sefa

Annual Report

23

Unlocking social impact.

2023 ANNUAL REPORT

Table of Contents

A message from our Chair

Sefa and Sefa Partnerships turn 20 collectively this year. And while we certainly got wiser, we haven't lost an ounce of the pioneering spirit and lateral thinking that drives us further forward each year. We've come so far. From the Commonwealth seeding of just $10million we've unlocked over $130m of capital and worked with over 120 clients of whom more than 25% are Indigenous and almost half are women-led. We've also turned an operational profit for the second year in a row – and paid our first dividends this year. An incredibly exciting milestone that proves our organisation is here for the long haul.

Through the years, we have relentlessly supported our ecosystem and now stand behind Social Enterprise Australia's voice to do business for good and get more government and corporate investment in impact. Further Commonwealth investment in the form of the new Social Enterprise Development Initiative in the last budget is testament to the success of our work and that of other organisations funded by the Social Enterprise Development and Investment Funds in 2011.

Our relationship with the NSW Aboriginal Land Council (NSWALC) and their subsidiaries has gone from strength to strength, flourishing into a solid partnership that proudly represents the interests of Indigenous communities. As part of this agenda, in partnership with their Yarpa Hub, we will be delivering a two-year contract for the NSW Office of Social Impact Investment to build capability in social enterprises that support outcomes for women.

In FY2023, we welcomed the NSWALC nominees Councillor Charles Lynch and Sam Gilchrist to our board. Councillor Lynch brings a deep connection to the local network and Aboriginal Community-Controlled Organisations, while Mr Gilchrist will share with us his vast experience in economic development with Local Aboriginal Land Councils and other community groups. Their appointment further bolsters our organisation with expertise and networks, and embeds strong cultural competency at a governance level.

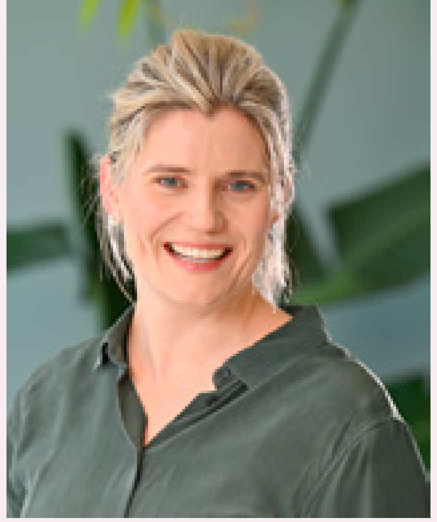
And to support continued reconciliation, we have shared our process of telling stories and creating new knowledge around Australia's First Nations as part of acknowledgement of country at our weekly team meetings. We are continually learning and assisting others to make informed decisions in the year of the referendum of the Voice to Parliament.

Our relentless lateral thinking and close collaboration with Sefa Partnerships means we are creating meaningful capital pathways and leveraging our strengths. And at every step, we stay close to Sefa's original constitutional objectives of supporting innovative product development for social, community and environmental enterprises.

Over the past year we have moved from consolidating and validating our approach to now thriving as investors in impact. We will continue to shake things up and go into key areas of work with intention, head and heart. And we are so grateful for the investors, partners and other stakeholders committed to staying on that journey with us.

Belinda Drew

A message from our CEO



Last year's momentum propelled us forward on our journey of addressing structural disadvantage – our north star that keeps us focused and relentless in our pursuit of reaching our goals.

We continued to focus on wicked and prickly problems, chipping away at progress one client at a time.

Our work in the housing sector, with a specific focus on older women, has been particularly exciting. After publishing a report in 2020 and another in 2022, we continued to step up our level of innovation through new financial models.

We began developing novel funding models based on preventative outcomes that aren't constrained by rigid, traditional payment by outcomes models. Part of this work involves designing new philanthropic mechanisms that use 'test, try, and learn' capital to drive innovation and help organisations prove their impact against the backdrop of social policy.

Our clients have a clear need for these flexible and innovative finance models. And as a demand-led organisation, we have continued to evolve our offering and edge further along the risk spectrum. We made our first growth capital investment last year to help purpose-driven technology platform Covidence grow its impact.

We will be looking for new opportunities to help more organisations scale with a dedicated $2 million allocation for growth capital in our balance sheet in FY2024, with $1m dedicated to unlocking Indigenous outcomes.

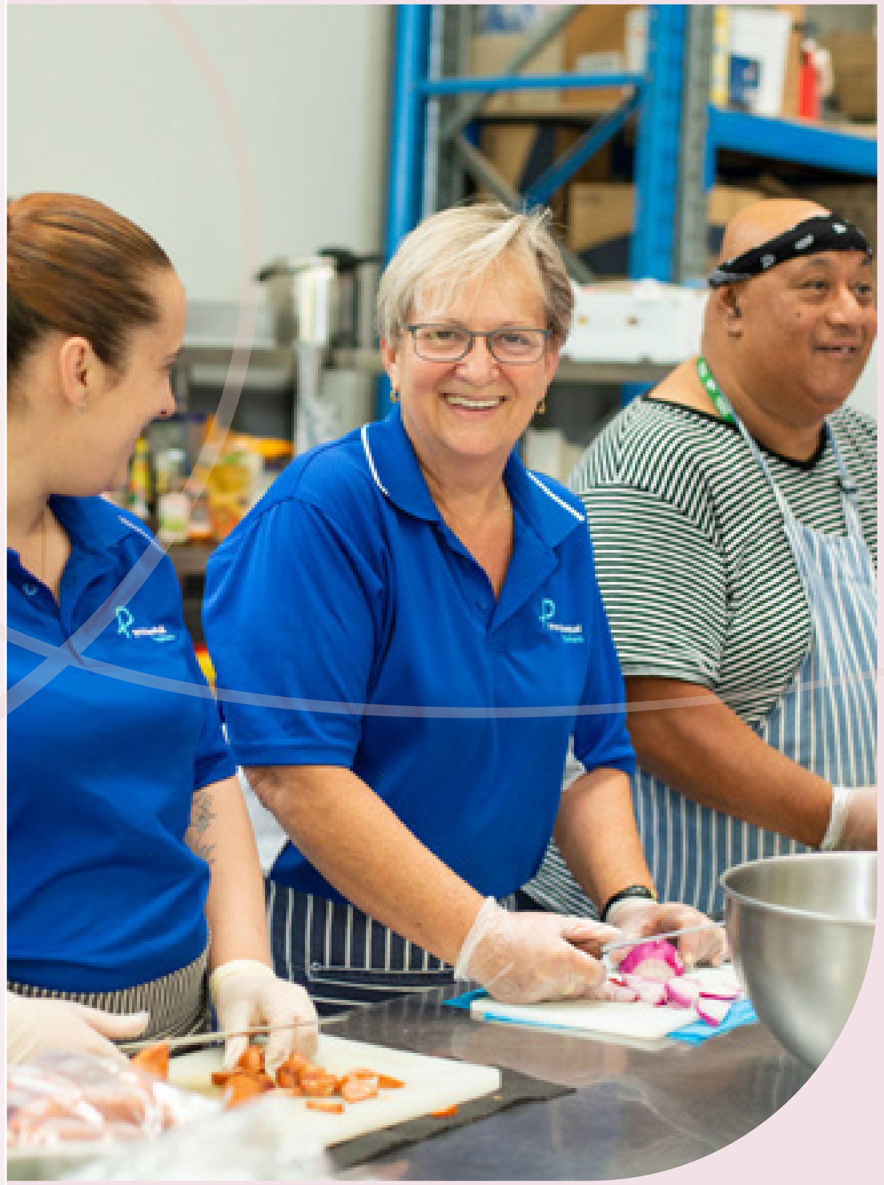
And Sefa and Sefa Partnership will also work collaboratively on catalytic capital opportunities – our way of holding ourselves accountable and linking back to our constitutional origins of c ontributing to the development of investment for social, community and environmental impact in Australia.

And our trailblazing approach continues to resonate with our partners. We have become a key delivery partner for NSW Government and philanthropic organisations including Paul Ramsay Foundation (PRF) and Vincent Fairfax Family Foundation (VFFF).

These partnerships allowed our small but mighty team to create more ripple effects in the market – from helping Miyay Birray Youth Service realise its vision and prepare for funding, to supporting eight social enterprises to scale their operations and their impact through PRF's Social Enterprise Growth Incubator program.

These opportunities have allowed us to listen deeply, learn from others and find our own voice – helping us shape Sefa's identity. We are now also more intentional about pursuing our specific areas of interests, including Indigenous and gender lens investing.

This year, we are celebrating our joint 20th birthday with our impact ally Sefa Partnerships. Over a decade into our own journey, I could not be prouder of how far we have stretched ourselves and what outcomes we have unlocked. And I am grateful for having been part of this ever-moving journey for almost 10 years, since I walked through the Bulletin Place office doors as a volunteer. Sefa is truly thriving and we look forward to boldly stepping into our next horizon.



Over 70% of our capacity building engagements last year were with female-led organisations, and we also saw an increase in engagements with Indigenous organisations. Partnering with the Aboriginal Community Housing Industry Association (ACHIA) was a true highlight.

We helped assess member organisations' readiness to expand or take on investment, so they can broaden business activities to address the housing crisis in their communities.

We also continued to raise our collective voice about social change, shaking things up by busting investment myths and reframing the conversation to instigate an important shift in the minds of our audiences.

Of course, none of this would be possible without our incredible team. Last year the Sefa crew grew to 15 amazing, diverse humans who act as a second brain and critical friend to our wonderful clients. I look forward to the great things we will achieve together next year.

