Annual Report

FY2021

"When we allow our young people to come up with solutions to problems in the community and they're given an opportunity to lead, huge shifts take place. Our programs have continued to change young people's lives."

NATALIE CHIAPPAZZO
Service Provision Manager,
Blacktown Youth Services Association

A Message from the Chair

As Sefa marks a milestone 10 years of social impact investing, we are at a significant turning point. Sefa has evolved into a mature organisation with strong partnerships and a proven track record – a source of inspiration in this sector.

It has been almost 18 months since the Board has been able to meet in person, yet our organisation's growth has shown no sign of abating. I'd like to acknowledge Sefa's leadership team, who have shown commitment and focus through the most challenging conditions. It has been a pleasure to work with them, and with our key partners and stakeholders.

Over the past year, Sefa has continued to execute a strategic plan that will result in a truly sustainable business. It has built direct capability and capacity, and we've seen significant growth in our consulting work.

Throughout this period, our dedicated shareholders have supported this new strategic direction, and our relationships with these vital stakeholders have continued to strengthen. I'd like to acknowledge their patience and support in seeing us through to this exciting next chapter in Sefa's growth.

Part of this capacity-building has seen the Sefa team almost double, despite the challenges of bringing on new talent during periods of lockdown. We've also welcomed new perspectives and expertise to our committees, including our largely independent investment committee. Drawing on a decade of experience, we will continue to focus on generating revenue in ways that are true to Sefa's core purpose, and build new partnerships with social enterprises, community organisations, shareholders and investors.

The Board has also spent this year focusing on strengthening our relationships with our shareholders, including our largest shareholder, the NSW Aboriginal Land Council (NSWALC). We continue to build purposeful and strategic connections with Aboriginal and Torres Strait Islander organisations, as this remains a priority for Sefa.

As the organisation continues to mature, so too does the Board's role as a steward of growth. At a governance level, we are ambitious about Sefa's future. And that ambition extends to the goals we plan to pursue – considering the big issues facing our nation, like reconciliation, truth and treaty, climate change and adaption, and what a post-pandemic world might look like.

The strategic plan's focus on capacity and capability building is already creating a strong pipeline of opportunities for significant investments with purpose. It is undoubtedly exciting to think about what the next 10 years will bring, and the impact Sefa will continue to make within our ecosystem as a leader with strong standing and authority.

BDrew

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

A Message from the CEO

Looking back over the past financial year, we can't ignore COVID's continued impact on our clients, communities and the world. Lockdowns have been challenging to navigate, with most organisations having fewer resources to meet increasing demands.

Throughout the pandemic, I saw our team truly embody our company value of togetherness. We worked closely with our clients, listening and looking for ways in which we can help ease some of the pressures they face. Resources, such as Department of Social Service's Resilience Grant and the Treasury's SME Recovery Loan Scheme, became a vital lifeline for many clients facing challenges due to COVID. And it even through the toughest periods of this year, our portfolio has shown incredible resilience – highlighting the stability of social investment.

Having brought Sefa and Sefa Partnerships under one umbrella at the end of 2019, we have since been able to further strengthen the connection between the two entities. We are now at a phase where our unique skills and expertise are fully integrated, which in turn helps us provide great outcomes for our clients. Our work with WWF-Australia as part of their Regenerate Australia campaign is just one example of what we can achieve when we combine Sefa's financial discipline with Sefa Partnership's community-oriented and collaborative approach. Because when we bring everyone together, we do our best work.

We have also developed and strengthened key partnerships with organisations such as the Indigenous Land and Sea Corporation and the Lord Mayor's Charitable Foundation – partnerships that share and align with the goals we're working towards. The opportunity to work together on some wonderful long-term projects is exciting – such as overcoming the challenges older women face when it comes to accessing mortgages.

And we are always on the lookout for new opportunities. Having been awarded $1.5million under the Social Sector Transformation Fund by the Department of Community and Justice, we can strengthen our support for social and healthcare organisations in NSW. Our work with Blacktown Youth Services Association is a great example of how we can help organisations build capacity and resilience to achieve meaningful outcomes in their communities.

In December 2020, we also won the Impact Asset Manager Award at the 2020 Australian Impact Investment Awards – a beautiful recognition of our achievements over the last 10 years, highlighting our diversity and capacity as a social finance intermediary.

Looking forward, we plan to continue to explore new strategic partnerships and create long-term, trusted relationships. We will continue to keep our finger on the pulse and respond to changes in our ecosystem – bringing our unique skills and expertise to the table as a proactive partner.

