

FOUNDATION EAST LIMITED
(Industrial and Provident Society no. 29722R)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2009

FOUNDATION EAST LIMITED
(Industrial and Provident Society no. 29722R)

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2009

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FOUNDATION EAST LIMITED

REFERENCE AND ADMINISTRATIVE DETAILS

For the year ended 31 March 2009

Directors	David Bell Richard Calvesbert (resigned 16/06/2008) Steve Clarke Thomas Cook Iain Dunnett (resigned 16/03/2009) Mark Gipson Richard Glinn Jolyon Larkman James Murray - Chair Martyn Rouse - Treasurer Christopher Storey Deborah Wildridge Nicki Hayes-Singh (appointed 15/09/2008)
Secretary	Anne Ford
Chief Executive	Anne Ford
I&P Society number	29722R
Registered office	Saxon House 7 Hillside Business Park Kempson Way Bury St. Edmunds IP32 7EA
Auditors	Gotham Erskine LLP Friendly House 52 - 58 Tabernacle Street London EC2A 4NJ
Bankers	The Co-operative Bank Plc P.O. Box 101 Balloon Street Manchester M60 4EP Unity Trust Bank plc Nine Brindleyplace Birmingham B1 2HB

Status

Foundation East Limited is an Industrial and Provident Society that has exempt charitable status. The Society changed its name from Suffolk Regeneration Trust Limited on 25 January 2007.

DIRECTORS' REPORT

For the year ended 31 March 2009

The Directors are pleased to present their report and the audited financial statements for the year ended 31 March 2009.

The Directors confirm that the annual report of the Society complies with current statutory requirements, the requirements of the Rules and the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued March 2005.

Structure, governance and management

The Society is registered under the Industrial and Provident Societies Act 1965 and is recognised by the Inland Revenue as an exempt Charity. Each member must hold a minimum of one share of £1.

The Society is governed by a Board of Directors who are all volunteers and members of the Society. The Board of Directors comprises not less than three and not more than twelve persons. Directors are subject to retirement by rotation and every year one third of Directors eligible must retire. Directors subject to retirement are those who have been longest in office and Directors may stand for re-election. The election of Directors takes place at the Annual General Meeting. A casual vacancy in the number of Directors may be filled from amongst the membership by the Directors or, if it arises at a General Meeting of the Society, by that meeting. A casual vacancy shall exist when there are fewer Directors than there were at the close of the last Annual General Meeting. Details of those serving on the Board during the year and those serving currently are shown on page 1. Any member of the Society is eligible to stand as a Director or to be co-opted as a Director. An induction programme is undertaken to equip Directors to fulfil the duties in accordance with best practice and statutory requirements.

The Board of Directors meet quarterly. Three sub-committees operate within terms of reference setting out the delegated responsibilities:-

- The Finance Committee is responsible for overseeing the financial status of the Society and for considering issues relating to financial management and performance, fundraising, budget setting and audit.
- The Property Committee oversees the development of property projects being undertaken by the Society.
- The Loan Assessment Panel has responsibility for sanctioning and declining loan applications.

Responsibility for operational matters outside these meetings is devolved to the Chief Executive. An appropriate system for urgent action exists where, in the best interest of the Society, a decision needs to be taken outside the framework of delegation. The staff team is accountable to the Chief Executive who is charged with the responsibility of executing day-to-day operations of the Society in accordance with the policies and budgets approved by the Board.

Objects

The objects of the Society shall be to carry on for the benefit of the community the business of promoting charitable purposes by the provision of financial loans and other assistance in the following ways:

- the promotion of urban and rural regeneration in areas of social and economic deprivation;

DIRECTORS' REPORT

For the year ended 31 March 2009

- the relief of unemployment;
- the advancement of education, training or retraining particularly among unemployed people, and providing the unemployed with work experience;
- the provision of financial assistance, technical assistance or business advice or consultancy in order to provide training, employment and opportunities for self employment for unemployed people in cases of financial or other charitable need through help: (i) in setting up an enterprise or (ii) to existing enterprises;
- the creation of training and employment opportunities by the provision of workspace, buildings and/or land for use on favourable terms;
- the provision of housing for those who are in conditions of need and the improvement of housing provided that such power shall not extend to relieving any local authorities or other bodies of a statutory duty to provide or improve housing;
- the support of any charities or charitable purpose as the Directors in their absolute discretion see fit.

Mission

The society has taken a long hard look at both its purpose and its values. It achieved this by consultation with the Board and the staff through numerous sessions conducted over the course of the year and resulting from this the society is pleased to present below its new mission and values statement.