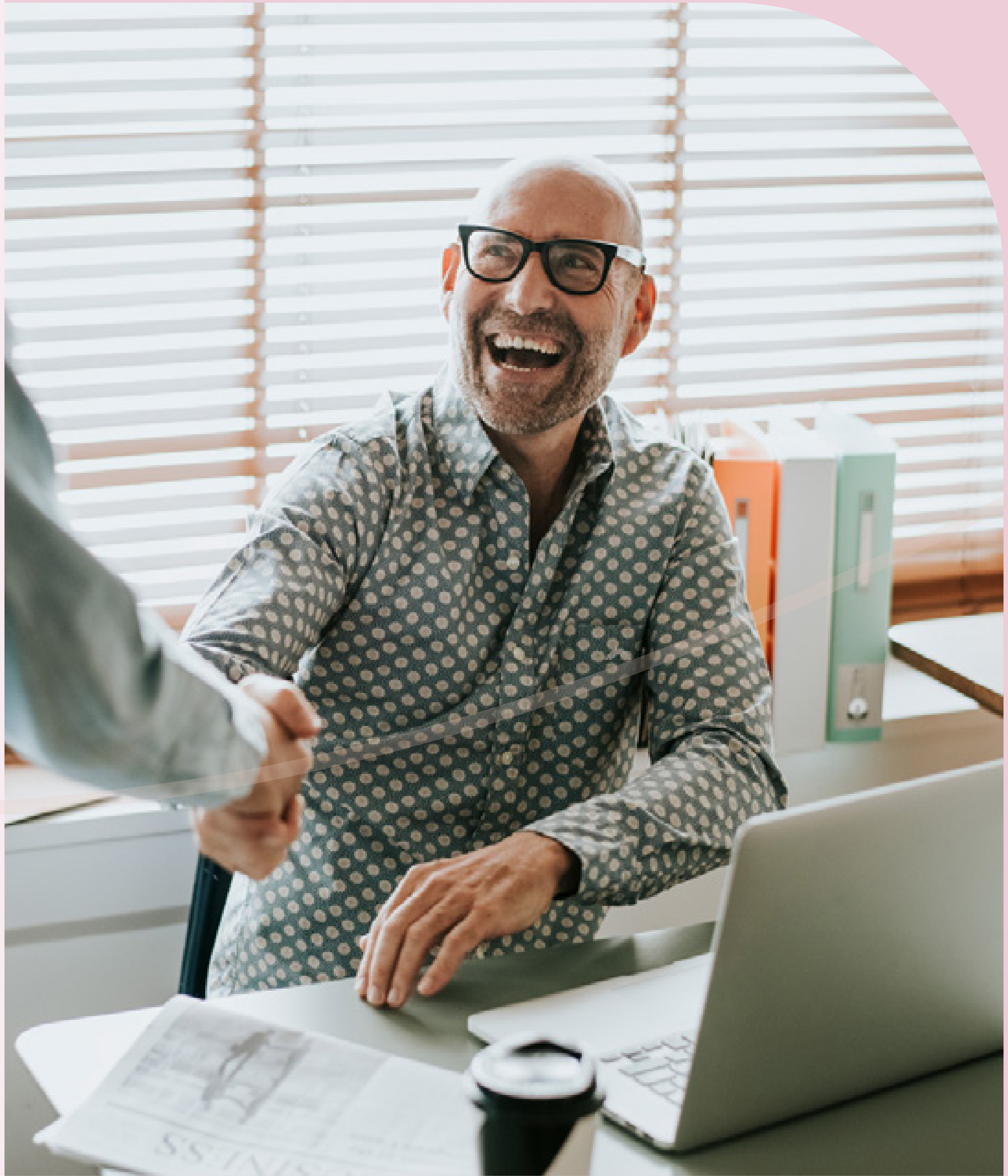
Hanna Ebeling

2023 ANNUAL REPORT

Capital impact stories

"Access to finance is one of the four building blocks that social enterprises need to start and grow. We often hear from social enterprises that access to finance to purchase equipment is a key barrier to taking on a new corporate contract. Sefa's services enable larger social enterprises to take the next steps on their growth journey. The work to help social enterprises become investment ready is closely aligned with our work in helping social enterprises to become procurement ready."

- Tara Anderson, Chief Executive Officer, Social Traders



Evolving our capital offering

The number of social enterprises in Australia have grown significantly over the last few years – and so has their scale. This is driving social change and innovation, as well as demand for capital, at all levels. These agile and resourceful organisations often lack assets and a long track record – and so they struggle to access the right type of capital to support their rapid growth.

At Sefa, we have transformed the way we look at capital to meet this increasing demand.

We have broadened our risk appetite from property-backed loans to working capital and unsecured loans to ensure we put our lending capacity to best use – solving for the most pressing social and environmental issues at a national level.

As a response to the need for catalytic capital, we identified a unique opportunity to provide tailored financial support to earlier-stage organisations. In FY2023, we set up the groundwork for financial innovation that will allow us to to provide patient capital in creative ways. We structure loans that allow for a combination of repayments, size, pricing, and key terms tailored to the growth stage and impact model of the business. Our 'quasi-equity' growth capital debt product can propose to charge repayments based on revenues – a multiple of the principal amount lent – rather than a variable interest rate.

These loans allow organisations to use capital more effectively, have sufficient cash to continue their operations and benefit from a cash injection at a specific point in time.

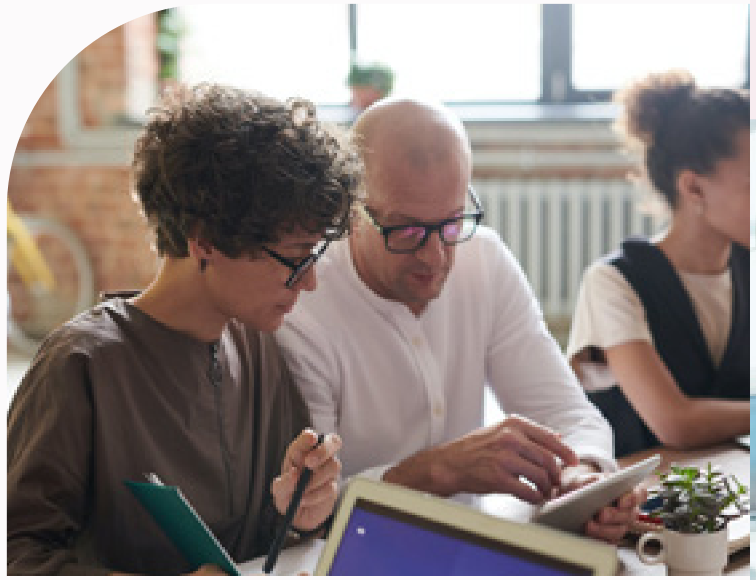
This type of capital has been critical in bridging the gap between our capability and capital offering. So the Sefa Board has intentionally allocated $2million from the Sefa Loan Fund to allow us to support organisations with growth capital in FY2024 and beyond.

We will also continue to evolve our investment mandate to maintain our position as a leading market provider for bespoke capital solutions by exploring a closer collaboration with Sefa Partnerships on catalytic capital, increase our presence as market builders and act as market disrupters. So we can continue our positive contributions to our constantly evolving ecosystem.

Sector-leading investment helping make sense of science

Technology has increased the speed of scientific research and discovery. But without the right systems to make sense of it all, scientists, practitioners and organisations struggle to put insights into action.

Covidence, a purpose-driven technology platform, uses AI to streamline literature and systematic reviews, helping bring together research from around the world and turn it into evidence-based insights faster.



A cornerstone investment to drive knowledge-based decisions

Having access to the latest research evidence in patient care can mean the difference between life and death for the 15 million people living with stroke. Before Covidence, the Stroke Foundation could only update the Australian and New Zealand 'Clinical Guidelines for Stroke Management' guides every 5-7 years. Streamlining the process, Covidence has facilitated and supported the reduction in the time between updates to 3 months; creating the world's first living evidence guidelines.

Today, more than 300,000 researchers and students and more than 300 organisations are using the Covidence platform to save time and focus on creating knowledge that will shape our society. Since its inception, Covidence has facilitated more than 300,000 individual reviews.

The platform offers infinite potential for impact and growth. When trustworthy information is so critical, the use of gold standards in all research disciplines is skyrocketing. 2.5 million scientific publications were published in 2000, and by 2013 this had tripled – highlighting the exponential growth in evidence creation. Systematic reviews are growing by 18% annually, signaling Covidence's need to accelerate its growth to continue closing the information gap.

With a strong financial baseline, expert management team and Board, Covidence has created an environment ripe for growth and impact. But it has now outgrown start-up philanthropic funding, and accessing bridging loan facilities is hard for the organisation to plan for.

We recognised the platform's incredible potential to have a significant ripple effect across all areas of life – from social science and climate change to health guidelines and patient treatments.

We invested $1million to support Covidence's journey – and add a unique organisation to the range of impact we rally behind. Our first growth capital investment is part of a larger, $5million deal to help the organisation build out its platform, meet customer priorities and grow its team. And, importantly, remain a not-for-profit organisation that protects its mission for the benefit of humanity.

We are very proud to continue to stretch our debt mandate into new territories and expand our investment appetite to organisations in their growth phase.

> "This investment has been transformative, helping us push into new frontiers. Part of that is about investing more in machine learning systems. But it's also about scaling as an organisation. We want to make a truly significant global impact now. And the Sefa facility significantly helps us on that journey."
>
> *- Julian Elliott, Covidence Co-Founder and CEO*

Creating more integrated support systems

The success of the social impact ecosystem depends on the strength and depth of partnerships to deploy capital and unlock impact at a greater scale. With our sector-agnostic approach, we can leverage our key partners' footprint and reach to educate and raise awareness of the benefits and advantages of our lending – and the social enterprises that are working on the ground.

By working with peak bodies, membership-based organisations and advocacy groups, we can support more social enterprises at a national level. And our strong referral channel allows us to design solutions that can be tailored to a range of circumstances instead of focusing on individual opportunities. With this approach, we have been able to influence more than 60 social enterprises in FY2023, expanding our reach and presence.

Working with the Social Enterprise Council of NSW & ACT and the Queensland Social Enterprise Council, we raised awareness of social finance and capital mechanisms for social enterprise through webinars and 'ask us anything' conversations. We also activated important referral pathways between Sefa and Social Traders. It's a rewarding partnership as our ability to provide investment readiness support and walk alongside organisations on their capital journey complements Social Traders' social procurement offering perfectly.

"Our Social Impact legal practice works with and supports the Social Enterprise sector to provide greater access to much needed financial and human capital for organisations which create public value and a more inclusive, resilient and sustainable economy and society. We are proud to be supporting SEFA's impactful work – providing much needed capital to organisations making a real difference and partnering with them to unlock social impact."