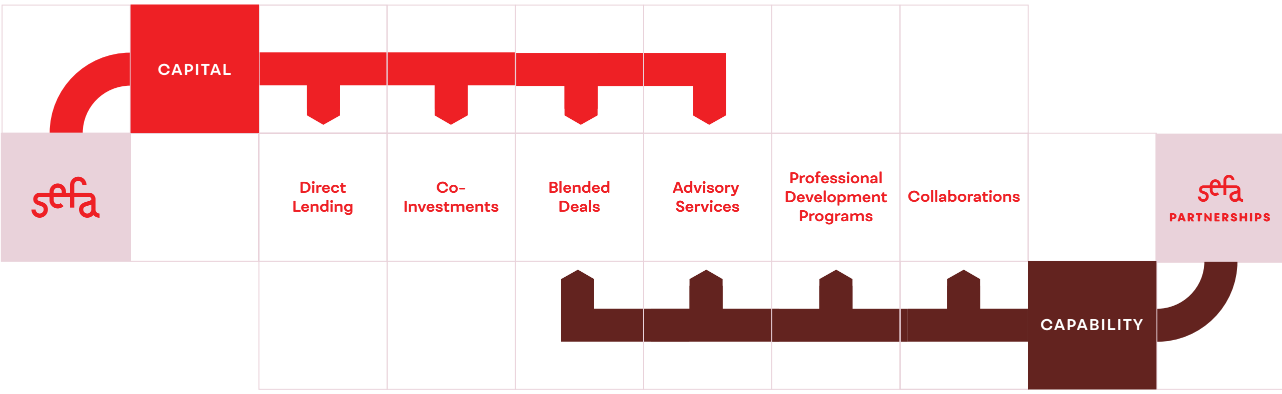
I also can't wait to finally bring the whole team together, in person. We have grown so much over the last year, so it will be great to continue building those personal connections face to face.

As we celebrate 10 years in the industry, I feel very positive about our future. We have built a strong foundation with equally strong partnerships that have allowed us to accomplish a lot already. I look forward to what else we can achieve together in the coming year.

H. Ebeling

Hanna Ebeling
CHIEF EXECUTIVE OFFICER

Sefa and Sefa Partnerships have completed the integration of their strategy and business offering, working collaboratively with each other, purpose-driven organisations and investors to un-silo capital and capability.



Across the last two years we have successfully brought our two organisations together and built on the foundations of unique skills and shared knowledge to broaden the range of products and services we offer. This coalescence has enabled us to reach more clients across the entire development spectrum from early-stage to growth and contribute to their impact, organisational resilience and financial sustainability.

The **WWF Regenerate** impact story over the following pages demonstrates how Sefa Partnerships and Sefa complement their tools and expertise to achieve the best client outcomes by creating capacity for community-led ventures in regional economies.

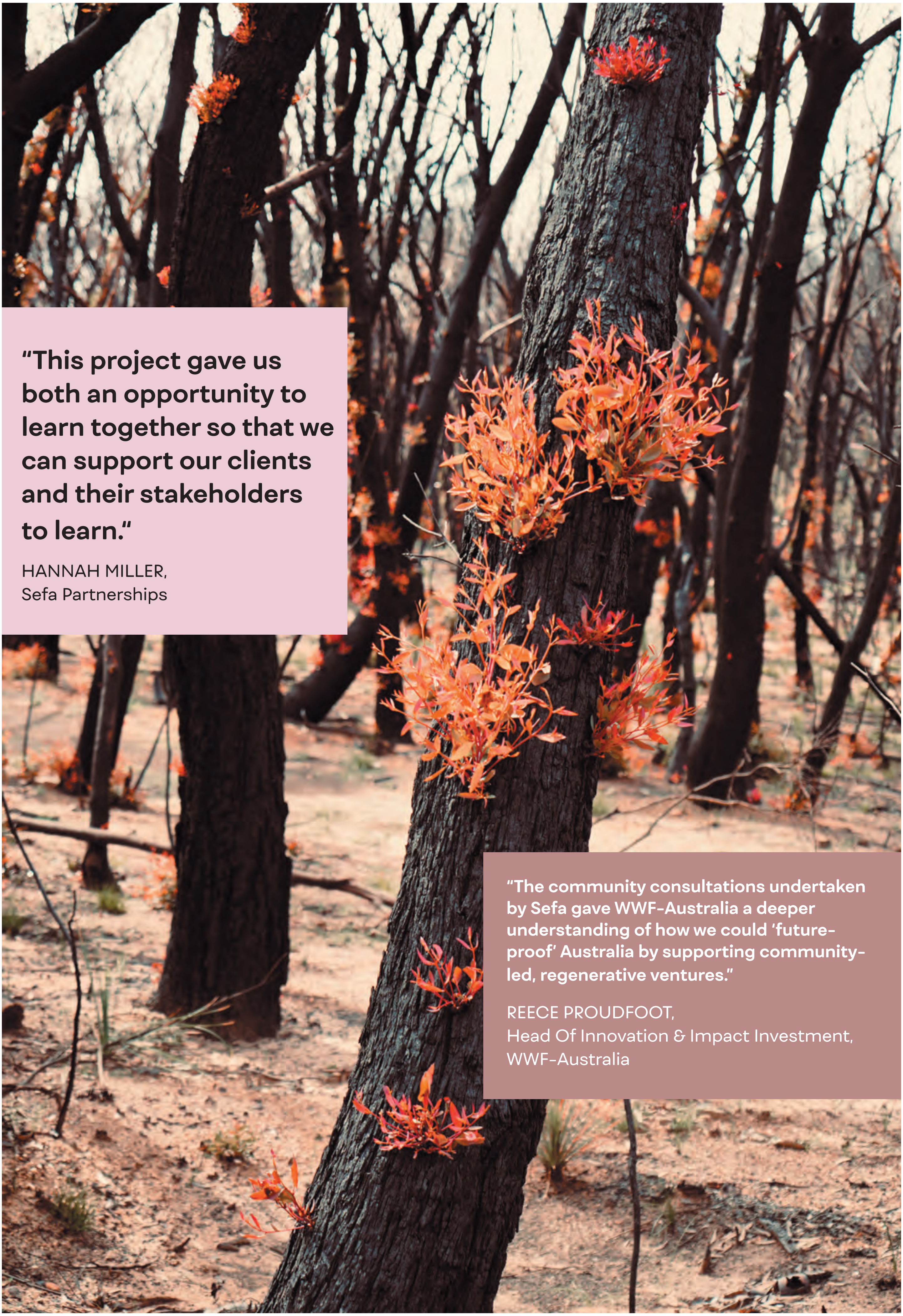
Another expansion of Sefa's market proposition is our ability to deliver a suite of targeted capability building support for purpose-driven organisations that is independent from our capital offering.