Foundation East aims to help make the East of England the enterprise capital of the UK by championing financial inclusion through providing access to fair finance for:

- local businesses
- clients of partnering housing associations
- community groups wishing to use Community Land Trusts to develop affordable housing and business premises

Our values

Foundation East's officers, members and board of directors all work in line with our agreed values:

- Honesty
- Service
- Respect
- Responsibility

DIRECTORS' REPORT

For the year ended 31 March 2009

Activities and operational review

The Directors are pleased to report that during the year the Society continued to deliver its mission in three key areas: business lending, personal lending and community land trust development. These areas of work are supported by Investment Raising – primarily targeted at capitalising the business lending activity but also pertinent to other work streams.

When planning our activities for the year, the Directors have considered the Charity Commission's guidance on public benefit and are satisfied that the Society's activities met the principles laid out in that guidance.

Business Lending is the core of the Society's work. The year has been a challenging one not least due to the deepening economic crisis both nationally and globally. The gap between those who are financially excluded and those who have access to a range of financial products and services has grown significantly. Over the year applications for loans have been received from established businesses who up to 12 months ago would have been able to raise finance through main stream providers. The table below reflects the large increase in lending volumes experienced throughout the year.

	<i>2009</i>	<i>2008</i>
Loans disbursed	93	20
Amount disbursed	£1,421,917	£194,967

As well as assisting existing businesses to survive the recession, confidence with regards to job opportunities has led entrepreneurial individuals to consider other ways of making a living and applications for start up businesses have soared.

	Start Ups		Expansion		Recovery	
All years	113	£1,335,908	51	£817,528	3	£40,400
2008/09	67	£898,189	26	£503,728	2	£20,000

As well as benefiting the businesses who receive financing from this kind of lending, this activity has also provided a wider benefit to the community, helping generate jobs in areas of social and economic deprivation.

Personal Financial Inclusion activity continues through the society's housing association partners. Lending is only to those partner's' tenants, allowing the Society to continue to deliver its social inclusion mission to excluded individuals albeit on a much reduced scale. Whilst personal lending is not the society's core activity the loans it supplies offer a real alternative to borrowing from doorstep lenders.

	<i>2009</i>	<i>2008</i>
Loans disbursed	25	63
Amount disbursed	£22,358	£76,318

Although these personal loans are restricted to the tenants of the housing associations who finance the scheme, the Society provides the service to four housing associations spread over Suffolk and Essex, creating a benefit for a significant cross section of the public.

DIRECTORS' REPORT

For the year ended 31 March 2009

Community Land Trust work continues to progress. Miles Ward Court, formerly Halesworth Hemp Works has been providing enterprise units for the Halesworth community for over a year now and these have proved very popular. Even in these recessionary times the turnover on these units has remained very low, with enquiries being received regularly for space in the vacant units. In December 2007 the Society purchased a listed building next door to Miles Ward Court and with funding from EEDA has developed the property into 2 affordable housing flats and a retail unit. The newly developed property will be ready for occupation at the end of June and the society is excited about being able to provide local people with affordable local accommodation and further encourage enterprise in the area.

The Society secured a small grant to enable it to undertake feasibility work relating to a potential development in Bungay. The bursary was used to engage with the local key stakeholders, prospective tenants and residents of the area, to professionally value the site and seek a willingness of the current owners to sell or donate the site, draw up initial site master plans and finally to hold a public consultation which proved positive. The society will now seek to take this exciting new project onto the financial viability phase once funding for this task has been secured.

These Community Land Trust projects have a significant benefit to the public, helping to generate jobs and affordable housing in areas of social and economic deprivation.

Fund raising activity

The society reported here last year that it had been successful in winning the East of England (EEDA) 5 year tender to provide a CDFI solution across the whole of the East of England region and is pleased to report that the first year of delivering this contract has been a hugely successful one. The investments it has made in new and existing businesses in the region have assisted in either creating or saving a record number of jobs as detailed in the table below. Success however brings other issues, ironically access to finance being one of them. The society found itself nearing the end of the year with little or no capital to lend and with regional budgets being slashed the prospect of not being in a position to continue its activity. Following lengthy negotiations with EEDA the society is very pleased to report that its RDA stepped up and offered the society a further advance of £350k with which to further its activity, lending to businesses, thereby creating employment and opportunity in the region. The society is grateful to the team at EEDA for their continued support,

	2009	2008
Jobs created	219	32
Jobs saved	139	10

The society is also pleased to report that it was successful in securing a £300,000 grant from Cambridgeshire Enterprise Services to lend to SME's both new and expanding businesses in the Cambridgeshire and City of Peterborough area over the coming 5 years.

Raising funds through share investment continues to challenge the society. Despite its CITR accreditation, it has not actively sought to increase its membership this way to any great degree and although the society had planned to pursue this option more vigorously throughout the year the sheer volume of work in other areas, particularly lending activity, did not have resources to undertake this fully however as part of its plan going forward, especially in the light of reduced funding from the usual sources expects to make some significant in-roads into fund raising in this way over the coming year.

