

FOUNDATION EAST LIMITED
(Registered Society no. 29722R)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2015

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REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2015

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FOUNDATION EAST LIMITED

REFERENCE AND ADMINISTRATIVE DETAILS

For the year ended 31 March 2015

Directors	Peter Jones - Chair Thomas Cook - Vice Chair Barry van Eupen - Treasurer Belinda Bell David Bell Jo Powis (appointed 20 October 2014) Christopher Storey (resigned 20 October 2014) Steven Clarke Mark Gipson John Stenhouse Charlotte Johns (appointed 20 October 2014) Steven Cook Lee Prentice (resigned 7 April 2015)
Secretary	Anne (Katy) Ford
Chief Executive	Anne (Katy) Ford
Registered 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 a Registered 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 2015

The Directors are pleased to present their report and the audited financial statements for the year ended 31 March 2015.

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 individual member must hold a minimum of 50 shares of £1 each and corporate members 250 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 (CLT East), the management of the Society's property assets and the 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 Strategy Sub Group has responsibility for developing strategy, recommending it to the Board and overseeing its implementation.
- The Loan Assessment Panel has responsibility for sanctioning or declining loan applications.

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 can 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 (three year business plan), policies and budgets approved by the Board.

DIRECTORS' REPORT
For the year ended 31 March 2015

Objects

The objects of the Society shall be to carry on the business of promoting social purposes for the benefit of the community, by providing 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;
- work experience for the unemployed;
- financial and technical assistance or consultancy and business advice in order to provide training, employment and opportunities for self-employment for unemployed people;
- in cases of financial or other social need through help:
 - (i) in setting up an enterprise or
 - (ii) in developing 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

Championing, supporting and sustaining social inclusion by:-

- Providing financial products and services;
- Assisting and empowering communities, enabling the acquisition and or development of community assets;
- Engaging in property and land transactions.

Our values

Foundation East's officers, members and Board of Directors all work in line with the Society's agreed values:

- Honesty
- Service
- Respect
- Responsibility

Economic Environment, activities and operational review

Whilst the economy continues to recover from recession at a relatively strong rate there were signs of a slight slowdown in late 2014 and early 2015 due to problems in the Eurozone, the lead up to the UK General election and other geopolitical uncertainties.

GDP is expected to grow to an average of 2.5% in 2015 supported by the fall in the oil price, however international risks are expected to impact this growth negatively in the short term. The service sector remains the main engine for growth for both output and employment and whilst manufacturing and construction growth has slowed it should remain a positive contributor to overall growth in 2015/16.

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The lead up to the UK general election was one of the most uncertain in decades, right up until the Conservative majority result on May 8. UK businesses had guarded against a hung parliament worst case scenario by postponing their growth plans until after the result, demonstrated by an increase in the number of firms registering critical finance problems in the first quarter of 2015, and lack of confidence in starting up and growing a business. UK Interest rates are anticipated to rise in late 2015 / early 2016 to cool economic growth and prevent inflation heading above the 2% target.

The five Local Enterprise Partnerships (LEP) that span the region have each produced a local strategy identifying priorities particular to their county or sub-region. Whilst not identical across all LEP's, most have identified the barriers to growth include skills and training, business support for early stage business and access to finance as priorities to address.

Following state aid clearance in 2014 the British Business Bank (BBB) became a standalone organisation following several years of government department restructuring. BBB is a state-owned economic development bank established by the UK Government. Its aim is to increase the supply of credit to small and medium sized enterprises as well as providing business advice services. The aim is to bring together a number of government financial schemes, business services and expertise, creating a one stop shop for SME's to go to.

Growth Accelerator and Manufacturing Advice Service have amalgamated to form The Business Growth Service. This service aims to make it easier for businesses with the potential capacity to improve and to grow by producing tailored support, such as help identifying finance, develop new ideas, skills and capabilities of managers.

The BBB have commissioned Price Waterhouse Coopers to conduct independent research on the sustainability of the CDFI sector following a visit by the Chief Secretary to the Treasury to Fredericks Foundation, a CDFI headquartered in Surrey. Recognising that the Government needs to ensure that small businesses are supported, the report will explore how the CDFI sector can operate and be sustainable. The report is expected to be published in September 2015.

The lack of affordable housing was high on the agenda of all the political parties' manifestos during the run up to the General Election. The Conservatives pledge was there would be more starter homes, an extension of the Help to Buy Equity Loan scheme, the introduction of a new Help to Buy ISA for people saving for a deposit, the creation of a Brownfield Fund to encourage house building on Brownfield land and tighter restrictions on the development of Green Belt land.

These policies however may have the undesired effect of driving up house prices, as one of the key themes is the controversial policy to extend the Right to Buy policy to tenants in Housing Associations. Local authorities will also be required to sell their more valuable properties from their housing stock. This policy will reduce the housing stock and adversely impact the residual housing for the poor as a result, it will be a particular challenge for local authorities with high house price wards as selling their most expensive properties could see the eradication of much needed affordable housing in those high value wards, where to date social housing has been the only viable solution for some families. This could include Community Land Trust (CLT) properties as affordable housing built through the establishment of CLTs could be lost to the community almost as soon as they were built.

