



Impetus – The Private Equity Foundation


Annual report and consolidated financial statements For the year ended 31 December 2016

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Company number: 8460519 Registered charity number: 1152262

Impetus – The Private Equity Foundation Reference and administrative details for the year ending 31 December 2016

Impetus – The Private Equity Foundation, a company limited by guarantee was registered on 25 March 2013, company registration number 08460519 (England and Wales). It was registered as a charity on 3 June 2013, charity registration number 1152262.

Trustees

Johannes Huth (Chairman) Louis

Elson (Deputy Chairman) Lionel

Assant

Marc Boughton

Stephen Dawson (resigned 30 June 2016)

Craig Dearden-Phillips

Becky Francis Patrick

Healy Caroline Mason

Carl Parker (resigned 30 June 2016)

Karl Petersen

Nathaniel Sloane

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Lisa Stone (appointed 29 June 2016)

Simon Turner (appointed 28 September 2016)

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REPORT FROM THE CHAIRMAN

Our new CEO, Andy Ratcliffe, joined us at the start of the year and his infectious passion and commitment to helping young people improve their life chances through education and employment quickly made an impact on us all. In a year in which external events underlined that our young people will be needing us more than ever, Andy and the team have further honed our strategy and reinvigorated our mission.

2016 has been a year of consolidation for our charity portfolio. Our newest partners, Dixons Academies Trust and Dallaglio RugbyWorks, got their first taste of our Driving Impact programme and we took Adviza, City Gateway, Teens and Toddlers, TwentyTwenty and Street League on to the next stage of their partnerships with us. We celebrated a seminal moment as our incubated charity, ThinkForward, graduated to full independence.

As always, I have been inspired by the progress that our charity partners, and the young people they serve, have made over the past year. We were keen to capture and share this. Our newly published *Driving Impact* report is well worth your time. It is packed full of interesting stories about our work, and serves as a vital aid to organisations who share our mission to ensure that the most effective support reaches the young people who need it.

We're sharing our impact message with charities and social enterprises face-to-face too. We were delighted to be chosen to deliver a series of impact management workshops for charities and social enterprises in 2017, funded by Access – The Foundation for Social Investment and Power to Change.

We've made strides with our policy work this year. Our *Life after school* campaign, launched in March 2016, revealed the extent that young people from poorer backgrounds are being let down when it comes to achieving their GCSEs, whether at 16 or when re-sitting them. Less than half go on to achieve English and maths passes by the time they reach 19. We made recommendations to the new Government about how further education could be strengthened to give the best opportunities to the young people the system is currently letting down.

Our first *Youth jobs index* was also launched in March. In what we plan to be an annual measure of young people's experiences in the labour market, the index revealed that over 1.3 million young people in this country are spending six months or more 'not in employment, education or training' (NEET). This has knock-on effects for the rest of their lives, reducing their opportunities and earnings. Using government data sources, the research gave the first detailed picture of just how long young people spend out of education and employment and what the effect of being NEET is on their future employment prospects.

The achievements that I am proud to report on this year would, of course, have been impossible without our incredibly committed supporters. That includes our donors, whose faith in us and our model is truly humbling, and our pro bono supporters, who donated £1.9m worth of services across 140 projects.

We've had our share of fun with our supporters too! Our donors pulled out all the stops to raise over £1m at our annual Transforming Lives Dinner in May. In September, we held our biggest ever private equity triathlon; seeing 500 committed racers compete for our cause.

The Board has bid farewell to Stephen Dawson and Carl Parker who have provided unstinting support and valuable contributions over many years as founders of Impetus Trust and the Private Equity Foundation, respectively. Despite leaving the Board, I know they will continue to be long term friends and supporters. We were delighted to welcome Lisa Stone from Hg Capital and Simon Turner of Inflexion to the Board during the year.

It has been a remarkable year and we feel very proud of our fantastic team of staff and Trustees for their passion and dedication. As ever, we're incredibly grateful to our donors for helping us achieve all that we have over the last 12 months.

Johannes Huth
Chairman, Impetus-PEF

REPORT FROM THE CHIEF EXECUTIVE OFFICER

I recently asked a group of our charity partners and supporters if they thought it was important that young people from disadvantaged backgrounds had the same chances in school and work as their better off classmates. Of course, they all agreed it was.

I asked them next how many of them believed it was *possible* to achieve fundamental change on the issue. Not just to help some disadvantaged young people to succeed but to shake the foundations, to build a world where your family background has no effect on the exam results you get or what job you have.

My big belief is that it is possible. It's the world that we want to build here at Impetus-PEF. But I have to admit I've had my doubts about whether we could get there.

The reasons for my doubt are twofold.

First, the problem is stubborn. The gap between disadvantaged young people and their better off classmates hasn't changed meaningfully for a decade and the problem has built over generations. So it's not going to be easy or quick to shift it.

Second, I've had my doubts because a lot of the things we try don't work. The biggest lesson from rigorous testing of education and employment initiatives is that many, if not most, don't achieve the desired result for the young people they're designed to help. There are scores of well-intentioned, plausible, interventions that fail the ultimate test of consistent effectiveness.

So much for doubt. But let me tell you why after a year at Impetus-PEF, I'm deeply optimistic that we can make a difference.

Here at Impetus-PEF we bring an investment rigour to how we think about social change. So, like a good investor I started with the numbers. My first reason for optimism is 'nine out of ten' –the number that the best schools are achieving of young people from disadvantaged backgrounds passing their GCSEs. This number is a massive corrective to the commentators who buy into the lazy fatalism that says that many these kids are never going to make the grade. A great school can make a great difference to the vast majority of kids that go there.

And here's a second number that makes me happier still. 20,000.

That's the number of disadvantaged kids that need to pass their GCSEs to halve the gap between those from poor families and everyone else. That would be the biggest improvement that this country has ever seen. And when you realise that making this historic reduction actually means getting an extra SIX children per secondary school through, the only question to ask is how can we get this done?

When you put those numbers next to the work of our amazing portfolio of charities, organisations with huge potential and a strong body of evidence behind what they do, I'm even more optimistic. We focus on finding charities serving young people who the current system is failing and who have the greatest needs. But even though we're taking on the hardest bit of the problem, our portfolio charities will knock thousands off that 20,000 figure in the coming years. And together we'll make a similar contribution to narrowing the gap in access to university and sustained employment too.

We can't do this on our own. We're looking for partners who will join us and make their contribution to our shared goals. So if you're a foundation, a company, a government official or anyone else who cares about giving young people a fair chance at school and work, regardless

of their background, do get in touch – I'm sure we can achieve more together than we can apart.

Which brings me to my second reason for optimism: the people we work alongside. As we continue to find, fund and build the most promising charities working on our shared mission, it's the people that give me as much hope as the numbers. The leaders of the charities we work with are an inspiration, asking and answering the hard questions that so many organisations duck. They are examples of formidable leadership in this and any sector. I'm proud to include some of their candid feedback on our work with them in this year's report.

Our supporters, who again this year have bought both pro bono brains and financial brawn, have been a vital ingredient to our success and their continued ownership of this challenge makes them a reliable and formidable ally in coming years.

And my team. I'm optimistic because of the excellent, committed and fiercely driven staff at Impetus-PEF that it is my constant privilege to work alongside.

Finally, my optimism about reducing the gap comes from the young people we serve. I've now met every charity that we work alongside and the strong thread that links them is a belief that every young person can succeed; that they have the potential and that they can fulfil it.

So, it's a hard-headed optimism, grounded in evidence, which tells me *we can do this*. It's hope that our optimism is so infectious that you'll work with us and help us succeed.

Andy Ratcliffe
Chief Executive, Impetus-PEF

The board of trustees of Impetus – The Private Equity Foundation [Impetus-PEF], which is also its board of directors, hereby presents its report (incorporating the strategic report and directors' report) together with the financial statements for the year ended 31 December 2015.

Strategic Report

1. Objectives and activities

1.1 Background

In July 2013, the two pioneers of venture philanthropy in the UK, Impetus Trust (established in 2002) and The Private Equity Foundation (formed in 2006), merged to create Impetus-PEF.

Following the merger, Impetus-PEF carried out a strategic review and agreed to focus on improving education and employment outcomes for disadvantaged young people. We set out detailed objectives to support our charity partners to fully achieve their impact potential. We describe how we performed against these objectives in the next section of this report.

In 2016, with the arrival of our new Chief Executive Officer (CEO), we refreshed our strategy. We challenged ourselves to raise the bar for the young people we serve, setting new and ambitious five-year sector goals aimed explicitly at reducing the persistent but not inevitable gaps in educational attainment and sustained employment, in partnership with others.

1.2 Our mission, strategy and

approach Why we exist

Impetus-PEF's mission remains the same: to ensure that the right support reaches every young person, so that they can succeed at school and in work. For over a million children and young people in the UK, economic disadvantage is a daily reality. As a result, they struggle to gain the qualifications that matter to gain fulfilling work or a place at university, holding them back from achieving their potential.

In one of the world's wealthiest nations, it is unacceptable that the ambitions and achievements of young people from disadvantaged backgrounds should be pegged so much lower than their better-off peers. We believe that this can change and that we have an important role to play, to help identify and direct the best support to the young people who need it.