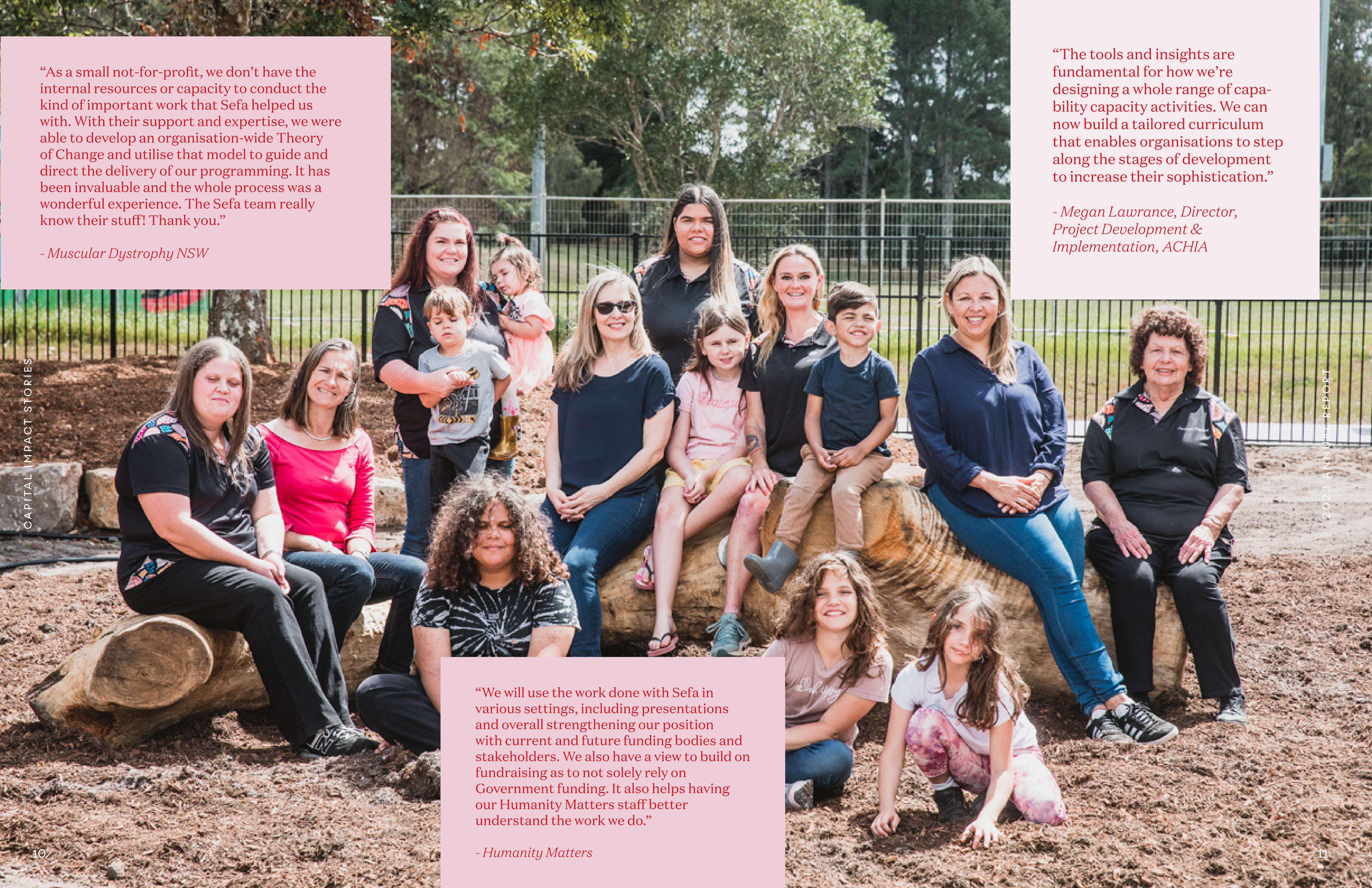
- Keith Rovers, Partner, Minter Ellis

"Access to finance is one of the four building blocks that social enterprises need to start and grow. We often hear from social enterprises that access to finance to purchase equipment is a key barrier to taking on a new corporate contract. Sefa's services enable larger social enterprises to take the next steps on their growth journey. The work to help social enterprises become investment ready is closely aligned with our work in helping social enterprises to become procurement ready."

- Social Traders

"Social enterprises are businesses, for good. They need partner organisations that understand what it means to walk the tightrope and deliver on both commercial excellence and genuine impact."

- Kylie Flament, Chief Executive Officer, SECNA



"As a small not-for-profit, we don't have the internal resources or capacity to conduct the kind of important work that Sefa helped us with. With their support and expertise, we were able to develop an organisation-wide Theory of Change and utilise that model to guide and direct the delivery of our programming. It has been invaluable and the whole process was a wonderful experience. The Sefa team really know their stuff! Thank you."

- Muscular Dystrophy NSW

"The tools and insights are fundamental for how we're designing a whole range of capability capacity activities. We can now build a tailored curriculum that enables organisations to step along the stages of development to increase their sophistication."

- Megan Lawrance, Director, Project Development & Implementation, ACHIA

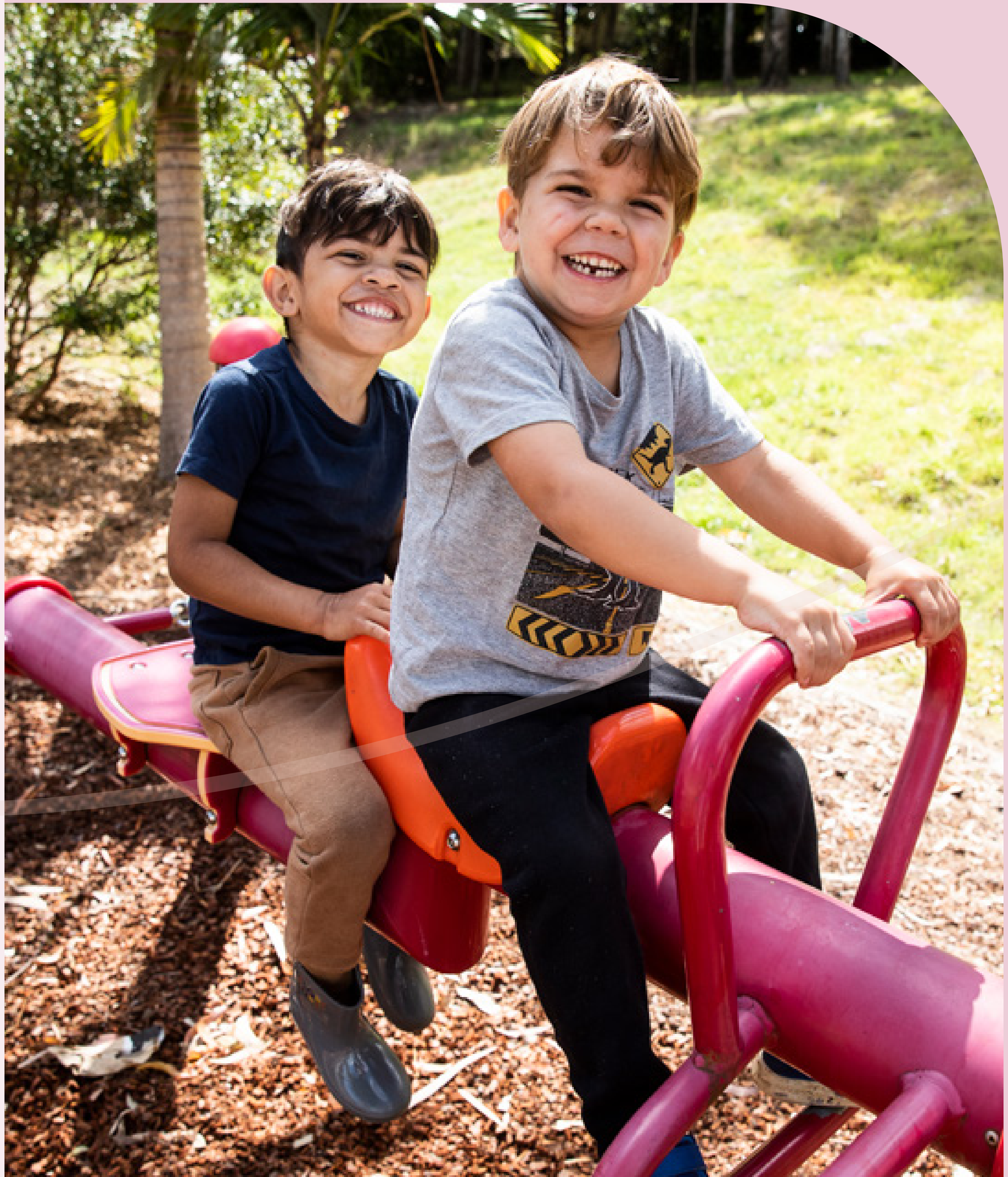
"We will use the work done with Sefa in various settings, including presentations and overall strengthening our position with current and future funding bodies and stakeholders. We also have a view to build on fundraising as to not solely rely on Government funding. It also helps having our Humanity Matters staff better understand the work we do."

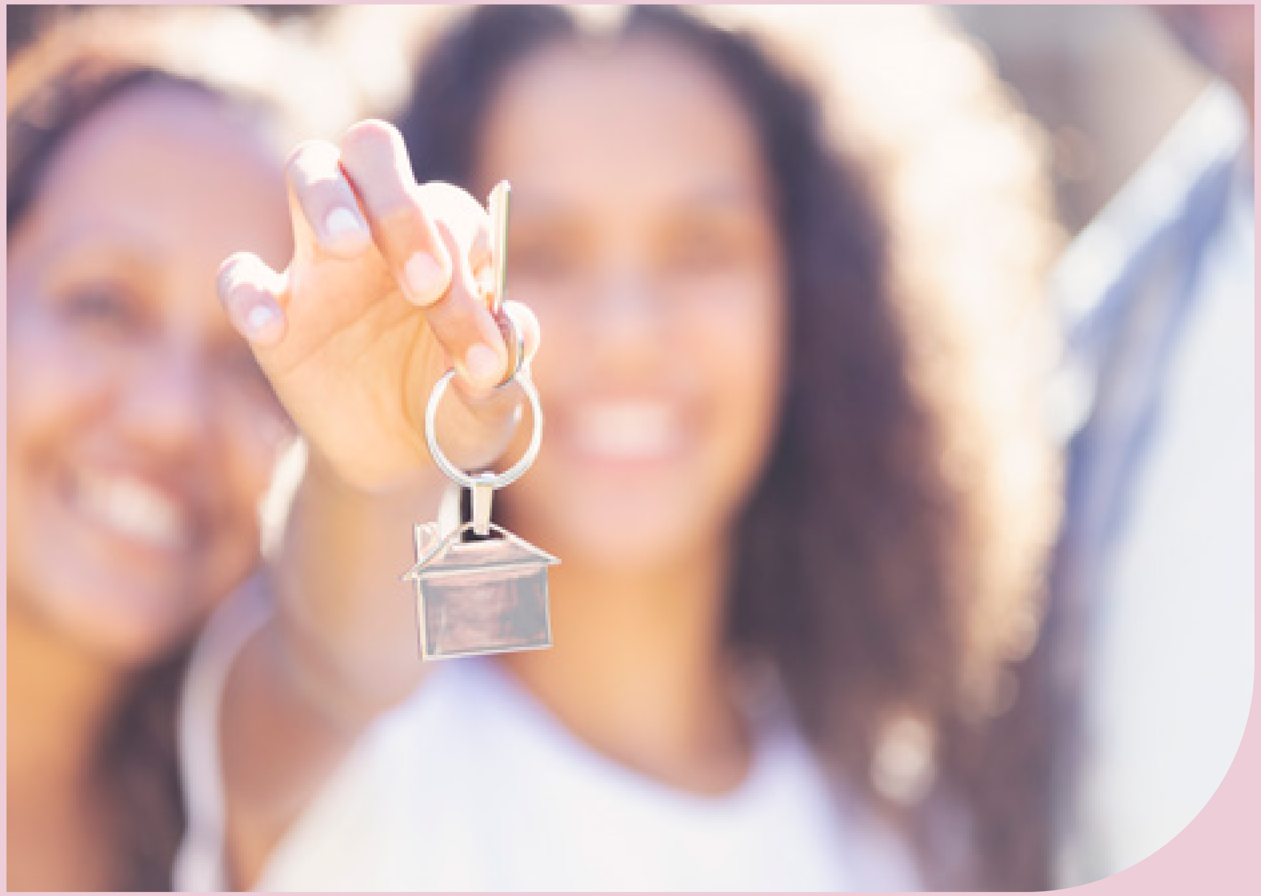
- Humanity Matters

Capability impact stories

"The tools Sefa developed for us are fundamental for how we're designing a whole range of capability and capacity activities that we have in train. They give us a really well-informed way to have important conversations so we don't have organisations seeking capability in one area, when they're missing a really fundamental element in another."