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

DIRECTORS' REPORT
For the year ended 31 March 2015

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

The Strategy Committee have spent much of the year on developing the business plan for the coming three years. This included undertaking a SWOT analysis on all parts of the business to determine the future direction and PESTLE analysis to identify risks.

Seven Strategic objectives were identified namely:-

- Business Sustainability;
- Loan Portfolio Growth;
- Business Services growth;
- Registered Society Membership Growth;
- Community Land Trust Advice Services Growth;
- Social and Economic Impact;
- Profile raising.

A strategic overview document which provides an "at a glance" review of strategy was devised and populated with details about the Society, its mission, vision & aims, its markets and products along with detailed descriptions on each of the seven strategic objectives, the threats to achieving these objectives and targets against which to measure the direction of travel.

As part of this process it was agreed that the Mission Statement be revised to better reflect the activities the Society undertakes but to include the opportunistic approach to property development which had previously been excluded.

The Mission Statement was changed to:-

Championing, supporting and sustaining social inclusion by :-

- Providing financial products and services;
- Assisting and empowering communities, enabling the acquisition and or development of assets and;
- Engaging in property and land transactions.

The value statement was also revised, to include customers of the CLT East service and tenants of the properties owned by the Society.

During the year under review the product range was extended with the approval of the Board to include Asset Finance. A new member of staff, who specialised in asset finance was engaged. A product was designed following consultation with the market including customers, brokers, banks and other suppliers of asset finance. An asset finance loan was launched which would be priced using a flat interest rate in keeping with other similar asset finance products. The product was trialled in Essex and has since been extended to the rest of the region.

DIRECTORS' REPORT

For the year ended 31 March 2015

Case Study – Retrocorn

Greg Taylor's passion for all things Popcorn started many years ago when he was just a boy, having been bought popcorn as a treat at the cinema. Back then the choice was either salty or sweet but Greg liked all sorts of sweets so caramel or toffee didn't quite fit the bill. 15 years later, having worked extensively in the hospitality trade, most recently in a casino overlooking the Olympic park, Greg decided to provide his sweet tooth with the confectionary it had craved for all those years earlier and the result was Retrocorn.

Retrocorn popcorn is 100% handmade using a top secret recipe and is a gluten free, vegetarian and low fat treat. The most popular flavours include Cola cube, Rhubarb & Custard and Pear Drops but Retrocorn can make a batch of popcorn in any flavour to suit a customer's requirements including special occasion popcorn for weddings or corporate events.

Retrocorn started from Greg's nan's kitchen but as demand for the product increased it became evident that more efficient production and bagging methods, along with more suitable premises were needed. Greg approached his bank for the funding he required to meet his expansion plans including the purchase of an automated bagging machine. This request was declined as the bank did not consider him to have been trading for long enough. They did however recommend Foundation East, who specialise in supporting early stage businesses with the finance and support they need to be successful.

"Greg's passion for his product shone through and his business plan reflected clearly what he wanted to achieve" said Charlotte Stenhouse, Foundation East's Business Loans Manager for Essex. Her support in Greg's asset finance loan application, resulted in Retrocorn moving to new premises in Witham, increasing corn production and creating and saving 4 jobs.

In early June 2014 The National CLT Network was launched as an independent charity. The last 2 years has seen the Community Land Trusts movement in England and Wales double in size, and there are now over 170 CLTs being formed and established. These have already delivered almost 300 permanently affordable homes and another 700 homes are in the pipeline expected to be delivered in the coming years.

During the year the Property Committee (PC) met to discuss the CLT East strategy and agreed that having closer relationships with Housing Associations would be beneficial. CLT East would provide the interaction needed to get a CLT off the ground. As this support was valued by housing associations, CLT East would be paid a fee dependant on the number of units ultimately built.

The first of these contracts was established in October 2014 with Hastoe Housing, a housing association based in Essex. As part of the agreement both parties will share relevant policies and research information on support for community land trusts from (amongst others) the Government, the Department for Communities and Local Government, the Homes and Communities Agency, the National CLT Network, the National Housing Federation, local authorities and other interested organisations.

CLT East's obligations under the agreement with Hastoe will be to carry out sufficient detailed community empowerment and project shaping work to enable Hastoe and the individual CLT to then engage as development partners. This work will include advising the CLT on matters such as forming partnerships, business planning; legal formats and documentation, finance; land acquisition, planning issues, site identification and development risks.

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In addition the PC considered a closer collaboration with Lincolnshire CLT, an umbrella organisation similar to CLT East, but decided that the risks of this outweighed the advantages for the time being.

Briefing Local Authorities on the benefits of encouraging community-led development has led to regular meetings with their officers, presentations to Councillors and sharing of supplementary planning documents, knowledge and ideas. Working closely with planning and housing officers is an important part of helping emerging and developing CLTs. Facilitation and liaison work between the CLTs and other key stakeholders such as the Homes and Community Agency, potential funders such as Triodos Bank, Unity Bank, mortgage lenders and the National CLT Network has been a major part of the Society's work this year.

