

## SOCIAL INVESTMENT SCOTLAND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

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

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

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

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

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

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

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

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

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

In the year under review, the Group results showed continued progress, with close to £11m invested in purpose-driven organisations. We created a surplus on unrestricted funds of £243k, and further detail on the results is set out in the Trustees Report. As we look ahead, SIS remains in a position of strength, supported on a practical level by reserves and liquidity. What has become enormously encouraging, however, is the ability of the organisation to pivot quickly, as Alastair Davis, SIS CEO, his Executive and the entire team at SIS showed in response to COVID-19. There was a determination to deal with the crises, keeping our customers at the heart of the organisation, to ensure that, in the most challenging of circumstances, those businesses under most stress were given the best support possible to allow them to come through the pandemic, whilst themselves enduring a fundamental change in the way business is done. I am extremely grateful to all the team at SIS who have shown prodigious ambition whilst working through a hugely challenging time for everyone.

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