

Social Investment Scotland
(A company limited by guarantee)

**Trustees' report and consolidated financial statements
for the year ended 31 March 2026**

Registered number SC223302

Charity number SC036875

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Social Investment Scotland
(A company limited by guarantee)

Company information

Trustees	George Walker (Chair) Louisa Macdonell Samantha Bett Kathleen McLeay Ian Mitchelmore David Scott Holmes Amir Rizan Leah Black Ian Walker Alison Campbell Lindsay Cockburn Lesley Duncan	(Appointed 26 March 2026) (Appointed 26 March 2026) (Appointed 26 March 2026) (Appointed 25 June 2026) (Appointed 25 June 2026)
Secretary	Sharon Gillies	(Appointed 1 January 2026)
Solicitors	Morton Fraser MacRoberts LLP 2 Lister Square Quartermile Two Simpson Loan Edinburgh EH3 9GL	
Auditor	Henderson Loggie LLP Level 5 The Stamp Office 10-14 Waterloo Place Edinburgh EH1 3EG	
Bankers	Bank of Scotland plc 300 Lawnmarket Edinburgh EH1 2PH	
Registered office	3 rd Floor 27 George Street Edinburgh EH2 2PA	

Chair's Statement

Twenty-five years is an important milestone for any organisation. For Social Investment Scotland, it is also an opportunity to reflect on an idea that was pioneering when SIS was established in 2001: that finance could be used deliberately to create both financial and social value.

In November 2025, Dame Jackie Baillie MSP, one of the driving forces behind the creation of SIS, hosted an event at the Scottish Parliament to launch a year marking our 25th anniversary. Joined by the First Minister, John Swinney MSP, we were able both to celebrate what SIS has achieved over the past quarter century and to look ahead with renewed ambition to the next phase of our work.

Much has changed since 2001, but the core of our mission has not. SIS remains firmly committed to creating lasting and meaningful change in the lives of people and communities. Given the economic and social challenges facing Scotland today, that purpose feels as relevant as ever.

Over the past year we have continued to pursue our strategy, *Building an Impact Economy*. It sets out a vision for an economy in which:

- Enterprises are provided with the tools, support and inspiration to plan, create and scale their social impact.
- Governments and their agencies partner with social enterprises in a range of ways to enhance the delivery of social impact.
- Social entrepreneurs can readily access mission-aligned investment and support.
- Consumers and businesses increasingly purchase products and services from social enterprises.
- Investors of all kinds can make purposeful investments that deliver both a financial and social return.
- Businesses of all kinds adopt responsible business approaches as standard.

When I became Chair nearly three years ago, I set out clear priorities for SIS: to build on the excellent work already under way, while ensuring that the organisation continued to evolve alongside an increasingly sophisticated social investment market.

In particular, I wanted us to broaden and diversify the sources of capital available to SIS, diversify the range of investment, support and partnership propositions we offer, and review our governance arrangements to ensure they remained appropriate for a growing and increasingly diverse organisation. Nearly three years on, I am pleased that we have made tangible progress against those ambitions. We are working with a broader range of capital providers and partners, operating across a more diverse portfolio of funds and programmes, and developing propositions that respond to the changing needs of the market.

Our activities today are organised around four strategic areas which demonstrate that breadth:

- **Market building** — helping organisations understand social investment, prepare to take on investment and exploit opportunities for growth and greater impact.
- **Communities** — investing in charities and social enterprises through funds supported by a range of capital partners.
- **Access to Finance** — working with other responsible finance providers to support households unable to access mainstream credit and small businesses underserved by traditional lenders.
- **Innovation** — providing dedicated focus and resource to identify and develop new opportunities.

We have also completed the governance review I set out to undertake. This has resulted in fewer and simpler Board committees, stronger links between those committees and the main Board, and greater involvement by Trustees across the committee structure. I believe this has improved the flow of information and challenge, given Trustees a broader understanding of SIS as a whole, and strengthened our collective ability to discharge our responsibilities effectively.

There is always more to do, but I believe SIS today is a broader, more adaptable and better-governed organisation, while remaining firmly anchored in the purpose and values on which it was founded. None of this could be delivered without the commitment and experience of the SIS team, working in partnership with our Board of Trustees and grounded in the strong foundation of our values.

As ever, SIS's performance cannot be understood through financial results alone. For me, one figure in this year's Impact Report stands out: **4.5 million people benefited from the activities of organisations supported by SIS**. It is an extraordinary number, but behind it are individual people, jobs, services and communities. It is a powerful reminder to me, and to my fellow Trustees, of why SIS exists and of the important role the organisation continues to play in Scottish society.

The achievements linked to each of our strategic areas are discussed more fully in the Trustees' Report, but a few highlights from the year demonstrate the scale of that impact:

- **£46.3 million** of active loans and investments across **178 social enterprises**.
- **£6.7 million** of loan funding drawn down to provide growth and sustainability capital, with **1,119 full-time equivalent jobs** expected to be created or sustained through new investment made during the year.
- **309 social enterprise leaders** participating in growth-focused training, with **13 growth and resilience programmes** delivered.

These figures tell an important story, but they are only part of it. Our annual Impact Report, published alongside these financial statements, brings that story to life and demonstrates the reach and diversity of the organisations and communities SIS supports.

I am enormously grateful to everyone across SIS for the commitment, professionalism and energy they bring to this work. I am equally grateful to my fellow Trustees and to those involved in our wider governance structures, who give their time and expertise to support and challenge the organisation.

During the year we also completed a significant round of Board recruitment, principally as a number of Trustees reached the end of their terms, but also to ensure that the skills and experience around our Board continue to reflect the increasingly diverse activities of SIS.

We said farewell to Caroline McLaughlin, who has taken on new appointments elsewhere, and to Carol-Ann Boyter, who made a significant contribution to SIS, including as Chair of our Remuneration and Appointments Committee. I would like to thank them both warmly for their service.

We were delighted to welcome Leah Black, Alison Campbell, Lesley Duncan and Ian Walker to the Board during the year, alongside Lindsay Cockburn who has been a longstanding member of our Risk Committee and also becomes Chair of that committee. I look forward to working with them and with all of our Trustees as SIS enters its next chapter.

SIS was created 25 years ago by people prepared to think differently about how finance could be used for social good. Our responsibility today is not simply to preserve that legacy, but to build on it.

I am enormously optimistic about what SIS can achieve in the years ahead, and proud to play my part alongside our Trustees, our Executive team and everyone across SIS as we continue to turn that original vision into lasting social and economic impact.


George Walker – 2026-09-23, 12:07:29 UTC

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George Walker

Trustee

Charity number SC036875

The trustees, who are also directors for the purposes of the Companies Act 2006, present their report with the financial statements for the year ended 31 March 2026.

Objectives and activities of the parent charitable company

Objectives

The objectives of the charitable company are to promote the advancement of citizenship and community development within Scotland and elsewhere for the benefit of the public by supporting the social sector, and in particular widening access to funding for the social sector, identifying needs in the social sector, providing and developing and/or assisting in the provision and development of support and advice for the social sector, all with a view to developing capacities and skills in improving the financial sustainability and maximising the contribution of the social sector to society and such that, for the purpose of this clause the “social sector” shall be taken to comprise:-

- organisations which are recognised as charities.
- social organisations which are (i) independent and/or voluntary organisations and established for purposes that add value to the community as a whole, or a significant section of the community, and (ii) which are not established primarily to distribute a profit (and on the basis that, for the avoidance of doubt, local government or other statutory authorities shall not be deemed to fall within the voluntary sector for the purposes of this clause); and
- companies and other legal entities which are wholly owned or controlled by one or more social sector organisations.

Review of activities (including achievements and performance)

SIS continues to deliver its strategic aim of Building an Impact Economy via a range of funds and partnership programmes. An overview of activities by strategic segment is discussed in more detail below.

Market Building

Fund and lending/investment activity is only part of our SIS’ story. Our Market Building programmes help organisations understand their social investment options, exploit growth opportunities, and support investment readiness in early-stage social enterprises. During the financial year we have seen the continued emergence of new partnerships and additional funding within this area of our strategy, highlighting the continued need for this support within the sector.

Our Associates programme provides social enterprises with access to support from professionals, with lived experience of founding and growing a social enterprise. SIS continues to deliver the ‘Ambitions’ programme, in partnership with Postcode Innovation Trust: a programme which has been evolved to support the needs and ambitions of more established social enterprises looking to scale up. A new three-year funding agreement for this programme was secured during the year, through to 2029.

Our Funding Socials programme provides a suite of place-based, live events, delivered around Scotland to engage with organisations on funding options. We partnered with grant-giving bodies such as The National Lottery Community Fund and Inspiring Scotland, and where possible, the relevant enterprise agency (such as Highlands and Islands Enterprise and South of Scotland Enterprise).

Specialist programmes were delivered in particular sectors of interest, alongside expert partners. ‘Culture Xcelerator’, for the cultural and creative industries was delivered in partnership with Creative Scotland; and the Facility for Investment Readiness in Scotland delivered under contract from NatureScot.

Communities

Communities cover SIS’ investment programmes for charities, social enterprises, and mission led organisations.

Our core loan fund, held within SIS Community Finance Ltd (SISCF), provides investments of up to £375k to social sector organisations for a range of purposes, using capital held under Community Investment Tax Relief (CITR) from a small group of investor banks. The fund deployed £1.4m (2025: £2.5m) of new funding, across 13 (2025: 25) loans. Taking this year's performance into account, since its inception, SISCF has lent £32.5m of funding across Scotland.

There are a number of additional funds where SIS is fund manager. Social Growth Fund is now in a management phase following the end of its deployment period in March 2019. This saw £12.5m deployed to support the growth ambitions of twenty-two social enterprises. This joint venture uses funds recycled within the Social Investment Fund ("SIF"), matched with the same amount of funding from Better Society Capital (BSC). Social Growth Fund 2 (a follow-on joint venture to Social Growth Fund) was launched, with the addition of the University of Edinburgh as an investor in 2019. This fund made £13m of capital available to Scotland's social enterprise sector. The fund deployment period ended in April 2024, with the fund fully committed. Social Growth Fund 3 is a £5m fund launched in April 2025 supported solely by SIF fund reserves and is actively deploying. Following the handover of the SIF reserves from Scottish Government to SIS unrestricted control in August 2026, the fund terms and deployment period will be reviewed by the board.

