unrestricted<br>funds<br>£ | 2019<br>Total<br>£       |
|------------------------------------|--------------------------|----------------------------|--------------------------|
| <b>Income from:</b>                |                          |                            |                          |
| Donations and legacies             | -                        | -                          | -                        |
| Charitable activities              | 408,904                  | 1,079,149                  | 1,488,053                |
| Investments                        | 56,774                   | 22,017                     | 78,791                   |
| Other income                       | -                        | -                          | -                        |
| <b>Total</b>                       | <u>465,678</u>           | <u>1,101,166</u>           | <u>1,566,844</u>         |
| <b>Expenditure on:</b>             |                          |                            |                          |
| Charitable activities              | (1,656,954)              | (1,649,743)                | (3,306,697)              |
| <b>Net expenditure</b>             | <u>(1,191,276)</u>       | <u>(548,577)</u>           | <u>(1,739,853)</u>       |
| Transfers between funds            | (476,268)                | 476,268                    | -                        |
| <b>Net movement in funds</b>       | <u>(1,667,544)</u>       | <u>(72,309)</u>            | <u>(1,739,853)</u>       |
| <b>Total funds brought forward</b> | <u>17,496,894</u>        | <u>3,022,296</u>           | <u>20,519,190</u>        |
| <b>Total funds carried forward</b> | <u><u>15,829,350</u></u> | <u><u>2,949,987</u></u>    | <u><u>18,779,337</u></u> |



**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**3 Prior year Statement of Financial Activities (continued)**

**Company**

|                                    | <b>Restricted<br/>Funds<br/>£</b> | <b>Unrestricted<br/>Funds<br/>£</b> | <b>2019<br/>Total<br/>£</b> |
|------------------------------------|-----------------------------------|-------------------------------------|-----------------------------|
| <b>Income from:</b>                |                                   |                                     |                             |
| Donations and legacies             | -                                 | 42,631                              | 42,631                      |
| Charitable activities              | (264,637)                         | 1,322,648                           | 1,058,011                   |
| Investments                        | 41,453                            | 1,868                               | 43,321                      |
| Other income                       | -                                 | -                                   | -                           |
|                                    | <hr/>                             | <hr/>                               | <hr/>                       |
| <b>Total</b>                       | (223,184)                         | 1,367,147                           | 1,143,963                   |
| <b>Expenditure on:</b>             |                                   |                                     |                             |
| Charitable activities              | (515,539)                         | (1,613,922)                         | (2,129,461)                 |
|                                    | <hr/>                             | <hr/>                               | <hr/>                       |
| <b>Net expenditure</b>             | (738,723)                         | (246,775)                           | (985,498)                   |
| <b>Transfer between funds</b>      | (138,618)                         | 138,618                             | -                           |
|                                    | <hr/>                             | <hr/>                               | <hr/>                       |
| <b>Net movement in funds</b>       | (877,341)                         | (108,157)                           | (985,498)                   |
| <b>Total funds brought forward</b> | 20,120,777                        | 2,932,948                           | 23,053,725                  |
|                                    | <hr/>                             | <hr/>                               | <hr/>                       |
| <b>Total funds carried forward</b> | 19,243,436                        | 2,824,791                           | 22,068,227                  |
|                                    | <hr/> <hr/>                       | <hr/> <hr/>                         | <hr/> <hr/>                 |

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**4 Incoming resources from charitable activities**

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2020             | 2019             | 2020             | 2019             |
|   | £                | £                | £                | £                |
| <b>Grant income:</b>                          |                  |                  |                  |                  |
| Scottish Government:<br>Third Sector Division | 186,753          | 272,782          | 186,753          | 272,782          |
| Asda bag levy                                 | -                | (614,176)        | -                | (614,176)        |
| Highlands and Islands<br>Enterprise           | 9,214            | 38,303           | 9,214            | 38,303           |
| Other grants                                  | 211,471          | 95,733           | 211,471          | 95,733           |
| <b>Earned income:</b>                         |                  |                  |                  |                  |
| Interest                                      | 1,137,387        | 1,328,120        | 257,516          | 382,695          |
| Fees and commissions                          | 48,184           | 112,567          | 720              | -                |
| Management fees and<br>recharges              | 152,182          | 254,724          | 917,626          | 882,674          |
| Other income                                  | -                | -                | -                | -                |
|   | <u>1,745,191</u> | <u>1,488,053</u> | <u>1,583,300</u> | <u>1,058,011</u> |

The negative income in 2019, noted above, is in relation to the Welsh Asda Bag Levy funds which were previously transferred to SIS but during the course of the year were passed over to the WCVA which is now Fund Manager of this levy capital.

**5 Net income/(expenditure)**

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2020          | 2019          | 2020          | 2019          |
|  | £             | £             | £             | £             |
| Net income/(expenditure) is stated after charging: |               |               |               |               |
| Hire of assets under<br>operating leases           | 2,360         | 3,292         | 2,360         | 3,292         |
| Leasing of buildings under<br>operating leases     | 63,970        | 64,209        | 63,970        | 64,209        |
| Depreciation                                       | 14,901        | 13,129        | 14,901        | 13,129        |
| Auditor's remuneration:                            |               |               |               |               |
| - Audit fee  | 35,973        | 26,840        | 25,301        | 20,990        |
| - Tax fees   | 7,951         | 4,405         | 6,586         | 3,370         |
| Internal auditor's<br>remuneration                 | <u>25,380</u> | <u>14,940</u> | <u>25,380</u> | <u>14,940</u> |

