sefa

Annual Report

FY2022

"The NSW Aboriginal Land Council (NSWALC) increased its shareholding in Sefa with the aim of pursuing greater opportunities to expand the engagement with Aboriginal communities and organisations in NSW, and Australia more broadly. The alignment of our organisations is important as we work to achieve social impact outcomes together.

As a majority shareholder, NSWALC looks forward to continuing to work closely with Sefa in the coming year."

YUSEPH DEEN
CEO, NSWALC

A Message from the Chair

The past year has proven just how much the right partnerships can positively impact purpose-driven organisations in Australia.

We turned 10 in 2021, giving us the chance to reflect on the diverse range of organisations we supported in our first decade. Our 10th Anniversary Impact Report illustrates not only our impact, but also the long-term possibilities arising from the Social Enterprise Development and Investment Funds (SEDIF).

We saw meaningful change in the groups with which we partnered, but also within Sefa. The New South Wales Aboriginal Land Council (NSWALC) became our majority shareholder, starting a new chapter for our partnership.

On the leadership front, we've added former Sefa CEO and current Chair of the Investment Committee Ben Gales to the board. His combination of experience and knowledge – both with Sefa and the larger social investment sector – will benefit us and our partners greatly.

We also hit another milestone this year, turning an operational profit for the first time. That, combined with our team growing from 7 to 14, shows that we've well and truly carved out a meaningful space in the market.

To maintain this momentum, we're bringing our social finance and engagement pillars together on a strategic and operational level. This comprehensive approach will make both elements available at any time and ensure that we can support organisations at every step of their development journey. This will also allow us to provide a better client experience to smaller and medium-sized purpose-driven organisations and reinforce our leadership position in the market.

FY2022 was about being proactive – leaning into our role as a market builder operating at the intersection of social enterprise and impact investment. We've evolved our investment activities to include both property-backed and working capital loans. And our board is also exploring offering growth capital to fill new gaps and meet market demand. This move aligns with the Social Enterprise Development and Investment Funds (SEDIF) mandate of the Sefa Loan Fund: to support innovative product development for social, community and environmental enterprises in Australia.

We have also evolved our investment mandate, including becoming a gender-lens investor. Since inception, over 50% ($24 million) of loans disbursed were to female-led organisations, and 70% of our engagements directly support organisations with women at the helm. We're proud to help lead this charge and take an active role in the public dialogue around it.

As we embark on another year, it's very inspiring to note a newfound openness to conversations around systemic change. Events such as the Social Enterprise World Forum, and large foundations voicing an appetite for more impact investing, are clear signals that the sector continues to grow and evolve. It's an exciting, empowering time for purpose-driven investment, and we look forward to continuing to play a pivotal role in it.

Belinda Drew
CHAIR SEFA, MEMBER INVESTMENT COMMITTEEE,
NON-EXECUTIVE DIRECTOR SEFA PARTNERSHIPS

A Message from the CEO: Finding our internal rhythm

Building capability was the undisputed theme of 2022 at Sefa. And with a 75% growth in demand for our professional services, that focus is likely to continue. To put it into perspective, each year since Sefa's inception a maximum of five organisations sought our help with capability building – in FY2022 we helped 43. While most approached us through the NSW Government's Social Sector Transformation Fund, many came outside of the initiative. We're pleased to have deepened our collaboration with trusted partners such as Orange Compass, Social Scaffolding, Latitude Network and Future Directors as part of this work.

The past couple of years of turbulence has heightened the need to build organisational resilience from the ground up – developing capability to become more impactful and make informed decisions on considering and accepting capital. It has brought much-needed attention to regional, rural and Aboriginal community organisations, many of whom were unaware of available support. And it showed purpose-driven organisations need to invest time in working **on** as well as **in** the business – insights we'll share over the coming year.

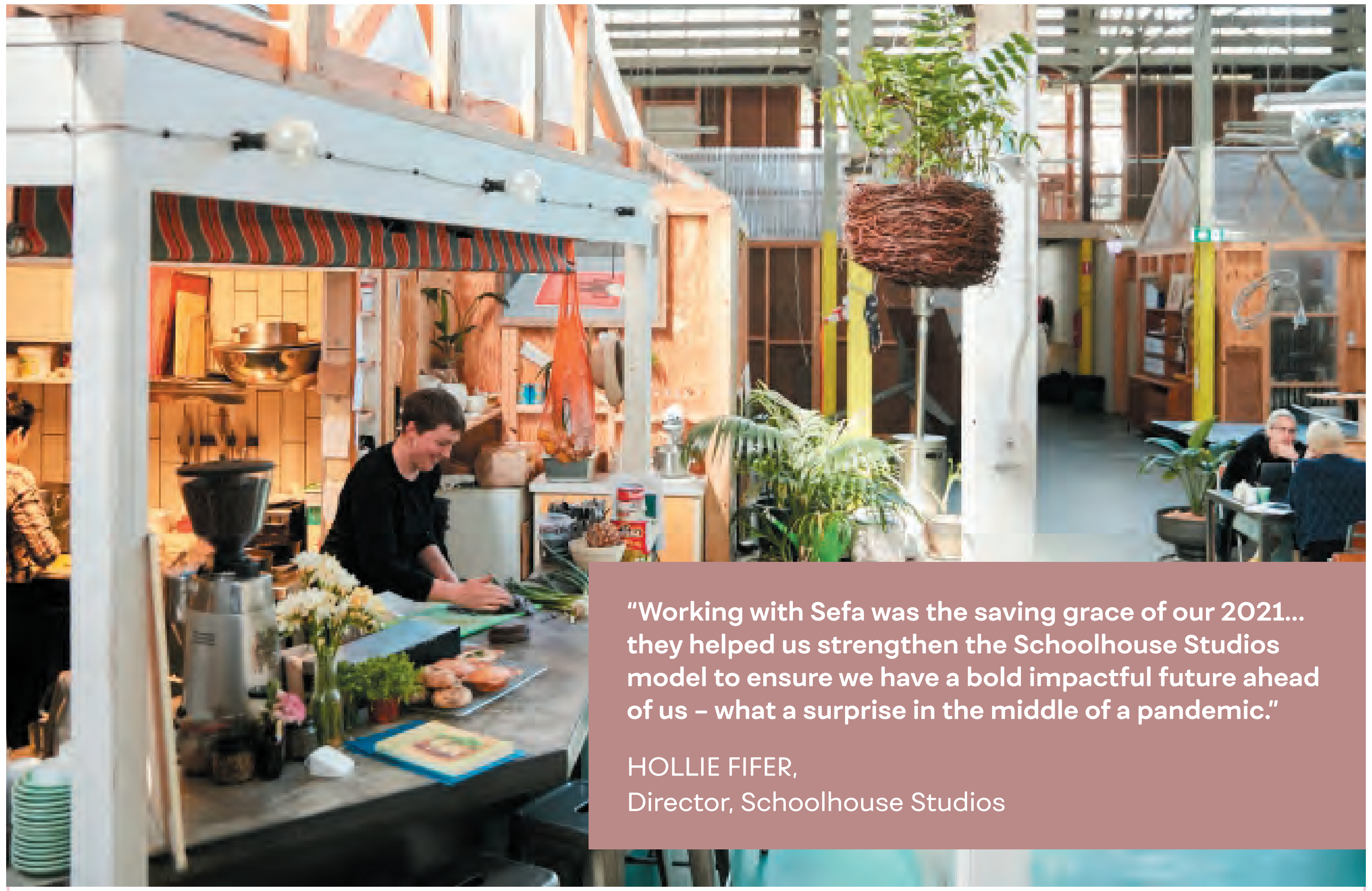
Amidst the uncertainty, we also helped one of our capability clients, Schoolhouse Studios (see p.5), move forward with a loan – a great achievement for the Sefa team, helping strengthen the organisation's model in the middle of a pandemic.

With lending activity slowing, we saw a shift in capital needs. So our social finance team prioritised educating existing clients about changing interest rates and supporting them through challenging times. We also provided loans under the SME Recovery Schemes, which let organisations take a breath to focus on getting their work right.

With new demand for working capital, we're now considering developing growth capital products to support organisations before they reach profitability. More on this exciting investment evolution to come.