The Society continues to develop its relationship with the Local Enterprise Partnerships (LEP) in the region, particularly New Anglia LEP and Greater Cambridgeshire and Greater Peterborough LEP whose patches do not extend beyond the Society's own geographical reach. The Society has helped develop LEP strategy by attending various policy discussions and has held meetings with key individuals in an attempt to influence thinking over the business support and access to finance issues faced by SME's in the region.

In September the Chief Executive attended a study tour to New York as part of her role as a Board member for the Community Development Finance Association, the Society's trade association. The tour included visits to Opportunity Finance, (the United States' equivalent trade association), The Federal Reserve Bank and the Small Business Service. The most noticeable difference between the UK and the US is the US's approach to small business support. SME's in the US have extensive access to free business support as well as to finance through CDFI's. This service is funded in part through the compulsory contributions of US Banks as part of the Community Reinvestment Act legislation.

Funding

The main funding capital for the Society's lending activity in the year was sourced from the Community Development Finance Association's (CDFA) Regional Growth Fund (RGF). The funding was secured through a bid to RGF Round 1, the first in the RGF programme. The Society secured a £3.1m fund and started loan delivery in November 2012. The fund comprises of a 50% grant from RGF and a 50% matching loan. The grant element has been agreed for 3 years but the loan match is agreed on an annual basis. The first year's allocation was matched by a loan from Unity Trust Bank and a loan from the Co-operative Bank. The second year's funds were matched entirely by Unity Trust following the Co-operative Bank's financial difficulties.

The third year's funds were matched entirely by Unity Trust, this was only after a thorough business review was undertaken following the losses incurred by the Society in the prior year. The Society commissioned its auditors - MHA MacIntyre Hudson to conduct the review. It was assessed that the Society's budgets for 2015 and 2016 were based on reasonable assumptions and that the unrestricted loan capital reserve (£682,070 as at 31 March 2015) provided the Society with a buffer to meet any potential shortfalls should actual performance fall short of budget. On this basis it was concluded that the Society was in a good position to deliver on its 2015 and 2016 plans. The Society's auditors provided substantive evidence and rationale behind their report.

DIRECTORS' REPORT
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It was originally intended that the whole RGF programme would deliver £60m of loans to SME's in the UK by March 2015. However due to problems with contracts and the somewhat protracted due diligence undertaken by both partner banks, delivery got off to a slow start. The contract end date was therefore extended to 31st March 2016. Foundation East expects to deliver its allocation of £3.1m in loans within the new timeframe.

Whilst there is a small amount of revenue support linked to the RGF funding source, it cannot be realised until the customers have repaid their loans and the bank has been repaid. As the average life of the Society's loan book is four years, it will be seven to eight years before any revenue support is realised.

Problems with the measuring of Unity Trust's covenant calculation resulted in difficulties with cash flow management throughout the year. Coupled with previously unforeseen difficulties with the re-investment of repaid capital, the Society decided to explore the possibility of a liquidity facility with Key Fund, a CDFI based in Yorkshire who specialise in lending and supporting social enterprises. Key Fund agreed to a £100k facility. This facility has to date not been drawn.

Despite delivering a cost per job's ratio of £3k, compared to £30k cost per job average across the whole RGF programme, the CDFA's bid for a further tranche of lending capital through the 6th and final round of RGF was rejected. Reasons cited included a lack of evidence that the created jobs would be sustainable in the long term and the match funding ratio of 40%/60% was not competitive enough compared to other RGF bids.

In early 2014 The Society joined forces with Allia / Future Business, Keystone Development Trust and Cambridge Judge Business School to deliver intensive business education courses with incubator space, specialist social venture support along with finance to those start up enterprises who are successful in reaching the required standards of the programme. The funding for this new venture is provided through the Cabinet Office's Social Incubator fund. The programme commenced in June 2014 and four Social Venture Weekends have been held with another scheduled for October 2015. 220 budding social entrepreneurs have attended the extensive weekends, held at the prestigious Judge Business School in Cambridge all of which have been deemed a huge success. From these weekends 49 enterprises were invited to join the full incubator programme.

Foundation East staff have attended all the weekend events assisting in facilitation, observing and talking to the delegates, feeding information into the selection process. In addition staff have provided workshops on investment readiness and on the theory of change. Demand for the loan product has been slower than expected reflecting in part the high tech nature of many of the incubator startups and the amount of equity/risk capital that is available in Cambridge. To date only five enterprises have received funding through the programme and it is anticipated that the more mature enterprises, (i.e. those that will have benefitted from being 12 months in the programme) will be better candidates for debt finance in the future.

DIRECTORS' REPORT

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Case Study - DNA Digest

DNA Digest is a registered charity, and a community of professionals from diverse backgrounds working together to enable DNA data to be used to its full potential for the benefit of patients. Techniques for researching and characterising genetic diseases are available to researchers and the general public, yet the sharing of data isn't. DNA Digest aims to secure the data, share the knowledge and accelerate diagnoses and treatments for genetic diseases affecting millions of people worldwide. One way DNA Digest is achieving this, is through its social venture, Repositive, which builds and hosts Open Source software.