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**6 Charitable activities - lending**

|                                    | Group            |                  | Company          |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2020<br>£        | 2019<br>£        | 2020<br>£        | 2019<br>£        |
| Asda management fee                | -                | 41,250           | -                | 41,250           |
| Bad and doubtful debt provision    | 637,843          | 1,486,055        | 479,155          | 93,435           |
| Other capacity building activities | 114,063          | 103,852          | 114,063          | 103,852          |
| Support costs (Note 7)             | 1,632,197        | 1,633,760        | 1,544,926        | 1,474,284        |
| Governance costs (Note 7)          | 69,304           | 41,780           | 57,267           | 35,930           |
| Impairment of shareholders loans   | -                | -                | 504,890          | 380,710          |
| Management fee                     | 30,000           | -                | -                | -                |
|                                    | <u>2,483,407</u> | <u>3,306,697</u> | <u>2,700,301</u> | <u>2,129,461</u> |

**7 Support costs**

|                                       | Group            |                  | Company          |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | 2020<br>£        | 2019<br>£        | 2020<br>£        | 2019<br>£        |
| Staff costs (Note 8)                  | 1,161,486        | 1,037,667        | 1,161,486        | 1,037,667        |
| Recruitment                           | 20,104           | 11,898           | 20,104           | 11,898           |
| Legal and professional fees           | 44,135           | 194,225          | 40,534           | 124,884          |
| Depreciation                          | 14,901           | 13,129           | 14,901           | 13,129           |
| Premises                              | 86,589           | 85,683           | 86,589           | 85,683           |
| Repairs and maintenance               | 19,936           | 23,259           | 19,936           | 23,259           |
| Communication and IT                  | 68,870           | 75,890           | 68,870           | 75,890           |
| Travel, accommodation and subsistence | 55,631           | 52,566           | 55,631           | 52,566           |
| General expenses                      | 83,688           | 52,425           | 76,840           | 49,305           |
| Interest paid                         | 76,857           | 87,018           | 35               | 3                |
|                                       | <u>1,632,197</u> | <u>1,633,760</u> | <u>1,544,926</u> | <u>1,474,284</u> |
| <b>Governance costs</b>               |                  |                  |                  |                  |
| External audit and tax                | 43,924           | 26,840           | 31,887           | 20,990           |
| Internal audit                        | 25,380           | 14,940           | 25,380           | 14,940           |
|                                       | <u>69,304</u>    | <u>41,780</u>    | <u>57,267</u>    | <u>35,930</u>    |

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**8 Staff costs**

| <b>Group and company</b> | <b>2020</b>      | <b>2019</b>      |
|--------------------------|------------------|------------------|
|                          | <b>£</b>         | <b>£</b>         |
| Wages and salaries       | 989,696          | 869,460          |
| Social security costs    | 91,897           | 89,875           |
| Pension costs            | 79,893           | 78,332           |
|                          | <u>1,161,486</u> | <u>1,037,667</u> |

During the year there was one employee whose remuneration fell into the band of £80,001 to £90,000 (2019: one within £80,001 to £90,000) and nil between £60,001 and £70,000 (2019: two within £60,001 to £70,000).

The key management personnel of the group comprise the Chief Executive Officer, Deputy Chief Executive Officer, Head of Operations, Head of Communities and Head of Credit and Compliance. The employee benefits for key management totalled £360,259 (2019: £411,675).

Pension costs relate to employer contributions into the group pension scheme that was set up during the year and individual employee private pension schemes. There was £11,581 outstanding for payment as at 31 March 2020 (2019: £16,386).

**Trustees' remuneration and expenses**

No trustee was remunerated for the year ended 31 March 2020 (2019: £nil). During the year, one (2019: one) trustee received £54 in relation to reimbursed travel expenses (2019: £25).

The average monthly number of employees during the year was:

|           | <b>Group and Company</b> |                 |
|-----------|--------------------------|-----------------|
|           | <b>2020</b>              | <b>2019</b>     |
| Full time | 19                       | 18              |
| Part time | 6                        | 5               |
|           | <u>        </u>          | <u>        </u> |

**9 Tangible fixed assets – group and company**

| <b>Cost</b>             | <b>Office Equipment,<br/>Fixtures &amp; Fittings</b> |
|-------------------------|--|
|                         | <b>£</b>   |
| At 1 April 2019         | 149,442  |
| Additions               | 9,994  |
| <b>At 31 March 2020</b> | <u>159,436</u>                                       |
| <b>Depreciation</b>     |  |
| At 1 April 2019         | 120,501  |
| Charge for the year     | 14,901   |
| <b>At 31 March 2020</b> | <u>135,402</u>                                       |
| <b>Net book value</b>   |  |
| <b>At 31 March 2020</b> | <u>24,034</u>  |
| At 31 March 2019        | <u>28,941</u>  |

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**10 Investments**

| Company                 | Shares in<br>group<br>undertakings<br>£ | Shareholder<br>loans<br>£ | Total<br>investments<br>£ |
|-------------------------|---|---------------------------|---------------------------|
| <b>Cost</b>             |   |                           |                           |
| At 1 April 2019         | 75,104                                  | 6,973,137                 | 7,048,241                 |
| Additions               | 100                                     | 722,750                   | 722,850                   |
| Impairment              | -                                       | (504,890)                 | (504,890)                 |
| <b>At 31 March 2020</b> | <u>75,204</u>                           | <u>7,190,997</u>          | <u>7,266,201</u>          |
| <b>Net book value</b>   |   |                           |                           |
| At 31 March 2020        | <u>75,204</u>                           | <u>7,190,997</u>          | <u>7,266,201</u>          |
| At 31 March 2019        | <u>75,104</u>                           | <u>6,973,137</u>          | <u>7,048,241</u>          |

The investments brought forward at 1 April 2019 are shown at cost less impairment. Investments comprise:

- 100% of the ordinary share capital of SIS (Community Finance) Limited, a subsidiary registered in Scotland;
- 99% of the members capital in Social Growth Fund LLP (100% of the members' capital is held within the group), a Limited Liability Partnership registered in Scotland;
- 99% of the members capital in Social Growth Fund 2 LLP (100% of the members' capital is held within the group), a Limited Liability Partnership registered in Scotland;
- 100% of the ordinary share capital of SIS Community Capital Limited, a company registered in Scotland;
- 100% of the ordinary share capital of Community Investment Facility Limited, a company registered in England & Wales;
- 100% of the ordinary share capital of SIS Ventures Limited, a company registered in Scotland; and
- 100% of the ordinary share capital of SIS Affordable Credit Limited, a company registered in Scotland.

