BIG SOCIETY CAPITAL

REPORT AND FINANCIAL STATEMENTS

2015

BIG SOCIETY CAPITAL LIMITED
31 DECEMBER 2015

CONTENTS

COMPANY INFORMATION

Directors

Harvey McGrath (Chair)[1]
Chair of Governors Birkbeck College, Chair of Trustees of Heart of the City, the Prince's Teaching Institute, Funding London and icould, and Deputy Chair of the London Enterprise Panel. Former Chair of Prudential plc and Man Group plc.

David Carrington[1]
Independent consultant. Vice-Chair and Member of the Supervisory Board of Triodos Bank NV and Trustee of GULAN and of SOFII Foundation.

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 presidency 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 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]
Chair of the BBC Appeals Advisory Committee, Member of Durham University Council, Chair of St Cuthbert's Society and Vice-Chair of the Nationwide Foundation.

Nick O'Donohoe (resigned 31 December 2015)
Chief Executive of Big Society Capital (until 31 December 2015). Board Member of the Global Impact Investing Network (GIIN).

Dai Powell OBE[1]
Chief Executive of HCT Group. Board Member of Social Enterprise UK.

Cliff Prior
Chief Executive of Big Society Capital (from 7 March 2016). Board Member of UCL Partners and Trustee of Empower Community Foundation.

Lady Susan Rice CBE[1]
Chair, Scottish Water, Business Stream, Scottish Fiscal Commission, Patron of the National Galleries of Scotland, and the Chartered Banker: Professional Standards Board. Lay member of Court of Edinburgh University. Non-Executive Director of J Sainsbury plc, North American Income Trust, and the Banking Standards Board.

Sarah Smart[2]
Chair of the Pensions Trust, Non-Executive Director and Chair of the Audit Committee for the Pensions Regulator, Board Member and Chair of the Audit Committee of UK Athletics and the Independent Professional Observer for the Lothian Pension Fund.

Keith Smithson[2]
(Big Society Capital Director nominated by the shareholder banks.) Managing Director, Treasury, Barclays.

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

Danielle Walker Palmour[2]
Foundation Director of Friends Provident Foundation, Trustee of Woodbrooke Quaker Study Centre and York Blind and Partially Sighted Society.

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 Nominations and Remuneration Committee
[2] Member of Audit, Risk and Compliance Committee

CORPORATE GOVERNANCE

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

Our vision is for a vibrant, diverse, well capitalised and sustainable social investment market in the UK, through which charities and social enterprises can access appropriate and affordable finance and support to grow their positive impact on society.

Big Society Capital's object is to act as a social investment wholesaler and generally to promote the development of the social investment marketplace in the UK. It also seeks to achieve and maintain financial sustainability over the longer term.

The company is authorised by the Financial Conduct Authority.

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 a majority of 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, the performance of Big Society Capital's portfolio of investments, and reporting its activities to the Board. All investments over £10 million also require approval by the Board. It is chaired by the CEO of Big Society Capital.
- 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 COO of Big Society Capital (who is not a member of the Investment Committee). Members of ARCC and 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) 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.

The Big Society Trust Directors as at 31 December 2015:

Baroness Pitkeathley OBE (Chair from 20 May 2015)
House of Lords, Chair of the Professional Standards Authority (until 31 December 2015)

Sir Stephen Bubb (from 20 May 2015)
CEO of the Association for Chief Executives of Voluntary Organisations

Robin Budenberg CBE
London Chairman of Centerview Partners and Non-Executive Director of Charity Bank

Ian Davis
Chair of Rolls Royce plc, Non-Executive Director of BP plc, Johnson & Johnson and Teach For All. Member of Temasek European Advisory Board. Non-Executive Member of the Cabinet Office Board

Peter Holbrook CBE
Chief Executive of Social Enterprise UK

Sir Harvey McGrath
Chair of Big Society Capital

David Robinson OBE
Chair, Early Action Task Force, Non-Executive Director of Social Finance Limited and Senior Adviser and founder of Community Links

Helen Stephenson CBE
(nominated by Cabinet Office) Director, Early Years, Child Poverty and Children's Services Strategy, Department for Education

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 committed to subscribe up to £50 million of Big Society Capital's shares. Their individual shareholdings will always be less than 10% of the paid-in capital.

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

Big Society Capital has established an Advisory Board to advise the CEO on aspects of Big Society Capital's strategy or activities. The Advisory Board is made up of individuals with specific interest 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 2015

Robert Annibale
Citi Community Development and Inclusive Finance

Dawn Austwick OBE
Big Lottery Fund

Rt Hon Hazel Blears

Matthew Bowcock CBE
Hazelhurst Trust

Dan Corry
New Philanthropy Capital

Deirdre Davies
Deutsche Bank AWM (resigned 31 December 2015)

Toby Eccles Social Finance

Seb Elsworth
Access - the Foundation for Social Investment

Julia Grant Impetus-PEF

Victoria Hornby
The Royal Foundation

Jonathan Jenkins
Social Investment Business

Nigel Kershaw OBE
Big Issue Invest

Kate Markey Blue Sky

Caroline Mason CBE
Esmée Fairbairn Foundation

Mick May OBE Peel Institute

David Orr
National Housing Federation

James Perry Panahpur

Cliff Prior CBE
UnLtd (resigned upon appointment as Big Society Capital's CEO)

Tom Rippin On Purpose

Hugh Rolo Locality and Community Shares Unit

Antony Ross Bridges Ventures

Rod Schwartz ClearlySo

REMUNERATION REPORT

This report covers the 12 months ended 31 December 2015 and sets out the policy and disclosures in relation to the remuneration of the employees and directors of Big Society Capital.