- Megan Lawrance, Director, Project Development & Implementation, ACHIA





Transforming the social sector: key learnings

Our work over the past year allowed us to bed down our offering and validate our capability building approach: to walk alongside our purpose-driven enterprises rather than simply give advice.

In FY2023 we wrapped up our Social Sector Transformation Fund (SSTF) contract with the New South Wales Government. Over the eighteen-month period we worked with 35 organisations, including 12 regionally based and six Aboriginal-controlled social enterprises.

We also extended our footprint around Australia, working with clients from Murray Bridge in regional South Australia and Alice Springs in central Australia to the Mid-North Coast of New South Wales and beyond.

During this time, we also benefitted from working with trusted, expert partners to bring the right skills to the table. The Latitude Network brought some deep expertise to organisations exploring outcomes-based contracting. And Orange Compass brought a unique blend of systems, design, and future thinking to our clients' challenges.

We have also deepened our relationships in the ecosystem and been bolder in bringing our experiences into the public domain through thought leadership.

5 reflections on FY2023

Over the past year we have worked with diverse clients and partners across sectors and around the country. And thanks to funding from the SSTF, we have also built a solid Engagement Team that helps organisations bolster their capabilities. Here's what we learned over the last 12 months.

1. Our approach works across the board

Our methodology is useful regardless of the size and location of our clients. Building and embedding capability requires relationships, technical expertise, and strategic thinking — all in different doses, depending on the organisation. We have the team depth and flexibility to adapt to the specific needs of our clients.

2. Time is of the essence

Investing the time to develop a sound understanding of an organisation, its operating and financial model, role within its ecosystem, and its impact potential, is time well spent. Always.

3. Setting realistic expectations

Embedding capability requires time and resources on top of day-to-day activities. We must make sure our clients know what to expect – and develop an approach and timeline that minimises interruption to their BAU .

4. Respecting the location

The impact of not only what organisations do, but where they do it is important – especially when working in regional and rural locations. Each organisation is part of a wider social fabric, so we must understand, respect and work with the history and community of these areas.

5. Confidence to deliver at scale

We have now worked with many diverse organisations and played a key role in influencing government funding. We are ready to step into new opportunities with government, philanthropy and corporate sectors more confidently than ever.

Tackling the housing crisis for Aboriginal families

The Australian housing crisis continues to disproportionately impact Aboriginal families. The Aboriginal Community Housing Industry Association (ACHIA) NSW – the new peak body for NSW Aboriginal Community Housing Providers (ACHPs) – is trying to change that.

ACHIA NSW was established to be both a voice and support for the Aboriginal community housing sector. Through the Coolamon Project, they support ACHPs to provide decent, affordable and safe housing for their communities.

ACHIA NSW engaged Sefa to help the association develop innovative ways ACHPs can achieve more financial independence to address the housing crisis in their communities.

Responding to the diverse needs of the sector

Through extensive discussions with a number of ACHPs, we dove deep to understand where organisations were on their journey. We discovered that organisations had solid foundations, with varying experiences and levels of readiness for growth – and diverse capacity, capability and capital needs.

We worked closely with the ACHIA NSW team, including Director, Project Development & Implementation Megan Lawrance, to co-create an achievable pathway to the Association's vision.

"Sefa helped us find that space where we were being agile and responsive to the diverse needs of the sector, but we weren't losing sight of our bigger vision, which is really important," Megan says.

Sefa developed a self-assessment tool to help organisations assess their capability — identifying their strengths, along with opportunities to access support to grow their capabilities or improve capacity.

A pathway to more and better housing

Our discovery work and tool development have allowed ACHIA NSW to be more strategic with the support it provides ACHPs.

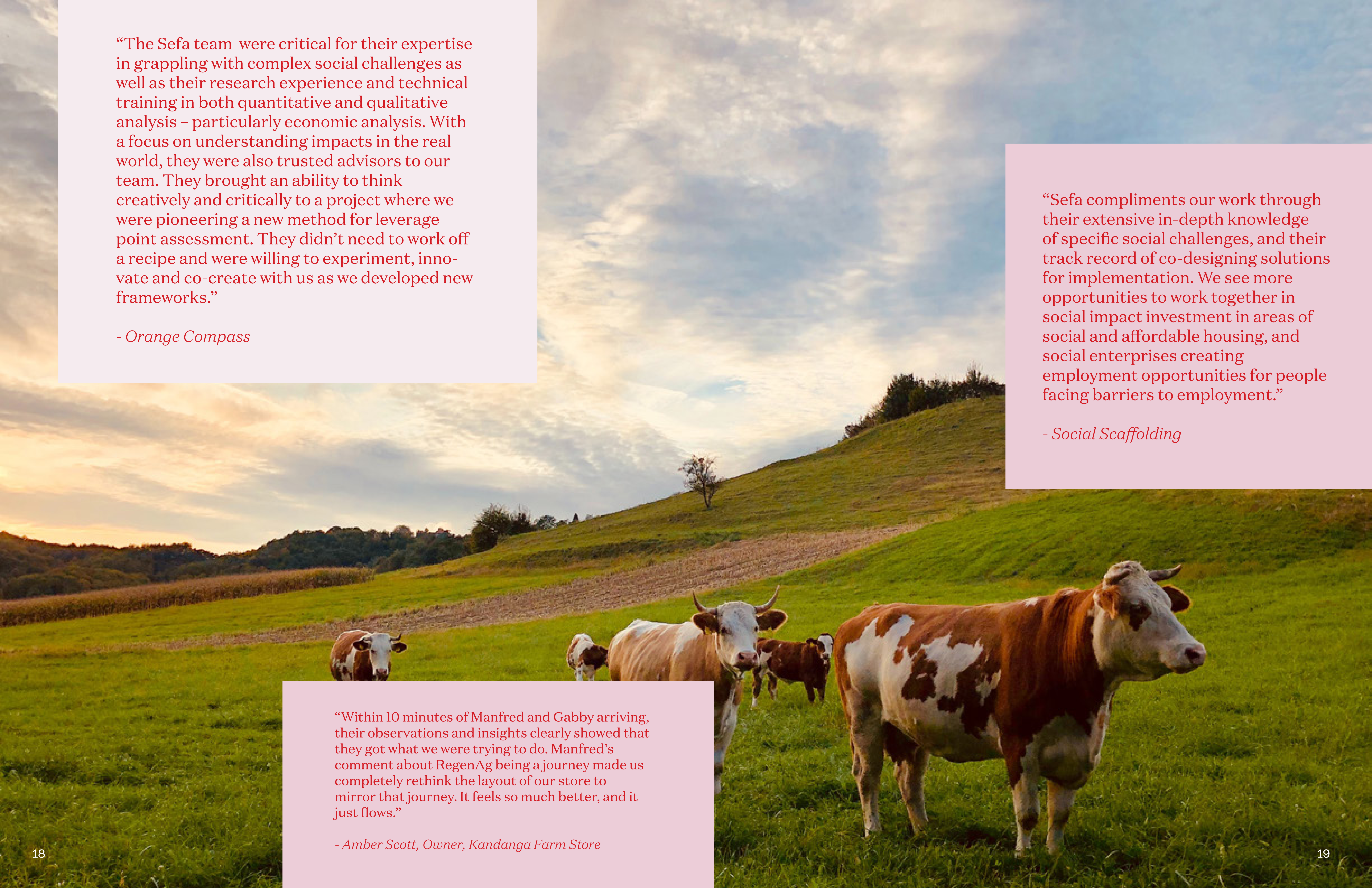
"The tools and insights are fundamental for how we're designing a whole range of capability and capacity activities. We can now build a tailored curriculum that enables organisations to step along the stages of development to increase their sophistication," Megan explains.

Sefa's niche expertise in how to structure and take advantage of different types of capital has also been extremely valuable to ACHPs. And for ACHIA NSW, our support has strengthened the structure within which the team rolls out activities.

"This stronger approach means resources are more efficient, there's less wasted, and there's clarity around what each piece is trying to achieve. And that's a huge win. Working efficiently with one ACHP means there's more opportunity for everybody in the sector. Because we're getting the right support into the right places," says Megan.

Armed with an invaluable understanding of the sector and new tools to assess readiness, ACHIA NSW is now ready to engage with community housing providers who are interested in accessing capability and capacity resources. And creating significant positive impact for the entire sector.

> "My hope is that this will allow the sector to find novel and creative ways to increase the sustainability of organisations and access capital and leading to more and better housing for Aboriginal people."
>
> *- Megan Lawrance, Director, Project Development & Implementation, ACHIA*



"The Sefa team were critical for their expertise in grappling with complex social challenges as well as their research experience and technical training in both quantitative and qualitative analysis – particularly economic analysis. With a focus on understanding impacts in the real world, they were also trusted advisors to our team. They brought an ability to think creatively and critically to a project where we were pioneering a new method for leverage point assessment. They didn't need to work off a recipe and were willing to experiment, innovate and co-create with us as we developed new frameworks."

- Orange Compass

"Sefa compliments our work through their extensive in-depth knowledge of specific social challenges, and their track record of co-designing solutions for implementation. We see more opportunities to work together in social impact investment in areas of social and affordable housing, and social enterprises creating employment opportunities for people facing barriers to employment."

- Social Scaffolding

"Within 10 minutes of Manfred and Gabby arriving, their observations and insights clearly showed that they got what we were trying to do. Manfred's comment about RegenAg being a journey made us completely rethink the layout of our store to mirror that journey. It feels so much better, and it just flows."

- Amber Scott, Owner, Kandanga Farm Store

Collaborations

"We want to invest in and enhance the capability and capacity of social enterprises that share our commitment to addressing the underlying social and economic causes of disadvantage, as well as pursuing collaborative, community-led solutions."

- Abhilash Mudaliar, Chief Impact Officer at Paul Ramsay Foundation

Boosting independent enterprises, ready to embrace the future

The Paul Ramsay Foundation (PRF) wants to help social enterprises working to break cycles of disadvantage in Australia grow. So in FY2023 the foundation entrusted Sefa to deliver its first incubator program, the PRF Social Enterprise Growth Incubator.

We researched and designed the 10-month program and worked with PRF and social enterprise consultants Social Scaffolding and The Difference Incubator to help eight social enterprises past the start-up stage reach sustainable operations. These organisations all had a track record of impact, but needed support to grow and create greater impact.

