

Impetus – The Private Equity Foundation

Trading as Impetus

**Annual report and consolidated financial
statements**

For the year ended 31 December 2018

REFERENCE AND ADMINISTRATIVE DETAILS

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

Trustees

Hanneke Smits (Chair from 17 May 2018)
Johannes Huth (Chair, resigned 17 May 2018)
Louis Elson (Deputy Chair, resigned on 25 March 2019)
Lionel Assant (resigned 19 March 2019)
Bill Benjamin
Marc Boughton (resigned 5 June 2019)
Craig Dearden-Phillips (resigned 5 June 2019)
Becky Francis
Rohan Haldea (appointed 19 March 2019)
Patrick Healy (resigned 9 November 2018)
Caroline Mason (resigned 25 September 2018)
Robert Ramsauer (appointed 19 March 2019)
Nikos Stathopoulos (resigned 5 June 2019)
Lisa Stone
Simon Turner
Shani Zindel

Chief Executive Officer: Andrew Ratcliffe

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160 Grafton Place
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Auditor: Haysmacintyre LLP
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EC4R 1AG

Primary banker: NatWest
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Primary solicitors: Clifford Chance
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REPORT FROM THE CHAIR

2018 marked five years since The Private Equity Foundation and Impetus Trust merged to form Impetus-PEF, now known simply as 'Impetus'. 2018 was also my first year as Chair, and I am immensely proud of all that we have achieved.

In the years that have followed our merger, we have transformed thousands of young lives and generated over £100 million of value for our charity partners, who in turn are getting stronger, better and bigger through our support.

Our work with our charity partners is showing results, giving many more young people from disadvantaged backgrounds the chance to succeed in school, in work and in life. By forming deep partnerships with our charities, giving them long-term core funding and the right support and challenge, we are building charities today that will be sector leaders in the years ahead. We shared four impact stories this year – showcasing our work with IntoUniversity, The Access Project, Action Tutoring and Resurgo – that highlight how, with our input, it is possible to grow while maintaining a rigorous focus on quality.

We came together with others to make a difference too. With the Centerbridge Foundation and Bain & Company, we backed Action Tutoring to deliver free GCSE tutoring to more young people. We worked with OC&C who delivered major strategic reviews for City Gateway and TwentyTwenty. We also joined forces with the Education Endowment Foundation to help Magic Breakfast and Family Action win a £24 million government tender to bring their programmes to 1,770 more schools.

I am also confident that we are influencing policy and decision-makers in order to ensure that all young people get the support they need. With our charities and other charities in the sector, we called on the government to protect widening participation funding to make university access fairer for all. We have since had promising meetings with the Minister for Universities and Science, and we look forward to working together to explore solutions.

The reason we have been able to achieve all of this is that we have the support of committed and creative funders as well as pro bono partners. All of them believe in our approach and think innovatively and long-term about how they invest in us. This year Hg donated a percentage of its carry from a successful fund, Goldman Sachs became our first ever Transforming Lives Dinner sponsor, Inflexion rallied its troops to raise a record-breaking £240,000 for our triathlon, and Kirkland & Ellis donated their time and expertise in support of our rebrand.

I want to express my sincerest thanks to our impressive and passionate team, as well as to our dedicated Board, for their tireless work and support. I am proud of what we have achieved with our charity partners, and of the difference that we have made together in the lives of young people from disadvantaged backgrounds across the country. I am excited about the years ahead of us, as we get even more young people succeeding at school, in work and in life.

Hanneke Smits
Chair

REPORT FROM THE CHIEF EXECUTIVE OFFICER

2018 was the 5th anniversary of the merger of Impetus Trust and the Private Equity Foundation. It was a moment not just to celebrate but also to reflect. Because we know that it takes time to build high performance charities that can have a bigger and bigger impact for more and more children and young people. The improvements we support our partner charities to make – in their leadership, their impact, or for their organisational sustainability – aren't always easy to discern from week-to-week or even month-to-month. That's why it was so inspiring to step back and take the long view in our Impact Case Studies. These reports describe our work over the long term helping four great charities – IntoUniversity, The Access Project, Action Tutoring, and Resurgo – to support more young people and support them better to succeed in school, in work and in life. Reading them gives me a renewed belief that our rigorous approach to building impact is something really special.

It's the unique mix of long-term core funding, the knowledge and systematic methodology of our investment team, and our truly world class network of pro bono providers that allows us to achieve the results we do. In 2018 we delivered £15m of value to our charity partners, up 47% from 2017, to help them improve in all aspects of their programmes and organisations. And I said last year that we and our charity partners can't succeed alone and that we needed to work with others to influence money and policy so that all young people get the support they need. So I am pleased to see that having Impetus as a partner is helping our charities to get even more funding from other sources, in 2017 they secured £1.9m of extra funding on top of our own because of their work with Impetus, and in 2018 this had risen to £6.7m meaning that for every £1 of grants we give to our partner charities they receive nearly £2 of extra funding on top.

We are also proud that in early 2019 (just outside the period covered by this annual report) we were chosen by the government to manage the ten year, £200m Youth Endowment Fund with our partners the Early Intervention Foundation and the Social Investment Business. This programme focus on supporting the most vulnerable 10-14 year olds to keep them on track and prevent them getting involved in crime when they get older. The fact that we were selected is testament to the reputation we have built for backing the best charities working with disadvantaged young people.

The need to increase our influence and work more with others is why 2018 was the year of another big change for us, we simplified our name to Impetus (from Impetus – The Private Equity Foundation) to reflect the fact that our model, which was built on private equity thinking, now needs to reach a much wider set of partners and supporters.

As always, we can only do any of this because of our supporters who give of their time, expertise and money with passion and generosity. This year we raised £6m, including our biggest single donation ever, thanks to an innovative new way of giving from Hg Capital who donated a share of the carry on one of their successful funds. And we continue to be backed by an incredible array of pro bono experts – so there is no problem that the leaders of our partner charities might have where we don't know someone who can help.

