

ALLIA LTD

Report of the Directors and Financial Statements

for the Year Ended 31 August 2017

**Allia Limited
Chief Executive's Statement
for the Year Ended 31 August 2017**

ALLIA LIMITED

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for the Year Ended 31 August 2017**

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Amplifying Impact

Language changes. Over the years I have variously described what Allia does as

- "finding solutions to counter disadvantage, exclusion, inequality and unemployment"
- "regenerating social, economic and intellectual capital"
- "being at the forefront of developing social investment mechanisms to support initiatives that help give others a better future"
- "enabling people to improve their health and wellbeing, to learn new skills, to come off welfare support, out of the poverty trap and into enterprise and employment".

Whatever the words I have used, Allia's objective is not the pursuit of private profit but the pursuit of positive impact for people, planet or place.

Our world continues to need effective solutions and new thinking to solve pressing global and local challenges. Organisations and individuals that aim to make positive change and address these challenges – impact ventures and impact entrepreneurs – can transform peoples' lives. Allia recognises that they need the right kind of support and is dedicated to helping them set-up, grow and develop through inspiring workspaces, effective support and innovative social finance. It is our task to amplify their impact.

Like many of the world's most progressive and forward-thinking organisations, Allia supports the UN Sustainable Development Goals – the 17 objectives to tackle global issues like hunger, joblessness, poverty, climate change and food waste amongst others. We gladly support those who are committed to addressing these challenges. We help impact organisation and initiatives to grow, through inspiring workspaces at our Future Business Centres, effective support through our Serious Impact programme and innovative social finance through Allia Impact Finance.

We have helped thousands of people into work, into housing and out of debt. Over 700 impact initiatives have been assisted to start up, grow or scale up – launching exciting new innovations and working with communities to create hundreds more jobs and raising nearly £300m of impact investment.

I am enormously thankful to the team of inspiring colleagues, now numbering over 50, who work for Allia and who, between them last year enabled us to: -

- Increase the income from our Future Business Centres by 20% to £1.3m
- Increase Group income overall to £4.6m
- Identify a property in Hackney to become the new Future Business Centre East London
- Finance it, fit it out, open it and staff it
- Recruit and welcome some great tenants and already to be supporting 59 ventures with their growth and local employment aspirations!
- Raise nearly £90m through bond issues, £58m of which was via our Retail Charity Bonds platform through bonds listed on London Stock Exchange
- Support a remarkable two hundred individuals, organisations and initiatives striving to make a positive impact on local and global issues
- Launch a new programme of Community Challenges focused on homelessness and isolation
- Work with our European neighbours to improve the lot of senior citizens who do not benefit from all the innovations developed within the Silver Economy of European countries.

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I am enormously grateful too for a team who so willingly share our values of:

- Community – We recognise that to create thriving communities we can't do it alone and that we benefit from working with others collaboratively – both internally and externally.
- Integrity – We take pride in what we do and always make sure to do what is right not what is convenient.
- Sustainability – Creating a sustainable society is at the heart of how we behave, think and operate.
- Creativity – We are problem solvers who like big challenges

And, as ever, I am enormously grateful to all who so willingly lend us their support, their money and their expertise – our trustees, local government, our corporate sponsors, our friends and donors. We would be nothing without you.

Thank you.

Tim Jones
CEO Allia

Allia Limited
Report of the Directors
for the Year Ended 31 August 2017

The Trustee Directors (the "Directors") present their annual report and the audited financial statements for the year ended 31 August 2017.

These accounts include the results of our trading subsidiaries, Future Business Enterprise Agency Limited, Allia Impact Finance Limited and Allia Social Impact Investments Limited.

As the Society is an exempt charity, the financial reporting framework that has been applied in the preparation of the accounts is applicable law and the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) as amended by Update Bulletin 1 (effective 1 January 2015).

OBJECTIVES AND ACTIVITIES

Allia is an independent not for profit organisation with a mission to amplify impact for society. We are dedicated to helping impact organisations, entrepreneurs and initiatives to set-up, grow and develop through inspiring workspaces at our Future Business Centres, effective support through our Serious Impact programme and innovative social finance through Allia Impact Finance. In this year, we have made great progress and are aligning what we do with the UN Sustainability Goals, working towards solving some of the world's greatest challenges.

ACHIEVEMENTS AND PERFORMANCE

Allia Future Business Centres

Our Future Business Centres are centres of entrepreneurial excellence where people can effect social change and which continue to receive interest and praise for their role as innovation and incubation hubs for increasing numbers of impact entrepreneurs and ventures. We have welcomed visitors from China, Scandinavia and the USA who have come to see and understand our cross-subsidy model supporting those creating positive impact to refine their ideas, set-up and scale.

Allia now has four Future Business Centre locations open, having expanded in two further locations during the year; rebranding and realigning the property in Norfolk Street Cambridge and developing a new Future Business Centre in London Fields, London. Allia incurred significant expenses during the period from possession of a leased space to the opening of the location, however net cashflow from operating activities was broadly positive as a significant result of rent holidays at the start of the new leases. Occupancy targets for both sites have been successfully achieved within the predicted timeframes.

Occupancy has remained high at Cambridge and Peterborough Future Business Centres and income from tenancy and other services has increased across all sites during the year as a result of refined operations and targeted marketing activities. It has been rewarding to see ventures who joined the Centres through our Serious Impact support programme take on their own spaces as they have built both teams and financial sustainability.

Allia expects to continue expansion with a planned extension to the Cambridge site and the creation of additional locations during 2018. The demand for the Allia Future Business Centre model within the UK is significant and the market is currently fragmented with few branded market participants. We believe that this presents an attractive opportunity for innovation in terms of our expansion model providing a solution for the disconnect between existing real estate solutions, the needs of today's mobile, collaborative workforce, high quality business support and an ever-growing number of impact-driven organisations and initiatives. As a result of these trends and through our activity to date, a significant number

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for the Year Ended 31 August 2017

of real estate opportunities are being presented to Allia from a variety of partners which we are now able to robustly assess.

GROW Kitchen & Bar

This year also saw the launch of the GROW Kitchen & Bar at Future Business Centre Peterborough. Following much discussion and modelling, Allia took the decision to operate the on-site café and catering provision ourselves. A significant financial investment was made in fitting out and equipping the kitchen and servery as well as developing the appropriate staffing teams. It is fair to say that this has been a learning curve for Allia and whilst we are confident that we have created a high quality experience and provision, expectations are that the next financial year, 2017/18, will see the repayment of this investment in terms of revenues and profitability.

Serious Impact

Allia's enterprise support and training programme is focused on providing impact entrepreneurs and ventures with the resources, knowledge, advice, mentoring, connections and space to start-up, become sustainable and scale their businesses. The support is primarily delivered through structured programmes of ideation and validation, acceleration and incubation, which range from 1-day workshops to 9-months of free space and mentoring. Significant achievements in this financial year included:

- Official opening of the Allia Innovation Lab at the Future Business Centre in Peterborough.
- The launch of Serious Impact incubator and accelerator programmes in the new Future Business Centre in East London.
- Direct support provided to 318 impact entrepreneurs, initiatives and ventures.