The registered office of all subsidiaries, except for Community Investment Facility Limited, is 3rd Floor, Playfair House, 6 Broughton Street Lane, Edinburgh, EH1 3LY and all subsidiaries are included within the consolidated financial statements. Community Investment Facility Limited's registered office is Condor House, 10 St. Paul's Churchyard, London, EC4M 8AL.

The principal activity of SIS (Community Finance) Limited continued to be the provision of loan finance to third sector organisations based or operating in Scotland. The capital and reserves of SIS (Community Finance) Limited at 31 March 2020 were £2,231,453 including shareholder loans of £2,250,000 (2019: £2,487,701 including shareholder loans of £2,362,500) and the loss for the financial year was £64,827 (2019: profit of £78,482) which includes income of £417,864 (2019: £415,201) and expenditure of £482,691 (2019: £336,719).

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

**10 Investments (continued)**

The principal activity of Social Growth Fund LLP continued to be the provision of loan finance to third sector organisations based or operating in Scotland. Social Investment Scotland has a membership agreement with Big Society Capital Limited to operate the fund. The capital and reserves of Social Growth Fund LLP at 31 March 2020 were £7,072,475 including members' loan of £10,524,453 (2019: £6,186,537 including members' loan of £9,982,795) and the profit for the financial year was £344,280 (2019: loss of £1,171,079) which includes income of £485,850 (2019: £644,947) and expenditure of £141,570 (2019: £1,816,026).

At the year end the Directors performed an impairment review of the investment in Social Growth Fund LLP and have impaired its value by £504,890 (2019: £380,710) to reflect their best estimate of the value of the investment.

The principal activity of SIS Community Capital Limited is the provision of loan finance to third sector organisations based or operating in Scotland. The capital and reserves of SIS Community Capital Limited at 31 March 2020 were £1,525 (2019: £1,222) and the profit after tax for the financial period was £303 (2019: loss of £75) which includes income of £4,561 (2019: £5,993) and expenditure of £4,187 (2019: £6,068).

The principal activity of Community Investment Facility Limited is the provision of loan finance to eligible social sector organisations based or operating in the United Kingdom. The capital and reserves of Community Investment Facility Limited at 31 March 2020 were £1 (2019: £1). The company earned no income nor generated expenditure during the year. The accounting policies to these financial statements ("Funds held on a Nominee basis") disclose further details of the accounting treatment of this subsidiary.

The principal activity of SIS Ventures Limited is the provision of equity investment or loan finance in either eligible social sector organisations or mission-driven businesses. The company became authorised by the Financial Conduct authority in May 2018. This gives the company permissions to provide certain regulated services and products. The company issued share capital of £nil (2019: £74,999) during the year, acquired in full by Social Investment Scotland.

SIS Ventures Limited owns 100% of the ordinary share capital of Impact First Nominees Limited, a company registered in Scotland. The principal activity of the company is to support the provision of loan and equity finance.

The principal activity of SIS Affordable Credit Limited is the provision of loan finance to eligible social sector organisations based or operating in the United Kingdom. It was incorporated on 9 October 2018 and was dormant during the accounting year. The capital and reserves at 31 March 2020 were £1.

The principal activity of Social Growth Fund 2 LLP is the provision of loan finance to third sector organisations based or operating in Scotland. It was incorporated on 7 December 2018 with its first accounting period ending 31 March 2020. Social Investment Scotland has a membership agreement with Big Society Capital Limited and the University of Edinburgh to operate the fund. The capital and reserves of Social Growth Fund 2 LLP at 31 March 2020 were £548,135 including members' loan of £928,435 and the loss for the financial year was £380,300 which includes income of £500 and expenditure of £380,800.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11 Debtors**

|                                  | Group             |                   | Company          |                  |
|----------------------------------|-------------------|-------------------|------------------|------------------|
|                                  | 2020<br>£         | 2019<br>£         | 2020<br>£        | 2019<br>£        |
| <b>Due within one year</b>       |                   |                   |                  |                  |
| Concessionary loans              | 2,649,193         | 2,104,719         | 212,585          | 338,359          |
| Prepayments and accrued income   | 126,264           | 253,864           | 101,551          | 227,614          |
| Other debtors                    | 19,781            | 19,425            | 1,512            | 17,623           |
| Amounts due from group companies | -                 | -                 | 44,000           | 7,530            |
|                                  | <u>2,795,238</u>  | <u>2,378,008</u>  | <u>359,648</u>   | <u>591,126</u>   |
| <b>Due after one year</b>        |                   |                   |                  |                  |
| Concessionary loans              | 12,114,287        | 13,592,390        | 2,667,284        | 5,247,555        |
|                                  | <u>14,909,525</u> | <u>15,970,398</u> | <u>3,026,932</u> | <u>5,838,681</u> |

Interest is charged on concessionary loans at rates of 4% - 12%. Security is held over certain loans by way of a fixed and/or a floating charge over assets.

