BIG SOCIETY CAPITAL

REPORT AND FINANCIAL STATEMENTS 2017

CONTENTS

Company Information	1
Corporate Governance	2
Remuneration Report	4
Strategic Report	5
Directors' Report	10
Independent Auditors' Report	12
Statement of Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to the Financial Statements	18

COMPANY INFORMATION

Directors

Sir Harvey McGrath (Chair)[1,3]
Chair of Governors Birkbeck College, Chair of Trustees of Heart of the City, Funding London and Icould. Former Chair of Prudential plc and Man Group plc.

Kieron Boyle[1]
Chief Executive of Guy's and St. Thomas' Charity. Trustee of Design Council and of Catch 22 and Advisory Board member of World Policy Institute.

Sir Ronald Cohen
Chair of the Global Social Impact Investment Steering Group and former Chair of the Social Impact Investment Taskforce established under the UK's preidency of the G8. Co-founder and Chair of the Portland Trust, co-founder and former Chair of Bridges Ventures and co-founder of Social Finance in the UK, US and Israel. Member of the Board of Dean's Advisors at Harvard Business School and a Vice-Chairman of Ben Gurion University. Former Director of the Harvard Management Company and the University of Oxford Investment Committee and was a co-founder and former Chair of Apax Partners.

Fiona Ellis[2,4]
Chair of the BBC Appeals Advisory Committee, Member of Durham University Council, Chair of St Cuthbert's Society and Trust Manager of the Millfield House Foundation.

Stuart Foster[2]
(Big Society Capital Director nominated by the shareholder banks) Managing Director, Commercial and Private Banking Division of NatWest Bank.

Christina McComb[3,4]
Chair of OneFamily and Senior Independent Director of the British Business Bank, Standard Life European Private Equity Trust plc and Nexeon Ltd.

Dai Powell OBE[1]
Chief Executive of HCT Group. Trustee of Power to Change.

Cliff Prior CBE[3]
Chief Executive of Big Society Capital. Non-Executive Director of UCL Partners. Adviser to the Global Social Entrepreneurship Network, Member of the UK Practitioners' Council for the Global Steering Group for Impact Investment.

Dame Susan Rice DBE[1]
Chair Scottish Water, Business Stream, Scottish Fiscal Commission, Governors of the National Galleries of Scotland, and the Chartered Banker: Professional Standards Board. Lay member of the Court of Edinburgh University. Senior Independent Director of J Sainsbury plc, Director of C.Hoare & Co, North American Income Trust, and the Banking Standards Board.

Sarah Smart[2]
Chair of TPT Retirement Solutions, Non-Executive Director and Chair of the Audit Committee of the Pensions Regulator, and Patron of Social Investment Scotland.

Anne Wade
Non-Executive Director of John Laing Group plc and of Summit Materials. Trustee of the Heron Foundation, Partner of Leaders' Quest.

Danielle Walker Palmour[1,4]
Foundation Director of Friends Provident Foundation, Vice-Chair of York Blind and Partially Sighted Society and Trustee of York Area Quaker Meeting. Non-Executive Director of Civil Society Media.

Secretary
Alastair Ballantyne

Auditors
KPMG LLP
15 Canada Square
London
E14 5GL

Bankers
HSBC plc
69 Pall Mall
London
SW1Y 5EY

Registered office
New Fetter Place
8-10 New Fetter Lane
London
EC4A 1AZ

Registered number
07599565

[1] Member of the Nominations and Remuneration Committee (N&R Committee)
[2] Member of the Audit, Risk and Compliance Committee (ARCC)
[3] Member of the Investment Committee (IC)
[4] Fiona Ellis was a member of IC until her resignation from the Committee on 2 November 2017, Christina McComb was appointed a member of IC on 20 July 2017, Danielle Walker Palmour was a member of ARCC until her resignation from the Committee and appointment to the N&R Committee on 20 July 2017.

CORPORATE GOVERNANCE

Big Society Capital Limited (Big Society Capital, BSC) is an independent financial institution with a social mission, set up to help grow the social investment market.

Our vision is to improve people's lives by helping tackle social challenges through investment. Big Society Capital will focus its efforts, alongside partners bringing their capital and expertise, on social issues where the company can have a sustainable impact. In the process Big Society Capital will help to build the social investment market. It also seeks to achieve and maintain financial sustainability over the longer term.

The company is authorised by the Financial Conduct Authority (Firm Number: 568940).

Big Society Capital

Big Society Capital is a company limited by shares with capital comprising "A" shares, held by The Big Society Trust, and "B" shares, held by the four shareholder banks.

The composition of the Big Society Capital Board reflects its purpose and includes directors with financial and/or social sector expertise. The Board comprises non-executive directors (including one who is nominated by the shareholder banks) and the CEO of Big Society Capital.

Big Society Capital has two Board Committees each comprising non-executive directors with external members providing specific expertise:

- the Nominations and Remuneration Committee – responsible for making recommendations concerning the appointment of directors, particularly for ensuring that there is an even balance on the Board between individuals with the appropriate depth of experience and expertise in the financial and social sectors. It also has responsibilities for setting levels of remuneration.
- the Audit, Risk and Compliance Committee (ARCC) – responsible for overseeing management processes and other arrangements to ensure the appropriateness and effectiveness of systems and controls, including risk management.

Big Society Capital has three other operational committees:

- the Executive Committee is chaired by the CEO and is responsible for the day-to-day running of Big Society Capital.
- the Investment Committee comprises Board and Executive Committee members responsible for making investments and for the performance of Big Society Capital's portfolio of investments, and reporting its activities to the Board. All investments over £10m also require approval by the Board. It is chaired by the CEO of Big Society Capital or delegated to an alternative member of the Committee (normally the Deputy Chair).
- the Valuation Committee is responsible for determining valuations and assessing investment performance, including social impact. This includes identifying key risks and issues within Big Society Capital's investment portfolio. It is chaired by the CFO of Big Society Capital (who is not a member of the Investment Committee). Members of ARCC and the company auditors are invited to observe meetings of the Valuation Committee.

The Big Society Trust Limited

The Big Society Trust Limited (The Big Society Trust, BST) is the majority shareholder in Big Society Capital. Its role is to ensure that Big Society Capital remains true to its mission. Reflecting its strategic remit, The Big Society Trust Board represents a balance of social and financial experience and comprises business and social sector leaders and ex-officio, the CEOs of sector representative bodies, a nominee of the Cabinet Office and the Chair of Big Society Capital. The Big Society Capital CEO is invited to attend The Big Society Trust Board meetings as an observer.

To fulfil its role, the Big Society Trust Board meets four times a year. For each board meeting, Big Society Capital provides information about its activities and there is a discussion of developments with the Big Society Capital CEO. The Board has an opportunity to advise on strategy and to review its oversight role and BST/BSC governance arrangements.

The Big Society Trust Directors as at 31 December 2017:

Baroness (Jill) Pitkeathley OBE (Chair)
House of Lords, Chair of the House of Lords Select Committee on Charities. President of the National Council for Voluntary Organisations.

Stephen Howard LVO
Chair of Thames Reach, Power to Change and We are Futures. Director of Big Issue Social Investments Limited. Trustee of the American International Church and Thanda UK.

Robin Budenberg CBE
Chair of the Crown Estate, London Chairman of Centerview Partners and Non-Executive Director of Charity Bank.

David Robinson OBE (until 18 May 2017)
Chair, Early Action Task Force, Senior Adviser and founder of Community Links and Non-Executive Director of Social Finance Limited.

Dame Clare Tickell (from 18 May 2017)
CEO of Hanover Housing Association, Non-Executive Director of the National Audit Office.

Asheem Singh (until 30 January 2017)
Interim CEO of the Association of Chief Executives of Voluntary Organisations.

Sir Stuart Etherington (from 30 January 2017)
CEO of The National Council for Voluntary Organisations.

Peter Holbrook CBE
CEO of Social Enterprise UK.

Helen Stephenson CBE (until 18 July 2017, nominated by the Cabinet Office)
Director, Early Years and Childcare, Department for Education.

Joanna Fox (from 16 November 2017, nominated by the Cabinet Office)
Senior Commercial Specialist in the Infrastructure and Projects Authority and Head of Public Private Partnerships.

John Kingston OBE
Chair of Access – the Foundation for Social Investment.

Sir Harvey McGrath
Chair of Big Society Capital.

To enable it to carry out its role, The Big Society Trust has a controlling interest in Big Society Capital. It has 80% of the voting rights at shareholders' meetings. For important issues, such as any change to the company's Articles concerning its objects or powers, a consensus vote by The Big Society Trust Board is required.

Big Society Capital reports regularly to The Big Society Trust on its financial performance, its investments and Board and senior manager appointments. The Big Society Trust is not involved in making investment decisions or other operational issues.