Andy Ratcliffe
Chief Executive

TRUSTEES' REPORT

The trustees, who are also the directors of the charitable company, are pleased to present their annual report on the work of Impetus in 2018 and its plans for 2019, together with the financial statements for the year ended 31 December 2018.

OBJECTIVES AND ACTIVITIES

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

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

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

The table below summarises our performance in 2018 against the objectives we set ourselves.

Priorities for 2018	Activities	Performance
<p>1. Deliver a portfolio that is on track to produce sector leading charities by 2020, with a strong pipeline of charities for future years</p>	<ul style="list-style-type: none"> ➤ Core work with our charities to help them become more effective, larger, and more sustainable through: investment team support, pro bono, working groups ➤ Grant funding ➤ Sector research to understand the trends in the sector including understanding the wider funding landscape and new investments opportunities ➤ Refinement of our model based on what we've learned from the last three years of delivery 	<ul style="list-style-type: none"> ➤ Our charities are getting stronger and performing better through our support based on measures in our 'outcomes framework' ➤ We made £3.3m of grants, slightly below budget mainly because of timing delays with new investments ➤ We focused our sector research on the employability sector ➤ We've been refining our model as a part of our practice development work
<p>2. Mobilise more resources behind our strategy i. Get more external resources behind our charities through co-investment and policy</p>	<ul style="list-style-type: none"> ➤ Secure £500,000 of co-investment for our later-stage charities and £1m of wider leverage based on past performance ➤ Sharing the lessons from the furthest advanced charities, including case studies ➤ Put youth unemployment and inactivity back on the policy agenda and influence long term funding for employability charities through our work on the Youth Opportunity Index 5th anniversary report to share our learning so far Tutoring, Magic Breakfast, ThinkForward, Resurgo with case studies ➤ 5th anniversary report to share the success of our model 	<ul style="list-style-type: none"> ➤ We secured £375,000 of co-investment in 2018 (a three year commitment of £125,000 per year) and are confident that other co-investment partnerships will develop in the first half of 2019. We secured £6.7m of wider leverage funding for our charities. ➤ The renamed Youth Jobs Gap research was been delayed to 2019 because of delays with data access ➤ Our case studies of our work with IntoUniversity, The Access Project, Action Tutoring and Resurgo are excellent ➤ We decided to do a series of communications and an event around the 5th anniversary rather than a single report and had an excellent social media campaign

Priorities for 2018	Activities	Performance
ii. Fundraising	<ul style="list-style-type: none"> ➤ Raise £4.9m with an increasing proportion of multi-year commitments 	<ul style="list-style-type: none"> ➤ We raised £6.2m, well over budget

Investment

We have a unique approach:

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

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

The portfolio of charities continues to mature well. The portfolio’s overall score on our Outcomes Framework has increased and, importantly, all but two of our charities have either stabilised or increased their outcome success rates.

We made £3.3m of grants but underspent by £300,000 against the grants budget – in part due to a decision not to invest in a three-year Build proposal for one charity and approvals for new charities taking place later than expected.

Several of our later-stage investments - Action Tutoring and The Access Project - progressed to later Build phase, with ambitious plans to further develop their impact and grow outcomes. We reinvested for three years in our Focus partners, West London Zone, and are backing a two-year, Scale-up support plan for Magic Breakfast with the Education Endowment Foundation to deliver the £26m government tender we helped them win. And we are using bespoke benchmarking analysis derived from our sector-leading Youth Jobs Gap to test our portfolio’s impact.

Co-investment and partnerships

Our co-investment strategy is to secure funding from other sources for the charities we work with. We have secured CenterBridge on a rolling three-year basis after the initial pilot (worth £375,000 a year by 2020) and we are seeing the spread of our influence among funders to support our charities. We also saw £6.7m in leveraged income that was paid directly to our charities, but which they attributed our partnership in being integral in securing the funding.

Value added to our portfolio of charities

Since Impetus and its predecessors were established, we’ve raised £137m of value towards our mission. This includes the donation and investment income we’ve secured, the pro bono services donated to us and our portfolio of charities, and the additional funds the charities have been able to raise with our support.

The next table shows the cumulative value that we generated for our charities by the end of 2018 and how much we generated in 2018. The difference between the £137m of value raised towards our mission and the £113m in the full value column in the table is the resources used to support our core costs or held in reserves.

	Cumulative Full value £m	Cumulative Statutory basis £m	2018 Full value £m	2018 Statutory basis £m
Pro bono services donated to charities	32.8	31.6	2.5	2.5
Value of Impetus-PEF Investment team	23.0	23.0	2.1	2.1
Additional funds raised for charities	15.9	-	6.7	-
	71.7	54.5	11.3	4.6
Grants made to charities	41.7	41.7	3.4	3.4
Total value to charities	113.4	96.2	14.6	7.9
Total value per £1 of grants made	£1.72	£1.31	£3.35	£1.37

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

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

Policy

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

In 2018, we delivered strong policy reports on apprenticeships, free school meals and access to higher education which allowed us to strengthen our reputation with stakeholders and open up conversations with policy makers.

We also delivered our first four impact stories about our work with our charities, engaging CEOs, young people, and supporters.

Fundraising

We brought in £6.2m against a budget of £4.8m. We also saw a big increase in multi-year commitments: we started 2018 with £1.5m of committed income, and 2019 with £2.3m.

A fully staffed philanthropy team has been the driver behind this success and this year we have rolled out a new business strategy and much larger engagement programme. We held three new business dinners and broadened our outreach in new business to Manchester. Over the year we held 40 new business meetings.

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

FINANCIAL REVIEW

Our income in 2018 was £9.0m (2017: £7.7m). We received generous financial support from four main sources: individual donations, corporate sponsors, grant making trusts and foundations, and public funding. Grants and cash donations went up from £3.3m to £4.5m. We

saw another increase in our income from fundraising events, up from £1.5m to £1.65m.

Our income includes the value our pro bono experts contributed in the form of donated services. This was £2.5m over the past year, compared to £2.6m in 2017.