**12 Creditors : amounts falling due within one year**

|   | Group            |                | Company        |                |
|---|------------------|----------------|----------------|----------------|
|   | 2020<br>£        | 2019<br>£      | 2020<br>£      | 2019<br>£      |
| 1% subordinated unsecured loan stock April 2020 | 2,000,000        | -              | -              | -              |
| Trade creditors                                 | 36,182           | 32,939         | 36,182         | 27,999         |
| Other taxes and social security                 | 11,581           | 41,396         | 11,581         | 41,396         |
| Accruals and deferred income                    | 193,694          | 141,728        | 181,038        | 122,568        |
| Amounts due to group undertakings               | -                | -              | 71,049         | 17,289         |
| VAT Payable                                     | -                | 5,544          | -              | 5,249          |
| Other creditors                                 | 23,948           | 55,237         | 334            | 37,976         |
| Corporation tax                                 | -                | 32             | -              | -              |
|   | <u>2,265,405</u> | <u>276,876</u> | <u>300,184</u> | <u>252,477</u> |

**SOCIAL INVESTMENT SCOTLAND**  
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|   | Group and Company |                |
|---|-------------------|----------------|
|   | 2020              | 2019           |
|   | £                 | £              |
| <b>Deferred income</b>                          |                   |                |
| At 1 April                                      | 105,208           | 93,134         |
| Amounts released from previous years            | (28,125)          | (75,956)       |
| Incoming resources deferred in the current year | 25,917            | 88,030         |
|   | <u>103,000</u>    | <u>105,208</u> |

Deferred income represents rental income deferred, and grant income received in advance of performance milestones being met.

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

|   | Group            |                  |
|---|------------------|------------------|
|   | 2020             | 2019             |
|   | £                | £                |
| 1.91% subordinated unsecured loan stock June 2024 | 2,000,000        | 2,000,000        |
| 1% subordinated unsecured loan stock April 2020   | -                | 2,000,000        |
| 1.5% unsecured loan                               | 750,000          | 750,000          |
| Members' loans                                    | 5,902,250        | 4,991,347        |
|   | <u>8,652,250</u> | <u>9,741,347</u> |

**14 Loans and borrowings**

|                            | Group             |                  |
|----------------------------|-------------------|------------------|
|                            | 2020              | 2019             |
|                            | £                 | £                |
| <b>Analysis of loans</b>   |                   |                  |
| Unsecured loans            | 10,652,250        | 9,741,347        |
|                            | <u>10,652,250</u> | <u>9,741,347</u> |
| <b>Maturity of debt</b>    |                   |                  |
| Within one year            | 2,000,000         | -                |
| Between two and five years | 7,902,250         | 8,991,347        |
| In more than five years    | 750,000           | 750,000          |
|                            | <u>10,652,250</u> | <u>9,741,347</u> |

The company has £2,000,000 of 1.91% subordinated unsecured loan stock repayable in June 2024.

The company has £2,000,000 of 1% subordinated unsecured loan stock repayable in April 2020.

The company has a £750,000 1.5% unsecured loan not repayable before December 2025.



**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**15 Financial assets and liabilities**

|   | Group        |             | Company    |            |
|---|--------------|-------------|------------|------------|
|   | 2020         | 2019        | 2020       | 2019       |
|   | £            | £           | £          | £          |
| <b>Financial assets</b>                 |              |             |            |            |
| Financial assets at amortised cost      | 28,895,930   | 28,514,755  | 14,000,377 | 15,015,908 |
| <b>Financial liabilities</b>            |              |             |            |            |
| Financial liabilities at amortised cost | (10,803,074) | (9,866,043) | (185,603)  | (100,624)  |

Financial assets at amortised cost comprise of cash, concessionary loans, accrued income and other debtors. Company financial assets also includes amounts due by group undertakings.

Financial liabilities comprise of trade creditors, other creditors, accruals and all amounts falling due after more than one year.

Company financial liabilities also include amounts due to group undertakings.

**16 Operating lease and other commitments**

At 31 March 2020 the group and charitable company had commitments under non-cancellable operating leases as set out below:

|  | Land and buildings |                | Other        |              |
|--|--------------------|----------------|--------------|--------------|
|  | 2020               | 2019           | 2020         | 2019         |
|  | £                  | £              | £            | £            |
| Operating leases payments falling due: |                    |                |              |              |
| Within one year                        | 42,098             | 42,098         | 2,312        | 2,312        |
| Between two and five years             | 52,623             | 94,721         | 578          | 5,202        |
|  | <u>94,721</u>      | <u>136,819</u> | <u>2,890</u> | <u>7,514</u> |

At 31 March 2020 the group and charitable company had the following contractual commitments under signed loan or grant agreements, not yet drawn down, as set out below:

|       | Group            |                  | Company  |                |
|-------|------------------|------------------|----------|----------------|
|       | 2020             | 2019             | 2020     | 2019           |
|       | £                | £                | £        | £              |
| Loans | <u>1,518,500</u> | <u>5,262,282</u> | <u>-</u> | <u>577,500</u> |

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**17 Movement in funds**

| Group - 2020                 | At 1 April<br>2019       | Income                  | Expenditure<br>and transfers | At 31 March<br>2020      |
|------------------------------|--------------------------|-------------------------|------------------------------|--------------------------|
|                              | £                        | £                       | £                            | £                        |
| <b>Unrestricted funds</b>    |                          |                         |                              |                          |
| General fund                 | 698,438                  | 1,024,284               | (780,738)                    | 941,984                  |
| Designated funds:            |                          |                         |                              |                          |
| Social Surplus Fund          | 1,549                    | -                       | -                            | 1,549                    |
| Default reserve              | 1,900,000                | -                       | -                            | 1,900,000                |
| Margin reserve               | 350,000                  | -                       | -                            | 350,000                  |
|                              | <u>2,949,987</u>         | <u>1,024,284</u>        | <u>(780,738)</u>             | <u>3,193,533</u>         |
| <b>Restricted funds</b>      |                          |                         |                              |                          |
| The Scottish Investment Fund | 18,378,708               | 274,470                 | (197,522)                    | 18,455,656               |
| The Asda Bag Levy Fund       | 1,245,440                | 110                     | (934,464)                    | 311,086                  |
| Social Growth Fund           | (3,796,257)              | 485,850                 | (141,570)                    | (3,451,977)              |
| Social Growth Fund 2         | -                        | 500                     | (380,800)                    | (380,300)                |
| SIS Community Capital        | 1,222                    | 4,561                   | (4,258)                      | 1,525                    |
| SIS Ventures Limited         | 237                      | 44,179                  | (44,055)                     | 361                      |
|                              | <u>15,829,350</u>        | <u>809,670</u>          | <u>(1,702,669)</u>           | <u>14,936,351</u>        |
| <b>Total funds</b>           | <u><u>18,779,337</u></u> | <u><u>1,833,954</u></u> | <u><u>(2,483,407)</u></u>    | <u><u>18,129,884</u></u> |

A £173,111 transfer has been made between the Social Growth Fund and the General Fund at 31 March 2020. This transfer is necessary to correctly account for the Social Growth Fund management charges removed on consolidation.

