



**MHA MacIntyre Hudson**

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**FOUNDATION EAST LIMITED**

**(Industrial and Provident Society no. 29722R)**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2013**



A Singapore member of  
**Morison International**

**FOUNDATION EAST LIMITED**

**(Industrial and Provident Society no. 29722R)**

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**REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 March 2013**

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## FOUNDATION EAST LIMITED

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### REFERENCE AND ADMINISTRATIVE DETAILS

For the year ended 31 March 2013

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**Directors**  
Peter Jones (Chair)  
Thomas Cook (Vice Chair)  
Barry van Eupen (Treasurer)  
Belinda Bell  
David Bell  
Mark Braithwaite  
Stephen Clarke  
Stephen Cook  
Mark Gipson  
Lee Prentice (appointed 22<sup>nd</sup> October 2012)  
John Stenhouse

**Secretary** Anne Katy Ford

**Chief Executive** Anne Katy Ford

**I&P Society number** 29722R

**Registered office**  
Saxon House  
7 Hillside Road  
Kempson Way  
Bury St. Edmunds IP32 7EA

**Auditors**  
MHA MacIntyre Hudson  
New Bridge Street House  
30 – 34 New Bridge Street  
London  
EC4V 6BJ

**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.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT For the year ended 31 March 2013

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The Directors are pleased to present their report and the audited financial statements for the year ended 31 March 2013.

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 recognized by the Inland Revenue as an exempt Charity. Each individual member must hold a minimum of 150 shares of £1 each and corporate members 500 shares of £1 each.

The Society is governed by a Board of Directors who are volunteers and members of the Society. The Board of Directors comprises of not less than three and not more than twelve persons. Directors are subject to retirement by rotation and every year one third of eligible Directors 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 among the membership by the Directors or, if it arises at a General Meeting of the Society, by that 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 their duties in accordance with best practice and statutory requirements.

The Board of Directors meets quarterly. Five sub-committees operate within terms of reference that set 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, risk management, business planning, budget-setting and audit.
- The Property Committee oversees the development of the Community Land Trust advisory service and development of property projects being undertaken by the Society.
- The Marketing Committee is responsible for raising awareness and associated marketing activity of the Society for investors, stakeholders, borrowers and tenants.
- The Loan Assessment Panel has responsibility for sanctioning or declining loan applications.
- The Strategy Sub Group has responsibility for developing strategy, recommending it to the Board and overseeing its implementation.

Responsibility for operational matters outside these meetings is devolved to the Chief Executive. An appropriate system for urgent action exists where, if in the best interest of the Society, a decision needs to be taken outside the delegation framework. 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 strategy, policies and budgets approved by the Board.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT For the year ended 31 March 2013

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#### OBJECTS

The objects of the Society shall be to carry on the business of promoting charitable purposes for the benefit of the community 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;
- 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 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

To champion social inclusion and community enterprise by providing accessible financial products and services; and by engaging in property and land transactions to provide assets which benefit local communities.

#### 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 2013**

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**ECONOMIC ENVIRONMENT, ACTIVITIES AND OPERATIONAL REVIEW**

The UK economic environment in the last 12 months has been volatile and fast-changing. Although inflationary pressures subsided and business confidence increased early on, a number of fundamental weaknesses remained; most notably a decline in the productivity of British business. By mid-year the UK economy had consistently contracted. The Jubilee' contributed to this contraction, when several working days were lost. During the summer stronger growth in manufacturing and services was emerging and by the final quarter of the financial year 2012/13 the UK economy bounced back from recession with 1% growth. With continuous growth since then, confidence would appear to be growing. Evidence exists that small firms want to employ more people and grow their businesses. They want to export and expect turnover levels to increase. This is positive news, but there is no room for complacency: while there are positive signs, rising inflation - due in part to rising energy costs and difficulties arising from being unable to access finance - will affect how quickly, and how much, small firms can grow and create jobs.

Recent surveys-undertaken by the Federation of Small Businesses indicate that 40% of firms that applied for finance were refused. Despite Government intervention, The Funding for Lending scheme, for example, has not made sufficient impact to free up much-needed capital for businesses by the High Street banks. Pressure is mounting for the Business Bank to improve competition in the banking sector and to help advise small firms on alternative finance providers.

Following the collapse of the banking sector and subsequent Libor interest rate and PPI selling scandals, the Financial Services Authority, whose role had been to regulate the banking sector, was split into two separate entities, The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The FCA now regulates the UK financial services industry to protect consumers, to ensure the industry remains stable and to promote healthy competition between financial services providers. The PRA is part of the Bank of England and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm. As Foundation East is a Mutual Society, it is not yet clear under whose authority it will fall. Needless to say, the Society remains committed to operating in a transparent way and actively seeks a way forward in terms of reasonable regulation for its activities.

The Society continues to develop and strengthen its relationships with the five Local Enterprise Partnerships (LEPs) that cover the region, although some of the new bodies extend into parts of the country in which Foundation East does not currently provide its services. The New Anglia LEP serving both Norfolk and Suffolk is of particular note; it has set its objectives to support business in the region and provides a link to the Foundation East website for anyone in the two counties searching for finance.

Against this backdrop of dramatic change, the Society continues to deliver its mission in two key areas - business lending, and community land trust development.

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 meet the principles laid out therein.

**STRATEGIC REVIEW**

At the beginning of the financial year, the opportunity arose to pilot the Government's Start Up Loans Scheme, aimed at young people aged between 18 and 24 (the upper age limit was raised to 30 during the pilot). This new funding stream aims to inject £10 million capital funding into encouraging young people to start their own business. As an experienced and respected lender to the start-up market, Foundation East was invited to become involved in this innovative scheme by the Department for Business Innovation and Skills (BIS). The Society's Directors agreed that becoming involved in the pilot would be strategically sound, albeit that the scheme was a payment-by-results model, with the repaid capital returned to central government rather than retained for further investment by the Society.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT

For the year ended 31 March 2013

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Having successfully delivered the pilot scheme, the Society bid for the post-pilot phase and continues to deliver the scheme. It is imperative that the mission and values of the Society are maintained; therefore, despite significant pressure to lend funds solely to boost economic growth, we remain thorough in our appraisal of each person's ability to run their business and repay their debt.

During the year, the Directors revisited the five year business plan and made significant changes, including:

- Grow the lending business by delivering more targeted products to meet changing client needs;
- Develop a self-financing Community Land Trust support service for community groups seeking to develop property assets within their localities;
- Increase the number of Industrial and Provident Society (IPS) members.