Shareholder banks

Each shareholder bank (Barclays, HSBC, Lloyds Banking Group and RBS) has subscribed £50 million of Big Society Capital's shares. Their individual shareholdings will always be less than 10% of the paid-in capital, currently 9.97%.

The banks can vote at shareholders' meetings. Their votes are in proportion to their shareholding, but each is capped at 5% of the overall voting rights. The banks together have the right to nominate one director to the Big Society Capital Board. In addition to information provided to them by that director, the banks receive all Big Society Capital Board papers and quarterly and half yearly reports. In certain circumstances the banks have the right to request a meeting with the senior management of Big Society Capital to discuss its performance.

Big Society Capital Advisory Board

The Big Society Capital CEO has established an Advisory Board to advise on aspects of Big Society Capital's strategy or activities. The Advisory Board is made up of individuals with specific interest and involvement in social investment including prominent practitioners from the sector. The Advisory Board is a consultative committee with no decision making powers. Its membership is approved by the Big Society Capital Board.

Advisory Board members as at 31 December 2017

Vidhya Alakeson Power to Change
Robert Annibale Citi
Dawn Austwick OBE Big Lottery Fund
Jonathan Bland E3M
Rt Hon Hazel Blears Social Investment Business
Carolyn Clifton Ambition E. Midlands
Dan Corry New Philanthropy Capital
Alastair Davis Social Investment Scotland
Seb Elsworth Access – The Foundation for Social Investment
Paul Farmer CBE Mind
Jamie Hartzell Ethex
David Hutchison OBE Social Finance
Dominic Llewellyn Numbers for Good
Kate Markey The Forward Trust
Caroline Mason CBE Esmee Fairbairn
David Orr National Housing Federation
James Perry Panahpur
Hugh Rolo Locality
Antony Ross OBE Bridges Fund Management
Ian Scholes Spacious Place
Carolyn Sims Charity Bank
Whitni Thomas Triodos Bank
Chris Wright Catch 22

REMUNERATION **REPORT**

This report covers the 12 months ended 31 December 2017 and sets out the policy and disclosures in relation to the remuneration of the employees and directors of Big Society Capital.

The Nominations & Remuneration Committee (N&R) is appointed by the Board of the company and makes recommendations on these issues to it.

The N&R Committee is responsible for establishing a formal and transparent procedure for setting the remuneration policy for the executive staff of the company and for determining the remuneration packages of executive staff. It also leads the process for setting non-executive directors' fees.

The N&R Committee's responsibilities regarding remuneration are to:

- make recommendations to the Board of the company in relation to the remuneration of directors and senior executives;
- make recommendations to the Board of the company in relation to the identity and terms of appointment of independent consultants for the conduct of an independent salary survey, at least once every five years;
- establish the benchmark for remuneration packages for persons engaged in similar positions in the public, not-for-profit or charity sectors;
- review the on-going appropriateness and relevance of the company remuneration, pensions and employment benefits policies;
- determine the total individual remuneration package of senior executives in consultation with the Chair and/or CEO of the company, as appropriate;
- review on an annual basis the remuneration of non-executive directors;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the company;
- oversee any major changes in the nature of employee benefits provided by the company; and
- agree the policy for authorising claims for expenses from the directors.

Principles for executive remuneration

- Executive directors and the senior executive team will be paid a comparable remuneration package to persons engaged in similar positions in the public or not-for-profit sectors, as appropriate.
- The senior executive team will not be paid any bonuses.

Principles for non-executive remuneration

- Non-executive directors will be offered an equivalent sum paid by other comparable public bodies and not-for-profit organisations such as housing associations.
- In 2017, the amounts were £7,635 (2016: £7,500) per annum for the service of acting as a non-executive director, £3,300 (2016: £3,250) per annum for chairing a Board Committee and £1,650 (2016: £1,625) per annum for acting as a non-chair member of a Committee. In addition, £5,000 per annum is offered to a non-executive director who acts as a member of the Investment Committee. These amounts are reviewed by Big Society Capital annually in the light of inflation and non-executive remuneration levels at comparable organisations.
- Total non-executive directors' fees in 2017 were £61,500 (2016: £52,000).

Higher paid employees

The total number of employees, including directors, with annual remuneration of £60,000 or more and employed as at the period end were as follows:

	2017 Number	2016 Number
£60,000 - £69,999	7	8
£70,000 - £79,999	5	4
£80,000 - £89,999	1	1
£90,000 - £99,999	2	2
£100,000 - £109,999	1	1
£110,000 - £119,999	1	-
£140,000 - £149,999	1	1

Sixteen of these employees participate in the company pension scheme. Employees make a contribution of up to 8% of salary to the pension scheme. The company matches the employee contributions and pays an additional 3% of salary.

The total number of employees at 31 December 2017 was 44 and at 31 December 2016 was 44.

The ratio of highest salary to lowest salary is 6.33.

Gender pay data

Big Society Capital is planning to publish its gender pay gap data on its website in May 2018.

STRATEGIC REPORT

Strategy and purpose

In July 2017 BSC completed a major strategy review. The new strategy is an evolution from BSC's achievements in the previous five years, based on learning what works and on extensive consultation. The new strategy sets out that BSC's over-riding purpose is to improve the lives of people in the UK by connecting social investment to charities and social enterprises. BSC will focus its efforts on three areas where BSC believe social investment can be particularly effective: homes for people in need, supporting communities and early action to prevent harm. In addition BSC will continue to make capital available to opportunities outside these focus areas including follow-ons from existing funds where BSC are seeing an impact or well-formed and highly impactful incoming propositions.

BSC's five corporate objectives cascade from this strategy and purpose. They guide BSC team objectives and ultimately objectives for individual staff members.

Corporate objectives

1. To support and invest in innovative models that use social investment to enable those in most need to live in affordable, safe, and secure homes – while creating wider change in the market.

2. To support and invest in innovative models that use social investment to strengthen communities in disadvantaged areas to build local solutions that improve people's lives.

3. To support and invest in innovative models that use social investment to help improve people's lives by tackling problems at an earlier stage.

4. To build and sustain a successful social investment market.

5. To grow BSC's impact, effectiveness, sustainability, and reputation.

Business model and trends

Big Society Capital engages with investors, fund managers, charities and social enterprises to make it easier to use social investment. With its co-investors, it has made over £1 billion of new capital available to organisations with a social mission, through investments into fund managers and social banks. It has a special focus on: providing homes for people in need; supporting communities to improve lives; and early action to prevent problems.

Big Society Capital acts as a wholesaler, to build the market through intermediaries alongside others rather than investing directly. The company invests with intermediaries to provide finance that can meet the needs of charities and social enterprises. The company focuses on sustainable solutions that will achieve positive investment returns as it believes those will be able to attract the most co-investors and ultimately achieve the greatest systemic change. By investing its capital, the company aims to build a thriving ecosystem which has strong intermediaries and more available finance from diverse sources. The company will judge its ultimate success by the growth and social impact of the broader environment it helps create, not just the direct impact of its investment capital.

Big Society Capital also acts as a champion for social investment to increase awareness of, and confidence in, social investment. It does this by encouraging other organisations to engage with the market, developing research that builds understanding, improving the measurement of social impact, and advocating for an appropriate policy environment.

Big Society Capital's principles are:

Independence: The Big Society Trust, an independent holding company that currently owns 60.11% of Big Society Capital's shares, was set up to ensure that the company is held 'on mission'. The company is not owned or controlled by Government, nor is it controlled by the banks that have invested in it, which have capped shares of 40%, and voting rights of 20%.

Transparency: Big Society Capital is committed to producing details of the financial and social impact of its investments. It acts as a champion for sharing information and expertise across the social investment sector.

Self-sufficiency: Over time, the company needs to cover its operating costs and any losses from the return on its investments, as well as earn a small financial return. This will demonstrate that the social investment model is sustainable.

Wholesaler: Big Society Capital acts as a wholesaler, deploying capital through intermediaries including organisations providing market infrastructure.

Big Society Capital has received equity capital from The Big Society Trust of £301m. The source of the capital from The Big Society Trust is dormant bank accounts managed

BUSINESS MODEL AND TRENDS
CONTINUED

by the Reclaim Fund Limited (RFL). The RFL passes surplus funds to the Big Lottery Fund, which then grants the English portion of the funds to The Big Society Trust for investment in enterprises domiciled in England. At the launch of the company it was expected that the Big Society Trust's shareholding would grow to £400m over time and further RFL monies are expected in future periods. Big Society Capital has received £200m from the shareholder banks (Barclays, HSBC, Lloyds Banking Group and RBS) which represents their maximum commitment.

