

Impetus – The Private Equity Foundation

**Annual report and consolidated financial
statements**

For the year ended 31 December 2017

REFERENCE AND ADMINISTRATIVE DETAILS

Impetus – The Private Equity Foundation is a company limited by guarantee (number 08460519) and a registered charity (number 1152262).

Trustees

Hanneke Smits (Chair from 17 May 2018)
Johannes Huth (resigned 17 May 2018; Chair until 17 May 2018)
Louis Elson (Deputy Chairman)
Lionel Assant
Bill Benjamin (appointed 23 June 2017)
Marc Boughton
Craig Dearden-Phillips
Becky Francis
Patrick Healy
Caroline Mason
Karl Petersen (resigned 21 February 2017)
Nathaniel Sloane (resigned 26 September 2017)
Nikos Stathopoulos
Lisa Stone
Simon Turner
Shani Zindel (appointed 7 December 2017)

Chief Executive Officer: Andrew Ratcliffe

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Auditor: haysmacintyre
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London
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Primary banker: NatWest
Holborn Circus 1
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Primary solicitors: Macfarlanes LLP
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EC4A 1LT
Clifford Chance
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REPORT FROM THE CHAIR

I'm honoured and excited to be Impetus-PEF's new Chair.

Education has always been important to me – my grandparents on both sides had learned the hard way, through losing their livelihoods in the Great Depression and World War II that education is essential for securing future income. It helped to get their lives and careers back on track. Unfortunately, not every young person in the UK can fall back on a family structure to whom this is important, or benefit from the support to succeed in school or work.

As a Trustee over the last four years, I've seen first-hand how Impetus-PEF is transforming the lives of young people without the support they need to succeed. By backing the best charities working with these young people, in the last three years alone, we've transformed the lives of 187,000 young people.

Since inception, Impetus-PEF has generated £99 million of value for our charity partners, who in turn are getting bigger, better and stronger through the expert support of our investment team and our world-class pro bono network.

These successes are in no small part thanks to my predecessor, Johannes Huth. Under his leadership, Impetus-PEF firmly established a model which allows individuals and corporates to treat their charitable giving in the same way they approach their investments and their businesses – with rigour and a focus on results. Johannes brought drive, tenacity and an ability to deliver. I am not sure we would be here today celebrating our achievements without him at the helm, and for this we all owe him our thanks.

It's been a privilege as a Trustee to see the great work our charities do. Through our approach they're growing in impact, not just in size. And I'm confident that we're building charities today that will be sector leaders in the years ahead, giving many more disadvantaged young people the chance to succeed in school and work.

Johannes is leaving the charity in great shape, with an excellent Board and team, but we have much more to do. I passionately believe there's a real opportunity for Impetus-PEF to make a bigger dent in the social problems that exist.

To achieve the scale of change that young people need, we're going to have to work with others to get more resources to where they will do the most good. I believe the Impetus PEF model can appeal to a broad church of asset management and to anyone who runs a business and cares about results.

I am excited to drive us forward and confident that we will achieve even greater things in the years ahead.

Hanneke Smits
Chair, Impetus-PEF

REPORT FROM THE CHIEF EXECUTIVE OFFICER

At Impetus-PEF we back the best for disadvantaged young people because we believe that all young people can succeed at school and work with the right support.

That's why we want to be a driving force behind great charities, working shoulder-to-shoulder with their leaders to help them become stronger organisations which can change the lives of the young people they serve.

And it works. In 2017 we saw incredible progress by our charity partners. The evidence shows that the longer we work with a charity, the stronger its leadership, its impact and its ability to reach more young people in a sustainable way.

One example illustrates the kind of development we hope to see for our charity partners: IntoUniversity. IntoUniversity are a sector leading charity helping young people from disadvantaged backgrounds get into university. In our ten-year partnership we've helped them to grow from one centre in west London to 25 centres today, serving over 30,000 young people. But they've not only grown, they've maintained the quality of their impact. So many promising ideas in education and employment work at a small scale but get diluted as they grow. IntoUniversity have managed to maintain their quality – getting around 75% of the young people they work with into University – with rapid growth, which makes them a true sector leader in our book. Which is why we're proud to extend our partnership by committing a further £1m of funding over the next three years.

I know that IntoUniversity and all our charity partners would tell you our combination of long term core funding, the expertise and tools of my incredible investment team, and access to our world class pro bono network is unique. In 2017 we delivered nearly £10m of value to our charity partners, providing hands-on support in all aspects of their work, from analysis of their impact, structure and tools for business planning, leadership mentoring to commissioning and embedding a new IT platform and planning for evaluation.

But we know that we and our charity partners can't do it alone which is why we work with others to influence money and policy so that all young people get the support they need. More and more we want to be working alongside others to help get all young people from disadvantaged backgrounds the right support. In 2017 we helped our charities secure £1.9m of additional funding on top of our own. We're proud to be working alongside the Education Endowment Foundation to support Magic Breakfast to deliver their proven breakfast club model to thousands of children across the country. And we're excited to be taking our impact message wider, developing and delivering impact training to 146 charity CEOs in partnership with the Access – The Foundation for Social Investment.

And we couldn't do any of this without the humbling generosity of our funders. This year we raised nearly £5 million and, importantly, we saw a huge increase in the proportion of our donors who have committed for multiple years from 11% to 44% – we need to support our charity partners for the long term so it's incredible to have our own supporters back us for the long term too.

I feel proud of what we've achieved in 2017, humbled by the continued generosity and passion of our supporters, and excited about the opportunities to do more and better in 2018. And, on top of all that, I feel privileged to be working alongside such an incredible group of people to seize those opportunities.

I want to say a personal thank you to Johannes Huth our outgoing Chair for more than a decade of service to the cause, and an enthusiastic welcome to Hanneke Smits who is going to keep driving us forward. Thank you to our charity partners, some of the most inspiring leaders I've ever met. And thank you to our team at Impetus-PEF for their relentless combination of excellence and purpose.

Andy Ratcliffe
Chief Executive, Impetus-PEF

TRUSTEES' REPORT

The trustees, who are also the directors of the charitable company, are pleased to present their annual report on the work of Impetus-PEF in 2017 and its plans for 2018, together with the financial statements for the year ended 31 December 2017.

OBJECTIVES AND ACTIVITIES

We transform the lives of young people from disadvantaged backgrounds by ensuring they get the right support to succeed in school, in work and in life.

We find, fund and build the most promising charities working with these young people, providing core funding and working shoulder-to-shoulder with their leaders to help them become stronger organisations.

In partnership with other funders we help our charities expand and we influence policy and decision makers so that all young people get the support they need.

The table below gives a summary of how things went in 2017 against the objectives we set ourselves for the year.