The Directors decided to increase the Society's loan threshold from £50,000 to £100,000. This was partly in response to funding streams now allowing loans up to that value and also to enable larger Small and Medium sized Enterprises (SMEs) in the region to access Foundation East's funding.

The Board also agreed to relax the requirement for start-up businesses to invest at least half of the overall amount required. While Foundation East expects some investment to be made, this can now take the form of sweat equity, tools already purchased, proven time invested etc., as well as the more usual forms of funds in the bank or commitment from other investors.

Historically all loans, no matter what size, had been approved by a panel of our members. Due to increased demand for our products and constraints on the members' time it was decided that loans up to £25,000 could be approved by a staff panel to include the Chief Executive. This has reduced the time taken to approve a loan from six to three weeks. For loans over £25,000 the panel consists of the Chief Executive and Board Directors and in certain cases Board Directors of the Finance Committee.

To increase the number of loan applications the role of the Business Loans Management team has changed to create a more nurturing environment; the team provides more regular guidance, closer contact and proactively offers advice, rather than relying on our network of advisors to undertake this. This has increased the workload of the lending team, but the strategy is working and the number of quality applications has improved. Foundation East also instigated its own Business Planning workshops, held in Bury St Edmunds with contributions from local accountancy firm KPSK. These workshops have been very well received, with high loan application rates from attendees.

### FUNDING

Lending activity in the year was severely restricted due to funding issues. The opportunity to apply for Regional Growth Fund (RGF) money was announced in 2011, but there was a long delay before the contracts between BIS, CDFA and PWC and Unity Trust and the Co-Operative Bank were signed, without which the Society was unable to apply for any funding from this source. Having applied for £3.1 million in Spring 2012, approval was not received until late October and drawdown was not effected until late November 2012.

The funding comprises a 50% grant from RGF and a 50% matching loan split 25% from Unity Trust bank and 25% from the Co-Operative Bank. It is aimed at applicants who have been refused bank funding, or who are able to provide evidence that they are unlikely to apply successfully for bank funding and their business must have created or saved at least one job.

There is a small amount of revenue support linked to this funding source, but it cannot be realised until the fund has been recycled twice. As the average life the Society's loan book is four years, it will be eight years before any revenue support is realised.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT For the year ended 31 March 2013

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In partnership with Suffolk County Council, the Suffolk Community Foundation has set up a new loans programme for service providers being spun out/di-vested by the council: these are all social enterprises and are expected to seek a grant/loan product. At the invitation of the Suffolk Community Foundation, Foundation East will undertake the back office services associated with the loan products, from offer to collection of loan repayments.

#### **Case Study 1**

Mirrors By Design is a sole trader business, owned and operated by Frazer Goddon. Frazer has a background in management and had been in full time employment for five years when he approached Foundation East.

It was a conversation with members of his family on the subject of unique gifts and personalised mirrors that gave Frazer the idea. He started creating the etched mirrors firstly as a hobby. A friend was impressed with Frazer's work and he suggested he turn it into a business.

While working full time, Frazer put together a comprehensive plan for a business offering unique gifts and personalised mirrors through friends that have recommended him on eBay. His longer term aim was to grow the business to a size where it was his only occupation, giving him the ability to move from 'inside the garage' to a workshop that is fit for purpose and employing staff.

He produced a detailed business plan and start up costs, mainly for equipment and stock. Frazer is an extremely efficient manager; he had the 'get up and go' and determination to actively seek help in the right places for finance and support.

Foundation East was extremely impressed by Frazer's thorough planning, his tremendous drive and desire to succeed and offered him a loan of £7,000. Frazer was very eager to begin trading but was unsure of starting small, however with the benefits of coaching he has succeeded in growing his business, enabling him to afford tools which would give his business a greater production capacity. Frazer has acknowledged the support and guidance he received, particularly in the areas of financial management and avoiding common pitfalls.

After just five months, he is already trading ahead of forecasts. He is contemplating bringing his mother into the business, as an employee responsible for sales.

#### **Business Lending**

During the year, Foundation East provided a total of £520k in direct support of 36 businesses. The shortfall in overall lending volumes against forecast was due in part to difficulties in accessing funding from the RGF, but there were two other major contributing factors. There was an increase in the number of enterprises not drawing down loans due to an inability to meet the pre-conditions, including problems with securing leases. Several social enterprises, having taken advantage of Foundation East's excellent business support with the intention to apply for a loan, were subsequently able to access grant funding.

#### **Lending values achieved**

	2012/13	2011/12	2010/11
Loans disbursed	36	44	46
Amount disbursed	£525,754	£591,425	£768,300



**DIRECTORS' REPORT**  
For the year ended 31 March 2013

*Lending values by type achieved*

	Start Ups		Expansion		Recovery	
All years	226	£2,337,586	112	£1,919,364	17	294,232
2010/11	32	£400,050	14	£268,250	2	100,000
2011/12	21	£175,210	15	£319,115	4	97,100
2012/13	19	£199,500	17	£326,254	0	0

With the support of the business lending team and the credit team our clients continue to honour their commitments to us, thereby enabling us to re-lend the repaid funds back out to more businesses in the region.

**Case study 2**

Barefoot Birth Pools is a sole-trader business owned and operated by Shona Kitchener, to whom we granted a loan of £32,500 to complete the purchase of an existing business that hired out home birthing pools across the UK. Because of her established reputation in the home birth sector, Shona had been approached by the existing business owner to take on and develop the business.

Shona initially sought guidance and finance from HSBC, who indicated that because they classified her as a start-up business they could not help, but would reconsider if she could prove herself by test trading. Using all her savings and personal credit available, Shona purchased a third of the business, and agreed with the vendor to complete the rest of the purchase within nine months.

After seven months of trading, Shona went back to HSBC with figures that showed she could break even, even with only five birthing pools to hire out, HSBC's response was that she would need two years of trading figures before they could help.

Now at the point of failure and losing all her investment, Shona used an internet search engine to find a possible source of alternative funding. She found Foundation East, and approached us with a comprehensive and compelling application and business plan. Our support enabled her to complete the purchase and re-fit her garage, to improve her processes and the overall service she wanted to provide. She willingly agreed to take part in our coaching scheme and has benefited greatly from it, particularly in creating a medium- and long-term business strategy.

One year on, Shona has been named Fenland Start-Up Business of the Year; she is about to launch her e-commerce website and plans to take on a part-time employee during the year ahead.