A £348,333 transfer has been made between the Social Growth Fund 2 and the General Fund at 31 March 2020. This transfer is necessary to correctly account for the Social Growth Fund 2 management charges removed on consolidation.

A transfer of £652,640 has been made between the Asda Bag Levy Fund and the General Fund at 31 March 2020. The transfer being the recycling of the funds now deemed as unrestricted in accordance with the conditions of the fund agreement.

A transfer of £44,000 has been made between SIS Ventures Limited and the General Fund at 31 March 2020. The transfer is necessary to correctly account for the fund management fees removed on consolidation.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**17 Movement in funds (continued)**

| <b>Group - 2019</b>          | <b>At 1 April<br/>2018<br/>Restated<br/>£</b> | <b>Income<br/>£</b>     | <b>Expenditure<br/>and transfers<br/>£</b> | <b>At 31 March<br/>2019<br/>£</b> |
|------------------------------|---|-------------------------|--|-----------------------------------|
| <b>Unrestricted funds</b>    |   |                         |  |                                   |
| General fund                 | 770,747                                       | 1,101,166               | (1,173,475)                                | 698,438                           |
| Designated funds:            |   |                         |  |                                   |
| Social Surplus Fund          | 1,549   | -                       | -  | 1,549                             |
| Default reserve              | 1,900,000                                     | -                       | -  | 1,900,000                         |
| Margin reserve               | 350,000                                       | -                       | -  | 350,000                           |
|                              | <u>3,022,296</u>                              | <u>1,101,166</u>        | <u>(1,173,475)</u>                         | <u>2,949,987</u>                  |
| <b>Restricted funds</b>      |   |                         |  |                                   |
| The Scottish Investment Fund | 17,911,685                                    | 390,678                 | 76,345                                     | 18,378,708                        |
| The Asda Bag Levy Fund       | 2,209,092                                     | (613,860)               | (349,792)                                  | 1,245,440                         |
| Social Growth Fund           | (2,625,179)                                   | 644,947                 | (1,816,025)                                | (3,796,257)                       |
| SIS Community Capital        | 1,296   | 5,994                   | (6,068)                                    | 1,222                             |
| SIS Ventures Limited         | -   | 37,919                  | (37,682)                                   | 237                               |
|                              | <u>17,496,894</u>                             | <u>465,678</u>          | <u>(2,133,222)</u>                         | <u>15,829,350</u>                 |
| <b>Total funds</b>           | <u><u>20,519,190</u></u>                      | <u><u>1,566,844</u></u> | <u><u>(3,306,697)</u></u>                  | <u><u>18,779,337</u></u>          |

A £300,000 transfer has been made between the Social Growth Fund and the general fund at 31 March 2019. This transfer is necessary to correctly account for the Social Growth Fund management charges removed on consolidation.

A transfer of £138,618 has been made between the Asda Bag Levy Fund and the General fund at 31 March 2019. The transfer being the recycling of the funds and remaining levies now deemed as unrestricted in accordance with the conditions of the fund agreement.

A transfer of £37,650 has been made between SIS Ventures Limited and the general fund at 31 March 2019. The transfer is necessary to correctly account for the fund management fees removed on consolidation.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**17 Movement in funds (continued)**

| <b>Company - 2020</b>        | <b>At 1 April<br/>2019<br/>£</b> | <b>Income<br/>£</b>     | <b>Expenditure<br/>and transfers<br/>£</b> | <b>At 31 March<br/>2020<br/>£</b> |
|------------------------------|----------------------------------|-------------------------|--|-----------------------------------|
| <b>Unrestricted funds</b>    |                                  |                         |  |                                   |
| General fund                 | 573,242                          | 1,450,784               | (1,063,232)                                | 960,794                           |
| Designated funds:            |                                  |                         |  |                                   |
| Social Surplus Fund          | 1,549                            | -                       | -  | 1,549                             |
| Default reserve              | 1,900,000                        | -                       | -  | 1,900,000                         |
| Margin reserve               | 350,000                          | -                       | -  | 350,000                           |
|                              | <u>2,824,791</u>                 | <u>1,450,784</u>        | <u>(1,063,232)</u>                         | <u>3,212,343</u>                  |
| <b>Restricted funds</b>      |                                  |                         |  |                                   |
| The Scottish Investment Fund | 17,997,996                       | 274,470                 | (702,412)                                  | 17,570,054                        |
| The Asda Bag Levy Fund       | 1,245,440                        | 110                     | (934,657)                                  | 310,893                           |
|                              | <u>19,243,436</u>                | <u>274,580</u>          | <u>(1,637,069)</u>                         | <u>17,880,947</u>                 |
| <b>Total funds</b>           | <u><u>22,068,227</u></u>         | <u><u>1,725,364</u></u> | <u><u>(2,700,301)</u></u>                  | <u><u>21,093,290</u></u>          |