Our ability to create bespoke deals brought many impact investors and borrowers together, offering syndicated loans and complete investment management. Covidence – a technology platform that provides evidence-based, current information to researchers globally – is a great example. Thanks to six impact investors, we raised a $2million debt syndicate, helping the platform continue its growth. We're very excited to be part of this journey.

Our Impact Areas



"Working with Sefa was the saving grace of our 2021... they helped us strengthen the Schoolhouse Studios model to ensure we have a bold impactful future ahead of us – what a surprise in the middle of a pandemic."

HOLLIE FIFER,
Director, Schoolhouse Studios

Delivering the last rounds of the Department of Social Services' Growth Grants, we helped organisations prepare for investment and develop broader capital solutions. We worked with innovative housing models through the Lord Mayor's Charitable Foundation, that improve the prospects of home ownership for specific cohorts such as single parents, indigenous families and older women.

We continued to strengthen our core partnerships with organisations like Indigenous Land and Sea Corporation (ILSC), Vincent Fairfax Family Foundation (VFFF) and Paul Ramsay Foundation (PRF). Working with ILSC, we embarked on one of our largest engagements to date, working with the Central Australian Aboriginal Congress to help build their impact framework that led into a cost-benefit analysis of an extension to the Alice Springs Health Hub. We enjoyed in-person consultations again, helping the organisation prepare for convincing conversations with funders.

Being recognised by the industry for a second consecutive year as shortlisted Impact Asset Manager of the Year 2021 was another proud moment. And having our client Tender Funerals shortlisted for Impact Enterprise of the Year 2021 was truly special.

Rather than being an echo chamber, we've focused on adding practical, inspirational and informative ideas to conversations in the sector. We showcased our three-part series on effective social investment via a webinar with Philanthropy Australia, spurring conversation and sparking new ideas.

We also moved to our beautiful new Yirranma Place office, helping us to collaborate and start new partnerships with like-minded purpose-driven organisations. Being part of this vibrant community, established by the Paul Ramsay Foundation, helps our team stay connected, motivated and inspired.

FY2022 was about validating our services and products. Now we'll focus on getting smarter and better. Offering the right capital at the right time and helping people start their capability journey early.

H. Ebeling

Hanna Ebeling
CHIEF EXECUTIVE OFFICER

> **“The Sefa team are quick, responsive and generous experts in their field.“**
>
> HOLLIE FIFER,
> Director, Schoolhouse Studios

CAPITAL: Schoolhouse Studios

Uncovering capital that matters

At Sefa, we meet our borrowers where they are and walk beside them on their journey. No set menu of limited products. No rigid checklist of requirements.

We listen to clients and take the time to get to know their story, abilities and dreams, so we can craft customised facilities to meet their needs – in a financially sustainable way. And if that means clients require non-debt funding alongside our loan to reach their goal (or if we can’t invest), we’ll check with our networks to see if they can assist. Often, working out the right capital solution starts with capability.

The right support for the next phase of growth

Melbourne-based community arts organisation Schoolhouse Studios (SHS) had been renting ‘meanwhile spaces’ (properties going through a transition in use, rented at a lower rate) to house its growing community of creatives. But the circumstances of these spaces meant SHS had to move frequently – a costly and time-intensive exercise for a budding social enterprise. The organisation had just secured a larger premises that increased their rentable space by over 40%, when the second wave of COVID sent Melbourne into lockdown again.

Through Impact Investing Australia’s Resilience Grant funded by the Department of Social Services, our engagement team helped clarify SHS’s social impact, Theory of Change and impact measurement framework. We also developed a financial model that helped their board understand the relative contributions of each revenue source, as well as assess options to make the most out of their larger premises. All with the view to build the organisation’s resilience and capacity and to support future funding discussions with government or philanthropy.

By the end of FY2022, SHS was working with our finance team, finalising a loan that will help realise the organisation’s growth ambitions.

“Because of this incredibly deep work, we’ll be able to offer studio spaces for 132 creatives and continue building our supportive community. We’ve now also been offered a loan to help us take this growth to the next level,” says Hollie Fifer, Director, Schoolhouse Studios.

A ONE-STOP-SHOP FOR PURPOSE-DRIVEN ORGANISATIONS

Offering a single place where organisations can receive support in capability building and find financial solutions is one of our key points of difference. Helping purpose-driven organisations at every step of the way means we can build trust and get to know our clients and their needs extremely well. It also means we can expand our investment pipeline through our engagement work.

It was exciting to see two clients’ projects come to fruition – the construction of the wonderful **Jarjum Centre Indigenous preschool** in Lismore, NSW and a **second Tender Funerals funeral home** in Wauchope on the NSW mid-north coast. We also celebrated several clients repaying their loans in full, while others accessed updated loan terms thanks to the progression of their business.

But there’s still plenty of work to be done. Witnessing an increasing need for growth capital, we created an offering that will help earlier-stage organisations – still in the process of proving their business model – fast-track their progress. Through this offering we want to support the development of a marketplace for social, community and environmental impact investment and innovative product development in the space. We look forward to sharing an update on this offering next year.

CAPABILITY BUILDING: Humanity Matters

Transforming a sector, one organisation at a time

When young people are disengaged from their families, school and wider community, their wellbeing and future is at risk. Bankstown-based community organisation Humanity Matters supports and guides vulnerable young people to re-engage, build their confidence and self-worth, and establish positive networks – so they can live positive, productive and healthy lives.

But the organisation wanted to better understand its impact – and explore an opportunity to establish a social enterprise that offers a pathway of employment for young people.

Through the NSW Government's Social Sector Transformation Fund (SSTF), we worked closely with Humanity Matters – and 34 organisations in the social service and health care sectors – to build their capability, help them understand and articulate their impact and become more sustainable.

Breaking down barriers for young people

The SSTF was developed to help organisations improve their capability, efficiencies, and business strategies.

Humanity Matters has been operational for decades, doing fantastic work in the community. But the organisation wanted to strengthen its position and relevance in the sector, so it could extend its reach and engage more vulnerable young people.

Through the SSTF, we helped Humanity Matters develop a Theory of Change and a relevant, simple and contemporary outcomes measurement framework. This will allow the organisation to collect the information it needs to demonstrate whether it achieves its outcomes – and rethink its operations and approach if it doesn't.

Humanity Matters also wanted to improve its social outreach and provide an employment pathway for its young people through operating a food truck. We built financial modelling for the proposed social enterprise, showing its strong potential to help diversify the organisation's revenue and make it less reliant on grants.

"Sefa has helped us communicate the effectiveness of what we do and strengthen the sustainability of our programs. The work we did together also helped us look at where the needs are in the community, complement the rest of the sector and convey the importance of what we do through proof, not just anecdotal evidence."

SELIM UCAR,
Acting CEO, Humanity Matters

Reflecting on embedding capability in the sector

While the SSTF allowed us to support many organisations in FY2022, many more need help to make meaningful, long-term change. We only had capacity to help half the number of organisations that reached out to us.

And given the challenges of COVID, floods and leadership burnout in the sector, keeping to project timelines has been difficult. We've had to extend our engagement with our SSTF clients to make sure they are ready to put everything into practice.

The success of our work relies heavily on building trusted relationships – with teams, organisations and communities. Through COVID, we realised the importance of being on the ground, and having trusted 'brokers' who provide warm referrals, especially in regional and Aboriginal communities.

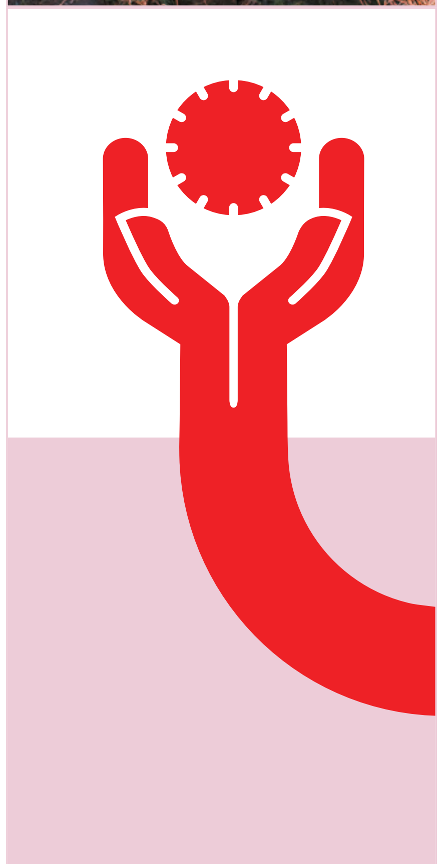
Our work with these organisations further demonstrated the value of investing in capability.