**Case study 3**

Mr Clever Clean is a sole trader business, owned and operated by Mark Cave. Mark has a background in agricultural machinery sales, but had been unemployed for four months when he approached Foundation East.

While out of work, Mark put together a comprehensive plan for a business offering driveway, guttering and patio cleaning services in the areas of Cambridgeshire, Lincolnshire and Norfolk. His longer term aim is to employ additional operators to deliver the service, and ultimately to develop franchises or licensing agreements under the Clever Clean brand. He produced a detailed marketing strategy and start up costs, mainly for equipment and vehicles. Mark is extremely IT proficient; he had already created a professional website which merely needed optimisation to generate enquiries.

Foundation East was extremely impressed with Mark's thorough planning, his tremendous drive and desire to succeed: the Society granted him a loan of £25,000. At first, Mark was unsure of the benefits of coaching, but has acknowledged the support and guidance he received, particularly in the areas of financial management and customer relationship development.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT

For the year ended 31 March 2013

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After just five months, he is already trading ahead of forecasts. He is contemplating bringing his daughter into the business, as an employee or under a licensing agreement as an owner operator; they have been given details of the Start Up Loan scheme as a possible source of funding.

The coaching scheme continues to expand as many as 85% of clients now work with a coach to improve their business skills. The Society is appointing more coaches and mentors to meet demand and provide much needed support to fledgling and struggling businesses.

The Society's mission is to champion social inclusion and community enterprise, by providing accessible financial products and services. One of the main outcomes of this activity is the creation and sustaining of jobs. In the year under review, the Society continued to provide opportunities for increased economic development in the region.

	2012/13	2011/12	2010/11
Jobs created (full time equivalent)	74	66	74.5
Jobs saved (full time equivalent)	29	42.5	211

### COMMUNITY LAND TRUST DEVELOPMENT

Foundation East continues to help local communities throughout the region to set up and run Community Land Trusts (CLTs), through which valuable assets - such as affordable housing, business units, and space for community activities - are taken into collective ownership and developed for the benefit of local people.

Throughout 2012/2013, the CLT advice service has been consolidating the progress made during its first year of operation. The CLT-Development Manager Phil Rose has provided initial project scoping and feasibility support to 15 community groups who are exploring the potential for a CLT in their local area. In addition, the 'front-runner' projects identified in the previous year have continued to receive intensive professional advice about land, planning, development and finance as they have developed their business plans.

'Seed-com' funding has been successfully secured for four emerging CLTs from the National CLT Fund and the Design Council. This has been used to run high-quality community engagement activities, in order to gain a thorough understanding of what people want for their village or town, and to explore local attitudes to growth and new development. The funding has also helped to pay the legal costs of setting up local CLTs.

The first CLT in Cambridgeshire was established in Oct 2012 when the parishes of Stretham and Wilburton came together to address problems that are typical of many rural village communities in the East of England. The villages are near Cambridge and in commuting distance of London, making them attractive places to live for well-paid city workers. Rents and property prices have risen beyond the reach of local young people, and families on low rural incomes are being forced to live further away from their place of work.

Using the CLT model, the community is preparing to submit a planning application for a new development of privately-owned and affordable community-owned housing at Manor Farm on the edge of Stretham. Sales of the privately-owned houses will provide the subsidy required to build the CLT-owned homes and will contribute towards other new community-owned facilities, including a new GP surgery, small business units and new green spaces for local leisure.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT

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Of the 50 homes in the plan, 15 will be CLT-owned affordable homes. Most will be two- or three-bedroom homes with rents that are affordable by local people on rural wages. The entire project is designed to be commercially viable without reliance on government grants. In the face of continuing economic restrictions, the scheme is already being acknowledged as an exemplary model for generating local growth, which other communities are likely to want to follow. Foundation East won the best partnership award at the recent CLT awards, in recognition of its work with Stretham and Wilburton CLT.

Foundation East is now widely known at local, regional and national level for its CLT work. In 2012 Phil Rose was elected onto the board of the National CLT Network and has contributed to policy, lobbying, training and fundraising at national level. The conditions are now in place for continued development of the sector. As Foundation East continues to build strong local relationships with District and County Councils and local community organisations, the portfolio of CLT projects is expected to expand.

A local partnership was recently formed with East Cambridgeshire District Council. Foundation East is contracted until 2015 to provide a range of services and products specifically designed to stimulate and support more CLTs in the district and to help them emulate our pioneering work in Stretham. We will build a 'toolkit' of online resources based on best practice developed in earlier projects, provide one-to-one support to early-stage projects and run local and regional events to inform and inspire local community volunteers and key decision-makers wanting to get involved. We will also manage a small grant and loan fund for the local authority that will be available to help communities set up CLTs and pay for essential technical and design support as they develop their project plans. Foundation East is now exploring whether these financial products can be offered to the wider market of CLTs throughout the region.

### SOCIAL OUTCOMES

#### Lending

The 2010/11 *Social Return on Investment* report demonstrated that every £1 invested by Foundation East into businesses in the region created £3.79 in social value. Information continues to be collated for an updated *Social Return on Investment* report for the financial year 2013/14. The data includes

- improved /reduced ability to obtain bank finance e.g. overdraft/debit card
- improved/worsened credit rating
- increase in turnover, profit and taxes and lease-renewals on rented property
- increased/decreased business skills
- greater /lesser job satisfaction
- higher /lower self esteem
- increased /decreased job security
- higher/ lower sense of wellbeing
- impact on the loan beneficiaries' families

#### Community Land Trusts

Foundation East is participating in research undertaken by the University of Salford to develop a Social Return on Investment (SROI) model that can be used to demonstrate the economic, social and environmental benefits of Community Land Trust development. The research will focus on our properties at Halesworth as one of four detailed case studies and evidence gathering workshops will commence in Q2 of 2013/14. The research report should be available toward the end of the year and hopefully it will provide decision-makers and CLTs with a robust measurement tool that can be used to support CLT projects, particularly those that involve the transfer of public assets into the community.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT For the year ended 31 March 2013

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#### PROFILE RAISING

A comprehensive marketing strategy was devised to enable the marketing team to focus on activities which generate the best results for Foundation East. Enquiries were tracked more accurately back to the probable source event or piece of publicity. Activities implemented as part of the new strategy include:-

- Case studies, which were used in a variety of media, in print and online. These include the Guardian, The Times, The East Anglian Daily Times, the Cambridge News and Bury Free Press.
- Presentations aimed at business introducers, made at numerous events including Suffolk and Cambridgeshire Chamber, Federation of Small Business and the premises of most high street banks.
- Extensive use of social media - including
  - blogs, where our members and team regularly submit informed comment.
  - Broad engagement through LinkedIn, to provide commentary and provoke discussion on relevant topics.
  - Search Engine Optimisation on the main website to improve Google rankings
  - Videos on YouTube.