Our capability building comes in the form of four thematic pillars:

- Governance
- Partnership
- Impact measurement, and
- Commercial acumen.

The **Blacktown Youth Services Association** (BYSA) impact story included in this Annual Report is an example of holistic capability strengthening for growth. BYSA together with Sefa has developed a funding model and associated pitch for its innovative, youth-led organisation that disrupts the social service sector in Western Sydney and meets the needs of disconnected, vulnerable and complex young people.

Our Impact Areas



“This project gave us both an opportunity to learn together so that we can support our clients and their stakeholders to learn.“

HANNAH MILLER,
Sefa Partnerships

“The community consultations undertaken by Sefa gave WWF-Australia a deeper understanding of how we could ‘future-proof’ Australia by supporting community-led, regenerative ventures.”

REECE PROUDFOOT,
Head Of Innovation & Impact Investment,
WWF-Australia

WWF-Australia

Sefa/Sefa Partnerships

Sefa and Sefa Partnerships work together to provide the best outcome for clients.

Impact areas

Environment

Community Enterprise

Sefa Partnerships was established in 2016 by Sefa to boost the resources available for social enterprise in Australia. Sefa recognised that there is a need for capacity building together with early financial resources and Sefa Partnerships was established with that need in mind.

Whilst the two organisations have different client bases, Sefa Partnerships clients are typically at the earlier stage of development, they are always looking for opportunities to work together and combine their unique skills sets. The WWF Regenerate Project was one such opportunity. The aim of this project was to design a community centred roadmap for selected bushfire affected areas, as part of an initiative which looked at how communities can be best supported to lead the transition to a more regenerative, sustainable economy.

What did Sefa Partnerships bring to the collaboration?

One of Sefa Partnerships strengths is the expertise it has in connecting with community members, leaders and small organisations. Sefa Partnerships has a unique way of listening to communities' needs, challenges and strengths built upon experience of working with more than 150 organisations through its existence. The expertise was important to build a meaningful, structured and community-oriented approach to the collaboration.

What did Sefa bring to the collaboration?

Sefa brought a financial practitioner discipline to the engagement. This informed a questioning approach that reconciled the individual models of engagement with a larger model for forecasting growth/change, through application this informed key opportunity insights for the principle client and the broader community.

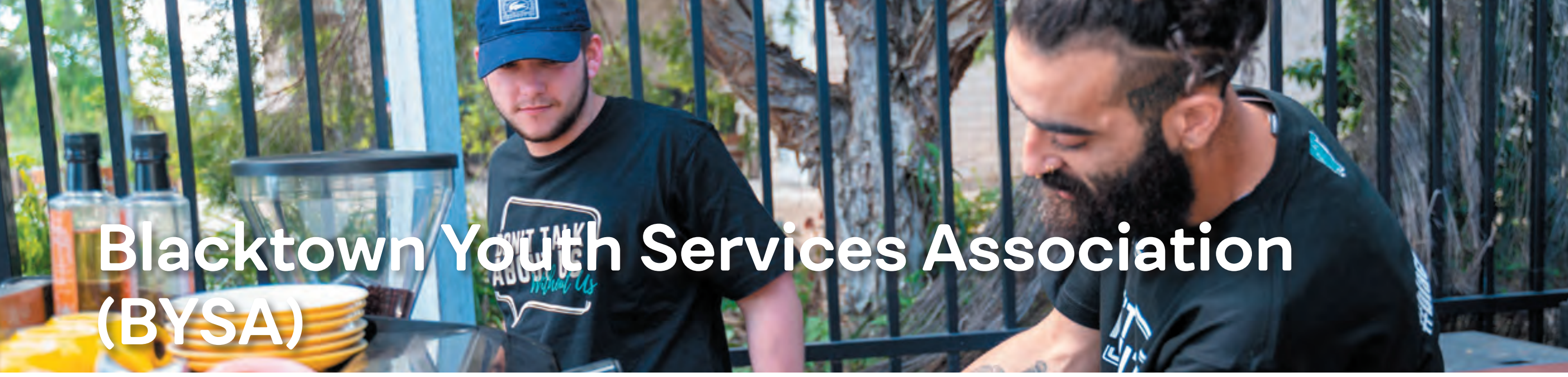
What was the outcome?

With the combined expertise of Sefa and Sefa Partnerships, the team were able to develop a community-centred model of support. Genuine open conversations with community members combined with Sefa Partnerships's vast experience with community-led organisations resulted into a comprehensive community-centred model of support for those communities. The forecast/designed model allow impact investors, intermediaries and philanthropists to join efforts to support community-led organisations. In addition to a commmunity centred model of support, it embedded insight for the client around the structural nature of on the ground relationships and a realism around the efforts and time required to grow grass-roots impact enterprises.

How did this collaboration benefit all parties involved?