What we do

With the arrival of our new CEO in April 2016, we refreshed our approach to achieving our mission, and the Board adopted a refreshed five-year strategic plan in December. In this plan, we introduced five-year sector goals, which set out what we believe can be achieved if the sector works collectively and effectively to close the gaps in educational attainment and sustained employment between young people from disadvantaged backgrounds and their peers. These are not our targets, but they help inform them. By 2021, the goals are to:

- Halve the gaps between disadvantaged young people and their better-off peers in GCSE/equivalent attainment and access to university.

In practice, this would mean getting an extra 20,000 young people per year to achieve five GCSE passes including English and maths, and an extra 6,500 a place at university.

- Demonstrate and strive to reduce the gap in sustained employment between disadvantaged young people and their better-off peers.

We do not know what the disadvantage gap in employment is as the data is not currently publicly available, but we will work to establish it and campaign to close it.

These are 'sector' goals designed to bring people together around a common vision of the kind of country we want to live in and the kinds of opportunities we want all our young people to have. By their very nature, they require people and organisations from all walks of life – whether politicians, philanthropists, charity leaders or businesses – to come together and combine their efforts. We have our part to play, our contribution is three-fold:

1. Through our investment work, we will continue to find, fund and build the most promising charities working to improve employment and education outcomes for disadvantaged young people.
2. Through our partnerships work, we will work alongside other private and public funders to support our charities and multiply the impact we can have on the lives of disadvantaged young people.
3. Through our policy work, we will influence decision makers, so that the young people we serve stay on the agenda, and have the right policies and resources devoted to them.

How we do it

Our strategy outlines the three aspects of our work - investments, partnerships and policy - which in combination, allow us to identify, support and scale the best interventions so that every young person is given the chance to succeed.

1. Investments

Impetus-PEF works with the most promising charities committed to helping disadvantaged young people reach their potential in education, in work and in life. Our charity partners go through an intensive screening and selection process to determine whether they are right for our portfolio. Our evaluation criteria for assessing potential charity partners include:

- A focus on education and/or sustained employment for disadvantaged young people
- Leadership which is committed to improving outcomes
- The potential to scale up to reach larger numbers of young people

The charities we select come from a variety of sources, including referrals from trusted partners who are familiar with our investment model. These recommendations are qualified by our investment team and where appropriate, detailed due diligence is carried out before submitting investment proposals to the Investment Committee for consideration. Where the Investment Committee finds an appropriate fit with our portfolio strategy, they recommend these investments to the Impetus-PEF Board for approval

Our unique offer

After we find UK charities that meet our criteria, we help them become highly effective at delivering programmes proven to transform the lives of the young people they serve. We do this by providing a unique package of support that combines four elements:

- In-house management support - our highly experienced investment team supports charity leaders by developing their skills, helping them successfully deliver an impact-led strategy and working with them to overcome the challenges of growth.

- World class pro bono expertise - we match our charities with experts from our extensive network, who donate their time and services in fundamental areas such as business planning, HR, finance, fundraising strategy, leadership coaching and performance management.
- Strategic grant funding - we provide long-term, carefully applied funding, often in partnership with other funders, enabling our charities to build their capacity to deliver high quality programmes.
- Proven tools - We have developed numerous proprietary methods and tools to better support our charity partners. These range from facilitating decisions to helping develop implementation plans and guiding evaluation planning.

A fundamental aspect of our approach is that we work with charities in depth and over many years, enabling us to develop a thorough understanding of what really works. Together with our charities, we gather outcomes data and use this to strengthen their programmes. Where the evidence shows that programmes lead to lasting change, we help them to expand, to dramatically increase the number of young people they serve.

Impetus-PEF typically works with our charity partners for between four and ten years. This is divided into three phases. Each phase delivers value to the charity, although not all charities in our portfolio will progress through each phase:

- **Focus phase** - The main objective of this year-long phase is to develop a comprehensive plan to improve charity performance over time. This is done via our *Driving Impact Workshop*, a process designed to clarify strategy and develop a multi-year implementation plan.
- **Build phase** - In this phase we support charities to implement their model so that it is ready to be independently evaluated. The focus here is on leadership development, impact management and sustainability.
- **Scale phase** - This phase is for the charities in our portfolio which have potential for further scale, social investment and/or major contracting work. We support whichever form of scale - whether organic growth, licensing, franchising, best practice dissemination - will be most effective at securing the rapid replication of outcomes.

2. Partnerships

We gain a great deal of knowledge from our charity partners about what works. We support them to continuously improve their programmes so that they are able to have a deeper impact on a greater number of young people. To do this, they need other partners at their side. We aim to galvanise grant making trusts, corporate and statutory funders to support high performing charities and proven interventions. In 2016, we helped our charity partners to generate over £1 million of additional funding from third parties. Harnessing future collaborations in this area is an important area of focus for us; we will continue to develop and test new funding partnerships.

3. Policy

Our charity partners have frontline experience of what makes a difference to young people's lives but often, they don't have the capacity to ensure that this is shared with and understood by those in power. To achieve long term impact at scale, evidence-based public policy and resource allocations are essential. We undertake original research and advocacy, grounded in our experience with our charity partners, and share with policy makers, businesses, practitioners and funders.

2. Objectives

2.1 Our 2017 objectives

We have set the following objectives for 2017:

- Investment: To dispense £4.3m in grants and £2.0m in pro bono support whilst maintaining the targeted portfolio shape.
- Partnerships: To test our revised co-investment and partnership approach to work alongside other private and public funders to support our charities and vision
- Policy: To develop and deliver campaigns for the thematic priorities we have identified:
 - Closing the education gap
 - Establishing the employment gap
 - Transforming Alternative Provision

To deliver all this, we have set a fundraising target of £4.1m for the year.

2.2 How did we do against our 2016 objectives?

We set three objectives for 2016 as part of the previous business plan, adopted in 2014. This is how we performed against these objectives.

Invest £3.6m in grants and £3.0m in pro bono support whilst maintaining the targeted numbers of charities in each phase of delivery.

- **PARTIALLY ACHIEVED** – We made £4.2m of grants to charities within the portfolio and generated £1.9m of pro bono support during 2016. The grants were higher than planned due to the transfer of £566k of restricted funds held for ThinkForward UK. Pro bono support was lower than planned as we did not need to commission as much due diligence as normal, following the decision not to add any new charities to the portfolio until we had revised the portfolio strategy to align with the new organizational strategy.

Build strong philanthropy foundation including raising £5.2m as well as achieving our targets of new donors and multi-year gifts and raising £8.2m including pro bono.

- **PARTIALLY ACHIEVED** – Overall group funds raised was £4.3m in 2016, which was 83% of our target. Including pro bono, we achieved £6.3m. Income raised was on track with our plan except for our new business target, where we under-achieved during the year. This performance influenced our development of a more targeted approach to work alongside other private and public funders to support our charities which is being tested in 2017.

Delivery of a new campaign linked to '16-19 Education' as well as launching the Youth Jobs Index

- **ACHIEVED** – In 2016 we launched our Life after School campaign, looking at opportunities and outcomes for young people who fail to attain maths and English GCSEs at 16. We published 'The Road Most Travelled' in March, which painted a troubling picture of repeated failure for the majority of young people re-sitting their GCSEs. We launched the report in Parliament, received BBC coverage, and developed strong relationships over the year with Department for Education and peer organisations. We also commissioned further research in this area for launch in 2017.

We launched our first Youth Jobs Index, which uses Labour Force Survey data to go behind the headline NEET figures and determine how long young people are spending out of education or work. We found that well over a million young people spend more than six months NEET before they're 25, with long term effects on their earnings. We secured

broadsheet coverage and we were invited to present the findings at several events, including a meeting of the All Party Parliamentary Group on Youth Employment.

3. Track Record

The metrics set out over the following pages illustrate the value we add to our charities. They show the resources generated by Impetus-PEF since 2002 and include: donations from individuals, grant-making trusts, statutory funders and corporate donors; the value of pro bono services donated; and the additional funds raised for our portfolio due to Impetus-PEF involvement.

In accordance with the requirements of Accounting Standards, donated services recognised in the financial statements (“Statutory basis” in the table below) only include those services provided by an individual as part of their trade or profession. This does not recognise all of the value of pro bono services donated to both Impetus-PEF and our portfolio charities. Hence, the “Full value” is also given in the tables.

From inception to 31 December 2016, Impetus-PEF has generated an audited total of £100,977,401 resources for support of charities and associated organisation costs. These resources consist of donations, investment income and pro bono services donated. This figure reaches £111,424,996 when additional funds raised for charities and volunteer pro bono are included (see * footnote below for explanation of different pro bono valuations). Impetus-PEF is proud to have achieved the milestone of having raised over £100 million in support of delivering our venture philanthropy vision.

Through deploying high-calibre, pro bono experts in the portfolio charities and through partnership investment, we aim to add value on top of our cash investment. The cumulative value delivered to charities by Impetus-PEF is reflected in the table below. The difference between the £111 million of funds raised and the £89 million of full value delivered consists of unspent reserves and funds used to support the running of Impetus-PEF core costs.

Cumulative value generated for portfolio charities		
	Full value £m	Statutory basis £m
Pro bono services donated to charities*	28,276,254	27,066,234
Value of Impetus-PEF Investment team	18,947,368	18,947,368
Additional funds raised for charities**	7,342,971	
	54,566,593	46,013,602
Grants paid to charities	34,212,983	34,212,983
Total value to charities	88,779,576	80,226,585
Total funds raised	111,424,996	100,977,401
Total value per £1 of grants paid	2.59	2.34

*The full value of the pro bono services donated differs from the statutory basis as on a statutory basis we are only able to include those values which relate to projects where the pro bono expert was undertaking a project in their area of expertise and could reasonably have charged for this work.