The Society continues to be a delivery partner for the Start Up Loans Company (SULC) despite significant issues with the programme including constant changes in lending policy and reporting requirements. From the beginning of 2014/15 financial year Foundation East joined the CDFA's consortia of delivery partners, instead of being a direct supplier of SULC services. Foundation East is paid per loan it disburses. The Society anticipates further significant changes to the SULC programme over the coming year in particular to the product itself, which may no longer be suitable for the Society's customer base, nor align with the Society's values. It will therefore be considering its future involvement with the programme.

The revenue contract with East Cambridgeshire District Council (ECDC) to provide a front line service to emerging CLT's in the East Cambridgeshire area was extended for a further year to March 2016. The direction of travel for ECDC however, to form a commercial organisation to acquire land, would intimate that there will be changes in the requirement for the Society's CLT East Services going forward.

CLT East was involved with the development of a successful bid to the Tudor Trust for a fund to support the Umbrella CLT organisations with their underlying revenue costs. Tudor recognised that these CLT's are dependent on the relative affluence of the communities involved, some of which have no funds at all to pay the umbrella organisation for its services. Tudor also recognised that the CLT's are further constrained by the length of time it takes for a CLT project to complete (which can be years) and the risk element of the funding mechanism whereby the Umbrella organisation is not paid until the CLT development project receives funding itself. The fund, which is managed by the National CLT Network, is £208k over a two year period and will be used to support six umbrella organisations across the UK. The grant is repayable once the umbrella organisation is able to demonstrate its sustainability. CLT East has been granted £30k from this source of funding.

Business Lending

During the year, Foundation East lent a total of £1.67 million in direct support of 131 separate businesses.

Lending values achieved

	2014/15	2013/14	2012/13	2011/12
Loans disbursed (all except SULC contract)	66	77	36	44
Amount disbursed	£1,039,518	£1,018,096	£525,754	£591,425
Loans Disbursed (SULC Contract)	90	72	30	0
Amount Disbursed	£632,760	£459,920	£148,560	£0
Total loans disbursed	155	149	66	44
Total Disbursed	£1,672,278	£1,478,016	£674,314	£591,425

DIRECTORS' REPORT

For the year ended 31 March 2015

Lending values by type achieved

	Start Ups		Expansion	
All years	364	£3,291,189	153	£2,586,914
2011/12	19	£199,500	15	£319,115
2012/13	49	£348,060	17	£326,254
2013/14	108	£805,043	41	£667,550
2014/15	90	£858,910	65	£813,368

The Society's approach to coaching and mentoring continues to evolve based on the experience and needs of the individual businesses. The use of these external resources was becoming more difficult to control in a number of areas, particularly in terms of the quality of support the clients were receiving. Following a re-structure, the lending team has adopted a much more 'hands on' approach in delivering the key post loan support to the client to enable them to be successful in their ventures.

- Loans to Start Up businesses with a value of less than £10k are mentored using a structured desktop approach. A dedicated member of the lending team will speak (via phone or Skype) to the client at least once per month to discuss 5 key areas of their business. These key areas are established early in the relationship.
- All other businesses are mentored by a dedicated Business Loans Manager. This mentoring is delivered either on a face to face basis or via Skype, email and telephone as appropriate. Businesses whose loans are particularly large or whose issues present a greater risk to the Society will also be required to host quarterly "board style" meetings where a member of the Society's finance and credit team will be in attendance.
- The Society will continue to outsource coaching and mentoring via the Business Growth Service as and when appropriate, via a small number of known and trusted coaches.

Case study – Lovell & Smith Motors

Situated in a large, well equipped workshop in the Bedfordshire village of Barton le Clay is where you can find Lovell & Smith Motor Services, a local garage that prides itself on the service it offers its customers as well as the service it undertakes on their vehicles.

The garage had been trading for a number of years but the then owners decided to retire, placing the business up for sale and putting at risk the jobs of 4 people. This opened the way for Barton le Clay resident, Andy Smith, an experienced motor spare parts salesman, to branch out and become his own boss.

Situated on a main road between Bedford and Luton the garage is ideally situated for people looking for a local garage thereby avoiding the need to go into the busy Luton town centre. The garage offers a comprehensive vehicle servicing and repair service along with MOT's, Air Conditioning repairs, tyre sales as well as a valeting, break down recovery and vehicle transportation all with the added value of a collection and drop off service to suit the customer's requirements.

Andy found Foundation East's website following a google search, having been unsuccessful applying for funding from his own bank. Bob Shimmon, Foundation East's Business Loans Manager for Bedfordshire was impressed by Andy's energy and enthusiasm to take on and transform the garage business. The business continues to employ 4 people including Andy and is trading well, the most recent figures showing a growth in sales.

DIRECTORS' REPORT

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Case study – Perk Cafe

The nearest place for her local village residents to meet up was a café three miles away and whilst it did offer facilities for parents and locals to meet, it was not very attractive and offered more of a greasy spoon environment than a place to stop and chat over decent coffee and cake.

Kerry Kavanagh saw this as an opportunity to open her Perk Coffee Shop which is located close to Watford's Carpenders Park residential development, local schools, a small parade of shops and the local railway station.

Perk Coffee shop is a homely and relaxed place for residents and families to meet for a decent barista style coffee and a bite to eat but with the added value of providing a child friendly environment complete with small soft play area and offering regular book reading sessions to entertain the little ones.