Four funds were launched by the Scottish Government in response to the coronavirus pandemic. This includes the Third Sector Resilience Fund, launched to help third sector organisations to stabilize and manage cashflows during the pandemic. The fund provided £2.7m of critical loans across thirty organisations and is now in the monitoring period of investment. In addition to the Third Sector Resilience Fund, a total of £10m was allocated between the Resilience and Recovery Fund (RRF) and the Net Zero Transition Fund (NZTF). A total of £7.2m has been deployed between both funds and the deployment period ended in September 2024. The Community Sustainability Fund was launched in October 2022 making £4m available to credit unions, charities, social enterprises and other third sector organisations. The funds deployment period ended in October 2024 with the fund fully committed.

In November 2022, the Social Enterprise Just Transition Fund (SEJTF) was launched and consisted of Scottish Government support of a £500k loan and £500k grant to provide support to the Northeast of Scotland and Moray to drive a transition to net zero. This fund has had excellent interest with the fund fully committed. A follow-on fund was subsequently launched and deployed over the period to 31 March 2025.

Our Impact First Funds, managed by wholly owned subsidiary SIS Ventures Limited, which is Financial Conduct Authority (FCA) authorised, also sit within our communities strategic segment. The Impact First Funds were established to nurture the growth of impact-led enterprises across Scotland, providing access to capital and supporting the development of an impact framework for entrepreneurs. Impact First Fund A, completed an initial raise during 2018/2019, raising £1.2m. This raise is fully invested in a total of eight impact-led enterprises. A further two Impact First Funds, Impact First Fund B and C, were launched in 2021 and 2022 respectively, with the Scottish Government as the investor in both funds. This saw a total raise of £6.7m across both funds. In early 2024, the EIS qualifying Impact First Fund D was launched, raising £530k. This provided private investors with the opportunity to support both the existing portfolio of investments as well as invest in new, early-stage impact-led enterprises.

Finally, the charity also continues to manage a small number of loans from the legacy Scottish Investment Fund (SIF), expected to come to a close in October 2026. The recycled capital from this fund has been reinvested into both the Social Growth Fund, Social Growth Fund 2, and Social Growth Fund 3, as well as Third Sector Resilience Fund (TSRF).

Access to Finance is a defined strategic segment encompassing SIS's investment activity with other providers of responsible finance, namely households unable to access mainstream credit and small businesses excluded by the high street banks. SIS has developed relationships and built specialist knowledge in the affordable credit sector. This began through several loans provided to the affordable credit providers via the Social Growth Fund, and now SIS manages several specific affordable credit funds, including those supporting credit unions.

SIS was awarded the management of the Community Investment Enterprise Fund ("CIEF") in September 2017. The fund, delivered in partnership with BSC, was established to support Community Development Finance Institutions (CDFIs) across the United Kingdom to on-lend to underserved micro, small and medium Enterprises. The fund's deployment period was extended to 31 December 2024, at which point it had deployed £37.5m to 4 CDFIs.

The CIEF 2 was a significant development for the CDFI sector as this saw significant matched funding being made available to the market through investment from Lloyds Banking Group, increasing the capital available to the CDFI market to deploy. This fund makes total capital available of £62m, and the SIS managed portion of this is expected to be fully deployed.

Innovation

The innovation segment provides focus and resource to explore new opportunities to align with SIS' mission. During this financial year, SIS continued to host the work of Financial Inclusion for Scotland (FIFS), funded through our Impact and Innovation Reserves. FIFS is a group of Scotland's leading policymakers and professionals from the private, charity and not-for-profit sectors who have come together to tackle financial exclusion. In May 2024, FIFS published Scotland's first collaborative Financial Inclusion Strategy and launched a funding campaign calling for dormant assets to be allocated to boost affordable credit and community lending. In the financial year, we were delighted the Scottish Government Ministerial Guidance on dormant assets was updated to explicitly include access to affordable credit as one of four updated priorities. This has allowed us to secure funding from the National Lottery Community Fund, who distribute these funds in Scotland, for the upcoming financial year to support the development of longer term approach for the investment of these funds.

Impact highlights

Since its inception, SIS has invested just over £171m in 575 customers, and this year alone, we approved a further £6.7m in new investments. SIS investments continue to reach people and communities in all thirty-two of Scotland's local authority areas, communities across the UK and internationally. The social enterprises we are currently invested in support at least 4.5 million people across Scotland, the UK and beyond.

Beyond investments, SIS has supported over 300 social economy sector leaders through our various market-building programmes and events. These initiatives, working with a range of other partners and funders, support enterprises and entrepreneurs, helping them evolve their organisations, seize opportunities, and navigate challenges. Increasingly as part of our investments and market-building activity we encourage and support enterprises to consider responsible business practices, minimising harm, and maximising positive impact through all business touchpoints.

Over the year we have continued to develop our impact practice in conjunction with our six features of an Impact Economy. We have documented our theory of change, impact framework, outcome indicators, and other evidence tools, and continue to develop our measurement processes across our activities. We are signatories to the Operating Principles for Impact Management and this year also become signatories to the Impact Performance Reporting Norms.

I would encourage you to read our impact report, available at [SIS Impact Reports](#)

Financial review

The results for the year for the Group are set out in the consolidated statement of financial activities on page 17. The position of the Group at the end of the year is shown in the consolidated balance sheet on page 19.

The year to 31st March 2026 saw deployment levels of £6.7m (2025: £13.9m). Our total charitable income decreased to £2,115k (2025: £2,134k), a decrease of 1%. Our restricted income has reduced to £580k (2025: £598k).

Costs are managed in line with our budget and have reduced from £2,354k in 2025 to £2,274k in 2026. This reduction is primarily driven by reduction in overhead costs with average employee numbers dropping from average of 22 in 2025 to 18 in 2026. As a result, unrestricted costs have reduced against prior year at £2,109k (2025: £2,184k).

The SIS Group balance sheet continues to be strong with net assets of £19,353k (2025: £19,227k). This mainly reflects significant cash deposits, linked to SIF capital. These funds continue to capitalise on the Social Growth Fund, Social Growth Fund 2, and Third Sector Resilience Fund. As well as the capital, any surpluses generated along with interest on cash deposits will be returned to SIF as restricted funds.

Reserves policy and going concern

The trustees have ultimate responsibility for ensuring the charitable company has an effective reserves policy linked to the organisation's risk management framework and long-term strategy. The reserves policy that was applied during the year considered the following:

- The level of reserves required to safeguard the operations of the SIS Group in the event of financial difficulties.
- The level of reserves required to ensure the Group maintains sufficient liquidity and resources to absorb bad debts and to cover loss of lending margin.
- The SIS Group must utilise reserves in a way which supports the overall objectives of the organisation.
- The SIS Group should not be holding excess reserves which could be used to benefit current and future customers of SIS.

The current reserves policy was reviewed in February 2025. The current reserves policy aims to maintain unrestricted funds on the following basis:

General unrestricted funds

The Trustees have set a reserves policy which requires maintaining unrestricted general funds of 6 months of expenditure of £1.3m.

As at 31 March 2026, unrestricted funds of the Group represent £3,276k (2025: £3,585k), of which £1,923k (2025: £2,170k) has been designated. Full details of our designated reserves are detailed on note 15.

The charity continues to adopt the going concern basis in preparing these financial statements.

Principal risks and uncertainties

The Board of Trustees, its sub-committees, and the leadership team review risks on an ongoing basis, evaluating the mitigative actions that are in place, and identifying any new risks, with the aim of implementing appropriate remedial action. The trustees believe that the implementation of agreed actions and procedures will significantly reduce the probability and the impact of these risks.

The main principal risks to SIS Group are as follows:

- **Social impact** – The risk that the organisation does not optimise or measure impact. Impact, in line with the overall strategic framework, is regularly discussed and forms part of all key decision making, in particular for the deployment of investment funds.
- **Capital imbalance** – The risk relating to the availability of appropriate capital to fund investment activity. The Audit and Finance Committee has oversight to monitor this risk and ensure the formation of appropriate contingencies. Capital action plans and liquidity forecasts are monitored at regular intervals.
- **Loan default** – The risk of financial or reputational loss on delinquent or non-performing loans. Fortnightly higher risk meetings are held, led by the Head of Credit and Compliance, to ensure continual monitoring of these loans. High risk loans are reported to the Investment Committee on a quarterly basis. There are appropriate credit approval processes in place to provide challenge to approvals..
- **Capital deployment** – The risks arising due to under-deployment of capital funds, including reputational and financial impact. The leadership team monitors deal flow and pipeline on a regular basis. Team KPIs and targets are agreed upon where necessary, and a programme of business development and market building activity is in place to continue to support deal flow.
- **Regulatory and compliance** – Risk associated with instances of non-compliance and violations of regulatory obligations. Internal compliances, practices and policies are overseen by the Head of Credit and Compliance, with regular reporting to the Board of Trustees. Appropriate policies and practices for key staff, with regular monitoring of training needs. Where necessary, support for compliance is sought from external third parties.

The Board of Trustees has ultimate responsibility for risk and the Board delegate oversight of the risk management framework to the Risk Committee. The Risk Committee is responsible for monitoring risk and mitigating actions across all areas of the Group and for ensuring the risk framework is both complied with and fit for purpose.

Future plans

In today's climate of rising costs and growing demand for services, we recognise the pressures facing social enterprises, charities, and the communities they serve. That is why our role – and our mission – feels more important than ever.

Our current strategic action plan 'Connecting Capital with Thriving Communities' (2025 – 2027) action plan reaffirms our commitment to supporting these organisations in building a fairer, more inclusive Scotland.

Strengthening our Market Building Programmes

As the economic landscape evolves, strong networks and practical support are crucial. We are expanding our support for social enterprise leaders, delivering more Funding Socials across Scotland and deepening engagement through our SIS Associates to help build capacity and resilience when it's needed most.

Increasing investment for Communities

We are maximising available investment through existing and new funds unlocking more flexible finance options to help organisations manage current challenges while delivering local impact.

Championing Access to Finance

Fair, affordable finance is vital to social progress. We are exploring how we might replicate the success and learning from the Community Investment Enterprise Facility by bringing an equivalent programme to Scotland. This would bring much needed investment to underserved communities, creating jobs and boosting local economies.

The support from the National Lottery Community Fund to develop plans to support increased access to affordable credit in Scotland are expected to unlock fresh investment propositions in this outcome area.

Driving Innovation in Key Areas

We continue to explore new areas of opportunity where social investment might add value and impact to communities across Scotland. Alongside work related to financial inclusion and affordable credit, other programmes have raised interest in exploring how nature-based finance might foster climate reliance and community wellbeing, and how SIS might play a meaningful role in this space.

Structure, governance, and management

Governing document and organisational structure

On 5 September 2005, the company Social Investment Scotland (a company limited by guarantee) was granted charitable status. The charitable company is governed by the Memorandum and Articles of Association dated 18 September 2001 (as revised on 14 March 2016) and is a registered charity in Scotland.