The Annual review was published in calendar format, featuring a client on each page with a photograph and a brief case study about them and their business. It was very well received and was nominated as Best External Publication for the Chartered Institute of Public Relations Annual Awards.

As the conversion rate between enquiries and applications is poor in Essex, significant efforts have been made to improve it, with some success. The business lending team spent a month 'dropping in' to all business support agencies, banks and accountants in the main towns of Braintree, Colchester, Chelmsford, Harlow and Southend to raise Foundation East's profile by informing them of our services and to re-iterate our offering.

Banks continue to provide the best quality applications and are increasingly prepared to match our funding as a partner. This is a real advance and one that we will build on in the coming financial year.

As part of the launch of the Start Up Loans scheme a Start Up Britain Bus Tour visited all the colleges and universities in the country. The marketing team took part in all the tour visits in the region including University College Suffolk: their time on the bus was spent chatting to students about starting up in business, handing out leaflets and other giveaways.

#### MEMBERSHIP

Ten new members were welcomed into the Society during the year. They join for a variety of reasons, including a desire to give something back to the community in which they live and work, and the opportunity to receive 5% Community Investment Tax relief on their investment for five years.

One new member is Lovewell Blake, the oldest accountancy practice in the country to retain its original name. The practice was started in 1858 in Great Yarmouth, by the eldest son of a ship-owner and coal merchant. Today, the firm has ten offices and serves more than 10,000 businesses and private clients throughout East Anglia and beyond. Lovewell Blake has been closely involved with charities and the voluntary sector for many years, working with them and providing support for the local community. The partners decided to become members because the aims and goals of Foundation East closely match their own social responsibility objectives.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT

For the year ended 31 March 2013

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#### GOVERNANCE

##### Membership fees

At the AGM in October 2012, it was agreed to establish an annual individual membership fee of £150 and an annual corporate membership fee of £500, for all new members: this will contribute towards the Society's revenue costs. The original investment in shares, together with any further share purchase, continues to be used as capital for lending. The maximum amount that can be invested remains unchanged at £20,000.

##### New Board members

Belinda Bell and Mark Braithwaite joined the Board in July 2012 followed by Lee Prentice in October 2012. All three are frequent members of the Loans Assessment Panel.

Belinda was a founder member and former Chief Executive of the Society. She is delighted to be able to contribute to the development of the organisation from a different perspective and is Chair of the Strategy Committee.

Mark has worked in varying commercial roles, including 15 years as Managing Director of an environmental services business. He joined Foundation East as he wants to contribute towards the economy in eastern England and to provide support to local businesses. Mark is a member of the Marketing Committee.

Lee has broad coaching, management and training experience, gained at senior management and director level in manufacturing, distribution and healthcare. He joined the Society to help it develop and grow and is a member of the Marketing Committee.

##### Code of Practice

Community Development Financial Institutions (CDFIs) are subject to varying regulatory regimes, none of which cover the whole sector in a clear and transparent way. Therefore the Community Development Finance Association (CDFA), the trade association of which Foundation East is a member, sought to establish shared standards that would contribute to building stakeholder confidence. The Code of Practice it developed, with initial mentoring from the FSA, was welcomed by the Office of Fair Trading, public funders, trusts and foundations. It is a requirement of CDFA membership that institutions sign up to the Code of Practice. This is coming under close scrutiny by potential funders looking to invest in the sector, and it is essential that high standards are maintained for our self-regulation.

With the launch in 2011 of the EU Microfinance Code of Good Conduct, and feedback from members over several years, the CDFA Code of Practice was updated in 2012. It is tied to CDFA's CM2 Performance Framework, a monitoring and assessment tool which examines three key areas: financial, business operations and impact. Foundation East is proud to adopt the CDFA's Code of Practice and is pleased to report that it passed the CM2 change assessment process in February 2013.

#### RISK MANAGEMENT

The Society maintains a comprehensive risk register to identify and measure all risks faced by the organisation. The risk register is divided into 12 sections and covers:

- Governance
- Strategic Direction
- Legislation and Regulation
- Competition
- Capital Funding
- Revenue Funding
- Liquidity
- Credit Risks
- Staffing
- Operational Risks
- Reputational Risks
- Political Risks

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT

For the year ended 31 March 2013

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At least three risk factors are reviewed at each Finance Committee meeting and any recommended changes are subsequently approved at the quarterly Board meeting. This enables the Board to focus on the areas of the business that are most at risk. During the year, the Society experienced a liquidity and funding issue waiting for draw down of RGF funding; these risks were reviewed every quarter to keep the Board fully informed.

As part of the review process, the Directors identify where additional control measures could be implemented to mitigate some of the risks. Board members undertook a skills audit to ascertain if any gaps in their collective skills set could pose a governance risk; the results showed some weaknesses in human resources, public relations, rural issues, community issues, public sector and health issues. The Society will be mindful of these shortages when considering recruiting for the Board in the future.

To reduce any potential operational risks, consideration will be given to establishing an internal audit function in the New Year.

### THE FOUNDATION EAST TEAM

The Society's team has been expanded and strengthened to better deliver its mission and achieve its objectives. In October, as part of its new contract to deliver the Start Up Loans product, John Stenhouse, a Director, was engaged on a short-term, six month contract to help set up the pilot programme. Following Foundation East's successful bid to be a delivery partner in the post-pilot project, a full time and suitably young and enthusiastic team was set up, led by Charlotte Stenhouse, a recent graduate from Herts University and Alistair Stewart, a local individual with experience in the customer service industry.

Peter Wood, former Business Loans Manager for Essex, was appointed as Marketing and Membership Manager following the departure of Richard Glinn. The Society is grateful to Richard for his endeavours.

Former Director Deborah Wildridge has joined the property team as CLT advisor. Debbie's skills include marketing and community engagement and it is a delight to have her working for the organisation full time to support Phil Rose, particularly with the new ECDC contract.

Phil Rose, the CLT development manager, achieved his Royal Institute of Chartered Surveyors qualification after four years of intensive study. We congratulate him on this achievement.