DIRECTORS' REPORT

For the year ended 31 March 2009

Future plans

The society will face many challenges over the coming year, raising loan capital, reducing delinquency, and working towards sustainability but challenge brings opportunity and we look forward to another exciting and enterprising year. It gives me pleasure to welcome our new Chief Executive Anne Ford. Katy has been with the company since inception and took on the Chief Executive role.

Risk management

The Society had planned to create a risk register in order to better manage the risks the company was or could be facing in the future. Work has started on this register with the risks being split into three key tiers, Critical impact, Significant impact and Operational impact. Over the course of the coming year the board, executive and staff will be involved in the development of the register and the control measures to match the organisation's risk appetite.

One of the greatest risks this year has been rising bad debt which given the economic environment should not come as a surprise. Corporate insolvencies in the region are 77 per cent higher than a year ago and corporate failures in the region rose 30 per cent in the final quarter of the year. The society has always taken a cautious approach to provisioning for bad debt however it has been proved over the last 2 years that the formula used was not cautious enough. Recognising that this issue needed addressing the Board have decided to alter its policy and have now made provision for 22% bad debt across the entire portfolio, and this is reflected in the accounts presented here.

The society reported here last year that it had been successful in becoming an accredited Small Firms Loan Guarantee provider (SFLG), a facility where by the society's risk was covered to some extent by BERR. This scheme has been extensively used by the society over the year and was the basis for which our bankers, Unity Trust agreed to leverage funds to further invest in the region. In December 2008 however the SFLG scheme particulars changed and the now the newly named Enterprise Finance Guarantee (EFG) has taken its place. This new scheme does not offer the same level of comfort as SFLG and subsequently the bank is unlikely to offer the same terms for leverage of secured funds. This new scheme offers a level of risk cover which is significantly lower than that provided by SFLG. This will affect the approach taken by Unity Trust in its provision of finance, although the impact has yet to be seen.

Financial review

The Board is aware that its year-on-year income is subject to fluctuations. It therefore aims to build a reserves fund totalling three months' running costs. However, this has not been possible based on the current mix of income streams. In order to maintain a positive General Reserve the Finance Committee has authorised the transfer of all available cash reserves included within the Loan Capital Reserve (see Note 18).

The Society receives revenue income from its loan books. Other sources of income include project grants and philanthropic donations. Grants for specific purposes are shown in the accounts as restricted funds and the Board of Directors is responsible for ensuring grants are spent for the purpose for which they are given. The Society is a membership organisation and receives member investment.

DIRECTORS' REPORT

For the year ended 31 March 2009

Having regard to the liquidity requirements of the Society, surplus funds are invested in bank accounts in order to earn a reasonable rate of interest. This represents a low risk investment and the Board believes that an adequate return has been achieved this year. The Board reviewed the Society's Investment Policy during the 2007 financial year, and will continue to do so in a period of financial market volatility.

Responsibilities of Directors

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Industrial and Provident Society Act 1965 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the surplus or deficit of the Society for the period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis (unless it is inappropriate to presume that the Society will continue in operation).

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002. They have general responsibility for taking reasonable steps to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The Society's auditors, Gotham Erskine LLP, have indicated their willingness to continue in office and offer themselves for re-appointment.

This report was approved and authorised for issue by the Directors on 15 June 2009 and signed on its behalf by:

JAMES MURRAY
Chair

Independent auditors' report to Foundation East Limited

We have audited the financial statements of Foundation East Limited for the year ended 31 March 2009 which comprise the Statement of Financial Activities, the Balance Sheet and the related Notes. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the Society in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Director and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Society has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the Society's affairs as at 31 March 2009 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002.

Gotham Erskine LLP

Chartered Accountants & Registered Auditors

Friendly House

52 - 58 Tabernacle Street

London EC2A 4NJ

Date:

FOUNDATION EAST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2009

	Note	Unrestricted Funds					Total Funds 2009	Total Funds 2008
		Restricted Funds 2009	Loan Capital 2009	Fixed Asset Fund 2009	Property Development Fund 2009	General Reserve 2009		
		£	£	£	£	£	£	
INCOME								
Revenue grants for property activities	2	25,000	-	-	-	-	25,000	15,000
Capital grants for property activities	3	183,255	-	-	-	-	183,255	485,454
Revenue grants for lending activities	4	173,039	-	-	-	-	173,039	220,139
Capital grants for lending activities	5	647,325	-	-	-	-	647,325	953,139
Interest from loans		-	-	-	-	111,733	111,733	52,937
Loan arrangement fees		-	-	-	-	28,955	28,955	3,125
Rental income		-	-	-	-	15,463	15,463	-
Investment income		-	-	-	-	26,311	26,311	16,815
TOTAL INCOMING RESOURCES		1,028,619	-	-	-	182,462	1,211,081	1,746,609
RESOURCES EXPENDED								
Operating activities - lending and property development								
Operational costs	6	229,379	-	7,976	-	185,039	422,394	305,168
Bad and doubtful debts	13	151,347	170,764	-	-	111,910	434,021	124,027
Impairment losses on revaluation of property	10	-	-	-	377,272	-	377,272	-
Governance	7	-	-	-	-	29,723	29,723	23,948
TOTAL RESOURCES EXPENDED		380,726	170,764	7,976	377,272	326,672	1,263,410	453,143
Net income/(expenditure) before transfer		647,893	(170,764)	(7,976)	(377,272)	(144,210)	(52,329)	1,293,466
Transfer between funds	18	(361,028)	(81,432)	12,254	252,823	177,383	-	-
Net (outgoing)/incoming resources after transfer		286,865	(252,196)	4,278	(124,449)	33,173	(52,329)	1,293,466
TOTAL FUNDS AT 1 APRIL 2008		1,121,967	511,899	17,193	621,031	37,057	2,309,147	1,015,681
TOTAL FUNDS AT 31 MARCH 2009		£ 1,408,832	£ 259,703	£ 21,471	£ 496,582	£ 70,230	£ 2,256,818	£ 2,309,147

The annexed notes form part of these financial statements

FOUNDATION EAST LIMITED

BALANCE SHEET
As at 31 March 2009

	Notes	£	2009 £	£	2008 £
FIXED ASSETS					
Property assets	10		562,582		687,031
Other tangible assets	11		21,471		17,193
Investments	12		250		250
			584,303		704,474
CURRENT ASSETS					
Loans	13	1,134,119		405,786	
Debtors	14	406,459		444,209	
Cash at bank and in hand		1,385,106		1,123,978	
			2,925,684	1,973,973	
CREDITORS: amounts falling due within one year	15	(371,419)		(240,650)	
NET CURRENT ASSETS			2,554,265		1,733,323
TOTAL ASSETS LESS CURRENT LIABILITIES			3,138,568		2,437,797
CREDITORS: amounts falling due after one year	16		(816,000)		(66,000)
NET ASSETS			£ 2,322,568		£ 2,371,797
CAPITAL AND RESERVES					
Share capital	17		65,750		62,650
Funds:	18				
Restricted funds		1,408,832		1,121,967	
Unrestricted funds:					
Loan capital		259,703		511,899	
Fixed asset fund		21,471		17,193	
Property development fund		496,582		621,031	
General reserve		70,230		37,057	
Total funds			2,256,818		2,309,147
			£ 2,322,568		£ 2,371,797

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007). They were approved, and authorised for issue, by the Directors on 15 June 2009 and signed on their behalf by:-

JAMES MURRAY, Chair

MARTYN ROUSE, Treasurer

ANNE FORD, Secretary

The annexed notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, applicable accounting standards and the Financial Reporting Standard for Smaller Entities (effective January 2007). Since the Society has exempt charitable status, the accounts have also been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in 2005.

The effects of events relating to the year ended 31 March 2009 which occurred before the date of approval of the financial statements by the Board of Directors has been included in the financial statements to the extent required to show a true and fair view of the state of affairs at 31 March 2009 and the results for the year ended on that date.

Company status

Foundation East Limited is an Industrial and Provident Society with exempt charitable status.

Fund accounting

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by funders which have been raised by the Society for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements. Statutory grants which are given as contributions towards the Society's core services are treated as unrestricted.

Designated funds comprise unrestricted funds that have been set aside by the Board of Directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Loan capital is a designated fund. Often contracts do not place an ongoing restriction on the use of the loan capital fund once the Society has made an initial loan to an individual or business. When this is the case, the loan capital is transferred from restricted funds to the Society's own reserves at the point a loan has been distributed. The Society has ring fenced this recycled loan capital into a designated fund, which will be used to make further loans to businesses and individuals. The Society may change the use of these funds at its discretion.

The general reserve is the balance of unrestricted funds which are available for use at the discretion of the Board of Directors in furtherance of the general objects of the Society and which have not been designated for other purposes.

Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Society is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Governance costs include the costs of servicing Directors' meetings, audit and strategic planning. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

Completed properties are stated at market value. Completed properties are revalued every five years, with an interim valuation carried out in the third year of that five year cycle. Completed properties are reviewed for impairment on an annual basis, by comparing their carrying value with their recoverable amount.

Properties under construction are stated at cost.

Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture/fittings	-	10 years
Office equipment	-	5 years
Computer equipment	-	4 years

Loans and provisions

On an ongoing basis loan balances are reviewed and those that are no longer considered to be recoverable are written off. Where there is any doubt about the recoverability of a loan, an assessment is made of the amount that is considered at risk, and the probability of default, in order to arrive at a provision for doubtful debts.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities as incurred.