** 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 because they are provided directly to the charity by the funder.

In addition to looking at the overall value generated by Impetus-PEF for the benefit of our charities, we also place great importance on the value of each £1 of unrestricted donations. These donations are vitally important to our work as they allow us to employ the Impetus-PEF Investment team to assist our portfolio charities in their work, manage an impressive pro bono network, obtain additional funds for our portfolio and provide the resources to enable us to scale up our operations.

4. The Impetus-PEF Investment Portfolio

We are proud to support a dynamic portfolio of high performing charities making a frontline difference to thousands of young lives.

Once a charity enters our portfolio, they receive an intense, challenging and multi-faceted programme of support from us. We work closely with them to improve their programmes, making them more outcome focused, and we build their capacity to collect and use meaningful data. We ensure that we are not just tracking the number of young people accessing support, but whether this support is making any difference. For instance, our employment charities may track a young person for twelve months after they have left the programme, to see whether they have achieved sustained employment.

Robust programmes need well run organisations behind them so we also work to develop our charities' leadership teams, governance, internal capacity and their longer term financial sustainability. The benefits extend beyond the portfolio itself; we are helping to develop a cadre of high calibre charity leaders and by sharing our learning, helping to improve practice across the charity sector.

In 2016, we refreshed our portfolio strategy and identified potential future partners who align with our mission; we made significant progress with our charities in focus and build; and we managed the exit of the charities who had come to the end of their relationship with us. Along the way we gathered some truly inspiring testimony of the difference Impetus-PEF is making to the charities, and in turn the difference the charities are making with the young people they serve.

Research and Origination

Research and origination of new charity investments continued throughout the year with over one hundred different prospects researched. Following the completion of our new five-year strategy in the third quarter of 2016, the investment team refined the portfolio strategy and began narrowing down prospective new partners that align with our strategic objectives. By the end of the year, due diligence was well underway on the new charities that will be proposed for inclusion in the portfolio in 2017.

Our Current Portfolio

Our charity partners make a vital contribution to the achievement of our sector goals, by providing young people who otherwise wouldn't be on track to get good GCSEs, a university place or a job, with the best support to transform their outcomes. They are:

Educational attainment: halving the gap between young people from disadvantaged backgrounds and their peers in attaining GCSE or level 2 English and maths qualifications by 2021: The Access Project, Action Tutoring, Catch 22, Dixons Academies Trust, Dallaglio RugbyWorks, Teens and Toddlers

Higher education: To halve the gap in access to university between young people from disadvantaged backgrounds and their peers by 2021: The Access Project, IntoUniversity

Employment: Reducing the gap in sustained employment between young people from disadvantaged backgrounds and their peers: Adviza, City Gateway, Resurgo, Street League, ThinkForward, TwentyTwenty, The Venture Trust

We are proud also to continue to support the following charities: FNP Family Unit, Place2Be We have been working intensely with our charities throughout the year to build up their capacity; to design and roll out their strategic plans; and support them through the next stage of their development, whether through a continued relationship with us, or as alumni. Progress was as follows:

- 👉 3 continued through Focus (Dallaglio RugbyWorks, Teens & Toddlers, Venture Trust)
- 👉 4 were approved for Build (Adviza, Catch22, TwentyTwenty, Dixons Academies Trust)
- 👉 9 made good progress in Build (Street League, IntoUniversity, Place2Be, ThinkForward, FNP National Unit, City Gateway, The Access Project, Action Tutoring, Resurgo)
- 👉 4 exited from Build (The Brilliant Club, Ripplez, Family Links, Working Chance and Working Rite)

We have enhanced our position as a leading practitioner of social investment by successfully completing the ThinkForward SIB as well as managing two SIBs with charity partner Teens & Toddlers. The ThinkForward SIB completed with full return of capital plus a premium to social investors and, more importantly, achieved exceptional social return with 90% of the young people aged over 18 progressing into further education, employment or training.

Testimony

We are conducting an annual CEO survey to gauge how our relationships with our charities are progressing and to gain insights from them so that we can continue to improve the support we provide.

Reflecting on 2016, our charity CEOs have been overwhelmingly positive, particularly in relation to the investment team and pro bono support they have received. Indeed, they rate the non-financial support they receive from us as being equally, if not more valuable, than the financial support. The survey revealed that they view it as 56% of the value we deliver.

We asked them to rate our partnership on scale of 1 - 5, with 5 being the highest score, and were thrilled to receive an average score of 4.7. While this exceeded our expectations, we are not complacent, and the survey also identified areas where we could do more. For instance, CEOs thought we could provide them with greater support with their financial strategy, as this is the number one concern keeping them awake at night.

They told us:

- “It is impossible to overstate the impact that our Investment Director has had” “Impetus-PEF provide fresh eyes, making us evaluate absolutely everything”
- “The theory of change process was hugely galvanising for the organisation and created a sense of urgency for Trustees and staff across the organisation”
- “The ‘door opening’ impact of working with Impetus-PEF has definitely assisted us with some external relationships, both statutory and philanthropic funders”
- “Six years (into our Impetus-PEF partnership), we have discovered that it has been the non-financial investment that has been more valuable to us than money ever could have been. The Impetus-PEF investment team and our pro bono advisors became our own ‘critical friends’ in our path to becoming the highly effective and impact-focused organisation we wanted to be.” Jo Rice, Managing Director, Resurgo

Read more about our charities here: <http://impetus-pef.org.uk/charity-partners/>.

5. Sharing what we learn

Sharing what we learn allows us to make an impact beyond our partner charities. We know that our ambitious goals for disadvantaged young people cannot be met without action from funders, policymakers and delivery organisations. The work we do with our partner charities, and the original research we conduct, gives us unique insights into both the barriers faced by young people, and what works in dismantling them.

We always seek to work in collaboration to take our impact further – part of our contribution is sharing these insights to inform the policy and resourcing decisions of all those striving for the same goals.

Driving Impact

In October 2016, we published *Driving Impact: Helping charities transform the lives of disadvantaged young people*. This report tells the story of how we developed our impact focus in the wake of the merger and then built the Driving Impact programme of support that we are now delivering to charities.

The report shares the principles of programme design and implementation that we take charities through in the Driving Impact workshop, and is full of examples of the tough choices our partner charities have made with our support. It also shares some of the common problems that charities encounter when they are not supported to put impact at the heart of their activities.

The report contains lessons for funders and charities and has been described by David Hunter, a leading US consultant on impact management as *‘required reading for all funders interested in impact investing, all consultants seeking to play a constructive role in supporting such efforts, and all direct service organizations who want to understand what it will take for them to get to the point where they can drive impact and thereby actualize their respective missions.’*

In 2016 we also spoke at four conferences about our Driving Impact approach, and were published widely on the topic.

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In 2016 we also spoke at four conferences about our Driving Impact approach, and were published widely on the topic.

Taking Impact Management Wider

In 2016 we were part of a consortium selected to deliver the Impact Management Programme for the Access Foundation. The Programme will make grants to charities to build their impact management capabilities with the help of consultants.

Our role is to design and deliver training on impact management principles and practices to both consultants and the charities planning to apply for grants. This award recognises that we are among the leading practitioners and supporters of impact management in the UK. Training will take our expertise beyond our portfolio and reach many more charities and delivery will take place in 2017.

6. Financial Review

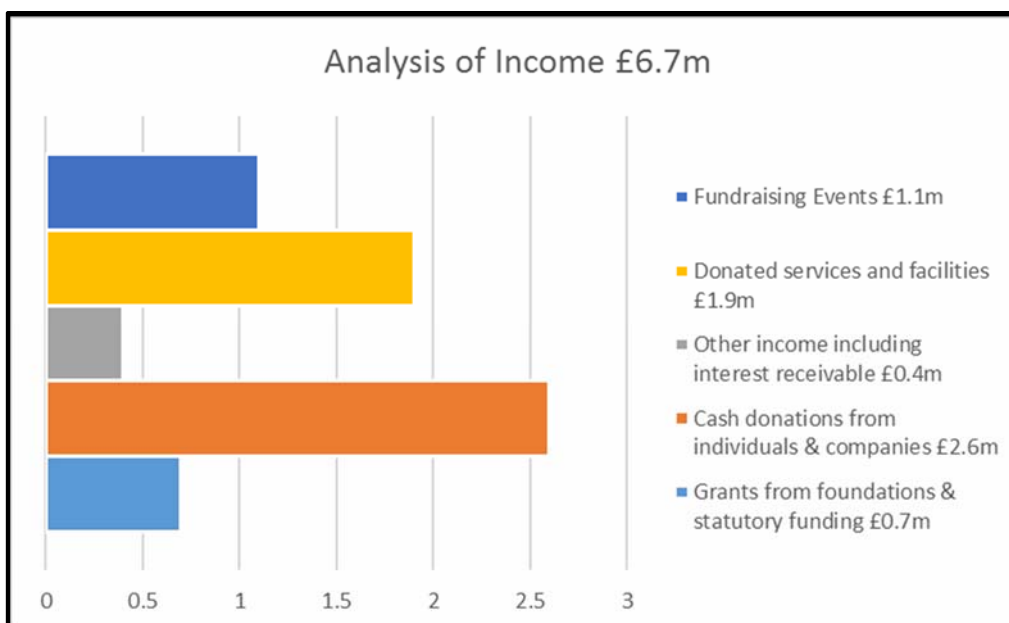
As of 1 January 2016, Impetus-PEF spun out ThinkForward UK as a stand-alone entity. Impetus-PEF's financial results for the year ending 31 December 2016 do not consolidate ThinkForward for that year. For 2015, ThinkForward UK and ThinkForward activities that had been included as part of Impetus-PEF have been included in the consolidated financial information.