Katy Ford was appointed to the Board of The Community Development Finance Association in September thereby strengthening the Society's links with its trade association and enables her to more effectively assist in guiding the future direction of the sector.

The Directors of Foundation East recognise the skill, dedication and hard work of all the staff team, who continue to show their professionalism and commitment to the objectives of the Society in every way.

### FINANCIAL REVIEW

In the year the Society's incoming resources was £654k (2011/12 – £318k). After deducting total resources expended of £678k (2011/12 – £576k), the Society incurred a net outgoing deficit of £24k (2011/12 – £258k). Whilst this result which would appear to represent a dramatic turnaround in the Society's fortunes the most significant factor was that capital funding of £250k through the CDFA's Regional Growth Fund was received late in the year. This was not lent out to beneficiaries in the year. The vast proportion of these restricted funds will be used to fund the majority of the Society's lending activity in the coming year.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT

For the year ended 31 March 2013

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Additionally capital of £881k from the former Regional Development Agency EEDA, which had remained restricted for the period of the 5 year contract, became non-restricted at the end of the financial year. As promised at previous AGM's, funds transferred from the Loan Capital Fund to the General Reserve Fund in prior years would be transferred back once the Society's General reserve is in surplus. With the EEDA funds becoming unrestricted, £571k, representing prior year transfers to the General Reserve Fund, was transferred to the Loan Capital Fund, £39k was used to settle an outstanding mortgage on the property in Halesworth and £298k was transferred to the General Reserve Fund.

£154k (2011/12 - £110k) of prior year loans were written off during the year but following a good performance of the current Loan Book, £16k (2011/12 - 3k increase) was released from the provision for bad debts. A further £27k of loans previously written off were recovered in the year (2011/12 £53k).

Income of £45k (2011/12 - £Nil) from the Start Up Loans Pilot contributed towards the revenue costs of the organisation.

CLT advice fees were budgeted to achieve income of £44k; an ambitious target for this relatively new service. We are delighted that £36k (82% of this target) was reached and all credit must go to Phil Rose for this result.

During the year the Society continued to invest in its properties at Halesworth, carrying out a programme of planned maintenance and responding to urgent repairs. Works included repairs to the roof and external wall coverings at Miles Ward Court, rectification of urgent structural problems and problems caused by damp ingress, and additional planned decorations. Relationships with tenants remained positive throughout as great efforts were taken to ensure there was as little disruption as possible. Throughout 2012, property voids were kept to around 15%. Our target for 2013 is for voids to be kept to below 10%.

### FUTURE PLANS

The Society had an outstanding mortgage with Adventure Capital Fund which was due to be paid off in 2017 but as capital became it agreed to pay this early enabling Miles Ward Court to become an un-encumbered asset which could be used as security for further borrowing if required.

As financial services organisation the Society is exempt from charging VAT. However the Community Land Trust advice service is not exempt, and as it is likely that the threshold of £79k income will be breached in the coming financial year, the company will be required to register with HMRC.

At the Society's strategy day held in January the Board decided to explore some new ideas including that of becoming a bank or merging with a building society or credit union for example. Having undertaken extensive research into this it was however agreed that there was no real advantage to the Society or its members and clients by becoming a bank. The Board agreed that the Society should extend its product range to meet the growing needs of its customers including asset finance, lease finance, trade finance as well as bespoke loans for its Community Land Trust customers. These new products are currently under development and will be launched in the New Year.

One of FE's strengths is its ability to effectively manage a loan book and intends to extend this service to external organisations, for example grant giving foundations that are considering offering loans as an alternative to their existing grants programmes. A specific marketing strategy to raise awareness of this service is under development.

A new website will be launched later in the year. The new site will enable potential clients to apply for funding on line as well as providing a shop window for the Society's products and services. Features will include customer log in areas where statements and forms can be downloaded.

## FOUNDATION EAST LIMITED

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### DIRECTORS' REPORT

For the year ended 31 March 2013

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The Society will endeavour to secure funding from the new Business Bank and from Big Society Capital to support customers in the region and it will continue to strengthen its links with the local enterprise partnerships, banks, councils, enterprise agencies and accountancy firms across the region.

#### 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).

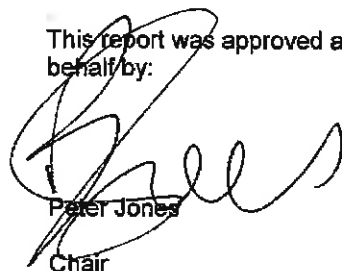
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002. They have general 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, MHA MacIntyre Hudson, 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 22nd July 2013 and signed on its behalf by:



Peter Jones  
Chair



## **INDEPENDENT AUDITORS' REPORT TO FOUNDATION EAST LIMITED**

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We have audited the financial statements of Foundation East Limited for the year ended 31 March 2013 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the requirements of the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the Society's members, as a body, 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's members 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 and the Society's members, for our audit work, for this report, or for the opinions we have formed.

### **Responsibilities of Auditors**

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice [applicable to Smaller Entities] and the Industrial and Provident Societies Acts 1965 to 2002.

/Continued ...

**INDEPENDENT AUDITORS' REPORT TO  
FOUNDATION EAST LIMITED  
(Continued)**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all of the information and explanations we require for our audit.

*MHA MacIntyre Hudson*

**MHA MacIntyre Hudson**  
Chartered Accountants and Statutory Auditor  
New Bridge Street House  
30-34 New Bridge Street  
London, EC4V 6BJ