Our expenditure decreased from £9.6m to £9.0m. Within this total, we spent more on raising funds – up from £0.9m to £1.0m – and saw a significant increase in income. We spent less on grants to charities - down from £4.1m to £3.4m – partly because of decision not to go ahead new Build grant to one of our charities. Other support to charities was up from £1.97m to £2.09m and pro bono support remained stable at over £2.5m.

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

- minimum unrestricted funds being set as (i) six months operating costs; and (ii) the cash cost of the office lease commitment up until the break; and

- unrestricted funds not being designated by the trustees. Rather, a narrative is used to explain how unrestricted funds would be used against ongoing grant agreements and planned new investments.

Our unrestricted funds were £7.44m at 31 December 2018 (2017: £7.7m). The minimum level of unrestricted reserves to comply with our reserves policy is £1.8m (2017: £1.8m) including the office lease commitment. However, given the longer-term nature of our investments, a substantial proportion of our funds are targeted at fulfilling funding commitments to charities.

The total amount of grants to portfolio charities that are authorised but not accrued as expenditure at 31 December 2018 was £4.1m (2017: £2.3m). These grants only become an obligation to Impetus if the charities achieve specific milestones. The authorised amount of £4.1m relates to the current portfolio charities and excludes any amounts in respect of new investees or next phase investments yet to be approved by the Investment Committee. If all current grant agreements progress as planned, then the grants made in 2019 will be £2.3m of the authorised £4.1m.

Our level of reserves is such that we can reduce them over the period of our five-year plan (though remaining above the minimum level) as we continue to support more organisations, including through grants, for a significant period in their journey to scaling impact. In the longer-term, we will need to raise additional funds to fulfil our commitments. We project that over 2019 to 2021 expenditure will continue to exceed income.

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

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

PLANS FOR FUTURE PERIODS

For 2019, the top priority across the organisation is to be on track to produce sector leading charities by 2020.

A big new addition is a goal to **establish ourselves as the leading impact organisation for**

education and employment in the UK. This is a direct response to what we've learned from our efforts to build co-investment partnerships and influence the wider funding market. The thing potential partners like the Big Lottery, trusts and foundations, and the more sophisticated family offices, are most interested in, where we have a unique, world class product, is our approach to impact.

The table below sets out our priorities for 2019 and the main activities to support them.

Priorities for 2019	Main activities for 2019
1. Deliver a portfolio that is on track to produce sector leading charities by 2020, with a strong pipeline of charities for future years	<ul style="list-style-type: none"> ➤ Core work with our charities to help them become more effective, larger and more sustainable through investment and pro bono support, and peer learning networks ➤ Origination of new investments against the employment portfolio strategy and completion of portfolio strategy for education domain ➤ Refinement of the pro bono support and peer learning models to drive and embed charity progression ➤ Embedding codified investment support via practice notes and process for ongoing quality assurance and refinement ➤ Establishing benchmarks for our employability charities using Youth Job Gaps data
2. Mobilise more resources behind our strategy i. Get more external resources behind our charities through co-investment and policy	<ul style="list-style-type: none"> ➤ Secure £500k of co-investment and £1m of wider leverage for our charities ➤ Get a big policy win with our Youth Jobs Gap, push youth employment up the policy agenda, influence the funding environment for our employability charities ➤ Deliver a successful brand refresh and digital communications workplan
ii. Raise £5.2m (including donations, events and other income) while building a fundraising model that can deliver growth (including new donors, new markets, and new ways of giving)	<ul style="list-style-type: none"> ➤ Maintain current level of fundraising ➤ Refresh events to maintain income level (Transforming Lives Dinner and Triathlon) ➤ Develop long term fundraising strategy (including Carry Giving and a focus on family offices through wealth managers)
3. Establish ourselves as the leading impact organisation for education and employment in the UK	<ul style="list-style-type: none"> ➤ Understanding our position in the impact market and how we want to differentiate ourselves ➤ Capturing our intellectual property for both internal and external use ➤ Getting our voice heard through our communications strategy
4. Establish the Youth Endowment Fund	<ul style="list-style-type: none"> ➤ Set up the Youth Endowment Fund with our partners ➤ Begin delivery of an ambitious grants and research programme as part of the What Works Network

Our medium-term priorities for 2021 in each of the first three categories above are:

1. Investment

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

2. Mobilising resources behind our strategy
 - i. Get more external resources behind our charities through co-investment and policy:
 - An established co-investment model capable of supporting our portfolio charities to become sector leading, with a particular focus on securing co-investments for our later stage charities
 - A proven ability to influence government policy and spending so it supports the development of our portfolio charities (this can be short term – immediate policy change benefiting our charities; or long term – for example, ensuring more government money goes into employability) and to identify public affairs opportunities for our portfolio.
 - ii. Get more external resources behind our charities through co-investment and policy:
 - An established revenue model delivering at least £5.5m a year, with high predictability (substantial multi-year commitments)
3. Establish ourselves as the ‘go to’ organisation for being looking to spend money on education and employment in the UK (people come to us, not us going to them)

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure and public benefit

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

Our objects are:

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

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

- **The benefits generated by the activities of the charity are clear.** This report sets out in some detail the activities which Impetus has carried out in the year supporting charities and striving to achieve our mission.
- **The benefits generated relate to the objects of the charity.** All activities undertaken are intended to further Impetus’ charitable objects, noted above.
- **The people who receive support are entitled to do so according to criteria set out in the charity’s objects.** All Impetus projects are focused on charities and improving their effectiveness. This will lead to improved delivery to their beneficiaries.

Governance and management

The governing body of the charity is the Board of Trustees which, as of 31 December 2018, comprised 11 members who are listed on page 2. We were delighted to appoint two new trustees in March 2019.

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

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

The Board sets strategy and reviews policy. Day-to-day responsibility is delegated to the Chief Executive Officer, who works closely with the Chair and Vice-Chair. During 2018, the Board met four times. There were five committees of the Impetus Board in 2018: Investment, Governance, Resources and Audit, Public Affairs, and Development. The committees ensure in-depth review and oversight of our activities. They ensure that the specific areas of focus are led, where possible, by trustees.