The importance of growth incubators

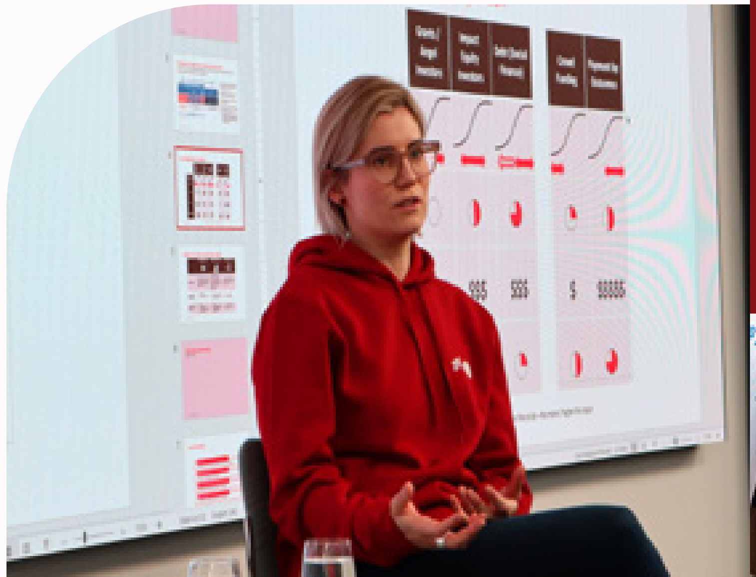
Social enterprises make an enormous contribution to the economy and the communities they operate in. They bring fresh perspectives and new ideas and have incredible potential to create meaningful change in our society.

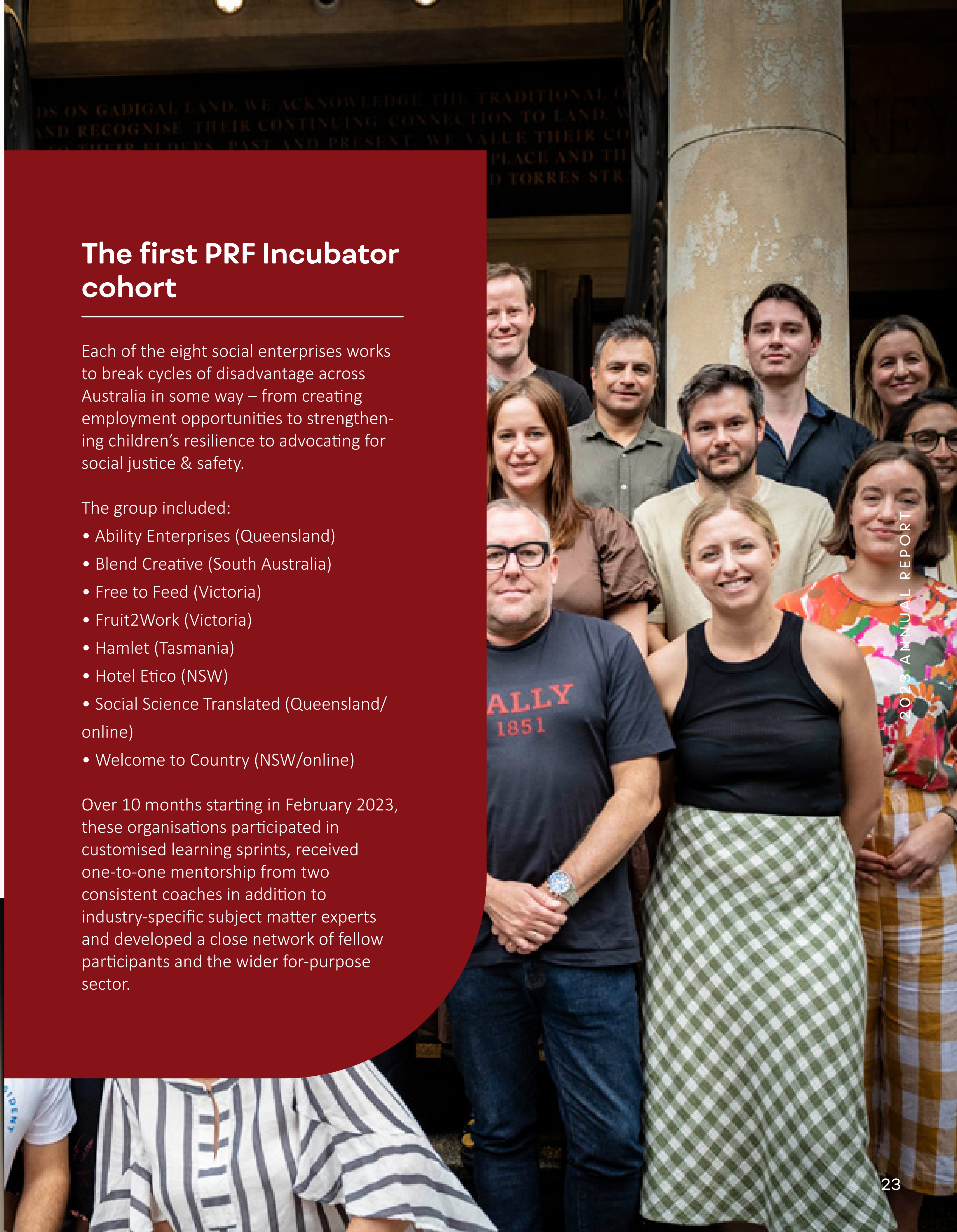
But they face many challenges – from not having the time and resources to invest in strategy and leaders to struggling to find the right partners, funders and mentors who truly understand their challenges.

So when funders such as PRF invest in building these organisations' capability and overall resilience as part of their growth journey, they are set up to succeed. This is the aim of the PRF incubator. By having more time, support, expertise and a strong network, social enterprises can create a sustainable core business that allows them to jump on growth opportunities – and extend their impact significantly.

"Recent research by Social Enterprise Australia tells us there are 12,000 social enterprises in Australia that already contribute $21.3 billion to the economy and employ more than 200,000 people. These are organisations with innovative ideas about how to overcome today's most pressing challenges. The key is supporting their visions to become sustainable, long-term solutions."

- Abhilash Mudaliar, Chief Impact Officer at Paul Ramsay Foundation





The first PRF Incubator cohort

Each of the eight social enterprises works to break cycles of disadvantage across Australia in some way – from creating employment opportunities to strengthening children's resilience to advocating for social justice & safety.

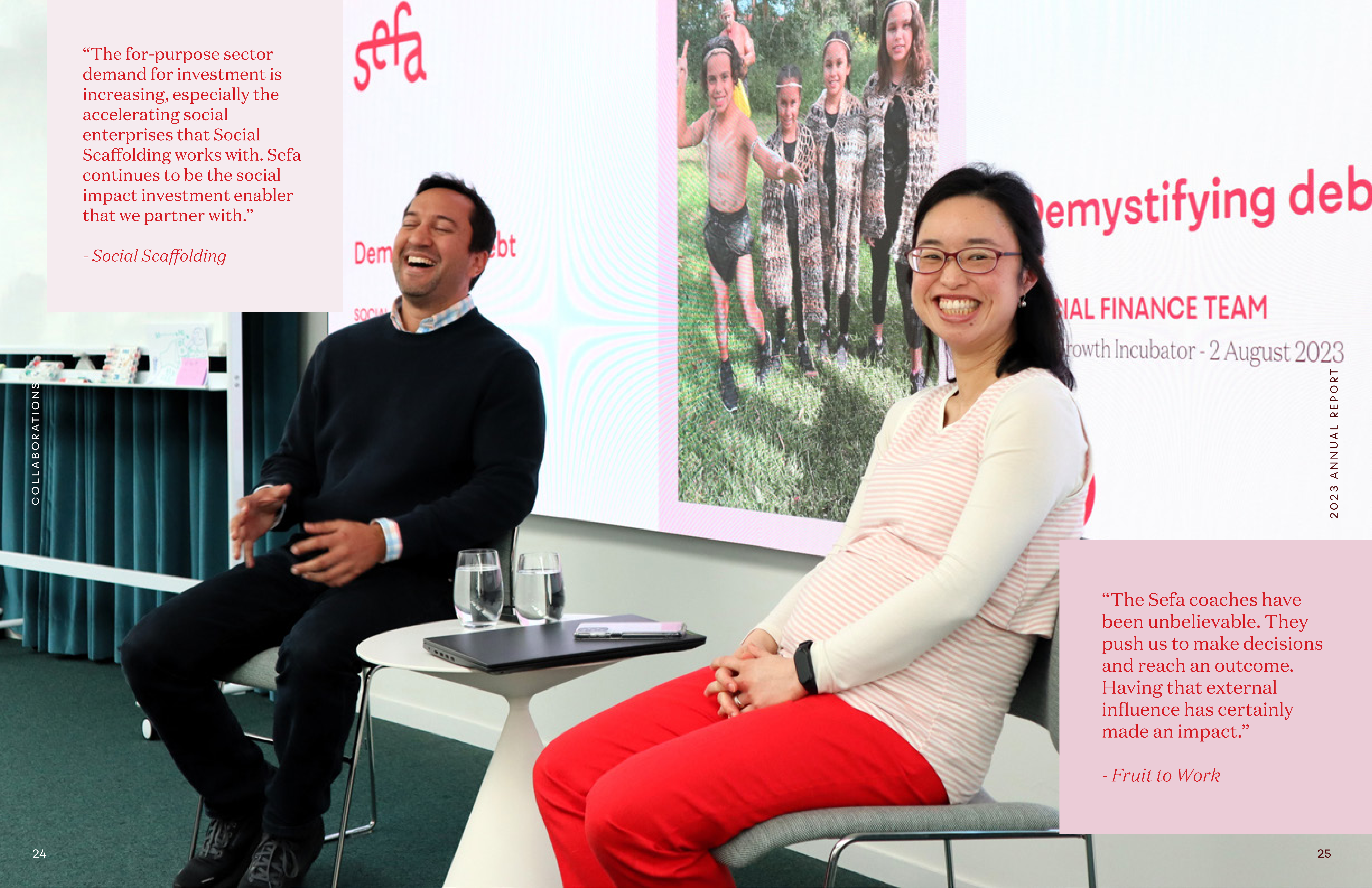
The group included:

- Ability Enterprises (Queensland)
- Blend Creative (South Australia)
- Free to Feed (Victoria)
- Fruit2Work (Victoria)
- Hamlet (Tasmania)
- Hotel Etico (NSW)
- Social Science Translated (Queensland/ online)
- Welcome to Country (NSW/online)

Over 10 months starting in February 2023, these organisations participated in customised learning sprints, received one-to-one mentorship from two consistent coaches in addition to industry-specific subject matter experts and developed a close network of fellow participants and the wider for-purpose sector.