Date: *26/9/13*

**FOUNDATION EAST LIMITED**

**STATEMENT OF FINANCIAL ACTIVITIES**

For the year ended 31 March 2013

	Note	Restricted Funds 2013 £	Unrestricted Funds				Total Funds 2013 £	Total Funds 2012 £
			Loan Capital 2013 £	Fixed Asset Fund 2013 £	General Reserve 2013 £			
<b>INCOME</b>								
Incoming resources from charitable activities:								
Grant income:								
Revenue grants for lending activities	2	103,333	-	-	-	103,333	113,333	
Capital grants for lending activities	3	250,000	-	-	-	250,000	-	
Interest from loans		-	-	170,954	-	170,954	160,205	
Loan arrangement fees		-	-	19,444	-	19,444	13,715	
Activities for generating funds:								
Loan book management fees		-	-	45,975	-	45,975	-	
Rental income		-	-	25,726	-	25,726	22,461	
Community Land Trust advice		-	-	36,938	-	36,938	5,198	
Investment income		-	-	1,775	-	1,775	3,389	
<b>TOTAL INCOMING RESOURCES</b>		<b>353,333</b>	<b>-</b>	<b>300,812</b>	<b>-</b>	<b>654,145</b>	<b>318,301</b>	
<b>RESOURCES EXPENDED</b>								
Charitable activities (lending and property development):								
Operational costs	4	103,333	-	418,485	-	535,062	481,336	
Bad and doubtful debts	10		13,244					
Loans written off in the year		52,704				154,108	110,780	
Loans previously written off and subsequently recovered		(7,106)				(27,346)	(53,307)	
Movement in bad debt provision during the financial year		18,788				(16,474)	3,887	
Governance costs	5	-	-	32,922	-	32,922	33,602	
<b>TOTAL RESOURCES EXPENDED</b>		<b>167,719</b>	<b>13,244</b>	<b>451,407</b>	<b>-</b>	<b>678,272</b>	<b>576,298</b>	
Net income/(expenditure) before transfers		185,614	(45,902)	(150,595)		(24,127)	(257,997)	
Transfers between funds	16	(881,025)	571,136	292,791		-	-	
Net incoming/(outgoing) resources after transfers		(695,411)	525,234	142,196		(24,127)	(257,997)	
<b>TOTAL FUNDS BROUGHT FORWARD</b>		<b>1,212,779</b>	<b>15,242</b>	<b>3,040</b>	<b>1,599,070</b>	<b>1,599,070</b>	<b>1,857,067</b>	
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>£ 517,368</b>	<b>£ 540,476</b>	<b>£ 371,863</b>	<b>£ 145,236</b>	<b>£ 1,574,943</b>	<b>£ 1,599,070</b>	

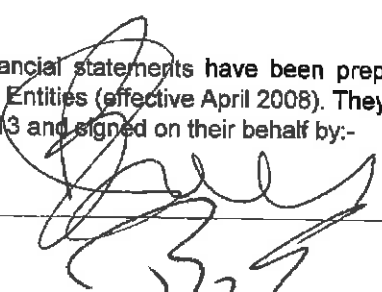

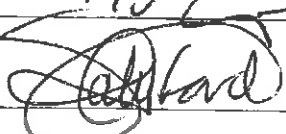
The annexed notes form part of these financial statements

**FOUNDATION EAST LIMITED**

**BALANCE SHEET**  
As at 31 March 2013

	Notes	£	2013 £	£	2012 £
<b>FIXED ASSETS</b>					
Freehold Properties	8		395,103		401,851
Other tangible assets	9		15,870		13,120
			<u>410,973</u>		<u>414,971</u>
<b>CURRENT ASSETS</b>					
Loans	10	1,038,363		1,110,266	
Debtors	11	69,677		3,903	
Cash at bank and in hand	12	741,027		1,060,749	
			<u>1,849,067</u>	<u>2,174,918</u>	
<b>CREDITORS: amounts falling due within one year</b>	13	(321,798)		(136,647)	
<b>NET CURRENT ASSETS</b>			<u>1,527,269</u>	<u>2,038,271</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,938,242</u>	<u>2,453,242</u>	
<b>CREDITORS: amounts falling due after one year</b>	14		(281,049)		(789,372)
<b>NET ASSETS</b>			<u>£ 1,657,193</u>		<u>£ 1,663,870</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	15		82,250		64,800
Restricted funds	16	517,368		1,212,779	
Unrestricted funds:	16				
Loan capital		540,476		15,242	
Fixed asset fund		371,863		368,009	
General reserve		145,236		3,040	
Total funds			<u>1,574,943</u>	<u>1,599,070</u>	
			<u>£ 1,657,193</u>		<u>£ 1,663,870</u>

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). They were approved, and authorised for issue, by the Directors on 22 July 2013 and signed on their behalf by:-

  
 \_\_\_\_\_ PETER JONES, Chair  
  
 \_\_\_\_\_ BARRY VAN EUPEN, Treasurer  
  
 \_\_\_\_\_ ANNE KATY FORD, Secretary

The annexed notes form part of these financial statements

## FOUNDATION EAST LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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#### 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 April 2008). 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 2013 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 2013 and the results for the year ended on that date.

##### ***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.

The General fund 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.

FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

**Tangible fixed assets and depreciation**

All assets costing more than £500 are capitalised.

impairment review to ensure that they are shown at no more than recoverable value. Completed properties are reviewed for impairment on an annual basis, by comparing their carrying value with their recoverable amount.

Freehold land	-	indefinite (not depreciated)
Buildings	-	50 years
Furniture/fittings	-	10 years
Office equipment	-	5 years
Computer equipment	-	4 years

**Loans and provisions**

Loan balances are reviewed regularly 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 LENDING ACTIVITIES**

	2013	2012
	£	£
Capital for Enterprise Ltd (formerly from EEDA)	103,333	113,333
	<u>£ 103,333</u>	<u>£ 113,333</u>

**3. CAPITAL GRANTS FOR LENDING ACTIVITIES**

	2013	2012
	£	£
RGF Project Vehicle C.I.C grant funds	250,000	-
	<u>£ 250,000</u>	<u>£ Nil</u>

**FOUNDATION EAST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2013

4. OPERATIONAL AND SUPPORT COSTS	2013 £	2012 £
Staff costs (see Note 6)	351,287	295,335
Temporary staff and recruitment	-	456
Staff training and welfare	3,935	3,315
Rent	16,562	12,816
Hospitality and refreshment	3,055	3,976
Telephone and postage	6,799	5,181
Insurance	3,614	3,607
Property depreciation	6,748	6,748
Depreciation of other tangible fixed assets (see Note 9)	6,496	5,673
Mileage allowance and other travel and subsistence costs	25,980	26,133
Consumables	6,393	3,081
Equipment and IT	16,023	16,865
Advertising and marketing	20,176	31,971
Loan arrangement fees and bank charges	9,684	1,223
Conference and seminar fees	293	682
Subscriptions and memberships	7,852	6,767
Website	3,229	11,374
Legal fees	4,460	2,624
Professional and consultancy fees	19,057	32,980
Fees payable to auditors (for grant audits and advice)	1,320	1,260
Property servicing costs	23,339	10,767
Interest payable on Unity Trust bank loan	10,279	18,333
Interest payable on Adventure Capital Fund loan	2,555	3,023
Interest payable on RGF Capital Fund loan	3,816	-
Charitable donations	4,000	-
Other expenses	1,516	3,392
	<u>558,468</u>	<u>507,582</u>
Allocated to governance costs	<u>(23,406)</u>	<u>(26,246)</u>
	<u>£ 535,062</u>	<u>£ 481,336</u>

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 5).