A Theory of Change process can catalyse organisational shift

It forces organisations to ask the hard questions about the problems they're trying to solve. And it makes sure their activities and funding contribute to the changes they want to see, creating accountability for achieving them. It's also an amazing tool for change management, for instance when there is transformation or a merger happening. It helps get the team on board and helps them understand how their work links to impact.

Financial models help organisations explore pathways that will see them less dependent on government grants – giving them the freedom to use their income in more flexible ways. And our work with boards helps them step into better governance, which is emerging as a challenge for many purpose-driven organisations.

Transformation takes time. Funding to enable ongoing targeted capability support for organisations unlocks enormous potential. It would allow more and more organisations to build their resilience and become a sustainable force for positive change. There is a role for government, philanthropy and impact investors to fund this uplift in capability.



THOUGHT LEADERSHIP: Head Start Homes

Closing the housing gap through advocacy and research

Housing affordability has been on a steady decline in Australia since the 1980s. For low-income families, older women, and other vulnerable groups the dream to own their own home feels completely out of reach.

Saving for a deposit is often the biggest barrier. Head Start Homes is helping to remove this hurdle. Acting as the bank of mum and dad, the organisation helps build people's financial literacy and capability so they can make informed purchasing decisions, and removes the need for a deposit and mortgage insurance by becoming their guarantor.

This also creates more community housing vacancies to help move more of the 190,000+ Australians on waitlists.

Fortunately, there are many social impact organisations like Head Start Homes working on tackling the housing affordability issue – developing new and cutting-edge ideas that will make a significant impact for many Australians. And we can play an important role in helping these organisations succeed.

Building on our success with incubating not-for-profit housing developer, Nightingale Housing, we supported Head Start Homes and three other innovative housing models in FY2022. By building their capability and investment readiness, we helped these organisations work towards greater operational and financial sustainability – to close the gap between affordability and pathways to ownership.

Establishing sustainable home ownership programs

Head Start Homes' innovative model offers each client a term deposit that acts as security for the bank providing the mortgage. If there are no issues or concerns with the loan, Head Start Homes gets the deposit back with interest in one to seven years – which then helps someone else buy their own home. Founder and Managing Director, Stephen Woodlands calls this their recycled home ownership program.

"So already with our first two clients, the guarantees are ready to be recycled, which has happened in less than two years," Stephen shares. "It's proof that the model works."

We helped Head Start Homes with financial modelling and capability building to contribute to their sustainability. Together, we have also commenced designing a rent-to-buy model called Equity Plus. It is an exciting new model where tenants have the option to buy the home they rent after a period of time. Purchased at a lower cost, clients will have positive equity in their homes from day one.

"Sefa has been instrumental for us," says Stephen. "As a young start-up, it's been incredibly important to have access to their support and expertise that we can learn and grow from. We'll not only be less reliant on grants and funding, we'll be able to communicate better with potential partners and investors, which is very important for us."

"The wonderful team at Sefa has helped us with financial modelling, capital structuring, Theory of Change, and connecting us with other partners."

STEPHEN WOODLANDS,
Founder and Managing Director, Head Start Homes

Partnering for change in housing

Our close partnership with the Lord Mayor's Charitable Foundation has enabled us to keep up with Australia's affordable housing challenges. Together, we have been able to explore and study different housing models, and offer action-based proposals to philanthropy and investors – inviting them to be part of the conversation and the solutions.

With the Foundation, we have led some of the most challenging conversations around the topic, participating in webinars and advocacy meetings at different levels, including government.

In late 2022, we will share a significant piece of research developed in partnership with the Foundation, looking into home ownership models for older women. The research highlights the barriers single, middle-aged women on a moderate income face when it comes to secure housing – and offers four potential housing models that could help overcome these.

Our work in this area also reflects our appetite to actively drive the gender lens agenda.

"We proudly help single mums, First Nations Peoples and other families living in community housing buy their own home."

STEPHEN WOODLANDS,
Founder and Managing Director, Head Start Homes

"This project has allowed residents of Burketown to purchase a home in a community they call their own, something that was previously impossible due to prohibitive lending conditions.

For some, they will be the first generation of their First Nations families to ever realise the dream of home ownership. "

ERNIE CAMP,
Mayor of Burke Shire Council

"VFFF values working alongside Sefa as they provide expert commercial and practical support with a heart to organisations who work to improve outcomes for communities.

The success of Tender Funerals is a testament to Sefa's value as a partner with VFFF. Sefa consistently delivers innovative solutions for purpose driven organisations, incorporating blended capital models and capability building."

THE VINCENT FAIRFAX FAMILY FOUNDATION

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Directors' Report

Social Enterprise Finance Australia Limited ("Sefa" or the "Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 1, 262 Liverpool Street, Darlinghurst NSW 2010.

The directors present their report together with the consolidated financial report of the company, being the Company and its controlled entities – Sefa Investments Limited and the Sefa Loan Fund, or collectively the "Group", for the 30 June 2022 financial year, and the auditor's report thereon.

Directors:

The following persons were directors of Social Enterprise Finance Australia Limited during the financial year and up to the date of this report:

Belinda Drew (appointed 1 January 2017)
Jay Bonnington (appointed 12 September 2016)
Professor Jack Beetson (appointed 1 January 2017, resigned 24 May 2022)
Scarlet Reid (appointed 29 November 2019)
David Rickards (appointed 23 June 2020)
Lila D'Souza (appointed 9 September 2020, resigned 8 September 2021)
Ben Gales (appointed 11 May 2022)

Biographies of Directors:

Belinda Drew

Belinda has over 20 years' experience in the community services industry having worked across disability, homelessness, child protection and housing. Belinda was appointed Chair of Sefa on 7th September 2019.

During the most recent decade of her career, Belinda was focused on building the social investment market in Australia in her role as the CEO of Foresters Community Finance. In 2014, Belinda joined the Community Services Industry Alliance as inaugural CEO of a company focused on representing the value of the community services industry to government and the business sectors. Most recently Belinda has been appointed Deputy Director - General, Communities for the QLD government. Belinda has a passion for the community services industry and contributing to the task of building a strong, sustainable and contemporary sector across Australia.

Belinda is also currently a director of Sefa Partnerships.

Directors' Report (continued)

Jay Bonnington

Jay has over 20 years' experience as a non-executive director on public and private companies, as well as government and advisory boards. Jay has experience in a range of sectors including construction, engineering, energy, manufacturing, utilities, financial services, superannuation and health. She also has experience as a CEO and senior executive in international organisations. From a chartered accounting background, with over thirty years' experience in various sectors, she has deep operational corporate finance experience.

Jay is also a Director of Sefa Partnerships.

Professor Jack Beetson

Jack is a Ngemba Aboriginal man, from western NSW, who has played an active role in Aboriginal affairs in NSW, nationally and internationally for the last thirty years. He is a qualified adult educator, with a Diploma of Aboriginal and Community Adult Education and a Bachelor of Adult Education from UTS. He has completed the Certificate course run by the Australian Institute of Company Directors (AICD), recognised as the definitive program for company directors in Australia. In 2008, he was appointed an Honorary Adjunct Professor at the University of New England.

Jack is currently the Executive Director of the Literacy for Life Foundation and a consultant for Beetson and Associates Pty Limited.

Scarlet Reid

Scarlet is a highly experienced workplace and regulatory lawyer and is a Partner in the Sydney office of McCullough Robertson. As a former prosecutor with SafeWork NSW, Scarlett is an accomplished litigator and conducts employment, regulatory, corporate and criminal law related litigation matters in various courts and tribunals throughout Australia.

Scarlet is the Australian Founder and Australian Chapter Leader of the Womens' White Collar Defense Association, which is a global organisation that promotes the common business and professional interests of women lawyers who specialise in white collar crime. Scarlet is a Director of Sefa Partnerships.

David Rickards

David was formerly the Head of Research and an Executive Director at Macquarie Bank. After he retired in 2012 he co-founded Sefa. David founded Sefa Partnerships in 2016. Before joining Macquarie Bank he was responsible for establishing the risk management company, BARRA International, in Australia. David was the Director and Treasurer of Bush Heritage Australia for nine years.