Principal risks and uncertainties

The principal risks and uncertainties facing the company relate to its investment portfolio. The company has an Investment Committee which has been delegated responsibility to make investment decisions in line with Big Society Capital's Investment Policy. The Valuation Committee monitors the ongoing financial and social performance of investments and identifies key risks.

The financial risks and the steps taken to manage them are outlined in Note 14 to the Financial Statements.

The company also faces the risk that its investments do not deliver the anticipated social impact. Social impact assessment has been incorporated into the Valuation Committee process which considers the social value of the underlying investments. The company works closely with intermediaries on their social impact strategies, models and reporting.

There is the risk that the company fails to deliver its strategy and market-building projects. Also, that the company fails to communicate effectively to charities and social enterprises as social investment develops. The company is focused on ensuring that adequate resources are available to implement its plans.

The risks surrounding the development of the social investment market include:

- slower than expected take-up of investment by front-line organisations. The company continues to work with intermediaries and other market participants to improve the ability of charities and social enterprises to take on finance;
- the failure of an investment leading to damage to market confidence and/or to vulnerable beneficiaries or significant investment failure which impacts the financial viability of the company. The company closely monitors the performance of all its investments by holding regular reviews with the intermediaries and, if appropriate, by having representation or observer rights on the investee board or its investment committee; and
- not meeting matching targets for co-investment, resulting in less capital reaching the social sector. In recognition of the challenges faced with bringing in co-investment at this early stage, Big Society Capital is able to provide seed investments to help intermediaries build a strong track record and increase their chances of raising future matching finance.

Big Society Capital as a responsible business

Big Society Capital seeks to maximise its positive impact and demonstrate its values as a social organisation through how it runs its operations, its staff policies, its approach as an investor and its wider engagement with the social sector.

- During 2017, charities and social enterprises enjoyed 113 (2016: 178) hours of free meeting room space at Big Society Capital's offices.
- At the end of 2017 Big Society Capital had 4 (2016: 4) social enterprises in its supply chain.
- During 2017, 41 (2016: 36) charitable organisations were supported by the company's staff acting as Trustees, or in other governance roles, outside of their work commitments and on a voluntary basis.

Business performance and key performance indicators

Financial performance:

The Financial Statements on pages 14 to 40 outline the company's financial performance for the period.

The financial result for the company has improved significantly over the prior year with the company recording its first net profit since commencing operations in 2012 (2017 profit of £0.8m, 2016 loss of £5.3m). Increased revenue of £6.1m resulting from the growth and performance of the company's portfolio of social investments during 2017 has been the principal driver of the movement into a net profit position. This improved performance

FINANCIAL PERFORMANCE
CONTINUED

is primarily due to increases in the valuation of a number of the company's largest investments together with higher fund income and interest generation across the social investment portfolio as the portfolio has grown and an increasing number of the company's investments move out of their initial deployment phase (2017 total revenue of £7.0m, 2016: £0.9m). Notwithstanding the growth of the social investment portfolio over the year administrative costs are unchanged from 2016 (2017 administrative costs of £5.8m, 2016: £5.8m). Of the total administrative expenses it is estimated that 45-50% relate to the company's social investment championing activities.

The company's investment portfolio is made up of a social investment portfolio and a treasury portfolio. The social investment portfolio comprises investments made to meet the company's objectives outlined above. The treasury portfolio represents capital held before it is drawn down into social investment.

The increased returns from the social investment portfolio in 2017 reflect the continued growth of the portfolio over the year and also the current stage of a number of Big Society Capital's larger social investments as these move towards a more mature fully-invested position. A significant proportion of the portfolio is invested into funds that invest into charities, social enterprises and social property. Big Society Capital's use of fair value measurement in accounting for fund and other social investments has resulted in increased revenue in 2017 based on the underlying performance and valuation of the investments. The movements in investment valuations in 2017 are due to a combination of write-ups on certain investments and write-downs of a number of smaller investments made during the initial start-up phase of the company. The investment valuations that were written up in 2017 arose primarily from increases in the valuation of certain funds that are now fully deployed together with some one-off increases arising on two large social property fund investments. Upward and downward revenue volatility from valuation movements is likely to be a feature of the company's performance in future years as a result of applying the principles of fair value measurement and this in turn will have an impact on future profitability.

In 2016, the largest part of the treasury portfolio moved to a new investment manager and the mandate was changed to only permit investments which have been successfully screened in accordance with a socially responsible investment process, while aiming for capital preservation in line with normal treasury management. The treasury portfolio also includes an allocation to social bond, equity and multi-asset funds. Total income from the treasury portfolio in 2017 was approximately 12% higher than 2016 as a result of increased returns achieved across the portfolio and changes to the portfolio mix since 2016.

The net profit achieved for the first time in 2017 is clearly a welcome development and the longer term objective is for the company to generate positive financial returns and social impact on a continuing basis as the social investment portfolio becomes more mature and exits from earlier investments are realised. The generation of financial returns will also enable the company's operational and market championing costs to be covered. However, it should be noted that, given the nature of the company's early stage investment portfolio, the company expects volatility in the net profit and in some years, particularly in the near term, the company may experience net losses.

Championing Activities:

Big Society Capital continues to build awareness and understanding of social investment with charities, social enterprises and investors. In 2017 we launched our first digital Impact Report, looking back over the last five years since our launch in 2012.

Our championing work in 2017 included new key initiatives to build deeper understanding with some specific investor groups and to help address barriers to participation, as well as ongoing engagement work:

- Collaborated with the Access Foundation and social sector partners to launch www.GoodFinance.org.uk, a website to help charities and social enterprises navigate the social investment market through the provision of information and resources alongside a comprehensive directory of social investors and advisors.
- Delivered the "Get Informed" Social Investment for Boards campaign providing support for trustees and non executive directors of charity and social enterprise boards, on

CHAMPIONING ACTIVITIES
CONTINUED

both taking on and making social investments. This campaign now has over 1300 individuals signed up to receive resources (which includes case studies and blogs by both charity, social enterprise and foundation Board members) and has successfully offered 70 mentors to board members.

- Continued to engage via events and media activities with charities and social enterprises and network bodies, delivering 18 "Let's Talk Good Finance" regional networking events.
- Expanded the SIIG (Social Impact Investors Group), to 270 members from 100 foundations and other investors; supported them to engage with social investment through learning and investment opportunities (presentations from 30-40 social enterprises and funds).
- Ran a venture philanthropy research project leading to the establishment of a learning and connecting group of 50 practitioners and funders, as well as a UK Venture Philanthropy steering group. The purpose of the steering group is to develop the capacity of social purpose organisations to improve their sustainability through the delivery of more and better venture philanthropy in the UK (connecting funders and sharing good practice).
- Established Donor Advised Fund (DAF) Advisory Council with leading DAFs in the UK and launched Practitioners Guide to help DAFs and referral partners understand how DAFs can make social investment.
- Engagement with Local Government Pension Schemes (LGPS), including becoming a founding influencer member of Pensions for Purpose, impact investment event with LGPS with Allenbridge and Cass Business School as well as published case studies of how LGPS has made impact investments.
- Continued engagement with investors through media and events including Worthstone's Social Investment Academy, Good Money Week, Toniic GIIN and BVCA Impact Investment Advisory Group.

Social Investment Activity and Key Performance Indicators:

Big Society Capital has a range of key performance indicators (KPIs) that it uses to evaluate both the social investment market and the organisation's performance. The figures below show the company's KPIs at 31 December 2017.

Capital available to charities and social enterprises

- Since launching Big Society Capital has signed 75 (2016: 63) investments.
- The cumulative amount of investments signed by Big Society Capital and its co-investors is £1,146m (2016: £893m).
- Of this £434m (2016: £340m) is Big Society Capital's own funds and £712m (2016: £553m) is from its co-investors. When an investment is signed, the funds are then available for intermediaries to invest into charities and social enterprises.

The major categories of co-investors include:

– UK charities and foundations - 14% (2016: 14%)

– UK Government agencies - 9% (2016: 11%)

– UK funds - 1% (2016: 1%)

– UK banks - 4% (2016: 4%)

– Local authority pension funds - 2% (2016: 2%)

– Other (Institutional/ Partner Clients) - 46% (2016: 40%)

– International - 7% (2016: 10%)

– Social bank depositors - 17% (2016: 18%)

Money reaching charities and social enterprises

- The cumulative amount drawn down from Big Society Capital and its co-investors is £764m (2016: £467m). Big Society Capital's expectation is that the average investment will typically take between three and six years to fully draw down.
- Of this £224m (2016: £142m) has come from Big Society Capital's own funds and £540m (2016: £325m) from its co-investors.
- The drawdown has been utilised as follows (based on Big Society Capital's drawdown):

SOCIAL INVESTMENT ACTIVITY AND KEY PERFORMANCE INDICATORS
CONTINUED

Cumulative drawdown by product type:

- 62% (2016: 50%) is capital for charities and social enterprises through funds and social banks.
- 27% (2016: 39%) is into property, mainly to help charitable service delivery.
- 3% (2016: 4%) is helping charities deliver services using Social Impact Bonds.
- 5% (2016: 4%) is management fees paid to intermediaries.
- 3% (2016: 3%) is capital for arrangers (investments into social investment advisers).