The trustees are all independent non-executive directors of the charitable company and are responsible for all decisions. The trustees have delegated day-to-day management of the charitable company to Chief Executive Officer, Alastair Davis, and the leadership team.

Recruitment and appointment, induction, and training of trustees

In accordance with the Memorandum and Articles of Association, the trustees are appointed for a three- year term and can offer themselves for a further term of office. All trustees are fully briefed on their legal obligations under charity and company law and are presented with monthly information on the financial performance of the charitable company. They are also encouraged to meet with key employees and to attend strategy and team-building events.

Report of the Trustees (continued)

Committee structure

There are several committees established as part of the corporate governance structure of the parent charitable company and its subsidiaries. The committee members that served on these committees during the year are:

Risk committee:

Claire Treacy (Chair)
Lindsay Cockburn
Kathleen McLeay
Geraldine Wooley

Audit and Finance committee:

Samantha Bett (Chair)
Bruce Marks
David Scott Holmes
Adam Cobham

Remuneration and appointments committee:

Carol-Ann Boyter (Chair)
George Walker
Louisa Macdonell

Post Balance Sheet Events

There are three significant post balance sheet events to be reported:

- The Board approved amendments to the Articles of Association on 25 June 2026. These amendments incorporated changes to the charity's objects, following approval by OSCR, to enable SIS to support small and medium-sized enterprises operating in deprived areas and those led by under-represented groups.
- In August 2026, Scottish Ministers confirmed that the Scottish Investment Fund and associated recycled funds, including related reserves and investment returns, are the property of Social Investment Scotland and may be treated as unrestricted funds. This clarification provides SIS with the ability to deploy these funds in support of its general charitable purposes, while maintaining a strategic partnership and reporting relationship with the Scottish Government.
- Social Investment Scotland has been accredited by the British Business Bank to deliver funding through the Community ENABLE Funding Programme. With £3.5 million allocated to support small and medium-sized enterprises across Scotland, the programme represents a significant step forward in improving access to finance for businesses operating within local communities. Following a pilot in the West of Scotland, the programme is expected to be rolled out nationally, extending its reach and impact across the country. This reflects SIS's ambition to bring this type of finance to Scotland, following similar funds supporting impact in England.

Reference and Administrative details

Trustees

The trustees (who are also directors for the purposes of the Companies Act 2006) who served the charitable company during the year were as follows:

George Walker
Louisa Macdonell
Samantha Bett
Kathleen McLeay
Ian Mitchelmore
David Scott Holmes
Amir Rizwan
Leah Black (Appointed 26 March 2026)
Ian Walker (Appointed 26 March 2026)
Alison Campbell (Appointed 26 March 2026)
Lindsay Cockburn (Appointed 25 June 2026)
Lesley Duncan (Appointed 25 June 2026)
Claire Treacy (Resigned 6 July 2026)
Carol-Ann Boyter (Resigned 26 March 2026)
Thomas Gillan (Resigned 6 July 2026)
Caroline McLaughlin (Resigned 25 November 2025)

Secretary

Alistair Johnstone (Resigned 1 January 2026)
Sharon Gillies (Appointed 1 January 2026)

Leadership team

Alastair Davis OBE FCIBS (Chief Executive Officer)
Alistair Johnstone MCIBS (Head of Credit and Compliance)
Chris Jamieson (Head of Investments)
Kieran Daly (Head of Market Building)
Lindsay Wake (Head of Impact)
Sharon Gillies (Chief Operating Officer) (Appointed 12 May 2025)

Register company number

SC223302

Registered charity number

SC036875

The trustees' report was approved by the Board of Trustees.


George Walker – 2026-09-23, 12:07:29 UTC

George Walker

Trustee

Charity number SC036875

Statement of trustees' responsibilities

The trustees (who are also directors of Social Investment Scotland for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charitable company and of the incoming resources and application of resources, including the income and expenditure, of the group and charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and charitable company will continue in operation.

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

In so far as the trustees are aware:

- there is no relevant audit information of which the group and charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditor's Report to the Members

Opinion

We have audited the financial statements of Social Investment Scotland (the 'parent charitable company') and its subsidiaries ('the group') for the year ended 31 March 2026 which comprise the group and parent charitable company statements of financial activities, the group and parent charitable company balance sheets, the group and parent charitable company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent charitable company's affairs as at 31 March 2026 and of the group and parent charitable company's incoming resources and application of resources, including the group and parent charitable company's 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the report of the trustees, which includes the report of the directors prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the directors' included within the report of the trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the report of the trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are the directors for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent Auditor's Report to the Members (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of our planning process:

- We enquired of management the systems and controls the group has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the group. We determined that the following were most relevant: compliance with the requirements from OSCR, GDPR, employment law, FCA and compliance with the UK Companies Act;
- We considered the incentives and opportunities that exist in the group, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and
- Using our knowledge of the group, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations, including GDPR and employment law, and fraud;
- Review of correspondence with regulators including OSCR and FCA;
- Reviewing minutes of meetings of those charged with governance;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular the impairment of investment in subsidiaries, recoverability of debtors, and the application of accruals and deferred income; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

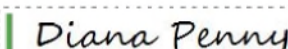
Owing to the inherent limitations of an audit, there is unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the parent charitable company's trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the parent charitable company's members, as a body, and the parent charitable company's trustees, as a body, 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 parent charitable company, the parent charitable company's members, as a body, and the parent charitable company's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.


Diana Penny – 2026-09-23, 14:48:06 UTC

Diana Penny
Senior Statutory Auditor
For and on behalf of Henderson Loggie LLP
Chartered Accountants
Statutory Auditors

Date:2026
Level 5, The Stamp Office
10-14 Waterloo Place Edinburgh
EH1 3EG

Social Investment Scotland
(A company limited by guarantee)

Group statement of financial activities (incorporating income and expenditure account) for the year ended 31 March 2026

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2026 £	Unrestricted Funds £	Restricted Funds £	Total Funds 2025 £
Income							
Charitable activities	3	1,498,160	234,056	1,732,216	1,506,897	284,064	1,790,961
Investments		36,263	180,812	217,075	29,524	162,637	192,161
Share of profits & losses from joint ventures		-	165,595	165,595	-	150,869	150,869
Total income		1,534,423	580,463	2,114,886	1,536,421	597,570	2,133,991
Expenditure							
Charitable activities	5	(2,109,056)	(165,168)	(2,274,224)	(2,184,379)	(169,395)	(2,353,774)
Total expenditure		(2,109,056)	(165,168)	(2,274,224)	(2,184,379)	(169,395)	(2,353,774)
Net (expenditure)/income for the period		(574,633)	415,295	(159,338)	(647,958)	428,175	(219,783)
Transfers between funds		265,701	(265,701)	-	292,006	(292,006)	-
Net movement in funds		(308,932)	149,594	(159,338)	(355,952)	136,169	(219,783)
Reconciliation of funds							
Fund balances brought forward		3,585,175	15,927,151	19,512,326	3,941,127	15,790,982	19,732,109
Fund balances carried forward		3,276,243	16,076,745	19,352,988	3,585,175	15,927,151	19,512,326

Social Investment Scotland
(A company limited by guarantee)

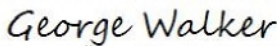
Parent charitable company statement of financial activities (incorporating income and expenditure account) for the year ended 31 March 2026

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2026 £	Unrestricted Funds £	Restricted Funds £	Total Funds 2025 £
Income							
Charitable activities	3	1,360,384	68,505	1,428,889	1,539,597	50,811	1,590,408
Investments		16,498	180,812	197,310	13,866	162,637	176,503
Share of profits & losses from joint ventures		-	165,595	165,595	-	150,869	150,869
Total income		1,376,882	414,912	1,791,794	1,553,463	364,317	1,917,780
Expenditure							
Charitable activities	5	(2,002,398)	(29,951)	(2,032,349)	(2,128,703)	(27,138)	(2,155,841)
Total expenditure		(2,002,398)	(29,951)	(2,032,349)	(2,128,703)	(27,138)	(2,155,841)
Net (expenditure)/income for the period		(625,516)	384,961	(240,555)	(575,240)	337,179	(238,061)
Transfers between funds		265,508	(265,508)	-	122,317	(122,317)	-
Net movement in funds		(360,008)	119,453	(240,555)	(452,923)	214,862	(238,061)
Reconciliation of funds							
Fund balances brought forward		3,462,104	16,005,041	19,467,145	3,915,027	15,790,179	19,705,206
Fund balances carried forward		3,102,096	16,124,494	19,226,590	3,462,104	16,005,041	19,467,145

Group and charitable company balance sheets at 31 March 2026

		2026		2025	
		Group	Parent charitable company	Group	Parent charitable company
	Note	£	£	£	£
Fixed assets					
Tangible assets	8	28,333	28,333	52,863	52,863
Investments	9	5,403,976	7,838,980	5,767,916	8,202,920
		<u>5,432,309</u>	<u>7,867,313</u>	<u>5,820,779</u>	<u>8,255,783</u>
Current assets					
Debtors – due within one year	10	1,797,403	891,451	2,044,244	1,031,520
Debtors – due after one year	10	3,383,647	538,558	3,417,968	567,907
Cash at bank and in hand		11,912,858	10,110,195	11,355,895	9,931,774
		<u>17,093,908</u>	<u>11,540,204</u>	<u>16,818,107</u>	<u>11,531,201</u>
Creditors					
Amounts falling due within one year	11	(423,229)	(180,927)	(3,126,560)	(319,839)
Net current assets		<u>16,670,679</u>	<u>11,359,277</u>	<u>13,691,547</u>	<u>11,211,362</u>
Total assets less current liabilities		<u>22,102,988</u>	<u>19,226,590</u>	<u>19,512,326</u>	<u>19,467,145</u>
Creditors					
Amounts falling due after more than one year	12	2,750,000	-	-	-
Total net assets		<u>19,352,988</u> =====	<u>19,226,590</u> =====	<u>19,512,326</u> =====	<u>19,467,145</u> =====
Capital and reserves					
Restricted funds		16,076,745	16,124,494	15,927,151	16,005,041
Unrestricted funds		3,276,243	3,102,096	3,585,175	3,462,104
		<u>19,352,988</u> =====	<u>19,226,590</u> =====	<u>19,512,326</u> =====	<u>19,467,145</u> =====

The financial statements were approved by the board on 2026 and signed on its behalf by:


George Walker – 2026-09-23, 12:07:29 UTC

George Walker

Trustee

Charity number SC036875

The notes on pages 22 to 47 form part of these financial statements.