6.1 Income

Impetus-PEF generated total group income during the year of £6.7m (2015: £11.5m). The main drivers of this reduced income was the spin-off of ThinkForward who were included in the 2015 consolidated results (£2.0 million), the end of ThinkForward Social Investment Bond during 2015 (£0.9 million) and lower pro bono linked to our strategic review during the year (£1.1 million). Core Impetus-PEF cash income including events in 2016 was £4.7million. This compares a 2015 result of £5.5 million once the effects ThinkForward UK and the ThinkForward activities within Impetus-PEF have been excluded. New Business income was lower in 2016 than 2015. During the year, we received generous financial and pro bono support (donated services) from four main sources:

- Individual donations
- Corporate sponsors
- Grantmaking trusts and foundations
- Public funding

The accounts recognise £0.0m (2015: £0.9m) of Trading Income linked to our investment in ThinkForward Social Impact (1) Limited (TFSIL). TFSIL managed the delivery of the ThinkForward programme in connection with a payment by results contract with the Department for Work and Pensions (DWP). The contract came to an end in 2015 and investors funds were returned in 2017.



The value our pro bono experts contributed over the past year was £1.9m (2015: £3.1m) included in our accounts. In 2016, £0.5m of donated services (2015: £0.7m) was associated with governance costs. These costs were primarily incurred in supporting strategic thinking based on the delivery of our strategic plan in the changing market.

We could not possibly achieve all that we do without the steadfast backing of our many supporters. These are people and organisations who share with us the optimism that the lives of disadvantaged young people can be transformed by ensuring they get the support they need to succeed in education, find and keep jobs, and achieve their potential.

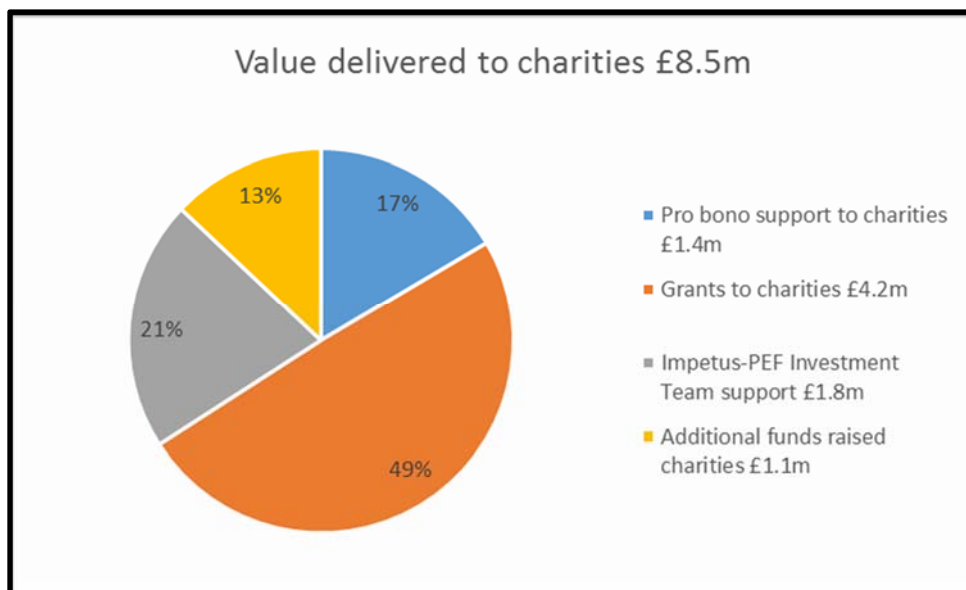
Read more about our supporters on www.impetus-pef.org.uk/who-we-are/our-supporters/.

Our Thanks

We would like to take this opportunity to express our warmest thanks to the staff and trustees of our portfolio charities, and to the donors, volunteers, pro bono experts and staff who have helped Impetus-PEF to achieve the progress it has made so far.

6.2 Value delivered to portfolio charities

The chart below illustrates the value Impetus-PEF provides to portfolio charities, both in percentage terms and value. In 2016, Impetus-PEF delivered £8.5m (2015: £11.6m) of value to its portfolio charities, including third party funds raised which are not reflected in our accounts.

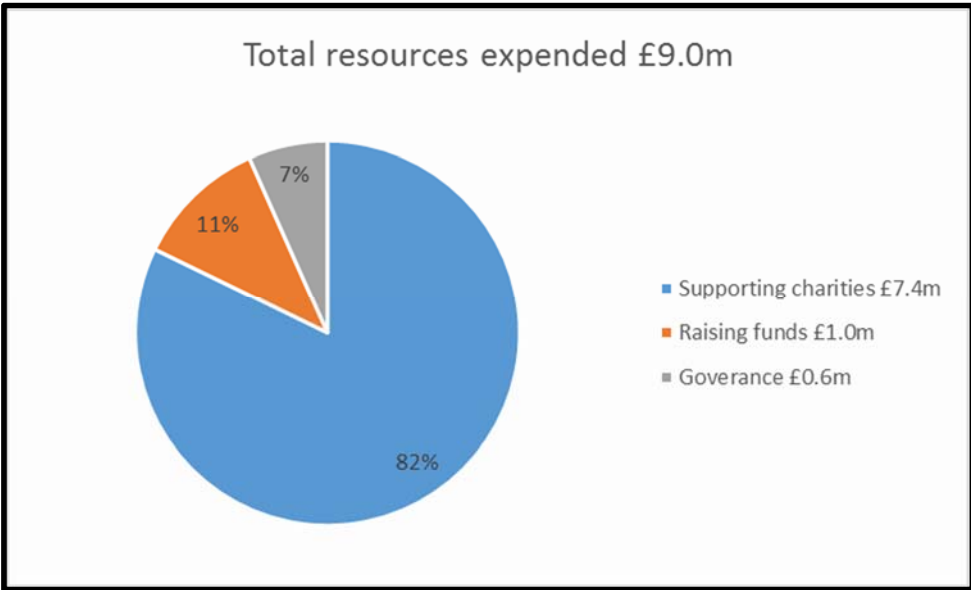


Of the total value of £8.5m delivered to charities (2015: £11.6m) in the chart above, grants to charities are £4.2m (2015: £4.7m), pro bono services donated are £1.4m (2015: £2.3m) and the value of Impetus-PEF Investment Team is £1.8m (2015: £2.8m), totalling £7.4m (2015: £9.8m). These amounts are reflected in Impetus-PEF's own financial statements as Charitable Activities less governance costs in Note 3 of the accounts. The £1.1m of additional funds raised for charities is not included in Impetus-PEF's own financial statements.

The decline in value delivered to charities is tied to ThinkForward not being part of the Impetus-PEF group in 2016. ThinkForward charitable activities included in the accounts 2015 was £2.0 million.

6.3 Expenditure

To achieve the desired impact within our portfolio of charities, resources are expended in generating funds, governance and supporting charities. The pie chart below illustrates how our total resources (including the value of pro bono services donated) of £9.0m (2015: £11.7m), as set out in note 3 to these financial statements, were expended during 2016. The percentage of funds used to support charities was in line with the previous year.



6.4 Core Impetus-PEF

From 2011 Impetus-PEF successfully incubated the ThinkForward programme and accordingly ThinkForward has been combined within the Charity and Group financials in this period up to 31 December 2015. From 1 January 2016, ThinkForward’s activities sit within ThinkForward (UK), which is a standalone independent charity.

From 2012 to 2016, Impetus-PEF was the majority investor (50% of the issued share capital and the sole preference share) in ThinkForward Social Impact (1) Limited (TFSIL). TFSIL managed the delivery of the ThinkForward programme in connection to a payment by results contract with the Department for Education. Total income and expenditure for TFSIL were shown in Impetus-PEF accounts with the net income or expenditure attributed to the minority interest shown as a movement in funds. This contract successfully ended in 2015 with the full return of capital occurring in 2017. This return was due to assisting over 1,000 young people in London to improve their educational attainment and employability skills.

In note 21 of the accounts we have split the 2015 results between core Impetus-PEF activities and ThinkForward activities, whilst in Note 22 we prepared an Impetus-PEF Charity only financial analysis. This analysis is to highlight Impetus-PEF’s core activities that will be ongoing and to make year on year comparisons more straightforward. Below find a summary of core Impetus-PEF activities.

	2016 Core	2015 Core	2015	2015
	Impetus-PEF	Impetus-PEF	ThinkForward	Total SOFA
	Activities	Activities	& TFSIL	
	£	£	£	£
Donations and grants	5,209,553	7,096,521	1,995,796	9,092,317
Charitable activities		0	854,113	854,113
Events and fundraising activities	1,064,277	1,130,263		1,130,263
Investment and other Income	404,795	387,876		387,876
Total income	6,678,625	8,614,660	2,849,909	11,464,569
Raising funds	1,022,197	977,049	34,556	1,011,605
Charitable activities	8,006,755	8,710,807	1,958,727	10,669,534
Total expenditure	9,028,952	9,687,856	1,993,283	11,681,139
Net income/ (expenditure)	(2,350,327)	(1,073,196)	856,626	(216,570)
Net income/ (expenditure) attributable to minority interest			(297,024)	(297,024)
Funds at end of the year	9,587,646	11,371,304	2,067,805	13,439,108

6.5 Reserves and Going Concern

Impetus-PEF has healthy reserves and a strong cash position at the balance sheet date. The consolidated entity has total reserves of £9.7 million as at 31 December 2016 (2014: £13.4 million) including unrestricted reserves of £9.4 million (2015: £11.3 million).