The Allia Innovation Lab

Allia opened the doors to its Innovation Lab in Peterborough in December 2016. Funded with support from the European Regional Development Fund (ERDF) and Opportunity Peterborough, the Innovation Lab aims to provide technical resources and support for impact ventures who are seeking to design, prototype and test new products. The Innovation Lab is staffed full-time and includes tools such as computer aided-design software, digital design software and equipment including virtual reality systems, 3D printing and scanning, electronics design hardware, and making equipment such as laser cutters. Access to the Innovation Lab is through the Serious Impact programme and costs only £30+VAT per month. We believe that it is one of the most exciting "makerspaces" in the UK!

Launch of Serious Impact in East London

As part of the Future Business Centre expansion into East London, and with support from JP Morgan Chase Foundation, we recruited a team and launched Serious Impact in mid-2017. Our focus in East London is to work with East London based entrepreneurs and businesses to help them grow and create new jobs in the area for local people. We are particularly keen to help micro-SME's and gender/ethnically diverse businesses and will deliver this through a 9-month incubator programme and a 3-month "Grow Your Business" Accelerator.

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Allia Challenge Series

We are also trialling two new engagement initiatives in Cambridge – the Allia Challenge Series to create discussion and inspiration for potential impact entrepreneurs of the future. The first are a series of weekend-long “hackathons” which aim to ask (and demonstrate) how can we use technology innovation to address significant challenges such as transport, health, the environment, smart cities. The second Challenge Series looks at how we can work at a community level to create social innovation around such areas as homelessness, isolation and mental health. Both series have so far received excellent participation and results and we plan to expand these further in 2017/18.

Innovation in the Silver Economy

In 2016, Allia was awarded 4-year funding to participate in a research project with partners from UK, France, Belgium and Holland to develop an accelerator for innovations which enable older people to live at home independently.

SEAS 2 Grow (Silver Economy Accelerating Strategies 2 Grow) is a research project funded by the Interreg 2 Programme running from 2016 – 2020. It is designed to foster and accelerate the development of innovation in the Silver Economy – products and services for the ageing population.

The project has now been running for a full year and the early signs are positive, with the first 12 innovations being tested at ‘living labs’ in each of the partner regions, including an innovative rise-up walker and smart sensing rooms.

Allia is working with the living labs, aiming to help them become more sustainable and to work together to create an international accelerator for businesses to develop their products and services, as well as financial models to encourage fitting these innovations into new homes, or retrofitting them into existing homes.

Affordable and eco housing concepts

During the year Allia explored a number of affordable and eco housing concepts. A variety of contacts and opportunities were identified, including extensive investigations into a possible eco housing scheme in Peterborough.

We effected some relevant introductions for an innovative new player in the field to progress genuinely affordable rental housing on public land.

Related work as a partner in a new initiative promoted by the Greater Cambridge Greater Peterborough LEP, ‘Local Energy East’, is opening opportunities to look at sustainable energy supply and green financing requirements for major projects.

Achieved ‘Social Enterprise Place’ status for Cambridgeshire

Allia led on the partnership to gain official Social Enterprise Place status for Cambridgeshire, which was awarded in November 2017. Social Enterprise Place status celebrates the thriving social enterprise sector in Cambridgeshire and aims to support its future growth and development. Research has identified over 300 social enterprises in the county tackling issues such as homelessness, unemployment, disability and financial exclusion. Other opportunities lie with public sector adoption of Social Value Act principles, and companies looking to build social enterprises into their supply chain. Allia will continue to collaborate with Social Enterprise East of England to maintain the relationships built, and seek sustainable ways to grow the initiative.

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Allia Impact Finance

In the year, Allia Impact Finance Ltd became authorised by the Financial Conduct Authority, giving it a platform to enable it to expand its future activities.

In March, its Retail Charity Bond platform issued a bond for Greensleeves Care – the first retail bond for a charitable care organisation. The offer raised £33m in just a few days, which will enable Greensleeves to increase the number of residents it supports through buying and developing new homes, as well as paying off all existing debt.

A further Retail Charity Bond followed in July, raising £25m in just 24 hours for Dolphin Living, a housing charity that seeks to provide well-designed, good quality housing for people on modest incomes who live or work in the City of Westminster and surrounding boroughs.

The year saw Allia Impact Finance continue to grow a strong pipeline of prospects for the 2017/18 year. Since the year-end two further bonds have been issued, at £31.5m for Hightown Housing Association and £10m for Golden Lane Housing.

During the year Allia issued 5 bonds as part of its bond programme with the Scottish Government. This took the total investment from Scottish Government in Allia's bonds to nearly £70m, which is expected to provide over 900 new affordable homes across Scotland. In July, the Scottish Government awarded a new four-year contract to Allia with a commitment to invest a further £25m in the tax year to 31 March 2018.

In July we piloted a mini-bond which raised £1.5m for St John's School Leatherhead from supporters and alumni. These funds will enable the school to develop new sports facilities for the benefit of its pupils and the wider local community.

The close of the year saw Allia as a finalist for a Charity Times Award, in the social investment initiative category.

Our people

As Allia has grown, so have the number of people we employ, almost reaching 50 full and part time staff by the end of the Aug 2017. In 2017, we were proud to become a Living Wage employer. We have provided more training opportunities than ever before, introduced volunteering days for all of our staff to allow them to give something back to their local community and employed and supported 3 apprentices in the past year.

Our profile over the year

Allia's growing profile has been contributing to and supporting its activities and the impact we are able to make. The number of individuals visiting our websites has risen by 16,445 - an increase of +41% on the previous year. We have benefited from good press coverage in our target media, including interviews on BBC Look East, features about Allia's Retail Charity Bonds in the charity and care sector press and local coverage of each of the Allia Serious Impact cohorts in Cambridge, Peterborough and East London. Applications from impact ventures for each Allia Serious Impact programme have exceeded target.

FINANCIAL REVIEW

Income

Overall our income is 62% higher than in 2015/16, which represents continued growth and is encouraging.

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Report of the Directors
for the Year Ended 31 August 2017

Restricted income grants increased to over £1.25 million (compared with some £250,000 in 2016), which reflects the increasing number of projects for which Allia is securing funding.

Our property income continues to grow with another year of growth above 20%.

Expenditure

Overall costs have increased by 39%, which is good compared to the much higher increase in related income. This reflects the growing maturity of our operations, particularly the Future Business Centres, which increasingly allows greater focus on cost control.

Reserves

The results for the year reflect the continued use of some of our balance sheet reserves to support the Society's growth, both one-off costs and the ongoing costs of our operations during the set up and initial growth phases. As a result, the Society continues to be well positioned to remain financially sustainable and to achieve its charitable objectives in the long term. The Society remains on track to begin to replenish reserves in 2018/19 in line with its long-term budget.

The Society continues to generate surplus cash to support its operations.

A reserves policy and investment policy are being prepared by the Directors.

The activities of the subsidiary companies

Allia Limited currently has three active subsidiary companies. Any profits made are paid to Allia Limited as Gift Aid.

Allia Impact Finance Limited continues to provide origination and administration services for bonds, particularly listed bonds and has continued to increase this activity into non-group activities. Its income for the period ended 31 August 2017 was £373,000 (2016: £74,000) and its expenditure was £155,000 (2016: £89,000), resulting in a profit before tax of £217,000 (2016: loss of £15,000).

Future Business Enterprise Agency Limited had no income for the year ended 31 August 2017 and no costs, although some increased activity is anticipated in the year to 31 August 2018.

Allia Social Impact Investments Limited was set up during the year to take over Allia's unlisted bond issue activities and began trading during May 2017. In the period to 31 August 2017, it issued a bond for £1,472,000 and advanced the proceeds as a loan for the same amount; it had income of £12,000 and costs of £11,000, resulting in a profit of £1,000.