David is currently a Director of the Australian Environmental Grant Makers Network and is Chair of the Sefa Partnerships Board.

Directors' Report (continued)

Lila D'Souza

Lila is currently Managing Director of The Purpose Group, which specialises in supporting not-for-profit organisations to develop and lift their operations and to work more strategically and effectively. She is also Company Secretary of the Aboriginal Legal Service (NSW/ACT) and spent nine years at NSW Aboriginal Land Council.

Lila has high level not-for-profit expertise in strategic and legal risk management and a keen commitment to good governance, diversity and social justice. Her work has spanned proponent-based projects as well as the for-purpose sector, enabling Lila to see different points of view

Ben Gales

Ben is currently Chief Strategy Officer at Paul Ramsay Foundation. Between 2013 and 2016 he was the CEO of Sefa.Ben is an economist by training wirth expertise in impact investing, social impact measurement, and delivering innovation. He has led the delivery of several major reforms and initiatives and held senior positions in government, finance, and social sectors.

In the UK Ben was involved with the genesis of the impact investing sector with the launch of the social investment taskforce in 2000 under Sir Ronald Cohen when he worked in the HM Treasury. During his time in NSW Government, he was instrumental in developing the first Social Impact Bonds in Australia, "Newpin" and "Resilient Families", and was reposnsible for th office of Social Impact Investment where he oversaw over $200 million of impact investments and payment by outcome contracts. He led the establishment of the NSW Prroductivity Commission and set up the NSW Evidence Bank in NSW Treasury.

Ben is currently the Chair of Sefa's Investment Committee, Board member of White Box Enterprises and Fire to Flourish.

Directors' Report (continued)

Meetings of Directors:

The number of meetings of the Company's board of directors held during the financial year ended 30 June 2022 was eight, and the number of meetings attended by each director was:

	Meetings eligible to attend	Meetings Attended
Jay Bonnington	8	7
Belinda Drew	8	8
Jack Beetson	7	3
Lila D'Souza	1	0
Ben Gales	2	2
Scarlet Reid	8	5
David Rickards	8	8

The number of meetings of the Company's Audit and Risk Committee held during the financial year ended 30 June 2022 was six, and the number of meetings attended by each committee member was:

	Meetings eligible to attend	Meetings Attended
Jay Bonnington	6	6
Scarlet Reid	6	6
Lila D'Souza	1	0

Directors’ Report (continued)

Principal Activities:

The principal activity of the company during the 2022 financial year was the provision of loans and capability building support to Australian purpose-driven organisations. Assisting organisations to deliver social impact remains the core focus of Sefa and there were no significant changes during this financial period.

Review of operations:

Sefa’s two-pronged strategy of providing capital and capability building support to purpose-driven organisations continued to deliver strongly during 2021-2022, resulting in the company’s first robust operational profit of $137,153 since inception (representing a significant increase from last year $11,252).

On the capability building side of the business, the focus was on servicing clients under the Social Sector Transformation Fund contract with NSW Government, that saw Sefa assisting 35 social service and health care organisations with strategy & governance and evaluation & monitoring.

Professional service revenues were diversified across a growing number of trusted partners ranging from foundations to independent agencies and recurring clients, resulting in a total of $1.35m in income, up $1.1m from last year. There was a strong focus on identifying, analysing and supporting several innovative housing models and undertaking research on the older women cohort, all of which builds on Sefa’s track record and expertise in addressing Australia’s housing market challenges.

The capital side of the business saw a slowdown of lending activities driven by market demand on the back of Covid-19 and identified sector trends, in combination with continued early repayments from borrowers. The loan booked closed 30 June 2022 with a balance of $11.6m which was 14% lower than the prior year. However, the outstanding loan portfolio performed well, and the social finance team increased communication with borrowers in light of the rising interest rate environment. Throughout FY22, Sefa was able to offer Commonwealth guaranteed loans under the SME Recovery Schemes, with 41% of the company’s loan book secured by a government scheme. The lending activities also saw the loan disbursement and subsequent opening of Australia’s first social franchise, a community-led funeral service that was shortlisted for the 2021 Impact Enterprise of the Year Award. Sefa now has cumulative disbursements of more than $45 million achieved since formation of the business across close to 65 loans and has unlocked over $125m of impact capital from diverse sources.

The social finance team also delivered professional services around capital structuring and capital raising support, including arranging a syndicated loan for impact investors.

To celebrate a significant milestone, Sefa published a 10-Year Anniversary Impact Report in December 2021 and was again recognised for its work across purpose-driven capital by being shortlisted for the 2021 Impact Asset Manager of the Year Award sponsored by the Department of Social Services (DSS). Team members from the social finance (capital) and engagement (capability building) pillars of the business participated in a series of webinars, roundtables and thought leadership events, contributing to market building of the purpose-driven sector and supporting the company’s business development efforts.

Directors’ Report (continued)

Dividends:

The Company does not propose to declare a dividend for the year ended 30 June 2022.

State of Affairs:

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the year under review not otherwise disclosed in this report.

Significant Events After Balance Sheet Date:

There has not arisen in the interval between the end of the financial year and the date of this report any item, any other transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Future Developments:

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Insurance and Indemnity of Directors and Officers:

During the financial year, the officers of the Company, including the directors as named earlier in this report, general managers, company secretaries and other executive officers were covered by insurance obtained by Sefa. This insurance indemnifies Directors and Officers against allegations of wrongdoing (other than intentional wrongdoing).

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001:

The Lead Auditor’s Independence Declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 19.

This report has been made in accordance with a resolution of the Directors.
Dated at Sydney 27 October 2022
For and on behalf of the Board of Directors.

Belinda Drew
Chair of the Board

To the Directors

Social Enterprise Finance Australia Limited

Auditor's Independence Declaration

As auditor for the audit of the financial statements of Social Enterprise Finance Australia Limited for the year ended 30 June 2022, I declare, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Cathy Wu
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

24 October 2022
SYDNEY

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	Year ended 30 June 2022 $	Year ended 30 June 2021 $
Interest income	2	809,891	834,004
Revenue from contracts with customers	2	1,401,485	316,988
Other income	2	32,689	122,333
Total operating income		**2,244,065**	**1,273,325**
Employee-related expenses	2	(1,295,601)	(879,566)
Depreciation and amortisation	2	(9,386)	(3,950)
Interest expense - lease	2	(401)	-
Operating expenses	2	(719,793)	(266,030)
Finance costs	2	(127,924)	(142,005)
Loan provision reserve reduction		46,193	29,478
Total expenses		**(2,106,912)**	**(1,262,073)**
Profit before taxation		**137,153**	**11,252**
Income tax (expense)/benefit	3	-	-
Profit for the year		**137,153**	**11,252**
Comprehensive income		**137,153**	**11,252**
Total comprehensive income attributable to:			
Owners of Social Enterprise Finance Australia		**137,153**	**11,252**

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Year ended 30 June 2022 $	Year ended 30 June 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	5,604,985	5,412,566
Loans and advances to customers	7	1,762,412	1,968,073
Receivables	6	115,280	107,724
Contract assets	8	1,567	11,000
Other current assets	9	101,863	15,751
Total Current Assets		7,586,107	7,515,113
Non-Current Assets			
Property, plant and equipment	10	13,600	4,827
Right-of-use asset	11	124,062	-
Loans and advances to customers	7	9,850,983	11,587,728
Total Non-Current Assets		9,988,645	11,592,554
TOTAL ASSETS		17,574,752	19,107,668
LIABILITIES			
Current Liabilities			
Payables	12	12,539	8,044
Contract liabilities	13	637,358	1,515,950
External borrowings	17(a)	2,350,000	450,000
Provisions	14	48,017	51,016
Lease liability	16	62,618	-
Other current liabilities	15	196,380	262,413
Total Current Liabilities		3,306,912	2,287,423
Non-Current Liabilities			
Provisions	14	29,555	19,498
Lease liability	16	61,714	-
External borrowings	17(a)	5,260,382	8,021,710
Total Non-Current Liabilities		5,351,651	8,041,208
TOTAL LIABILITIES		8,658,563	10,328,632
NET ASSETS		8,916,189	8,779,036
EQUITY			
Issued share capital	18	2,240,000	2,240,000
Retained earnings		6,539,036	6,527,784
Current earnings		137,153	11,252
TOTAL EQUITY		8,916,189	8,779,036