The Nominations and Remuneration 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 Committee is appointed by the Board of the company and makes recommendations on these issues to it. The 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;
- 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 not-for-profit and public bodies such as housing associations.
- In 2015, the amounts were £7,500 (2014: £7,000) per annum for the service of acting as a non-executive director, £3,250 (2014: £3,000) per annum for chairing a Board Committee and £1,625 (2014: £1,500) per annum for acting as a non-chair member of a Committee. These figures will be reviewed by Big Society Capital annually in the light of inflation and comparable organisations.
- Total non-executive directors' fees in 2015 were £46,000 (2014: £45,000).

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:

	2015 Number	2014 Number
£60,000 - £69,999	6	9
£70,000 - £79,999	4	3
£80,000 - £89,999	1	1
£90,000 - £99,999	1	2
£100,000 - £109,999	2	2
£140,000 - £149,999	1	1

Fourteen 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 2015 was 43 and at 31 December 2014 was 37. The ratio of highest salary to lowest salary is 7.02.

STRATEGIC REPORT

Principal objectives

Social investment is the use of repayable finance to achieve a social as well as a financial return. There are many charities and social enterprises working hard to deal with some of the most challenging issues in the UK, such as youth unemployment, financial exclusion and homelessness. An increasing number of them want to use repayable finance to help them increase their impact on society, for example by growing their organisation and extending their reach, providing working capital for contract delivery, or buying assets.

Big Society Capital's objectives are:

1. To have a transformative impact on social investment in the UK by supporting intermediaries to become financially robust and able to: attract greater and more diverse sources of investment; effectively and efficiently channel appropriate and affordable capital to charities and social enterprises; and provide effective financial and business support services to charities and social enterprises.

2. To increase awareness of, and confidence in, social investment by promoting best practice and sharing information; improving links between the social investment and mainstream financial markets; and working with other investors to embed social impact assessment into the investment decision-making process.

Strategy

In 2014 Big Society Capital refreshed its three year strategy. It assessed all of its investment and other activities, analysed how social investment can help different social issues across its outcomes framework and segmented the investor landscape. The work involved all of its staff, its main Board, its advisory board, The Big Society Trust, shareholder banks, and consultation with its closest partners.

A diverse social investment market can generate significant social value for the UK. Big Society Capital has a clear vision for how to make this happen. It needs to:

- improve access to finance for small and medium-sized charities and other social sector organisations;
- provide capital that allows the most innovative approaches to tackling social problems to quickly grow and replicate;
- build mass participation in social investment; and
- bring far greater financial scale to bear in the financing of social issues.

During 2015 the Board reviewed the implementation of the strategy and considered progress of each strand. The Board confirmed the strategic direction, but agreed a change of emphasis between the strands in terms of expected capital deployment.

Details of the company's activities in each of these areas are available on its website - www.bigsocietycapital.com.

Business model and trends

Big Society Capital operates as an investor and as a champion.

Big Society Capital is an investor that provides capital to intermediaries (such as fund managers or specialist banks serving the sector) that in turn provide finance and support to 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 its 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 60.06% 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

STRATEGIC REPORT
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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 will receive equity capital from The Big Society Trust of up to £400m and up to £200m from the shareholder banks (Barclays, HSBC, Lloyds Banking Group and RBS). The source of the capital from The Big Society Trust is dormant bank accounts managed 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.

Following the strategic review in 2014, the company has continued to progress towards its intended steady-state level of resourcing for both its investor and championing activities. In order to support its activities average head count across the organisation increased from 33 in 2014 to 39 in 2015. This has led to an increase in expenses in 2015. Following the initial period of establishment, since its launch in 2012, which saw year on year increases in headcount and resources, Big Society Capital considers that it has now reached the level of operations at which it broadly expects to continue.

This increase in operational costs, together with an increased amount of fees paid to financial intermediaries and fair value reductions on investments has increased losses in 2015. This level of expenditure and net losses is expected to continue in 2016.

Big Society Capital's founding CEO, Nick O'Donohoe resigned on 31 December 2015. Following an open and rigorous recruitment process, Big Society Capital appointed Cliff Prior to the position of CEO, commencing on 7 March 2016.

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 15 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. 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 2015, charities and social enterprises got 52 hours of free meeting room space at Big Society Capital's offices.
- At the end of 2015 Big Society Capital had 4 social enterprises in its supply chain.
- During 2015, 28 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.
- As described below, in 2016 the treasury portfolio has moved to a new investment manager, operating in accordance with a socially responsible investment process, moving our criteria from negative screening to a more positive social and ethical approach.

Business performance and key performance indicators

Financial performance:

The Financial Statements are set out on pages 12 to 40, and the profit and loss for the period is shown on page 12.

Total loss for the year is £6.8m (2014: £1.7m). Total revenue for the year comprises investment losses of £3.6m (2014: gain of £1.1m) and income of £2.5m (2014: £1.8m). Total revenue comes from treasury returns of £2.4m (2014: £4.4m) and overall net losses on the social investment portfolio of £3.5m (2014: £1.5m). Expenses were £5.7m (2014: £4.6m) with average headcount of 39 (2014: 33).