PLANS FOR THE FUTURE

Impact Innovation - Contributing to solving some of society's pressing problems

Allia is focusing on the areas of affordable housing, the silver economy and local energy as key areas to seek a distinctive contribution. We seek to do so in a way that harnesses Allia's unique assets and capabilities, particularly its innovative finance skills, array of contacts, entrepreneurialism and determination.

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Report of the Directors
for the Year Ended 31 August 2017

STRUCTURE, GOVERNANCE AND MANAGEMENT

Allia is an Industrial and Provident Society (no. 28861R) registered under the Cooperative and Community Benefit Societies Act 2014 for the benefit of the community. As such, surpluses are not distributed among members or external shareholders, but are instead reinvested in the delivery of Allia's charitable objects.

Allia is governed by trustee directors, appointed by its members, and submits annual accounts to the Financial Conduct Authority. Allia has exclusively charitable objects that are for the public benefit and is recognised by HM Revenue and Customs as a charity (no. XR29468).

As such, Allia is permitted to offer and issue certain bonds to the public in the United Kingdom based on the exemption under the Financial Services and Markets Act (section 85(5) and Schedule 11A).

Recruitment of new Directors is undertaken using Allia's standard recruitment process or, exceptionally, by personal introduction. All potential Directors are interviewed by a panel of existing Directors and successful candidates receive induction training.

The Directors have delegated day-to-day management of the Society to the Chief Executive and through him to the senior management team. Except with reference to their contracts of employment, no member of staff had any beneficial interest in any contract with Allia during the year.

Key management personnel

The Society's senior management team is made up the following people:

| | | |
|-----------------|---|----------------------------------|
| Caroline Hyde | - | Director of Viability |
| Claire Thwaites | - | Head of Marketing Communications |
| Martin Clark | - | Deputy Chief Executive Officer |
| Paul Beeson | - | Director of Finance |
| Paul Hughes | - | Director of Enterprise Support |
| Phil Caroe | - | Director of Impact Finance |
| Rachel Coquard | - | Head of Human Resources |
| Tim Jones | - | Chief Executive Officer |

The remuneration of key management personnel is regularly benchmarked to the market and is set by a subcommittee of the trustee directors.

Risks and uncertainties

A Risk Register is maintained which records for each area of operation the associated risks. These risks are then assessed for both their likelihood and impact and counter measures are determined accordingly. The Chief Executive presents the Risk Register annually to the Board for their approval.

Furthermore, specific expert advice has been obtained on the documentation for the offer of charitable bonds and this has now been standardised. Any changes in these documents from one round to the next are likely to be limited to changes in dates and rates offered to investors. The Directors take steps to ensure that Offer documents are based on previous issues and that for each subsequent issue there have been no material changes that might require additional legal advice.

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LEGAL FRAMEWORK AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Cooperative and Community Benefit Societies Act 2014 requires us to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and the group and of the incoming resources and their application, including the income and expenditure for that period.

In preparing the attached financial statements we are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the relevant accounting standard, in this case the Charities SORP; and
- make judgments and estimates that are reasonable and prudent.

In addition, we are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society. We are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as we are aware, there is no relevant audit information of which the Society's auditor is unaware, and we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

SIGNED ON BEHALF OF THE DIRECTORS

R Gidoomal – CHAIRMAN OF DIRECTORS

5 March 2018

Allia Limited
Report of the Directors
for the Year Ended 31 August 2017

REFERENCE AND ADMINISTRATIVE DETAILS

| | |
|--|--|
| DIRECTORS: The Directors are also members of the Society | R Gidoomal (Chairman) C Rosenmeyer S Mather (Places for People Neighbourhoods Nominee Director – retired 8 May 2017) M Parsons (Places for People Neighbourhoods Nominee Director – appointed 13 July 2017) H Rosethorn (appointed 20 April 2016) D Stedman-Scott (appointed 13 July 2017 and retired 27 November 2017) R Trimble P Wright |
| SECRETARY: | T Jones |
| CHIEF EXECUTIVE | T Jones |
| REGISTERED OFFICE: | Future Business Centre King's Hedges Road Cambridge CB4 2HY |
| REGISTERED NUMBER: | IP28861R |
| AUDITORS: | Peters Elworthy & Moore Chartered Accountants and Statutory Auditors Salisbury House Station Road Cambridge CB1 2LA |
| PRINCIPAL BANKERS: | The Co-operative Bank 75 Burleigh Street Cambridge CB1 1DF |
| SOLICITORS | Wrigleys 19 Cookridge Street Leeds LS2 3AG |

Independent Auditor's Report to the members of Allia Limited

OPINION

We have audited the financial statements of Allia Limited for the year ended 31 August 2017, which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) as amended by Update Bulletin 1 (effective 1 January 2015).

This report is made solely to the Society's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an Auditors' 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 Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Society's affairs as at 30 September 2017 and of its incoming resources and application of resources, including its income and expenditure for the year then ended; and;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Co-operative and Community Benefit Societies Act 2014.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the

Independent Auditor's Report to the members of Allia Limited

information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

**Independent Auditor's Report to the members of
Allia Limited**

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditors' Report.

Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

Date: 9 March 2018

Allia Limited
Consolidated Statement of Financial Activities
for the year ended 31 August 2017

| | Notes | Unrestricted Funds £'000 | Restricted Funds £'000 | Total 2017 £'000 | Total 2016 £'000 |
|--------------------------------------|-------|--------------------------------|------------------------------|------------------------|------------------------|
| Income from: | | | | | |
| Donations | | - | - | - | 125 |
| Charitable activities | | 3,353 | 1,265 | 4,056 | 2,703 |
| Generated funds | | 5 | - | 5 | 9 |
| Total income | 1 | <u>3,358</u> | <u>1,265</u> | <u>4,623</u> | <u>2,837</u> |
| Expenditure | | | | | |
| Expenditure on charitable activities | | 4,202 | 711 | 4,913 | 3,540 |
| Total expenditure | 2 | <u>4,202</u> | <u>711</u> | <u>4,913</u> | <u>3,540</u> |
| Net deficit before transfers | | (844) | 554 | (290) | (703) |
| Transfers between funds | 14 | 283 | (283) | - | - |
| Net movement in funds | | (561) | 271 | (290) | (703) |
| Total funds brought forward | | 1,437 | 5 | 1,442 | 2,145 |
| Total funds carried forward | 14 | <u>876</u> | <u>276</u> | <u>1,152</u> | <u>1,442</u> |

All of the above results are derived from continuing activities.

The notes on pages 19 to 36 form part of these financial statements.