	What we said we'd do in 2017	How we did
Investment	Invest £3.8m in grants whilst maintaining targeted portfolio shape and performance	Met – we invested the target amount and seen excellent progress from our charity partners in terms of impact, leadership and sustainability
Co-investment	Demonstrate co-funding as part of the leverage model is possible to deliver for the first batch of organisations funded in 2018	Met with some risk – we secured one major new co-investment partner in CenterBridge and have a pipeline of other potential partners. This is a new area of focus and so we are still assessing the potential size of the co-investments we might secure
Policy	Develop and deliver campaigns for our three overriding thematic priorities - closing the education gap; launching the youth opportunities index, transforming alternative provision	Partially met – delivered successful campaigns on the education gap and employment, but chose a less intensive approach on Alternative Provision because there were existing campaigns we could support rather than having our own
Fundraising	Raise £4.1m. Review the overall market size for our Philanthropy income and develop a new target for 2017 and beyond. Following review of fundraising and better understanding of co-funding, set out sustainable business plan that does not spend down reserves post-2018 by September 2017	Exceeded – excellent progress on fundraising (£4.8m against a budget of £4.1m), including events, and strong progress on multi-year commitments

Investment

We have a unique approach:

- We select the most promising charities supporting young people to succeed at school and work
- We provide them with core funding, the expertise of our dedicated investment team and access to our world class pro bono network
- We work shoulder-to-shoulder with their leaders to help them become stronger organisations which change the lives of the young people they serve.

We really know our sector – since 2013 we've screened 700 charities and invested in 20.

In 2017, we met our goal of delivering £3.8m of grants but on its own this doesn't capture the progress made by our charity partners. The most exciting thing was to see our charity partners achieving more impact and becoming stronger organisations capable of delivering consistently and well to the young people they serve. Our later-stage investments improved their outcomes and came up with exciting plans for reinvestment; and we made diverse new investments like Magic Breakfast, Springboard and West London Zone. We helped charities' leadership, impact and sustainability using our bespoke outcomes framework as a tool to diagnose areas for capacity building, focus our work with them and actively manage their progression.

We also strengthened our own capability, tightened the outcomes framework we use to tailor support and assess progress and brought new people into the team. And we saw our partnership with the Access Foundation mainstream our Driving Impact approach, introducing it to a wide number of funders, charities, consultants and commissioners, and embedding it into the Access Foundation's funding model.

Co-investment and partnerships

Our co-investment strategy is to secure funding from other sources for the charities we work with. Overall, it was encouraging in 2017 but not yet proven. We built our understanding of the market and met the vast majority of our initial list of potential partners. We secured one major multi-year co-investment with CenterBridge (for £125,000 a year for three years) which is a pilot for a potential bigger partnership.

Value added to our portfolio of charities

Since Impetus and The Private Equity Foundation were established, we've raised £121m of value towards our mission. This includes the donation and investment income we've secured, the pro bono services donated to us and our portfolio of charities, and the additional funds the charities have been able to raise with our support.

The next table shows the cumulative value that we generated for our charities by the end of 2017 and how much we generated in 2017. The difference between the £121m of value raised towards our mission and the £98.7m in the full value column below is the resources used to support our core costs or held in reserves.

	Cumulative Full value £m	Cumulative Statutory basis £m	2017 Full value £m	2017 Statutory basis £m
Pro bono services donated to charities	30.2	29.0	2.0	2.0
Value of Impetus-PEF Investment team	20.9	20.9	2.0	2.0
Additional funds raised for charities	9.3	-	1.9	-
	60.4	49.9	5.8	3.9
Grants made to charities	38.3	38.3	4.1	4.1
Total value to charities	98.7	88.2	9.9	8.0
Total value per £1 of grants made	£2.58	£2.30	£2.40	£1.94

In accordance with accounting standards, pro bono services donated which are recognised in the financial statements, ('statutory basis' in the table above), only include those services provided by an individual or entity as part of their trade or profession.

The 'full value' column in the table includes additional funds raised for charities. These are included in the accounts of those charities and not Impetus-PEF's financial statements.

Policy

We work with others to influence policy and resources so that all young people get the support they need.

In 2017, we delivered substantial contributions across three thematic areas:

- Closing the attainment gap – our Life After School: Confronting the Crisis report revealed the poor pass rates for GCSE re-sits and recommended reforms to address this. We worked with the Education Endowment Foundation to identify good practice for re-sit students and to share this with teachers, providers and policy makers
- Employment – our Youth Jobs Index revealed the real story behind youth unemployment statistics. It has been widely quoted and we have been asked to share this evidence in parliament on two occasions. We commissioned the Youth Opportunities Index for 2018
- Alternative provision – we contributed our expertise and funding to a far reaching and influential IPPR report on alternative provision.

Fundraising

We brought in £4.8m against a budget of £4.1m. We also saw a big increase in multi-year commitments: we started 2017 with £0.6m of committed income, and 2018 with £1.5m.

Two new trustees joined the Development Committee and we agreed new terms of reference for the committee with explicit expectations for each member. We extended our engagement with the real estate sector. We started small dinners hosted by trustees and committed donors to introduce new prospects. And we hired two new philanthropy managers to start in 2018 with responsibility for new business and donor engagement.

We did not use external professional fundraisers and did not receive any complaints about our fundraising activities. We fundraise by soliciting donations from organisations and individuals. We also organise fundraising events including events where individuals fundraise directly for us. We are registered with the Fundraising Regulator and pay its annual levy. We comply with its Code of Fundraising Practice.

FINANCIAL REVIEW

Our income in 2017 was £7.7m (2016: £6.7m). We received generous financial support from four main sources: individual donations, corporate sponsors, grant making trusts and foundations, and public funding. We saw a significant increase in our income from fundraising events, up from £1.1m to £1.5m.

Our income includes the value our pro bono experts contributed in the form of donated services. This was £2.6m over the past year, up from £1.9m in 2016.

Our expenditure increased from £9m to £9.6m. Within this total, we spent less on raising funds – down from £1m to £0.9m – and more on charitable activities – up from £8m to £8.7m.

Impetus-PEF has healthy reserves and a strong cash position at the balance sheet date. Our reserves policy, as initially approved by the Board in March 2014, entails:

- minimum unrestricted funds being set as (i) six months operating costs; and (ii) the cash cost of the office lease commitment up until the break (five years); and
- unrestricted funds not being designated by the trustees. Rather, a narrative is used to explain how unrestricted funds would be used against ongoing grant agreements and planned new investments.

Our unrestricted funds were £7.7m at 31 December 2017 (2016: £9.4m). The minimum level of unrestricted reserves to comply with our reserves policy is £1.8 million (2016: £2.1 million) including the office lease commitment. However, given the longer-term nature of our investments, a substantial proportion of our funds are targeted at fulfilling funding commitments to charities.

The total amount of grants to portfolio charities that are authorised but not accrued as expenditure at 31 December 2017 was £2.3m (2016: £4.4m). These grants only become an obligation to Impetus-PEF if the charities achieve specific milestones. The authorised amount of £2.3m relates to the current portfolio charities and excludes any amounts in respect of new investees or next phase investments yet to be approved by the Investment Committee. If all current grant agreements progress as planned, then the grants made in 2018 will be £2.1m of the authorised £2.3m.