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Issued share capital $	Retained earnings $	Total $
As at 1 July 2020		**2,240,000**	**6,527,784**	**8,767,784**
Profit after tax		-	**11,252**	**11,252**
Total comprehensive income for the year		-	**11,252**	**11,252**
Transactions with owners in their capacity as owners:				
Share capital issued		-	-	-
Dividends paid		-	-	-
As at 30 June 2021	**18**	**2,240,000**	**6,539,036**	**8,779,036**
As at 1 July 2021		**2,240,000**	**6,539,036**	**8,779,036**
Profit after tax		**-**	**137,153**	**137,153**
Total comprehensive income for the year		**-**	**137,153**	**137,153**
Transactions with owners in their capacity as owners:				
Share capital issued		**-**	**-**	**-**
Dividends paid		**-**	**-**	**-**
As at 30 June 2022	**18**	**2,240,000**	**6,676,189**	**8,916,189**

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	$	$
Cash flows from operating activities			
Payments			
Finance costs		**(105,893)**	(146,409)
Employee-related		**(1,365,755)**	(955,158)
Payments to suppliers		**(809,384)**	(987,971)
Total Payments		**(2,281,032)**	(2,089,538)
Receipts			
Interest received		**798,781**	623,653
Other income		**58,022**	921,682
Revenue from contracts with customers		**510,612**	1,945,697
Total Receipts		**1,367,415**	3,491,032
Net cash flows from operating activities	**24**	**(913,617)**	1,401,494
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16,478)**	(1,364)
Loan principal repayments received from customers		**5,871,712**	2,665,129
Loans advanced to customers		**(3,873,631)**	(2,820,769)
Net cash flows from investing activities		**1,981,603**	(157,004)
Cash flows from financing activities			
Payment of principal portion of lease liability		**(3,312)**	-
External borrowing repaid		**(872,255)**	361,293
Net cash flows from financing activities		**(875,567)**	361,293
Net increase in cash and cash equivalents		**192,419**	1,605,783
Cash and cash equivalents at beginning of year		**5,412,566**	3,806,783
Cash and cash equivalents at end of year		**5,604,985**	5,412,566

Notes to the consolidated financial statements

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated. The financial statements are for the consolidated entity consisting of Social Enterprise Finance Australia Limited (Sefa, or the Company) and its subsidiaries. The Company is a for profit company limited by shares and incorporated in Australia.

(a) Basis of preparation

The company's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:
• applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
• the requirements of the Government Sector Finance Act 2018 (GSF Act)
and
•Treasurer's Directions issued under the GSF Act.

Sefa has not early adopted any new standards, amendments to standards and interpretations that are not yet effective. None of these are expected to have a significant effect on the financial statements.

a.) The accounting policies applied in 2021-22 are consistent with those of the previous financial year. Several amendments and interpretations apply for the first time in 2021-22, but did not have an impact on the financial statements of the company.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1 (q) below.

Authorisation of financial statements

These financial statements for the year ended 30 June 2022 have been authorised for issue by the Board on 25 October 2022.

(b) Foreign currency translation

Functional and Presentation currency

The company's financial statements are presented in Australian dollars, which is Social Enterprise Finance Australia's and its subsidiaries functional and presentation currency. Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition. Differences arising on settlement or translation of monetary items are recognised in net result.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(c) Revenue recognition

Revenue recognition is in accordance with AASB15 Revenue from Contracts with Customers. Assessment is carried out to identify the contract with customer, performance obligations under the contract and transaction price. Transaction price is allocated to each performance obligation and revenue is recognised when a specific performance obligation has been satisfied.

Contracts with customers

Sefa recognises revenue from contracts with customers for the provision of professional services. Revenue is recognised when the service is provided or by reference to the stage of completion, which is based on time incurred to date as a percentage of total estimated duration for each contract. When the contract outcome cannot be measured reliably, revenue is recognised as the services are provided. Customers are invoiced and payment is due in 14 days. Revenues relating to future activities is transferred to deferred income (contract liabilities) and recognised in the year the service is provided.

Interest income

Interest income is recognised using the effective interest method, with interest accrued over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash flows over the expected life of the financial asset to the net carrying amount of the financial asset.

Other income

Other income includes professional services revenue from contracts with clients for the provision of advisory services. Revenue is recognised when the service is provided or by reference to the stage of completion, which is based on the period over which the contract is delivered. When the contract outcome cannot be measured reliably, revenue is recognised as the services are provided.

(d) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Social Enterprise Finance Australia Limited ('Company') as at 30 June 2022 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(e) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at balance date.

(f) Taxation

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(f) Taxation

Income tax on the profit or loss for the period comprises of current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates at the statement of financial position date.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

For statements of cash flows presentation purposes, cash and cash equivalents consists of the cash and cash equivalent as defined above.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(h) Loans, advances and other receivables

Loans and advances are initially recognised at cost. Loans and advances are held at cost less provision for impairment. Loans, advances and other receivables are presented as current assets unless collection is not generally expected for more than 12 months after the reporting date. Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired. This may be after an interest or principal payment is missed or when a banking covenant is breached. The present value of estimated cash flows recoverable is determined after taking into account any security held. The amount of any impairment is calculated by comparing the present value of the cash flows discounted at the loan's original effective interest rate with the statement of financial position carrying value. If impaired, the carrying value is adjusted and the difference charged to the statement of comprehensive income.

A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established provisions for impairment or directly to the statement of comprehensive income. In circumstances where an asset has been individually assessed for impairment and no objective evidence of impairment exists, then it will be subject to a collective assessment. Collective impairment is identified for classes of assets that share similar risk characteristics.

The loan provision reserve is currently based on a general provision following the application of AASB9 Financial Instruments as at year end. Applying AASB9, credit risk assessment has been performed on Sefa portfolio, all loans are assessed as Stage 1 (Peforming). The 12 month expected credit losses are then calculated based on following parameters: actual interest rate of each individual loan, 2.6% probability of default and 90% expected loss given default.

(i) Impact of COVID-19 on financial reporting for 2021-22

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on the economy. The company has considered the impact of COVID-19 and associated economic volatility in preparing its financial statements. The impact of COVID-19 has resulted in the application of further judgement in the areas in which significant judgement already occurs.

As a consequence of COVID-19 and in preparing these financial statements, management:
- reviewed external market communications to identify other COVID-19 related impacts;
- completed a thorough review of the loan portfolio with particular focus on loan recoverability;
- considered the impact of COVID-19 on the company's financial statement disclosures.

(j) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are stated at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or classes of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and are stated at cost. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(m) Non-loan provisions

A non-loan provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(m) Non-loan provisions

A non-loan provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(n) Employee benefits

Employee benefits are recognised in accordance with AASB 119 Employee Benefits

(i) Annual leave and sick leave

Unused non-vesting sick leave does not give rise to a liability, as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

(ii) Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax and workers' compensation insurance.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(o) Issued share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the company reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(q) Accounting estimates and judgements

The preparation of the financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

Specific areas of accounting estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Impairment losses on loans and advances

The Group regularly reviews its loan portfolios carried at cost to assess for impairment. This review is conducted across all asset types and impairment provisions are established to recognise the risk of losses within the loan portfolios. As explained in the company's accounting policy on Loans, advances and other receivables, impairment loss calculations involve the estimation of future cash flows of loans and advances based on observable data at the statement of financial position date, historical loss experience for assets with similar credit risk characteristics and other factors including, inter alia, future prospects of the customers, value of collateral held and reliability of information.

The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment provisions given the range of asset types, number of customers and current economic conditions. Consequently, these allowances can be subject to variation.

(r) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the financial statements of Social Enterprise Finance Australia Limited.

The subsidiary is Sefa Investments Limited which is a sole beneficiary of Sefa Loan Fund, a unit trust.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(s) Changes to Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. The Group did not early adopt these Accounting Standards and Interpretations that are not yet effective.

Standards/Interpretations	Issue Date	Effective Date
AASB 17 Insurance Contracts – December 2021 (Compilation)	Mar-22	1-Jan-23
AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jun-21	1-Jan-23
AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current	Mar-20	1-Jan-23
AASB 2021-2 Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	Mar-21	1-Jan-23
AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates	Mar-21	1-Jan-23
AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Dec-14	1-Jan-25
AASB 2020-3: Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle) Amendments to AASB 3 – Reference to the Conceptual Framework Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use Amendment to AASB 141 – Taxation in Fair Value Measurements (Part of Annual Improvements 2018–2020 Cycle) Amendment to AASB 1 – Subsidiary as a First-time Adopter (Part of Annual Improvements 2018–2020 Amendments to AASB 137 - Onerous Contracts – Cost of Fulfilling a Contract	1-Jun-20	1-Jan-22
The company has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the company.		