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 treasury portfolio operates with an ethical screen and has an allocation to social investment. In 2016, the treasury portfolio has moved to a new investment manager and the mandate will change to permit only issuers successfully screened in accordance with a socially responsible investment process, while aiming for capital preservation in line with normal treasury management.

The losses on the social investment portfolio reflect the current stage of Big Society Capital's social investments. A significant proportion of the investments is into funds that invest into charities, social enterprises and social property. Big Society Capital's use of fair value measurement in accounting for fund investments results, during this early stage, in the recognition of set-up costs, management fees and other expenses, whilst there is not yet sufficient corresponding income against which to offset these.

It is expected that these losses will continue in the near term.

The long-term aim is to be self-sufficient. The business plan shows that, for the initial few years, the company will be loss-making while it builds the market and makes early stage investments. In later years, as the portfolio matures, the investments are forecast to make returns to cover the operational and market championing costs and generate a financial return.

Championing Activities:

Big Society Capital continues to build awareness and understanding of social investment. During 2015, Big Society Capital worked on a number of key initiatives:

- Launching the "GET IT" campaign to increase awareness and support further uptake of Social Investment Tax Relief
- Publishing a joint paper with the Social Market Foundation on why and how social pension funds should be introduced in the UK
- Relaunching the Outcomes Matrix to make it easier for organisations to build their own bespoke outcomes toolkit
- Supporting the launch of Access - The Foundation for Social Investment, to help early stage charities and social enterprises access social investment
- Announcing the winners of the 2015 Business Impact Challenge - a partnership between Interserve, Catch 22 and ClubFinance
- Launching an open conversation on transparency, both in Big Society Capital and in social investment more broadly

STRATEGIC REPORT
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- Continuing to engage via events and media activities with charities and social enterprises, such as through a partnership with Homelessness Link
- Continuing to engage via events and media activities with investors, such as sponsoring Worthstone's Social Investment Academy for Independent Financial Advisors

More information on these activities can be found on the company's website - www.bigsocietycapital.com.

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 2015.

Money available to charities and social enterprises

- Since launching Big Society Capital has signed 48 investments.
- The cumulative amount of investments signed by Big Society Capital and its co-investors is £587m (2014: £359m).
- Of this £261m (2014: £158m) is Big Society Capital's money and £326m (2014: £201m) is from its co-investors. When an investment is signed, the money is then available for intermediaries to invest into charities and social enterprises.

The major categories of co-investors include:

- UK charities and foundations (19%)
- UK Government agencies (18%)
- UK funds (2%)
- UK banks (6%)
- Local authority pension funds (3%)
- UK other (25%)
- International (16%)
- Social bank depositers (11%)

Money reaching charities and social enterprises

- The cumulative amount drawn down from Big Society Capital and its co-investors is £195m[1] (2014: £104m). Big Society Capital's expectation is that the average investment will typically take between three and six years to fully draw down.
- Of this £68m[1] (2014: £36m) has come from Big Society Capital's own funds and £127m (2014: £68m) from its co-investors.
- The drawdown has been utilised as follows (based on Big Society Capital's drawdown):

Product type:

- 41% is capital for charities and social enterprises through funds and social banks.
- 39% is into property, mainly to help charitable service delivery.
- 8% is helping charities deliver services using Social Impact Bonds.
- 7% is management fees paid to intermediaries
- 5% is capital for arrangers (investments into social investment advisers)

Organisational form:

- 77% asset locked charities and social enterprises.
- 11% non-asset locked social enterprises.
- 7% is management fees paid to intermediaries
- 5% is capital for arrangers (investments into social investment advisers)

Money available for us to invest

- Big Society Capital has received £357m (2014: £305m) 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 £357m, £261m has been signed, of which £68m has been drawdown.[1]

As described above, the treasury portfolio has an allocation to social investment. As at 31 December 2015, the company held £10.5m in social investment through its treasury portfolio (2014: £10.8m).

Return on assets

As required by IFPRU, the FCA Prudential Sourcebook for Investment Firms, the company's return on assets is a loss of 2.0% (2014: a loss of 0.6%).

This report was approved by the board on 14 April 2016 and signed on its behalf.

Sir Harvey McGrath
Director

[1] The drawdown number used in the Company's KPIs represents gross drawdowns to date of £86.3m, less significant cash held at intermediaries. The value of investments on the balance sheet is £78.4m, which represents gross drawdowns and draw down notices received, adjusted for loan repayments, redemptions and valuation adjustments (see note 9 – Fixed asset investments, for current year).

DIRECTOR'S REPORT

The directors present their report and financial statements for the year ended 31 December 2015.

Directors

The following persons served as directors during the year:

Sir Harvey McGrath (Chair)

David Carrington

Sir Ronald Cohen

Fiona Ellis

John Kingston OBE (resigned 21 July 2015)

Geoff Mulgan CBE (resigned 19 May 2015)

Nick O'Donohoe (resigned 31 December 2015)

Dai Powell OBE

Lady Susan Rice CBE

Sarah Smart (appointed to the Board 21 December 2015)

Keith Smithson

Anne Wade

Danielle Walker Palmour

Dividends

The directors do not recommend the payment of a dividend for the year (2014: £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 - www.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.*

Registered number: 07599565

DIRECTORS REPORT
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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 departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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 14 April 2016 and signed on its behalf.

Sir Harvey McGrath
Director

INDEPENDENT AUDITOR'S REPORT

To the members of Big Society Capital Limited

We have audited the financial statements of Big Society Capital Limited for the year ended 31 December 2015. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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
- 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.