5. GOVERNANCE COSTS	2013 £	2012 £
Auditor remuneration:		
Audit fees	8,220	7,980
Advice and assistance	1,296	1,260
Over accrual of 2011 audit fee	-	(1,884)
Allocated from operational costs (see Note 4)	23,406	26,246
	<u>£ 32,922</u>	<u>£ 33,602</u>

FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2013

6. STAFF NUMBERS AND COSTS	2013 £	2012 £
Salaries	300,789	250,084
Social security costs	30,446	26,025
Defined contribution pension costs	20,052	19,226
	<u>£ 351,287</u>	<u>£ 295,335</u>

The average weekly number of employees, calculated as full time equivalents, during the period was: 10 (2012 - 8.4).

No employee received remuneration greater than £60,000 in the year or the previous financial year.

7. DIRECTORS

During the year, no Director received any remuneration (2012 - £NIL). However as described in Note 21, one Director provided services to the Society in a professional, arms length capacity. Two members of the Board received reimbursement of expenses for travel amounting to £238 (2012 - three members of the board: £374). There were no amounts outstanding at the balance sheet date.

8. FREEHOLD PROPERTIES

	Miles Ward Court £	154 Chediston Street £	Total £
<b>Cost net of impairment losses</b>			
At 1 April 2012 and 31 March 2013	222,301	199,454	421,755
Additions	-	-	-
At 31 March 2013	<u>£ 222,301</u>	<u>£ 199,454</u>	<u>£ 421,755</u>
<b>Depreciation</b>			
At 1 April 2012	10,437	9,467	19,904
Charge for the year	3,557	3,191	6,748
At 31 March 2013	<u>£ 13,994</u>	<u>£ 12,658</u>	<u>£ 26,652</u>
<b>Net book value</b>			
At 1 April 2012	<u>£ 211,864</u>	<u>£ 189,987</u>	<u>£ 401,851</u>
At 31 March 2013	<u>£ 208,307</u>	<u>£ 186,796</u>	<u>£ 395,103</u>

The Society received a capital grant of £400,000 from the East of England Development Agency for 154 Chediston Street which stipulates that the funder will have a legal charge over the property until 2015.

The funding agreement with Go East for Miles Ward Court stipulated that the grant can be clawed back if it is sold or its use changes before 2028.

It is not practicable to quantify the difference between the carrying value and market value of interest in land and buildings.



FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2013

9. OTHER TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures & Fittings £	Office equipment £	Total £
<b>Cost</b>				
At 1 April 2012	43,883	18,393	4,322	66,598
Additions	9,246	-	-	9,246
At 31 March 2013	<u>53,129</u>	<u>18,393</u>	<u>4,322</u>	<u>75,844</u>
<b>Depreciation</b>				
At 1 April 2012	39,511	9,898	4,069	53,478
Charge for the year	4,423	1,820	253	6,496
At 31 March 2013	<u>43,934</u>	<u>11,718</u>	<u>4,322</u>	<u>59,974</u>
<b>Net book value</b>				
At 31 March 2012	£ 4,372	£ 8,495	£ 253	£ 13,120
At 31 March 2013	<u>£ 9,195</u>	<u>£ 6,675</u>	<u>£ Nil</u>	<u>£ 15,870</u>

10. LOANS

	2013 £	2012 £
<b>Capital Loan balance</b>		
At 1 April 2012	1,423,419	1,405,755
Loans disbursed in the year	525,754	591,426
Loans repaid in the year	(460,023)	(462,982)
Loans written off in the year	(154,108)	(110,780)
Capital Loan Balance as at 31 March 2013	<u>1,335,042</u>	<u>1,423,419</u>
<b>Less: Provision for doubtful debts</b>		
At 1 April 2012	(313,153)	(309,266)
Decrease/(increase) in provisions during the year	16,474	(3,887)
Provision for doubtful debts as at 31 March 2013	<u>(296,679)</u>	<u>(313,153)</u>
	<u>£ 1,038,363</u>	<u>£ 1,110,266</u>

At the year end £592,310 of the loan balance was receivable in one year (2012: £565,760).

	2013 £	2012 £
<b>Bad debt expenditure</b>		
Loans written off in the year	154,108	110,780
Loans previously written off and subsequently recovered (see below)	(27,346)	(53,307)
(Decrease) / increase in provision during the financial year	(16,474)	3,887
	<u>£ 110,288</u>	<u>£ 61,360</u>

Loans previously written off and subsequently recovered includes amounts received from third party guarantors, which are not included as part of "loans repaid in the year".

FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

11. DEBTORS	2013	2012
Due within one year	£	£
Grant and rent debtors	33,054	2,392
Receivable from Enterprise Finance Guarantee	21,746	-
Prepayments and accrued income	14,877	1,511
	<u>£ 69,677</u>	<u>£ 3,903</u>

12. CASH AT BANK AND IN HAND

As described in Note 14, at the year end £100,285 was held on deposit by Unity Trust bank as loan security. See also Note 22 for details of intermediary funds netted off the cash at bank and in hand balance on the Balance Sheet.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2013	2012
	£	£
Trade creditors	1,983	7,301
Salary costs owed to third party agents	85,401	70,052
Accruals	22,299	16,812
Deferred income (see below)	1,880	33,333
Rent deposits	2,174	1,559
Loan from the Adventure Capital Fund (see Note 14)	8,061	7,590
Loan from Unity Trust Bank (see Note 14)	200,000	-
	<u>£ 321,798</u>	<u>£ 136,647</u>

	2013	2012
	£	£
<u>Deferred income</u>		
Balance at 1 April 2012	33,333	66,667
Grants released to incoming resources	(33,333)	(33,334)
Property security fees deferred in the year	1,880	-
Balance at 31 March 2013	<u>£ 1,880</u>	<u>£ 33,333</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	2013	2012
	£	£
Loan from Unity Trust Bank	125,000	750,000
Loan from the Adventure Capital Fund	31,049	39,372
Loan from The Co-operative Bank	125,000	-
	<u>£ 281,049</u>	<u>£ 789,372</u>

The Adventure Capital Fund awarded the Society £99,000 towards the cost of developing Miles Ward Court (see Notes 8 and 16). £66,000 of this award is in the form of a long-term loan. £33,000 was provided as a grant. Interest is payable on the loan at 6% per annum. The long term loan has been secured on the building, and was settled in full in 2013 (see Note 18).