Despite having saved a significant amount of the funds she needed to start the venture, which included the refitting of a retail unit, Kerry quickly realised that she needed some additional funds and approached her bank for a loan. Unfortunately, due to the business being a start-up coupled with it being in the catering sector, her bank was unable to help her with the money she needed.

Determined however to make her Perk Coffee Shop vision a reality, Kerry found Foundation East's loan product for Start Up Businesses via the Start Up Loan Company website. Bob Shimmon, Foundation East's Business Loans Manager for Cambridgeshire was impressed by the research and planning Kerry had undertaken before embarking on the venture." Kerry is a focussed individual with a clear idea of what she wanted to bring to the community. She set out what she wanted to achieve and is doing it." said Bob.

The business was opened in February 2015 and employs three full time and two part time staff. As well as residents of the area, the café is regularly used as a meeting place for local community groups.

Jobs created and saved

	2014/15	2013/14	2012/13	2011/12
Jobs created (full time equivalent)	194	202	74	66
Jobs saved (full time equivalent)	80	74	39	43

Community Land Trust Development

Foundation East, through its separate trading arm CLT 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.

During the year the CLT East service provided initial project scoping and feasibility support to 27 community groups who are exploring the potential for a CLT in their local area. The work has included visiting local communities to provide 'taster' sessions and helping emerging CLTs in the application for grants.

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For the year ended 31 March 2015

During the year two of the four CLTs now established in the region have made good progress with their schemes. Swaffham Prior are currently building eight affordable homes in a scheme of 20 houses (12 open market homes which will subsidise building the eight affordable ones). Requests for consideration for the affordable homes has resulted in 20 applications from local people. Allocations will be agreed in September 2015.

Stretham & Wilburton CLT have purchased further land which will help with access to the 50 house settlement. Clearance of the site and infrastructure construction will be undertaken in the summer/autumn of 2015. 15 of the houses will be rented or offered for shared ownership (with the CLT) and already there is a waiting list of 35 local people. The access land will be developed in Phase three of the project resulting in another 8/9 affordable homes in a mixed housing scheme. Discussions are now ongoing in Wilburton for a scheme which could result in 24 affordable houses being developed in their village too.

Lavenham have setup their CLT and are in negotiations for a piece of land where they are planning to build 24 affordable houses and Hythe Forward in Colchester have taken over the management of the port berths and are holding regular business meetings to discuss the future development of the whole area.

It has been a very busy year for our property team and the results should become evident as the CLT schemes are built out in 2015/16.

Social outcomes

Lending

In 2011 the Society undertook an evaluation on the lending and business support it gave to small businesses during that year. It used the Social Return on Investment (SROI) framework. The resulting SROI value concluded that for every £1 invested by the Society into businesses, £3.79 came back in social value. Whilst the economic impact of job creation was recognised in the report, the report focussed more on the softer impacts achieved. These included personal fulfilment that results from feelings of job security and satisfaction, the positive effects this has on family life and the wellbeing of the business people themselves. The Society needed to conduct further research into the economic impacts of its lending activity and in 2013/14 the Chief Executive became involved in the working group of the Community Development Finance Association (CDFA) to develop an economic and social impact tool.

Dr Nick Henry from Coventry University was commissioned by the CDFA to undertake the research and develop the tool. Using HM Treasury's green book of official statistics as the basis for the proxies used, the tool, once created was shared with Government Departments including HM Treasury, BIS, Cabinet Office and was acknowledged by all as a robust tool, the evidence from which is indisputable. The purpose of the tool is to measure the Economic and Social Impact of Community Finance sector as a whole and phase one of the tool measures such metrics as number of businesses created by unemployed people previously claiming benefits as well as those who were already in employment, jobs created and saved and individual skills enhanced through business support and financial literacy. It uses recognised proxies, including the average net Gross Value Added to the economy, the average Net Additional Value to Government of increased taxes and reduced benefit payments. Using the tool the Society's finance and support to small businesses across the Eastern Region of the UK in 2013/14 was calculated as £10.9 million or put another way, for every £1 invested £15.68 of economic value was created.

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Phase two of the tool's development was completed in 2014/15 and includes the social impacts of CDFI Lending. This part of the tool will enable the Society to comprehensively, consistently and clearly report on the values of its social impacts and outcomes. A report utilising both the economic tool and social impact tool will be produced in the current financial year.

Community Land Trusts

The CLT movement is believed to produce a wide range of social impacts, including creating affordable housing for local residents unable to access such housing through the private or social housing market. Creating and supporting social cohesion, sustaining diverse communities, and stimulating local economic growth through securing land for workspace and employing local workforce. Yet to date the evidence base has been somewhat anecdotal.

A new SROI tool has been developed by Pal Vik of Salford University. The tool is intended to help set out the social impact a project will have on the local community and to make the case to the wider community, local authorities, funders and others to support such a project. Funders, local authorities and lenders in particular making decisions about investing in a CLT project or when disposing of land or assets, often require evidence of the social impact that a project will bring about.