Jonathan Martin
Senior Statutory Auditor

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

15 Canada Square
London E14 5GL

14 April 2016

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	2015 £ 000	2014 £ 000
Investment (losses) / gains	2	(3,556)	1,066
Income		2,460	1,799
Total Revenue	3	**(1,096)**	**2,865**
Other income	4	76	60
Administrative and other expenses	5	(5,694)	(4,623)
Operating loss		**(6,714)**	**(1,698)**
Loss on sale of tangible fixed assets		(35)	-
Loss on ordinary activities before taxation		**(6,749)**	**(1,698)**
Tax (charge) / credit on loss on ordinary activities	7	(31)	5
Loss for the financial year		**(6,780)**	**(1,693)**
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(6,780)**	**(1,693)**

The results above relate to continuing operations.

The notes on pages 16 - 40 form part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 £ 000	2014 £ 000
Fixed assets			
Tangible assets	8	312	78
Investments	9	78,415	33,607
		78,727	**33,685**
Current assets			
Debtors	10	779	933
Investments	11	204,214	235,729
Cash at bank and in hand		62,869	31,240
		267,862	**267,902**
Creditors: amounts falling due within one year	12	(2,489)	(1,796)
Net current assets		**265,373**	**266,106**
Total assets less current liabilities		**344,100**	**299,791**
Creditors: amounts falling due after more than one year	13	-	(27)
Provisions for liabilities			
Deferred taxation	14	(34)	(4)
Net assets		**344,066**	**299,760**
Capital and reserves			
Called up share capital	17	356,547	305,461
Profit and loss account	18	(12,481)	(5,701)
Total equity		**344,066**	**299,760**

The notes on pages 16 - 40 form part of these Financial Statements.

Approved by the board on 14 April 2016 and signed on its behalf

Sir Harvey McGrath
Director

Company registration number: 07599565

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	225,409	-	-	(4,008)	221,401
Loss for the financial year	-	-	-	(1,693)	(1,693)
Shares issued	80,052	-	-	-	80,052
At 31 December 2014	**305,461**	**-**	**-**	**(5,701)**	**299,760**
At 1 January 2015	305,461	-	-	(5,701)	299,760
Loss for the financial year	-	-	-	(6,780)	(6,780)
Shares issued	51,086	-	-	-	51,086
At 31 December 2015	**356,547**	**-**	**-**	**(12,481)**	**344,066**

The notes on pages 16 - 40 form part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015	Notes	2015 £ 000	2014 £ 000
Operating activities			
Operating loss		(6,714)	(1,698)
Adjustments for:			
Depreciation		137	59
		(6,577)	**(1,639)**
Decrease/(increase) in debtors		154	(197)
Increase in creditors		666	1,235
		(5,757)	**(601)**
Fair value adjustments on fixed asset investments		4,123	746
Returns on fixed asset investments		69	8
Realised loss on fixed asset investments		200	-
Increase in unamortised deferred commitment fee		-	(8)
Amortised commitment fee released in year		-	8
Fair value adjustments on current asset investments		(357)	(2,569)
Returns on current asset investments	19	(1,111)	(823)
Cash used in operating activities		**(2,833)**	**(3,239)**
Investing activities			
Payments to acquire tangible fixed assets		(407)	(21)
Payments to acquire fixed asset investments		(50,737)	(21,561)
Payments to acquire current asset investments	19	(76,110)	(88,044)
Repayment of loans		1,535	670
Proceeds from sale of fixed asset investments		1	77
Proceeds from sale of current asset investments	19	150,569	22,187
Cash generated by/(used in) investing activities		**24,851**	**(86,692)**
Financing activities			
Proceeds from the issue of shares		51,086	80,052
Cash generated by financing activities		**51,086**	**80,052**
Net cash generated/(used)			
Cash used in operating activities		(2,833)	(3,239)
Cash generated by/(used in) investing activities		24,851	(86,692)
Cash generated by financing activities		51,086	80,052
Net cash generated/(used)		**73,104**	**(9,879)**
Cash and cash equivalents at 1 January	19	56,382	66,261
Cash and cash equivalents at 31 December		**129,486**	**56,382**
Cash and cash equivalents comprise:			
Cash at bank		62,869	31,240
Current asset investments (Maturity less than 3 months from the date of acquisition)	20	66,617	25,142
		129,486	**56,382**

The notes on pages 16 - 40 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2015

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.

In transition to FRS 102 from former UK GAAP the company has made no measurement and recognition adjustments.

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 losses since inception of £12.5m, including a loss for the period of £6.8m. The company had cash and current asset investments of £267.1m as at the year end, having been capitalised with £356.5m 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.

Associates held as part of an investment portfolio

The company has investments which may be regarded as associated undertakings, which would 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.

Government grants

Government grants are included within deferred income in the balance sheet and credited to the profit and loss account 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 balance sheet, 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 22 - 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

Financial assets at amortised cost:

- Debt investments meeting the conditions set out 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

Note 15 - Financial risk management and financial instruments - provides a reconciliation of line items in the balance sheet to the categories of financial instruments.

iii) Fair value measurement

As described in Note 16 - 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 Multiples valuation techniques to derive a value for the investment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

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) Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet 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

Deferred taxation

Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments.

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.