A transfer of £652,640 has been made between the Asda Bag Levy Fund and the General fund at 31 March 2020. The transfer being the recycling of the funds and remaining levies now deemed as unrestricted in accordance with the conditions of the fund agreement.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**17 Movement in funds (continued)**

| Company - 2019               | At 1 April<br>2018<br>Restated<br>£ | Income<br>£             | Expenditure<br>and transfers<br>£ | At 31 March<br>2019<br>£ |
|------------------------------|-------------------------------------|-------------------------|-----------------------------------|--------------------------|
| <b>Unrestricted funds</b>    |                                     |                         |                                   |                          |
| General fund                 | 681,399                             | 1,367,147               | (1,475,304)                       | 573,242                  |
| Designated funds:            |                                     |                         |                                   |                          |
| Social Surplus Fund          | 1,549                               | -                       | -                                 | 1,549                    |
| Default reserve              | 1,900,000                           | -                       | -                                 | 1,900,000                |
| Margin reserve               | 350,000                             | -                       | -                                 | 350,000                  |
|                              | <u>2,932,948</u>                    | <u>1,367,147</u>        | <u>(1,475,304)</u>                | <u>2,824,791</u>         |
| <b>Restricted funds</b>      |                                     |                         |                                   |                          |
| The Scottish Investment Fund | 17,911,685                          | 390,676                 | (304,365)                         | 17,997,996               |
| The Asda Bag Levy Fund       | 2,209,092                           | (613,860)               | (349,792)                         | 1,245,440                |
|                              | <u>20,120,777</u>                   | <u>(223,184)</u>        | <u>(654,157)</u>                  | <u>19,243,436</u>        |
| <b>Total funds</b>           | <u><u>23,053,725</u></u>            | <u><u>1,143,963</u></u> | <u><u>(2,129,461)</u></u>         | <u><u>22,068,227</u></u> |

A transfer of £138,618 has been made between the Asda Bag Levy Fund and the general fund at 31 March 2019. The transfer being the recycling of the funds now deemed as unrestricted in accordance with the conditions of the fund agreement.

**Designated funds**

Designated funds represent reserves held to safeguard the future core lending activities of the Group. These funds are used to absorb bad and doubtful debts on the core CITR book and provide a margin cover in the event of the loss of profitability in the SIS CF loan book.

Default reserve – £1.9m and reviewed quarterly.  
Margin reserve – £350k and reviewed quarterly.

Contributions to the surplus fund will be made on an annual basis, in line with the finalisation of consolidated group financial statements. Subject to the final ratification of the SIS Board, contributions to the fund will be calculated as 25% of any annual surplus reported over and above £50,000, the surplus being derived from group unrestricted funds. Funds will be designated to the surplus fund but will remain unrestricted funds for accounting purposes. In any financial year the board shall not be compelled to make an allocation to the fund and will always retain the right of veto on any designation of funds.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

**17 Movement in funds (continued)**

**Restricted funds**

The Scottish Investment Fund was set up in 2008 to provide third sector organisations a broad range of financial support including loans, risk capital funding and non-repayable (grant) investments. The Scottish Government subscribed a total of £31,800,000 to the fund in the four-year period to 31 March 2012.

The Asda Bag Levy Fund was created in 2015 and was capitalised through a partnership with Asda Stores Limited. The final capital was received in the year to 31 March 2018 and the capital has been fully deployed in the year to 31 March 2019. The fund is designed to support early stage social enterprises looking to access social investment for the first time. Using money raised through the carrier bag levy, the fund has supported social enterprises to make the step change needed to increase their social impact and/or financial sustainability. The monies received have also supported the delivery of the social enterprise development academy. The academy is an innovative programme of investment and business support for consumer facing social enterprises.

The Social Growth Fund was set up in 2014 for the purposes of providing debt finance to third sector organisations in Scotland, including term loans and patient capital products. During the year, Social Investment Scotland advanced net amounts of £270,829 (2019: £nil) by way of members' capital to support the activities of the fund. The Social Growth Fund is fully consolidated based on control of the LLP and as a result the losses are recognised onto the consolidated balance sheet of Social Investment Scotland. If losses were to crystallise then they would be equally split between capital partners.

SIS Community Capital was formed in 2015 to utilise the newly introduced Social Investment Tax Relief (SITR) and provides flexible loan finance to third sector organisations in Scotland. The pilot fund is capitalised with monies from private investors and is operated as an unregulated collective investment scheme using a nominee structure. SIS performs the role of specialist advisor to SIS Community Capital and is 100% shareholder in the corporate vehicle delivering the fund.

SIS Ventures Limited was formed in 2018 to launch a fund backed by both Social Investment Tax Relief (SITR) and Enterprise Investment Scheme (EIS). The fund is capitalised with monies from private investors and SIS Ventures Limited is an FCA authorised entity. The fund provides both equity investment and loan finance to mission-driven businesses.

The Social Growth Fund 2 was launched in May 2019, building on the original partnership with Big Society Capital and the Scottish Government, Social Growth Fund 2 was launched with the addition of the University of Edinburgh as an investor, making £17m of capital available to Scotland's social enterprise sector, generating great opportunity to connect more capital with communities and contribute to inclusive growth for Scotland. During the year, Social Investment Scotland advanced £436,863 (2019: £nil) by way of members' capital to support the activities of the fund. The Social Growth Fund 2 is fully consolidated based on control of the LLP and as a result the losses are recognised onto the consolidated balance sheet of Social Investment Scotland. If losses were to crystallise then they would be equally split between capital partners.