Group and parent charitable company statement of cash flows for the year ended 31 March 2026

	Note	2026		2025	
		Group £	Parent charitable Company £	Group £	Parent charitable Company £
Cash flows from operating activities:					
Net cash (used in)/provided by operating activities	17	(185,870)	(544,647)	(751,673)	26,168
Cash flows from investing activities:					
Investment Income		217,075	197,310	192,161	176,503
Purchase of tangible fixed assets		(3,777)	(3,777)	(4,910)	(4,910)
Investment in subsidiary		-	-	-	(60,000)
Repayment of capital from joint ventures		529,535	529,535	1,546,193	1,546,193
Net cash used in investing activities		742,833	723,068	1,733,444	1,657,786
Change in cash and cash equivalents in the reporting period		556,963	178,421	981,771	1,683,954
Cash in cash equivalents at 1 April 2025		11,355,895	9,931,774	10,374,124	8,247,820
Cash and cash equivalents at 31 March 2026		11,912,858 =====	10,110,195 =====	11,355,895 =====	9,931,774 =====

Group and parent charitable company statement of cash flows for the year ended 31 March 2026
(continued)

Analysis of changes in net debt

Group	At 1 April 2025 £	Cash flows £	At 31 March 2026 £
Cash	11,355,895	556,963	11,912,858
	<u>11,355,895</u>	<u>556,963</u>	<u>11,912,858</u>
	11,355,895	556,963	11,912,858
Loans	(2,750,000)	-	(2,750,000)
	<u>(2,750,000)</u>	<u>-</u>	<u>(2,750,000)</u>
Total	8,605,895	556,963	9,162,858
	<u>8,605,895</u>	<u>556,963</u>	<u>9,162,858</u>
	8,605,895	556,963	9,162,858
Charitable Company	At 1 April 2025 £	Cash flows £	At 31 March 2026 £
Cash	9,931,774	178,421	10,110,195
	<u>9,931,774</u>	<u>178,421</u>	<u>10,110,195</u>
	9,931,774	178,421	10,110,195
	<u>9,931,774</u>	<u>178,421</u>	<u>10,110,195</u>

Notes to the consolidated financial statements

1 Accounting policies

General information

Social Investment Scotland is a charitable company limited by guarantee incorporated in Scotland. The registered office is 3rd Floor, 27 George Street, Edinburgh, EH2 2PA.

Basis of accounting

The financial statements have been prepared in accordance with the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Companies Act 2006.

Social Investment Scotland meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company, Social Investment Scotland, together with all entities controlled by the parent company (its subsidiaries). All financial statements are made up to 31 March 2026.

All intra-group transactions and balances between group companies are eliminated on consolidation.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

Investments in joint ventures are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. If the group's share of losses in a joint venture equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Going concern

The financial statements have been prepared on a going concern basis which the trustees consider to be appropriate. The parent company has significant cash reserves and regular income is generated from interest on loans, fund management and specific grants. In reaching this conclusion, the trustees have considered the forecasts for the period of 12 months from the date of signing the accounts and the cash position.

1 Accounting policies (continued)

Recognition and allocation of income

Grants and voluntary income

Income from grants, including capital grants, is recognised when the parent charitable company has legal entitlement to the funds, the receipt is probable, and the amount can be measured reliably.

Where there are terms placed on income that limit the parent charitable company's discretion over how that income can be used, that income is shown as restricted income in the accounts.

Income from charitable activities

The income from lending operations is included in incoming resources in the period in which the group is entitled to receipt. Certain advances from the Scottish Investment Fund bear interest which may be waived at the discretion of Social Investment Scotland subject to the achievement of specified social outcomes. Interest on these advances is included within income from charitable activities and a related provision for interest expected to be waived is charged to charitable activities.

The Charities SORP (FRS 102) recommends income from lending activities is classified as "charitable" when carried out by the parent charitable company, but as "other trading" when carried out by the group's subsidiaries. Each company carries out the same principal activity, being the provision of loan finance to third sector organisations and social impact driven enterprises based or operating in Scotland, in furtherance of the charitable purposes of the group. Therefore, the trustees consider it appropriate that these activities are classified consistently across the group as charitable income.

In the event of income being received in advance this is deferred and released in the year in which the event takes place. Any income not received in the year in which it is receivable is accrued at the year end.

Income is represented by interest, arrangement fees, deployment fees and ongoing management fees. Interest income represents amounts receivable during the year in respect of the provision on loan finance to social enterprises based or operating in Scotland. Arrangement fees are recognised upon deployment of investment. Deployment fees are recognised in line with the deployment period of the investment. Management fees are recognised on an on-going monthly basis following deployment.

Fees are recognised at the fair value of the consideration received or receivable net of VAT and other sales related taxes.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

Investment income

Interest is recognised using the effective interest rate applicable to the asset.

Income from Joint Ventures

The share of income generated by joint ventures is recognised annually in restricted income.

Recognition and allocation of expenditure

Expenditure is recognised on an accruals basis when the group has entered into a legal or constructive obligation. Where possible, expenditure is allocated directly to the function to which it relates.

Charitable activities include expenditure associated with the strategic investment in the social sector in Scotland and include both the direct costs and support costs relating to these activities.

All support costs relate to the single activity of the group, being the provision of loan finance and equity finance to third sector organisations and mission led enterprises based or operating within the UK.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the group and parent charitable company.

Funds

Unrestricted funds include incoming resources receivable or generated for the objects of the group without further specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the trustees.

Designated funds primarily represent reserves held to capitalise the future core lending activities of the organisation, as designated by the trustees.

Restricted funds are to be used for specific purposes as laid down by the donor.

Tangible fixed assets

Fixed assets costing £500 or more are included in the balance sheet at cost, less accumulated depreciation.

Depreciation

Depreciation is provided in the period in which the fixed assets are purchased. The rates of depreciation are calculated so as to write off the cost less residual value of each asset evenly over its expected useful life as follows:

Office equipment, fixtures and fittings, website developments	25% straight-line
Leasehold improvements	20% straight-line
Cycle to work	12 months straight-line

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

Investments

In the parent charitable company's financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities. The investment is treated as a restricted fund in these financial statements and, as Social Investment Scotland produces consolidated accounts, we have adopted the equity method of accounting for this joint venture, which results in net income from the joint venture shown as a separate item in the Statement of Financial Activities.

Jointly controlled entities in the parent charitable company's financial statements are initially measured at cost and subsequently measured at fair value through the statement of financial activities.

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Taxation

Social Investment Scotland has been recognised by HM Revenue and Customs as a charity for the purposes of sections 466 to 493 Corporation Tax Act 2010 and section 256 Taxation of Chargeable Gains Act 1992. Accordingly, the parent charitable company is potentially exempt from taxation in respect of income or capital gains to the extent that such income or gains are applied to charitable purposes. Social Investment Scotland's trading subsidiaries are subject to corporation tax in the same way as any commercial organisation.

Concessionary loans

Loans issued by group companies, as members of a public benefit entity group, are deemed to be concessionary loans. Concessionary loans are initially measured at the amount paid. Subsequent to initial recognition, the carrying amount of concessionary loans at the reporting date is adjusted to reflect any repayments, accrued interest and impairment.

Specific provisions against advances are recognised when a risk of non-recoverability is identified, as a result of regular monitoring and review by the trustees. Provisions made during the year, less amounts released, are charged to the statement of financial activities and are netted off against advances reported in the balance sheet .

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

Financial assets and financial liabilities

The parent charitable company and group only enters into basic financial instruments that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties and social enterprises. Financial instruments are classified as basic in accordance with Chapter 11 of FRS 102.

Financial instruments are recognised in the balance sheet when the parent charitable company becomes a party to the contractual provisions of the instrument. Financial instruments payable or receivable within one year are measured at the undiscounted amount expected to be paid or received. Financial instruments payable or receivable outwith one year are initially measured at transaction cost. Subsequent to initial recognition, at the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the contractual rights to the cash flows from assets are due to expire, or when the company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of financial activities.

Pensions

Pension contributions are made to the group defined contribution pension scheme. These are charged in the year in which they are incurred.

Investment funding accounted for on an agency basis

The charity receives funding from a number of entities for the purpose of providing loan finance and grants to eligible social sector organisations.

Funding received is not disclosed within the Statement of Financial Activities or Balance Sheet as the charity is acting, in substance, as an agent in administering the funds of other entities in line with their instructions.

The charity receives a management fee in return for its services which is recognised as income in the financial statements.

Funds held on a Nominee basis

The group's financial statements include four subsidiaries (Community Investment Facility Limited, Community Investment Facility 2 Limited, Impact Ventures Scotland Limited, and Impact First Nominees Limited) whose financial statements are prepared on a nominee basis as ultimately the economic benefit and liabilities arising from the funds under management lie with the original investors. The consolidation of these subsidiaries into the group's financial statements is prepared on the same basis.

Notes to the consolidated financial statements (continued)

1 Accounting Policies (continued)

Amendments to FRS 102 introduced by the Period Review 2024.

The amendments to FRS 102 along with the revised Charities SORP 2026 are applicable for accounting periods commencing on or after 1 January 2026, with earlier adoption permitted. The trustees have opted not to adopt these amendments early, as such, the amendments will be implemented for the accounting period/year ending 31 March 2027. The most significant amendments are the replacement of Section 23, now renamed 'Revenue from Contracts with Customers', and Section 20 'Leases'. The other less significant changes are not currently expected to have a material impact. The new revenue and leasing requirements seek to provide greater consistency and alignment with International Financial Reporting Standards, namely IFRS 15 and IFRS 16.

The group is currently planning for the implementation of these changes. Under the new lease accounting requirements these changes will be applied using the modified retrospective approach which avoids the restatement of comparative figures. The implementation of the changes would see leased assets recognised as Right-of-Use assets on-balance sheet, with a lease liability recognised based on the discounted value of any future commitments, plus payments related to optional extension periods if considered reasonably certain. Exemptions to this approach will be considered for certain short-term leases or low-value assets.

Under the new revenue accounting requirements, management expects these changes to be applied using the modified retrospective approach which avoids the restatement of comparative figures. Management are reviewing the current and expected future revenue transactions to determine the necessary performance obligations, transaction prices, and overall recognition and presentation to ensure compliance with the changes.

As at the date of signing the financial statements, and given the changes relate to future periods, it has been deemed impractical to determine the amounts involved.

2 Critical judgements and estimates

In preparing the financial statements trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The accounting judgements or significant estimates deemed to be required in preparing these accounts, are set out below. The trustees are satisfied that accounting policies are appropriate and applied correctly.

Concessionary loans are reviewed regularly and given a risk rating, this rating is based on judgement after reviewing the available information from the borrower. There are certain ratings that require a provision to be made against the loan depending on whether there is deemed to be adequate security on the loan or not. Provisions are reviewed and updated in light of information available which indicates a loan was impaired at the year end or that a previously recognised provision needs to be adjusted. There is further discussion on this included within the Trustees Report.