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 AND LOSSES

	2015 £ 000	2014 £ 000
Net gains/ (losses) from financial assets designated as at fair value through profit or loss:		
Realised	(200)	-
Unrealised	(3,356)	1,025
Net gains/ (losses) from financial assets carried at amortised cost:		
Unrealised	-	41
	(3,556)	**1,066**

3
TOTAL REVENUE

	2015 £ 000	2014 £ 000
Social investment portfolio		
Fixed asset investments:		
Net gains/ (losses) from financial assets designated as at fair value through profit or loss:		
- Management fees and expenses paid to intermediaries	(2,694)	(1,865)
- Valuation changes and income relating to underlying investments	(1,481)	(147)
Interest income on financial assets designated as amortised cost	272	240
Interest income on financial assets designated as at fair value through profit or loss	194	184
Dividend income from financial assets designated as at fair value through profit or loss	326	49
Fees received	30	13
Fees paid directly to intermediaries	(101)	-
	(3,454)	**(1,526)**
Treasury portfolio		
Net gains/ (losses) from financial assets designated as at fair value through profit or loss:		
Current asset investments	619	3,037
Net gains/ (losses) from financial assets designated as amortised cost:		
Fixed asset investments	-	41
Interest income on financial assets designated as amortised cost:		
Cash at bank and in hand	172	462
Current asset investments	1,567	851
	2,358	**4,391**
Total revenue	**(1,096)**	**2,865**

As described in the Strategic Report on pages 5 to 8, losses on the social investment portfolio reflect the current stage of the company's social investments.

4
OTHER INCOME

	2015 £ 000	2014 £ 000
Government grants received	35	60
Other income	41	-
	76	**60**

5
ADMINISTRATIVE AND OTHER EXPENSES

	2015 £ 000	2014 £ 000
Wages and salaries	2,222	1,980
Non-executive directors' fees	46	45
Social security costs	263	237
Pension costs	170	159
Staff related costs, including recruitment, training and travel	458	265
Premises	683	209
General and administrative expenses	370	299
Treasury management fees	352	378
Consultancy, including corporate advice and support and championing activities	169	85
Marketing, including events, sponsorship and website development	188	228
Research	59	100
Amounts receivable by the company's auditor (see below)	119	88
Other professional costs	233	234
Depreciation of owned fixed assets	137	59
Investment related expenses, including legal fees	225	257
Total administrative expenses	**5,694**	**4,623**

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

	2015 £ 000	2014 £ 000
Auditors' remuneration for audit services	69	71
Taxation compliance services	38	17
Other services	12	-
	119	**88**

AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2015 Number	2014 Number
Investment	12	11
Senior Management	4	3
Strategy	4	4
Communications	4	2
Operations	9	7
Social & Finance Sector Engagement	4	4
On Purpose Interns	2	2
	39	**33**

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

	2015 £ 000	2014 £ 000
Emoluments	195	192
Company contributions to money purchase pension schemes	16	16
	211	**208**
Highest paid director:		
Emoluments	150	146
Company contributions to money purchase pension schemes	16	16
	166	**162**

NUMBER OF DIRECTORS TO WHOM RETIREMENT BENEFITS ACCRUED:

	2015 Number	2014 Number
Money purchase pension schemes	**1**	**1**

DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS CONTINUED

KEY MANAGEMENT PERSONNEL EMOLUMENTS*

	2015 £000	2014 £000
Emoluments	**704**	707
Company contributions to money purchase pension schemes	**64**	67
	768	774

*Key management personnel includes one executive director, who is also included in the directors' emoluments table.

7
TAXATION

	2015 £ 000	2014 £ 000
Analysis of charge in period		
Deferred tax:		
Origination and reversal of timing differences	31	(5)
Tax charge / (credit) on loss on ordinary activities	**31**	**(5)**

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:

	2015 £ 000	2014 £ 000
Loss on ordinary activities before tax	**(6,749)**	**(1,698)**
Standard rate of corporation tax in the UK	20%	21.5%
	£ 000	£ 000
Loss on ordinary activities multiplied by the standard rate of corporation tax	(1,350)	(365)
Effects of:		
Expenses not deductible for tax purposes	728	310
Capital allowances for period in excess of depreciation	(15)	11
Tax loss not recognised as deferred tax asset	637	44
Current tax charge for period	-	-

Factors that may affect future tax charges
Deferred tax has been provided using rates enacted by the balance sheet date, however on 16 March 2016 the Chancellor announced that the corporation tax rate for finance year 2020 will be reduced further from 18% to 17%.

8
TANGIBLE FIXED ASSETS

	Land and buildings £ 000	Fixtures, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2015	126	107	233
Additions	320	87	407
Disposals	(127)	-	(127)
At 31 December 2015	**319**	**194**	**513**
Depreciation			
At 1 January 2015	77	78	155
Charge for the year	96	41	137
On disposals	(91)	-	(91)
At 31 December 2015	**82**	**119**	**201**
Carrying amount			
At 31 December 2015	**237**	**75**	**312**
At 31 December 2014	**49**	**29**	**78**

9
FIXED ASSET INVESTMENTS

	£ 000
Social investment portfolio	
At 1 January 2015	33,607
Additions	50,737
Repayment of loans	(1,535)
Redemptions	(202)
Profit and loss - Unrealised*	(4,192)
At 31 December 2015	**78,415**

*Profit and loss - Unrealised is predominantly management fees and expenses paid to intermediaries or fair value reductions on social investments, as detailed in Note 3 - Total Revenue