Notes to the consolidated financial statements (continued)

2. Profit Before Income Tax

	2022 $	2021 $
Interest income		
Interest income on cash deposits	**18,806**	18,938
Interest income on loans and advances to customers	**791,085**	815,066
Total interest income	**809,891**	834,004
Interest expense - lease	**(401)**	-
Interest expense - external	**(127,924)**	(142,005)
Total interest expense	**(128,325)**	(142,005)
Net interest income	**681,566**	691,999
Revenue from contracts with customers		
Professional services	**1,351,190**	287,088
Management and establishment fees	**50,295**	29,900
Total revenue from contracts with customers	**1,401,485**	316,988
Other income	**32,689**	122,333
Total other income	**32,689**	122,333
Employee-related expenses		
- Salaries and wages	**1,255,960**	846,007
- Other employee-related expenses	**39,640**	33,559
Depreciation and amortisation	**9,386**	3,950
Operating expenses		
- Audit fees	**62,523**	39,589
- Insurance	**42,820**	30,755
- Consultants	**172,205**	85,302
- Other contractors	**281,211**	28,310
Other operating expenses	**161,035**	82,075
Total expenses	**2,024,780**	1,149,546

(i.) Audit fees

Audit fees include the audit of the consolidated statutory accounts of the Group and the audit of the Australian Financial Services Licence ("AFSL") for the Company.

(ii.) Payments to subcontractors

The company engages third-party service providers to help deliver specialist project or program-based work. The cost of these services is expensed as they are incurred.

(iii.) Lease expense

The company recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

• Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
• Leases of assets that are valued at $10,000 or under when new.

Notes to the consolidated financial statements (continued)

3. Income Tax

	2022 $	2021 $
Operating profit from ordinary activities before income tax	**137,153**	11,252
Prima facie income tax expense at 30% (2021: 26%)	**41,146**	2,925
Tax effect of non-deductible expenses/non-assessable income in determining taxable profit:		
Recognition of tax benefit associated with previously unbooked tax losses	**(41,146)**	(2,925)
	(41,146)	(2,925)
Total Income tax benefit/(expense) from continuing operations	**-**	**-**
Recognised in the income statements		
Total income tax benefit/(expense) in Statement of Comprehensive Income	**-**	-

4. Deferred Tax Benefit

	2022 $	2021 $
Income tax provision	**-**	-
Deferred tax benefit	**-**	-
Deferred tax liabilities	**-**	-
Net position	**-**	-

The Group has estimated unconfirmed Australian tax losses of $625,451 (2021: $762,604) which have not been recognised in the statement of financial position as a deferred tax asset. The availability of the tax losses is subject to continuingto meet the relevant statutory tests.

5. Cash and cash equivalents

	2022 $	2021 $
Cash at bank and on hand	**5,604,985**	5,412,566
	-	-
	5,604,985	5,412,566

6. Receivables

	2022 $	2021 $
Sundries debtors	**115,280**	107,724
	115,280	107,724

Details regarding credit risk of trade receivables are disclosed in Note 21.

Notes to the consolidated financial statements (continued)

7. Loans and advances to customers

	2022	2021
	$	$
Loans and advances to customers	**11,875,960**	13,864,558
Provisions for loan impairment	**(262,565)**	(308,757)
Net loans and advances to customers	**11,613,395**	13,555,801
Classified as:		
Current	**1,762,412**	1,968,073
Non-current	**9,850,983**	11,587,728
	11,613,395	13,555,801

Details regarding credit risk of loans and advances are disclosed in Note 21.

8. Contract assets

	2022	2021
	$	$
Accrued income	**1,567**	11,000
	1,567	11,000

A fee receivable is recognised if an amount of consideration that is unconditional is due from the customer. A contract asset represents the estimated value of performance obligations delivered up to the statement of financial position date that have yet to be billed to customers. Amounts recognised as contract assets are reclassified to fee receivables at the point at which they are invoiced to customers. Both fees receivables and contract assets are subject to impairment assessment.

9. Other current assets

	2022	2021
	$	$
Prepayments	**88,765**	15,040
GST Receivable	**9,465**	0
Accrued interest receivable	**3,633**	711
	101,863	15,751

Notes to the consolidated financial statements (continued)

10. Property, plant and equipment

	Computer & Telecom	Total
	$	**$**
At 30 June 2021		
Cost	12,283	12,283
Accumulated depreciation	(7,456)	(7,456)
Net carrying amount at 1 July 2021	**4,827**	**4,827**
Movements in carrying amounts		
Opening net carrying amount	4,827	4,827
Purchases	14,980	14,980
Disposals	-	-
Depreciation charge for the year	(6,205)	(6,205)
Closing net carrying amount	**13,602**	**13,602**
At 30 June 2022		
Cost	27,262	27,262
Accumulated depreciation	(13,660)	(13,660)
Net carrying amount at 30 June 2022	**13,602**	**13,602**

a) Recognition and measurement
(i) Initial recognition
Property, plant and equipment assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.
Cost includes expenditure that is directly attributable to the acquisition of the asset.
(ii) Impairment of property, plant and equipment
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Management has assessed the property, plant and equipment assets for impairment at balance date and determined that it is not impaired.
(iii) Depreciation and amortisation
Depreciation is provided on property, plant and equipment. Depreciation is calculated on a diminishing value basis to write off the depreciable amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. All material identifiable components of assets are depreciated separately over their useful lives. The depreciation expense has been included in statement of comprehensive income as part of the depreciation and amortisation expense.

The estimated useful lives for current and comparative periods are:
• Computer equipment 2 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.
(iv) Disposal of fixed assets
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within other income in the surplus or deficit for the year.
(v) Capitalisation Threshold Property, plant and equipment costing $1,000 and above individually are capitalised.

11. Right-of-use asset

	2022	2021
	$	$
	$	**$**
Balance at 1 July 2021	**-**	-
Additions	**127,243**	-
Depreciation charge for the year	**(3,181)**	-
Balance at 30 June 2022	**124,062**	**-**
Right-of-use asset	**127,243**	-
Accumulated depreciation	**(3,181)**	-
Right-of-use asset (net)	**124,062**	-

Refer to Note 16 Lease Liability for accounting policy details.

12. Payables

	2022	2021
	$	$
Trade and sundry creditors	**12,539**	8,044
	12,539	8,044

13. Contract Liabilities

	2022	2021
	$	$
Income in advance	**637,358**	1,515,950
	637,358	1,515,950

A contract liability is recognised if a payment is received or a payment is due from a customer before the company transfers the related goods or services. Contract liabilities are recognised as revenue when the company performs under the contract and the control of goods or services are transferred to the customer. The balance of contract liabilities at 30 June 2022 represents the amount paid in advance less the amount of work delivered under the contract. The contact liability balance has decreased significantly during the year because of a significant government contract that was prepaid in June 2021. This contract has been delivered during 2022 and the final stages of the program of work will be completed in full during the initial part of FY2023.

14. Provisions

	2022	2021
	$	$
Annual leave - current	**48,017**	51,016
Long service leave - non-current	**29,555**	19,498
	77,573	70,514

15. Other Current Liabilities

	2022	2021
	$	$
GST liability	**0**	159,576
Superannuation payable	**20,959**	7,944
PAYG tax withholding	**27,488**	18,385
Accrued expenses	**119,026**	43,050
Accrued interest payable	**28,907**	33,458
	196,380	262,413

16. Lease Liability

	2022	2021
	$	$
Balance at 1 July	**-**	-
Additions	**127,243**	-
Interest expense	**401**	-
Payments	**(3,312)**	-
Balance at 30 June	**124,331**	-
Lease liability - current	**62,618**	-
Lease liability - non - current	**61,714**	-
Balance at 30 June	**124,331**	-

a) Recognition and measurement

For any new contracts entered into on or after 1 July 2019, the Group assessed at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group entered a lease contracts for the use of 8 desks commencing 13 June 2022. This lease has term of 2 years. With this lease the Group applies a single recognition and measurement approach, recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At lease commencement date, the Group recognises a right-of-use asset at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of- use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Subsequent to initial measurement, the lease liability is increased to reflect the accretion of interest on the liability and reduced by payments made. The lease liability is subject to remeasurement to reflect reassessment or lease modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Prior to this lease, the company had a lease with term of less than 12 months and as such applied the "short-term lease" recognition exemption. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

17. (a) Maturities of Liabilities

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
	$	$	$	$	$	$
External Borrowings	**2,350,000**	**5,260,382**	**7,610,382**	450,000	8,021,710	8,471,710
Total liabilities	**2,350,000**	**5,260,382**	**7,610,382**	450,000	8,021,710	8,471,710

The Non-current External Borrowings are for fixed terms of more than 12 months and are subject to roll over with agreement of the lenders. The average fixed term is 5 years with an average interest rate of the RBA cash rate plus 1.79%.