Investment Committee

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

Governance Committee

The committee has a strategic role in defining the role of the Board as well as how the Board interacts with its committees. It also directs the trustee recruitment process and trustee responsibilities and defines the link between the Advisory Council and the Board. The committee is responsible for conducting the Chair evaluation annually as well as advising on trustee and Board development and an evaluation of the other committees.

Resources and Audit Committee

The committee is responsible for reviewing and monitoring all financial aspects of Impetus and reports to the Board on such matters, including financial risk management. During 2018, the remit of the committee was extended to include IT, HR and premises and the name changed from Finance and Audit Committee to Resources and Audit Committee. Due to the size and nature of the organisation, the committee considers that an internal audit function is not required.

Development Committee

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

Public Affairs Committee

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

Pay policy for senior staff

The trustees consider the senior management team to comprise the key management personnel of the charity. In 2018, this comprised the Chief Executive, the Chief Operating Officer, the Portfolio Director, the Director of Philanthropy and Partnerships, the Director of Public Affairs and, until March when the postholder left, the Director of Strategy, Impact and Learning. The pay of the senior management team is reviewed annually along with that of other staff. Staff roles are mapped against comparable roles using a charity sector salary survey. The Board aims for Impetus salaries to be within 5% of the upper quartile salary for their matched position. The intention is to position Impetus as a good payer within the sector.

Related parties and connected organisations

These financial statements consolidate Impetus' subsidiary, PEF Trading Limited. Details of this entity are disclosed in the notes to the accounts.

The Education Endowment Foundation (EEF) was established in 2011 by The Sutton Trust as the lead charity in partnership with Impetus Trust to boost attainment of some of the country's most disadvantaged children. The EEF received a founding grant of £125 million from the Department for Education. With investment and fundraising income, the EEF intends to award as much as £200 million over the 15-year life of the Foundation. Three of our trustees in 2018 were trustees of EEF - Johannes Huth (to 10 September 2018), Louis Elson and Hanneke Smits (from 11 December 2018).

US sister charity

Impetus works closely with its US sister charity, PEF 1, Inc. (PEF 1). PEF 1 is a Delaware non-stock corporation which has been granted 501(3) c status by the IRS and was incorporated on 4 December 2006. As at 31 December 2018, PEF 1 held \$108,000 of unrestricted reserves. PEF 1 shares the charitable aims and objectives of Impetus-PEF and works closely with Impetus in identifying investments and supporting the charity portfolio. However, although Impetus and PEF 1 closely cooperate with one another, PEF 1 is an independent organisation, with its own board and decision-making processes. In recognition of the shared goals between the organisations, PEF 1 has engaged Impetus to fundraise, administer and monitor its charitable investments. The precise framework of this is governed by a service agreement which ensures the expectations of both organisations are managed.

Risk and internal control

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

Risk	Mitigation
🔴 Co-investment strategy does not deliver sufficient resources for our partner charities	Significant work on co-investment in 2018 including CEO, Philanthropy team and Investment team. Our ability to work with our charities to get co-investment for the Build phase is developing.
🔴 Investment model not as effective as planned	Comprehensive outcomes framework and portfolio dashboard used to monitor charity progress.

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| <ul style="list-style-type: none"> ➤ Difficulty in attracting new donors | <p>Major focus with Development Committee and Board and priority for the Philanthropy team. Continuing to strengthen the Development Committee.</p> |
| <ul style="list-style-type: none"> ➤ Organisational costs are seen as too high compared to other charities | <p>Communication on the importance of value (including impact) versus cost. Outlining how core costs support our objectives. Emphasising to potential funders the range of value that is delivered to our charities.</p> |
| <ul style="list-style-type: none"> ➤ Failure to recruit, integrate and support new Trustees well | <p>Chair and Governance Committee engaged in finding outstanding Trustees. Recruitment process in place.</p> |

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

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

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

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

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

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

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

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

The trustees' report, incorporating the directors' report was approved by the trustees on 25 June 2018 and signed on their behalf by the Chair. In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Hanneke Smits, Chair
25 June 2019

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

Opinion

We have audited the financial statements of Impetus – The Private Equity Foundation for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, the Charity Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2018 and of the group's and parent charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 15, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept

or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tracey Young (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

5 July 2019

Impetus

Consolidated statement of financial activities

For the year ended 31 December 2018

	Note	Restricted £	Unrestricted £	2018 Total £	Restricted £	Unrestricted £	2017 as restated Total £
Income:							
Donations and grants	2a	329,000	6,750,357	7,079,357	79,000	5,826,076	5,905,076
Events and fundraising activities	2b	-	1,645,185	1,645,185	-	1,483,089	1,483,089
Investment	2c	-	66,198	66,198	-	108,305	108,305
Other	2d	-	204,107	204,107	-	155,426	155,426
Total income		<u>329,000</u>	<u>8,665,847</u>	<u>8,994,847</u>	<u>79,000</u>	<u>7,572,896</u>	<u>7,651,896</u>
Expenditure:							
Raising funds	3a	-	1,015,140	1,015,140	-	920,737	920,737
Charitable activities	3a	79,000	7,916,440	7,995,440	379,000	8,307,321	8,686,321
Total expenditure		<u>79,000</u>	<u>8,931,580</u>	<u>9,010,580</u>	<u>379,000</u>	<u>9,228,058</u>	<u>9,607,058</u>
Net expenditure	5	250,000	(265,733)	(15,733)	(300,000)	(1,655,162)	(1,955,162)
Net income/(expenditure) attributable to minority interest		-	-	-	-	26	26
Net movement in funds		<u>250,000</u>	<u>(265,733)</u>	<u>(15,733)</u>	<u>(300,000)</u>	<u>(1,655,136)</u>	<u>(1,955,136)</u>
Reconciliation of funds:							
Funds at the start of the year	15	-	7,706,313	7,706,313	300,000	9,361,449	9,661,449
Funds at the end of the year	15	<u>250,000</u>	<u>7,440,580</u>	<u>7,690,580</u>	<u>-</u>	<u>7,706,313</u>	<u>7,706,313</u>

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

The notes on pages 23 to 32 form an integral part of these financial statements.