Allia Limited
Industrial and Provident Society (Registration number 28861R)
Consolidated and Society Balance Sheets
as at 31 August 2017

| | Notes | Group 2017 £'000 | Group 2016 £'000 | Society 2017 £'000 | Society 2016 £'000 |
|--|-------|------------------------|------------------------|--------------------------|--------------------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | 8,181 | 7,837 | 8,181 | 7,837 |
| Programme related investments | 7 | 56,249 | 32,169 | 55,022 | 32,169 |
| | | <u>64,430</u> | <u>40,006</u> | <u>63,203</u> | <u>40,006</u> |
| Current assets | | | | | |
| Stock | | 4 | - | 4 | - |
| Debtors | 9 | 406 | 602 | 399 | 672 |
| Programme related investments | 7 | 133 | 5,615 | 133 | 5,615 |
| Current asset investments | | - | 470 | - | 470 |
| Cash at bank and in hand | | 3,534 | 2,337 | 3,289 | 2,319 |
| | | <u>4,077</u> | <u>9,024</u> | <u>3,825</u> | <u>9,076</u> |
| Creditors | | | | | |
| Amounts falling due within one year | 10 | (4,025) | (8,329) | (4,019) | (8,292) |
| Net current assets / (liabilities) | | <u>52</u> | <u>695</u> | <u>(194)</u> | <u>784</u> |
| Total assets less current liabilities | | 64,482 | 40,701 | 63,009 | 40,790 |
| Creditors | | | | | |
| Amounts falling due after one year | 11 | (63,202) | (39,122) | (61,724) | (39,122) |
| Net assets | | <u>1,280</u> | <u>1,579</u> | <u>1,285</u> | <u>1,668</u> |
| Share Capital | | | | | |
| Unrestricted funds | 13 | 128 | 137 | 128 | 137 |
| General funds | 14 | 876 | 1,437 | 881 | 1,526 |
| | | 1,004 | 1,574 | 1,009 | 1,663 |
| Restricted Funds | 14 | 276 | 5 | 276 | 5 |
| Total | | <u>1,280</u> | <u>1,579</u> | <u>1,285</u> | <u>1,668</u> |

The financial statements were approved by the Board of Directors on 5 March 2018 and were signed on its behalf by:

R Gidoomal - CHAIRMAN OF DIRECTORS

T Jones - SECRETARY

The notes on pages 19 to 36 form part of these financial statements.

Allia Limited
Industrial and Provident Society (Registration number 28861R)
Statements of Changes in Equity
for the year ended 31 August 2017

| | Share capital | Profit and loss account | TOTAL |
|----------------------------------|------------------|-------------------------------|--------------|
| | £'000 | £'000 | £'000 |
| Group | | | |
| Balance at 1 September 2015 | 152 | 2,145 | 2,297 |
| Redemption of shares | (15) | - | (15) |
| Deficit for the year | - | (703) | (703) |
| Balance at 31 August 2016 | 137 | 1,442 | 1,579 |
| Redemption of shares | (9) | - | (9) |
| Deficit for the year | - | (290) | (290) |
| Balance at 31 August 2017 | 128 | 1,152 | 1,280 |
| Society | | | |
| Balance at 1 September 2015 | 152 | 2,222 | 2,374 |
| Redemption of shares | (15) | - | (15) |
| Deficit for the year | - | (691) | (691) |
| Balance at 31 August 2016 | 137 | 1,531 | 1,668 |
| Redemption of shares | (9) | - | (9) |
| Deficit for the year | - | (374) | (374) |
| Balance at 31 August 2017 | 128 | 1,157 | 1,285 |

The notes on pages 19 to 36 form part of these financial statements.

Allia Limited
Consolidated Statement of Cash Flows
for the year ended 31 August 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|-------|---------------|---------------|
| Net cash generated by operating activities | 19 | <u>1,513</u> | <u>1,879</u> |
| Cash flows from investing activities | | | |
| Purchase of fixed assets | | (651) | (26) |
| Cash withdrawn from deposit / (placed on deposit) | | 470 | (7) |
| Share capital redeemed | | (9) | (15) |
| Net cash absorbed by investing activities | | <u>(190)</u> | <u>(48)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (126) | (126) |
| Net cash used in financing activities | | <u>(126)</u> | <u>(126)</u> |
| Change in cash in the year | | 1,197 | 1,705 |
| Cash and cash equivalents at 1 September | | <u>2,337</u> | <u>632</u> |
| Cash and cash equivalents at 31 August | 20 | <u>3,534</u> | <u>2,337</u> |

The notes on pages 19 to 36 form part of these financial statements.

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

1. INCOME

| | Unrestricted funds £'000 | Restricted funds £'000 | Total £'000 |
|------------------------------------|--------------------------------|------------------------------|----------------|
| 2017 | | | |
| Income from charitable activities: | | | |
| Bond interest receivable | 1,478 | - | 1,478 |
| Other social finance income | 496 | - | 496 |
| Property income | 1,308 | - | 1,308 |
| Bistro income | 37 | - | 37 |
| Grants | 33 | 1,265 | 1,298 |
| Other income | 1 | - | 1 |
| Interest receivable | 5 | - | 5 |
| | <u>3,358</u> | <u>1,265</u> | <u>4,623</u> |
| 2016 | | | |
| Donations | 125 | - | 125 |
| Income from charitable activities: | | | |
| Bond interest receivable | 904 | - | 904 |
| Other social finance income | 345 | - | 345 |
| Property income | 1,089 | - | 1,089 |
| Grants | 82 | 248 | 330 |
| Other income | 30 | 5 | 35 |
| Interest receivable | 9 | - | 9 |
| | <u>2,584</u> | <u>253</u> | <u>2,837</u> |

2. EXPENDITURE ON CHARITABLE ACTIVITIES

| | Social finance £'000 | Workspace £'000 | Enterprise Support £'000 | Total 2017 £'000 | Total 2016 £'000 |
|------------------------------|----------------------------|--------------------|--------------------------------|------------------------|------------------------|
| Costs allocated directly: | | | | | |
| Bond interest expense | 1,478 | 126 | - | 1,604 | 1,030 |
| Staff costs | 163 | 299 | 369 | 831 | 836 |
| Professional fees | 70 | 35 | - | 105 | 178 |
| Premises costs | - | 518 | - | 518 | 678 |
| Other costs | 113 | 434 | 453 | 1,000 | 277 |
| | <u>1,824</u> | <u>1,412</u> | <u>822</u> | <u>4,058</u> | <u>2,999</u> |
| Allocation of support costs: | | | | | |
| Staff costs | 215 | 277 | 96 | 588 | 395 |
| Governance | 14 | 18 | 6 | 38 | 29 |
| Other costs | 83 | 108 | 38 | 229 | 117 |
| | <u>312</u> | <u>403</u> | <u>140</u> | <u>855</u> | <u>541</u> |
| | <u>2,136</u> | <u>1,815</u> | <u>962</u> | <u>4,913</u> | <u>3,540</u> |

The Society incurred support costs of £855,000 (2016: £541,000), which have been allocated pro-rata to income.

In 2016 £442,000 of expenditure was from restricted funds and £3,098,000 from unrestricted funds.

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

2. EXPENDITURE ON CHARITABLE ACTIVITIES (continued)

The net deficit for the group (2016: deficit) is stated after charging:

| | 2017 | 2016 |
|-----------------------------|----------|----------|
| | £'000 | £'000 |
| Depreciation – owned assets | 307 | 228 |
| Operating leases – rent | 170 | 125 |
| Auditor's fees: | | |
| Audit remuneration | | |
| • Society | 7 | 7 |
| • Subsidiaries | 3 | 4 |
| Other fees | 2 | 6 |
| | <u>2</u> | <u>6</u> |

3. TAXATION

The Society is registered with HMRC as a charity and no liability for corporation tax has arisen on its activities.

The Society's trading subsidiary Allia Social Impact Investments Limited is registered with HMRC as a charity and no liability for corporation tax has arisen on its activities.

The Society's other trading subsidiaries donate any taxable surplus to the Society and therefore no liability for corporation tax arises.