18. Issued Share Capital

Consolidated and Company	2022	2022	2021	2021
	Number	$	Number	$
Opening balance	**2,240,000**	**2,240,000**	2,240,000	2,240,000
Share capital issued	**-**	**-**	-	-
Closing balance	**2,240,000**	**2,240,000**	2,240,000	2,240,000

The Company has issued 2,240,000 fully paid shares to its shareholders at A$1 per share. The Company does not have authorised capital or

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

19. Interests in Company Undertakings

Shares in controlled entities

Social Enterprise Finance Australia Limited holds shares in its wholly owned subsidiary Sefa Investments Limited (10 shares at $ 1.00 each) and acts as a trustee of Sefa Loan Fund. Sefa Investments Limited is the sole beneficiary of the Sefa Loan Fund.

20. Key Management Personnel Disclosures

Key management personnel constitute those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company.

Key Management Personnel (KMP) compensation

	2022	2021
	$	$
Short-term employee benefits	**238,162**	238,976
Post-employment benefits	**23,816**	22,703

Short term employee benefits which includes base salary, directors fees, allowances and leave entitlements expensed for the entire year or for that part of the year during which the employee occupied the specified position.

Post-employment benefits include amounts expensed in respect of employer superannuation obligations.

All KMPs are employed by the parent entity, Social Enterprise Finance Australia Limited.

Transactions with Key Management Personnel

At 30 June 2022, key management persons who had loans from or deposits with the parent entity or any of its controlled entities we
- David Rickards who is a shareholder and a Director of the parent entity has a long term loan to Social Enterprise Finance Australia Loan Fund of $300,000 (2021: $300,000) on which interest was paid $6,518 (2021: $7,933) via his family trust of which David is a beneficiary.

- Louise Sylvan who is a shareholder and was a Director of the parent entity until 23 November 2020, has a long term loan to Social Enterprise Finance Australia Loan Fund of $200,000 (2021: $200,000) on which interest was paid $3,845 (2021: $5,288) via an entity related to her.

21. Financial instruments

The company's principal financial instruments are outlined below. These financial instruments arise directly from the company's operations or are required to finance the company's operations. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The company's main risks arising from financial instruments are outlined below, together with the company's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the company, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the company on a continuous basis.

A. Financial instrument categories

Class	**Note**	**Category**	**Carrying Amount**	
Financial assets			**2022**	2021
			$	$
Cash and cash equivalents	5	Amortised Cost	**5,604,985**	5,412,566
Receivables	6	Amortised Cost	**115,280**	102,824
Loans and advances to customers	7	Amortised Cost	**11,613,395**	13,555,800
Contract assets	8	Amortised Cost	**1,567**	11,000
			17,335,227	19,082,190
Class	**Note**	**Category**	**Carrying Amount**	
Financial liabilites			**2022**	2021
			$	$
Payables	12	Amortised Cost	**12,539**	8,044
Other liabilities	15	Amortised Cost	**147,933**	76,508
Lease liabilities	16	Amortised Cost	**124,332**	-
Borrowings	17 (a)	Amortised Cost	**7,610,382**	8,471,710
			7,895,186	8,556,262

The company determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Notes to the consolidated financial statements (continued)

21. Financial instruments (continued)

b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the company transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the company has transferred substantially all the risks and rewards of the asset; or
- the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When the company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the company has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

d.) Financial Risks

i. Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the company. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment). . Credit risk arises from the financial assets of the company, including cash,receivables. No collateral is held by the company. The company has not granted any financial guarantees.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company.

Notes to the consolidated financial statements (continued)

21. Financial instruments (continued)

Receivables - trade receivables and contract assets

Collectability of trade receivables is reviewed on an ongoing basis. Outstanding receivables > 30 days are contacted directly.The company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade as at 30 June 2022 and 2021 was determined to be $0 as historically, the company has had an excellent record in collections and has not had to write off any bad debts. The balance at year end have all been confirmed and payment expected.

The company is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2022.

Loans and advances to customers

The overarching Risk Management Policy and Procedures set out the principles, framework and process upon which the company manages risk. In addition, a separate Risk Appetite Statement and Risk Register are maintained. Sefa's investment decisions are made by the Board under delegated authority to an independent Investment Committee (IC) consisting of independent skilled professionals from diverse backgrounds, relevant to Sefa's principle-based approach to investing for a financial and social return. The company's Concentration Risk Policy sits alongside the Investment Policy to emphasise the importance of managing exposure to single entities and groups of borrowers and sectors.

The company recognises an allowance for expected credit losses (ECLs) in line with AASB9. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). If a loan is considered to have low risk using all reasonable and supportable information, 12-month ECL is applied.
The loan provision reserve is currently based on a general provision following the application of IFRS9 as at year end. Applying IFRS9, credit risk assessment has been performed on SEFA portfolio, all loans are assessed as Stage 1 (Peforming). The 12 month expected credit losses are then calculated based on following parameters: actual interest rate of each individual loan, 2.6% probability of default and 90% expected loss given default.

The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7.

Notes to the consolidated financial statements (continued)

21. Financial instruments (continued)

ii. Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations when they fall due. The company continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances. The company's Adequacy of Resources Policy outlines the financial adequacy requirements to ensure solvency under Sefa's AFSL licence, covering financial statements, audit reports, cash flow requirements, sufficient NTA (Net Tangible Assets), standard surplus liquid funds ('SLF') requirements where Sefa holds client money and standard adjusted surplus liquid funds ('ASLF') requirements where Sefa transacts with clients.

During the current and prior year, there were no defaults of borrowings. No assets have been pledged as collateral. The company's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the contract terms. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

Table B		Interest rate exposure					Maturity dates		
2022		Weighted Average Effective Int. Rate	Nominal Amount[1]	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 to 5 years	> 5 years
Payables	12	0%	12,539			12,539	12,539		
Lease liabilities	16	3.78%	124,332	124,332				124,332	
Other liabilities	15	0%	147,933			147,933	147,933		
Borrowings	17 (a)								
NAB Facility		0%	3,385,382			3,385,382		3,385,382	
Other Loans		3.20%	4,225,000		4,225,000		2,300,000	1,925,000	
			7,895,186	124,332	4,225,000	3,545,854	2,460,472	5,434,714	-
2021		Weighted Average Effective Int. Rate	Nominal Amount[1]	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 to 5 years	> 5 years
Payables	12	0%	8,044			8,044	8,044		
Lease liabilities	16	-	-						
Other liabilities	15	0%	76,508			76,508	76,508		
Borrowings	17 (a)								
NAB Facility		0%	3,146,710			3,146,710		3,146,710	
Other Loans		2.6%	5,325,000		5,325,000		450,000	4,875,000	
			8,556,262	-	5,325,000	3,231,262	534,552	8,021,710	-

Loan facilities

NAB Facility B	$4,000,000	Drawn:	$3,385,382	Undrawn balance: $614,618
Lord Mayors Charitable Foundation	$3,000,000	Drawn:	$1,900,000	Undrawn balance: $1,100,000

Notes to the consolidated financial statements (continued)

21. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company's exposures to market risk are primarily through interest rate risk on the company's borrowings. The company has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the company operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date.

iiii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the company's interest-bearing liabilities. This risk is minimised due to the 0% interest NAB Facility.