Impetus-PEF's Reserve Policy as approved by the Board in March 2014 entails:

- minimum unrestricted funds being set as (i) 6 months operating costs; and (ii) the cash cost of the office lease commitment up until the break (5 years); and
- unrestricted funds not being designated by the trustees. Rather, a narrative would be used to explain how unrestricted funds would be used against ongoing grant agreements and planned new investments.

The targeted level of unrestricted reserves as of 31 December 2016 is estimated at £2.4 million (2015: £2.5 million) including the office lease commitment. However, given the longer-term nature of our investments, a substantial proportion of our funds are targeted to fulfil existing funding commitments to charities if they meet their milestones.

The total amount of grants to portfolio charities that are authorised but not accrued as expenditure at 31 December 2016 was £4.4 million (2015: £5.7 million). These grants only become an obligation to Impetus-PEF if the funded organisations achieve specific future milestones. This authorised amount of £4.4m relates solely 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 in 2017 will be £3.3 million of the authorised £4.4 million.

Impetus-PEF is forecast to spend down reserves to near the minimum target level over the life of its Five-Year plan as we continue to support more organisations over a significant period in their journey to scaling impact. This will require us to raise additional funds necessary to fulfil our commitments whilst we use a portion of our reserves each year to support our funded programmes. We project that over the next three years, as we build our fundraising pipeline, expenditure will continue to exceed income which will also reduce the level of our reserves.

We have set out a review of financial performance and the charity's reserve position. 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.

6.6 Investment of funds

The charity does not operate an endowment fund. 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 and fixed-term government bonds.

7. Structure, Governance and Management

7.1 Structure and Public Benefit

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

The Charity's 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.

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.

The accounts of the limited companies within the Impetus-PEF group are filed with Companies House.

7.2 Governance and management

The governing body of the charity is the Board of Trustees which, as of 31 December 2016, comprised 14 members and they are set out on Page 2 of this report. We were delighted to appoint two new trustees in 2016. Lisa Stone, Partner of Hg Capital and Simon Turner, Co-founder of Inflexion joined the Board and bring a wide range of expertise to Impetus-PEF.

The appointment of a new trustee to the Impetus-PEF Board of Trustees takes place after due consideration from both parties. This is vital to ensuring a good “strategic fit” for the Board and the prospective trustee. Having accepted the appointment, new trustees are taken to meet Impetus-PEF portfolio charities, to gain a good understanding of our work. New trustees are also briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the charity. During their induction, they will meet members of the Impetus-PEF team and any other trustees whom they had not previously met. Trustees are eligible to attend appropriate external training events where these will 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. Annually, the Chair conducts an 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, who works closely with the Chair and Vice-Chair. During 2016, the Board met 4 times. There were five sub-committees to the Impetus-PEF Board in 2016: the Investment Committee; the Governance Committee; the Finance and Audit Committee, the Public Affairs Committee and the Development Committee. The purpose of these sub-committees is to ensure in-depth review and oversight of critical parts of our activities. Collectively, these committees seek to ensure that the specific areas of focus are led, where possible, by trustees. In 2015, the Board implemented a call between the Chairman and Deputy Chairman of the Board and the Chairs of the five sub-committees between each board meeting to ensure that Chairs of the sub-committees were informed of key organisational developments between Board meetings. The purpose was not to be a decision-making group.

We also have an Advisory Council which is composed of leaders from the private and voluntary sectors. The expertise of our Advisory Council will play a crucial role in helping us achieve our vision and we are very fortunate to have secured the support of such a preeminent group.

Read more about the structure and members of these committees at www.impetus-pef.org.uk/who-we-are/board-of-trustees/.

Investment Committee

The committee is responsible for ensuring a balanced portfolio and recommends the direction of the portfolio in terms of its mix, growth and overall strategy. In determining new inclusions to our portfolio, the committee scrutinises and recommends which charities should be taken through to investment, oversees the due diligence process and makes recommendations on charity investments to achieve a balanced portfolio. Beyond the initial grant, the committee also reviews the funding and milestones of the portfolio and conducts status reviews of the portfolio as well as scrutinising and recommending reinvestments and graduations from the portfolio.

Governance Committee

The committee has a strategic role in defining the role of the Board as well as how the Board interacts with the various sub-committees. Alongside this, the committee 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/Board development and an evaluation of the other sub-committees. Finally, staff remuneration and benefits policies are overseen by the committee.

Finance and Audit Committee

The committee examines and approves the draft annual budget, and reserves and cash investment policies to put before the Board. The committee monitors the integrity of the charity's financial statements and the effectiveness of the external audit process and systems of internal control. It is also responsible for ensuring that an appropriate relationship between Impetus-PEF and the external auditor is maintained. Due to the size and nature of the organisation the committee considers that an Internal Audit function is not required.

Development Committee

The Committee seeks to increase Impetus-PEF's ability to drive our income by building support for our work from funders. The committee raises funds from companies, grant-making trusts, individual philanthropists and other sources. The committee also ensures the breadth and quality of engagement we offer our donors.

Public Affairs Committee

The Public Affairs 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 KPI, and inform planning of the following year's strategy.

7.2 Pay policy for senior staff

The directors consider the Board of Directors, who are the charity's trustees, and the senior management team comprise the management personnel of the charity in charge of direction and controlling, operating the charity on a day to day basis. All directors give of their time freely and no director received remuneration in the year. Details of the directors' expenses and related party transactions are disclosed in the accounts.

The pay of the senior management team is reviewed every two years along with all other staff. Staff roles are mapped against comparable roles from a charity sector salary survey. The Board targets for Impetus-PEF roles was to be +/- 5% of the upper quartile for their matched position.

The aim is to position Impetus-PEF as a good payer within the sector. There are no cost of living adjustments made for senior management team salaries.

7.3 Related parties and connected organisations

These consolidated financial statements consolidate Impetus-PEF's subsidiaries, being PEF Trading Limited and ThinkForward Social Impact (1) Limited. ThinkForward (UK) is no longer consolidated they were spun out as a separate entity on 1 January 2016. Details of these entities are disclosed within the notes to the accounts.

The Education Endowment Foundation (EEF) was set up in 2011 to boost attainment of some of the country's most disadvantaged children, and is overseen by Impetus-PEF and The Sutton Trust. The EEF is funded by a £125 million grant 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, Johannes Huth (our Chairman) Nat Sloane and Louis Elson are trustees of EEF.

7.4 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 2016, PEF 1 held almost \$0.8m 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.

7.5 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 each Board meeting with mitigating actions and controls discussed. The six most significant risks identified by the Board post our current mitigation strategies are:

- Funding does not match long-term requirements and organisational ambitions
- Business model to deliver the organisational ambitions does not prove to be sustainable
- Partnership support does not work making it difficult to maintain the size and breadth of the portfolio
- Key staff issues, inability to create high performing SMT necessary to move organisation forward
- Long lead times to prove organisational effectiveness undermine stakeholder (including donor) interest and Board confidence
- Political environment changes in near term making funding environment more difficult for Impetus-PEF and partner charities

These risks are monitored on a quarterly basis by the Board which reviews risks movements and the various mitigation strategies in place to manage risks. There is also a quarterly review of indicators highlighting our current performance and giving some indication of future delivery which supports our risk management.

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 quarterly reviews.

7.6 Auditor Appointment

Following a tender process in 2016, the Board appointed haysmacintyre as auditors for the year ended 31 December 2016.

8. 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;
- 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 Trust 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 strategic report and directors' report is approved by the trustees on 23 June 2017 and signed on their behalf by

Johannes Huth, Chairman
23 June 2017

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

We have audited the financial statements of Impetus – the Private Equity Foundation for the year ended 31 December 2016 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page XX, 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.

We have been appointed auditor under the Companies Act 2006. 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2016 and of the group's and the 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.

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 strategic report and 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 strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report (which incorporates the strategic report and the directors' report).