Our level of reserves is such that we can reduce them over the period of our five-year plan (though remaining above the minimum level) as we continue to support more organisations, including through grants, for a significant period in their journey to scaling impact. In the longer-term, we will need to raise additional funds to fulfil our commitments. We project that over 2018 to 2020 expenditure will continue to exceed income.

We consider that we have adequate financial reserves to continue to deliver our plans and that we have a reasonable expectation that we will have adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that call into doubt the Charity's ability to continue. The accounts have therefore been prepared on the basis that the Group and Charity is a going concern.

Given the need to be able to honour long-term commitments to the charities it funds, the Board has adopted a cautious investment strategy with funds received by Impetus-PEF invested in deposit accounts.

PLANS FOR FUTURE PERIODS

For 2018, the top priority across the organisation is to be on track to produce sector leading charities by 2020.

Our data is showing how we're improving the leadership, impact, sustainability and scalability of our partner charities. And we're seeing later-stage charities like IntoUniversity establishing themselves as sector leading charities – delivering high impact results, getting these results to more young people and recognised as a leader in their sector. For 2018, the overarching priority is to keep driving improvement and growth in the portfolio, particularly focusing on getting the later-stage charities the resources they need to do the same. Our investment strategy, our co-investment strategy and our public affairs work are all driving towards that and so our plan is more focused and joined-up than a year ago.

The table below sets out our priorities for 2018 and the main activities to support them.

Priorities for 2018	Main activities for 2018
1. Deliver a portfolio that is on track to produce sector leading charities by 2020, with a strong pipeline of charities for future years	<ul style="list-style-type: none"> ➤ Core work with our charities to help them become more effective, larger, and more sustainable through: investment team support, pro bono, working groups ➤ Grant funding ➤ Sector research to understand the trends in the sector including understanding the wider funding landscape and new investments opportunities ➤ Refinement of our model based on what we've learned from the last three years of delivery
2. Mobilise more resources behind our strategy i. Get more external resources behind our charities through co-investment and policy	<ul style="list-style-type: none"> ➤ Secure £500,000 of co-investment for our later-stage charities and £1m of wider leverage based on past performance ➤ Sharing the lessons from the furthest advanced charities, including case studies ➤ Put youth unemployment and inactivity back on the policy agenda and influence long term funding for employability charities through our work on the Youth Opportunity Index ➤ 5th anniversary report to share our learning so far
ii. Fundraising	<ul style="list-style-type: none"> ➤ Raise £4.9m with an increasing proportion of multi-year commitment
3. Build our capacity to deliver effectively and efficiently, and to get better over time	<ul style="list-style-type: none"> ➤ Strengthen our internal performance management (implementing a new set of impact and organisational dashboards) ➤ Deliver efficient cost-impact ratios ➤ Strengthen organisational learning

Our medium-term priorities for 2020 in each of the above three categories are:

1. Investment

- To have helped build a number of sector leading charities, providing well-tested programmes to a meaningful proportion of their target populations
- And more charities in the portfolio on their way to becoming sector leading (as measured by progress on our outcomes framework which looks at leadership, impact, and organisational sustainability and scalability).

2. Mobilising resources behind our strategy

i. Get more external resources behind our charities through co-investment and policy:

- An established co-investment model capable of supporting our portfolio charities to become sector leading, with a particular focus on securing co-investments for our later stage charities
- A proven ability to influence government policy and spending so it supports the development of our portfolio charities (this can be short term – immediate policy change benefiting our charities; or long term – for example, ensuring more government money goes into employability) and to identify public affairs opportunities for our portfolio.

ii. Get more external resources behind our charities through co-investment and policy:

- An established revenue model delivering at least £5.5m a year, with high predictability (substantial multi-year commitments)

3. Build our capacity to deliver effectively and efficiently, and to get better over time:

- A performance management system that allows the Executive and the Board to maximise impact, learn and improve, and manage resources efficiently
- An efficient cost-base to deliver our sustainable cost ratios
- Learning is part of our DNA
- A brilliant, well-led, team.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure and public benefit

Impetus-PEF is a registered charity and a company limited by guarantee. Our governing document is the Memorandum and Articles of Association incorporated on 23 March 2013. Our objects are:

To advance all purposes recognised as charitable under the laws of England and Wales and to promote the efficiency and effectiveness of charities and the promotion of the effective use of resources for charitable purposes.

The trustees have had regard to their duties under section 17 of the Charities Act 2011. Charity trustees have a duty to report in the trustees' annual report on their charity's public benefit. They should demonstrate that:

➤ **The benefits generated by the activities of the charity are clear.** This report sets out in some detail the activities which Impetus-PEF has carried out in the year supporting charities and striving to achieve our mission.

➤ **The benefits generated relate to the objects of the charity.** All activities undertaken are intended to further Impetus-PEF's charitable objects, noted above.

➤ **The people who receive support are entitled to do so according to criteria set out in the charity's objects.** All Impetus-PEF projects are focused on charities and improving their effectiveness. This will lead to improved delivery to their beneficiaries.

Governance and management

The governing body of the charity is the Board of Trustees which, as of 31 December 2017, comprised 14 members which are listed on page 2. We were delighted to appoint two new trustees in 2017.

The appointment of a new trustee takes place after due consideration from both parties. This is vital to ensuring a good strategic fit for the Board and the prospective trustee. Over time, new trustees meet our charities to gain a good understanding of our work. New trustees are also briefed on their obligations under charity and company law, the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and the financial performance of the charity. During their induction, they meet members of staff and other trustees whom they had not previously met. Trustees attend training events where these facilitate the undertaking of their role.

Trustees are typically elected for three-year periods and may be re-elected for a further three-year period. The Chair conducts an annual appraisal of the Board's performance and composition and the functioning of its committees, and a designated trustee conducts a review of the Chair's role and performance.

The Board sets strategy and reviews policy. Day-to-day responsibility is delegated to the Chief Executive Officer, who works closely with the Chair and Vice-Chair. During 2017, the Board met four times. There were five committees of the Impetus-PEF Board in 2017: Investment, Governance, Finance and Audit, Public Affairs, and Development. The committees ensure in-depth review and oversight of our activities. They ensure that the specific areas of focus are led, where possible, by trustees.

Investment Committee

The committee is responsible for ensuring that Impetus-PEF manages well a balanced portfolio that helps us deliver our mission. The committee scrutinises individual investment proposals and recommends for Board ratification the charities that should enter, progress through and exit the portfolio. The committee also reviews how each charity is progressing through our Outcomes Framework in the semi-annual Charity Review as well as its progress against funding milestones.