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	%	Aggregate Capital and reserves of the entity[2] £ 000	Aggregate Profit (loss) for the year of the entity[2] £ 000
Social Stock Exchange Limited	UK	Ordinary	42.10	251	(1,052)
Think Forward Social Impact (1) Limited	UK	Ordinary	50.00	1,049	594
3SC Capitalise Limited	UK	Ordinary	82.14	512	82
Triodos New Horizons Limited	UK	Ordinary	30.00	323	740
Children's Support Services Limited	UK	Ordinary	26.60	(602)	52
Energise Innovation Limited	UK	Ordinary	35.37	458	443
The Charity Bank Limited	UK	Ordinary	35.65	11,555	(2,097)
It's All About Me Scheme LLP	UK	Partnership Interest	25.00	363	(227)
Bridges Social Impact Bond Fund LP	38 Seymour Street, London, W1H 7BP	Partnership Interest	37.78		Holding less than 50%, no public filing required
Community Generation Fund Limited Partnership	Riverside House 4 Meadows Business Park, Station Approach Blackwater, Camberley, Surrey, GU17 9AB	Partnership Interest	60.00	1,059	(52)
Impact Ventures S.A., SICAV-SIF	Luxembourg	Registerd Shares	41.72		Holding less than 50%, no public filing required
North East Social Investment Fund Limited Partnership	5th Floor, Maybrook House, 27-35 Grainger Street, Newcastle Upon Tyne, Tyne And Wear, NE1 5JE	Partnership Interest	49.58		Holding less than 50%, no public filing required
Nesta Impact Investments 1 Limited Partnership	1 Plough Place, London EC4A 1DE	Partnership Interest	37.86		Holding less than 50%, no public filing required
Real Lettings Property Fund Limited Partnership	42 St Thomas Road, Launceston, Cornwall, PL15 8BX	Partnership Interest	25.07		Holding less than 50%, no public filing required
The Community Investment Fund L.P.	4th Floor, Reading Bridge House, George Street, Reading RG1 8LS	Partnership Interest	40.00		Holding less than 50%, no public filing required
Shared Lives Investments LP	131-151 Great Titchfield Street, London W1W 5BB	Partnership Interest	37.90		Holding less than 50%, no public filing required
Social Growth Fund LLP	UK	Partnership Interest	50.00	2,347	(761)
Bridges Social Interim LP	38 Seymour Street, London, W1H 7BP	Partnership Interest	99.98	N/A[3]	N/A[3]
Evidence-Based Social Investments Limited	UK	Ordinary	30.00	146	(18)
Social Finance Care and Wellbeing Investments LLP	UK	Partnership Interest	50.00	236	(349)
Funding Affordable Homes. SICAV SIF S.A	Luxembourg	Registerd Shares	34.10		Holding less than 50%, no public filing required
Big Issue Invest Social Enterprise Investment Fund II L.P.	UK	Partnership Interest	71.30	N/A[3]	N/A[3]
National Homelessness Property Fund Limited Partnership	UK	Partnership Interest	47.48		Holding less than 50%, no public filing required

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 2015.

10
DEBTORS

	2015 £ 000	2014 £ 000
Other debtors	45	76
Prepayments	322	185
Accrued income on treasury portfolio	412	672
	779	**933**

11
INVESTMENTS HELD AS CURRENT ASSETS

	2015 £ 000	2014 £ 000
Treasury portfolio - Cash deposits	123,773	134,782
Treasury portfolio - Listed debt securities	69,937	90,179
Treasury portfolio - Unlisted debt securities	10,504	10,768
	204,214	**235,729**

Investments held as current assets can be realised within 1 year, but not within 24 hours. Unlisted debt securities are held in an open-ended investment company with daily quoted prices, and are held as part of the social investment allocation within the treasury portfolio, as described in the Strategic Report on pages 5 to 8.

12
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £ 000	2014 £ 000
Trade creditors	127	103
Other taxes and social security costs	83	-
Other creditors	1,768	1,285
Accruals	507	380
Deferred income	4	28
	2,489	**1,796**

Other creditors comprise drawdown notices received before the year end but paid after the year end and accrued fees for un-drawn down investments.

13
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2015 £ 000	2014 £ 000
Deferred income	**-**	**27**

14
DEFERRED TAXATION

	2015 £ 000	2014 £ 000
Accelerated capital allowances	34	4
Adjustment in respect of prior period	(34)	28
Impact of change in tax rates	-	(28)
Tax losses carried forward	(1,271)	(641)
Tax losses not recognised as a deferred tax asset	1,305	641
Provision for deferred tax	**34**	**4**

	2015 £ 000	2014 £ 000
Provision for liabilities		
At 1 January	3	9
Debited / (credited) to the profit and loss account	31	(5)
At 31 December	**34**	**4**

15
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 8, 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 deposits and listed and unlisted debt securities, and represents capital held before it is drawn down into social investment. The treasury portfolio operates with an ethical screen to exclude investments in armaments, businesses involved in production/distribution of illegal drugs, businesses with significant revenue sourced from gambling, pornography or tobacco and businesses subject to sanctions.

Up to £20m of the treasury portfolio can be invested into social investment. As at 31 December 2015, the company held £10.5m (2014: £10.8m) in social investment. The treasury portfolio is managed in accordance with the company's treasury policy, as approved by the Board.