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

**18 Analysis of net assets between funds**

| <b>Group - 2020</b>          | <b>Tangible<br/>fixed<br/>assets<br/>£</b>                   | <b>Net current<br/>assets<br/>£</b> | <b>Long term<br/>liabilities &amp;<br/>provisions<br/>£</b> | <b>Total<br/>£</b>       |
|------------------------------|--|-------------------------------------|---|--------------------------|
| <b>Unrestricted funds</b>    | 24,034   | 5,919,499                           | (2,750,000)   | 3,193,533                |
| <b>Restricted funds:</b>     |  |                                     |   |                          |
| The Scottish Investment Fund | -  | 18,455,656                          | -   | 18,455,656               |
| The Asda Bag Levy Fund       | -  | 311,086                             | -   | 311,086                  |
| Social Growth Fund           | -  | 2,450,273                           | (5,902,250)   | (3,451,977)              |
| Social Growth Fund 2         | -  | (380,300)                           | -   | (380,300)                |
| SIS Community Capital fund   | -  | 1,525                               | -   | 1,525                    |
| SIS Ventures Limited         | -  | 361                                 | -   | 361                      |
|                              | <u>24,034</u>  | <u>26,758,100</u>                   | <u>(8,652,250)</u>  | <u>18,129,884</u>        |
|                              | <u><u>24,034</u></u>   | <u><u>26,758,100</u></u>            | <u><u>(8,652,250)</u></u>                                   | <u><u>18,129,884</u></u> |
| <br><b>Company - 2020</b>    |  |                                     |   |                          |
|                              | <b>Tangible fixed<br/>assets &amp;<br/>investments<br/>£</b> | <b>Net current<br/>assets<br/>£</b> | <b>Long term<br/>liabilities<br/>£</b>                      | <b>Total<br/>£</b>       |
| <b>Unrestricted funds</b>    | 2,786,101  | 426,242                             | -   | 3,212,343                |
| <b>Restricted funds:</b>     |  |                                     |   |                          |
| The Scottish Investment Fund | 4,504,134  | 13,065,920                          | -   | 17,570,054               |
| The Asda Bag Levy Fund       | -  | 310,893                             | -   | 310,893                  |
|                              | <u>7,290,235</u>   | <u>13,803,055</u>                   | <u>-</u>  | <u>21,093,290</u>        |
|                              | <u><u>7,290,235</u></u>                                      | <u><u>13,803,055</u></u>            | <u><u>-</u></u>   | <u><u>21,093,290</u></u> |

**SOCIAL INVESTMENT SCOTLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18 Analysis of net assets between funds (continued)**

| <b>Group - 2019</b>          | <b>Tangible<br/>fixed<br/>assets<br/>£</b>                   | <b>Net current<br/>assets<br/>£</b> | <b>Long term<br/>liabilities &amp;<br/>provisions<br/>£</b> | <b>Total<br/>£</b>       |
|------------------------------|--|-------------------------------------|---|--------------------------|
| <b>Unrestricted funds</b>    | 28,941   | 7,671,046                           | (4,750,000)   | 2,949,987                |
| <b>Restricted funds:</b>     |  |                                     |   |                          |
| The Scottish Investment Fund | -  | 18,378,708                          | -   | 18,378,708               |
| Asda bag levy fund           | -  | 1,245,440                           | -   | 1,245,440                |
| Social Growth Fund           | -  | 1,195,090                           | (4,991,347)   | (3,796,257)              |
| SIS Community Capital fund   | -  | 1,222                               | -   | 1,222                    |
| SIS Ventures Limited         | -  | 237                                 | -   | 237                      |
|                              | <u>28,941</u>  | <u>28,491,743</u>                   | <u>(9,741,347)</u>  | <u>18,779,337</u>        |
|                              | <u><u>28,941</u></u>   | <u><u>28,491,743</u></u>            | <u><u>(9,741,347)</u></u>                                   | <u><u>18,779,337</u></u> |
| <br><b>Company - 2019</b>    |  |                                     |   |                          |
|                              | <b>Tangible fixed<br/>assets &amp;<br/>investments<br/>£</b> | <b>Net current<br/>assets<br/>£</b> | <b>Long term<br/>liabilities<br/>£</b>                      | <b>Total<br/>£</b>       |
| <b>Unrestricted funds</b>    | 2,466,545  | 358,246                             | -   | 2,824,791                |
| <b>Restricted funds:</b>     |  |                                     |   |                          |
| The Scottish Investment Fund | 4,610,637  | 13,387,359                          | -   | 17,997,996               |
| The Asda Bag Levy Fund       | -  | 1,245,440                           | -   | 1,245,440                |
|                              | <u>7,077,182</u>   | <u>14,991,045</u>                   | <u>-</u>  | <u>22,068,227</u>        |
|                              | <u><u>7,077,182</u></u>                                      | <u><u>14,991,045</u></u>            | <u><u>-</u></u>   | <u><u>22,068,227</u></u> |



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**19 Reconciliation of net income to net cash flow from operating activities**

|  | Group          |                    | Company          |                |
|--|----------------|--------------------|------------------|----------------|
|  | 2020           | 2019               | 2020             | 2019           |
|  | £              | £                  | £                | £              |
| Net income for the year                                    | (649,453)      | (1,739,853)        | (974,937)        | (985,498)      |
| Adjustments for:   |                |                    |                  |                |
| Depreciation charges                                       | 14,901         | 13,129             | 14,901           | 13,129         |
| Investment income  | (88,763)       | (78,791)           | (63,143)         | (43,321)       |
| Loan impairment  | -              | -                  | 504,890          | 380,710        |
| Decrease/(increase) in debtors                             | 1,060,873      | (19,942)           | 2,811,749        | 1,577,681      |
| (Decrease)/increase in creditors                           | (11,471)       | (19,054)           | 47,707           | (22,195)       |
| <b>Net cash (used in)/provided by operating activities</b> | <b>326,087</b> | <b>(1,844,511)</b> | <b>2,341,167</b> | <b>920,506</b> |

**20 Ultimate controlling party**

In the opinion of the trustees, the charitable company has no ultimate controlling party.

**21 Other professional services provided by the auditor**

In common with many other entities of our size and nature we use our auditor to prepare and submit returns to the tax authorities, provide corporate finance and tax consultancy and assist with the preparation of the financial statements.

**22 Related party transactions**

At the year-end there is an amount payable by Broxburn United Sports Club, a company in which Thomas Gillan was a director during the year, totalling £53,953 (2019: £70,358). During the year repayments were received of £19,030 (2019: £6,809) which included interest of £2,625 (2019: £4,881).

At the year-end there is an amount payable by Social Bite Fund, an organisation in which Morag McNeill is a trustee, totalling £34,790 (2019: £45,624). During the year, repayments were received of £50,584 (2019: £43,859). These repayments included interest repayments of £3,467 (2019: £4,698).