Governance Committee

The committee has a strategic role in defining the role of the Board as well as how the Board interacts with its committees. It also directs the trustee recruitment process and trustee responsibilities and defines the link between the Advisory Council and the Board. In its fiduciary capacity, the committee is responsible for conducting the Chair evaluation annually as well as advising on trustee and Board development and an evaluation of the other committees. Finally, staff remuneration and benefits policies are overseen by the committee.

Finance and Audit Committee

The committee is responsible for reviewing and monitoring all financial aspects of Impetus-PEF and reports to the Board on such matters, including financial risk management. Due to the size and nature of the organisation, the committee considers that an internal audit function is not required.

Development Committee

The committee's purpose is to ensure that Impetus-PEF maintains and develops relationships with its donors, co-investors and supporters in order for Impetus-PEF and its charities to receive the funding, pro bono and other relevant support to achieve its overall mission and strategy.

Public Affairs Committee

The committee supports Impetus-PEF in defining and achieving its public affairs goals. The committee reviews the public affairs strategy to ensure it's aligned with our organisational mission, and achievable in terms of the external landscape. Committee members also review research and publications in draft to help ensure our public work is high-quality, and relevant to those we are seeking to reach and influence. Annually, the committee review progress against the Public Affairs KPIs, to assess performance and impact.

Pay policy for senior staff

The trustees consider the senior management team to comprise the key management personnel of the charity. In 2017, this comprised the Chief Executive, the Chief Operating Officer, the Portfolio Director, the Director of Philanthropy and Partnerships, the Director of Public Affairs and the Director of Strategy, Impact and Learning. The pay of the senior management team is reviewed every two years along with that of other staff. Staff roles are mapped against comparable roles using a charity sector salary survey. The Board aims for Impetus-PEF salaries to be within 5% of the upper quartile salary for their matched position. The intention is to position Impetus-PEF as a good payer within the sector.

Related parties and connected organisations

These financial statements consolidate Impetus-PEF's subsidiaries, being PEF Trading Limited and ThinkForward Social Impact (1) Limited. Details of these entities are disclosed in the notes to the accounts. The latter company was dissolved on 11 July 2017.

The Education Endowment Foundation (EEF) was established in 2011 by The Sutton Trust as the lead charity in partnership with Impetus Trust to boost attainment of some of the country's most disadvantaged children. The EEF received a founding grant of £125 million from the Department for Education. With investment and fundraising income, the EEF intends to award as much as £200 million over the 15-year life of the Foundation. Three of our trustees in 2017 - Johannes Huth, Nat Sloane and Louis Elson - are trustees of EEF.

US sister charity

Impetus-PEF works closely with its US sister charity, PEF 1, Inc. (PEF 1). PEF 1 is a Delaware non-stock corporation which has been granted 501(3) c status by the IRS and was incorporated on 4 December 2006. As at 31 December 2017, PEF 1 held almost \$492,000 of unrestricted reserves. PEF 1 shares the charitable aims and objectives of Impetus-PEF and works closely with Impetus-PEF in identifying investments and supporting the charity portfolio. However, although Impetus-PEF and PEF 1 closely cooperate with one another, PEF 1 is an independent organisation, with its own board and decision-making processes. In recognition of the shared goals between the organisations, PEF 1 has engaged Impetus-PEF to fundraise, administer and monitor its charitable investments. The precise framework of this is governed by a service agreement which ensures the expectations of both organisations are managed.

Risk and internal control

The trustees are responsible for ensuring that the charity has an appropriate system of controls, financial and otherwise. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention of fraud and other irregularities. Assisted by the executive, the Board regularly reviews and assesses the major risks to which Impetus-PEF is exposed. Movements against risks are reviewed at Board meetings with mitigating actions and controls discussed. The six most significant risks identified by the Board post our current mitigation strategies are:

Risk	Mitigation
➤ Co-investment strategy does not deliver sufficient resources for our partner charities (note – this does not create a financial risk for Impetus-PEF, it is a risk to long term impact)	Develop and work with a pipeline of potential partners in addition to the partner already secured. Continue to assess the potential size of the co-investments we might secure and develop additional options around grant size, grant duration and co-production of Build-phase charities if necessary.
➤ Fundraising does not reach budgeted levels	Ambitious income targets set for Philanthropy. Efforts made to convert 'annual' grants into long term commitments. Savings planned for 2019 including cost of office space. Management of grant levels. Aim to produce a breakeven budget from 2020.
➤ Investment model not as effective as planned	Progression between and within investment phases being tracked. Extensive work done to develop new key performance indicators for the investment team to measure progress of our charities.

<p>➤ Insufficient influence with government decision makers</p>	<p>Stronger networks being built. Improved communication of organisational strengths and the benefits of working with Impetus-PEF.</p>
<p>➤ Long lead times to demonstrate organisational effectiveness</p>	<p>Compelling communication about the portfolio and our work, tailored to needs and interests of different stakeholder groups. Development of benchmarking data for our charities in order to help us assess individual charity position and our contribution.</p>
<p>➤ Loss of existing donors</p>	<p>Stewardship programme developed for donors and greater continuity in Philanthropy team. Communication about our impact.</p>

These risks are monitored by the Finance and Audit Committee which reviews risk movements and the various mitigation strategies in place to manage risks.

The Board believes these risks cannot be fully eliminated but they can be managed through looking to reduce their impact and the chance of their occurrence as part of the reviews.

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

The trustees are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including the net income or expenditure, for the period. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- follow the methods and principles of the Charities Statement of Recommended Practice;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping accurate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and that enable them to ensure that the financial statements comply with the Companies Act 2006. The trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Impetus – The Private Equity Foundation website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Each of the trustees confirms that to the best of his/her knowledge there is no information relevant to the audit of which the auditors are unaware. The trustees also confirm that they have taken all necessary steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors.

The trustees' report, incorporating the directors' report was approved by the trustees on 7 June 2018 and signed on their behalf by the Chair. In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Hanneke Smits, Chair
7 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPETUS – THE PRIVATE EQUITY FOUNDATION

Opinion

We have audited the financial statements of Impetus – The Private Equity Foundation for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Activities, the Charity Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable 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 charitable 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 charitable company and the charitable company'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's and of the parent charitable company's affairs as at 31 December 2017 and of the group's and parent charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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. 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. This description forms part of our auditor's report.