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CATEGORIES OF FINANCIAL INSTRUMENT

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

2015	Financial assets measured at fair value through profit or loss £ 000	Financial assets measured at amortised cost £ 000	Financial liabilities measured at amortised cost £ 000	Non financial instruments £ 000	Total £ 000
Assets					
Tangible fixed assets	-	-	-	312	312
Fixed asset investments	72,476	5,939	-	-	78,415
Debtors	-	457	-	322	779
Investments held as current assets	80,441	123,773	-	-	204,214
Cash at bank and in hand	-	62,869	-	-	62,869
Liabilities					
Creditors: amounts falling due within one year	-	-	(2,489)	-	(2,489)
Creditors: amounts falling due after more than one year	-	-	-	-	-
Deferred taxation	-	-	-	(34)	(34)
	152,917	**193,038**	**(2,489)**	**600**	**344,066**

2014	Financial assets measured at fair value through profit or loss £ 000	Financial assets measured at amortised cost £ 000	Financial liabilities measured at amortised cost £ 000	Non financial instruments £ 000	Total £ 000
Assets					
Tangible fixed assets	-	-	-	78	78
Fixed asset investments	26,848	6,759	-	-	33,607
Debtors	-	748	-	185	933
Investments held as current assets	100,947	134,782	-	-	235,729
Cash at bank and in hand	-	31,240	-	-	31,240
Liabilities					
Creditors: amounts falling due within one year	-	-	(1,796)	-	(1,796)
Creditors: amounts falling due after more than one year	-	-	(27)	-	(27)
Deferred taxation	-	-	-	(4)	(4)
	127,795	**173,529**	**(1,823)**	**259**	**299,760**

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

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

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

2015	Financial assets measured at fair value through profit or loss £ 000	Financial assets measured at amortised cost £ 000	Financial liabilities measured at amortised cost £ 000	Other income and expense £ 000	Total £ 000
Investment gains / (losses)	(3,556)	-	-	-	(3,556)
Interest income	540	1,665	-	-	2,205
Fee and dividend income	246	9	-	-	255
Other income	-	-	-	76	76
Administrative expenses	(415)	(130)	-	(5,149)	(5,694)
Loss on sale of fixed assets	-	-	-	(35)	(35)
Tax on loss on ordinary expenses	-	-	-	(31)	(31)
	(3,185)	**1,544**	**-**	**(5,139)**	**(6,780)**

2014	Financial assets measured at fair value through profit or loss £ 000	Financial assets measured at amortised cost £ 000	Financial liabilities measured at amortised cost £ 000	Other income and expense £ 000	Total £ 000
Investment gains / (losses)	1,025	41	-	-	1.066
Interest income	184	1,551	-	13	1,748
Fee and dividend income	49	2	-	-	51
Other income	-	-	-	60	60
Administrative expenses	(243)	(157)	-	(4,223)	(4,623)
Tax on loss on ordinary expenses	-	-	-	5	5
	1,015	**1,437**	**-**	**(4,145)**	**(1,693)**

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 investments in unlisted funds, 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 balance sheet date is represented by the respective carrying amounts of the relevant financial assets in the balance sheet.

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CREDIT RISK EXPOSURE

Credit risk exposure as at the balance sheet date comprises:

	2015 £ 000	2014 £ 000
Fixed asset investments	78,415	33,610
Other debtors	28	14
Accrued income	412	672
Rental deposit	17	62
Unlisted debt securities	10,504	10,768
Cash deposits - Investments held as current assets	123,773	134,782
Listed debt securities	69,937	90,179
Cash deposits - Cash at bank and in hand	62,869	31,240
Maximum exposure to credit risk as at the balance sheet date	**345,955**	**301,327**

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 Moody's Investor Services:

	Rating	2015 £ 000	2014 £ 000
Unlisted debt securities (average portfolio rating)	A1	10,504	-
Unlisted debt securities (average portfolio rating)	A2	-	10,768
Listed debt securities (average portfolio rating)	A2	69,937	90,179
Cash deposits - Investments held as current assets	Aaamf	17,655	-
Cash deposits - Investments held as current assets	Aa2	25,110	-
Cash deposits - Investments held as current assets	Aa3	-	15,116
Cash deposits - Investments held as current assets	A1	16,298	19,831
Cash deposits - Investments held as current assets	A2	64,710	99,835
Cash deposits - Cash at bank and in hand	Aa2	13,069	-
Cash deposits - Cash at bank and in hand	Aa3	-	598
Cash deposits - Cash at bank and in hand	A1	18,515	-
Cash deposits - Cash at bank and in hand	A2	31,285	30,642
		267,083	**266,969**

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 22 - 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:

2015	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000
Creditors: amounts falling due within one year	2,419	2,419	2,419
	2,419	**2,419**	**2,419**

2014	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000
Creditors: amounts falling due within one year	1,660	1,660	1,660
	1,660	**1,660**	**1,660**

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 £267.1 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 £1.8 million.

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.

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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. Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2. Price of recent transaction (adjusted or unadjusted) for identical assets or liabilities.
- Level 3. Valuation technique

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 Multiples valuation techniques to derive a value for the investment.
- 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.

The company invests to achieve a financial return, a measurable social impact and to further market development and success across these factors will influence valuation.