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:

- the charitable company and group have not kept adequate and sufficient accounting records, 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Tracey Young (Senior statutory auditor)

26 Red Lion Square

for and on behalf of haysmacintyre, Statutory Auditor

London, WC1R 4AG

23 June 2017

Impetus - The Private Equity Foundation

Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 December 2016

	Note	Restricted £	Unrestricted £	2016 Total £	Restricted £	Unrestricted £	2015 Total £
Income:							
Donations and grants	2a	683,866	4,525,687	5,209,553	2,690,114	6,402,203	9,092,317
Charitable activities	2b	-	-	-	-	854,113	854,113
Events and fundraising activities	2c	-	1,064,277	1,064,277	-	1,130,263	1,130,263
Investment	2d	-	30,720	30,720	-	44,177	44,177
Other	2e	-	374,075	374,075	-	343,699	343,699
Total income		<u>683,866</u>	<u>5,994,759</u>	<u>6,678,625</u>	<u>2,690,114</u>	<u>8,774,455</u>	<u>11,464,569</u>
Expenditure:							
Raising funds	3	-	1,022,197	1,022,197	-	1,011,605	1,011,605
Charitable activities	3	1,098,890	6,911,141	8,010,031	3,066,248	7,603,286	10,669,534
Total expenditure		<u>1,098,890</u>	<u>7,933,338</u>	<u>9,032,228</u>	<u>3,066,248</u>	<u>8,614,891</u>	<u>11,681,139</u>
Net income/(expenditure)	5	(415,024)	(1,938,579)	(2,353,603)	(376,134)	159,564	(216,570)
Net income/(expenditure) attributable to minority interest	17	-	1,595	1,595	-	(297,024)	(297,024)
Transfers between funds	15	-	-	-	663,706	(663,706)	-
Reduction in funds due to ThinkForward (UK) leaving the group	6b	(1,425,651)	-	(1,425,651)	-	-	-
Net movement in funds		<u>(1,840,675)</u>	<u>(1,936,984)</u>	<u>(3,777,659)</u>	<u>287,572</u>	<u>(801,166)</u>	<u>(513,594)</u>
Reconciliation of funds:							
Funds at the start of the year	15	2,140,675	11,298,433	13,439,108	1,853,103	12,099,599	13,952,702
Funds at the end 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>

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 31 to 42 form an integral part of these Financial statements.

Impetus - The Private Equity Foundation

Balance sheets

As at 31 December 2016

	Note	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Fixed assets					
Tangible fixed assets	10	111,363	190,892	111,363	190,892
Investments	11	214,184	226,222	214,185	226,223
		325,547	417,114	325,548	417,115
Current assets					
Debtors	12	1,391,985	1,687,237	1,391,985	1,476,605
Investments	11	-	-	450,000	450,000
Cash at bank and in hand		8,890,933	12,449,740	7,799,038	9,948,126
		10,282,918	14,136,977	9,641,023	11,874,731
Creditors: amounts due within one year					
	13	(424,126)	(590,497)	(378,926)	(353,873)
Net current assets					
		9,858,792	13,546,480	9,262,097	11,520,858
Net assets					
	14	10,184,339	13,963,594	9,587,645	11,937,973
Funds					
Restricted funds	15	300,000	2,140,675	300,000	715,024
Unrestricted funds	15	9,361,449	11,298,433	9,287,645	11,222,949
		9,661,449	13,439,108	9,587,645	11,937,973
Funds attributable to minority interests	17	522,891	524,486	-	-
		10,184,339	13,963,594	9,587,645	11,937,973

The net income/(expenditure) for the charity for the period ended 31 December 2016 was £(2,350,327) (2015: £1,662,370).

The financial statements for Impetus -The Private Equity Foundation, Company registration number 08460519, Charity registration number 1152262 for the year ended 31 December 2016 were approved by the Board on 23 June 2017.

Johannes Huth
Trustee

Hanneke Smits
Trustee

The notes on pages 31 to 42 form an integral part of these Financial statements.

Impetus - The Private Equity Foundation

Group cash flow statement

For the year ended 31 December 2016

	Note	2016 £	2015 £
Net cash used in operating activities	(a)	(3,599,914)	(247,622)
Cash flows from investing activities:			
Dividends and interest received		30,720	44,177
Purchase of property, plant and equipment		(3,395)	(35,099)
Disposal of property, plant and equipment		13,782	-
Addition of programme related investments		-	(182,222)
Net cash used in investing activities		41,107	(173,144)
Net cash provided by financing activities		-	-
Change in cash and cash equivalents in the year		(3,558,807)	(420,766)
Cash and cash equivalents at the beginning of the year		12,449,740	12,870,506
Cash and cash equivalents at the end of the year		8,890,933	12,449,740

(a) Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2016 £	2015 £
Net movement in funds	(3,777,659)	(513,594)
Impairment on programme related investment	12,038	-
Dividends and interest	(30,720)	(44,177)
Depreciation	69,141	100,946
Increase/(Decrease) in funds attributable to minority interests	(1,595)	297,024
Increase in debtors	295,252	(231,973)
Increase in creditors	(166,371)	144,152
Net cash outflow from operating activities	(3,599,914)	(247,622)

The notes on pages 31 to 42 form an integral part of these Financial statements.

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, and the wholly owned subsidiary charity, ThinkForward (UK), 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 is connected to a social impact bond whose activities completed in the year ending 31 December 2016.

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).

- 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.

1. Accounting policies (continued)

- 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) The Trustees have taken the exemption conferred by S408(3) Companies Act 2006, accordingly the accounts present a consolidated Statement of Financial Activities (SOFA) only. In order to comply with the Charities SORP the net income/(expenditure) for the Charity for the period to 31 December 2016 is disclosed in the notes.

h) Governance costs include those costs incurred in the governance of the charity's assets and are primarily associated with the constitutional and statutory requirements. Legal fees and professional services which have been received gratis are valued at market value.

i) 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	3 years
Office equipment	4 years
Fixtures and fittings	5 years

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.

j) 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.

k) Short term deposits represent cash on deposit.

l) Unrestricted funds are donations and other income receivable or generated for the objects of the charity.

m) 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.

n) The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the charitable company to the fund. The charitable company 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.

o) 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.

p) 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 charitable company has no finance leases.

q) 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))."

2. Total income

a) Donations and grants	Group 2016 Total £	Group 2015 Total £	Charity 2016 Total £	Charity 2015 Total £
Grants	645,000	2,433,501	645,000	1,433,487
Donated services	1,936,214	3,083,345	1,936,214	3,083,345
Cash donations from individuals and companies	2,628,339	3,575,471	2,628,339	3,214,881
Donations and grants	<u>5,209,553</u>	<u>9,092,317</u>	<u>5,209,553</u>	<u>7,731,713</u>
Donations and events income received from Trustees to the Charity totalled £597,940 for the year ending 31 December 2016 (2015: £606,193). Group income includes £0 Trustee donations to ThinkForward UK in 2016 (2015: £25,000).				
b) Charitable activities				
Trading income from TFSIL	<u>-</u>	<u>854,113</u>	<u>-</u>	<u>-</u>
c) Events and fundraising activities				
Fundraising events	<u>1,064,277</u>	<u>1,130,263</u>	<u>1,064,277</u>	<u>1,130,263</u>
d) Investment				
Interest receivable	<u>30,720</u>	<u>44,177</u>	<u>30,720</u>	<u>44,177</u>
e) Other incoming resources				
Other income	<u>374,075</u>	<u>343,699</u>	<u>374,075</u>	<u>402,521</u>
Total income	<u>6,678,625</u>	<u>11,464,569</u>	<u>6,678,625</u>	<u>9,308,674</u>

Other income includes £nil monies receivable from PEF Trading Limited (2015: £56,256 secondment incomes and £2,566 profits gift aided) and dividends from T&T Innovation Limited. The PEFTL incomes have been eliminated within the consolidated accounts in prior year.

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 as follows: Activities undertaken directly with and in support of portfolio charities £1,209,234 (2015: £2,208,617), Supporting Impetus-PEF operations £223,380 (2015: £104,451), and Governance £538,000 (2015: £770,276). A further analysis of donated services applied across the portfolio charities and for Impetus-PEF use is provided at note 15.

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.

	2016 Total £	2015 Total £
Total additional funds generated by Impetus-PEF for portfolio charities	<u>1,107,254</u>	<u>1,761,474</u>

Impetus - The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2016

3 (a). Total expenditure - Group

	Grant funding £	Activities undertaken directly £	Support costs £	Group 2016 Total £	Group 2015 Total £
Raising Funds					
Fundraising and events	-	-	1,022,197	1,022,197	1,011,605
Charitable activities					
Supporting charities	-	1,106,820	730,090	1,836,910	2,855,108
Grants payable to charities (note 4)	4,236,907	-	-	4,236,907	4,731,082
Donated services	-	1,209,234	726,980	1,936,214	3,083,344
Total charitable activities	4,236,907	2,316,054	1,457,070	8,010,031	10,669,534
Total expenditure	4,236,907	2,316,054	2,479,267	9,032,228	11,681,139

3 (b). Activities undertaken directly - Group

	Group 2016 Total £	Group 2015 Total £
Staff costs	825,595	1,352,067
Office costs	190,342	238,377
Depreciation	32,842	65,884
Donated services	1,209,234	2,208,617
Programme costs incurred in subsidiaries (notes 6 & 7)	3,276	162,751
Other costs	54,764	160,572
Tax on profit on ordinary activities in subsidiaries (notes 6 & 7)	-	37,493
	2,316,054	4,225,761

3 (c). Support costs - Group

	Raising Funds £	Charitable activities £	Group 2016 Total £	Group 2015 Total £
Staff costs	589,489	449,518	1,039,007	1,138,694
Office costs	100,180	110,198	210,378	154,762
Depreciation	17,285	19,014	36,299	35,063
Donated services	-	726,980	726,980	874,727
Other costs *	315,242	151,360	466,603	521,050
	1,022,197	1,457,070	2,479,267	2,724,296

* Fundraising events costs totalling £264,313 (2015: £310,011) are included within other costs.