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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company'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 trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report (which incorporates the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report (which incorporates the directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Tracey Young (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors
7 June 2017

10 Queen Street Place
London
EC4R 1AG

Impetus – The Private Equity Foundation

Consolidated statement of financial activities

For the year ended 31 December 2017

	Note	Restricted £	Unrestricted £	2017 Total £	Restricted £	Unrestricted £	2016 Total £
Income:							
Donations and grants	2a	79,000	6,031,285	6,110,285	683,866	4,525,687	5,209,553
Events and fundraising activities	2b	-	1,483,089	1,483,089	-	1,064,277	1,064,277
Investment	2c	-	108,305	108,305	-	30,720	30,720
Other	2d	-	155,426	155,426	-	374,075	374,075
Total income		<u>79,000</u>	<u>7,778,105</u>	<u>7,857,105</u>	<u>683,866</u>	<u>5,994,759</u>	<u>6,678,625</u>
Expenditure:							
Raising funds	3	-	920,737	920,737	-	1,022,197	1,022,197
Charitable activities	3	379,000	8,512,530	8,891,530	1,098,890	6,911,141	8,010,031
Total expenditure		<u>379,000</u>	<u>9,433,267</u>	<u>9,812,267</u>	<u>1,098,890</u>	<u>7,933,338</u>	<u>9,032,228</u>
Net expenditure	5	<u>(300,000)</u>	<u>(1,655,162)</u>	<u>(1,955,162)</u>	<u>(415,024)</u>	<u>(1,938,579)</u>	<u>(2,353,603)</u>
Net income/(expenditure) attributable to minority interest	17	-	26	26	-	1,595	1,595
Reduction in funds due to ThinkForward (UK) leaving the group		-	-	-	(1,425,651)	-	(1,425,651)
Transfers between funds	15	-	-	-	-	-	-
Net movement in funds		<u>(300,000)</u>	<u>(1,655,136)</u>	<u>(1,955,136)</u>	<u>(1,840,675)</u>	<u>(1,936,984)</u>	<u>(3,777,659)</u>
Reconciliation of funds:							
Funds at the start of the year	15	<u>300,000</u>	<u>9,361,449</u>	<u>9,661,449</u>	<u>2,140,675</u>	<u>11,298,433</u>	<u>13,439,108</u>
Funds at the end of the year	15	<u>-</u>	<u>7,706,313</u>	<u>7,706,313</u>	<u>300,000</u>	<u>9,361,449</u>	<u>9,661,449</u>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 15 to the financial statements.

The notes on pages 25 to 34 form an integral part of these financial statements.

Impetus – The Private Equity Foundation

Charity statement of financial activities

For the year ended 31 December 2017

	Note	Restricted £	Unrestricted £	2017 Total £	Restricted £	Unrestricted £	2016 Total £
Income:							
Donations and grants	2a	79,000	6,031,285	6,110,285	683,866	4,525,687	5,209,553
Events and fundraising activities	2b	-	1,483,089	1,483,089	-	1,064,277	1,064,277
Investment	2c	-	108,305	108,305	-	30,720	30,720
Other	2d	-	228,341	228,341	-	374,075	374,075
Total income		<u>79,000</u>	<u>7,851,020</u>	<u>7,930,020</u>	<u>683,866</u>	<u>5,994,759</u>	<u>6,678,625</u>
Expenditure:							
Raising funds	3	-	920,737	920,737	-	1,022,197	1,022,197
Charitable activities	3	379,000	8,512,499	8,891,500	1,098,890	6,907,865	8,006,755
Total expenditure		<u>379,000</u>	<u>9,433,235</u>	<u>9,812,236</u>	<u>1,098,890</u>	<u>7,930,062</u>	<u>9,028,952</u>
Net expenditure	5	<u>(300,000)</u>	<u>(1,582,215)</u>	<u>(1,882,216)</u>	<u>(415,024)</u>	<u>(1,935,303)</u>	<u>(2,350,327)</u>
Transfers between funds		-	-	-	-	-	-
Net movement in funds		<u>(300,000)</u>	<u>(1,582,215)</u>	<u>(1,882,216)</u>	<u>(415,024)</u>	<u>(1,935,303)</u>	<u>(2,350,327)</u>
Reconciliation of funds:							
Funds at the start of the year		<u>300,000</u>	<u>9,287,646</u>	<u>9,587,646</u>	<u>715,024</u>	<u>11,222,949</u>	<u>11,937,973</u>
Funds at the end of the year		<u>-</u>	<u>7,705,430</u>	<u>7,705,429</u>	<u>300,000</u>	<u>9,287,646</u>	<u>9,587,646</u>

The notes on pages 25 to 34 form an integral part of these financial statements.

Impetus – The Private Equity Foundation

Balance sheets

As at 31 December 2017

	Note	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
Fixed assets					
Tangible fixed assets	10	63,382	111,363	63,382	111,363
Investments	11	182,222	214,184	182,223	214,185
		245,604	325,547	245,605	325,548
Current assets					
Debtors	12	1,779,175	1,391,985	1,779,775	1,391,985
Investments	11	-	-	-	450,000
Cash at bank and in hand		6,028,542	8,890,933	6,027,057	7,799,038
		7,807,717	10,282,918	7,806,832	9,641,023
Creditors: amounts due within one year	13	(347,008)	(424,126)	(347,008)	(378,926)
Net current assets		7,460,709	9,858,792	7,459,824	9,262,097
Net assets	14	7,706,313	10,184,339	7,705,429	9,587,645
Funds					
Restricted funds	15	-	300,000	-	300,000
Unrestricted funds	15	7,706,313	9,361,449	7,705,429	9,287,645
		7,706,313	9,661,449	7,705,429	9,587,645
Funds attributable to minority interests	17	-	522,891	-	-
		7,706,313	10,184,339	7,705,429	9,587,645

The financial statements for Impetus - The Private Equity Foundation, (company registration number 08460519 and charity registration number 1152262), for the year ended 31 December 2017 were approved and authorised for issue by the Board on 7 June 2018.

Hanneke Smits
Trustee

Lisa Stone
Trustee

The notes on pages 25 to 34 form an integral part of these financial statements.

Impetus – The Private Equity Foundation

Consolidated cash flow statement

For the year ended 31 December 2017

	2017	2016
Note	£	£
Net cash used in operating activities	(2,955,463)	(3,599,914)
Cash flows from investing activities:		
Dividends and interest received	108,305	30,720
Purchase of property, plant and equipment	(15,233)	(3,395)
Disposal of property, plant and equipment	-	13,782
Net cash used in investing activities	93,072	41,107
Change in cash and cash equivalents in the year	(2,862,391)	(3,558,807)
Cash and cash equivalents at the beginning of the year	8,890,933	12,449,740
Cash and cash equivalents at the end of the year	6,028,542	8,890,933
(a) Reconciliation of net income/(expenditure) to net cash flow from operating activities	2017	2016
	£	£
Net movement in funds	(1,955,136)	(3,777,659)
Impairment on programme related investment	-	12,038
Return on programme related investment	31,962	-
Dividends and interest	(108,305)	(30,720)
Depreciation	63,215	69,141
Increase/(decrease) in funds attributable to minority interests	(522,891)	(1,595)
(Increase)/decrease in debtors	(387,190)	295,252
Increase/(decrease) in creditors	(77,118)	(166,371)
Net cash outflow from operating activities	(2,955,463)	(3,599,914)

The notes on pages 25 to 34 form an integral part of these financial statements.