This collaboration benefited all parties involved by bringing community pain points to the centre of the work, considering needs and barriers not necessarily addressed by the project, expanding our understanding of overall unmet needs in communities. The knowledge Sefa Partnerships brought to the collaboration expanded the project horizons and that benefited all parties involved. The ability for the collective team to apply different disciplines of thought and process to the work enabled a wholistic exploration of the assumptions the client was testing. This also enabled greater insights into current stage, allowing the client to sit in the 'now', on which the client can realistically build their next set of decisions.

From Sefa Partnerships perspective, working with Sefa helped the organization to continue to build its knowledge and insights into the challenges that are faced in the translations of what are often two different languages – that of community development and that of finance/investment.



Blacktown Youth Services Association (BYSA)

The game-changing model transforming young lives in Western Sydney.

Creating a better future for young people through a ground-breaking youth-led framework.

Life-changing support for young people

Natalie Chiappazzo has been on a 15-year crusade to change how communities support their young people. As the Service Provision Manager at Blacktown Youth Services Association (BYSA), she has seen the life-changing impact of outside-the-box thinking.

BYSA has been a safe place for disadvantaged and disconnected young people aged between 12 and 24 in Sydney's Blacktown and Western suburbs since 1988. But Natalie realised that the only way to effect lasting, meaningful change was through allowing young people to genuinely drive the program's design, delivery and outcomes measurement. Since then, BYSA has created a completely youth-led model in partnership with young people, called Youth HQ.

The framework helps meet the basic needs of young people by supplying food, clothing and hygiene products, inspires and engages them through creative passions and helps them find their purpose while creating a pathway to success.

But for an organisation that had in the past relied on government grants for the majority of its funding, securing enough resources to deliver this new model was challenging. "Government generally has a tick-box approach, so we couldn't spend money on projects with real impact. Large NGOs also started monopolising a lot of the youth funding available and we couldn't compete." Serving over 3,500 young people in only three half-days per week, BYSA needed new funding avenues to be able to support the needs of the community.

A new lifeline for BYSA

After being introduced to BYSA's innovative and game-changing approach, Paul Ramsay Foundation and Vincent Fairfax Family Foundation were keen to invest in its growth. So they brought in Sefa to help BYSA become investment ready. Sefa helped BYSA develop a comprehensive plan to stabilise the organisation, and prepare it for growth, including a bespoke outcomes framework that resonated with the people BYSA serves.

Sefa also worked with the BYSA leadership team and Board to strengthen their capability and confidence to lead the organisation through what will be a pivotal growth phase. "We are looking to potentially grow to 10 staff members, so we need to be able to handle the growth in demand that's going to come from that."

Impact areas

Young People

Community Service

Championing systematic change

Paul Ramsay Foundation and Vincent Fairfax Family Foundation's investment has given BYSA and the young people in Blacktown renewed hope for the future. "It's been frustrating knowing that there's an answer, but not having the resources to execute it. Now we have the resources, it's so exciting to see where it takes us."

But BYSA's vision reaches well beyond the Blacktown region.

"It's more than just the young people in Blacktown. We want this to be in every community everywhere. We've learned so much, and we have so much valuable information – we want to share this and help other leaders embed it within their own communities. By using this model we can help ensure that no young person gets left behind, no matter where they live."

Natalie hopes that the investment by two such well-regarded philanthropic organisations will encourage more investors to take risks and put trust in new, game-changing models.

"This is helping change the lives of thousands of young people. And that changes things for future generations and intercepts ongoing cycles of disadvantage. I think these philanthropists' willingness to take a risk, and believing that there's another way to do things will change things systemically. And once that first ripple starts, it will build into something really meaningful."

"Sefa have been so instrumental in this whole process. They have helped translate our passion for helping young people and articulate it in a way that funders can understand and buy into."

NATALIE CHIAPPAZZO,
Service Provision Manager, BYSA

"VFFF began conversations with BYSA in early 2019. BYSA's vibrant energy and commitment to young people being at the centre of conversations about their own wellbeing was clear immediately.

With the addition of Sefa, a cross-sector partnership was formed to support BYSA to execute their vision and demonstrate their impact. VFFF is greatly looking forward to working with, learning from and celebrating BYSA in 2022 and beyond."

VINCENT FAIRFAX FAMILY FOUNDATION

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Directors' Report

Social Enterprise Finance Australia Limited ("SEFA" or the "Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 1, 1-3 Smail Street, Ultimo NSW 2007.

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 2021 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)
Louise Sylvan (appointed 26 October 2011, retired 23 November 2020)
Jay Bonnington (appointed 12 September 2016)
Professor Jack Beetson (appointed 1 January 2017)
Scarlet Reid (appointed 29 November 2019)
David Rickards (appointed 23 June 2020)
Lila D'Souza (appointed 9 September 2020, resigned 8 September 2021)

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 Social Enterprise Finance Australia Ltd 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. Most recently 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. 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 currently: Director of BuyAssist Australia, Director of National Affordable Housing Consortium Board (NAHC), Director of Moreton Bay College Foundation and Director of SEFA Partnerships.

Directors’ Report (continued)

Louise Sylvan

Louise was previously CEO of the Australian National Preventive Health Agency (ANPHA), a Commissioner of the Productivity Commission, and Deputy Chair of the Australian Competition and Consumer Commission. She has also been Chief Executive of the CHOICE - Australian Consumers’ Association, President of Consumers International, Deputy President of the Council of the Medical Foundation of the University of Sydney, a non-executive Director of the UNSW Diplomacy Training Program, and has chaired the OECD’s work on Economics for Consumer Policy. Other roles include six years on the Australian Prime Minister’s Economic Planning Advisory Council, eleven years on the Australian Statistics Advisory Council to the Australian Bureau of Statistics and memberships of the Expert Group on Electronic Commerce and the Self Regulation Task Force.