**FOUNDATION EAST LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2013

The £125,000 long-term loan from Unity Trust bank is used to fund the Society's loan making activities. The capital component is not repayable until November 2016. Interest is payable at 3.5% over the Bank's Base Rate. 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 £100,285 was also held on deposit by Unity Trust bank as loan security. This is included within Cash at bank and in hand. A further loan of £200,000 from Unity Trust bank is also recognised in Note 12. This is also secured on the debtor book and other assets of the Society. The loan interest rate is 2% above the Bank of England Base Rate.

The £125,000 long-term loan from the Co-operative bank is used to fund the Society's loan making activities. Interest is payable at 3.5% over the Bank's base rate. The capital component is not repayable until November 2016. 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.

**15. SHARE CAPITAL**

	2013 £	2012 £
Ordinary shares of £1 each	31,600	30,150
CITR ordinary shares of £1 each	50,650	34,650
	<u>£ 82,250</u>	<u>£ 64,800</u>

**Movement in share capital**

	2013 £	2012 £
At 1 April 2012		
Shares issued	64,800	61,350
	17,450	3,450
At 31 March 2013	<u>£ 82,250</u>	<u>£ 64,800</u>

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.

**FOUNDATION EAST LIMITED**

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**16. SUMMARY OF FUNDS**

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Carried Forward £
<b>SUMMARY OF FUNDS</b>					
Restricted funds	1,212,779	353,333	(167,719)	(881,025)	517,368
Unrestricted funds:					
Loan capital	15,242	-	(45,902)	571,136	540,476
Other unrestricted funds					
Fixed asset fund	368,009	-	(13,244)	17,098	371,863
General fund	3,040	300,812	(451,407)	292,791	145,236
	<u>£ 1,599,070</u>	<u>£ 654,145</u>	<u>£ (678,272)</u>	<u>£ Nil</u>	<u>£ 1,574,943</u>

Restricted funds (see below) 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.

The Loan capital fund is a designated fund. Where funding agreements do not place an ongoing restriction on the use of 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, as the original loans are repaid. The Society may change the use of these funds at its discretion. During 2012 £183,000 of loan capital was transferred to the General fund to support the Society's operational and property development activities, the Directors returned these funds to the Loan capital fund in 2013.

The Fixed asset fund represents the net book value of the Society's equipment and properties (see Note 8 and 9), less the £39,110 outstanding loan obtained to help finance them (see Notes 13 and 14).

<b>RESTRICTED FUNDS</b>	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Carried Forward £
<b>Lending activities:</b>					
Capital grants	1,212,779	250,000	(64,386)	(881,025)	517,368
Revenue grants	-	103,333	(103,333)	-	-
	<u>£ 1,212,779</u>	<u>£ 353,333</u>	<u>£ (167,719)</u>	<u>£ (881,025)</u>	<u>£ 517,368</u>

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 fund 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.

During the year £881,025 was transferred from restricted to unrestricted funds, representing funds released at the cessation of the East of England Development Agency (EEDA) contract, as all grant conditions had been fulfilled.

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For the year ended 31 March 2013

<b>LOAN CAPITAL FUND</b>	<b>Brought Forward</b> £	<b>Incoming Resources</b> £	<b>Resources Expended</b> £	<b>Transfers</b> £	<b>Carried Forward</b> £
Undistributed recycled loan capital	(100,055)	-	-	624,559	524,504
Loans made to businesses and individuals	115,297	-	(45,902)	(53,423)	15,972
	<u>£ 15,242</u>	<u>£ Nil</u>	<u>£ (45,902)</u>	<u>£ 571,136</u>	<u>£ 540,476</u>

**17. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	<b>Fixed assets</b> £	<b>Loans</b> £	<b>Other net current assets</b> £	<b>Creditors due after one year</b> £	<b>Total</b> £
Share capital	-	-	82,250	-	82,250
Restricted funds	-	926,222	(408,854)	-	517,368
Loan capital	-	35,337	524,504	-	540,476
Property development fund	410,973	-	(8,061)	(31,049)	371,863
General fund	-	76,804	299,067	(250,000)	145,236
	<u>£ 410,973</u>	<u>£ 1,038,363</u>	<u>£ 488,906</u>	<u>£ (281,049)</u>	<u>£ 1,657,193</u>

**18. POST BALANCE SHEET EVENTS**

After the year end, but before the accounts were signed, the Directors agreed to settle the outstanding balance on its mortgage from ACF For Miles Ward Court. At the year end, the balance outstanding was £39,110 (see also Note 13 and 14).

**19. FINANCIAL COMMITMENTS**

	<b>2013</b> £	<b>2012</b> £
At 31 March 2013 the Society had annual commitments under non-cancellable operating leases (property rent) expiring as below:		
within one year	17,610	
within two to five years	2,360	15,250
	<u>£ 19,970</u>	<u>£ 15,250</u>

**20. CONTINGENT LIABILITIES**

The Society had a contract with the European Commission. The body which held responsibility for the contract no longer does so, but was in dispute with the Society over the contract terms. As the dispute has not been formally resolved, the fund (which currently stands at £31,009 after loan losses have been deducted) has been treated as a capital grant, which has been ring-fenced within restricted funds.

**FOUNDATION EAST LIMITED**

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For the year ended 31 March 2013

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**21. RELATED PARTIES**

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 £2,400 (2012: £1,479). John Stenhouse is a Director of the Society, and is also a Director of Young Enterprise Scheme Ltd, which managed the 18-24 pilot loan scheme for Foundation East. Young Enterprise Scheme Ltd received remuneration and reimbursement of expenses to the value of £13,833 (2012 - £nil).

**22. FUNDS HELD AS INTERMEDIARY AGENT**

During the year £200,000 was received by the Society from The Start Up Loans Company for the distribution of loans on their behalf. These monies are not the legal property of the Society, and are only held by the Society for the distribution of loans on behalf of The Start Up Loans Company. Loans were disbursed from this fund to the value of £148,560, the remaining funds of £51,440 plus loan repayments received of £668 do not appear on the balance sheet. The funds were disbursed as loans or refunded to The Start Up Loans Company after the year end.

**23. CAPITAL COMMITMENTS**

Before the year end the Society committed to investing approximately £35,000 in IT equipment and £20,000 in website development works.