3 (d). Governance costs - Group

	Group 2016 Total £	Group 2015 Total £
The following Governance costs are included above within Charitable activities.		
Staff costs	99,597	134,977
Donated services (audit and legal separate below)	538,000	731,776
Other costs	176	6,250
Audit services	12,500	38,500
	650,273	911,503

Impetus - The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2016

3 (e). Total expenditure - Charity

	Grant funding £	Activities undertaken directly £	Support costs £	Charity 2016 Total £	Charity 2015 Total £
Raising Funds					
Fundraising and events	-	-	1,022,197	1,022,197	977,049
Charitable activities					
Supporting charities	-	1,103,544	730,090	1,833,634	2,607,694
Grants payable to charities (note 4)	4,236,907	-	-	4,236,907	4,302,957
Donated services	-	1,209,234	726,980	1,936,214	3,083,344
Total charitable activities	4,236,907	2,312,778	1,457,070	8,006,755	9,993,995
Total expenditure	4,236,907	2,312,778	2,479,267	9,028,952	10,971,044

3 (f). Activities undertaken directly - Charity

	Charity 2016 Total £	Charity 2015 Total £
Staff costs	825,595	1,305,540
Office costs	190,342	238,377
Depreciation	32,842	65,884
Donated services	1,209,234	2,208,617
Other costs	54,764	160,572
	2,312,778	3,978,990

3 (g). Support costs - Charity

	Raising Funds £	Charitable activities £	Charity 2016 Total £	Charity 2015 Total £
Staff costs	589,489	449,518	1,039,007	1,104,138
Office costs	100,180	110,198	210,378	154,762
Depreciation	17,285	19,014	36,299	35,063
Donated services	-	726,980	726,980	874,727
Other costs *	315,242	151,360	466,603	520,407
	1,022,197	1,457,070	2,479,267	2,689,097

* Fundraising events costs totalling £264,313 (2015: £310,011) are included within other costs.

3 (h). Governance costs - Charity

The following Governance costs are included above within Charitable activities.	Charity 2016 Total £	Charity 2015 Total £
Staff costs	99,597	134,977
Donated services	538,000	731,776
Other costs	176	6,250
Audit services	12,500	38,500
	650,273	911,503

Impetus - The Private Equity Foundation

Notes to the financial statements

For the year ended 31 December 2016

4. Grants payable

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

	2016 £	2015 £
Access Project	255,500	168,000
Action Tutoring	277,000	192,510
Adviza	141,706	75,000
Brilliant Club	-	50,210
Bundesnetzwerk (HHM)	-	45,595
Catch 22	60,000	240,000
City Gateway	320,000	50,210
Dallaglio Foundation	100,000	-
Dixons	75,000	29,600
Family Links	31,250	118,750
Family Nurse Partnership	180,000	220,000
IntoUniversity	200,000	200,000
On Purpose	27,619	-
Other	2,166	26,340
Oxpip	-	50,000
Place2Be	155,000	435,400
Prisoners' Education Trust	-	5,000
Resurgo	400,000	350,000
Ripplez	100,000	150,000
Second chance	-	37,500
Street League	277,920	383,670
Team Up	-	25,000
Teens & Toddlers	75,000	-
ThinkForward	1,264,791	-
Tomorrow's People (ThinkForward)	-	761,902
Twenty Twenty	75,507	76,883
Unitas	-	45,324
Venture Trust	25,000	75,358
Working Chance	37,500	87,500
Workingrite	85,500	356,500
Charity total	4,166,459	4,256,252
Tomorrow's People (ThinkForward UK)	-	428,125
Group total	4,166,459	4,684,377

Grants made to ThinkForward in 2016 include a £565,849 transfer of restricted funds previously held by Impetus-PEF and made following ThinkForward's independence. As well as a further £228,866 restricted funding received for ThinkForward during 2016 which was subsequently granted to the charity.

Following independence, Impetus-PEF (Group and Charity) has made no further grant payments to Tomorrow's People with regards to the ThinkForward programme.

Grants to research organisations comprised

Alternative Provision Research - IPPR	5,000	-
Bright Blue	6,600	8,500
Centre of Economic and Social Inclusion	-	10,085
Conferences	410	373
Dartington Social Research Unit	-	25,980
Life After School campaign	5,082	-
Life After School II - Education data lab	18,000	-
Newcastle NEETS (YJI) - Social Finance	15,000	-
Other	-	267
Ready to Work Campaign	12,412	1,500
Youth Job Index	7,944	-
Group and Charity Total	70,448	46,705

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.

4. Grants payable (continued)

The total amount of grants that are authorised but not accrued as expenditure at 31 December 2016 was £4,397,787 (2015: £5,717,004). This amount relates to the charities listed above as well as grants starting in 2017 for Catch 22, 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:

	£
2017	3,320,243
2018	1,077,544
Total	<u>4,397,787</u>

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.

5. Net income/(expenditure) for the year

This is stated after charging:

	2016	2015
	£	£
Trustees' remuneration	-	-
Trustees' expenses	181	-
Depreciation	69,141	100,946
Auditors' remuneration:		
▪ audit (*)	12,500	38,500
	<u>12,500</u>	<u>38,500</u>

Directors and Officers insurance which covers the Trustees against any personal liability was provided at a cost of £1,470 (2015: £1,470).

* The 2015 audit was provided on a pro bono basis and was also recognised within donated services income.

6.(a) Investment in PEF Trading Limited

The investment 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 engages in miscellaneous trading activities connected to Impetus-PEF. The key financial information of PEFTL is as follows:

All results for the year ending 31 December 2016 are from discontinued operations.

	Year ended	Year ended
	31 Dec 2016	31 Dec 2015
	£	£
Turnover	-	61,636
Cost of sales	-	(56,256)
Administrative expenses	(86)	(1,564)
Donated to Impetus-PEF under Gift Aid	-	(2,566)
Tax on profit on ordinary activities	-	250
	<u>(86)</u>	<u>1,000</u>
Net movement in funds		

Note that the turnover and cost of sales are the result of transactions with TFSIL and Impetus-PEF and have therefore been eliminated within the consolidated accounts where appropriate.

Ordinary share capital	1	1
Profit and loss account	-	-
	<u>1</u>	<u>1</u>
Shareholders' funds represented by net assets		

6.(b) Subsidiary charity ThinkForward (UK)

ThinkForward (UK), a company limited by guarantee was registered on 5 December 2012, company registration number 8318590 (England and Wales). It was registered as a charity on 15 July 2013, charity registration number 1152862. ThinkForward (UK) became an independent charity on 1 January 2016 when the ThinkForward programme's activities and assets were fully transferred out of Impetus-PEF. Accordingly, ThinkForward UK is not consolidated for 2016.

	Year ended
	31 Dec 2015
	£
Income from Donations	360,590
Income from Grants	1,000,014
Expenditure on raising funds	(34,556)
Expenditure on charitable activities	(475,295)
Net income/(expenditure)	<u>850,753</u>
Net assets / Funds as at 1 January 2015	574,898
Net assets / Funds as at 31 December 2015	<u>1,425,651</u>

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 manages the delivery of the ThinkForward programme in connection to a payment by results contract which completed in the year ending 31 December 2015. The key financial information of TFSIL is as follows:

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
	£	£
Turnover	-	854,113
Cost of sales	-	(216,887)
Administrative expenses	(3,190)	(5,936)
Tax on profit on ordinary activities	-	(37,243)
	<hr/>	<hr/>
Net movement in funds	(3,190)	594,047

Note that £nil cost of sales relate to transactions with PEFTL (2015: £61,636) and have therefore been eliminated within the consolidated accounts where appropriate.

Ordinary share capital	900,000	900,000
Preference share capital	1	1
Profit and loss account	145,780	148,970
	<hr/>	<hr/>
	1,045,781	1,048,971

Shareholders' funds attributable to minority interests (Big Society Capital) **522,891** 524,486

The valuation of TFSIL at cost, within the Impetus-PEF Charity accounts, remains unchanged based upon review of financial forecasts.

8. Staff costs

Staff costs were as follows:	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Salaries and wages	1,638,615	2,181,578	1,638,615	2,105,355
Social security costs	182,788	232,860	182,788	228,215
Pension contributions	43,200	76,322	43,200	76,106
	<hr/>	<hr/>	<hr/>	<hr/>
	1,864,603	2,490,760	1,864,603	2,409,676

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

Salary band	No of employees	
	2016	2015
£60,000 - £70,000	-	3
£70,000 - £80,000	1	-
£80,000 - £90,000	2	2
£90,000 - £100,000	-	-
£100,000 - £110,000	1	1
£110,000 - £120,000	-	1

The employer's pension contributions for staff earning more than £60,000 per annum amounted to £12,319 (2015: £18,296).

In addition to the remuneration presented above, one member of staff was due a termination payment for the year ended 31 December 2016 (2015: 1). The amounts shown under the banding below include termination payments only.

	2016	2015
£40,000 - £50,000	1	0
£60,000 - £70,000	0	1

The amount of employee benefits received by the senior management team totals £473,465 in 2016 (2015 £595,920).

Staff numbers

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

	Group 2016	Group 2015	Charity 2016	Charity 2015
Full time equivalents	32.1	45.6	32.1	42.3
Headcount	35	49	35	46
. Think Forward FTE included above	-	10.7	-	7.4

9. Taxation

There are no taxable profits arising within the subsidiaries for the year ending 31st December 2016. Consequently Impetus-PEF has no liability to tax and no deferred tax.