Impetus

Charity statement of financial activities

For the year ended 31 December 2018

	Note	Restricted £	Unrestricted £	2018 Total £	Restricted £	Unrestricted £	2017 as restated Total £
Income:							
Donations and grants	2a	329,000	6,750,357	7,079,357	79,000	5,826,076	5,905,076
Events and fundraising activities	2b	-	1,645,185	1,645,185	-	1,483,089	1,483,089
Investment	2c	-	66,198	66,198	-	108,305	108,305
Other	2d	-	204,107	204,107	-	228,341	228,341
Total income		<u>329,000</u>	<u>8,665,847</u>	<u>8,994,847</u>	<u>79,000</u>	<u>7,645,811</u>	<u>7,724,811</u>
Expenditure:							
Raising funds	3e	-	1,015,140	1,015,140	-	920,737	920,737
Charitable activities	3e	79,000	7,916,135	7,995,135	379,000	8,307,290	8,686,290
Total expenditure		<u>79,000</u>	<u>8,931,275</u>	<u>9,010,275</u>	<u>379,000</u>	<u>9,228,027</u>	<u>9,607,027</u>
Net expenditure	5	250,000	(265,428)	(15,428)	(300,000)	(1,582,216)	(1,882,216)
Net movement in funds		<u>250,000</u>	<u>(265,428)</u>	<u>(15,428)</u>	<u>(300,000)</u>	<u>(1,582,216)</u>	<u>(1,882,216)</u>
Reconciliation of funds:							
Funds at the start of the year		<u>-</u>	<u>7,705,430</u>	<u>7,705,430</u>	<u>300,000</u>	<u>9,287,646</u>	<u>9,587,646</u>
Funds at the end of the year		<u>250,000</u>	<u>7,440,002</u>	<u>7,690,002</u>	<u>-</u>	<u>7,705,430</u>	<u>7,705,430</u>

The notes on pages 23 to 32 form an integral part of these financial statements.

Impetus

Balance sheets

As at 31 December 2018

	Note	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Fixed assets					
Tangible fixed assets	10	18,196	63,382	18,196	63,382
Investments	11	44,444	182,222	44,445	182,223
		<u>62,640</u>	<u>245,604</u>	<u>62,641</u>	<u>245,605</u>
Current assets					
Debtors	12	809,181	1,779,175	809,181	1,779,775
Cash at bank and in hand		7,222,628	6,028,542	7,222,049	6,027,058
		<u>8,031,809</u>	<u>7,807,717</u>	<u>8,031,230</u>	<u>7,806,833</u>
Creditors: amounts due within one year	13	<u>(403,869)</u>	<u>(347,008)</u>	<u>(403,869)</u>	<u>(347,008)</u>
Net current assets		<u>7,627,940</u>	<u>7,460,709</u>	<u>7,627,361</u>	<u>7,459,825</u>
Net assets	14	<u>7,690,580</u>	<u>7,706,313</u>	<u>7,690,002</u>	<u>7,705,430</u>
				-	
Funds					
Restricted funds	15	250,000	-	250,000	-
Unrestricted funds	15	7,440,580	7,706,313	7,440,002	7,705,430
Total funds		<u>7,690,580</u>	<u>7,706,313</u>	<u>7,690,002</u>	<u>7,705,430</u>

The financial statements for Impetus, (company registration number 08460519 and charity registration number 1152262), for the year ended 31 December 2018 were approved and authorised for issue by the Board on 25 June 2019.

Hanneke Smits
Trustee

Lisa Stone
Trustee

The notes on pages 23 to 32 form an integral part of these financial statements.

Impetus

Consolidated cash flow statement

For the year ended 31 December 2018

	Note	2018 £	2017 £
Net cash used in operating activities	(a)	1,127,888	(2,955,463)
Cash flows from investing activities:			
Dividends and interest received		66,198	108,305
Purchase of property, plant and equipment		-	(15,233)
Net cash used in investing activities		66,198	93,072
Change in cash and cash equivalents in the year		1,194,086	(2,862,391)
Cash and cash equivalents at the beginning of the year		6,028,542	8,890,933
Cash and cash equivalents at the end of the year		7,222,628	6,028,542
(a) Reconciliation of net expenditure to net cash flow from operating activities			
		2018 £	2017 £
Net movement in funds		(15,733)	(1,955,136)
Return on programme related investment		137,778	31,962
Dividends and interest		(66,198)	(108,305)
Depreciation		45,186	63,215
Increase/(decrease) in funds attributable to minority interests		-	(522,891)
(Increase)/decrease in debtors		969,994	(387,190)
Increase/(decrease) in creditors		56,861	(77,118)
Net cash inflow/(outflow) from operating activities		1,127,888	(2,955,463)

The notes on pages 23 to 32 form an integral part of these financial statements.

Impetus

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

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

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

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

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

Going concern

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

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

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

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

- c) Donated services and facilities are recognised as income and expenditure in the financial statements when companies or individuals offer their professional expertise on a pro bono basis. The value of these donated services and facilities is an estimated figure based upon the valuation the professional individual or organisation places upon the time, services and facilities they have provided to Impetus. Individuals offering their time to work in areas where they are not undertaking their profession are classified as volunteers and their time is not quantified in the accounts, but is disclosed in the trustees' report. All of these amounts are treated as unrestricted donations. Income and expenditure relating to donated services were misstated in the prior year by £205,209, although there was no impact on the reported net expenditure for the year. The comparative amounts have been restated to correct this error.