Louise retired from the Board on 23 November 2020 after serving 9 years on the Board.

Jay Bonnington

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

Jay is currently: Independent Chair of the Commercial Passenger Vehicles Victoria (CPVV) Audit, Risk and Compliance Committee and Director of Sefa Partnerships.

Professor Jack Beetson

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

Jack is currently: Executive Director of the Literacy for Life Foundation and Chair of the NSW Aboriginal Land Council Economic Development Committee and Director of Sefa Partnerships.

Directors’ Report (continued)

Scarlet Reid

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

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

David Rickards

David was formerly the Head of Research and an Executive Director at Macquarie Bank. After he retired in 2012 he co-founded Social Enterprise Finance Australia Ltd (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 a trustee of the Australian Museum Foundation and 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

Directors’ Report (continued)

Meetings of Directors:

The number of meetings of the Company's board of directors held during the financial year ended 30 June 2021 was ten, and the number of meetings attended by each director was:

	Meetings eligible to attend	Meetings Attended
Belinda Drew	10	9
Louise Sylvan	5	5
Jay Bonnington	10	10
Jack Beetson	10	4
Scarlet Reid	10	4
David Rickards	10	10
Lila D’Souza	10	4

The number of meetings of the Company's Audit and Risk Committee held during the financial year ended 30 June 2021 was six, and the number of meetings attended by each committee member was:

	Meetings eligible to attend	Meetings Attended
Louise Sylvan	3	3
Jay Bonnington	6	6
Scarlet Reid	4	4
Lila D’Souza	3	3

Directors’ Report (continued)

Principal Activities:

The principal activity of the company during the 2021 financial year was the provision of loans and capability building support to Australian purpose-driven organisations. Assisting organisations to deliver social impact remains the core focus of Sefa and there were no significant changes during this financial period.

Review of operations:

Sefa’s strategic objective of revenue diversification from the loan book across to its fee-for-servicing offering continued to make strong progress in 2020-21. Revenue from operations was up 9.5% on prior year to $1.27M due to strong focus on developing the professional services practice as the second pillar of Sefa’s business model. Interest income was lower due to a combination of lower average loan book value over the year on the back of early repayments and combined with the impact of lower interest rates. Professional services across both capital and capability underwent another year of significant revenue growth, with a >270% increase compared to the prior year. This income diversification has resulted in improved financial performance with an operating profit after provisions of $11,252 (2020 $108,095 loss) and indicates the long-term sustainability of the underlying business operations.

This year Sefa continued to support a broad range of purpose-driven organisations in accessing social finance or unlocking impact capital from a range of aligned funders. The loan portfolio welcomed four new clients, of which one was a large blended finance transaction in partnership with philanthropy and a co-investment opportunity in collaboration with another impact investor. Sefa now has cumulative disbursements of more than $35 million achieved since formation of the business and has unlocked over $110m of impact capital.

In line with its strategic objectives, Sefa has made progress in the provision of working capital to the for-purpose sector. Treasury’s approved Sefa’s participation in the Commonwealth’s SME Guarantee Scheme that supports federally guaranteed lending in the COVID-19 environment. This complements the company’s robust investment risk management that centers around trusted client relationships, with all outstanding loans continuing to perform well.

Sefa was recognised for its work across purpose-driven capital with the 2020 Impact Asset Manager of the Year Award sponsored by the Department of Social Services (DSS). The professional services offering continued to grow through strategic partnerships with philanthropic foundations and peak bodies that resulted in a number of bespoke advisory engagements in investment readiness, research and capital structuring.

Sefa was selected as a panel provider to support purpose-driven organisations with strengthening business continuity under the Resilience Grant managed by Impact Investing Australia and funded by the DSS. Sefa was also successful in securing a capability building contract for no-cost advisory services with the NSW Government’s Social Sector Transformation Fund that will be delivered for social service and health organisations in FY22.

In these challenging working conditions Sefa prioritises the wellbeing of its staff, clients and partners, driving its business operations through the lived values of togetherness, integrity and champion others.

Directors’ Report (continued)

Dividends:

The Company does not propose to declare a dividend for the year ended 30 June 2021.

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).

Indemnity of auditors

The Company has entered into an agreement to indemnify Ernst and Young, the auditor of the Group and its staff, against any liability (including legal costs) that Ernst and Young or its staff may incur in connection with any claim by a third party arising from the Group’s breach of the terms and conditions of their engagement letter. No insurance premiums are paid out of the Group’s assets in relation to insurance cover for the auditors of the Group.

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 17.

Directors’ Report (continued)

This report has been made in accordance with a resolution of the Directors.
Dated at Sydney 21 / 10 / 2021
For and on behalf of the Board of Directors.