The tool will also be useful to develop the CLT sector as a whole, providing data for benchmarking and peer-learning, and identifying examples of good practice. The tool will prove useful regardless of the stage a CLT is at (e.g. construction, fundraising etc.). However it is much easier to collect the data at the beginning of a project and on an ongoing basis rather than going back once a project has been finished. The Society has commenced using the tool and will be in a position to provide some meaningful data and produce SROI results during the course of a project's development.

Profile raising

In October 2014 the Society held a networking event at Wherstead Park in Ipswich, which was attended by over 150 people from all types of businesses from across the region. The event was sponsored by the East of England Co-Op and Lloyds Bank. Speakers included Rodney Schwartz from social investor Clearly So and the Society's customer's Scoliosis and Japan Karate. The event was deemed a great success with attendees specifically stating how inspired they were by the two client speakers. The Society aims to repeat the event in a similar format again later this year.

The Society was involved in putting together and running a very successful event at the Houses of Parliament in conjunction with the East of England Co-op in February. The event was initiated through the Society's relationship with Sir Bob Russell, former MP for Colchester and aimed to raise awareness of the food producers in the East Anglia region and also the East of England Co-Ops and the Society's own support for local businesses. 20 local producers hosted stalls displaying their wares which included rapeseed oil, tomatoes, smoked fish and chocolate. The Society's client Hadleigh Maid Chocolates, to whom the Society lent funds to assist with cash flow whilst they were going through a growth stage, was specifically invited to display their award winning chocolates. The event received extensive news and newspaper coverage. The Society is working on plans to repeat this event in the Spring of 2016.

DIRECTORS' REPORT

For the year ended 31 March 2015

A new website for the Society's lending stream was launched early in the year. This website is friendly, colourful and easily navigable. It features a sliding rule for potential customers to quickly gauge their likely monthly repayment profiles, a milometer on the amount of money lent, number of jobs created and saved, case study extracts and social media feeds. In addition potential customers can apply for the finance they need on line through a secure customers site. Extensive search engine optimisation is undertaken on the site to ensure that web searches consistently display the Society's website. Enquiries for loan products are increasingly generated from the website, which allows the lending support team to follow up potential applicants in an efficient way and to offer them support with completing their applications.

Enhancements to the website includes a news feature where a 30 second bulletin covering recent events is delivered in newsroom style and sent to the Society's connections via various social media platforms. In addition work on developing the membership page has been started which will include the simplification of the process on how to become a member.

The 2013/14 annual review was published with the theme "To boldly go where no bank has gone before" and featuring well known Star Wars phrases and our brand character "Louis" appropriately attired in Captain Kirk uniform!. The review featured four case studies of clients to whom the Society had lent to in the year, along with an article on the progress of the Stretham and Wilburton CLT. The review was produced in print and pdf format and was sent out to the Society's extensive database of contacts including members, MP's, LEP's, banks, accountancy firms and other introducers of business.

The Society regularly undertakes customer surveys to assist it in ensuring its high level of customer service is maintained, and to understand reasons why individuals who enquired about a loan product decided not to proceed. Positive comments drawn from the surveys are also used as testimonials and to explain to prospective borrowers how the Society helps people overcome trading and borrowing barriers.

Membership

New membership investments in the year included those from Jo Powis and Charlotte Johns, both of whom also agreed to join the Board of Directors, along with Ipswich Building Society who chose to invest in the Society to demonstrate their commitment to the local economy.

A change in legislation has resulted in the membership investment limit being raised from £20k to £100k.

DIRECTORS' REPORT
For the year ended 31 March 2015

Governance

During the year the Board members undertook a Board appraisal. This appraisal was conducted as a two way conversation between the Chair of the Board and the Board Member, which valued their contribution to the Board, considered their views of the Board performance, their own performance within it and the performance of the staff team, with the aim of focusing the individual's energy and skills on the future needs of the business.

Several recommendations have come out of the process including:-

- a verbal report from the CE to form part of every Board meeting agenda;
- the minutes of the individual subcommittee meetings to be circulated but in addition a list of the key issues which had resulted from the meeting forming a front page. The chair of the respective committees will then use this summary page as a guide to the items they needed to share with the Board;
- action to improve the composition of the Board to include gender and minority representation. Ways of addressing this included limiting the term of office and allowing staff members to be on the Board. It was acknowledged that changing the composition of the Board so it was more representative may take several years to achieve;
- At least as much focus should be on the social mission of the Society as is currently given to financial considerations.

The rules of the Society require one third of Directors to stand down each year. At the AGM held in October 2014 two Directors had tendered their resignation namely Chris Storey and Mark Braithwaite and Belinda Bell was required to stand down by rotation.

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

At least three risk factors are normally 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 the drawdown of RGF funds. These specific risks were reviewed quarterly to keep the Board fully informed.

DIRECTORS' REPORT
For the year ended 31 March 2015

The Foundation East team

The Society's team has been expanded and strengthened to better deliver its mission and achieve its objectives.

Alastair Stewart was promoted to Senior Lending Team Administrator and is now responsible for the management of early stage customer engagement including dealing with enquires and processing applications for funding. Alastair has recently undergone an extensive training course to enable him to undertake his management role more effectively. Joining Alastair on the lending team is Ben Fisher, a newly recruited apprentice and we are very pleased with Ben's commitment to his new role. We look forward to Ben's future development in his role.