4. BOND INTEREST PAYABLE

| | 2017 | 2016 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Interest payable on bonds issued to fund loans | 1,478 | 904 |
| Interest payable on bond to fund FBC Cambridge | 126 | 126 |
| | <u>1,604</u> | <u>1,030</u> |

5. STAFF COSTS

| Staff costs include: | 2017 | 2016 |
|----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 1,133 | 929 |
| Social security | 107 | 90 |
| Pensions | 137 | 92 |
| | <u>1,377</u> | <u>1,111</u> |

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

5. STAFF COSTS (continued)

The average number of employees including part-time staff, analysed by function was:

| | FTE 2017 | Total Staff 2017 | FTE 2016 | Total Staff 2016 |
|-----------------------|-------------|------------------------|-------------|------------------------|
| Charitable activities | | | | |
| Social finance | 3.0 | 3.0 | 3.0 | 3.0 |
| Workspace | 13.3 | 14.9 | 10.4 | 11.5 |
| Enterprise Support | 8.0 | 9.1 | 5.7 | 7.1 |
| | <u>24.3</u> | <u>27.0</u> | <u>19.1</u> | <u>21.6</u> |
| Support activities | | | | |
| Finance | 2.8 | 4.0 | 2.0 | 3.0 |
| Operations | 3.0 | 4.3 | 2.2 | 3.3 |
| Marketing | 4.1 | 5.2 | 3.6 | 4.8 |
| Executive | 0.8 | 1.0 | 0.6 | 1.5 |
| | <u>10.7</u> | <u>14.5</u> | <u>8.4</u> | <u>12.6</u> |
| Total | <u>35.0</u> | <u>41.5</u> | <u>27.5</u> | <u>34.2</u> |

In 2017 two employees received emoluments (including taxable benefits in kind but not employer's pension contributions) that exceeded £60,000 as follows:

- between £60,001 and £70,000 – two employees (2016: two)

6. TANGIBLE FIXED ASSETS

| Group and Society | Land and property £'000 | Works of Art £'000 | Fixtures, fittings and equipment £'000 | Total £'000 |
|-----------------------------|-------------------------------|--------------------------|---|----------------|
| COST OR VALUATION | | | | |
| At 1 September 2016 | 7,902 | 62 | 504 | 8,468 |
| (Cost recovery) / Additions | (70) | - | 721 | 651 |
| At 31 August 2017 | <u>7,832</u> | <u>62</u> | <u>1,225</u> | <u>9,119</u> |
| DEPRECIATION: | | | | |
| At 1 September 2016 | 352 | - | 279 | 631 |
| Charge for the year | 126 | - | 181 | 307 |
| At 31 August 2017 | <u>478</u> | <u>-</u> | <u>460</u> | <u>938</u> |
| NET BOOK VALUE | | | | |
| At 31 August 2017 | <u>7,354</u> | <u>62</u> | <u>765</u> | <u>8,181</u> |
| At 31 August 2016 | <u>7,550</u> | <u>62</u> | <u>225</u> | <u>7,837</u> |

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

7. PROGRAMME RELATED INVESTMENTS

| | Group | | Society | |
|---|---------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>Assets due within one year</i> | | | | |
| Investment in charitable bonds | 133 | 5,615 | 133 | 5,615 |
| | <u>133</u> | <u>5,615</u> | <u>133</u> | <u>5,615</u> |
| <i>Assets due in more than one year</i> | | | | |
| Investment in charitable bonds | 56,249 | 32,169 | 54,772 | 32,169 |
| Subsidiaries (see note 8) | - | - | 250 | - |
| | <u>56,249</u> | <u>32,169</u> | <u>55,022</u> | <u>32,169</u> |
| Total | <u>56,382</u> | <u>37,784</u> | <u>55,155</u> | <u>37,784</u> |

| | Group | Society |
|--------------------------|---------------|---------------|
| | 2017 | 2017 |
| | £'000 | £'000 |
| Cost or valuation | | |
| At 1 September 2016 | 35,560 | 35,560 |
| Additions | 22,797 | 21,576 |
| Repayments | (4,468) | (4,468) |
| At 31 August 2017 | <u>53,889</u> | <u>52,668</u> |
| Accrued interest | | |
| At 1 September 2016 | 2,224 | 2,224 |
| Repayments | (1,209) | (1,209) |
| Charge for the year | 1,478 | 1,472 |
| At 31 August 2017 | <u>2,493</u> | <u>2,487</u> |
| Net Book Value | | |
| At 31 August 2017 | <u>56,382</u> | <u>55,155</u> |
| At 31 August 2016 | <u>37,784</u> | <u>37,784</u> |

By the Trust Deeds, the investments are not subject to the limitations of the Trustees Investment Act.

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

7. PROGRAMME RELATED INVESTMENTS (continued)

| | Issue date | Maturity date | Loan amount | Amount repayable | Guarantor |
|--------------------------|------------|---------------|-------------|------------------|-----------------------|
| Cambridge Bond | 12/6/2010 | 6/12/2016 | £3,906,283 | £5,000,000 | Co-operative Bank plc |
| Charitable Bond Issue 2 | 20/1/2012 | 20/1/2017 | £562,161 | £676,425 | Co-operative Bank plc |
| Charitable Bond Issue 3 | 3/10/2012 | 3/10/2017 | £112,975 | £133,790 | Co-operative Bank plc |
| Charitable Bond Issue 4 | 30/1/2014 | 30/1/2019 | £8,574,657 | £10,061,000 | Co-operative Bank plc |
| Charitable Bond Issue 5 | 21/4/2015 | 21/4/2025 | £1,510,386 | £2,020,000 | Co-operative Bank plc |
| Charitable Bond Issue 6 | 10/2/2016 | 10/2/2026 | £1,600,000 | £2,207,302 | Co-operative Bank plc |
| Charitable Bond Issue 7 | 3/3/2016 | 3/3/2026 | £5,222,029 | £7,183,221 | Co-operative Bank plc |
| Charitable Bond Issue 8 | 10/3/2016 | 10/3/2026 | £10,000,035 | £13,689,187 | Co-operative Bank plc |
| Charitable Bond Issue 9 | 17/3/2016 | 17/3/2026 | £2,072,035 | £2,828,202 | Co-operative Bank plc |
| Charitable Bond Issue 10 | 27/7/2016 | 27/7/2026 | £2,000,023 | £2,560,199 | Co-operative Bank plc |
| Charitable Bond Issue 11 | 8/12/2016 | 8/12/2026 | £4,999,991 | £6,931,276 | Co-operative Bank plc |
| Charitable Bond Issue 12 | 16/2/2017 | 16/2/2027 | £5,000,008 | £6,917,894 | Co-operative Bank plc |
| Charitable Bond Issue 13 | 16/3/2017 | 16/3/2027 | £5,000,002 | £7,148,982 | Co-operative Bank plc |
| Charitable Bond Issue 14 | 23/3/2017 | 23/3/2027 | £1,325,002 | £1,878,095 | Co-operative Bank plc |
| Charitable Bond Issue 15 | 30/3/2017 | 30/3/2027 | £5,000,014 | £7,155,900 | Co-operative Bank plc |
| St John's School * | 14/7/2017 | 14/7/2022 | £1,488,300 | £1,488,300 | NatWest Bank plc |

* Loan made by Allia Social Impact Investments Limited

8. INVESTMENT IN SUBSIDIARIES

The Future Business Enterprise Agency Limited (incorporated in England and Wales) is a company limited by guarantee and therefore there are no shares in issue. However, the company is controlled by Allia Limited by virtue of the fact that Allia Limited is the sole member of the company.