Pensions

The Society operates a defined contribution pension scheme. Contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

2. REVENUE GRANTS FOR PROPERTY ACTIVITIES

	2009 £	2008 £
East of England Development Agency - Bungay feasibility	15,000	-
Lankelly Chase Foundation	10,000	15,000
	<u>£ 25,000</u>	<u>£ 15,000</u>

3. CAPITAL GRANTS FOR PROPERTY ACTIVITIES

	2009 £	2008 £
East of England Development Agency - Miles Ward Court	-	141,496
East of England Development Agency - 154 Chediston Street	183,255	187,120
Suffolk County Council	-	3,500
Adventure Capital Fund	-	21,333
Go East	-	132,005
	<u>£ 183,255</u>	<u>£ 485,454</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

The Society received capital grants in the year towards its redevelopment of 154 Chediston Street. In 2008 grants were also received towards the development of Miles Ward Court. Further details of these projects are described in Note 10.

The Capital grant from the East of England Development Agency for 154 Chediston Street stipulates that the funder will have a legal charge over the property for 5 years. The funding agreement with Go East stipulates that the grant can be clawed back if Miles Ward Court is sold or its use changed within 20 years of the grant being received.

4. REVENUE GRANTS FOR LENDING ACTIVITIES

	2009	<i>2008</i>
	£	£
Havebury Housing	1,000	<i>1,000</i>
Colchester Borough Homes	-	<i>1,000</i>
Suffolk Housing Society	639	<i>1,000</i>
Colne Housing Society	800	-
East of England Development Agency	110,000	<i>110,000</i>
Suffolk Development Agency	-	<i>76</i>
Department for Work and Pensions	-	<i>17,063</i>
Norwich City Council (Local Enterprise Growth Initiative)	60,600	<i>90,000</i>
	£ 173,039	£ 220,139

5. CAPITAL GRANTS FOR LENDING ACTIVITIES

	2009	<i>2008</i>
	£	£
East of England Development Agency	350,000	<i>936,139</i>
Norwich City Council (Local Enterprise Growth Initiative)	60,000	-
Colne Housing Society	4,200	-
Cambridgeshire Business	300,000	-
Department for Work and Pensions	-	<i>7,000</i>
Havebury Housing	5,000	<i>5,000</i>
Essex County Council	9,000	-
Colchester Borough Homes	5,000	<i>5,000</i>
Grant Repayable to European Commission	(85,875)	-
	£ 647,325	£ 953,139

The Society received capital grants to provide loans to businesses and individuals.

The negative income shown above represents capital grant funding for lending activities received from the European Commission which was not disbursed. The amount is to be returned to the funder in due course (see Note 15)

FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

6. OPERATIONAL COSTS	2009	2008
	£	£
Staff costs (see Note 8)	259,460	209,668
Temporary staff and recruitment	8,371	9,044
Staff training and welfare	2,667	346
Rent	12,184	11,396
Hospitality and refreshment	4,066	2,126
Telephone and postage	7,088	6,156
Insurance	3,486	3,441
Depreciation of other tangible fixed assets (see Note 11)	7,976	9,700
Mileage allowance and other travel and subsistence costs	36,633	13,072
Consumables	4,320	3,938
Equipment and IT	16,706	13,948
Advertising and marketing	18,647	7,275
Loan arrangement fees and bank charges	13,168	1,517
Conference and seminar fees	-	2,071
Subscriptions and memberships	1,973	1,908
Website	1,034	940
Legal fees	7,379	3,218
Professional and consultancy fees	17,382	14,039
Other fees payable to auditor, grant audits and general advice	2,350	1,880
Property servicing costs	7,257	-
Trading bad debts	5,167	-
Interest payable on Adventure Capital Fund loan	4,230	-
Other expenses	1,764	4,879
	443,308	320,562
Allocated to governance costs	(20,914)	(15,394)
	£ 422,394	£ 305,168

Operational costs consist of the day to day running costs of the Society. Operational costs have been allocated to governance costs according to Management's best estimates of how staff time has been spent on these activities (see Note 7).

7. GOVERNANCE COSTS	2009	2008
	£	£
Audit fees	8,809	8,554
Allocated from operational costs (see Note 6)	20,914	15,394
	£ 29,723	£ 23,948

8. STAFF NUMBERS AND COSTS	2009	2008
	£	£
Salaries	222,733	181,609
Social security costs	21,114	17,273
Pension costs	15,613	10,786
	£ 259,460	£ 209,668

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

The average weekly number of employees, calculated as full time equivalents, during the period was: 7.1 (2008 - 5.6)

One employee received remuneration between £60,000 and £70,000 (2008: no employees). This remuneration included payments to a defined contribution pension scheme costs and subsistence allowances.