“The for-purpose sector demand for investment is increasing, especially the accelerating social enterprises that Social Scaffolding works with. Sefa continues to be the social impact investment enabler that we partner with.”

- Social Scaffolding



“The Sefa coaches have been unbelievable. They push us to make decisions and reach an outcome. Having that external influence has certainly made an impact.”

- Fruit to Work

"Every moment has been worth it."

- Blend Creative

Developing best practice: focus on the value of time and team learning opportunities

As the incubator participants were well established, with immense skill and experience, we focused on harnessing leaders' and organisations' strengths.

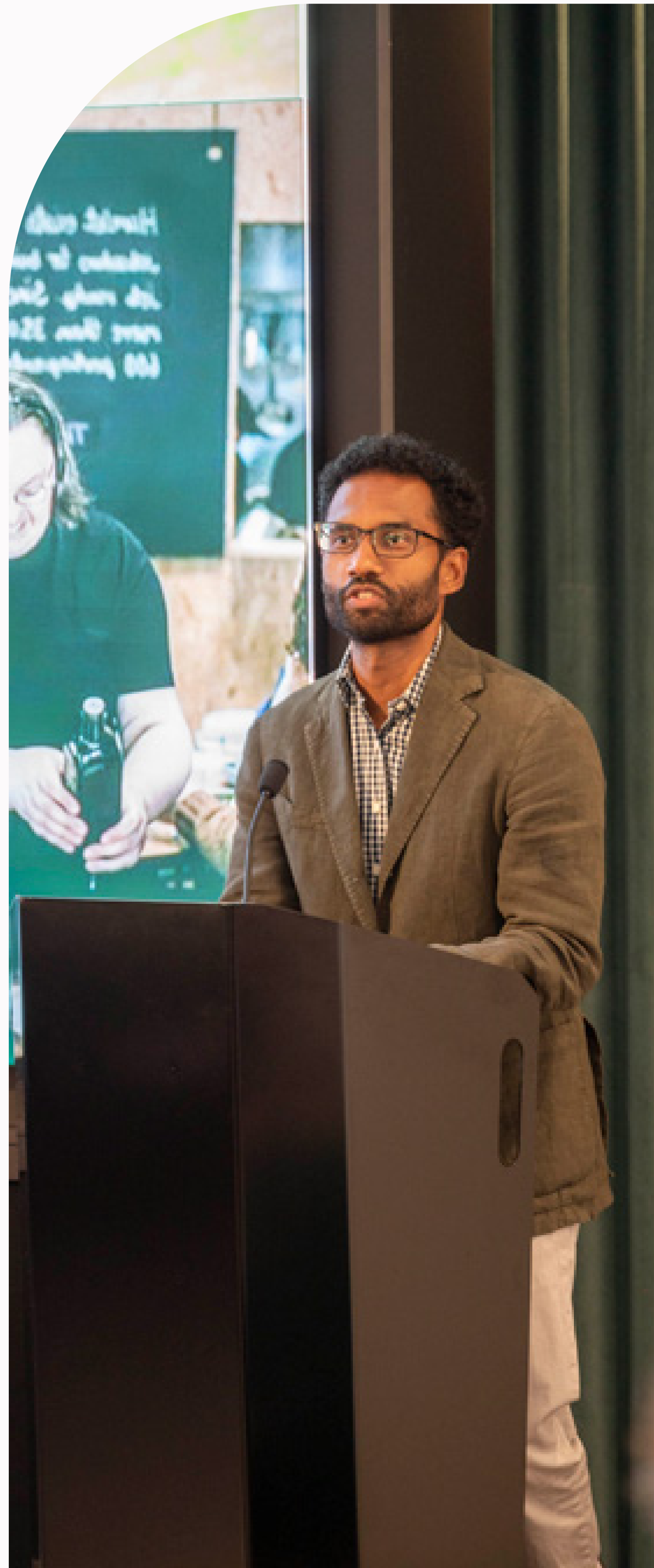
By inviting four people from each organisation, rather than only the founders or CEOs, we ensured we didn't create single-person dependencies or cause burnout amongst leaders. This allowed teams to approach challenges from multiple perspectives and deliver value to the whole organisation rather than just the people at the top. Committing to in-person, dedicated sprints also meant teams took a step back from the distraction of day-to-day operations and focused on strategic challenges in a safe and engaging environment.

We also customised the experience for each team, with plenty of time to build deep connections and trust with their matched coaches to work on stickier challenges . Some organisations faced stressful transformative experiences and were incredibly grateful for the support and respect of their coaches through their journey's ups and downs.

For this first cohort, the biggest value came from having the time, space and expert support to prepare their organisations to grow.

This incubator program showcased Sefa's skills and expertise to support organisations at any stage – from earlier-stage enterprises to mature organisations looking to grow. And together with our delivery partners Social Scaffolding and The Difference Incubator, we can help even more social enterprises become sustainable – and create more impact.

We look forward to future opportunities to run and lead growth incubators like the PRF program and making a difference for social enterprises with high potential.



Incubator Outcomes

Top 3 benefits to enterprises

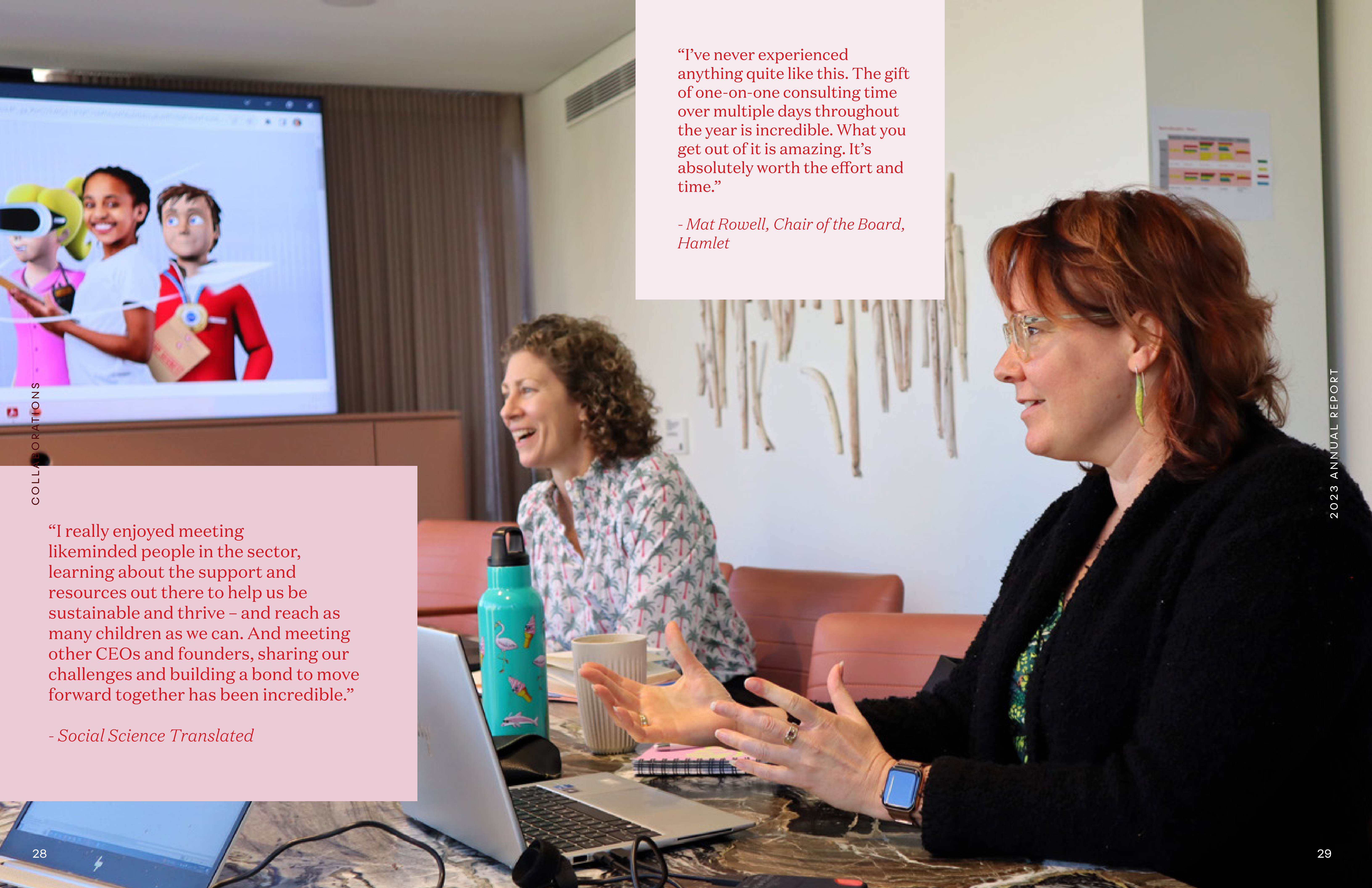
1. Clarity on strategic direction
2. Improved operations
3. Better financial health

Critical skills and capabilities reach next level

- Impact capability scores lifted overall
- Business model and financial skills rose 'fair' to 'good' or 'very good'
- Governance and HR capabilities jumped from 'fair' to 'good'
- Customer and market knowledge improved from 'good' to 'very good'

Independent enterprises, ready to embrace the future

Enterprises are significantly clearer on what they need to do to grow their businesses, and are equipped with confidence to pursue their individual paths.



"I've never experienced anything quite like this. The gift of one-on-one consulting time over multiple days throughout the year is incredible. What you get out of it is amazing. It's absolutely worth the effort and time."

- Mat Rowell, Chair of the Board, Hamlet

"I really enjoyed meeting likeminded people in the sector, learning about the support and resources out there to help us be sustainable and thrive – and reach as many children as we can. And meeting other CEOs and founders, sharing our challenges and building a bond to move forward together has been incredible."

- Social Science Translated

Audited Financial Statements

Table of Contents

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 2023 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, resigned 29 November 2022)
- Scarlet Reid (appointed 29 November 2019, resigned 29 November 2022)
- David Rickards (appointed 23 June 2020)
- Lila D'Souza (appointed 21 March 2023)
- Ben Gales (appointed 11 May 2022)
- Councillor Charles Lynch (appointed 21 March 2023)
- Sam Gilchrist (appointed 9 May 2023)

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.

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.

Scarlet Reid

Scarlet is a highly experienced workplace and regulatory lawyer and is a Partner in the Sydney office of Ashurst. 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 also 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.

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 responsible for the 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 Productivity 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.

Councillor Charles Lynch

A proud Aboriginal- Gomeroi man from Tamworth NSW, Charles has 30 years of experience working with Aboriginal communities and businesses within the NSW Aboriginal Land Council (NSWALC). During this time, he's co-chaired Closing the Gap and represented NSWALC at the United Nations. This helped hone his expertise in governance, place-based arrangements in communities, financial stewardship, legislation, and policy. At Sefa he uses these skills and his deep knowledge to help us continue to bring people together for a common good.