Notes to the consolidated financial statements (continued)

2 Critical judgements and estimates (continued)

Income from lending activities by subsidiaries is treated as charitable income in the consolidated statement of financial activities. This is because the substance of this income is the same as that carried out in the parent entity, therefore the trustees consider it appropriate that these activities are classified consistently across the group.

Company investments are reviewed annually for impairment. As part of this review, future cashflows of the investment are considered and assumptions are made on the risk and future level of bad debts. The assumptions on future bad debt levels are based on risk rating of the customers, our knowledge of the customer and levels of security held for current customers, and an estimation of undrawn loans that may go bad based on typical bad debt levels we experience. Based on this, an assessment is then made on whether the investment is impaired and if so, the value of the impairment.

Notes to the consolidated financial statements (continued)

3 Incoming resources from charitable activities

	2026		2025	
	Group £	Company £	Group £	Company £
Grant income:				
Scottish Government:				
Third Sector Division	95,693	95,693	50,679	50,679
Other grants	363,308	363,308	347,083	347,083
Earned income:				
Interest	374,644	62,505	343,833	48,399
Arrangement fees	23,305	6,000	72,538	2,350
Management and deployment fees	841,467	865,466	976,191	1,141,897
Other income	33,799	35,917	637	-
	<u>1,732,216</u>	<u>1,428,889</u>	<u>1,790,961</u>	<u>1,590,408</u>
	=====	=====	=====	=====

4 Net income/(expenditure)

	2026		2025	
	Group £	Company £	Group £	Company £
Net income/(expenditure) is stated after charging:				
Hire of assets under operating leases	1,247	1,247	1,831	1,831
Leasing of buildings under operating leases	39,000	39,000	39,000	39,000
Depreciation	28,306	28,306	31,079	31,079
Auditor's remuneration:				
- Audit fee for parent charitable company	30,100	30,100	32,100	32,100
- Audit fee for subsidiaries	29,900	-	29,400	-
- Audit-related assurance fee	4,200	-	4,000	-
- Other fees	525	-	500	-
- Tax fee	1,584	-	3,354	1,104
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

5 Charitable activities – lending

	2026		2025	
	Group £	Company £	Group £	Company £
Bad and doubtful debt provision	88,924	4,689	16,235	1,848
Other capacity building activities	218,122	214,646	245,065	218,365
Support costs (Note 6)	1,900,869	1,782,914	2,023,120	1,902,424
Governance costs (Note 6)	66,309	30,100	69,354	33,204
	<u>2,274,224</u>	<u>2,032,349</u>	<u>2,353,774</u>	<u>2,155,841</u>
	=====	=====	=====	=====

Notes to the consolidated financial statements (continued)

6 Support costs

	2026		2025	
	Group £	Company £	Group £	Company £
Staff costs (Note 7)	1,175,647	1,175,647	1,253,285	1,253,285
Recruitment	22,213	22,213	43,163	43,163
Legal and professional fees	361,727	276,001	390,607	310,442
Depreciation	28,306	28,306	31,079	31,079
Premises	56,046	56,046	53,074	53,074
Repairs and maintenance	5,186	5,186	4,140	4,140
Communication and IT	130,165	129,465	125,864	124,085
Travel, accommodation and subsistence	38,620	38,620	27,247	23,788
General expenses	51,462	51,430	63,411	59,368
Interest paid	31,497	-	31,250	-
	<u>1,900,869</u>	<u>1,782,914</u>	<u>2,023,120</u>	<u>1,902,424</u>
	=====	=====	=====	=====
Governance costs				
External audit and tax	66,309	30,100	69,354	33,204
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

7 Staff costs

Group and company

	2026 £	2025 £
Wages and salaries	972,354	1,051,348
Social security costs	111,790	112,289
Pension costs	91,503	89,648
	<u>1,175,647</u>	<u>1,253,285</u>
	=====	=====

During the year there were three employee whose remuneration fell into the band of £60,001 to £70,000 (2025: one), two between £70,001 to £80,000 (2025: three), nil between £120,001 to £130,000 (2025: one), and one between £130,001 to £140,000 (2025: nil).

Pension costs relate to employer contributions into the group pension scheme and individual employee private pension schemes. There was £14,151 outstanding for payment as at 31 March 2026 (2025: £10,953).

Trustees' remuneration and expenses

No trustees were remunerated for the year ended 31 March 2026 (2025: £nil). During the year one (2025: none) trustee received reimbursement of expenses totalling £241.

The average monthly number of employees during the year was:

	2026 No.	2025 No.
Full time	16	17
Part time	2	5
	<u>18</u>	<u>22</u>
	=====	=====

Notes to the consolidated financial statements (continued)

8	Fixed assets	Office Equipment, Fixtures & Fittings £
	Group and Company	
	Cost	
	At 1 April 2025	175,475
	Additions	3,777
	At 31 March 2026	179,252
		=====
	Depreciation	
	At 1 April 2025	122,612
	Charge for the period	28,307
	At 31 March 2026	150,919
		=====
	Net book value	
	At 31 March 2026	28,333
		=====
	At 31 March 2025	52,863
		=====

Notes to the consolidated financial statements (continued)

9	Investments Group	Investments in Joint Ventures £	Total investments £
	Cost		
	At 1 April 2025	5,767,916	5,767,916
	Repayments	(529,535)	(529,535)
	Income from share in joint venture	165,595	165,595
	At 31 March 2026	5,403,976 =====	5,403,976 =====
	Net book value		
	At 31 March 2026	5,403,976 =====	5,403,976 =====
	At 31 March 2025	5,767,916 =====	5,767,916 =====

Company	Shares in group undertakings £	Shareholder loans £	Investments in Joint Ventures £	Total investments £
Cost				
At 1 April 2025	185,006	2,250,000	5,767,914	8,202,920
Repayments	-	-	(529,535)	(529,535)
Income from share in joint venture	-	-	165,595	165,595
At 31 March 2026	185,006 =====	2,250,000 =====	5,403,974 =====	7,838,980 =====
Net book value				
At 31 March 2026	185,006 =====	2,250,000 =====	5,403,974 =====	7,838,980 =====
At 31 March 2025	185,006 =====	2,250,000 =====	5,767,914 =====	8,202,920 =====

Notes to the consolidated financial statements (continued)

9 Investments (continued)

Investments in subsidiaries

The shares in group undertakings brought forward at 1 April 2025 are shown at cost less impairment. Investments comprise:

- 100% of the ordinary share capital of SIS (Community Finance) Limited, a subsidiary registered in Scotland;
- 100% of the ordinary share capital of SIS Community Capital Limited, a company registered in Scotland;
- 100% of the ordinary share capital of Community Investment Facility Limited, a company registered in England & Wales;
- 100% of the ordinary share capital of Community Investment Facility 2 Limited, a company registered in England & Wales;
- 100% of the ordinary share capital of SIS Ventures Limited, a company registered in Scotland;
- 100% of the ordinary share capital of Impact Ventures Scotland Limited, a company registered in Scotland; and
- 100% of the ordinary share capital of Impact First Nominees Limited, a company registered in Scotland.
- 100% of the ordinary share capital of Impact Investment Scotland Limited, a company registered in Scotland.
- 100% of the members capital in Social Growth Fund 3 LLP, a limited liability partnership registered in Scotland.

The registered office of all subsidiaries, except for Community Investment Facility Limited (CIFL) and Community Investment Facility 2 Limited (CIF2L), is 3rd Floor, 27 George Street, Edinburgh, EH2 2PA and all subsidiaries are included within the consolidated financial statements. CIFL and CIF2L's registered office is 167 -169 5th Floor, Great Portland Street, London, W1W 5PF.

The principal activity of SIS (Community Finance) Limited continued to be the provision of loan finance to third sector organisations based or operating in Scotland. The capital and reserves of SIS (Community Finance) Limited at 31 March 2026 were £2,421,726 including shareholder loans of £2,250,000 (2025: £2,370,843 including shareholder loans of £2,250,000) and the profit for the financial year was £53,001 (2025: £94,547) which includes income of £349,209 (2025: £342,196) and expenditure of £296,208 (2025: £247,649). Distributions to Social Investment Scotland under gift aid were made totalling £2,118 (2025:£Nil).

The principal activity of Community Investment Facility Limited is to act as a nominee company for the Community Investment Enterprise Facility Fund ("CIEF"). This fund was created to support Community Development Finance Institutions (CDFI's) across the United Kingdom to on-lend to under-served micro, small and medium enterprises. The capital and reserves of Community Investment Facility Limited at 31 March 2026 were £1 (2025: £1). The company earned no income nor generated expenditure during the year. The accounting policies to these financial statements ("Funds held on a Nominee basis") disclose further details of the accounting treatment of this subsidiary.

SIS Community Capital Limited, Impact Investment Scotland Limited and Social Growth Fund 3 LLP are all dormant in the current and prior year.

Notes to the consolidated financial statements (continued)

9 Investments (continued)

SIS Ventures Limited owns 100% of the ordinary share capital of Impact First Nominees Limited, a company registered in Scotland. The principal activity of the company is to act as a nominee company for Impact First Fund A, on behalf of private investors. The company is supported in the management of the fund by SIS Ventures Limited, also a subsidiary of Social Investment Scotland. The capital and reserves at 31 March 2026 were £1 (2025: £1). The accounting policies to these financial statements ("Funds held on a Nominee basis") disclose further details of the accounting treatment of this subsidiary.

The principal activity of Impact Ventures Scotland Limited is to act as a nominee company for 2 Impact First Funds, B&C. The Scottish Government is an investor on both funds. The company is supported in the management of the fund by SIS Ventures Limited, also a subsidiary of Social Investment Scotland. The capital and reserves at 31 March 2026 were £1 (2025: £1). The accounting policies to these financial statements ("Funds held on a Nominee basis") disclose further details of the accounting treatment of this subsidiary.

The principal activity of Community Investment Facility 2 Limited is to act as a nominee company for the Community Investment Enterprise Facility 2 Fund ("CIEF 2"). This fund is a follow on fund to support Community Development Finance Institutions (CDFI's) across the United Kingdom to on-lend to under-served micro, small and medium enterprises. The capital and reserves of Community Investment Facility Limited at 31 March 2026 were £1 (2025: £1). The company earned no income nor generated expenditure during the year. The accounting policies to these financial statements ("Funds held on a Nominee basis") disclose further details of the accounting treatment of this subsidiary.