- d) Expenditure is recognised on an accruals basis, inclusive of any VAT which cannot be recovered. Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

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

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

Impetus

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

- e) Grants payable to charities are charged in the year when the offer is conveyed to the investee charity except in those cases where the offer is conditional, which is typical of investee charities of Impetus. Funding is usually offered over a period of up to five years, which is reviewed on a regular basis throughout the funding relationship. Continued funding is conditional upon the charities meeting specified milestones. Conditional grants are recognised as expenditure when the conditions are fulfilled. If the conditions have not been met at the year end, the grants are disclosed as a future commitment but are not shown as expenditure.
- f) The group's financial instruments all qualify as basic financial instruments in accordance with section 11 of FRS102 and are recognised on the following bases:
- i. Programme related investments and investments in subsidiaries are measured at cost less provision for impairment.
 - ii. Cash and cash equivalents represent bank balances and deposits held in sterling.
 - iii. Debtors, including Gift Aid receivable, are measured at the transaction price less any provision for doubtful debts.
 - iv. Trade creditors are measured at the transaction price.
- g) Items of equipment are capitalised where the purchase price or the cost of the capital project exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.
- h) Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

Computer equipment	Three years
Office equipment	Four years
Fixtures and fittings	Five years

- i) Short term deposits represent cash on deposit.
- j) Unrestricted funds are donations and other income receivable or generated for the objects of the charity.
- k) Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is matched to the restricted funds, together with a fair allocation of overheads and support costs, if appropriate.
- l) The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the charity the fund. The charity has no liability under the scheme other than for the payment of those contributions.
- Pension contributions are also made on behalf of eligible employees and are paid into personal pension schemes as nominated by the employee and contributions pass through the SOFA as incurred.
- m) Transactions in foreign currencies are translated into sterling at the rates of exchange current at the date of the transaction. Foreign currency monetary assets and liabilities in the balance sheet are translated into sterling at the rates of exchange ruling at the end of the year. Resulting exchange gains and losses are taken to the statement of financial activities.
- n) Leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease. The charity has no finance leases.
- o) The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The key judgment which has had the most significant effect on amounts recognised in the financial statements relates to the recognition and measurement of Donated Services (see note 1(c)).

Impetus

Notes to the financial statements

For the year ended 31 December 2018

2. Total income

a) Donations and grants	Group	Group	Charity	Charity
	2018	2017	2018	2017
	Total	as restated	Total	as restated
	£	£	£	£
Grants	662,500	843,307	662,500	843,307
Donated services	2,537,914	2,581,592	2,537,914	2,581,592
Cash donations from individuals and companies	3,878,943	2,480,177	3,878,943	2,480,177
Donations and grants	7,079,357	5,905,076	7,079,357	5,905,076

Donations and events income received from Trustees to the charity totalled £679,217 (2017: £741,139).

b) Events and fundraising activities				
Fundraising events	1,645,185	1,483,089	1,645,185	1,483,089
c) Investment				
Interest receivable	66,198	108,305	66,198	108,305
d) Other income				
Other income	204,107	155,426	204,107	228,341
Total income	8,994,847	7,651,896	8,994,847	7,724,811

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

e) Additional funds raised for portfolio charities

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

	2018	2017
	Total	Total
	£	£
Total additional funds generated by Impetus for portfolio charities	6,688,867	1,900,526

Impetus

Notes to the financial statements

For the year ended 31 December 2018

3 (a). Total expenditure - Group

Note for the current year	Grant	Activities	Support costs	Group
	funding	undertaken		
	£	directly	£	£
		£		
Raising funds				
Fundraising and events	-	-	1,015,140	1,015,140
Charitable activities				
Supporting charities	-	1,294,399	793,950	2,088,348
Grants payable to charities (note 4)	3,369,178	-	-	3,369,178
Donated services	-	2,477,022	60,892	2,537,914
Total charitable activities	3,369,178	3,771,421	854,842	7,995,440
Total expenditure	3,369,178	3,771,421	1,869,982	9,010,580
Note for the prior year	Grant	Activities	Support costs	Group
	funding	undertaken		
	£	directly	£	as restated
		£		£
Raising funds				
Fundraising and events	-	-	920,737	920,737
Charitable activities				
Supporting charities	-	1,222,395	750,579	1,972,974
Grants payable to charities (note 4)	4,131,755	-	-	4,131,755
Donated services	-	1,906,582	675,010	2,581,592
Total charitable activities	4,131,755	3,128,977	1,425,589	8,686,321
Total expenditure	4,131,755	3,128,977	2,346,326	9,607,058

3 (b). Activities undertaken directly - Group

	Group	Group
	2018	2017
	£	as restated
		£
Staff costs	891,575	919,186
Office costs	313,481	211,367
Depreciation	21,982	30,027
Donated services	2,477,022	1,906,582
Programme costs incurred in subsidiaries (notes 6 and 7)	305	30
Other costs	67,056	61,785
	3,771,421	3,128,977

3 (c). Support costs - Group

	Raising	Charitable	Total	Raising	Charitable	Total
	funds	activities	2018	funds	activities	2017
	£	£	£	£	£	as restated
						£
Staff costs	520,011	478,182	998,193	437,606	443,117	880,723
Office costs	156,738	174,156	330,894	111,246	122,370	233,616
Depreciation	10,991	12,213	23,204	15,804	17,384	33,188
Donated services	-	60,892	60,892	-	675,010	675,010
Fundraising events costs	309,028	-	309,028	290,195	-	290,195
Other costs	18,372	129,399	147,771	65,886	167,708	233,594
	1,015,140	854,842	1,869,982	920,737	1,425,589	2,346,326

Included within support costs above are governance costs totalling £87,692 (2017: £595,540).