Belinda Drew
Chair of the Board

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

As lead auditor for the audit of Social Enterprise Finance Australia Limited for the financial year ended 30 June 2021, 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; and

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

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

Ernst & Young

Kester Brown
Partner
21 October 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	Year ended 30 June 2021 $	Year ended 30 June 2020 $
Interest income	2	834,004	884,975
Other income	2	439,321	277,377
Total operating income		**1,273,325**	**1,162,352**
Administrative expenses	2	(1,149,546)	(1,078,645)
Funding costs	2	(142,005)	(183,559)
Loan provision reserve		29,478	(8,243)
Total expenses		**(1,262,073)**	**(1,270,447)**
Profit/(Loss) before taxation		**11,252**	**(108,095)**
Income tax (expense) / benefit	3	-	-
Profit/(Loss) for the year		**11,252**	**(108,095)**
Comprehensive income		-	-
Total comprehensive income/(loss) attributable to:			
Owners of Social Enterprise Finance Australia		**11,252**	**(108,095)**

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 22 to 35.

Consolidated Statement of Financial Position

For the year ended 30 June 2021

As at 30 June 2021

	Note	Year ended 30 June 2021 $	Year ended 30 June 2020 $
ASSETS			
Current Assets			
Cash and cash equivalents		**5,412,566**	3,806,783
Loans and advances to customers	**5**	**1,968,073**	2,623,054
Prepayment and other current assets	**6**	**134,475**	56,199
Total Current Assets		**7,515,113**	6,486,036
Non-Current Assets			
Fixed assets	**7**	**4,827**	7,537
Loans and advances to customers	**5**	**11,587,728**	10,567,447
Total Non-Current Assets		**11,592,554**	10,574,984
TOTAL ASSETS		**19,107,668**	17,061,019
LIABILITIES			
Current Liabilities			
External Borrowings	**9(a)**	**450,000**	1,975,000
Other liabilities and accruals	**8**	**1,856,921**	182,818
Total Current Liabilities		**2,306,921**	2,157,818
Non-Current Liabilities			
External Borrowings	**9(a)**	**8,021,710**	6,135,417
Total Non-Current Liabilities		**8,021,710**	6,135,417
TOTAL LIABILITIES		**10,328,631**	8,293,235
NET ASSETS		**8,779,036**	8,767,784
EQUITY			
Issued share capital	**10**	**2,240,000**	2,240,000
Retained earnings/(loss)		**6,539,036**	6,527,784
TOTAL EQUITY		**8,779,036**	8,767,784

The Consolidated Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 22 to 35.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Issued share capital $	Retained earnings $	Total $
As at 1 July 2019		**2,240,000**	**6,635,879**	**8,875,879**
(Loss) after tax		-	**(108,095)**	**(108,095)**
Total comprehensive income for the period		-	**(108,095)**	**(108,095)**
Transactions with owners in their capacity as owners:				
Share capital issued		-	-	-
Dividends paid		-	-	-
As at 30 June 2020	**10**	**2,240,000**	**6,527,784**	**8,767,784**
As at 1 July 2020		**2,240,000**	**6,527,784**	**8,767,784**
Profit after tax		**-**	**11,252**	**11,252**
Total comprehensive income for the period		**-**	**11,252**	**11,252**
Transactions with owners in their capacity as owners:				
Share capital issued		**-**	**-**	**-**
Dividends paid		**-**	**-**	**-**
As at 30 June 2021	**10**	**2,240,000**	**6,539,036**	**8,779,036**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 22 to 35.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,058,034)**	(1,038,596)
Interest costs paid		**(146,409)**	(210,350)
Interest income received		**835,325**	891,455
Other income received		**1,944,271**	277,377
Net cash used by operating activities	**15**	**1,575,153**	(80,114)
Cash flows from investing activities			
Loan principal repayments received from customers		**2,665,129**	3,761,453
Loans advanced to customers		**(2,995,792)**	(1,559,980)
Net cash used by investing activities		**(330,663)**	2,201,473
Cash flows from financing activities			
External borrowing received		**-**	275,000
External borrowing repaid		**361,293**	(2,603,693)
Net cash from financing activities		**361,293**	(2,328,693)
Net increase/(decrease) in cash and cash equivalents		**1,605,783**	(207,334)
Cash and cash equivalents at beginning of period		**3,806,783**	4,014,117
Cash and cash equivalents at end of period		**5,412,566**	3,806,783

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 22 to 35.

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 and its subsidiaries. The Company is a for profit company limited by shares and incorporated in Australia.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The Group has adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. The adoption of AASB1053 and AASB 2010-2 has allowed the Company to remove a number of disclosures, in particular the disclosures around Financial risk management objectives and policies.

AASB 16 Leases became effective for annual periods beginning on or after 1 January 2019. AASB 16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. AASB16 will change the accounting treatment of operating leases held by the Company that fall outside of the two recognition exemptions of the new standard.

The Company has performed an assessment of all leases and has concluded that no leases that fall within the scope of AASB16.

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(r) below.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(b) Foreign currency translation

Functional and Presentation currency

The Group's financial statements are presented in Australian dollars, which is Social Enterprise Finance Australia's and its subsidiaries functional and presentation currency.

(c) Revenue Recognition

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

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

Revenue is recognised when performance obligations are met - once the service as been provided to the customer.

(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 2020 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.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(e) Dividends

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

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(g) Cash and cash equivalents

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

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Leases

Leases are recognised, measured and presented in line with AASB 16 Leases.

The application of AASB 16 requires the Fund to make judgements that affect the valuation of right-of-use assets and the valuation of lease liabilities. These include determining contracts within the scope of AASB 16, determining the contract terms and determining the interest rate used for discounting of future cash flows.