Investments in joint ventures

The joint ventures brought forward at 1 April 2025 are shown at fair value. Investments comprise:

- 50% of the members capital in Social Growth Fund LLP, a Limited Liability Partnership registered in Scotland;
- 46% of the members capital in Social Growth Fund 2 LLP, a Limited Liability Partnership registered in Scotland;

The registered office of both LLP's is 3rd Floor, 27 George Street, Edinburgh.

Notes to the consolidated financial statements (continued)

9 Investments (continued)

The principal activity of Social Growth Fund LLP continued to be the provision of loan finance to third sector organisations based or operating in Scotland. The capital and reserves of Social Growth Fund LLP at 31 March 2026 were £1,727,266 including members' loan of £4,585,201 (2025: £1,989,235 including members' loan of £4,932,630) and the profit for the financial year was £85,460 (2025: £139,637) which includes income of £108,679 (2025: £206,928) and expenditure of £23,219 (2025: £67,291). During the year, Social Investment Scotland received capital repayments of £173,715 (2025: £382,608) and their share of profits generated by the LLP was £42,730 (2025: £69,818).

The principal activity of Social Growth Fund 2 LLP is the provision of loan finance to third sector organisations based or operating in Scotland. The capital and reserves of Social Growth Fund 2 LLP at 31 March 2026 were £9,837,303 including members' loans of £10,907,274 (2025: £10,342,038 including members' loans of £11,678,117) and the profit for the financial year was £266,208 (2025: £175,610) which includes income of £699,041 (2025: £661,503) and expenditure of £432,833 (2025: £485,893). During the year, Social Investment Scotland received capital repayments of £355,821 (2025: £610,054) and their share of profits generated by the LLP was £122,865 (2025: £81,051).

10 Debtors

	2026		2025	
	Group £	Company £	Group £	Company £
Due within one year				
Concessionary loans	1,526,210	665,238	1,752,064	795,880
Trade debtors	72,665	62,370	31,485	15,696
Prepayments and accrued income	163,731	158,655	218,678	213,101
Other debtors	34,797	3,244	42,017	3,742
Amounts due from group companies	-	1,942	-	3,101
	1,797,403	891,449	2,044,244	1,031,520
	=====	=====	=====	=====
Due after one year				
Concessionary loans	3,383,647	538,558	3,417,968	567,907
	5,181,050	1,430,007	5,462,212	1,599,327
	=====	=====	=====	=====

Interest is charged on concessionary loans at fixed rates of 0% - 12%. Security is held over certain loans by way of a floating charge over assets of the relevant company.

A provision of £132,133 (2025: £241,624) has been recognised against the consolidated debtors. A provision of £132,133 (2025: £148,196) has been recognised against the company debtors.

Notes to the consolidated financial statements (continued)

11 Creditors: amounts falling due within one year

	2026		2025	
	Group £	Company £	Group £	Company £
Trade creditors	24,755	15,415	80,184	67,290
Sundry creditors	231,084	31,088	37,689	29,440
Other taxes and social security	43,693	43,693	23,215	23,215
Accruals and deferred income	123,697	90,731	235,473	199,773
Amounts due to group undertakings	-	-	-	121
1% subordinated unsecured loan	-	-	-	-
stock April 2025	-	-	2,000,000	-
1.5% unsecured loan	-	-	750,000	-
	423,229	180,927	3,126,560	319,839
	=====	=====	=====	=====

Deferred income

Group and company	2026 £	2025 £
At 1 April	102,435	52,371
Amounts released from previous years	(102,435)	(50,679)
Incoming resources deferred in the current year	3,126	100,743
At 31 March	3,126	102,435
	=====	=====

Deferred income represents grant income received in advance of performance milestone being met.

12 Creditors: amounts falling due after more than one year

	Group	
	2026 £	2025 £
1% subordinated unsecured loan stock April 2030	2,000,000	-
3.5% senior unsecured loan stock April 2032	750,000	-
	2,750,000	-
	=====	=====

Notes to the consolidated financial statements (continued)

13 Loans and borrowings

	Group	
	2026	2025
	£	£
Analysis of loans		
Unsecured loans	2,750,000	2,750,000
Maturity of debt		
Within one year	-	2,750,000
Between two and five years	2,000,000	-
In more than five years	750,000	-
	2,750,000	2,750,000
	=====	=====

The group has £2,000,000 of 1% subordinated unsecured loan stock payable in April 2030. This was extended from the previous date of April 2025 during the year.

The group has £750,000 3.5% unsecured loan not repayable before 10 April 2032. There is the option to drawn down an additional £750,000 if the group deems it necessary.

14 Operating lease and other commitments

At 31 March 2026 the group and parent charitable company had commitments under non-cancellable operating leases as set out below:

	Land buildings		Other	
	2026	2025	2026	2025
	£	£	£	£
Where lease expires:				
Within one year	39,000	39,000	888	1,310
Within two – five years	3,250	42,250	3,330	1,638
	42,250	81,250	4,218	2,948
	=====	=====	=====	=====

At 31 March 2026 the group and parent charitable company had the following contractual commitments under signed loan or grant agreements, not yet drawn down, as set out below:

	2026		2025	
	Group	Company	Group	Company
	£	£	£	£
Loans	2,418,000	450,000	5,347,541	240,000
	=====	=====	=====	=====

Notes to the consolidated financial statements (continued)

15 Funds

Group - 2026	At 1 April 2025 £	Income £	Expenditure £	Transfers £	At 31 March 2026 £
Unrestricted funds					
General fund	1,415,167	1,534,423	(1,940,940)	344,768	1,353,418
Designated funds:					
Social Surplus Fund	22,900	-	(8,625)	(1,245)	13,030
Default reserve	900,000	-	-	-	900,000
Margin reserve	350,000	-	-	-	350,000
Impact and Innovation reserve	897,108	-	(159,491)	(77,822)	659,795
	<u>3,585,175</u>	<u>1,534,423</u>	<u>(2,109,056)</u>	<u>265,701</u>	<u>3,276,243</u>
Restricted funds					
The Scottish Investment Fund	6,889,821	195,468	(25,211)	499,536	7,569,614
Social Growth Fund	994,467	42,730	-	(173,715)	863,482
Social Growth Fund 2	4,773,449	122,865	-	(355,821)	4,540,493
	<u>12,667,737</u>	<u>361,063</u>	<u>(25,211)</u>	<u>(30,000)</u>	<u>12,973,589</u>
The Asda Bag Levy Fund	33,810	435	6,456	(40,701)	-
SIS Ventures Limited	(78,085)	165,551	(135,217)	-	(47,751)
Third Sector Resilience Fund	3,303,689	22,610	(11,145)	(45,000)	3,270,154
Social Growth Fund 3	-	30,804	(51)	(150,000)	(119,247)
	<u>15,927,151</u>	<u>580,463</u>	<u>(165,168)</u>	<u>(265,701)</u>	<u>16,076,745</u>
Total reserves	<u>19,512,326</u> =====	<u>2,114,886</u> =====	<u>(2,274,224)</u> =====	<u>-</u> =====	<u>19,352,988</u> =====

A transfer of £150,000 has been made between Social Growth Fund 3 Fund and the General Fund at 31 March 2026. The transfer is necessary to correctly account for the management fees removed on consolidation.

A transfer of £40,701 has been made between the Asda Bag Levy Fund and the General fund at 31 March 2026. The transfer being the recycling of the funds and remaining levies now deemed as unrestricted in accordance with the conditions of the fund agreement.

A transfer of £30,000 has been made between the Scottish Investment Fund and the General Fund at 31 March 2026. This representing the management charges earned on managing the Third Sector Resilience Fund and Social Investment Fund being paid from the Scottish Investment Fund.

A transfer of £45,000 has been made between the Scottish Investment Fund and the Third Sector Resilience Fund at 31 March 2026. The transfer between funds is necessary to capitalise the Third Sector Resilience Fund and return recycled capital back to Scottish Investment Fund.

Transfers of £173,715 & £355,821 were made from Social Growth Fund & Social Growth Fund 2 respectively to the Scottish Investment Fund representing the repayment of capital from the joint ventures.

Notes to the consolidated financial statements (continued)

15 Funds (continued)

Group - 2025	At 1 April 2024 £	Income £	Expenditure £	Transfers £	At 31 March 2025 £
Unrestricted funds					
General fund	1,747,102	1,536,421	(2,081,295)	212,939	1,415,167
Designated funds:					
Social Surplus Fund	33,072	-	(11,417)	1,245	22,900
Default reserve	900,000	-	-	-	900,000
Margin reserve	350,000	-	-	-	350,000
Impact and Innovation reserve	910,953	-	(91,667)	77,822	897,108
	<u>3,941,127</u>	<u>1,536,421</u>	<u>(2,184,379)</u>	<u>292,006</u>	<u>3,585,175</u>
Restricted funds					
The Scottish Investment Fund	5,218,372	190,545	(25,290)	1,516,194	6,889,821
Social Growth Fund	1,860,788	69,819	-	(936,140)	994,467
Social Growth Fund 2	5,302,452	81,051	-	(610,054)	4,773,449
	<u>12,381,612</u>	<u>341,415</u>	<u>(25,290)</u>	<u>(30,000)</u>	<u>12,667,737</u>
The Scottish Investment Fund total					
The Asda Bag Levy Fund	73,531	2,986	4,610	(47,317)	33,810
SIS Ventures Limited	608	233,253	(142,257)	(169,689)	(78,085)
Third Sector Resilience Fund	3,335,231	19,916	(6,458)	(45,000)	3,303,689
	<u>15,790,982</u>	<u>597,570</u>	<u>(169,395)</u>	<u>(292,006)</u>	<u>15,927,151</u>
Total reserves	<u>19,732,109</u> =====	<u>2,133,991</u> =====	<u>(2,353,774)</u> =====	<u>-</u> =====	<u>19,512,326</u> =====

A transfer of £169,689 has been made between SIS Ventures Limited and the General Fund at 31 March 2025. The transfer is necessary to correctly account for the management fees removed on consolidation.

A transfer of £47,317 has been made between the Asda Bag Levy Fund and the General fund at 31 March 2025. The transfer being the recycling of the funds and remaining levies now deemed as unrestricted in accordance with the conditions of the fund agreement.

A transfer of £30,000 has been made between the Scottish Investment Fund and the General Fund at 31 March 2025. This representing the management charges earned on managing the Third Sector Resilience Fund and Social Investment Fund being paid from the Scottish Investment Fund.

A transfer of £45,000 has been made between the Scottish Investment Fund and the Third Sector Resilience Fund at 31 March 2025. The transfer between funds is necessary to capitalise the Third Sector Resilience Fund and return recycled capital back to Scottish Investment Fund.