The role of David Close, one of the Lending Team Assistants as well as the CLT Administrator was further extended to include taking responsibility for the IT function. Using his IT skills David has been able to integrate the loan management and CRM systems which has resulted in reducing input time and duplication thereby speeding up the loan application process. In addition David's publication production skills have proved invaluable, enabling the Society to bring the design of literature including the Annual Review, Prospectus, Economic Impact report, CLT brochure and other flyers in house saving both time and money.

During the year the Senior Management Team had the opportunity to work closely with the Growth Accelerator programme (now the Business Growth Service). The programme involved reviewing the Growth Strategy of the Society and identifying those issues which may hamper growth. This resulted in the senior team members being set goals with the assistance of a Growth Accelerator Coach. These goals to be achieved learning management skill techniques such as improved delegation and better time management.

The Society is grateful to all its staff members ably led by its Chief Executive Katy Ford, for their continued hard work and commitment to the Society and its social mission.

DIRECTORS' REPORT

For the year ended 31 March 2015

Financial Review

For the financial year ended 31st March 2015 the Society's incoming resources were £1,590k (2013/14 – £750k). After deducting total resources expended of £825k (2013/14 – £778k), the Society produced a net incoming resources of £765k (2013/14 – £(27k)). Whilst this result appears to represent an improving financial position in the Society's fortunes the most significant factors were the receipt of capital grants for lending of £600k from the Regional Growth Fund and £500k from Social Incubator East. In addition £95k was transferred from Restricted Funds to the Loan Capital Fund to reflect a re-calculation of the prior year's provisioning. (NOTE: See the Notes to the Financial Statements).

Prior year loans of £195k were written off during the financial year (2013/14 - £78k) and the bad debt provision was increased by £37k (2013/14 - £96k). Previously written off loans of £33k were recovered during the year (2013/14 - £54k). As the bad debt experience of the Society in the last 5 years is considerably lower than the current provisioning rate of 22%, the Board approved that the provisioning rate be reduced to 20% for the financial year 2015/16.

General Reserve total Incoming resources for the financial year were £490k (2013/14 - £398k), this included Social Incubator revenue grant of £25k (2013/14 - Nil), CLT development income of £33k (2013/14 - £39k), CLT advice fees of 16k (2013/14 - £26k) and Start Up Loan Scheme management fees of £71k (2013/14 - £34K). Total incoming resources contributed towards the Society's revenue costs of £601k (2013/14 - £620k).

Future Plans

During the year the Chief Executive along with six other CDFI Chief Executives have been working on the development of a national fund which is expected to secure significant funding to lend to SMEs across the UK. The product will be aimed at existing businesses that are unable to access main stream finance. The fund will utilise underwriting provisions from the European Investment Fund. Progress with the development of this innovative fund continues at a positive pace with a likely start date, if successful, in early 2016.

The growth of Peer to Peer and Crowd funding platforms have presented the Society with both a challenge and an opportunity. Whilst some businesses the Society would have funded previously, have now been able to fund their business growth aspirations through these new channels. The vast majority of the Society's customer base are unable to access funds through these sources, mainly due to a lack of tangible security. In reality therefore these new funding sources have taken away business from the mainstream banks rather than from the Society.

Raising money through a crowd funding platform may well be an avenue that the Society can use itself for both its lending and CLT activity. The Chief Executive has developed a model which she has shared with several funders, the feedback from which has led to a collaboration with a number of other CDFI's across the country. Work on developing the new model will continue during the year.

DIRECTORS' REPORT
For the year ended 31 March 2015

As mentioned earlier in this report the five Local Enterprise Partnerships that span the region have each produced a local strategy identifying priorities particular to their county or sub-region. Most have identified that the barriers to growth include skills and training, business support for early stage business and access to finance as priorities to address. It was fitting therefore that an opportunity to bid for some revenue funding to support the business advice service arose in May 2015 and in collaboration with another CDFI and an enterprise agency, the Society submitted a bid for funding to deliver a business advice service. The outcome of this bid will be known in early August 2015.

The FCA took over the regulation of consumer credit from the Office of Fair Trading in April 2014 which brought some 50,000 consumer credit firms into its regime. The Society holds a Consumer Credit License and therefore needs to ensure its license is renewed under the new regime. The Society is in the process of applying for full permission however it will be 6 months or more before the FCA will issue new licenses to existing firms. To assist the Society in the process it has engaged a consultant.

The Property Committee will be focusing on its sustainability in light of the proposed extension of the Right to Buy Act and the implications this may have on local authorities and housing associations. A seminar at which contributors from a housing association, a housing developer and the National CLT Network will present their views on the issues facing CLT East, is scheduled to take place in the second quarter of the financial year 2015/16. The outcome of this discussion will help the Society to formulate its strategy for the coming few years.

The Board will be convening to discuss the Society's strategy as a whole and contributions to the discussion have been sought from representatives of two of the Local Enterprise Partnerships, the Federation of Small Businesses and from the CDFA.