Sam Gilchrist

Over the last 15 years, Samuel has focused his formidable energy and strong sense of fairness on establishing social and economic equity for Australia's Aboriginal peoples. Bringing opportunity to communities drives him – that's why he's so proud to have helped establish Aboriginal businesses through the New South Wales Aboriginal Land Council (NSWALC) Economic Development Program. Samuel's in-depth understanding of the NSWALC, the Local Aboriginal Land Councils network and their communities helps Sefa create greater social impact where it's most needed, while his sound understanding of business, accounting and finance benefits us and our clients alike.

Meetings of Directors

The number of meetings of the Company's board of directors held during the financial year ended 30 June 2023 was seven, and the number of meetings attended by each director was:

	Meetings Eligible to attend	Meetings Attended
Belinda Drew	7	6
Lila D'Souza	3	3
Ben Gales	7	6
Scarlet Reid	4	2
Charles Lynch	3	2
Sam Gilchrist	2	1
Jay Bonnington	4	4
David Rickards	7	7

The number of meetings of the Company's Audit and Risk Committee held during the financial year ended 30 June 2023 was three, and the number of meetings attended by each committee member was:

	Meetings Eligible to attend	Meetings Attended
Jay Bennington	3	3
Scarlet Reid	3	3

Principal Activities

The principal activity of the company during the 2023 financial year was the provision of loans and capability building, including investment readiness, support to Australian purpose-driven organisations . Assisting organisations to deliver social and environmental 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 the year ending 30 June 2023, resulting in an operating profit for the year of $112,719.

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 $1.4m in income which is line with the prior year. There was a strong focus on identifying, analysing and supporting several innovative housing models and undertaking research together with solution exploration on the older women cohort across new prevention and intervention mechanisms, all of which builds on Sefa's track record and expertise in addressing Australia's housing market challenges.

On the capability building side of the business, Sefa completed the delivery of the contract with the NSW Government under the Social Sector Transformation Fund, that saw Sefa assisting 35 social service and health care organisations with strategy & governance and evaluation & monitoring. 34% of our clients were located in regional or remote areas and 14% were Aboriginal owned organisations.

In addition to this, the much-anticipated launch of the Paul Ramsay Foundation's Social Enterprise Incubator with Sefa Partnerships was a defining moment in our journey. This initiative, dedicated to growth-stage organisations, epitomises our commitment to nurturing purpose-driven ventures. Sefa's role was to provide in depth coaching for eight social enterprises from across Australia and marks a significant stride towards unlocking greater impact.

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 such as increased property prices, in combination with continued early repayments from borrowers. The loan booked closed 30 June 2023 with a balance of $11.8m which is slightly higher than the prior year. The outstanding loan portfolio continued to perform well, and the social finance team increased communication with borrowers in light of the rising interest rate environment.
Sefa now has cumulative disbursements of more than $47 million achieved since formation of the business across close to 65 loans and has unlocked over $129m of impact capital from diverse sources.
The social finance team also delivered professional services around capital structuring and capital raising support, including arranging syndicated loans for impact investors.

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.

Dividends

The Company does not propose to declare a dividend for the year ended 30 June 2023.

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 25 October 2023
For and on behalf of the Board of Directors.

Belinda Drew
Chair of the Board

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia GPO
Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000 Fax: +61 3 8650 7777 ey.com/au

Auditor's Independence Declaration to the Directors of Social Enterprise Finance Australia Limited

As lead auditor for the audit of the financial report of Social Enterprise Finance Australia Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

(b) no contraventions of any applicable code of professional conduct in relation to the audit; and

This declaration is in respect of Social Enterprise Finance Australia Limited and its controlled entities during the financial year.

Ernst & Young

Kester Brown
Partner
25 October 2023

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Interest income	2	935,611	809,891
Revenue from contracts with customers	2	1,466,614	1,401,485
Other income	2	41,658	32,689
Total operating income		**2,443,883**	**2,244,065**
Employee-related expenses	2	(1,518,091)	(1,295,601)
Depreciation and amortisation	2	(70,619)	(9,386)
Interest expense - lease	2	(3,622)	(401)
Operating expenses	2	(513,769)	(719,793)
Finance costs	2	(224,747)	(127,924)
Loan provision reserve movement		(316)	46,193
Total expenses		**(2,331,164)**	**(2,106,912)**
Profit before taxation		**112,719**	**137,153**
Income tax expense	3	-	-
Profit for the year		**112,719**	**137,153**
Comprehensive income		**112,719**	**137,153**
Total comprehensive income attributable to:			
Owners of Social Enterprise Finance Australia		**112,719**	**137,152**

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	Year ended 30 June 2023 $	Year ended 30 June 2022 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	5,306,233	5,604,985
Loans and advances to customers	7	650,284	1,762,412
Receivables	6	303,472	115,280
Contract assets	8	12,500	1,567
Other current assets	9	121,848	101,863
Total Current Assets		6,394,337	7,586,107
Non-Current Assets			
Property, plant and equipment	10	8,787	13,600
Right-of-use asset	11	60,438	124,062
Loans and advances to customers	7	10,975,437	9,850,983
Total Non-Current Assets		11,044,662	9,988,645
TOTAL ASSETS		17,438,998	17,574,754
LIABILITIES			
Current Liabilities			
Payables	12	13,831	12,539
Contract liabilities	13	111,033	637,358
External borrowings	17	2,825,000	2,350,000
Provisions	14	64,802	48,017
Lease liability	16	61,714	62,618
Other current liabilities	15	510,188	196,380
Total Current Liabilities		3,586,568	3,306,912
Non-Current Liabilities			
Provisions	14	49,923	29,555
Lease liability	16	-	61,714
External borrowings	17	4,773,599	5,260,381
Total Non-Current Liabilities		4,823,522	5,351,651
TOTAL LIABILITIES		8,410,091	8,658,564
NET ASSETS		9,028,908	8,916,189
EQUITY			
Issued share capital	18	2,240,000	2,240,000
Retained earnings		6,676,189	6,539,036
Current earnings		112,719	137,153
TOTAL EQUITY		9,028,908	8,916,189

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Note	Issued Share Capital $	Retained earnings $	Total $
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
As at 1 July 2022		2,240,000	6,676,189	8,916,189
Profit after tax		-	112,719	112,719
Total comprehensive income for the year		-	112,719	112,719
Transactions with owners in their capacity as owners:				
Share capital issued		-	-	-
Dividends paid		-	-	-
As at 30 June 2023	18	2,240,000	6,788,908	9,028,908

Consolidated Statement of Cash flows

For the year ended 30 June 2023

	Note	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Cash flows from operating activities			
Payments			
Finance costs		(184,425)	(105,893)
Employee-related		(1,523,133)	(1,365,755)
Payments to suppliers		(3,778,254)	(809,384)
Total Payments		(2,985,811)	(2,281,032)
Receipts			
Interest received		1,127,037	798,781
Other income		42,675	58,022
Revenue from contracts with customers		849,726	510,612
Total Receipts		2,019,437	1,367,415
Net cash flows from operating activities		(966,375)	(913,617)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,398)	(16,478)
Loan principal repayments received from customers		2,483,350	5,871,712
Loans advanced to customers		(1,700,711)	(3,873,631)
Net cash flows from investing activities		780,241	(1,981,603)
Cash flows from financing activities			
Payment of principal portion of lease liability		(62,618)	(3,312)
External borrowing repaid		(50,000)	(872,255)
Net cash flows from financing activities		(112,618)	(875,567)
Net increase in cash and cash equivalents		(298,752)	192,419
Cash and cash equivalents at beginning of year		5,604,986	5,412,566
Cash and cash equivalents at end of year		5,306,234	5,604,985

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 2022-23 are consistent with those of the previous financial year.

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 2023 have been authorised for issue by the Board on 25 October 2023.

(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.

(c) Revenue recognition

Revenue recognition is in accordance with AASB 15 Revenue from Contracts with Customers. Assessment is carried out to identify the contract with the customer, performance obligations under the contract and transaction price. The 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 21 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 2023 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 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 the balance date.

(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 include 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.

(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 considering 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 (Performing). The 12 month expected credit losses are then calculated based on the following parameters: actual interest rate of each individual loan, 2.6% probability of default and 90% expected loss given default.

(i) 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.

(j) 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.

(k) 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.

(l) 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 because 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.

(m) 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 accor-

dance 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Changes to Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 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 2014-10 Amendments to AASs- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Dec-14	1-Jan-25
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.		

2. Profit Before Income Tax

	2023 $	2022 $
Interest income		
Interest income on cash deposits	**154,095**	18,806
Interest income on loans and advances to customers	**781,515**	791,085
Total interest income	**935,611**	809,891
Interest expense - lease	**(3,622)**	(401)
Interest expense - external	**(224,747)**	(127,924)
Total interest expense	**(228,369)**	(128,325)
Net interest income	**707,241**	681,566
Revenue from contracts with customers		
Professional services	**1,341,739**	1,351,190
Management and establishment fees	**124,876**	50,295
Total revenue from contracts with customers	**1,466,614**	1,401,485
Other income	**41,658**	32,689
Total other income	**41,658**	32,689
Employee-related expense		
- **Salaries and wages**	**1,443,490**	1,255,960
- **Other employee-related expenses**	**74,601**	39,640
Depreciation and amortisation	**70,619**	9,386
Operating expenses		
- **Audit fees**	**50,430**	65,523
- **Insurance**	**55,133**	42,820
- **Consultants**	**107,168**	175,205
- **Other contractors**	**138,364**	281,211
Other operating expenses	**162,674**	161,035
Total expenses	**2,102,479**	2,024,780

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 projects 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 of 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.

3. Income Tax

	2023 $	2022 $
Operating profit from ordinary activities before income tax	**112,719**	137,153
Prima facie income tax expense at 25% (2023: 25%)	**28,180**	34,288
Tax effect of non-deductible expenses/non-assessable income in determining taxable profit:		
Recognition of tax benefit associated with previously un-booked tax losses	**(28,180)**	(34,288)
	(28,180)	(34,288)
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

	2023 $	2022 $
Income tax provision	-	-
Deferred tax benefit	-	-
Deferred tax liabilities	-	-
Net position	-	-

The Group has estimated unconfirmed Australian tax losses of $512,732 (2022: $625,451) 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 continuing to meet the relevant statutory tests.

5. Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	**5,306,233**	5,604,985
	5,306,233	5,604,985

6. Receivables

	2023 $	2022 $
Sundries debtors	**303,472**	115,280
	303,472	115,280

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

7. Loans and advances to customers

	2023 $	2022 $
Loans and advances to customers	**11,888,602**	11,875,960
Provisions for loan impairment	**(262,881)**	(262,565)
Net loans and advances to customers	**11,625,721**	11,613,395
Classified as:		
Current	**650,284**	1,762,412
Non-current	**10,975,437**	9,850,983
	11,625,721	11,613,395

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

8. Contract assets

	2023 $	2022 $
Accrued income	**12,500**	1,567
	12,500	1,567

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 receivable and contract assets are subject to impairment assessment.