Allia Impact Finance Limited (incorporated in England and Wales) provides origination and administration services for charitable bonds, particularly listed bonds. Allia Limited holds 100% of the shares and during the year subscribed for 250,000 Ordinary £1 shares.

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

8. INVESTMENT IN SUBSIDIARIES (continued)

Allia Social Impact Investments Limited (incorporated in England and Wales) is an Industrial and Provident Society and therefore there are no shares in issue. However, it is controlled by Allia Limited by virtue of the fact that Allia Limited is the sole member of the society.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

| | | Capital and reserves | Profit for the year |
|---|---|-------------------------|------------------------|
| | | 2017 | 2017 |
| | | £'000 | £'000 |
| Principal activity | | | |
| Future Business Enterprise Agency Limited | Supporting the creation of sustainable new enterprise | (8) | - |
| Allia Impact Finance Limited | Provision of origination and administration services | 250 | 215 |
| Allia Social Impact Investments Limited | Issue and holding of bonds and similar products | - | 1 |
| | | 242 | 216 |
| | | 242 | 216 |

9. DEBTORS

| | Group | | Society | |
|--------------------------------|-------|-------|---------|-------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 136 | 296 | 132 | 222 |
| Prepayments and accrued income | 18 | 6 | 18 | 6 |
| Other debtors | 252 | 300 | 209 | 296 |
| Amounts owed by subsidiaries | - | - | 40 | 148 |
| | 406 | 602 | 399 | 672 |
| | 406 | 602 | 399 | 672 |

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Society | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Trade creditors | 92 | 192 | 82 | 171 |
| Other creditors | 342 | 463 | 341 | 462 |
| FBC bond interest | 105 | 105 | 105 | 105 |
| Social security and other taxes | 51 | 27 | 51 | 27 |
| Accrued expenses | 396 | 91 | 417 | 86 |
| Bond redemption monies | 2,884 | 1,772 | 2,884 | 1,772 |
| Original liability to bondholders | 113 | 4,468 | 113 | 4,468 |
| Finance costs accrued on bonds | 20 | 1,147 | 20 | 1,147 |
| Amounts owed to subsidiaries | - | - | 6 | 6 |
| Deferred income (note 12) | 22 | 64 | - | 48 |
| | <u>4,025</u> | <u>8,329</u> | <u>4,019</u> | <u>8,292</u> |

The Society has an obligation to repay the bondholders on the following date, as shown. The obligations of the Society to the bondholders have been secured by a charge over the guaranteed investment (see note 7).

For this bond, interest income accruing is being recognised on a compounded basis over the investment period.

| Bond Name | Repayment amount £'000 | Repayment date |
|-------------------------|-----------------------------------|-----------------------|
| Charitable Bond Issue 3 | 134 | 3/10/2017 |

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Society | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Original liability to bondholders | 53,776 | 31,092 | 52,304 | 31,092 |
| Finance costs accrued on bonds | 2,473 | 1,077 | 2,467 | 1,077 |
| Future Business Centre bond | 4,200 | 4,200 | 4,200 | 4,200 |
| Deferred income (note 12) | 2,753 | 2,753 | 2,753 | 2,753 |
| | <u>63,202</u> | <u>39,122</u> | <u>61,724</u> | <u>39,122</u> |

The Future Business Centre bonds were issued by Allia to raise funds towards the cost of the Future Business Centre in Cambridge and the obligation to the

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

bondholders has been secured over the Future Business Centre. The bonds were issued on 21 November 2013. They mature on the 5th anniversary, but investors have the option to redeem their bonds in whole or part on either the 3rd or 4th anniversary. Interest is due at a rate of 3% per annum and is payable annually on the anniversary of the issue.

For all other bonds, the Society has an obligation to repay the bondholders on the following dates, as shown. In each case the obligations of the Society to the bondholders have been secured over a charge over the guaranteed investments (see note 7). For these bonds, interest income accruing is being recognised on a compounded basis over the investment period.

| Bond Name | Repayment amount £'000 | Repayment date |
|-------------------------------|---------------------------------------|---------------------------|
| Charitable Bond Issue 3 | 134 | 3/10/2017 |
| Charitable Bond Issue 4 | 10,062 | 31/1/2019 |
| Charitable Bond Issue 5 | 20,020 | 21/4/2025 |
| Charitable Bond Issue 6 | 2,207 | 10/2/2026 |
| Charitable Bond Issue 7 | 7,183 | 3/3/2026 |
| Charitable Bond Issue 8 | 13,689 | 10/3/2026 |
| Charitable Bond Issue 9 | 2,828 | 17/3/2026 |
| Charitable Bond Issue 10 | 2,560 | 27/7/2026 |
| Charitable Bond Issue 11 | 6,931 | 8/12/2026 |
| Charitable Bond Issue 12 | 6,918 | 16/2/2027 |
| Charitable Bond Issue 13 | 7,149 | 16/3/2027 |
| Charitable Bond Issue 14 | 1,878 | 23/3/2027 |
| Charitable Bond Issue 15 | 7,156 | 30/3/2027 |
| St John's School bond issue * | 2,560 | 14/7/2022 |

Bonds maturing in less than one year are shown in current liabilities.

* Issued by Allia Social Impact Investments Limited

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

12. DEFERRED INCOME

| | Group | | Society | |
|--|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| <i>Amounts falling due after more than one year:</i> | | | | |
| Amount brought forward | 2,753 | 2,867 | 2,753 | 2,867 |
| Reduction of past claims | - | (114) | - | (114) |
| | <u>2,753</u> | <u>2,753</u> | <u>2,753</u> | <u>2,753</u> |
| <i>Amounts falling due after less than one year:</i> | | | | |
| Fees on bond issued | 6 | - | - | - |
| Grants brought forward | 64 | 16 | 48 | - |
| Grant received in the year | - | 124 | - | 124 |
| (Utilised) / received in the year | (48) | (76) | (48) | (76) |
| Amount carried forward | <u>2,775</u> | <u>2,817</u> | <u>2,753</u> | <u>2,801</u> |

The deferred income relates to performance related grants received from ERDF for the construction of the Future Business Centre.

13. SHARE CAPITAL

| | 2017 | 2016 |
|------------------------------------|------------|------------|
| | £'000 | £'000 |
| Allotted, called up and fully paid | <u>128</u> | <u>137</u> |

Members must hold a minimum of 10 shares and the Directors may allot additional shares upon application.

During the year 8,991 £1 Ordinary shares were redeemed at par and none were issued.