Cumulative drawdown by organisational form:

- 73% (2016: 74%) asset locked charities and social enterprises.
- 16% (2016: 14%) non-asset locked social enterprises.
- 3% (2016: 5%) other (e.g. Local Authorities as part of mixed funds)
- 5% (2016: 4%) is management fees paid to intermediaries.
- 3% (2016: 3%) is capital for arrangers (investments into social investment advisers).

Capital available for investment

Big Society Capital has received £501m (2016: £501m) of capital from the Reclaim Fund and the shareholder banks.

This is the amount of capital that the company has received from its shareholders, and therefore the total amount available to the company to use to run its operations and invest. Of this £501m, £434m has been signed and committed, of which £224m has been drawndown.

Return on assets

As required by IFPRU, the FCA Prudential Sourcebook for Investment Firms, the company's return on assets is a profit of 0.2% (2016: a loss of 1.1%).

This report was approved by the Board on 17 April 2018 and signed on its behalf.

Cliff Prior
Director

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2017.

Registered number: 07599565

Directors

The following persons served as directors during the year:

Sir Harvey McGrath (Chair)

Kieron Boyle

David Carrington (resigned from the Board 18 May 2017)

Sir Ronald Cohen

Fiona Ellis

Stuart Foster (appointed to the Board 28 June 2017)

Christina McComb (appointed to the Board 28 June 2017)

Dai Powell OBE

Cliff Prior CBE

Dame Susan Rice DBE

Sarah Smart

Keith Smithson (resigned from the Board 28 June 2017)

Anne Wade

Danielle Walker Palmour

Dividends

The directors do not recommend the payment of a dividend for the year (2016: £nil).

Directors' Indemnity

The company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs.

Pillar III disclosures

The company makes disclosures on its website - bigsocietycapital.com – setting out the company's capital resources, risk exposures and risk management processes.

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
CONTINUED

departures disclosed and explained in the financial statements;

- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the Board on 17 April 2018 and signed on its behalf.

Cliff Prior
Director

INDEPENDENT AUDITOR'S REPORT

To the members of Big Society Capital Limited

Opinion

We have audited the financial statements of Big Society Capital Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information, which comprises the strategic report, the directors' report, company information, corporate governance and the remuneration report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 10 to 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either

DIRECTORS' RESPONSIBILITIES
CONTINUED

intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Martin
(Senior Statutory Auditor)

for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants

15 Canada Square
E14 5GL

17 April 2018

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 £ 000	2016 £ 000
Income		6,051	3,683
Investment gains/(losses)	2	951	(2,832)
Total Revenue	3	**7,002**	**851**
Other income	4	116	122
Administrative and other expenses	5	(6,348)	(6,248)
Profit/(loss) on ordinary activities before taxation		**770**	**(5,275)**
Tax credit on profit/(loss) on ordinary activities	7	12	4
Profit/(loss) for the financial year		**782**	**(5,271)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**782**	**(5,271)**

The results above relate to continuing operations.

The notes on pages 18 - 40 form part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	8	192	276
Investments	9	194,856	132,318
		195,048	**132,594**
Current assets			
Debtors	10	525	320
Investments	11	284,413	339,823
Cash at bank and in hand		5,230	15,842
		290,168	**355,985**
Creditors: amounts falling due within one year	12	(770)	(4,906)
Net current assets		**289,398**	**351,079**
Total assets less current liabilities		**484,446**	**483,673**
Provisions for liabilities			
Deferred taxation	13	(21)	(30)
Net assets		**484,425**	**483,643**
Capital and reserves			
Called up share capital	16	501,395	501,395
Profit and loss account	17	(16,970)	(17,752)
Total equity		**484,425**	**483,643**

The notes on pages 18 - 40 form part of these Financial Statements.

Approved by the Board on 17 April 2018
and signed on its behalf

Cliff Prior
Director

Company registration number: 07599565

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	356,547	-	-	(12,481)	344,066
Loss for the financial year	-	-	-	(5,271)	(5,271)
Shares issued	144,848	-	-	-	144,848
At 31 December 2016	**501,395**	**-**	**-**	**(17,752)**	**483,643**
At 1 January 2017	501,395	-	-	(17,752)	483,643
Profit for the financial year	-	-	-	782	782
Shares issued	-	-	-	-	-
At 31 December 2017	**501,395**	**-**	**-**	**(16,970)**	**484,425**

The notes on pages 18 - 40 form part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 £ 000	2016 £ 000
Operating activities			
Operating profit/(loss)		770	(5,275)
Adjustments for:			
Depreciation		110	72
		880	**(5,203)**
(Increase)/decrease in debtors		(205)	459
(Decrease)/increase in creditors		(1,233)	45
		(558)	**(4,699)**
Foreign exchange losses		319	33
Corporation tax received		3	-
Returns on fixed asset investments		1,649	5,846
Returns on current asset investments		(4,390)	(3,400)
Cash used in operating activities		**(2,977)**	**(2,220)**
Investing activities			
Payments to acquire tangible fixed assets		(26)	(36)
Payments to acquire fixed asset investments		(79,262)	(63,116)
Payments to acquire current asset investments		(38,258)	(551,225)
Repayment of loans		12,006	4,443
Proceeds from sale of fixed asset investments		-	330
Proceeds from sale of current asset investments		92,949	386,326
Cash used in investing activities		**(12,591)**	**(223,278)**
Financing activities			
Proceeds from the issue of shares		-	144,848
Cash generated by financing activities		**-**	**144,848**
Net cash used			
Cash used in operating activities		(2,977)	(2,220)
Cash used in investing activities		(12,591)	(223,278)
Cash generated by financing activities		-	144,848
Net cash used		**(15,568)**	**(80,650)**
Cash and cash equivalents at 1 January	18	48,836	129,486
Cash and cash equivalents at 31 December		**33,268**	**48,836**
Cash and cash equivalents comprise:			
Cash at bank		5,230	15,842
Current asset investments (Maturity less than 3 months from the date of acquisition)		28,038	32,994
	18	**33,268**	**48,836**

The notes on pages 18 -40 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2017

Basis of preparation

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which are stated at their fair value, as detailed in the 'Basic Financial Instruments' accounting policy below.

Use of judgements and estimates

The preparation of the financial statements in conformity with applicable UK GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis.

The most significant area of judgement is the determination of fair values for investments. This is discussed below, in the accounting policy 'Basic financial instruments - iii) Fair value measurement'.

Going concern

The financial statements have been prepared on the going concern basis. The company has incurred cumulative losses since inception of £17.0m, including a profit for the year of £0.8m. The company had cash and current asset investments of £289.4m as at the year end, having been capitalised with £501.4m of equity investment since inception.

This means that, despite the losses to date, the company is in a position to continue to finance and support the overall business objectives. The directors have prepared cash flow projections that support the ability of the company to continue as a going concern.

Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to the functional currency (pound sterling) at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Associates held as part of an investment portfolio

The company has investments which may be regarded as associated undertakings, which might require these to be consolidated using the equity method of accounting. As these investments are held as part of an investment portfolio, they have not been consolidated in the accounts of the company, and are measured at fair value with changes in fair value recognised in profit or loss in accordance with FRS 102 14.4B.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Government grants
Government grants are included within deferred income in the Statement of Financial Position and credited to the Statement of Comprehensive Income over the expected useful lives of the assets to which they relate or in the period in which the related costs are incurred.

Interest
Interest income is recognised either using the effective interest method or on an accruals basis, depending upon whether the financial asset is measured at 'amortised cost' or whether it has been designated upon initial recognition as at 'fair value through profit or loss'.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to the carrying amount of the financial instrument. When calculating the effective interest rate, the company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Net gains or losses from financial assets designated as at fair value through profit or loss
Net gains or losses from financial assets designated as at fair value through profit or loss includes all realised and unrealised fair value changes, but excludes interest income.

Basic financial instruments
i) Recognition and initial measurement
Financial assets designated as at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Investments within the social investment portfolio, in which the company has significant influence are held as part of an investment portfolio, rather than qualifying as associates. The company recognises its investments within the Statement of Financial Position, on the date on which investments are signed and a drawdown notice has been received by the company. Additionally the company discloses commitments at two distinct stages: commitments contracted but not drawn down and in principle commitments. Details are set out in Note 20 - Capital commitments.

ii) Classification
The company classifies its basic financial instruments into the following categories:

Financial assets at fair value through profit or loss:

- Designated as at fair value through profit or loss - debt, equity, fund and social impact bond investments and derivative financial instruments.