Impetus

Notes to the financial statements

For the year ended 31 December 2018

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

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

	2018 £	2017 as restated £
Core portfolio charities	2,334,596	1,724,577
Impetus - portfolio	142,426	182,005
Impetus - other	60,892	675,010
Total donated services	<u>2,537,914</u>	<u>2,581,592</u>

3 (e). Total expenditure - Charity

Note for the current year	Grant funding £	Activities undertaken directly £	Support costs £	Total 2018 £
Raising funds				
Fundraising and events	-	-	1,015,140	<u>1,015,140</u>
Charitable activities				
Supporting charities	-	1,294,093	793,950	<u>2,088,043</u>
Grants payable to charities (note 4)	3,369,178	-	-	<u>3,369,178</u>
Donated services	-	2,477,022	60,892	<u>2,537,914</u>
Total charitable activities	<u>3,369,178</u>	<u>3,771,115</u>	<u>854,842</u>	<u>7,995,135</u>
Total expenditure	<u>3,369,178</u>	<u>3,771,115</u>	<u>1,869,982</u>	<u>9,010,275</u>

Note for the prior year	Grant funding £	Activities undertaken directly £	Support costs £	Total 2017 as restated £
Raising funds				
Fundraising and events	-	-	920,737	<u>920,737</u>
Charitable activities				
Supporting charities	-	1,222,365	750,578	<u>1,972,943</u>
Grants payable to charities (note 4)	4,131,755	-	-	<u>4,131,755</u>
Donated services	-	1,906,582	675,010	<u>2,581,592</u>
Total charitable activities	<u>4,131,755</u>	<u>3,128,947</u>	<u>1,425,588</u>	<u>8,686,290</u>
Total expenditure	<u>4,131,755</u>	<u>3,128,947</u>	<u>2,346,325</u>	<u>9,607,027</u>

3 (f). Activities undertaken directly - Charity	2018 £	2017 as restated £
Staff costs	891,575	919,186
Office costs	313,481	211,367
Depreciation	21,982	30,027
Donated services	2,477,022	1,906,582
Other costs	67,056	61,785
	<u>3,771,116</u>	<u>3,128,947</u>

3 (g). Support costs - Charity

	Raising funds £	Charitable activities £	Total 2018 £	Raising funds £	Charitable activities £	Total 2017 as restated £
Staff costs	520,011	478,182	998,193	437,606	443,117	880,723
Office costs	156,738	174,156	330,894	111,246	122,370	233,616
Depreciation	10,991	12,213	23,204	15,804	17,384	33,188
Donated services	-	60,892	60,892	-	675,010	675,010
Fundraising events costs	309,028	-	309,028	290,195	-	290,195
Other costs	18,372	129,399	147,771	65,887	167,707	233,594
	<u>1,015,140</u>	<u>854,842</u>	<u>1,869,982</u>	<u>920,738</u>	<u>1,425,588</u>	<u>2,346,326</u>

Impetus

Notes to the financial statements

For the year ended 31 December 2018

4. Grants payable

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

	2018	2017
	£	£
Access Project	340,000	302,500
Action Tutoring	364,000	255,000
Adviza	140,960	257,666
Catch 22	-	700,000
City Gateway	396,000	420,000
Dallaglio Rugby Works	150,000	115,000
Dixons	250,000	250,000
Family Nurse Partnership	-	50,000
IntoUniversity	425,000	100,000
Magic Breakfast	62,500	25,000
Place2Be	51,500	51,500
Power 2	150,000	175,000
Resurgo	275,000	400,000
Springboard	90,000	10,000
Street League	-	77,920
ThinkForward	163,000	440,898
Twenty Twenty	130,585	217,259
Venture Trust	206,000	154,500
West London Zone	83,333	75,000
Other	-	4,800
Group and Charity total	3,277,878	4,082,043

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

	2018	2017
	£	£
Bright Blue	-	6,000
NEETS project	-	13,035
Life After School campaign	-	9,900
Ready to Work Campaign	-	9,930
Youth Jobs Gap	91,300	9,642
Other	-	1,205
Group and Charity Total	91,300	49,712

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

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

The total amount of grants authorised but not accrued as expenditure at 31 December 2018 was £4,052,666 (2017: £2,326,545). This amount relates to the charities listed above, but excludes any amounts in respect of new investees or next phase investments yet to be approved by the Investment Committee. If all current charity investees progress as envisaged, the phasing of future commitments is estimated as follows:

	£
2019	2,291,333
2020	1,305,083
2021	456,250
	4,052,666

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

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Notes to the financial statements

For the year ended 31 December 2018

5. Net income/(expenditure) for the year

This is stated after charging:

	2018	2017
	£	£
Trustees' remuneration	-	-
Trustees' expenses	-	-
Depreciation	45,186	63,215
Operating lease expenses	200,521	201,844
Auditors' remuneration for audit services	<u>13,000</u>	<u>12,750</u>

Directors and Officers insurance which covers the Trustees against any personal liability was provided at a cost of £1,470 (2017: £1,470).

6. Investment in PEF Trading Limited

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

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Administrative expenses	<u>(305)</u>	<u>(30)</u>
Net movement in funds	<u>(305)</u>	<u>(30)</u>
Ordinary share capital	1	1
Profit and loss account	<u>578</u>	<u>884</u>
Shareholders' funds represented by net assets	<u>579</u>	<u>885</u>

7. Investment in ThinkForward Social Impact (1) Limited

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

The key financial information of TFSIL was as follows:

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Administrative expenses	-	604
Tax paid	-	(551)
Return to shareholders on dissolution	<u>-</u>	<u>(1,045,834)</u>
Net movement in funds	<u>-</u>	<u>(1,045,781)</u>
Ordinary share capital	-	900,000
Preference share capital	-	1
Profit and loss account	<u>-</u>	<u>(900,001)</u>
Shareholders' funds attributable to minority interests (Big Society Capital)	<u>-</u>	<u>-</u>

8. Staff costs

	Group 2018	Group 2017	Charity 2018	Charity 2017
	£	£	£	£
Staff costs were as follows:				
Salaries and wages	1,617,818	1,581,451	1,617,818	1,581,451
Social security costs	192,304	176,453	192,304	176,453
Pension contributions	<u>79,646</u>	<u>42,005</u>	<u>79,646</u>	<u>42,005</u>
	<u>1,889,768</u>	<u>1,799,909</u>	<u>1,889,768</u>	<u>1,799,909</u>

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

Salary band	Number of employees	
	2018	2017
£60,000 - £70,000	4	3
£70,000 - £80,000	-	1
£80,000 - £90,000	3	1
£90,000 - £100,000	-	-
£100,000 - £110,000	-	-
£110,000 - £120,000	1	1

The employer's pension contributions for staff earning more than £60,000 per annum amounted to £29,923 (2017: £11,866).