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

14. STATEMENT OF FUNDS

| | At 1 September 2016 £'000 | Income £'000 | Expenditure £'000 | Issue/ (subscribe)/ (redeem) shares £'000 | Fund Transfer £'000 | At 31 August 2017 £'000 |
|---------------------------|------------------------------------|-----------------|----------------------|---|---------------------------|----------------------------------|
| <i>Unrestricted funds</i> | | | | | | |
| Society general funds | 1,530 | 2,985 | (4,045) | - | 414 | 884 |
| Allia Impact Finance | (85) | 373 | (157) | - | (131) | - |
| FBEA | (8) | - | - | - | - | (8) |
| | <u>1,437</u> | <u>3,358</u> | <u>(4,202)</u> | <u>-</u> | <u>283</u> | <u>876</u> |
| <i>Restricted funds</i> | | | | | | |
| Green Soul project | - | 43 | (28) | - | - | 15 |
| Social Incubator East | 5 | - | - | - | - | 5 |
| FBC East London | - | 428 | (205) | - | - | 223 |
| 'Serious Impact' | - | 655 | (372) | - | (283) | - |
| Seas 2 Grow | - | 49 | (49) | - | - | - |
| Scale Up | - | 27 | (27) | - | - | - |
| Water Innovation Network | - | 56 | (23) | - | - | 33 |
| Cambridge City Council | - | 7 | (7) | - | - | - |
| | <u>5</u> | <u>1,265</u> | <u>(711)</u> | <u>-</u> | <u>(283)</u> | <u>276</u> |
| Total funds | <u>1,442</u> | <u>4,980</u> | <u>(4,913)</u> | <u>-</u> | <u>-</u> | <u>1,152</u> |
| Share capital | <u>137</u> | <u>-</u> | <u>-</u> | <u>(9)</u> | <u>-</u> | <u>128</u> |
| Total | <u>1,579</u> | <u>4,980</u> | <u>(4,913)</u> | <u>(9)</u> | <u>-</u> | <u>1,280</u> |

The Restricted funds represent development projects where ring-fenced funding has been provided by a third party. Where these are part funded from Allia's reserves, a transfer is made from the Society's unrestricted funds, as shown.

- The Social Incubator East programme was funded by the Cabinet Office to help create investable start up social ventures by providing business support, loans and workspace to ambitious entrepreneurs to fulfil their potential, grow their businesses and make an impact for people and planet. The project has now been transferred to the Cambridge University Judge Business School and so, apart from final evaluation, Allia's direct involvement has finished.
- The Serious Impact programme was launched in 2016 to create an impact venture support programme in Cambridgeshire and Peterborough. It is funded and supported by the ERDF and Peterborough City Council through the Peterborough DNA programme. The transfer from restricted funds for the project represents the assets of the Innovation Laboratory which were funded as part of the project, but which now form part of Allia's available assets.

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

14. STATEMENT OF FUNDS (continued)

- In early 2016, with funding and support from JP Morgan Chase Foundation, Allia completed feasibility research that looked at the opportunity for a Future Business Centre to respond to some of the challenges facing East London. Once this initial research was completed, Allia secured further support to work on a pilot project to open an incubation and acceleration centre, Future Business Centre East London, for small businesses in the area with potential and ambition to grow.
- The GreenSoul pilot with Allia is a European research project into energy efficiency in public buildings. The Future Business Centre Cambridge collaborates with GreenSoul to reduce collective energy consumption, to increase awareness and engage building users to make good energy choices in the daily use of the building.
- SEAS 2 Grow (Silver Economy Accelerating Strategies 2 Grow) is a four-year research project funded by the Interreg 2 Programme which runs from 2016 – 2020. Allia is working on the project with partners across the EU in France, Holland and Belgium to find ways to help older people stay in their homes for longer, safely and independently.
- Scale Up is a collaboration between successful regional cleantech clusters, one of which is Cambridge Cleantech Ltd based at the Future Business Centre Cambridge. This project is co-funded by the European Union and assists Cleantech innovators in accessing large enterprises to support the greening of the economy.
- The Water Innovation Network provides free business support at the Future Business Centre Peterborough to entrepreneurs who want to work with Anglia Water. Allia supports entrepreneurs in bringing ideas forward and developing products or services to pitch to Anglia Water in order to address key issues like climate change.
- Cambridge City Council provides a grant for business support to social enterprises with the greatest potential to address the city's grant priorities and benefitting city residents. This includes identifying new social impact start-ups, working with existing social entrepreneurs and mature social enterprises, and delivering community innovation challenges to address social challenges in the city of Cambridge.

Fund balances at 31 August 2017 are represented as follows:

| | General funds | General funds: Bonds | Restricted Funds | Total Funds |
|---------------------------|------------------|----------------------------|---------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | 8,181 | 56,249 | - | 64,430 |
| Current assets | 3,768 | 133 | 276 | 4,177 |
| Creditors within one year | (3,992) | (133) | - | (4,125) |
| Creditors after one year | (6,953) | (56,249) | - | (63,202) |
| Total net assets | <u>1,004</u> | <u>-</u> | <u>276</u> | <u>1,280</u> |

Although bond assets and liabilities are part of general funds, they are shown separately from other general fund items to reflect the Society's obligation to repay the bondholders from the bond assets.

Allia Limited
Notes to the Financial Statements
for the year ended 31 August 2017

14. STATEMENT OF FUNDS (continued)

PRIOR YEAR

| | At 1 September 2015 £'000 | Income £'000 | Expenditure £'000 | Redeem shares £'000 | Fund Transfer £'000 | At 31 August 2016 £'000 |
|---------------------------|------------------------------------|-----------------|----------------------|---------------------------|---------------------------|----------------------------------|
| <i>Unrestricted funds</i> | | | | | | |
| Society general funds | 2,159 | 2,510 | (3,008) | - | (131) | 1,530 |
| Allia Impact Finance | (70) | 74 | (89) | - | - | (85) |
| FBEA | (7) | - | (1) | - | - | (8) |
| | <u>2,082</u> | <u>2,584</u> | <u>(3,098)</u> | <u>-</u> | <u>(131)</u> | <u>1,437</u> |
| <i>Restricted funds</i> | | | | | | |
| FBC Cambridge | - | - | (19) | - | 19 | - |
| Social Incubator East | 63 | 5 | (175) | - | 112 | 5 |
| FBC East London | - | 58 | (58) | - | - | - |
| 'Serious Impact' | - | 190 | (190) | - | - | - |
| | <u>63</u> | <u>253</u> | <u>(442)</u> | <u>-</u> | <u>131</u> | <u>5</u> |
| Total funds | <u>2,145</u> | <u>2,837</u> | <u>(3,540)</u> | <u>-</u> | <u>-</u> | <u>1,442</u> |
| Share capital | <u>152</u> | <u>-</u> | <u>-</u> | <u>(15)</u> | <u>-</u> | <u>137</u> |
| Total | <u>2,297</u> | <u>2,837</u> | <u>(3,540)</u> | <u>(15)</u> | <u>-</u> | <u>1,579</u> |

The Restricted funds represent development projects where ring-fenced funding has been provided by a third party. Where these are part funded from Allia's reserves, a transfer is made from the Society's unrestricted funds, as shown.

- The Future Business Centre in Cambridge was established to create an innovation and incubation space to give entrepreneurs and impact ventures everything they need to start-up, scale up and create a positive impact for society. It was funded and supported by the European Regional Development Fund (ERDF).
- The Social Incubator East programme was funded by the Cabinet Office to help create investable start up social ventures by providing business support, loans and workspace to ambitious entrepreneurs to fulfil their potential, grow their businesses and make an impact for people and planet. The project has now been transferred to the Cambridge University Judge Business School and so, apart from final evaluation, Allia's direct involvement has finished.
- The Serious Impact programme was launched in 2016 to create an impact venture support programme in Cambridgeshire and Peterborough. It is funded and supported by the ERDF and Peterborough City Council through the Peterborough DNA programme.

In early 2016, with funding and support from JP Morgan Chase Foundation, Allia completed research that looked at some of the challenges facing East London. Once this initial research was completed, Allia secured further support to work on a pilot project to open an incubation and acceleration centre, Future Business Centre, for small businesses in East London with potential and ambition to grow.