Financial assets at amortised cost:

- Debt investments meeting the conditions set out in in FRS 102.11, cash at bank and in hand, cash deposits (included in investments held as current assets), and other debtors.

Financial liabilities at amortised cost:

- Creditors

Financial liabilities at fair value through profit or loss:

- Derivative financial instruments

Note 14 - Financial risk management and financial instruments - provides a reconciliation of line items in the Statement of Financial Position to the categories of financial instruments.

iii) Fair value measurement
As described in Note 15 - Valuation of financial instruments, the company uses a three-level hierarchy for fair value measurement disclosure. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining a fair value using Level 3 valuation techniques, the company applies the principles included in the 'International Private Equity and Venture Capital Valuation Guidelines' (2015 edition):

Where an investment has been made recently, or where there has been subsequent, significant new investment into the company, a more accurate valuation is not available and there is no evidence to suggest that the unadjusted Price of Recent Investment is no longer relevant, the company may apply the Price of Recent Investment, for a limited period following the date of the relevant transaction. Where it is felt that there has been a change to the milestones or benchmark then the company will use the Price of Recent Investment adjusted to reflect milestone/ benchmark analysis.

Where appropriate and reasonable earnings or revenue multiples are available for comparable businesses, the company will apply the Multiples valuation technique to derive a value for the investment.

If industry benchmarks can be applied to the investment to derive a fair value, these will be applied.

If future cash flows can be reasonably estimated, and it is felt that the risks, due to the high level of subjectivity,

BASIC FINANCIAL INSTRUMENTS

iii) FAIR VALUE MEASUREMENT CONTINUED

involved in applying the Discounted Cash Flow method do not render the method insufficiently reliable, this will be applied.

Where a regular Net Asset Valuation is available for the investment, the company will assess this for reasonableness and consider whether the investment can be valued on the basis of the underlying fair value of its assets, rather than its earnings. If this is considered appropriate the company will apply the Adjusted Net Asset Valuation method.

The company may decide to use a combination of the mentioned methods, or other methods that are considered more appropriate to derive the fair value of its investments.

iv) Impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s), and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

v) Derivative financial instruments

The company holds derivative financial instruments to manage its exchange risk exposure from its USD and EUR denominated financial assets. Derivatives are recognised initially at fair value with any attributable transaction costs recognised in the profit and loss account as incurred. After initial recognition derivatives are measured at fair value and changes recognised in the profit and loss account as incurred, the fair value reflects the estimated amount the company would receive or pay in an arms length transaction. This amount is determined based on observable exchange rates.

vi) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under UK GAAP e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

Investments held as current assets

The company classifies investments (cash deposits or other debt securities) that cannot be readily realised within 24 hours, but can be realised within 12 months as Investments held as current assets.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	over the lease term
Fixtures, fittings and equipment	over 3 years

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2
INVESTMENT GAINS/ (LOSSES)

	2017 £ 000	2016 £ 000
Social investment portfolio		
Net gains/(losses) from financial assets designated as at fair value through profit or loss:		
Realised	2,150	1,384
Unrealised	(1,507)	(5,313)
Net gains/(losses) from financial assets carried at amortised cost:		
Unrealised	(142)	(284)
Total Social investment gains/(losses)	**501**	**(4,213)**
Treasury portfolio		
Net gains from financial assets designated as at fair value through profit or loss:		
Current Asset Investments - Realised	379	369
Current Asset Investments - Unrealised	206	1,045
Net gains from financial assets carried at amortised cost:		
Realised	184	-
Total Net Gains from Financial Assets	**769**	**1,414**
Net gains/(losses) on currency forward derivatives - Realised	1,456	(4,837)
Net gains/(losses) losses on currency forward derivatives - Unrealised	1,152	(966)
Net gains/(losses) on currency forward derivatives	2,608	(5,803)
Net foreign exchange (losses)/gains from financial assets designated as amortised cost:		
Realised	464	-
Unrealised	(3,391)	5,770
Net foreign exchange losses	(319)	(33)
Total Treasury gains	**450**	**1,381**
Total Social investment and Treasury gains/(losses)	**951**	**(2,832)**

During 2017 the company made investments in foreign currency denominated assets. As outlined in Note 14 - Financial risk management and financial instruments, the foreign exchange risk is managed with currency forward derivative contracts. Any gains/ losses on the revaluation of foreign denominated assets offset the corresponding gains/ losses on the currency forward derivatives to the extent that the derivatives match the underlying currency exposure. Following changes in the mix and return profile of foreign exchange denominated assets in the treasury portfolio during 2017 the exchange loss on foreign currency denominated debt securities was £2.9m (2016: gain of £5.8m) which was offset by a gain on the currency forward derivatives in 2017 of £2.6m (loss of £5.8m), resulting in a net foreign exchange loss of £319,000 (2016: £33,000).

3
TOTAL REVENUE

	2017 £ 000	2016 £ 000
Social investment portfolio		
Fixed asset investments:		
Interest income on financial assets designated as amortised cost	302	343
Interest income on financial assets designated as at fair value through profit or loss	1,807	724
Dividend income from financial assets designated as at fair value through profit or loss	36	-
Fees received	38	149
Income	**2,183**	**1,216**
Net gains/(losses) from financial assets designated as at fair value through profit or loss:		
Management fees and expenses paid to intermediaries	(3,832)	(3,343)
Valuation changes and income relating to underlying investments	4,475	(586)
Net losses from financial assets designated as amortised cost:		
Valuation changes and income relating to underlying investments	(142)	(284)
Investment gains/(losses)	501	(4,213)
	2,684	**(2,997)**
Treasury portfolio		
Interest income on financial assets designated as amortised cost	3,868	2,467
Income	**3,868**	**2,467**
Net gains from financial assets designated as at fair value through profit or loss:		
Current asset investments	585	1,414
Net gains/(losses) on currency forward derivatives	2,608	(5,803)
Net gains/ (losses) from financial assets carried at amortised cost:	184	-
Net foreign exchange (losses)/gains from financial assets designated as amortised cost	(2,927)	5,770
Investment gains	**450**	**1,381**
	4,318	**3,848**
Income		
Social investment portfolio	2,183	1,216
Treasury portfolio	3,868	2,467
	6,051	3,683

3. TOTAL REVENUE
CONTINUED

Investment gains/ (losses)		
Social investment portfolio	501	(4,213)
Treasury portfolio	450	1,381
	951	(2,832)
Total Revenue	**7,002**	**851**

Total revenue increased significantly in 2017 as a result of higher income and gains generated from the social investment portfolio together with increased returns from the treasury portfolio. As described in the Strategic Report on pages 5 to 9 the income and gains on the social investment portfolio reflect the continued growth of the portfolio and the current stage of the company's social investments as these move to a more mature fully-invested position. As described in Note 15 - Valuation of financial instruments, one of the valuation techniques applied is to value the investments on the basis of their Net Asset Valuation. This results in the recognition of set-up costs, management fees and other expenses paid to intermediaries, as they are incurred by the investee.

The management fees paid to intermediaries who manage funds allow those fund managers to employ high quality teams to deliver the social and financial returns required. In this way, the fees represent the cost of delivering the company's investment objectives and of building the capacity of the social investment sector to deliver returns for all social investors.

The largest proportion of the treasury portfolio moved to a new investment manager during 2016. In addition to the move to a socially responsible investment process, the new investment manager is required to hold investments to maturity. As a result debt securities within the new portfolio have been designated as amortised cost. Under the previous strategy debt securities were designated as at fair value through profit or loss. In addition an agreed proportion of the treasury portfolio is invested in tradeable Social Bond, Equity and Multi-Asset funds. Treasury investments in this category have been designated at 'fair value through profit or loss'. The combination of these changes have impacted the split between treasury income and investment gains in 2017 compared to the previous year.

4. OTHER INCOME

	2017 £ 000	2016 £ 000
Government grants received	36	52
Other income	80	70
	116	**122**

During 2017 one project related grant was received from the Cabinet Office. £36,000 in respect of this grant has been recognised in respect of the Good Finance digital platform development.