9. Other current assets

	2023 $	2022 $
Prepayments	**18,464**	88,765
GST Receivable	**-**	9,465
Accrued interest receivable	**51,434**	3,633
Other Debtors	**51,951**	-
	121,848	101,863

10. Property, plant and equipment

	Computer & Telecom $	Total $
At 30 June 2022		
Cost	27,262	27,262
Accumulated depreciation	(13,660)	(13,660)
Net carrying amount at 1 July 2022	**13,602**	**13,602**
Movements In carrying amounts		
Opening net carrying amount	13,602	13,602
Purchases	2,180	2,180
Disposals	-	-
Depreciation charge for the year	(6,995)	(6,995)
Closing net carrying amount	**8,787**	**8,787**
At 30 June 2023		
Cost	29,442	27,262
Accumulated depreciation	(20,656)	(13,660)
Net carrying amount at 30 June 2023	**8,787**	**8,787**

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 caused by property, plants 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 the 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

	2023 $	2022 $
Balance at 1 July 2022	**127,243**	-
Additions	**-**	127,243
Depreciation charge for the year	**(66,805)**	(3,181)
Balance at 30 June 2023	**60,438**	124,062
Right-of-use asset	**127,243**	127,243
Accumulated depreciation	**(66,805)**	(3,181)
Right-of-use asset (net)	**60,438**	124,062

Refer to Note 16 Lease Liability for accounting policy details.

12. Payables

	2023 $	2022 $
Trade and sundry creditors	**13,831**	12,539
	13,831	12,539

13. Contract Liabilities

	2023 $	2022 $
Income in advance	**111,033**	637,358
	111,033	637,358

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 is transferred to the customer. The balance of contract liabilities at 30 June 2023 represents the amount paid in advance less the amount of work delivered under the contract. The contract liability balance has decreased significantly during the year because of the delivery of a significant government contract. This contract has been fully delivered during 2023.

14. Provisions

	2023 $	2022 $
Annual leave - current	**64,802**	48,017
Long service leave - non-current	**49,923**	29,555
	114,725	77,573

15. Other Current Liabilities

	2023 $	2022 $
PAYG tax withholding	**30,576**	27,488
Accrued expenses	**99,000**	119,026
Accrued interest payable	**64,512**	28,907
Other current liabilities	**49,767**	20,959
Syndicate Clearing	**266,333**	0
	510,188	196,380

16. Lease Liability

	2022 $	2022 $
Balance at 1 July	**124,331**	-
Additions	**0**	127,243
Interest expense	**3,622**	401
Payments	**(66,240)**	(3,312)
Balance at 30 June	**61,714**	124,331
Lease liability - current	**61,714**	62,618
Lease liability - non - current	**0**	61,714
Balance at 30 June	**61,714**	124,331

a) Recognition and measurement

For any new contracts entered 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 in exchange for consideration. The Group entered into a lease contract for the use of 8 desks commencing 13 June 2022. This lease has a 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 under1ying 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). After 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. After 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 a term of less than 12 months and as such applied for 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. Maturities of Liabilities

	2023 Current $	2023 Non-current $	2023 Total $	2022 Current $	2022 Non-current $	2022 Total $
External Borrowings	**2,825,000**	**4,773,599**	**7,598,599**	2,350,000	5,260,382	7,610,382
Total liabilities	**2,825,000**	**4,773,599**	**7,598,599**	2,350,000	5,260,382	7,610,382

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 average interest rate of the RBA cash rate plus 2.25%.

18. Issued Share Capital

Consolidated and Company	2023 Number	2023 $	2022 Number	2022 $
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 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

	2023 $	2022 $
Short-term employee benefits	**259,871**	238,162
Post-employment benefits	**27,286**	23,816

Short term employee benefits which include 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 2023, 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 (2022: $300,000) on which interest was paid $14,796 (2022: $6,518) via his family trust of which David is a beneficiary.
- Louise Sylvan who is a shareholder has a long-term loan to Social Enterprise Finance Australia Loan Fund of $200,000 (2022: $200,000) on which interest was paid $9,332 (2022: $3,845) 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 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 2023 $	2022 $
Financial assets				
Cash and cash equivalents	5	Amortised Cost	**5,306,233**	5,604,985
Receivables	6	Amortised Cost	**303,472**	115,280
Loans and advances to customers	7	Amortised Cost	**11,625,721**	11,613,395
Contract assets	8	Amortised Cost	**12,500**	1,567
			17,247,926	17,335,227

Class	Note	Category	Carrying Amount 2023 $	2022 $
Financial liabilities				
Payables	12	Amortised Cost	**13,831**	12,539
Other liabilities	15	Amortised Cost	**163,512**	147,933
Lease liabilities	16	Amortised Cost	**61,714**	124,332
Borrowings	17	Amortised Cost	**7,598,599**	7,610,382
			7,837,657	7,895,186

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.

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 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 assets and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

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 Risk

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, and 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 considering any credit enhancements held by the company.

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 2023 and 2022 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 has 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 2023.

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, a 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 (Performing). The 12 month expected credit losses are then calculated based on the 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.

i) 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 using loans and other advances. The company's Adequacy of Resources Policy outlines the financial adequacy requirements to ensure solvency under Sefa's AFSL license, 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 on 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 the 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		
2023		**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%	13,831			13,831	13,831		
Lease liabilities	16	3.78%	61,714	61,714				61,714	
Other liabilities	15	0%	163,512			163,512	163,512		
Borrowings	17								
NAB Facility		0%	3,423,599			3,423,599		3,423,599	
Other Loans		6.47%	4,175,000		4,175,000		2,825,000	1,350,000	
			7,837,657	61,714	4,175,000	3,600,943	3,002,343	4,835,313	-
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								
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	-

Loan facilities

NAB Facility B	$4,000,000	Drawn: $3,423,599	Undrawn balance: $576,401
Lord Mayors Charitable Foundation	$3,000,000	Drawn: $1,900,000	Undrawn balance: $1,100,000

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 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 considering 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.

iv) 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					
2023					
Cash and cash equivalents	5,306,233	(106,125)	106,125	106,125	106,125
Loans and Advances to Customers	11,625,721	(232,514)	232,514	232,514	232,514
Financial Liabilities					
Borrowings	4,175,000	83,500	83,500	83,500	83,500
	21,106,954	(255,139)	255,139	255,139	255,139
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

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)

	2023 $	2022 $
ASSETS		
Current assets		
Cash and cash equivalents	**173,890**	117,800
Receivables	**303,472**	125,612
Contract assets	**12,500**	1,567
Other current assets	**2,669,481**	3,224,185
Total Current Assets	**3,159,344**	3,4169,164
Non-current assets		
Property, plant and equipment	**8,787**	13,602
Right-of-use asset	**60,438**	124,062
Loans and advances to customers	-	-
Total Non-Current Assets	**69,225**	137,664
Total assets	**3,228,568**	3,606,828
LIABILITIES		
Current liabilities		
Payables	**13,831**	12,539
Contract liabilities	**111,033**	637,358
Provisions	**119,875**	78,002
Lease liability	**61,714**	62,618
Other current liabilities	**108,749**	119,026
Total Current Liabilities	**415,203**	909,543
Non-Current Liabilities		
Provisions	**64,802**	48,017
Lease liability	-	61,714
Total Non-Current Liabilities	**64,802**	109,731
Total liabilities	**480,005**	1,019,274
NET ASSETS	**2,748,563**	2,587,554

EQUITY		
Issued share capital	**2,240,000**	2,240,000
Retained earnings	**347,554**	185,949
Current earnings	**161,009**	161,605
TOTAL EQUITY	**2,748,563**	2,587,554
Interest income	**0**	0
Revenue from contracts with customers	**1,447,314**	1,384,035
Other income	**819,177**	802,122
Total operating Income	**2,266,492**	2,186,157
Employee-related expenses	**1,518,091**	1,295,601
Depreciation and amortisation	**70,619**	9,386
Interest expense - lease	**3,622**	401
Operating expenses	**513,150**	719,165
Total expenses	**2,105,482**	2,024,552
Profit before taxation	**161,009**	161,605
Income tax (expense)/benefit	**-**	-
Profit for the year	**161,009**	161,605
Comprehensive Income	**161,009**	161,605

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 2023, the parent entity had loans and advances to Sefa Loan Fund of $2,384,893 (2022: $2,384,893) from which interest was received and receivable amounted to $131,623 (2022: $63,184). The Management fee charged by the parent entity to Sefa Loan Fund was $649,372 (2022: $717,812).

d) Loans to/from related parties

	2023 $	2022 $
Loans to Sefa Loan Fund		
Balance at beginning of the year	**2,384,893**	2,384,893
Addition during the year	**-**	-
Interest charged	**131,623**	63,184
Interest received	**(131,623)**	(63,184)
Balance at end of the year	**2,384,893**	2,384,893

Loans from other related parties	**2023 $**	2022 $
Loans payable		
BRC Padua Pty Limited	**200,000**	200,000
Carrawa Pty Ltd	**300,000**	300,000
Interest paid	**24,128**	(10,363)

e) During the year, the company entered transactions on arm's 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:

	2023 $	2022 $
Services delivered	**435,674**	191,070
Services received	**12,600**	95,100
Accounts receivable closing balance	**234,082**	13,587

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

On 18 October 2023, the Directors declared an unfranked dividend of 3 cents per share to be paid to shareholders in November 2023. Given there are 2,240,000 shares, this represents a total dividend of $67,200.

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

	2023 $	2022 $
Net cash (used) in operations	**(966,375)**	(913,617)
Depreciation and amortisation expense	**70,619**	9,386
Increase/(decrease) in prepayments and other assets	**1,251,959**	154,473
Increase/(decrease) in loan provision	**46,509**	(46,193)
Increase/(decrease) in contract assets	**10,933**	(9,433)
(Increase)/decrease in payables	**(1,292)**	(4,495)
(Increase)/decrease in provisions	**(37,152)**	(7,058)
(Increase)/decrease in other current liabilities	**(788,807)**	75,498
(Increase)/decrease in contract liabilities	**526,325**	878,592
Profit/(loss) for the year	**112,719**	137,153

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 1 to 36, 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 of 30 June 2023 and of financial performance and cash flows, for the year ended 30 June 2023; 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, 25 October 2023

Signed in accordance with a resolution of the directors.

Belinda Drew
Chairman of the Board

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000 Fax: +61 3 8650 7777 ey.com/au

Independent auditor's report to the members of Social Enterprise Finance Australia Limited

Opinion

We have audited the financial report of Social Enterprise Finance Australia Limited (the Company and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Building a better working world

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

K Brown

Kester Brown
Partner

Melbourne
25 October 2023

sefa

sefa.com.au

Level 1, 262 Liverpool Street Darlinghurst NSW 2010
e: info@sefa.com.au t: (02) 8199 3360