Transfers of £936,140 & £610,054 were made from Social Growth Fund & Social Growth Fund 2 respectively to the Scottish Investment Fund representing the repayment of capital from the joint ventures.

Notes to the consolidated financial statements (continued)

15 Funds (continued)

Company - 2026	At 1 April 2025 £	Income £	Expenditure £	Transfers £	At 31 March 2026 £
Unrestricted funds					
General fund	1,292,096	1,376,882	(1,834,282)	344,575	1,179,271
Designated funds:					
Social Surplus Fund	22,900	-	(8,625)	(1,245)	13,030
Default reserve	900,000	-	-	-	900,000
Margin reserve	350,000	-	-	-	350,000
Impact and Innovation reserves	897,108	-	(159,491)	(77,822)	659,795
	<u>3,462,104</u>	<u>1,376,882</u>	<u>(2,002,398)</u>	<u>265,508</u>	<u>3,102,096</u>
Restricted funds					
The Scottish Investment Fund	6,899,821	195,468	(25,211)	499,536	7,569,614
Social Growth Fund	994,466	42,730	-	(173,715)	863,481
Social Growth Fund 2	4,773,448	122,865	-	(355,821)	4,540,492
	<u>12,667,735</u>	<u>361,063</u>	<u>-</u>	<u>(30,000)</u>	<u>12,973,587</u>
The Asda Bag Levy Fund	33,617	435	6,456	(40,508)	-
Third Sector Resilience Fund	3,303,689	22,610	(11,145)	(45,000)	3,270,154
Social Growth Fund 3	-	30,804	(51)	(150,000)	(119,247)
	<u>16,005,041</u>	<u>414,912</u>	<u>(29,951)</u>	<u>(265,508)</u>	<u>16,124,494</u>
Total reserves	<u>19,467,145</u> =====	<u>1,791,794</u> =====	<u>(2,032,349)</u> =====	<u>-</u> =====	<u>19,226,590</u> =====

A transfer of £150,000 has been made between Social Growth Fund 3 Fund and the General Fund at 31 March 2026. The transfer is necessary to correctly account for the management fees removed on consolidation.

A transfer of £40,508 has been made between the Asda Bag Levy Fund and the General fund at 31 March 2026. The transfer being the recycling of the funds and remaining levies now deemed as unrestricted in accordance with the conditions of the fund agreement.

A transfer of £45,000 has been made between the Scottish Investment Fund and the Third Sector Resilience Fund at 31 March 2026. The transfer between funds is necessary to capitalise the Third Sector Resilience Fund and return recycled capital back to Scottish Investment Fund.

A transfer of £30,000 has been made between the Scottish Investment Fund and the General Fund. This representing the management charges earned on managing the Third Sector Resilience Fund being paid from the Scottish Investment Fund.

Social Investment Scotland
(A company limited by guarantee)

Transfers of £173,715 & £355,821 were made from Social Growth Fund & Social Growth Fund 2 respectively to the Scottish Investment Fund representing the repayment of capital from the joint ventures.

Notes to the consolidated financial statements (continued)

15 Funds (continued)

Company – 2025

	At 1 April 2024 £	Income £	Expenditure £	Transfers £	At 31 March 2025 £
Unrestricted funds					
General fund	1,721,002	1,553,463	(2,025,619)	43,250	1,292,096
Designated funds:					
Social Surplus Fund	33,072	-	(11,417)	1,245	22,900
Default reserve	900,000	-	-	-	900,000
Margin reserve	350,000	-	-	-	350,000
SIS Ventures Strategic Operations	-	-	-	-	-
Impact and Innovation reserves	910,953	-	(91,667)	77,822	897,108
	<u>3,915,027</u>	<u>1,553,463</u>	<u>(2,128,703)</u>	<u>122,317</u>	<u>3,462,104</u>
Restricted funds					
The Scottish Investment Fund	5,218,372	190,545	(25,290)	1,516,194	6,899,821
Social Growth Fund	1,860,787	69,819	-	(936,140)	994,466
Social Growth Fund 2	5,302,451	81,051	-	(610,054)	4,773,448
	<u>12,381,610</u>	<u>341,415</u>	<u>(25,290)</u>	<u>(30,000)</u>	<u>12,667,735</u>
The Asda Bag Levy Fund	73,338	2,986	4,610	(47,317)	33,617
Third Sector Resilience Fund	3,335,231	19,916	(6,458)	(45,000)	3,303,689
	<u>15,790,179</u>	<u>364,317</u>	<u>(27,138)</u>	<u>(122,317)</u>	<u>16,005,041</u>
Total reserves	<u>19,705,206</u> =====	<u>1,917,780</u> =====	<u>(2,155,841)</u> =====	<u>-</u> =====	<u>19,467,145</u> =====

A transfer of £47,317 has been made between the Asda Bag Levy Fund and the General fund at 31 March 2025. The transfer being the recycling of the funds and remaining levies now deemed as unrestricted in accordance with the conditions of the fund agreement.

A transfer of £45,000 has been made between the Scottish Investment Fund and the Third Sector Resilience Fund at 31 March 2025. The transfer between funds is necessary to capitalise the Third Sector Resilience Fund and return recycled capital back to Scottish Investment Fund.

A transfer of £30,000 has been made between the Scottish Investment Fund and the General Fund. This representing the management charges earned on managing the Third Sector Resilience Fund being paid from the Scottish Investment Fund.

Social Investment Scotland
(A company limited by guarantee)

Transfers of £936,140 & £610,054 were made from Social Growth Fund & Social Growth Fund 2 respectively to the Scottish Investment Fund representing the repayment of capital from the joint ventures.

Notes to the consolidated financial statements (continued)

15 Funds (continued)

Designated funds

Social Investment Scotland has the following designated funds at the year end:

Default reserve - £900k and reviewed quarterly.

Margin reserve - £350k and reviewed quarterly.

Social Surplus fund - £13,030

Impact and Innovation reserve - £659,795

The default and margin reserves are held to safeguard the future core lending activities of the Group. These funds are used to absorb bad and doubtful debts on the core CITR book and provide a margin cover in the event of loss of profitability in the SIS CF loan book.

Contributions to the social surplus fund will be made on an annual basis, in line with the finalisation of consolidated group financial statements. Subject to the final ratification of the SIS Board, contributions to the fund will be calculated at 25% of any annual surplus reported over and above £50,000, the surplus being derived from the group unrestricted funds. Funds will be designated to the surplus fund but will remain unrestricted for accounting purposes. In any financial year the board shall not be compelled to make an allocation to the fund and will always retain the right of veto on any designation of funds. During the year, £1,245 (2025: £1,245 allocated to) was allocated from the fund.

The Impact and Innovation reserve exists in order to further the pursuit of the 2030 strategy - Building and Impact Economy. Spend from this reserve is approved by the Board annual in advance as part of the budgeting process. Following the approval by the SIS Board of the annual audited financial statements, a decision will be made on further allocations from unrestricted surpluses for the year. During the year, £77,822 (2025: £77,822 allocated to) was allocated from the fund.

Restricted funds

The Scottish Investment Fund was set up in 2008 to provide third sector organisations a broad range of financial support including loans, risk capital funding and non-repayable (grant) investments. The Scottish Government subscribed a total of £31,800,000 to the fund in the four-year period to 31 March 2012.

The Social Growth Fund was set up in 2014 for the purpose of providing debt finance to third sector organisations in Scotland, including term loans and patient capital products. This fund is now fully deployed and is in the monitoring phase. This fund is part of the Scottish Investment Fund.

The Social Growth Fund 2 was launched in May 2019. Building on the original partnership with Better Society Capital and the Scottish Government, Social Growth Fund 2 was launched with the addition of the University of Edinburgh as an investor, making £13m of capital available to Scotland's social enterprise sector, generating great opportunity to connect more capital with communities and contribute to inclusive growth for Scotland. The funds deployment period ended in April 2024. This fund is part of the Scottish Investment Fund.

The Asda Bag Levy Fund was created in 2015 and was capitalised through a partnership with Asda Stores Limited. The final capital was received in the year to 31 March 2018 and the capital has been fully deployed in the year to 31 March 2019. The fund is designed to support early stage social enterprises looking to access social investment for the first time. Using money raised through the

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carrier bag levy, the fund has supported social enterprises to make the step change needed to increase their social impact and/or financial sustainability. The monies received have also supported the delivery of the social enterprise development academy. The academy is an innovative programme of investment and business support for consumer facing social enterprises.

Notes to the consolidated financial statements (continued)

15 Funds (continued)

SIS Ventures Limited was formed in 2018 to launch a fund backed by both Social Investment Tax Relief (SITR) and Enterprise Investment Scheme (EIS). The fund is capitalised with monies from private investors and SIS Ventures Limited is an FCA authorised entity. The fund provides both equity investment and loan finance to mission-driven businesses.

The Third Sector Resilience Fund was launched in March 2020. The restricted loan fund, using up to £5m of capital recycling from the proceeds of the Scottish Government Scottish Investment Fund, created a 0% interest loan fund to provide emergency working capital as a result of the pandemic. The fund sat alongside the grant capital provided by the Scottish Government, managed by Firstport and the Corra Foundation.

The Social Growth Fund 3 was launched in April 2025. Social Growth Fund 3 is a £5m fund from what were the Scottish Government's Scottish Investment Fund reserves, aiming to ensure that communities can still access finance to support their growth ambitions following the conclusion of deployment from Social Growth Fund 2. In particular, Social Growth Fund 3's higher maximum loan size can facilitate larger-scale projects than other current open funds, and even be used in tandem with funds like Community Finance to compound this capability. This fund is part of the Scottish Investment Fund and, following the handover of those reserves from Scottish Government to SIS unrestricted control in August 2026, the fund terms and deployment period will be reviewed by the board."