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Notes to the Financial Statements
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14. STATEMENT OF FUNDS (continued)

Fund balances at 31 August 2016 are represented as follows:

| | General funds | General funds: Bonds | Restricted Funds | Total Funds |
|---------------------------|------------------|----------------------------|---------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | 7,837 | 32,169 | - | 40,006 |
| Current assets | 3,404 | 5,615 | 5 | 9,024 |
| Creditors within one year | (2,714) | (5,615) | - | (8,329) |
| Creditors after one year | (6,953) | (32,169) | - | (39,122) |
| Total net assets | <u>1,574</u> | <u>-</u> | <u>5</u> | <u>1,579</u> |

Although bond assets and liabilities are part of general funds, they are shown separately from other general fund items to reflect the Society's obligation to repay the bondholders from the bond assets.

15. COMMITMENTS UNDER OPERATING LEASES

At 31 August 2017, the Group and the Society had future minimum lease payments under non-cancellable operating leases as follows:

| | Group | | Society | |
|---|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Land and buildings | | | | |
| Not later than 1 year | 205 | - | 205 | - |
| Later than 1 year and not later than 5 years | 298 | 240 | 298 | 240 |
| Total | <u>503</u> | <u>240</u> | <u>503</u> | <u>240</u> |

16. PENSION COMMITMENTS

The Society operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Society in an independently administered fund.

The pension cost charge represents contributions payable by the Society to the fund. Contributions totalling £11,929 (2016: £8,871) were payable to the fund at the year end and are included in creditors.

The amount charged for the year in respect of pension contributions is £136,550 (2016: £92,021).

Allia Limited
Notes to the Financial Statements
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17. TRUSTEE REMUNERATION AND RELATED PARTY TRANSACTIONS

The Society is controlled by the Directors. The Chairman was paid emoluments of £12,000 during the year. No other Director was remunerated during the year.

During the year there were the following transactions between the Society and its subsidiary, Allia Impact Finance Ltd ("AIF"), with the balance shown due to the Society at the year-end:

| | 2017 | 2016 |
|--|------------|------------|
| | £'000 | £'000 |
| Amount due to the Society at 1 September | 148 | 61 |
| Funds transferred during the year | (148) | 87 |
| Origination fee collected by the Society | (25) | |
| VAT due under group VAT registration | 2 | - |
| Amount to be paid under deed of covenant | 131 | - |
| Amount due to the Society at 31 August | <u>108</u> | <u>148</u> |

During the year the Society collected income of £5,000 on behalf of its subsidiary, Allia Social Impact Investments Ltd, which was still outstanding at the year-end.

At 31 August 2017, the Society owed its subsidiary Future Business Enterprise Agency Limited £5,922 (2016: £5,922).

During the year, the Society paid invoices totalling £3,000 on behalf of Retail Charity Bonds plc ("RCB"), an associated company, and charged it a service fee of £34,000. RCB collected income of £191,000 on behalf of Allia and paid £196,000 to Allia, resulting in a balance outstanding at 31 August 2017 of £39,000 (2016: £3,000).

The remuneration of those making up the senior management team during the year, including pension and national insurance costs, was £552,000 (2016: £384,000).

18. LEGAL STATUS OF THE SOCIETY

The Society is an Industrial and Provident Society and has issued share capital.

Allia Limited
Notes to the Financial Statements
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19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2017 | 2016 |
|---|----------|----------|
| | £'000 | £'000 |
| Net movement in funds (as per statement of financial activities) | (290) | (703) |
| Adjustments for: | | |
| Charges for depreciation | 307 | 228 |
| Decrease in debtors | 196 | 390 |
| Increase in creditors | 66 | 278 |
| Increase in stock | (4) | - |
| Interest charged on FBC bond | 126 | 126 |
| Increase in bond redemption liability | 1,112 | 1,560 |
| Third party monies received | 28,473 | 22,766 |
| Third party monies paid | (28,473) | (22,766) |
| | | |
| Net cash used in operating activities | 1,513 | 1,879 |

The bond redemption liability represents amounts received before the year end to repay bond holders, not settled until after the year end.

20. CASH AND CASH EQUIVALENTS

| | Group | | Society | |
|--------------|-------|-------|---------|-------|
| | 2016 | 2016 | 2016 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash in hand | 3,534 | 2,337 | 3,289 | 2,319 |

21. FUNDS HELD AS AGENT

The Charity receives bond monies in its role as agent to the bondholders. The total amount of funds held as agent at 31 August 2017 amounted to £15,702,000 (2016: £7,299,000). In accordance with FRS 102 these funds received as agent are not recognised as an asset in these accounts because the funds are not within the Society's control.

Allia Limited
Notes to the Financial Statements
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22. ACCOUNTING POLICIES

Basis of preparation

As the Society is an exempt charity, the Directors have decided to prepare the accounts in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the additional disclosures as would be required under the Companies Act 2006.

The Society meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The principles adopted in the preparation of the financial statements are set out below.

Group financial statements

These financial statements consolidate the results of the Society and its trading subsidiaries, Allia Bond Services Limited, Allia Social Impact Investments Limited and Future Business Enterprise Agency Limited.

No separate Statement of Financial Activities has been presented for the Society alone, as permitted by the Charities SORP. The Society's deficit for the financial year was £374,000 (2016: deficit of £691,000).

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Directors in furtherance of the general objectives of the Society and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Society for particular purposes.

Income

All income is recognised once the Society has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably. Income is deferred only when the Society has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period.

Income from charitable activities includes bond interest, other social finance income, grant income, property income and other income. Bond interest, property income and other income are recognised on a receivable basis.

Other social finance income comprises the arrangement fees for bonds raised and the income is recognised upon completion of the contracts.

Allia Limited
Notes to the Financial Statements
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22. ACCOUNTING POLICIES (continued)

Income from performance related grants and contracts is recognised in the period to the extent that the society has met the performance criteria. Any remaining balance is included within deferred income.

Voluntary income is recognised when received or, before receipt, if it becomes probable that the donation will be received and the value of the income can be reliably measured.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated to the applicable expenditure headings.

Irrecoverable VAT is included as an expense within support costs.

Leases

Rental costs incurred under operating leases are charged to the SOFA as incurred.

Pension costs

The Society operates a defined contribution pension scheme. The pension cost charge in the SOFA represents contributions payable by the Society to the fund.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other assets is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------------|---|
| Freehold buildings | 2% on cost or revalued amount |
| Leasehold land and buildings | Written down over the length of the lease |
| Property improvements | 20% straight line basis or over the length of the lease |
| Works of Art | Not depreciated |
| Computer equipment | 20% - 33.3% straight line basis |
| Fixtures, fittings & equipment | 20% - 33.3% straight line basis |

Programme related investments

Programme related investments are made for charitable purposes and comprise charitable bonds and other instruments

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Notes to the Financial Statements
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22. ACCOUNTING POLICIES (continued)

Charitable bonds

Charitable bonds are long term social investment instruments that enable investors to release a donation of upfront interest to charity. Investment in the bond funds loans to A1 rated social housing providers. The repayment of the loan with interest enables Allia to repay the bonds owing to bondholders.

The bonds are limited recourse to the loan, meaning that Allia is only liable to repay the bonds to the extent that it has received repayments under the loan - the general assets of Allia are not available to make payments to bondholders.

Fixed asset investments in charitable bonds are stated at market value at the balance sheet date, with the related liabilities to bondholders being shown in creditors. Further information is given in notes 7, 10 and 11.

Other investments

Other investments are stated at cost less any provisions made. Further information is given in notes 7 and 8

Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Society anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Financial instruments

The Society only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.