Impetus – The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies

- a) The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities, and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements of the wholly owned subsidiary, PEF Trading Limited have been consolidated with those of the charity on a line by line basis.

The financial statements of the partly owned company, ThinkForward Social Impact Limited, have been consolidated with those of the charity on a line by line basis with minority interests identified. ThinkForward Social Impact Limited was connected to a social impact bond whose activities completed in the year ending 31 December 2016. The company was dissolved on 11 July 2017.

Going concern

The accounts are prepared on the going concern basis as the trustees expect that the activities will continue for the foreseeable future and Impetus-PEF has healthy reserves and a strong cash position at the balance sheet date. There are no material uncertainties that call into doubt the charity's ability to continue in operational existence.

- b) Income is included in full in the statement of financial activities once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants to Impetus-PEF are recognised in full in the statement of financial activities in the year in which they are receivable, or in the case of grants with associated eligibility criteria, in the year in which those criteria are satisfied.

Where entitlement to grants receivable is dependent upon fulfilment of conditions within the charity's control, the income is recognised when there is sufficient evidence that conditions will be met. Where there is uncertainty as to whether the charity can meet such conditions recognition of income is deferred.

- c) Donated services and facilities are recognised as income and expenditure in the financial statements when companies or individuals offer their professional expertise on a pro bono basis. The value of these donated services and facilities is an estimated figure based upon the valuation the professional individual or organisation places upon the time, services and facilities they have provided to Impetus-PEF. Individuals offering their time to work in areas where they are not undertaking their profession are classified as volunteers and their time is not quantified in the accounts, but is disclosed in the trustees' report. All of these amounts are treated as unrestricted donations.
- d) Expenditure is recognised on an accruals basis, inclusive of any VAT which cannot be recovered. Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is allocated to the particular activity where the cost relates exclusively and directly to that activity. In addition, an allocation of salary and overhead costs of the central function is made and is apportioned based upon staff estimates of time spent on each activity (including the time of the executives who offer their services on a pro bono basis).

Expenditure on raising funds relate to the costs incurred by the charitable company in raising funds for the charitable work. This includes an allocation of salary and overhead costs of the central function and is apportioned based upon staff estimates of time spent on fundraising activity.

Impetus – The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies (continued)

- e) Grants payable to charities are charged in the year when the offer is conveyed to the investee charity except in those cases where the offer is conditional, which is typical of investee charities of Impetus-PEF. Funding is usually offered over a period of up to five years, which is reviewed on a regular basis throughout the funding relationship. Continued funding is conditional upon the charities meeting specified milestones. Conditional grants are recognised as expenditure when the conditions are fulfilled. If the conditions have not been met at the year end, the grants are disclosed as a future commitment but are not shown as expenditure.
- f) The group's financial instruments all qualify as basic financial instruments in accordance with section 11 of FRS102 and are recognised on the following bases:
- Programme related investments and investments in subsidiaries are measured at cost less provision for impairment.
 - Cash and cash equivalents represent bank balances and deposits held in sterling.
 - Debtors, including gift aid receivable, are measured at the transaction price less any provision for doubtful debts.
 - Trade creditors are measured at the transaction price.
- g) Items of equipment are capitalised where the purchase price or the cost of the capital project exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.
- h) Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:
- | | |
|-----------------------|-------------|
| Computer equipment | Three years |
| Office equipment | Four years |
| Fixtures and fittings | Five years |
- i) Short term deposits represent cash on deposit.
- j) Unrestricted funds are donations and other income receivable or generated for the objects of the charity.
- k) Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is matched to the restricted funds, together with a fair allocation of overheads and support costs, if appropriate.
- l) The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the charity the fund. The charity has no liability under the scheme other than for the payment of those contributions.
- Pension contributions are also made on behalf of eligible employees and are paid into personal pension schemes as nominated by the employee and contributions pass through the SOFA as incurred.
- m) Transactions in foreign currencies are translated into sterling at the rates of exchange current at the date of the transaction. Foreign currency monetary assets and liabilities in the balance sheet are translated into sterling at the rates of exchange ruling at the end of the year. Resulting exchange gains and losses are taken to the statement of financial activities.
- n) Leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease. The charity has no finance leases.
- o) The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The key judgment which has had the most significant effect on amounts recognised in the financial statements relates to the recognition and measurement of Donated Services (see note 1(c)).

Impetus – The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2017

2. Total income

a) Donations and grants	Group 2017 Total £	Group 2016 Total £	Charity 2017 Total £	Charity 2016 Total £
Grants	843,307	645,000	843,307	645,000
Donated services	2,786,801	1,936,214	2,786,801	1,936,214
Cash donations from individuals and companies	<u>2,480,177</u>	<u>2,628,339</u>	<u>2,480,177</u>	<u>2,628,339</u>
Donations and grants	<u>6,110,285</u>	<u>5,209,553</u>	<u>6,110,285</u>	<u>5,209,553</u>
<p>Donations and events income received from Trustees to the charity totalled £741,139 for the year ending 31 December 2017 (2016: £597,940).</p>				
b) Events and fundraising activities				
Fundraising events	<u>1,483,089</u>	<u>1,064,277</u>	<u>1,483,089</u>	<u>1,064,277</u>
c) Investment				
Interest receivable	<u>108,305</u>	<u>30,720</u>	<u>108,305</u>	<u>30,720</u>
d) Other incoming resources				
Other income	<u>155,426</u>	<u>374,075</u>	<u>228,341</u>	<u>374,075</u>
Total income	<u>7,857,105</u>	<u>6,678,625</u>	<u>7,930,020</u>	<u>6,678,625</u>

Donated services represent pro bono services and facilities received by Impetus-PEF. These services relate both to work performed for Impetus-PEF and for our portfolio charities and are included as expenditure under note 3.

f) Additional funds raised for portfolio charities

Additional funds raised for charities are donations made directly to the portfolio charities where Impetus-PEF was instrumental in obtaining those funds. These amounts are not included in Impetus-PEF's own financial statements nor those of the group.