10. Tangible fixed assets

	Group and Charity		
	Fixtures & fittings £	Office & computer equipment £	2016 £
Cost			
At the start of the year	118,411	278,197	396,608
Additions in period	-	3,395	3,395
Disposals in period	-	(65,158)	(65,158)
At the end of the year	<u>118,411</u>	<u>216,434</u>	<u>334,845</u>
Depreciation			
At the start of the year	41,629	164,087	205,716
Charge for the period	23,392	45,749	69,141
Depreciation on disposals	-	(51,375)	(51,375)
At the end of the year	<u>65,021</u>	<u>158,461</u>	<u>223,482</u>
Net book value			
At the end of the year	<u>53,390</u>	<u>57,973</u>	<u>111,363</u>
At the start of the year	<u>76,782</u>	<u>114,110</u>	<u>190,892</u>

11. Investments

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Programme related investments	214,184	226,222	214,184	226,222
PEF Trading Limited	-	-	1	1
ThinkForward Social Impact (1) Limited	-	-	-	-
Fixed asset investments	<u>214,184</u>	<u>226,222</u>	<u>214,185</u>	<u>226,223</u>
ThinkForward Social Impact (1) Limited	-	-	450,000	450,000
Current asset investments	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>450,000</u>

Programme related investments consist of two separate investments in social impact bonds connected to the Teen & Toddlers charity. The first bond has completed successfully with capital returned to investors in 2017. An impairment of £12,038 has been recognised with respect to this investment as the value returned in 2017 was less than the amount invested. This accounts for the whole of the movement in the value of investments from 31 December 2015. 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. The other investments relate to share capital held in subsidiaries, disclosed in notes 6a).

12. Debtors

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Accrued income	884,905	1,135,529	884,905	983,700
Gift aid	225,000	125,000	225,000	125,000
Other debtors	1,368	3,771	1,368	3,771
Prepayments	280,712	358,486	280,712	358,486
PEF Trading Limited	-	-	-	5,648
Trade debtors (TFSIL)	-	64,451	-	-
	<u>1,391,985</u>	<u>1,687,237</u>	<u>1,391,985</u>	<u>1,476,605</u>

13. Creditors: amounts due within one year

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Trade and other creditors	57,403	47,172	57,403	47,172
Tax and social security	90,181	210,401	52,721	47,335
Accruals	276,542	332,924	268,802	259,366
	<u>424,126</u>	<u>590,497</u>	<u>378,926</u>	<u>353,873</u>

14. Analysis of net assets between funds

Group	Restricted funds	General funds	Total
	£	£	£
Tangible fixed assets	-	111,363	111,363
Investments	-	214,184	214,184
Net current assets	300,000	9,558,792	9,858,792
	300,000	9,884,339	10,184,339

Charity	Restricted funds	General funds	Total
	£	£	£
Tangible fixed assets	-	111,363	111,363
Investments	-	214,185	214,185
Net current assets	300,000	8,962,097	9,262,097
	300,000	9,287,645	9,587,645

15. Movements in funds

Group	At the start of the year	Income	Expenditure	Transfers / Loss on Disposal	At the end of the year
	£	£	£	£	£
Core portfolio charities	-	375,000	(75,000)	-	300,000
ThinkForward	567,669	228,866	(796,535)	-	-
Legacy portfolio charities	124,039	80,000	(204,039)	-	-
Other	23,316	-	(23,316)	-	-
Total restricted funds	715,024	683,866	(1,098,890)	-	300,000
Restricted ThinkForward (UK)	1,425,651	-	-	(1,425,651)	-
Total unrestricted general funds	11,222,949	5,994,759	(7,930,062)	()	9,287,645
Unrestricted trading subsidiaries	75,485	-	(1,681)	-	73,804
Total group funds	13,439,108	6,678,625	(9,030,633)	-	9,661,449
Unrestricted funds attributable to minority interests	524,486	0	(1,595)	-	522,891

Charity Funds of £9,587,646 as at 31 December 2016

Impetus-PEF charity income in the period to 31 December 2016 totalled £6,702,411 per note 2. Expenditure for the period to 31 December 2016 totalled £9,052,738 per note 3 e). This resulted in Charity funds of £9,587,646 as at 31 December 2016.

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 £9,287,645 will be used to support a significant proportion of conditional grant commitments made to charities of £4,397,787 per note 4, new investees and next phase investments, as well as operational costs.

Pro bono income and expenditure

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

	£
Core portfolio charities	1,007,490
Legacy portfolio charities	20,000
Impetus-PEF - portfolio	181,744
Impetus-PEF - other	726,980
Total donated services	1,936,214

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	524,486
Minority interest share of net income	(1,595)
	<hr/>
Minority interests carried forward at 31 December	522,891

18. Operating lease commitments

At 31 December 2016 the charitable company had commitments under operating leases of:

	£	2016 £	£	£	2015 £	£
	Buildings	Equipment	Total	Buildings	Equipment	Total
Due within one year	220,601	1,996	222,597	220,601	1,996	222,597
2-5 years	263,410	1,497	264,907	484,011	3,492	487,503
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	484,011	3,492	487,503	704,612	5,488	710,100

19. Related party transactions

Johannes Huth, Nat Sloane, Rebecca Francis and Louis Elson are trustees of Education Endowment Fund (EEF). During the year Impetus-PEF provided EEF with £0 (2015: £0).

Impetus-PEF has two principal subsidiaries which have been consolidated into 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 subsidiary's results to 31 December 2016.

The ThinkForward (UK) charity became fully independent as at 1st January 2016.

20. Transfer of ThinkForward restricted funds to ThinkForward (UK)

ThinkForward (UK) became an independent charity on 1 January 2016 when the ThinkForward programme's activities and assets were fully transferred out of Impetus-PEF. As at 31st December 2015, Impetus-PEF held £567,699 of reserves restricted to ThinkForward. A transfer of £565,849 (having been adjusted for costs incurred during transition) was made in 2016 and is included within grant expenditure.

	£
Fixed assets	13,782
Cash at bank and in hand	553,887
Less costs incurred during transition	(1,820)
Assets transferred to ThinkForward (UK)	565,849

21. Prior year Group SOFA analysis with ThinkForward activities split

	Core activities £	ThinkForward within I-P £	ThinkForward (UK) £	TFSIL £	2015 Total £
Donations and grants	7,096,521	635,192	1,360,604	-	9,092,317
Charitable activities	-	-	-	854,113	854,113
Events and fundraising activities	1,130,263	-	-	-	1,130,263
Investment	44,177	-	-	-	44,177
Other	343,699	-	-	-	343,699
Total income	<hr/> 8,614,660	<hr/> 635,192	<hr/> 1,360,604	<hr/> 854,113	<hr/> 11,464,569
Raising funds	977,049	-	34,556	-	1,011,605
Charitable activities	8,710,807	1,223,366	475,295	260,066	10,669,534
Total expenditure	<hr/> 9,687,856	<hr/> 1,223,366	<hr/> 509,851	<hr/> 260,066	<hr/> 11,681,139
Net income/(expenditure)	(1,073,196)	(588,174)	850,753	594,047	(216,570)
Net income/(expenditure) attributable to minority interest	-	-	-	(297,024)	(297,024)
Transfers between funds	(532,944)	532,944	-	-	-
Net movement in funds	<hr/> (1,606,140)	<hr/> (55,230)	<hr/> 850,753	<hr/> 297,024	<hr/> (513,593)
Funds at the start of the year	12,977,444	622,899	574,898	(222,539)	13,952,702
Funds at the end of the year	<hr/> 11,371,304	<hr/> 567,669	<hr/> 1,425,651	<hr/> 74,485	<hr/> 13,439,109

The table above separates out ThinkForward activities for 2015 in order to present a comparative of Impetus-PEF's core activities that continued in 2016.

ThinkForward (UK) became an independent charity on 1 January 2016 when the ThinkForward programme's activities and assets were transferred out of Impetus-PEF into ThinkForward (UK). As an independent charity, ThinkForward (UK) has not been consolidated into the Impetus-PEF Group, having been treated as a disposal in 2016.

TFSIL's contracted activities completed in 2015 and it is the Directors intention to close the company and return shareholders' funds at the beginning of 2017.

22. Charity SOFA analysis

	Note	Restricted £	Unrestricted £	2016 Total £	Restricted £	Unrestricted £	2015 Total £
Income:							
Donations and grants	2a	683,866	4,525,687	5,209,553	1,329,510	6,402,203	7,731,713
Charitable activities	2b	-	-	-	-	-	-
Events and fundraising activities	2c	-	1,064,277	1,064,277	-	1,130,263	1,130,263
Investment	2d	-	30,720	30,720	-	44,177	44,177
Other	2e	-	374,075	374,075	-	402,521	402,521
Total income		683,866	5,994,759	6,678,625	1,329,510	7,979,164	9,308,674
Expenditure:							
Raising funds	3	-	1,022,197	1,022,197	-	977,049	977,049
Charitable activities	3	1,098,890	6,907,865	8,006,755	2,556,397	7,437,598	9,993,995
Total expenditure		1,098,890	7,930,062	9,028,952	2,556,397	8,414,647	10,971,044
Net income/(expenditure)	5	(415,024)	(1,935,303)	(2,350,327)	(1,226,887)	(435,483)	(1,662,370)
Transfers between funds	15	-	-	-	663,706	(663,706)	-
Net movement in funds		(415,024)	(1,935,303)	(2,350,327)	(563,181)	(1,099,189)	(1,662,370)
Reconciliation of funds:							
Funds at the start of the year		715,024	11,222,949	11,937,973	1,278,205	12,322,138	13,600,343
Funds at the end of the year		300,000	9,287,646	9,587,646	715,024	11,222,949	11,937,973