9. DIRECTORS

During the year, no Director received any remuneration (2008 - £NIL). However as described in Note 22, some of the Directors provide services to the Society in a professional, arms length capacity. Two members of the Board received reimbursement of expenses for travel amounting to £321 (2008 - one member of the board: £737).

10. PROPERTY ASSETS

	Miles Ward Court £	154 Chediston Street £	Total £
Cost, valuation of revalued amount			
At 1 April 2008	508,536	178,495	687,031
Additions	83,736	169,087	252,823
At 31 March 2009	<u>£ 592,272</u>	<u>£ 347,582</u>	<u>£ 939,854</u>
Depreciation and impairment provisions			
At 1 April 2008	-	-	-
Impairment charges	377,272	-	377,272
At 31 March 2009	<u>£ 377,272</u>	<u>£ Nil</u>	<u>£ 377,272</u>
Net book value			
At 1 April 2008	<u>£ 508,536</u>	<u>£ 178,495</u>	<u>£ 687,031</u>
At 31 March 2009	<u>£ 215,000</u>	<u>£ 347,582</u>	<u>£ 562,582</u>

In 2006 the Society was sold an old disused hemp works in Halesworth, Suffolk, for a peppercorn. The Society has been renovating the property into business units. The developed property, re-named Miles Ward Court, was completed during the year when it became available to local businesses. The property was professionally valued as at 8 January 2009 by an external firm - Durrants Chartered Surveyors, in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards issued January 2008. The property was given a value of £215,000 which is significantly below the cost brought forward. The resulting impairment charge has been recognised this year and the carry forward net book value reflects the market value of the building.

In 2007/08 the Society purchased another property in Halesworth Suffolk - 154 Chediston Street. The property is being converted into further business and residential units.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

154 Chediston Street remains under construction and is valued at historic cost. The Society conducted a market valuation as at 8 January 2009 at which point 154 Chediston Street was valued at £135,000, but is expected to have a market value of £205,000 when the capital works are complete. The Society will revalue the building after construction has been completed. It is expected that the building will be brought into use during 2009/10 and any impairment will be recognised upon completion.

As explained in Note 3, certain funders have a legal charge, or have placed conditions on the ongoing use of Property Assets.

11. OTHER TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures & Fittings £	Office equipment £	Total £
Cost				
At 1 April 2008	29,851	11,220	6,254	47,325
Additions	<u>7,222</u>	<u>3,860</u>	<u>1,172</u>	<u>12,254</u>
At 31 March 2009	<u>37,073</u>	<u>15,080</u>	<u>7,426</u>	<u>59,579</u>
Depreciation				
At 1 April 2008	22,821	3,722	3,589	30,132
Charge for the year	<u>5,015</u>	<u>1,476</u>	<u>1,485</u>	<u>7,976</u>
At 31 March 2009	<u>27,836</u>	<u>5,198</u>	<u>5,074</u>	<u>38,108</u>
Net book value				
At 31 March 2008	<u>£ 7,030</u>	<u>£ 7,498</u>	<u>£ 2,665</u>	<u>£ 17,193</u>
At 31 March 2009	<u>£ 9,237</u>	<u>£ 9,882</u>	<u>£ 2,352</u>	<u>£ 21,471</u>

12. INVESTMENTS

	2009 £	2008 £
Shares in Wessex Reinvestment Trust	<u>£ 250</u>	<u>£ 250</u>

The above investments are valued at historic cost.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

13. LOANS	2009	2008
	£	£
Capital Loan balance		
At 1 April 2008	519,768	475,425
Loans disbursed in the year	1,444,275	271,285
Loans repaid in the year	(177,450)	(143,383)
Loans written off in the year	(304,737)	(83,559)
Capital Loan Balance as at 31 March 2009	<u>1,481,856</u>	<u>519,768</u>
Less: Provision for doubtful debts		
At 1 April 2008	(113,982)	(73,514)
Increase in provision during the year financial year	(233,755)	(40,468)
Provision for doubtful debts as at 31 March 2009	<u>(347,737)</u>	<u>(113,982)</u>
	<u>£ 1,134,119</u>	<u>£ 405,786</u>

At the year end £493,952 of the loan balance was receivable in one year (2008: £173,256).