	2017 Total £	2016 Total £
Total additional funds generated by Impetus-PEF for portfolio charities	<u>1,900,526</u>	<u>1,107,254</u>

Impetus – The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2017

3 (a). Total expenditure - Group

	Grant funding £	Activities undertaken directly £	Support costs £	2017 Group total £	2016 Group total £
Raising funds					
Fundraising and events	-	-	920,737	920,737	1,022,197
Charitable activities					
Supporting charities	-	1,222,395	750,578	1,972,973	1,836,910
Grants payable to charities (note 4)	4,131,755	-	-	4,131,755	4,236,907
Donated services	-	2,454,786	332,015	2,786,801	1,936,214
Total charitable activities	4,131,755	3,677,181	1,082,593	8,891,529	8,010,031
Total expenditure	4,131,755	3,677,181	2,003,330	9,812,266	9,032,228

3 (b). Activities undertaken directly - Group

	Group 2017 £	Group 2016 £
Staff costs	919,186	825,595
Office costs	209,677	190,342
Depreciation	31,717	32,842
Donated services	2,454,786	1,209,234
Programme costs incurred in subsidiaries (notes 6 & 7)	30	3,276
Other costs	61,785	54,764
	3,677,181	2,316,054

3 (c). Support costs - Group

	Raising funds £	Charitable activities £	Group 2017 £	Group 2016 £
Staff costs	437,606	443,117	880,723	1,039,007
Office costs	110,356	121,392	231,748	210,378
Depreciation	16,693	18,363	35,056	36,299
Donated services	-	332,015	332,015	726,980
Fundraising events costs	290,195	-	290,195	264,313
Other costs	65,887	167,707	233,593	202,290
	920,737	1,082,593	2,003,330	2,479,267

Included within support costs above are governance costs totalling £595,540 (2016: £650,273).

3 (d). Pro bono income and expenditure - Group and Charity

Donated services are analysed as unrestricted income and expenditure within the financial statements. The split of donated services across portfolio charities and other activities is as follows:

	2017 £	2016 £
Core portfolio charities	1,731,479	1,007,490
Legacy portfolio charities	-	20,000
Impetus-PEF - portfolio	175,041	181,744
Impetus-PEF - other	675,010	726,980
Total donated services	2,581,530	1,936,214

Impetus – The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2017

3 (e). Total expenditure - Charity

	Grant funding £	Activities undertaken directly £	Support costs £	Charity 2017 total £	Charity 2016 total £
Raising funds					
Fundraising and events	-	-	920,737	920,737	1,022,197
Charitable activities					
Supporting charities	-	1,222,365	750,578	1,972,943	1,833,634
Grants payable to charities (note 4)	4,131,755	-	-	4,131,755	4,236,907
Donated services	-	2,454,786	332,015	2,786,801	1,936,214
Total charitable activities	4,131,755	3,677,151	1,082,593	8,891,499	8,006,755
Total expenditure	4,131,755	3,677,151	2,003,330	9,812,235	9,028,952

3 (f). Activities undertaken directly - Charity

	Charity 2017 total £	Charity 2016 total £
Staff costs	919,186	825,595
Office costs	209,677	190,342
Depreciation	31,717	32,842
Donated services	2,454,786	1,209,234
Other costs	61,785	54,764
	3,677,151	2,312,778

3 (g). Support costs - Charity

	Raising funds £	Charitable activities £	Charity 2017 total £	Charity 2016 total £
Staff costs	437,606	443,117	880,723	1,039,007
Office costs	110,356	121,392	231,748	210,378
Depreciation	16,693	18,363	35,056	36,299
Donated services	-	332,015	332,015	726,980
Fundraising events costs	290,195	-	290,195	264,313
Other costs	65,887	167,707	233,593	202,290
	920,737	1,082,593	2,003,330	2,479,267

Impetus – The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2017

4. Grants payable

Grants paid to portfolio charities in the year were as follows:

	2017	2016
	£	£
Access Project	302,500	255,500
Action Tutoring	255,000	277,000
Adviza	257,666	141,706
Catch 22	700,000	60,000
City Gateway	420,000	320,000
Dallaglio Foundation	115,000	100,000
Dixons	250,000	75,000
Family Links	-	31,250
Family Nurse Partnership	50,000	180,000
IntoUniversity	100,000	200,000
Magic Breakfast	25,000	-
On Purpose	-	27,619
Place2Be	51,500	155,000
Resurgo	400,000	400,000
Ripplez	-	100,000
Springboard	10,000	-
Street League	77,920	277,920
Teens and Toddlers	175,000	75,000
ThinkForward	440,898	1,264,791
Twenty Twenty	217,259	75,507
Venture Trust	154,500	25,000
West London Zone	75,000	-
Working Chance	-	37,500
WorkingRite	-	85,500
Other	4,800	2,166
Group and Charity total	4,082,043	4,166,459

Grants paid to research organisations in the year were as follows:

	2017	2016
	£	£
Alternative Provision Research - IPPR	-	5,000
Bright Blue	6,000	6,600
NEETS project	13,035	-
Conferences	-	410
Life After School campaign	9,900	5,082
Life After School II - Education data lab	-	18,000
Newcastle NEETS (YJI) - Social Finance	-	15,000
Ready to Work Campaign	9,930	12,412
Youth Jobs Index	9,642	7,944
Other	1,205	-
Group and Charity Total	49,712	70,448

Impetus-PEF adopts a three-phase approach to its investment in charities. The three stages are Focus, Build and Scale. The precise nature of the investment including term and amount invested will be reviewed on a case by case basis by the Investment Committee. As a result, total annual payments to charities can vary significantly depending on the phase of the investment programme. At present, all charities are within the Focus and Build stages.

Continued funding of portfolio charities is conditional upon the charities meeting specified milestones. Conditional grants are recognised as expenditure when the conditions are fulfilled. If the conditions have not been met at the year end, the grants are noted as a future commitment but not shown as expenditure.

The total amount of grants that are authorised but not accrued as expenditure at 31 December 2017 was £2,326,545 (2016: £4,397,787). This amount relates to the charities listed above, but excludes any amounts in respect of new investees or next phase investments yet to be approved by the Investment Committee. If all current charity investees progress as envisaged, the phasing of future commitments is estimated as follows:

2018	£
	2,050,045
2019	276,500
Total	2,326,545

The above conditional grant commitments to charities are underwritten by existing reserves (see note 15) and future donor commitments to Impetus-PEF which are not recognised in these accounts.

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5. Net income/(expenditure) for the year

This is stated after charging:

	2017 £	2016 £
Trustees' remuneration	-	-
Trustees' expenses	-	181
Depreciation	63,215	69,141
Operating lease expenses	201,844	207,168
Auditors' remuneration for audit services	12,750	12,500

Directors and Officers insurance which covers the Trustees against any personal liability was provided at a cost of £1,470 (2016: £1,470).

6.(a) Investment in PEF Trading Limited

The investment of £1 in PEF Trading Limited (PEFTL) represents the whole of the issued ordinary share capital of a company incorporated in England and Wales on 13 February 2012. PEFTL engaged in miscellaneous trading activities connected to Impetus-PEF but has not traded since 2015.

	Year ended 31 Dec 2017 £	Year ended 31 Dec 2016 £
Administrative expenses	(30)	(86)
Net movement in funds	(30)	(86)
Ordinary share capital	1	1
Profit and loss account	884	914
Shareholders' funds represented by net assets	885	915

7. Investment in ThinkForward Social Impact (1) Limited

The investment in ThinkForward Social Impact (1) Limited (TFSIL) represents 50% of the issued ordinary share capital and the sole preference share of a company incorporated in England & Wales on 24 January 2012. The remaining 50% ordinary share capital is held by Big Society Capital. TFSIL managed the delivery of the ThinkForward programme in connection to a payment by results contract which finished in 2015. During 2017, the reserves were distributed to the shareholders and the company was dissolved on 11 July 2017.