VALUATION OF FINANCIAL INSTRUMENTS
CONTINUED

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

	2015 £ 000	2014 £ 000
Financial assets held at fair value:		
Level 1		
Investments held as current assets	69,937	90,179
Level 2		
Investments held as current assets	10,504	10,768
Level 3		
Fixed assets - investments	72,476	26,848
	152,917	**127,795**

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 2015	26,848
Reclassification from amortised cost	1,783
Purchases	48,767
Sales	(705)
Total investment returns	(4,217)
Balance at 31 December 2015	**72,476**

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

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SHARE CAPITAL

	Nominal value	2015 Number 000	2015 £ 000	2014 £ 000
Allotted, called up and fully paid:				
Ordinary A shares	£1 each	214,142	214,142	183,460
Ordinary B shares	£1 each	142,405	142,405	122,001
			356,547	**305,461**

	Nominal value	Number 000	Amount £ 000
Shares issued during the period:			
Ordinary A shares	£1 each	30,682	30,682
Ordinary B shares	£1 each	20,404	20,404
			51,086

18
PROFIT AND LOSS ACCOUNT

	2015 £ 000	2014 £ 000
At 1 January	(5,701)	(4,008)
Loss for the financial year	(6,780)	(1,693)
At 31 December	**(12,481)**	**(5,701)**

19
OPENING AND PRIOR YEAR CASH AND CASH EQUIVALENTS

Under FRS 102, cash and cash equivalents, as shown in the Statement of Cash Flows includes current asset investments with a maturity or period of notice of less than 3 months from the date of acquisition. Under former UK GAAP, the Statement of Cash Flows included only those cash deposits that have a maturity or period of notice of not more than 24 hours or one working day.

The adoption of FRS 102 has resulted in certain presentational changes to the Statement of Cash Flows. A comparative of prior year cash flow adjustments relating to current asset investments, under FRS 102 and former UK GAAP, is shown below. The differences in these balances is due to certain current asset investments, as described above, being classified as cash and cash equivalents under FRS 102, but as current asset investments under former UK GAAP:

	Former UK GAAP £ 000	FRS 102 £ 000
Returns on current asset investments	(929)	(823)
Payments to acquire current asset investments	(105,619)	(88,044)
Proceeds from sale of current asset investments	29,763	22,187

A comparative of opening cash and cash equivalents balances, as at 1 January 2014, under FRS 102 and former UK GAAP is shown below:

Net funds at 1 January 2014:	Former UK GAAP £ 000	FRS 102 £ 000
Cash at bank	51,224	51,224
Current asset investments (Maturity less than 3 months from the date of acquisition)	-	15,037
	51,224	66,261

20
CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:	2015 £ 000	2014 £ 000
Cash at bank	62,869	31,240
Current asset investments (Maturity less than 3 months from the date of acquisition)	66,617	25,142
Cash and cash equivalents per cash flow statement	**129,486**	**56,382**

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:

	2015 £ 000	2014 £ 000
Cash deposits (Maturity less than 3 months from the date of acquisition)	66,617	25,142
Cash deposits (Maturity greater than 3 months from the date of aqcuisition)	57,156	109,640
Listed debt securities (Maturity greater than 3 months from the date of aqcuisition)	69,937	90,179
Unlisted debt securities (Maturity greater than 3 months from the date of aqcuisition)	10,504	10,768
Investments held as current assets per balance sheet	**204,214**	**235,729**

21
EVENTS AFTER THE REPORTING DATE

In January 2016, the company received £8.4m of capital and issued 8,407,000 Ordinary A Shares to The Big Society Trust, and in February 2016, the company received £5.6m of funding and issued 5,590,652 Ordinary B Shares to the shareholder banks.

Since the year end, the company has paid investee drawdowns of a further £17.3m, increased in principle commitments by £19.4m and signed agreements with a value of £3.0m.

22
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, or a draw down notice has been received to this effect. The amounts drawn down are recognised as financial assets in the balance sheet, 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 balance sheet, 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 balance sheet, but are disclosed below.

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

	2015 £ 000	2014 £ 000
Commitments contracted but not drawn down and not provided in the Financial Statements	**173,076**	**120,975**

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

	2015 £ 000	2014 £ 000
In principle commitments (approved by the Investment Committee, subject to legal documentation)	**13,924**	**21,500**

23
OTHER FINANCIAL COMMITMENTS

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

	Land and buildings 2015 £ 000	Land and buildings 2014 £ 000
Falling due:		
within one year	358	75
within two to five years	1,151	-
	1,509	**75**

24
RELATED PARTY TRANSACTIONS

During the period The Big Society Trust, being the parent company, purchased £30.7m (31 December 2014: £48.1m) of £1 Ordinary A shares in Big Society Capital Limited, as detailed in Note 17 - Share capital.

During the period Access: The Foundation for Social Investment, being a member of The Big Society Trust group, paid £36,000 (31 December 2014: £nil) to Big Society Capital, in respect of a license fee for the use of its offices. As at 31 December 2015 there was an outstanding balance of £12,000 (31 December 2014: £nil). 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.

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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.

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PRESENTATION CURRENCY

The financial statements are presented in Sterling.

27
LEGAL FORM OF ENTITY AND COUNTRY OF INCORPORATION

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

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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

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RECONCILIATIONS ON ADOPTION OF FRS 102

Profit and loss for the year ended 31 December 2014	£ 000
Loss under former UK GAAP	(1,693)
Loss under FRS 102	**(1,693)**

Balance sheet at 31 December 2014	£ 000
Equity under former UK GAAP	299,760
Equity under FRS 102	**299,760**

Balance sheet at 1 January 2014	£ 000
Equity under former UK GAAP	221,401
Equity under FRS 102	**221,401**

BIG SOCIETY CAPITAL

www.bigsocietycapital.com/annualreport

REGISTERED NUMBER 07599565