	2009	2008
	£	£
Bad debt expenditure		
Loans written off in the year	304,737	83,559
Loans previously written off and subsequently recovered	(104,471)	-
Increase in provision during the year financial year	233,755	40,468
	<u>£ 434,021</u>	<u>£ 124,027</u>

14. DEBTORS	2009	2008
Due within one year	£	£
Grant debtors	370,511	441,814
Income receivable from Small Firms Loan Guarantee scheme	28,935	-
Prepayments	7,013	2,395
	<u>£ 406,459</u>	<u>£ 444,209</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2009	2008
	£	£
Trade creditors	182,297	15,875
Salary owed to third party agents	69,256	57,294
Accruals	12,350	46,881
Deferred income	20,000	120,600
Grant repayable to European Commission (see Note 5)	85,875	-
Other creditors	1,641	-
	<u>£ 371,419</u>	<u>£ 240,650</u>

FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

	2009 £	2008 £
<u>Deferred income</u>		
Balance at 1 April 2008	120,600	3,120
Amount released to incoming resources	(120,600)	(3,120)
Amount deferred in the year	20,000	120,600
Balance at 31 March 2009	<u>£ 20,000</u>	<u>£ 120,600</u>

The £120,600 of deferred income brought forward relates to money received from Norwich City Council (Local Enterprise Growth Initiative) to finance loan making activity in 2008/09.

The £20,000 of deferred income carried forward relates to money received from Cambridgeshire Business Limited as a monitoring fee for the £300,000 loan making capital grant receivable at the end 2008/09.

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2009 £	2008 £
Loan from Unity Bank	750,000	-
Loan from the Adventure Capital Fund	66,000	66,000
	<u>£ 816,000</u>	<u>£ 66,000</u>

The Adventure Capital Fund awarded the Society £99,000 towards the cost of developing Miles Ward Court (as described in Note 10 and Note 18). £66,000 of this award is in the form of a long-term loan. The remaining £33,000 has been provided as a grant. Interest is payable at 6% per annum. The contract also provides for a 2 year capital holiday. The long term loan has been secured on the building.

The Society has been offered a total facility of £1,295,000 from the Unity Trust Bank, the facility is to be used to fund the Society's loan making activities. The Loan is not repayable for the first 60 months, but interest is payable at 2% over the Bank's Base Rate. At the year end £750,000 had been drawn down from the facility. The long term loan security held by the Bank is not limited to, but includes, an assignment over the debtor book relating to the entire client loans portfolio. At the year end £750,000 was also held on deposit by Unity Trust bank as loan security.

17 SHARE CAPITAL

	2009 £	2008 £
Ordinary shares of £1 each	38,650	35,550
CITR ordinary shares of £1 each	27,100	27,100
	<u>£ 65,750</u>	<u>£ 62,650</u>

Movement in share capital

	2009 £	2008 £
At 1 April 2008	62,650	54,700
Shares issued	3,100	7,950
At 31 March 2009	<u>£ 65,750</u>	<u>£ 62,650</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

None of these shares are entitled to dividends.

The Ordinary shares are redeemable at par subject to a 3 month notice period. The shareholders are Members of the Society and have voting rights at general meetings. CITR ordinary shares are issued to the public and attract Community Investment Tax Relief.

The Ordinary shares and CITR shares rank equally, other than the right to withdraw. CITR ordinary shares can generally only be withdrawn after a period of 5 years from the date of issue.

18. SUMMARY OF FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Carried Forward £
SUMMARY OF FUNDS					
Restricted Funds	1,121,967	1,028,619	(380,726)	(361,028)	1,408,832
Unrestricted funds:					
Loan capital	511,899	-	(170,764)	(81,432)	259,703
Other unrestricted funds					
Fixed asset fund	17,193	-	(7,976)	12,254	21,471
Property development fund	621,031	-	(377,272)	252,823	496,582
General fund	37,057	182,462	(326,672)	177,383	70,230
	<u>£ 2,309,147</u>	<u>£ 1,211,081</u>	<u>£ (1,263,410)</u>	<u>£ Nil</u>	<u>£ 2,256,818</u>

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by funders and which have been raised by the Society for particular purposes. Transfers out of the fund include £183,255 of restricted income spent in the year on property development - because there is no ongoing restriction on the property assets the value has been moved to the unrestricted property development fund. Likewise £177,773 has been transferred from restricted funds to the Society's unrestricted reserves. Where contracts do not place an ongoing restriction on the use of the loan capital once the Society has made an initial loan to an individual or business, the loan capital is transferred from restricted funds to the Society's own reserves at the point a loan has been distributed

Loan capital is a designated fund. As described above, where contracts do not place an ongoing restriction on the use of the loan capital fund once the Society has made an initial loan to an individual or business, the loan capital is transferred from restricted funds to the Society's own reserves at the point a loan has been distributed. The Society has ring fenced this recycled loan capital into a designated fund, which will be used to make further loans to businesses and individuals. The Society may change the use of these funds at its discretion. During the year all undistributed recycled loan capital was transferred to general reserves to support the Society's operational and property development activities as well as allowing the Society to make loans under the Small Firm Loans Guarantee Scheme.

The Fixed Asset fund represents the value of non-property fixed assets, which are not readily available to spend by the Society.