The lease terms determined by the Fund comprises non-cancellable period of lease contracts, periods covered by an option to extend reasonably certain not to exercise that option. The lease terms are applied to determine the depreciation rate of right-of-use assets.

For leases with terms not exceeding twelve months and for leases of low-value assets (less than $5,000), the Fund has exercised the optional exemptions. The lease payments under these contracts are recognised on a straight-line basis over the lease term as other operating expenses.

In all other leases in which the Fund acts as the lessee, the present value of future lease payments is recognised as a financial liability. Correspondingly, the right-of-use asset is recognised within property, plant and equipment at the present value of the lease liability. The present value of the lease liability is determined using the discount rate representing the weighted average incremental borrowing rate.

The right-of-use asset is depreciated on a straight-line basis over the lease term or, if shorter the useful life of the leased asset.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(i) Loans, advances and other receivables

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

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 income statement. 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 IFRS9 as at year end. Applying IFRS9, credit risk assessment has been performed on SEFA portfolio, all loans are assessed as Stage 1 (Peforming). The 12 month expected credit losses are then calculated based on following parameters: actual interest rate of each individual loan, 2.6% probability of default and 90% expected loss given default.

(j) Impairment of assets

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

(k) Trade and other payables

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

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(l) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement 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 balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(m) Non-Loan Provisions
A non-loan provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(n) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and 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.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(o) Issued share capital

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

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

(p) Goods and Services Tax (GST)

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

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

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

(q) Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet where there is a legal right of offset and there is an intention and ability to settle on a net basis. The Group nets loans, deposits and derivative transactions where it enters into master agreements with counterparties where there is an intention and ability to settle net.

(r) 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 entity and that are believed to be reasonable under the circumstances.

Notes to the consolidated financial statements (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

(r) Accounting Estimates and Judgements (continued)

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 balance sheet 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.

Coronavirus (COVID-19) impact

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

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

(s) Investments in subsidiaries

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

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

Notes to the consolidated financial statements (continued)

2. Profit Before Income Tax

	2021 $	2020 $
Interest income		
Interest income on cash deposits	**18,938**	31,171
Interest income on loans and advances to customers	**815,066**	853,804
Total interest income	**834,004**	884,975
Interest expense - external	**(142,005)**	(183,559)
Total interest expense	**(142,005)**	(183,559)
Net interest income	**691,999**	701,416
Other income		
Professional services income	**287,088**	77,000
Other fee income	**152,233**	200,377
Total other income	**439,321**	**277,377**
Staff costs		
- Salaries and contractor costs	**837,971**	715,765
- pension costs and other post retirement costs	**73,355**	56,576
- other	**1,402**	1,809
Building occupancy costs	**16,917**	29,741
Communications	**2,463**	2,160
Information technology expenses	**16,348**	13,963
Travel and accommodation	**2,579**	21,517
Other expenses	**198,511**	237,114
Total administrative expenses	**1,149,546**	1,078,645

Notes to the consolidated financial statements (continued)

3. Income Tax

	2021 $	2020 $
Operating profit/(loss) from ordinary activities before income tax	**11,252**	(108,095)
Prima facie income tax benefit/(expense) at 26% (2020: 27.5%)	**(2,925)**	29,726
Tax effect of non-deductible expenses/non-assessable income in determining taxable profit:		
Benefit of tax losses not previously recognised	**2,925**	
Current year tax losses not recognised as a deferred tax asset		(29,726)
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

	2021 $	2020 $
Income tax provision	**-**	-
Deferred tax benefit	**-**	-
Deferred tax liabilities	**-**	-
Net position	**-**	-

The Group has a accumulated Australian tax losses of $762,604 (2020: $773,856) which have not been recognised in the balance sheet as a deferred tax asset. This deferred tax asset is available for offsetting against future profits subject to continuing to meet relevant statutory tests.

5. Loans and Advances to customers

	2021 $	2020 $
Gross loans and advances to customers before provisions	**13,864,558**	13,528,736
Provisions for loan impairment	**(308,758)**	(338,235)
Net loans and advances to customers	**13,555,800**	13,190,501
Classified as:		
Current	**1,968,073**	2,623,054
Non-current	**11,587,728**	10,567,447
	13,555,800	13,190,501

6. Prepayments and Other Assets

	2021 $	2020 $
Prepayments	**15,040**	24,735
Accrued interest receivable	**711**	2,032
Accrued Income	**11,000**	-
GST receivable	**-**	5,098
Other debtors	**107,724**	24,334
	134,475	56,199

Notes to the consolidated financial statements (continued)

7. Property, plant and equipment

	Computer & Telecom $	Total $
At 30 June 2020		
Cost	11,041	11,041
Accumulated depreciation	(3,505)	(3,505)
Net carrying amount	**7,536**	**7,536**
Movements in carrying amounts		
Opening net carrying amount	7,536	7,536
Purchases	1,240	1,240
Disposals	-	-
Depreciation charge for the year	(3,950)	(3,950)
Closing net carrying amount	**4,826**	**4,826**
At 30 June 2021		
Cost	12,282	12,282
Accumulated depreciation	(7,456)	(7,456)
Net carrying amount	**4,826**	**4,826**

8. Other liabilities and accruals

	2021 **$**	2020 $
Trade and sundry creditors	**8,044**	26,685
Accrued expenses	**43,050**	50,000
Accrued employee entitlements	**96,843**	68,270
Accrued interest payable	**33,458**	37,863
GST Liability	**159,576**	-
Income in Advance	**1,515,950**	-
	1,856,921	182,818

9. (a) Maturities of Liabilities

	2021			2020		
	Current $	**Non-current $**	**Total $**	Current $	Non-current $	Total $
External Borrowings	**450,000**	**8,021,710**	**8,471,710**	1,975,000	6,135,417	8,110,417
Total liabilities	**450,000**	**8,021,710**	**8,471,710**	1,975,000	6,135,417	8,110,417

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 majority of borrowings have a fixed term of 5 years with an average interest rate of the RBA cash rate plus 2.5%.