16 Analysis of net assets between funds

Group - 2026	Tangible fixed assets £	Net current assets £	Long term liabilities £	Total £
Unrestricted funds	28,333	5,997,910	(2,750,000)	3,276,243
Restricted funds				
The Scottish Investment Fund	1	7,569,613	-	7,569,614
Social Growth Fund	863,682	-	-	863,682
Social Growth Fund 2	4,540,293	-	-	4,540,293
SIS Ventures Limited	-	(47,751)	-	(47,751)
Third Sector Resilience Fund	-	3,270,154	-	3,270,154
Social Growth Fund 3	-	(119,247)	-	(119,247)
	<u>5,432,309</u>	<u>16,670,679</u>	<u>(2,750,000)</u>	<u>19,352,988</u>
	=====	=====	=====	=====
Company - 2026	Tangible fixed assets and investments £	Net current assets £	Long term liabilities £	Total £
Unrestricted funds	28,333	3,073,763	-	3,102,096
Restricted funds				
The Scottish Investment Fund	2,435,007	5,134,606	-	7,569,613
Social Growth Fund	863,681	-	-	863,681
Social Growth Fund 2	4,540,292	-	-	4,540,292

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Third Sector Resilience Fund	-	3,270,154	-	3,270,154
Social Growth Fund 3	-	(119,247)	-	(119,247)
	<u>7,867,313</u>	<u>11,359,276</u>	<u>-</u>	<u>19,226,589</u>
	=====	=====	=====	=====

Notes to the consolidated financial statements (continued)

16 Analysis of net assets between funds (continued)

Group – 2025	Tangible fixed assets £	Net current assets £	Long term liabilities £	Total £
Unrestricted funds	52,865	3,532,210	-	3,585,175
Restricted funds				
The Scottish Investment Fund	1	6,899,823	-	6,899,824
Social Growth Fund	994,467	-	-	994,467
Social Growth Fund 2	4,773,449	-	-	4,773,449
The Asda Bag Levy Fund	-	33,810	-	33,810
SIS Ventures Limited	-	(78,085)	-	(78,085)
Third Sector Resilience Fund	-	3,303,689	-	3,303,689
	<u>5,820,779</u>	<u>13,691,547</u>	<u>-</u>	<u>19,512,326</u>
	=====	=====	=====	=====
Company - 2025	Tangible fixed assets and investments £	Net current assets £	Long term liabilities £	Total £
Unrestricted funds	52,863	3,409,241	-	3,462,104
Restricted funds				
The Scottish Investment Fund	2,435,106	4,464,715	-	6,899,821
Social Growth Fund	994,466	-	-	994,466
Social Growth Fund 2	4,773,448	-	-	4,773,448
The Asda Bag Levy Fund	-	33,617	-	33,617
Third Sector Resilience Fund	-	3,303,689	-	3,303,689
	<u>8,255,883</u>	<u>11,211,262</u>	<u>-</u>	<u>19,467,145</u>
	=====	=====	=====	=====

Notes to the consolidated financial statements (continued)

17 Reconciliation of net income to net cash from operating activities

	2026		2025	
	Group £	Company £	Group £	Company £
Net (expenditure) for the reporting period(as per the statement of financial activities)	(159,338)	(240,555)	(219,783)	(238,061)
Adjustments for:				
Depreciation charges	28,307	28,307	31,078	31,078
Investment income	(217,075)	(197,309)	(192,161)	(176,503)
Share of profits from joint ventures	(165,595)	(165,595)	(150,869)	(150,869)
(Increase)/Decrease in debtors	281,162	169,418	225,314	1,056,594
Increase/(Decrease) in creditors	46,669	138,912	(445,252)	(496,071)
Net cash (used in) provided by operating activities	(185,870)	(544,646)	(751,673)	26,168
	=====	=====	=====	=====

18 Ultimate controlling party

In the opinion of the trustees, the parent charitable company has no ultimate controlling party.

19 Other professional services provided by the auditor

In common with many other entities of our size and nature we use our auditor to prepare and submit returns to the tax authorities, and assist with the preparation of the financial statements.

20 Related party transactions

A Young (former director of SIS Ventures Limited, until 4 June 2025) invested £15,000 in Impact First Nominees Limited during the year ended 31 March 2019, and has £13,544 (2025: £14,061) owed to them as at the year end.

Social Investment Scotland charged a management charge of £189,550 (2025: £189,550) to SIS (Community Finance) Limited, one of its subsidiaries, in the year. SIS (Community Finance) Limited gift aided £2,118 (2025: £nil) to Social Investment Scotland in the year. There is a balance of £2,250,000 (2025: £2,250,478) due at the year end from SIS (Community Finance) Limited. These transactions have been removed on consolidation.

Social Investment Scotland charged a management charge of £nil (2025: £169,689) to SIS Ventures Limited, one of its subsidiaries, in the year. There is a balance of £nil (2025: £2,555) due at the year end from SIS Ventures Limited. These transactions have been removed on consolidation.

Social Investment Scotland charged a management charge of £65,000 (2025: £65,000) to Community Investment Facility Limited, one of its subsidiaries, in the year. At the year-end, there is a balance of £nil due from (2025: £nil) Community Investment Facility Limited.

Social Investment Scotland charged a management charge of £101,667 (2025: £120,000) to Community Investment Facility 2 Limited, one of its subsidiaries, in the year. At the year-end, there is a balance of £nil due from (2025: £nil) Community Investment Facility 2 Limited.

Notes to the consolidated financial statements (continued)

20 Related party transactions (continued)

All investments made into SIS Community Capital Limited, Impact First Nominees Limited, Community Investment Facility Limited, Community Investment Facility 2 Limited and Impact Ventures Scotland Limited are recognised on a nominee basis and so do not appear within the balance sheet of the companies or group. Under the Charities SORP & FRS102 Section 33, it is a requirement that amounts invested by the directors (both current and prior year directors) are disclosed as related parties and as such these have been set out above.

Social Investment Scotland charged a management charge of £40,733 (2025: £58,353) to Social Growth Fund LLP, one of the entities it jointly controls, in the year. Repayments of investments of £173,715 (2025: £936,140) were received by SIS in the year. At year end, there is a balance of £nil (2025: £34) due from Social Growth Fund LLP.

Social Investment Scotland charged a management charge of £190,476 (2025: £188,899) to Social Growth Fund 2 LLP, one of the entities it joint controls, in the year. Repayments of investments of £355,821 (2025: £610,054) were received by SIS in the year. At year end, there is a balance of £nil (2025: £nil) due from Social Growth Fund 2 LLP.

21 Balances in respect of fund management activities

The charity acts as agent with respect to seven fund management activities. The following assets, liabilities, income and expenditure are not recognised within the financial statements on the basis that the charity is administering these funds as an agent to other entities.

	2026	2025
	£	£
Carnegie Affordable Credit Loan Fund		
Loans under management (including provisions for bad debts)	1,000,000	1,100,000
Cash at bank and in hand	229,403	16,565
Amounts due (to)/from Social Investment Scotland	(9,053)	(17,174)
Net funds under management	1,220,350	1,099,391
	=====	=====
 Interest on loans under management	 40,000	 40,000
Provision for bad debts	119,108	-
Investor returns	-	(494,640)
Management fees	(38,149)	(41,250)
Bank interest	-	641
Net income/(expenditure) in year	120,959	(495,249)
	=====	=====

Notes to the consolidated financial statements (continued)

21 Balances in respect of fund management activities (continued)

	2026	2025
	£	£
Social Impact Accelerator Fund		
Loans under management (including provisions for bad debts)	-	-
Cash at bank and in hand	-	-
Net funds under management	-	-
	=====	=====
Interest on loans under management	-	10,082
Investor return	-	(421,060)
Net income/(expenditure) in year	-	(319,661)
	=====	=====
 Community Sustainability Fund (Formerly Credit Union Resilience Fund)		
Loans under management (including provisions for bad debts)	2,485,000	4,125,000
Cash at bank and in hand	292,122	308,827
Amounts due from Social Investment Scotland	(14,625)	(420,618)
Net funds under management	2,762,497	4,013,209
	=====	=====
Interest on loans under management	122,537	88,571
Management fee	(76,500)	(88,125)
Provision for bad debts	(1,500,000)	-
Investor returns	(200,000)	(593,620)
Transfer from Net Zero Transition Fund	400,000	-
Bank interest	3,251	20,892
Net income/(expenditure) in year	(1,250,712)	(572,282)
	=====	=====

Notes to the consolidated financial statements (continued)

21 Balances in respect of fund management activities (continued)

	2026 £	2026 £
Net Zero Transition Fund		
Loans under management (including provisions for bad debts)	727,740	891,352
Cash at bank and in hand	1,613,149	1,428,285
Amounts due (to)/from Social Investment Scotland	(3,810)	395,549
	<u>2,337,079</u>	<u>2,715,186</u>
	=====	=====
Interest on loans under management	24,760	28,942
Management fee	(14,939)	(71,414)
Restructure fee	100	-
Provision for bad debts	(19,520)	23,073
Transfer to Community Sustainability Fund	(400,000)	-
Bank interest	31,492	32,606
	<u>(378,107)</u>	<u>13,207</u>
	=====	=====
Recovery and Resilience Fund		
Loans under management (including provisions for bad debts)	6,318,236	6,342,931
Cash at bank and in hand	370,686	150,361
Amounts due (to)/from Social Investment Scotland	(34,010)	(36,713)
	<u>6,654,912</u>	<u>6,456,579</u>
	=====	=====
Interest on loans under management	201,209	195,881
Arrangement fees	-	300
Management fee	(133,365)	(130,448)
Provision for bad debts	130,474	38,614
Bank charges	15	(15)
	<u>198,333</u>	<u>104,332</u>
	=====	=====

Notes to the consolidated financial statements (continued)

21 Balances in respect of fund management activities (continued)

	2026 £	2025 £
Just Transition Fund		
Loans under management (including provisions for bad debts)	658,645	779,162
Cash at bank and in hand	127,854	351,100
Amounts due (to)/from Social Investment Scotland	(3,496)	(4,692)
	<u>783,003</u>	<u>1,125,570</u>
	=====	=====
Interest on loans under management	21,732	27,700
Funds received	-	-
Management fee	(15,087)	(16,003)
Grants awarded	-	-
Bank interest	2	271
Investor returns	(349,214)	(176,220)
	<u>(342,567)</u>	<u>(164,252)</u>
	=====	=====
Blended Finance Fund		
Cash at bank and in hand	-	-
Amounts due from Social Investment Scotland	-	-
	<u>-</u>	<u>-</u>
	=====	=====
Net funds under management	-	-
	<u>-</u>	<u>-</u>
	=====	=====
Funds received	-	-
Grants awarded	-	(550,005)
	<u>-</u>	<u>(550,005)</u>
	=====	=====
Net income/(expenditure) in year	-	(550,005)
	<u>-</u>	<u>(550,005)</u>
	=====	=====

22 Guarantee

The members of the parent charitable company have agreed to contribute £1 each to the assets of the parent charitable company in the event of it being wound up.

23 Events after the reporting period

The Board approved amendments to the Articles of Association on 25 June 2026. These amendments incorporated changes to the charity's objects, following approval by OSCR, to enable SIS to support small and medium-sized enterprises operating in deprived areas and those led by under-represented groups.

In August 2026, Scottish Ministers confirmed that the Scottish Investment Fund and associated recycled funds, including related reserves and investment returns, are the property of Social Investment Scotland and may be treated as unrestricted funds. This clarification provides SIS with the ability to deploy these funds in support of its general charitable purposes, while maintaining a strategic partnership and reporting relationship with the Scottish Government.