5 ADMINISTRATIVE AND OTHER EXPENSES

	2017 £ 000	2016 £ 000
Wages and salaries	2,922	2,459
Non-executive directors' fees	62	52
Social security costs	296	305
Pension costs	222	192
Staff related costs, including recruitment, training and travel	366	421
Premises	650	645
General and administrative expenses	408	483
Consultancy	130	219
Marketing, including events, sponsorship and website development	253	281
Research	10	100
Amounts receivable by the company's auditor (see below)	110	126
Other professional costs	181	228
Depreciation of owned fixed assets	110	72
Investment related expenses, including legal fees	88	169
Total administrative expenses	**5,808**	**5,752**
Treasury management fees	540	496
Total other expenses	**540**	**496**
Total administrative and other expenses	**6,348**	**6,248**

Amounts receivable by the company's auditor and its associates in respect of:

	2017 £ 000	2016 £ 000
Auditors' remuneration for audit services	87	69
Taxation compliance services	23	57
	110	**126**

AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2017 Number	2016 Number
Investment	15	13
Senior Management	5	4
Strategy	5	5
Communications	3	4
Operations	10	8
Social & Finance Sector Engagement	5	4
On Purpose Interns	2	3
	45	**41**

A breakdown of the total number of employees, including directors, with annual remuneration of £60,000 or more and employed as at the period end is disclosed in the Remuneration Report on page 4.

6
DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

DIRECTORS' EMOLUMENTS

	2017 £000	2016 £000
Emoluments	207	169
Company contributions to money purchase pension schemes	16	12
	223	181
Highest paid director:		
Emoluments	145	117
Company contributions to money purchase pension schemes	16	12
	161	**129**

NUMBER OF DIRECTORS TO WHOM RETIREMENT BENEFITS ACCRUED:

	2017 Number	2016 Number
Money purchase schemes	**1**	**1**

KEY MANAGEMENT PERSONNEL EMOLUMENTS*

	2017 £000	2016 £000
Emoluments	654	604
Company contributions to money purchase pension schemes	53	50
	707	**654**

*Key management personnel includes one executive director

7 TAXATION

	2017 £ 000	2016 £ 000
Analysis of charge in period		
Current tax:		
Adjustments in respect of previous periods	(3)	-
	(3)	-
Deferred tax:		
Origination and reversal of timing differences	(9)	(4)
	(9)	(4)
Tax credit on profit/(loss) on ordinary activities	**(12)**	**(4)**

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2017 £ 000	2016 £ 000
Profit/(loss) on ordinary activities before tax	**770**	**(5,275)**
Standard rate of corporation tax in the UK	19.3%	20%
	£ 000	£ 000
Profit on ordinary activities multiplied by the standard rate of corporation tax	149	(1,055)
Effects of:		
Income not taxable and/or expenses not allowable for tax purposes	(230)	687
Capital allowances for period in excess of depreciation	9	4
Adjustments to tax charge in respect of previous periods	(3)	-
Tax loss not recognised as deferred tax asset	72	364
Deferred tax - origination and reversal of timing differences	(9)	(4)
Current tax credit for period	**(12)**	**(4)**

8
TANGIBLE FIXED ASSETS

	Land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 January 2017	329	220	549
Additions	–	26	26
At 31 December 2017	**329**	**246**	**575**
Depreciation			
At 1 January 2017	115	158	273
Charge for the year	67	43	110
At 31 December 2017	**182**	**201**	**383**
Carrying amount			
At 31 December 2017	**147**	**45**	**192**
At 31 December 2016	**214**	**62**	**276**

9
FIXED ASSET INVESTMENTS

	Total £000
Social investment portfolio	
At 1 January 2017	132,318
Additions	74,678
Repayment of loans	(12,006)
Redemptions	(59)
Profit and loss - unrealised*	(75)
At 31 December 2017	**194,856**

*Profit and loss - unrealised is predominantly a combination of management fees and expenses paid to intermediaries and fair value adjustments on social investments.

9. FIXED ASSET INVESTMENTS
CONTINUED

The company holds 20% or more of the share capital of the following undertakings:

Investments	Country of Incorporation / Principal place of business[1]	Shares held Class	% As at 31 December 2017	Aggregate Capital and reserves of the entity[2] £000	Aggregate Profit (loss) for the year of the entity[2] £000
3SC Capitalise Limited	UK	Ordinary	50.00	23	(24)
Triodos New Horizons Limited	UK	Ordinary	30.00	3	-
Children's Support Services Limited	UK	Ordinary	26.60	1,896	973
Energise Innovation Limited	UK	Ordinary	35.37	16	(2)
The Charity Bank Limited	UK	Ordinary	65.34	158,609	(570)
It's All About Me Scheme LLP	UK	Partnership Interest	25.00	299	(611)
Social Stock Exchange Limited	UK	Ordinary	31.60	258	(1,131)
Bridges Social Impact Bond Fund LP	38 Seymour Street, London, W1H 7BP	Partnership Interest	37.78	Holding less than 50%, no public filing required	
Impact Ventures S.A., SICAV-SIF	Luxembourg	Registered Shares	41.58	Holding less than 50%, no public filing required	
North East Social Investment Fund Limited Partnership	Maybrook House, Grainger Street, Newcastle	Partnership Interest	48.75	Holding less than 50%, no public filing required	
Nesta Impact Investments 1 Limited Partnership	1 Plough Place, London, EC4A 1DE	Partnership Interest	45.46	Holding less than 50%, no public filing required	
Real Lettings Property Fund Limited Partnership	42 St Thomas Road, Launceston, Cornwall	Partnership Interest	25.07	Holding less than 50%, no public filing required	
The Community Investment Fund L.P.	Reading Bridge House, George Street, Reading	Partnership Interest	40.00	Holding less than 50%, no public filing required	
The Third Sector Loan Fund LLP	UK	Partnership Interest	50.00	6,078	(228)
Shared Lives Investments LP	131-151 Great Titchfield Street, London	Partnership Interest	37.93	Holding less than 50%, no public filing required	
Social Growth Fund LLP	UK	Partnership Interest	50.00	5,368	56
Bridges Social Interim LP	38 Seymour Street, London	Partnership Interest	99.98	792	(17)
Social Finance Care and Wellbeing Investments LLP	UK	Partnership Interest	50.00	686	(859)
Funding Affordable Homes SICAV SIF S.A.	Luxembourg	Registered Shares	27.08	Holding less than 50%, no public filing required	
Big Issue Invest Social Enterprise Investment Fund II L.P.	113-115 Fonthill Road, London	Partnership Interest	63.76	6,395	(79)
National Homelessness Property Fund Limited Partnership	42 St Thomas Road, Launceston, Cornwall	Partnership Interest	46.06	Holding less than 50%, no public filing required	
Cheyne Social Property High Impact (1) Fund	94 Solaris Avenue Camana Bay, Grand Cayman	Partnership Interest	100.00	2,837	(39)
Bridges Evergreen Capital LP	UK	Partnership Interest	50.00	6,342	(286)
Bethnal Green Ventures LLP	UK	Partnership Interest	20.55	2,270	(576)
Public Service Lab LLP	UK	Partnership Interest	20.00	69	(431)
BII Outcomes Investment Fund LP	113-115 Fonthill Road, London	Partnership Interest	85.00	N/A[3]	N/A[3]
Community Owned Renewable Energy LLP	UK	Partnership Interest	50.00	N/A[3]	N/A[3]

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that:

[1] for unincorporated undertakings, the address of its principal place of business is stated.

[2] for all undertakings where the company's holding is 50% or greater, and for undertakings where the company's holding is 20% or greater and the undertaking is required by any provision of the 2006 Companies Act to deliver a copy of its balance sheet, the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and its profit or loss for that year is also stated.

[3] Aggregate capital and reserves and profit or loss not available, as first financial year end falls after 31 December 2017.

10
DEBTORS

	2017 £ 000	2016 £ 000
Other debtors	9	58
Prepayments	265	255
Accrued income on treasury portfolio	85	7
Treasury portfolio - Derivative financial instrument	166	-
	525	**320**

11
INVESTMENTS HELD AS CURRENT ASSETS

	2017 £ 000	2016 £ 000
Treasury portfolio - Cash deposits	33,878	53,461
Treasury portfolio - Listed debt securities	219,219	275,171
Treasury portfolio - Social Bond/Equity/Multi Asset Funds	31,316	11,191
	284,413	**339,823**

Investments held as current assets can be realised within 1 year, but not within 24 hours. Social bond/equity/multi asset funds are open-ended investment companies, and are held as part of the social investment allocation within the treasury portfolio, as described in the Strategic Report on pages 5 to 9.

Listed debt securities include items with a fair value of £nil (2016: £1.4m), which have been pledged as collateral for a contingent liability on foreign exchange forward contracts. The collateral is adjusted daily to reflect any contingent liability arising as at the prior day close of business and is subject to a minimum transfer threshold of £250,000. The collateral can be replaced by a range of agreed alternative financial assets. The company retains the risks and rewards of ownership.

12
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £ 000	2016 £ 000
Trade creditors	140	128
Other taxes and social security costs	85	81
Other creditors	20	3,101
Accruals	513	618
Deferred income	12	12
Treasury portfolio - Derivative financial instrument	–	966
	770	**4,906**

Other creditors comprise drawdown notices received before the year end but paid after the year end.