9. (b) Loan facilities

NAB Facility B	$4,000,000	Drawn:	$3,146,710	Undrawn balance: $853,290
Lord Mayors Charitable Foundation	$3,000,000	Drawn:	$1,900,000	Undrawn balance: $1,100,000

Notes to the consolidated financial statements (continued)

10. Issued Share Capital

Consolidated and Company	2021 Number	2021 $	2020 Number	2020 $
Ordinary shares each fully paid				
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

Shareholders:

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 par value in respect of its issued shares.

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

11. 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.

12. Key Management Personnel Disclosures

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

Key Management Personnel (KMP) compensation

	2021 $	2020 $
Key management personnel compensation	**261,679**	388,008

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

Transactions with Key Management Personnel

At 30 June 2021, key management persons who had loans from or deposits with the parent entity or any of its controlled entities were:

- 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 (2020: $300,000) on which interest was paid $7,933 (2020: $9,512) via his family trust of which David is a beneficiary. On the 7th May 2021, David purchased additional 67,500 shares.

- Louise Sylvan who is a shareholder and was a Director of the parent entity until 23 November 2020, has a long term loan to Social Enterprise Finance Australia Loan Fund of $200,000 (2020: $200,000) on which interest was paid $5,288 (2019: $6,341) via an entity related to her. On the 4th May 2021 Louise purchased additional 67,500 shares.

Notes to the consolidated financial statements (continued)

13. Related Party Transactions

(a) Parent entities
The parent entity within the Group is Social Enterprise Finance Australia Limited.

Information related to Social Enterprise Finance Australia Limited (the parent entity).

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

	2021	2020
	$	$
Current assets	**1,859,276**	81,305
Total assets	**4,248,995**	2,473,735
Current Liabilities	**1,823,047**	144,955
Total liabilities	**1,823,047**	144,955
NET ASSETS	**2,425,948**	2,328,780
Issued share capital	**2,240,000**	2,240,000
Retained earnings	**88,778**	90,105
Current Earnings	**97,169**	(1,327)
TOTAL EQUITY	**2,425,947**	2,328,778
Profit or loss of the Parent entity	**97,169**	(1,327)

(b) Key management personnel
Disclosures relating to key management personnel are set out in note 12.

(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 2021, the parent entity had loans and advances to SEFA Loan Fund of $2,384,893 (2020: $2,384,893) from which interest was received and receivable amounted to $62,917 (2020: $75,357). The Management fee charged by the parent entity to SEFA Loan Fund was $786,983 (2020: $839,643).

Notes to the consolidated financial statements (continued)

13. Related Party Transactions (continued)

(d) Loans to/from related parties

	2021	2020
Loans to SEFA Loan Fund	**$**	$
Balance at beginning of the year	**2,384,893**	2,384,893
Addition during the year	**-**	-
Interest charged	**62,917**	75,357
Interest received	**(62,917)**	(75,357)
Balance at end of the year	**2,384,893**	2,384,893

Loans from other related parties

	2021	2020
	$	$
Loans payable		
BRC Padua Pty Limited	**200,000**	200,000
Carrawa Pty Ltd	**300,000**	300,000
Regal Foundation	**300,000**	300,000
Interest paid	**(21,155)**	(25,364)

(e) 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.

14. Subsequent events

There have been no material post balance sheet events which would require disclosure or adjustment to the 30 June 2021 Financial statements.

15. Reconciliation of profit / (loss) for the period to net cash inflow from operating activities

	2021	2020
	$	$
Net profit/(loss) attributable to shareholders	**11,252**	(108,095)
Increase/(decrease) in loan provision reserve	**(29,478)**	9,999
(Increase)/decrease in interest receivables	**1,321**	6,479
(Increase)/decrease in receivables	**(77,641)**	95,682
(Increase)/decrease in interest payable	**(4,404)**	(26,791)
Increase/(decrease) in liabilities	**1,674,103**	(57,388)
Net cash used in operations	**1,575,153**	(80,114)

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 18 to 35, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the Group as at 30 June 2021 and of performance,for the year ended 30 June 2021; and

   (ii) complying with Australian Accounting Standard requirements- Reduced disclosure 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, 21 / 10 / 2021

Signed in accordance with a resolution of the directors.

Belinda Drew

Chairman

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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 2021, 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 2021 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 is the directors' report accompanying the financial report.

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.

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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 – Reduced Disclosure Requirements 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.

- 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

Kester Brown
Partner

Melbourne
21 October 2021

"Sefa has a unique offering. They have advisory capability that draws from their experience as an investor, they have an investment fund, and a wide network of other social investors.

Most investors don't have the capacity to undertake the kind of long-term due diligence and capacity building that can be required in our sector, especially if the deal doesn't materialise at the end."

The Indigenous Land and Sea Corporation

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

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