

Chairman's Statement

for the year ended 31 March 2018

Since 2012/13 Social Investment Scotland (SIS) has progressed in significant terms and in the year to March 2018 surpassed the milestone of having provided funding in excess of £60m. Alongside this, staffing has increased from six to twenty, the 2013-18 Framework for Growth was completed ahead of schedule, the Twenty/2020 strategic plan is already well advanced, and SIS is now acknowledged as having a leading role in the UK social enterprise ecosystem. The foresight of the funders in 2001 has been fully justified as the partnership strategy has borne fruit, creating a dynamic organisation that has supported over 300 organisations in areas of market failure, with an increasing number of funds under management, the securing of a unique AERIS credit rating (the first non-US organisation to do so) and increasingly sophisticated social impact reporting. Current economic conditions and social developments mean that there remains significant scope to further SIS operations.

The financial results demonstrate the continued year on year growth within the SIS Group. The year to 31 March 2018 has seen a total of £5.3m invested in over 44 organisations throughout Scotland. Of this total: £2m has been funded from SIS Community Finance (our core capital fund) in 30 projects and £2.7m from the Social Growth Fund in three projects. SIS continues to invest the charitable funds raised from the sale of single use carrier bags in Asda stores and during the current year £595k was invested in 11 projects from this fund. It has also been a year of significant investment in SIS' IT infrastructure, funds and product offering and resource capacity and this has resulted in a £131k deficit (2017: £56k surplus). However, this investment provides the platform for SIS to deliver new funds and continue growth under the Twenty/2020 strategic plan.

The highlight of the year has been the extension of SIS activity but as always based on the underlying partnership model. Without the ongoing meaningful support of the Scottish Government, Big Society Capital, the Esmée Fairbairn Foundation, our bank investors (RBS, Lloyds Banking Group, Clydesdale Banking Group and Triodos), Asda Walmart, and the Carnegie UK Trust none of this would be possible. As well as loan finance to social enterprises, the new funds take us into new markets including support to providers of affordable credit, SMEs in disadvantaged areas and broader forms of impact investment. There are extremely important for the future and provide a substantial platform for future activity and growth.

2017/18 has been notable for the establishment of two additional funds, namely the Affordable Credit Fund (with cornerstone investor the Carnegie UK Trust) and the management of the Community Investment Enterprise Facility in partnership with Big Society Capital. Also, key has been the creation of SIS Ventures Limited, a new arm of SIS authorised by the FCA, which launched its first fund 'Impact First' in the summer of 2018. Internally the executive also implemented the introduction of a new integrated customer relationship and loan management system and all of these developments have driven improved corporate governance arrangements and delivered a reorganisation of the management structure.

During the year Darrin Nightingale was appointed Chief Customer Officer, responsible for development activity and the growing investment team, and Alistair Johnstone was made Chief Credit and Compliance Officer. This move has facilitated a strengthening of the wider operations of SIS led by Chief Operations Officer, Debbie Zima, which allows SIS to manage a wider and more complex range of funds. This position is only made possible through the excellent performance of the senior management team led by Alastair Davis as Chief Executive Officer and Thomas Gillan as Chief Finance and Strategy Officer.

At the same time, I must record my gratitude to an exceptional board of trustees serving SIS, the Social Growth Fund and SIS Ventures together with a number of highly skilled non-board committee members, all of whom provide their services on a pro bono basis and whose engagement extends beyond the actual meetings. There have been changes with the retiral of Stewart Carruth, also a conscientious and discerning convenor of the Audit and Risk Committee, who has been replaced by Kenneth McDowell, previously a member of the same committee. We have also made two extremely important appointments with appointees of unimpeachable quality in Bill Crossan, Chair of SIS Ventures, and Kenneth Barclay as our first vice chair, who will take over from myself as chair in January 2019. It says a lot for the SIS Group that we can attract candidates of such talent, expertise and commitment and the calibre of these individuals together with the accomplishments of the executive mean that I will be able retire in December, confident in the future of SIS.

A handwritten signature in black ink, appearing to read 'Nick Kuenssberg', with a stylized flourish at the end.

Nick Kuenssberg

Chairman

August 2018