At the year-end there is an amount payable by Social Bite Fund, an organisation in which Morag McNeill is a trustee, in relation to the World's Big Sleep Out totalling £500,000 (2019: £nil). During the year, repayments were received of £30,466 (2019: £nil). These repayments included interest repayments of £30,466 (2019: £nil).

Nick Kuenssberg (director of Impact First Nominees Limited, a subsidiary, and Social Investment Scotland in the prior year) invested £nil (2019: £15,000) in Impact First Nominees Limited during the year, and has £14,460 (2019: £14,460) owed to them as at the year end. He also held an investment of £5,000 (2019: £5,000) in social enterprises through SIS Community Capital Limited. Nick Kuenssberg resigned as director on 31 December 2018.

Mike Wooderson (director of SIS Ventures Limited) invested £nil (2019: £15,000) in Impact First Nominees Limited during the year, and has £14,460 (2019: £14,460) owed to them as at the year end.

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**22 Related party transactions (continued)**

Amanda Young (director of SIS Ventures Limited) invested £nil (2019: £15,000) in Impact First Nominees Limited during the year, and has £14,460 (2019: £14,460) owed to them as at the year end.

William Crossan (director of SIS Ventures Limited and Social Investment Scotland) invested £nil (2019: £25,000) in Impact First Nominees Limited during the year, and has £24,100 (2019: £24,100) owed to them as at the year end.

A family member of Morag McNeill (director of SIS Ventures Limited and Social Investment Scotland) invested £nil (2019: £30,000) in Impact First Nominees Limited during the year, and has £28,920 (2019: £28,920) owed to them as at the year end.

Social Investment Scotland charged a management charge of £200,000 (2019: £300,000) to SIS (Community Finance) Limited, one of its subsidiaries, in the year. SIS (Community Finance) Limited gift aided £78,921 (2019: £42,631) to Social Investment Scotland in the year. There is a balance of £2,200,000 (2019: £2,362,500) due at the year end from SIS (Community Finance) Limited. These transactions have been removed on consolidation.

Social Investment Scotland charged a management charge of £173,111 (2019: £300,000) to Social Growth Fund LLP, one of its subsidiaries, in the year. They loaned the partnership a further £1,000,000 (2019: £nil) in the year and loan repayments of £601,615 (2019: £nil) were received in the year per an agreement in place with Social Growth Fund and Big Society Capital. There is a balance of £5,389,732 (2019: £4,991,348) due at the year end from the LLP, this is included within investments in the company. These transactions have been removed on consolidation.

Social Investment Scotland charged a management charge of £348,333 (2019: £30,000) to Social Growth Fund 2 LLP, one of its subsidiaries, in the year. They loaned the partnership £436,863 (2019: £nil) in the year per an agreement in place with Social Growth Fund 2, Big Society Capital and the University of Edinburgh. There is a balance of £436,863 (2019: £nil) due at the year-end from the LLP, this is included within investments in the company. These transactions have been removed on consolidation.

Social Investment Scotland charged a management charge of £44,000 (2019: £37,650) to SIS Ventures Limited, one of its subsidiaries, in the year. There is a balance of £44,000 (2019: £7,530) due at the year end from SIS Ventures Limited. These transactions have been removed on consolidation.

All investments made into SIS Community Capital Limited and Impact First Nominees Limited are recognised on a nominee basis and so do not appear within the balance sheet of the companies or group. Under the Charities SORP & FRS102 Section 33, it is a requirement that amounts invested by the directors (both current and prior year directors) are disclosed as related parties and as such these have been set out above.

**23 Guarantee**

The members of the charitable company have agreed to contribute £1 each to the assets of the charitable company in the event of it being wound up.

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**24 Balances in respect of fund management activities**

The charity acts as agent with respect to two fund management activities. The following assets, liabilities, income and expenditure are not recognised within the financial statements on the basis that the charity is administering these funds as an agent to other entities.

|   | 2020<br>£        | 2019<br>£        |
|---|------------------|------------------|
| <b>Carnegie Affordable Credit Loan Fund</b>                 |                  |                  |
| Loans under management (including provisions for bad debts) | 500,000          | 500,000          |
| Cash at bank and in hand                                    | 1,572,776        | 1,563,966        |
| Deferred grant income                                       | (60,000)         | (60,000)         |
| <b>Net funds under management</b>                           | <u>2,012,776</u> | <u>2,003,966</u> |
| <br>  |                  |                  |
| Interest on loans under management                          | 22,603           | 13,940           |
| Grant income  | -                | 80,000           |
| Bank charges  | (122)            | (124)            |
| <b>Net income in year</b>                                   | <u>22,481</u>    | <u>93,816</u>    |
| <br>  |                  |                  |
| <b>Social Impact Accelerator Fund</b>                       |                  |                  |
| Loans under management (including provisions for bad debts) | 2,400,000        | 2,358,000        |
| Cash at bank and in hand                                    | 91,612           | 95,867           |
| <b>Net funds under management</b>                           | <u>2,491,612</u> | <u>2,453,867</u> |
| <br>  |                  |                  |
| Interest on loans under management                          | 211,283          | 85,425           |
| Fees and commissions  | 4,460            | 5,000            |
| Provision for bad debts                                     | (161,223)        | (312,000)        |
| Repayment to Big Society Capital                            | -                | (38,959)         |
| Bank charges  | -                | (49)             |
| Bank interest   | 50               | -                |
| <b>Net income in year</b>                                   | <u>54,570</u>    | <u>(260,583)</u> |

**25 Events after the end of the reporting period**

In April 2020, the group refinanced the 1% £2m subordinated unsecured loan stock which was repayable in April 2020. A new subordinated loan stock facility of £2m has been provided at a rate of 1% and will be repayable in April 2025.

Following the year-end SIS took on management of the Credit Union Resilience Fund, a £10m fund launched by the Scottish Government. The fund will be deployed over three years and will provide flexible loan capital for credit unions to support resilience, development and growth.