13
DEFERRED TAXATION

	2017 £ 000	2016 £ 000
Accelerated capital allowances	21	30
Adjustment in respect of prior period	(680)	382
Impact of change in tax rates	-	(64)
Tax losses carried forward	(1,582)	(2,192)
Tax losses not recognised as a deferred tax asset	2,263	1,874
Provision for deferred tax	**21**	**30**

	2017 £ 000	2016 £ 000
Provision for liabilities		
At 1 January	30	34
Credited to the profit and loss account	(9)	(4)
At 31 December	**21**	**30**

14
FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Introduction

The Board is responsible for overall corporate governance, which includes ensuring that there are adequate systems of risk management. The systems and processes aim to identify, measure and report risks. Risk is controlled through a system of procedures, checks, reports and responsibilities. The Audit, Risk and Compliance Committee examines management processes and other arrangements to ensure the appropriateness and effectiveness of systems and controls, including risk management.

As described in the Strategic Report on pages 5 to 9, the company's investment portfolio comprises a social investment portfolio and a treasury portfolio.

The social investment portfolio comprises unlisted equity investments, loans, investments in unlisted funds and investments in social impact bonds. All social investments are approved by the Investment Committee (which has been delegated authority by the Board to operate within set parameters).

The treasury portfolio comprises bank and building society cash deposits, certificates of deposit and listed and unlisted debt securities, and represents capital held before it is drawn down into social investment. The treasury portfolio operates using a socially responsible investment process.

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CATEGORIES OF FINANCIAL INSTRUMENT

Financial instruments as at 31 December by category are shown below:

2017	Financial instruments measured at fair value through profit or loss £ 000	Financial instruments measured at amortised cost £ 000	Non financial instruments £ 000	Total £ 000
Assets				
Tangible fixed assets	-	-	192	192
Fixed asset investments	186,759	8,097	-	194,856
Debtors	166	94	265	525
Investments held as current assets	35,924	248,489	-	284,413
Cash at bank and in hand	-	5,230	-	5,230
Liabilities				
Creditors: amounts falling due within one year	-	(770)	-	(770)
Deferred taxation	-	-	(21)	(21)
	222,849	**261,140**	**436**	**484,425**

As described in Note 3, the treasury portfolio moved to a new investment manager during 2016. In addition to the move to a socially responsible investment process, the new investment manager is required to hold investments to maturity. Within the new portfolio, debt securities have been designated as amortised cost, whereas within the previous portfolio they were designated as at fair value through profit or loss.

2016	Financial instruments measured at fair value through profit or loss £ 000	Financial instruments measured at amortised cost £ 000	Non financial instruments £ 000	Total £ 000
Assets				
Tangible fixed assets	-	-	276	276
Fixed asset investments	125,014	7,304	-	132,318
Debtors	-	65	255	320
Investments held as current assets	32,067	307,756	-	339,823
Cash at bank and in hand	-	15,842	-	15,842
Liabilities				
Creditors: amounts falling due within one year	(966)	(3,940)	-	(4,906)
Deferred taxation	-	-	(30)	(30)
	156,115	**327,027**	**501**	**483,643**

The financial instruments not accounted for at fair value through profit or loss are assets and liabilities whose carrying amounts at the period end approximate fair value.

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CATEGORIES OF FINANCIAL INSTRUMENT CONTINUED

Gains and losses recognised in the profit and loss account during the period to 31 December by category are shown below:

2017	Financial assets measured at fair value through profit or loss £ 000	Financial derivatives measured at fair value £ 000	Financial assets measured at amortised cost £ 000	Other income and expense £ 000	Total £ 000
Interest income	1,788	-	4,189	-	5,977
Fee and dividend income	74	-	-	-	74
Investment gains / (losses)	1,228	2,608	(2,885)	-	951
Other income	-	-	-	116	116
Administrative & other expenses	(72)	-	(544)	(5,732)	(6,348)
Loss on sale of fixed assets	-	-	-	-	-
Tax on loss on ordinary expenses	-	-	-	12	12
	3,018	**2,608**	**760**	**(5,604)**	**782**

2016	Financial assets measured at fair value through profit or loss £ 000	Financial derivatives measured at fair value £ 000	Financial assets measured at amortised cost £ 000	Other income and expense £ 000	Total £ 000
Interest income	724	-	2,810	-	3,534
Fee and dividend income	149	-	-	-	149
Investment gains / (losses)	(2,515)	(5,803)	5,486	-	(2,832)
Other income	-	-	-	122	122
Administrative & other expenses	(136)	-	(477)	(5,635)	(6,248)
Loss on sale of fixed assets	-	-	-	-	-
Tax on loss on ordinary expenses	-	-	-	4	4
	(1,778)	**(5,803)**	**7,819**	**(5,509)**	**(5,271)**

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CREDIT RISK

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. The company is exposed to credit risk principally from debt securities held, loans and receivables and cash deposits.

Investments in unlisted funds and loans included in fixed asset investments are all social investments. Debt securities, showing as current asset investments are held within the treasury portfolio. Cash deposits are either held for operational purposes or as part of the treasury portfolio. Cash deposits that can be withdrawn at any time without notice and without penalty or that have a maturity or period of notice of not more than 24 hours or one working day are shown as cash at bank and in hand, all other deposits with a maturity of up to 1 year are shown as investments held as current assets.

Within the treasury portfolio the company has set a maximum exposure limit for each counterparty. The treasury policy seeks to minimise the exposure to counterparties with perceived higher risk of default by specifying an average credit rating for the portfolio. The treasury portfolio is managed externally and counterparty exposure limits and average credit rating are monitored by the external managers. The company receives monthly treasury reports.

The company's maximum credit risk exposure at the Statement of Financial Position date is represented by the respective carrying amounts of the relevant financial assets in the Statement of Financial Position, with the exception of listed debt securities designated as at amortised cost, for which the credit exposure and the carrying value are shown below. The carrying value includes amortisation of the premium at purchase and does not include any market revaluation, and therefore does not represent the current credit risk.

The company uses foreign exchange forward contracts to manage its exchange risk exposure from holdings of non-GBP denominated financial assets. Collateral is exchanged on open foreign exchange forward contracts representing the unrealised gain (receipt of collateral by the company) or loss (pledge of collateral by the company) on a daily basis.

Credit risk arises from changes in the value of the open foreign exchange forward contracts being insufficiently covered by collateral received (to cover unrealised gains) if the counterparty to the contract does not complete the exchange of currency on the contracted settlement date. This is mitigated by utilising standard credit support agreements with a limited number of mainstream financial institutions and reliance upon the collateral management processes at the investment manager.

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CREDIT RISK EXPOSURE

Credit risk exposure as at the Statement of Financial Position date comprises:

	2017 £ 000	2016 £ 000
Fixed asset investments	194,856	132,318
Other debtors	9	58
Accrued income	85	7
Social Bond/Equity/Multi Asset Funds - Investments held as current assets	31,316	11,191
Cash deposits - Investments held as current assets	33,878	53,461
Listed debt securities*	220,238	277,003
Cash deposits - Cash at bank and in hand	5,230	15,842
Maximum exposure to credit risk as at the Statement of Financial Position date	**485,612**	**489,880**

*** Included within listed debt securities:**

	Credit risk exposure £ 000	Carrying value £ 000
Listed debt securities designated as at amortised cost	220,238	219,219
	220,238	**219,219**

As at the year end Cash at bank and in hand and Investments held as current assets were held at institutions rated as follows by Standard and Poor's Investor Services:

	Rating	2017 £ 000	2016 £ 000
Social Bond/Equity/Multi Asset Funds investments	Not rated	31,316	11,191
Listed debt securities	AAA	39,902	44,967
Listed debt securities	AA	29,439	38,453
Listed debt securities	A	96,179	123,875
Listed debt securities	BBB	42,578	49,116
Listed debt securities	Not rated	11,121	18,760
Cash deposits - Investments held as current assets	A-1	33,878	45,470
Cash deposits - Investments held as current assets	A-2	-	1,996
Cash deposits - Investments held as current assets	Not rated	-	5,995
Cash deposits - Cash at bank and in hand	A-1	5,230	15,842
		289,643	**355,665**

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

LIQUIDITY RISK

Liquidity risk is the risk that cash may not be available to pay obligations. The company's policy is to ensure it has sufficient funds to fulfil liabilities as they fall due, including investment commitments approved by the Investment Committee (see Note 20 - Capital Commitments for details of investment commitments).

The company's financial assets include loans, unlisted equity investments, investments in unlisted funds and investments in social impact bonds, which are generally illiquid.