The key financial information of TFSIL is as follows:

	Year ended 31 Dec 2017 £	Year ended 31 Dec 2016 £
Administrative expenses	604	(3,190)
Tax paid	(551)	-
Return to shareholders on dissolution	(1,045,834)	-
Net movement in funds	(1,045,781)	(3,190)
	2017 £	2016 £
Ordinary share capital	900,000	900,000
Preference share capital	1	1
Profit and loss account	(900,001)	145,780
Shareholders' funds attributable to minority interests (Big Society Capital)	-	1,045,781
	-	522,891

8. Staff costs

Staff costs were as follows:

	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
Salaries and wages	1,581,451	1,638,615	1,581,451	1,638,615
Social security costs	176,453	182,788	176,453	182,788
Pension contributions	42,005	43,200	42,005	43,200
	1,799,909	1,864,603	1,799,909	1,864,603

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The salary breakdown by employee is shown in the table below (where applicable).

Salary band	Number of employees	
	2017	2016
£60,000 - £70,000	3	-
£70,000 - £80,000	1	1
£80,000 - £90,000	1	2
£90,000 - £100,000	-	-
£100,000 - £110,000	-	1
£110,000 - £120,000	1	-

The employer's pension contributions for staff earning more than £60,000 per annum amounted to £11,866 (2016: £12,319).

No members of staff were due a termination payment for the year ended 31 December 2017 (2016: 1). The payment in 2016 was in addition to figures included in the salary band table above.

	2017	2016
£40,000 - £50,000	-	1

Employee benefits, (salary, bonus and employer pension contributions), received by the senior management team totalled £534,496 in 2017 (2016: £473,465).

Staff numbers

The average weekly number of Charity and Group employees is shown below on a full-time equivalent and head count basis:

	Group 2017	Group 2016	Charity 2017	Charity 2016
Full time equivalents	31.5	32.1	31.5	32.1
Headcount	34	35	34	35

9. Taxation

There are no taxable profits arising within the subsidiaries for the year ending 31st December 2017. Consequently Impetus-PEF has no liability to tax and no deferred tax.

10. Tangible fixed assets

	Group and Charity		
	Fixtures & fittings £	Office & computer equipment £	Total £
Cost			
At the start of the year	118,411	216,434	334,845
Additions in period	-	15,234	15,234
At the end of the year	118,411	231,668	350,079
Depreciation			
At the start of the year	65,021	158,461	223,482
Charge for the period	22,375	40,840	63,215
At the end of the year	87,396	199,301	286,697
Net book value			
At the end of the year	31,015	32,367	63,382
At the start of the year	53,390	57,973	111,363

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11. Investments	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
Programme related investments	182,222	214,184	182,222	214,184
PEF Trading Limited (see note 6a)	-	-	1	1
Fixed asset investments	182,222	214,184	182,223	214,185
ThinkForward Social Impact (1) Limited	-	-	-	450,000
Current asset investments	-	-	-	450,000

Programme related investments consist of two social impact bonds connected to the Teens and Toddlers charity. The first bond was completed with capital returned to investors in 2017. The second bond has performed in line with expectations to date.

The ThinkForward Social Impact investment was also returned to investors in 2017 with no impairment. See note 7.

12. Debtors	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
Accrued income	1,258,192	884,905	1,258,192	884,905
Gift aid	176,000	225,000	176,000	225,000
Other debtors	5,366	1,368	5,966	1,368
Prepayments	339,617	280,712	339,617	280,712
	1,779,175	1,391,985	1,779,775	1,391,985

13. Creditors: amounts due within one year	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
Trade and other creditors	71,822	57,403	71,822	57,403
Tax and social security	50,113	90,181	50,113	52,721
Accruals	225,073	276,542	225,073	268,802
	347,008	424,126	347,008	378,926

14. Analysis of net assets between funds

Group	Restricted funds £	General funds £	Total £
Tangible fixed assets	-	63,382	63,382
Investments	-	182,222	182,222
Net current assets	-	7,460,709	7,460,709
	-	7,706,313	7,706,313

Charity	Restricted funds £	General funds £	Total £
Tangible fixed assets	-	63,382	63,382
Investments	-	182,223	182,223
Net current assets	-	7,459,824	7,459,824
	-	7,705,429	7,705,429

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15. Movements in funds

Group	At the start of the year £	Income £	Expenditure £	Transfers £	At the end of the year £
Core portfolio charities	300,000	79,000	(379,000)	-	-
Total restricted funds	300,000	79,000	(379,000)	-	-
Total unrestricted general funds	9,287,645	7,778,105	(9,433,236)	72,915	7,705,429
Unrestricted trading subsidiaries	73,804	-	(4)	(72,915)	885
Total group funds	9,661,449	7,857,105	(9,812,240)	-	7,706,313
Unrestricted funds attributable to minority interests	522,891	-	26	(522,917)	-

Purposes of restricted funds

Impetus-PEF receives donations for specific domain areas, charities, and for specific expenditure. These are treated as restricted donations with appropriate expenditure allocated against them.

Purposes of general funds

Unrestricted charity funds of £7,705,429 will be used to support a significant proportion of conditional grant commitments made to charities of £2,326,545 per note 4, new investees and next phase investments, and operational costs.

16. Members' liability

Impetus-PEF is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1. The Charity has no parent or ultimate holding company.

17. Minority interests

Minority interests reflect Big Society Capital's shareholdings in the ThinkForward Social Impact (1) Limited.

Minority interests brought forward at 1 January	£ 522,891
Minority interest of net expenditure	26
Minority interest share of net assets on dissolution	<u>(522,917)</u>
Minority interests carried forward at 31 December	<u>-</u>

18. Operating lease commitments

At 31 December 2017, the Charity had commitments under operating leases of:

	Buildings £	Equipment £	2017 Total £	Buildings £	Equipment £	2016 Total £
Due within one year	220,601	1,996	222,597	220,601	1,996	222,597
Two to five years	42,809	1,497	44,306	263,410	1,497	264,907
	<u>263,410</u>	<u>3,493</u>	<u>266,903</u>	<u>484,011</u>	<u>3,493</u>	<u>487,504</u>

19. Related party transactions

Johannes Huth and Louis Elson are trustees of the Education Endowment Fund (EEF). During the year Impetus-PEF had no transactions with the Education Endowment Fund (2016: £nil).

Impetus-PEF has consolidated two subsidiaries in the Group financial statements. These are PEF Trading Ltd and ThinkForward Social Impact (1) Ltd. Notes 6 and 7 disclose Impetus-PEF's investment in these subsidiaries and the subsidiaries' results to 31 December 2017. ThinkForward Social Impact (1) Ltd was dissolved on 11 July 2017.