A reasonably possible change of +/- 2% is used, consistent with current trends in interest rates (based on RBA interest rate volatility over the last year). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

	Carrying Amount	-2% profit	-2% Equity	+2% profit	+2% Equity
Financial Assets					
2022					
Cash and cash equivalents	5,151,341	- 103,027	- 103,027	103,027	103,027
Loans and Advances to Customers	11,613,395	- 232,268	- 232,268	232,268	232,268
Financial Liabilities					
Borrowings	4,225,000	84,500	84,500	- 84,500	- 84,500
	12,539,736	- 250,795	- 250,795	250,795	250,795
2021					
Cash and cash equivalents	5,412,566	- 108,251	- 108,251	108,251	108,251
Loans and Advances to Customers	13,555,800	- 271,116	- 271,116	271,116	271,116
Financial Liabilities					
Borrowings	5,325,000	106,500	106,500	- 106,500	- 106,500
	13,643,366	- 272,867	- 272,867	272,867	272,867

22. Related party transactions

(a) Parent entities

The parent entity within the Group is Social Enterprise Finance Australia Limited.

Information relating to Social Enterprise Finance Australia Limited (the Parent)

	2022 $	2021 $
ASSETS		
Current assets		
Cash and cash equivalents	**117,800**	1,724,355
Receivables	**125,612**	102,824
Contract assets	**1,567**	11,000
Other current assets	**3,224,185**	2,405,990
Total Current Assets	**3,469,164**	4,244,169
Non-current assets		
Property, plant and equipment	**13,602**	4,827
Right-of-use asset	**124,062**	-
Loans and advances to customers	**-**	-
Total Non-Current Assets	**137,664**	4,827
Total assets	**3,606,828**	4,248,995
LIABILITIES		
Current liabilities		
Payables	**12,539**	8,044
Contract liabilities	**637,358**	1,515,950
Provisions	**78,002**	45,827
Lease liability	**62,618**	-
Other current liabilities	**119,026**	202,209
Total Current Liabilities	**909,543**	1,772,030
Non-Current Liabilities		
Provisions	**48,017**	51,016
Lease liability	**61,714**	-
Total Non-Current Liabilities	**109,731**	51,016
Total liabilities	**1,019,274**	1,823,047
NET ASSETS	**2,587,554**	2,425,949
EQUITY		
Issued share capital	**2,240,000**	2,240,000
Retained earnings	**185,949**	88,780
Current earnings	**161,605**	97,169
TOTAL EQUITY	**2,587,554**	2,425,949
Interest income	**0**	0
Revenue from contracts with customers	**1,384,035**	287,088
Other income	**802,122**	959,011
Total operating income	**2,186,157**	1,246,099
Employee-related expenses	**1,295,601**	879,566
Depreciation and amortisation	**9,386**	3,950
Interest expense - lease	**401**	0
Operating expenses	**719,165**	265,414
Total expenses	**2,024,552**	1,148,930
Profit before taxation	**161,605**	97,169
Income tax (expense)/benefit	**-**	-
Profit for the year	**161,605**	97,169
Comprehensive income	**161,605**	97,169

22. Related party transactions

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 20.

(c) Transactions with related parties

Transactions between the parent entity and various related parties during the year consisted of:

Sefa Ltd provides a range of services to Sefa Loan Fund as per the management agreement signed 14th August 2015 and backdated to the commencement of the Sefa Loan Fund.

These services include:

(i) maintenance of the trust and statutory records of the Fund;
(ii) liaison with ASIC with respect to compliance with the Australian Financial Services License;
(iii) support for the maintenance and seeking of funds under management; and
(iv) the provision of information necessary for the accounts of the Fund to be accurately maintained; and
(v) governance.

These transactions were made on normal commercial terms and conditions.

As at 30 June 2022, the parent entity had loans and advances to Sefa Loan Fund of $2,384,893 (2021: $2,384,893) from which interest was received and receivable amounted to $63,184 (2021: $62,917). The Management fee charged by the parent entity to Sefa Loan Fund was $717,812 (2021: $786,983).

Notes to the consolidated financial statements (continued)

22. Related party transactions (continued)

(d) Loans to/from related parties

Loans to Sefa Loan Fund	2022 $	2021 $
Balance at beginning of the year	**2,384,893**	2,384,893
Addition during the year	**-**	-
Interest charged	**63,184**	62,917
Interest received	**(63,184)**	(62,917)
Balance at end of the year	**2,384,893**	2,384,893

Loans from other related parties

	2022 $	2021 $
Loans payable		
BRC Padua Pty Limited	**200,000**	200,000
Carrawa Pty Ltd	**300,000**	300,000
Regal Foundation	**-**	300,000
Interest paid	**(10,363)**	(21,155)

During the year, the company entered into transactions on arms length terms and conditions with a related entity, Sefa Partnerships, of which the company is a member. The aggregate value of the transactions and outstanding balances are as follows:

(e)

	2022 $	2021 $
Services delivered	**191,070**	151,145
Services received	**95,100**	38,470
Accounts receivable closing balance	**13,587**	44,543

(f) Terms and conditions

Transactions relating to dividends, calls on partly paid shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates. Loans are fixed for 5 years at commercial interest rates. Outstanding balances are unsecured and are repayable in cash.

23. Subsequent events

There have been no material post balance sheet events which would require disclosure or adjustment to the 30 June 2022 Financial statements.

24. Reconciliation of cash flows from operating activities to profit for the year

	2022 $	2021 $
Net cash (used) in operations	**(913,617)**	1,401,494
Depreciation and amortisation expense	**9,386**	3,950
Increase/(decrease) in prepayments and other assets	**154,473**	239,433
Increase/(decrease) in loan provision	**(46,193)**	29,478
Increase/(decrease) in contract assets	**(9,433)**	11,000
(Increase)/decrease in payables	**(4,495)**	18,641
(Increase)/decrease in provisions	**(7,058)**	(29,387)
(Increase)/decrease in other current liabilities	**75,498**	(147,407)
(Increase)/decrease in contract liabilities	**878,592**	(1,515,950)
Profit/(loss) for the year	**137,153**	11,252

Directors' Declaration

In the opinion of the directors of Social Enterprise Finance Australia Limited ("the Company"):

(a) the financial statements and notes set out on pages 20 to 46, are in accordance with the *Corporations Act 2001*, including:

(i) being prepared in accordance with section 7.6 of the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2018, and applicable Treasurer's directions;

(ii) giving a true and fair view of the financial position of the Group as at 30 June 2022 and of financial performance and cash flows,for the year ended 30 June 2022; and

(iii) complying with Australian Accounting Standard requirements- the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Dated at Sydney, 27 October 2022

Signed in accordance with a resolution of the directors.

Belinda Drew

Chairman of the Board

AUDITOR-GENERAL NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Social Enterprise Finance Australia Limited

To Members of the New South Wales Parliament and Members of Social Enterprise Finance Australia Limited

Opinion

I have audited the accompanying financial statements of Social Enterprise Finance Australia Limited (the Company), which comprise the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Company and the consolidated entity. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2022 and of their performance for the year ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- have been prepared in accordance with the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Company and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- *Corporations Act 2001*
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

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Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I confirm the independence declaration, required by the *Corporations Act 2001*, provided to the directors of the Company on 24 October 2022, would be in the same terms if provided to the directors as at the time of this Independent Auditor's Report.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The financial statements of the Company and consolidated entity for the year ended 30 June 2021 were audited by a private sector audit firm who expressed an unmodified opinion on those financial statements on 21 October 2021.

The Auditor-General became the auditor of the Company and consolidated entity onwards when the Auditor-General received the mandate to audit the Company and consolidated entity's financial statements on 26 November 2021 under section 34 of the *Government Sector Audit Act 1983*.

Other Information

The Company's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Company are responsible for the other information.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions, and *Corporations Act 2001*. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Company or the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Cathy Wu
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

27 October 2022
SYDNEY

"Sefa is providing forward-looking and thoughtful advice to not-for-profit organisations seeking innovative social finance solutions in areas such as affordable housing, jobs and health. It is a unique contribution in Australia."

DR CATHERINE BROWN OAM,
CEO Lord Mayor's Charitable Foundation

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Sefa acknowledges Aboriginal and Torres Strait Islander peoples as the traditional custodians of this country we call home. We pay our respect to Indigenous elders past, present and future. We recognise the significant importance of their cultural heritage, values and beliefs and how these contribute to the positive health and wellbeing of the whole community.

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