The company's investments in listed debt securities are considered to be readily realisable as they are actively traded. All cash deposits held as current assets have a maturity of less than 12 months.

The company's overall liquidity is monitored on a daily basis. The company expects to receive quarterly capital inflows to meet its social investment commitments and other obligations.

An analysis of contractual creditor balances, by maturity is shown below:

2017	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000
Creditors: amounts falling due within one year	758	758	758
	758	**758**	**758**

2016	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000
Creditors: amounts falling due within one year	3,926	3,926	3,926
	3,926	**3,926**	**3,926**

MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates and credit spreads (not relating to changes in the issuers credit standing) will affect the company's income or the fair value of its holdings of financial instruments.

The company has interest rate exposure. The company currently has £289.6 million in cash or current asset investments that earn interest at a variety of rates. Any reduction in interest rates will reduce the interest income on these deposits. A reduction of interest rates by 1% would result in a reduction in returns of £2.9 million.

FOREIGN EXCHANGE RISK

The company is exposed to foreign currency risks on assets and liabilities as a result of changes in exchange rates. The company invests in foreign currency denominated bonds and so has foreign currency risk exposure on those assets. The company is mitigating that risk by putting in place matching currency forward derivative contracts. When a foreign currency denominated bond is purchased a spot trade and a forward are executed and these are rolled forward every three months. The spot trade buys foreign currency and sells GBP (originally to fund the bond purchase) and a new forward contract is then executed to sell foreign currency and buy GBP creating a foreign currency liability that offsets the investment.

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

REGULATORY RISK

The company is authorised and regulated by the FCA. It is required to regularly assess the amount of capital needed for operations and will hold liquid capital in excess of this amount.

The company has, at all times during the period under regulatory supervision, held sufficient capital to meet its regulatory capital requirement.

15
VALUATION OF FINANCIAL INSTRUMENTS

The determination of fair value for basic financial instruments for which there is no observable market price requires the use of valuation techniques as described in Note 1 - Accounting policies, 'Basic financial instruments - iii) Fair value measurement'.

The company uses a three-level hierarchy for fair value measurement disclosure, as follows:

- Level 1. The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2. Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3. Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

In determining a fair value using Level 3 valuation techniques, the company applies the principles included in the 'International Private Equity and Venture Capital Valuation Guidelines' (2015 Edition):

- Where an investment has been made recently, or where there has been subsequent, significant new investment into the company, a more accurate valuation is not available and there is no evidence to suggest that the unadjusted Price of Recent Investment is no longer relevant, the company may apply the Price of Recent Investment, for a limited period following the date of the relevant transaction. Where it is felt that there has been a change to the milestones or benchmark then the company will use the Price of Recent Investment adjusted to reflect milestone/ benchmark analysis.
- Where appropriate and reasonable earnings or revenue multiples are available for comparable businesses, the company will apply the Multiples valuation technique to derive a value for the investment.
- If industry benchmarks can be applied to the investment to derive a fair value, these will be applied.
- If future cash flows can be reasonably estimated, and it is felt that the risks, due to the high level of subjectivity, involved in applying the Discounted Cash Flow method do not render the method insufficiently reliable, this will be applied.
- Where a regular Net Asset Valuation is available for the investment, the company will assess this for reasonableness and consider whether the investment can be valued on the basis of the underlying fair value of its assets, rather than its earnings. If this is considered appropriate the company will apply the Adjusted Net Asset Valuation method.

The company may decide to use a combination of the mentioned methods, or other methods that are considered more appropriate to derive the fair value of its investments.

15. VALUATION OF FINANCIAL INSTRUMENTS CONTINUED

The fair value hierarchy of financial assets and liabilities as at 31 December can be analysed as follows:

	2017 £ 000	2016 £ 000
Financial assets/(liabilities) held at fair value:		
Level 1		
Investments held as current assets	-	-
Level 2		
Investments held as current assets	35,924	32,067
Derivative financial instruments	166	(966)
Level 3		
Fixed assets - investments	186,759	125,014
	222,849	**156,115**

There have been no changes in classification of assets held at each level.

Level 3 financial assets held at fair value	Financial assets held at fair value through profit or loss £ 000
Balance at 1 January 2017	125,014
Purchases	70,278
Sales	(8,469)
Total investment returns recognised in profit or loss	(64)
Balance at 31 December 2017	**186,759**

All level 3 financial assets held at fair value are investments held within the social investment portfolio.

16
SHARE CAPITAL

	Nominal value	2017 Number	2017 £ 000	2016 £ 000
Allotted, called up and fully paid:				
Ordinary A shares	£1 each	301,395	301,395	301,395
Ordinary B shares	£1 each	200,000	200,000	200,000
			501,395	**501,395**

17
PROFIT AND LOSS ACCOUNT

	2017 £ 000	2016 £ 000
At 1 January	(17,752)	(12,481)
Profit/(loss) for the financial year	782	(5,271)
At 31 December	**(16,970)**	**(17,752)**

18
CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:	2017 £000	2016 £000
Cash at bank	5,230	15,842
Current asset investments (Maturity less than 3 months from the date of acquisition)	28,038	32,994
Cash and cash equivalents per cash flow statement	**33,268**	**48,836**

As described in Note 11 - Investments held as current assets, investments held as current assets can be realised within 1 year, but not within 24 hours. For cash flow purposes those investments that have a maturity or period of notice of less than 3 months from the date of acquisition are included as cash and cash equivalents. A breakdown of investments held as current assets is provided below:

	2017 £000	2016 £000
Cash deposits (Maturity less than 3 months from the date of acquisition)	28,038	32,994
Cash deposits (Maturity greater than 3 months from the date of acquisition)	5,840	20,467
Listed debt securities	219,219	275,171
Social Bond/Equity/Multi Asset Funds investments	31,316	11,191
Investments held as current assets per Statement of Financial Position	**284,413**	**339,823**

19
EVENTS AFTER THE REPORTING DATE

There are no significant events to disclose since the reporting date.

20
CAPITAL COMMITMENTS

The company recognises investments and potential investments at three distinct stages of the investment process:

1. Investments signed and drawn down - legal agreements are completed and signed and funds (in total or partial) have been drawn down. The amounts drawn down are recognised as financial assets in the Statement of Financial Position, and the balance of the commitment is disclosed below.
2. Investments signed, commitment undrawn - legal agreements are completed and signed and funds (in total or partial) have not been drawn down. These are not recognised within the Statement of Financial Position, but are disclosed below.
3. In principle commitments - the commitment has been approved in principle by the company's Investment Committee, legal agreements and deal terms are in the process of being prepared. These are not recognised within the Statement of Financial Position, but are disclosed below.

20. CAPITAL COMMITMENTS
CONTINUED

As at 31 December, there were capital commitments, in respect of investments signed, commitments undrawn of:

	2017 £ 000	2016 £ 000
Commitments contracted, undrawn fully or partially and not provided in the Financial Statements	**207,365**	**183,266**

As at 31 December, there were in principle commitments of:

	2017 £ 000	2016 £ 000
In principle commitments (approved by the Investment Committee, subject to legal documentation)	**21,352**	**19,831**

21
OTHER FINANCIAL COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases:

	Land and buildings 2017 £ 000	Land and buildings 2016 £ 000
Falling due:		
within one year	358	358
within two to five years	434	792
	792	**1,150**

22
RELATED PARTY TRANSACTIONS

During 2016 The Big Society Trust, being the parent company, purchased £87.3m of £1 Ordinary A shares in Big Society Capital Limited. There were no purchases in the current period.

During the period Access - The Foundation for Social Investment, being a member of The Big Society Trust group, paid £70,000 (31 December 2016: £70,000) to Big Society Capital, in respect of a licence fee for the use of its offices. As at 31 December 2017 there was an outstanding balance of £6,000 (31 December 2016: £6,000). The transactions were made on terms equivalent to those that prevail in arm's length transactions.

Directors' and senior management emoluments are disclosed in Note 6 - Directors' and key management personnel emoluments, and the Remuneration Report on page 4.

23
CONTROLLING PARTY

The directors consider that the immediate parent undertaking and the ultimate controlling party of this company is The Big Society Trust, a company incorporated in the UK and limited by guarantee.

The consolidated financial statements of the group are available to the public and may be obtained from Companies House.

24
PRESENTATION CURRENCY

The financial statements are presented in Sterling.

25
LEGAL FORM OF ENTITY AND COUNTRY OF INCORPORATION

Big Society Capital Limited is a limited company incorporated in England.

26
PRINCIPAL PLACE OF BUSINESS

The address of the company's principal place of business and registered office is:

New Fetter Place
8-10 New Fetter Lane
London
EC4A 1AZ

BIG SOCIETY CAPITAL

www.bigsocietycapital.com/annualreport
Registered number 07599565