Employee benefits, (salary, bonus, employer NI and employer pension contributions), paid for the senior management team totalled £540,277 (2017: £534,496).

Staff numbers

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

	Group 2018	Group 2017	Charity 2018	Charity 2017
Full-time equivalents	31.2	31.5	31.2	31.5
Headcount	33	34	33	34

9. Taxation

There are no taxable profits arising within the subsidiary for the year ending 31 December 2018. Consequently Impetus has no liability to tax and no deferred tax.

10. Tangible fixed assets

	Group and Charity		
	Fixtures and fittings £	Office and computer equipment £	Total £
Cost			
At the start of the year	118,411	231,668	350,079
Additions in period	-	-	-
At the end of the year	118,411	231,668	350,079
Depreciation			
At the start of the year	87,396	199,301	286,697
Charge for the period	21,305	23,881	45,186
At the end of the year	108,701	223,182	331,883
Net book value			
At the end of the year	9,710	8,486	18,196
At the start of the year	31,015	32,367	63,382

11. Investments

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Programme related investments	44,444	182,222	44,444	182,222
PEF Trading Limited (see note 6a)	-	-	1	1
Fixed asset investments	44,444	182,222	44,445	182,223

Programme related investments consist of a social impact bond connected to the Teens and Toddlers charity (now called Power2). The first tranche of capital was returned to investors in 2018. The second tranche is expected to be received in 2019. The bond has performed in line with expectations to date.

12. Debtors

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Accrued income	404,582	1,258,192	404,582	1,258,192
Gift Aid	27,500	176,000	27,500	176,000
Other debtors	12,669	5,366	12,669	5,966
Prepayments	364,430	339,617	364,430	339,617
	809,181	1,779,175	809,181	1,779,775

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For the year ended 31 December 2018

13. Creditors: amounts due within one year	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Trade and other creditors	75,174	71,822	75,174	71,822
Tax and social security	47,578	50,113	47,578	50,113
Accruals and deferred income	269,117	225,073	269,117	225,073
Deferred income	12,000	-	12,000	-
	403,869	347,008	403,869	347,008

14. Analysis of net assets between funds

Note for the current year

Group	Restricted funds £	General funds £	Total 2018 £
Tangible fixed assets	-	18,196	18,196
Investments	-	44,444	44,444
Net current assets	250,000	7,377,940	7,627,940
	250,000	7,440,580	7,690,580

Charity	Restricted funds £	General funds £	Total 2018 £
Tangible fixed assets	-	18,196	18,196
Investments	-	44,445	44,445
Net current assets	250,000	7,377,361	7,627,361
	250,000	7,440,002	7,690,002

Note for the prior year

Group	Restricted funds £	General funds £	Total 2017 £
Tangible fixed assets	-	63,382	63,382
Investments	-	182,222	182,222
Net current assets	-	7,460,709	7,460,709
	-	7,706,313	7,706,313

Charity	Restricted funds £	General funds £	Total 2017 £
Tangible fixed assets	-	63,382	63,382
Investments	-	182,223	182,223
Net current assets	-	7,459,825	7,459,825
	-	7,705,430	7,705,430

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15. Movements in funds

Note for the current year Group	At the start of the year	Income	Expenditure	Transfers	At the end of the year
	£	£	£	£	£
Core portfolio charities	-	329,000	(79,000)	-	250,000
Total restricted funds	-	329,000	(79,000)	-	250,000
Total unrestricted general funds	7,705,430	8,665,847	(8,931,275)	-	7,440,002
Unrestricted trading subsidiaries	883	-	(305)	-	578
Total group funds	7,706,313	8,994,847	(9,010,580)	-	7,690,580
Note for the prior year Group	At the start of the year	Income as restated	Expenditure as restated	Transfers	At the end of the year
	£	£	£	£	£
Core portfolio charities	300,000	79,000	(379,000)	-	-
Total restricted funds	-	79,000	(379,000)	-	-
Total unrestricted general funds	9,287,646	7,572,896	(9,228,027)	72,915	7,705,430
Unrestricted trading subsidiaries	73,803	-	(5)	(72,915)	883
Total group funds	9,361,449	7,651,896	(9,607,032)	-	7,706,313
Unrestricted funds attributable to minority interests	522,891	-	26	(522,917)	-

Purposes of restricted funds

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

Purposes of general funds

Unrestricted charity funds of £7,440,580 (2017 - £7,706,313) will be used to support a significant proportion of conditional grant commitments made to charities of £4,052,666 (2017 - £2,326,545) per note 4, new investees and next phase investments, and operational costs.

16. Members' liability

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

17. Operating lease commitments

At 31 December 2018, the Charity had commitments under operating leases of:

	Buildings	Equipment	2018 Total	Buildings	Equipment	2017 Total
	£	£	£	£	£	£
Due within one year	42,809	1,768	44,577	220,601	1,996	222,597
Two to five years	-	7,071	7,071	42,809	1,497	44,306
	42,809	8,839	51,648	263,410	3,493	266,903

18. Related party transactions

Louis Elson is a trustee of the Education Endowment Foundation. Johannes Huth resigned as a trustee of the Education Endowment Foundation on 10 September 2018 and Hanneke Smits was appointed as a trustee on 11 December 2018. During the year Impetus had no transactions with the Education Endowment Foundation (2017: £nil).

Impetus has consolidated a subsidiary, PEF Trading Limited, in the Group financial statements. Note 6 discloses Impetus' investment in this subsidiary and the subsidiary's results to 31 December 2018.

19. Event after the end of the reporting period

On 21 March 2019, Impetus signed a grant agreement with the Home Office in respect of the Youth Endowment Fund. A restricted grant of £200m, to be spent over the ten years to 2029, was paid to Impetus in April 2019.

The Youth Endowment Fund aims to prevent children and young people from getting caught up in crime and violence by making sure that those at most risk get the best possible support, as early as possible, to get on a positive path and succeed.

The Youth Endowment Fund is run by Impetus in partnership with the Early Intervention Foundation and Social Investment Business Foundation.