The Property Development fund represents the £939,854 spent on property development to date, less both the £377,272 impairment cost in the year (see Note 10), and the £66,000 long term loan obtained to finance the works (see Note 16).

FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

RESTRICTED FUNDS	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Carried Forward £
Property activities:					
Capital grants	-	183,255	-	(183,255)	-
Revenue grants	-	25,000	(25,000)	-	-
Lending activities:					
Capital grants for making loans	1,040,627	647,325	(151,347)	(177,773)	1,358,832
Revenue grants	81,340	173,039	(204,379)	-	50,000
	<u>£ 1,121,967</u>	<u>£ 1,028,619</u>	<u>£ (380,726)</u>	<u>£ (361,028)</u>	<u>£ 1,408,832</u>

The Society obtained grants from the East of England Development Agency, Suffolk County Council, Waveney District Council, the Adventure Capital Fund, and Go East towards property development projects. £939,854 has been spent on property development to date and this amount has been transferred from restricted funds to the property development fund, since there is no ongoing restriction to the property's use.

£10,000 was awarded to the Society by the Lankelly Chase Foundation to cover the costs of the Project Manager who is overseeing the property renovation.

£15,000 was awarded to the Society by the East of England Development Agency to cover the costs of a feasibility study for Bungay.

As detailed in Note 5, £647,325 was provided to the Society by a variety of funders to allow loans to be made to businesses and individuals. At the year end, combined with an unspent opening balance, £1,358,832 of capital remained undistributed, or had a continuing restriction on its use. Often contracts do not place an ongoing restriction on the use of the loan capital once the Society has made an initial loan. If this is the case the loan capital is transferred to the Society's own reserves at the point an individual or business is granted a loan. The Society has ringfenced this recycled loan capital in to a separate unrestricted fund, and uses this reserve to make further loans to businesses and individuals. Resources expended represents loans written off and the provision for doubtful debts.

LOAN CAPITAL	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Carried Forward £
Undistributed recycled loan capital	118,224	-	-	(118,224)	-
Loans made to businesses and individuals	393,675	-	(170,764)	36,792	259,703
	<u>£ 511,899</u>	<u>£ Nil</u>	<u>£ (170,764)</u>	<u>£ (81,432)</u>	<u>£ 259,703</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Fixed assets £	Loans £	Other net current assets £	Creditors due after one year £	Total £
Share capital	-	-	65,750	-	65,750
Restricted funds	-	295,631	1,113,201	-	1,408,832
Loan capital	-	259,703	-	-	259,703
Fixed asset fund	21,471	-	-	-	21,471
Property development fund	562,582	-	-	(66,000)	496,582
General reserve	250	578,785	241,195	(750,000)	70,230
	<u>£ 584,303</u>	<u>£ 1,134,119</u>	<u>£ 1,420,146</u>	<u>£ (816,000)</u>	<u>£ 2,322,568</u>

20. COMMITMENTS

The Society has undertaken the development of a property 154 Chediston Street. (see Note 10). The total estimated cost of the project is £400,000 (including the £347,582 spent to date).

The Society has a commitment on its office space of £12,054 for 2009/10, increasing each year by 5.6% until the lease expires on 31 March 2012.

The Society has a commitment to photocopier rental of £648 for 2009/10. The lease expires on 5 May 2013.

The Society has an IT support contract commitment of £3,135. The contract expires on 28 February 2010.

21. CONTINGENT ASSETS AND LIABILITIES

The Society has received £150,000 from the European Commission, which was given initially as a long term loan. Repayment of the loan is at the funder's discretion and capital money unspent by 31 December 2008 may be returned to the funder. As a result the fund (which currently stands at £50,428 after loan losses have been deducted) has been treated as a capital grant, which has been ring fenced within restricted funds.

22. RELATED PARTIES

Thomas Cook is a Director of the Society and a Partner with Kester Cunningham John Solicitors. During the year Kester Cunningham John provided legal advice to the sum of £569 (2008: £3,962). The Directors consider these transactions were on normal business terms and that the contracts were entered into on an arm's length basis.

Christopher Storey is a Director of the Society and the Proprietor of SB Surveyors. During the year SB Surveyors provided services to the sum of £4,903 (2008: £NIL). The Directors consider this transaction was on normal business terms and that the contracts were entered into on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

Mark Gipson is a Director of the Society and a Partner with Birketts Solicitors LLP. During the year Birketts provided legal advice to the sum of £6,445 (2008: £10,230). The Directors consider this transaction was on normal business terms and that the contracts were entered into on an arm's length basis.

Steve Clarke is a Director of the Society and a Director of Icení Homes. During the year the Society paid ICENI Homes £9,920 in respect of consultancy on the development of 154 Chediston Street . The Directors consider this transaction was on normal business terms and that the contracts were entered into on an arm's length basis.