DIRECTORS' REPORT
For the year ended 31 March 2015

Responsibilities of Directors

The Co-operative and Community Benefit Societies Act 2014 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 its income and expenditure for that 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 Co-operative and Community Benefit Societies Act 2014. 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 as such, under Section 485 of the Companies Act 2006.

This report was approved and authorised for issue by the Directors on 27 July 2015 and signed on its behalf by:

PETER JONES
Chair

INDEPENDENT AUDITORS' REPORT TO FOUNDATION EAST LIMITED

We have audited the financial statements of Foundation East Limited for the year ended 31 March 2015 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 the Co-operative and Community Benefit Societies Act 2014. 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 2015 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 Co-operative and Community Benefit Societies Act 2014.

/Continued ...

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where Co-operative and Community Benefit Societies Act 2014 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

Chartered Accountants and Statutory Auditor

New Bridge Street House

30-34 New Bridge Street

London, EC4V 6BJ

Date:

FOUNDATION EAST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 March 2015

	Note	Restricted Funds 2015 £	Unrestricted Funds			Total Funds 2015 £	Total Funds 2014 £
			Loan Capital 2015 £	Fixed Asset Fund 2015 £	General Reserve 2015 £		
INCOME							
Grant income:							
Revenue grants for lending activities	2	-	-	-	25,000	5,000	
Capital grants for lending activities	3	1,100,000	-	-	-	347,463	
Revenue grants for Community Land Trust development					32,500	45,620	
Interest from loans		-	-	-	267,597	209,634	
Loan arrangement fees		-	-	-	47,255	51,836	
Activities for generating funds:							
Loan book management fees		-	-	-	70,860	33,520	
Rental income		-	-	-	28,092	28,534	
Community Land Trust advice		-	-	-	15,710	26,242	
Investment income		-	-	-	3,377	2,396	
TOTAL INCOMING RESOURCES		1,100,000	-	-	490,391	750,245	
RESOURCES EXPENDED							
Charitable activities (lending and property development):							
Operational costs	5	-	-	26,330	574,503	619,527	
Loans written off in the year		139,990	2,896	-	52,140	77,851	
Loans previously written off and subsequently recovered		(125)	(8,147)	-	(25,005)	(53,596)	
Movement in bad debt provision during the financial year		91,818	(14,893)	-	(39,839)	96,498	
Governance costs	6	-	-	-	25,683	37,267	
TOTAL RESOURCES EXPENDED		231,683	(20,144)	26,330	587,482	777,547	
Net income/(expenditure) before transfers		868,317	20,144	(26,330)	(97,091)	(27,302)	
Transfers between funds	17	(95,400)	95,400	3,038	(3,038)	-	
Net incoming/(outgoing) resources after transfers		772,917	115,544	(23,292)	(100,129)	(27,302)	
TOTAL FUNDS BROUGHT FORWARD		419,760	566,526	445,796	115,559	1,547,641	
TOTAL FUNDS CARRIED FORWARD		£ 1,192,677	£ 682,070	£ 422,504	£ 15,430	£ 2,312,681	£ 1,547,641

FOUNDATION EAST LIMITED

BALANCE SHEET
As at 31 March 2015

	Notes	£	2015 £	£	2014 £
FIXED ASSETS					
Freehold Properties	9		382,599		388,355
Other tangible assets	10		39,905		57,441
			422,504		445,796
CURRENT ASSETS					
Loans	11	1,720,478		1,380,479	
Debtors	12	73,616		73,552	
Cash at bank and in hand	13	1,451,503		488,505	
			3,245,597	1,942,536	
CREDITORS: amounts falling due within one year	14	(34,220)		(123,041)	
NET CURRENT ASSETS			3,211,377		1,819,495
TOTAL ASSETS LESS CURRENT LIABILITIES			3,633,881		2,265,291
CREDITORS: amounts falling due after one year	15		(1,200,000)		(600,000)
NET ASSETS			£ 2,433,881		£ 1,665,291
CAPITAL AND RESERVES					
Share capital	16		121,200		117,650
Restricted funds	17	1,192,677		419,760	
Unrestricted funds:	17				
Loan capital		682,070		566,526	
Fixed asset fund		422,504		445,796	
General reserve		15,430		115,559	
Total funds			2,312,681		1,547,641
			£ 2,433,881		£ 1,665,291

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 27 July 2015 and signed on their behalf by:-

PETER JONES, Chair

BARRY VAN EUPEN , Treasurer

ANNE (KATY) FORD, Secretary

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

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 2015 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 2015 and the results for the year ended on that date.

Status

Foundation East Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

Properties under construction are shown at cost. Once completed the properties then undergo an 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

	2015	2014
	£	£
Community Development Finance Association	-	5,000
Social Incubator East	25,000	-
	£ 25,000	£ 5,000

3. CAPITAL GRANTS FOR LENDING ACTIVITIES

	2015	2014
	£	£
Regional Growth Fund	600,000	350,000
Social Incubator East	500,000	-
Havebury Housing	-	(1,095)
Colne Housing Society	-	(616)
Colchester Borough Homes	-	(826)
	£ 1,100,000	£ 347,463

FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. REVENUE GRANTS FOR COMMUNITY LAND TRUST DEVELOPMENT	2015	2014
	£	£
East Cambridgeshire District Council	25,000	45,620
National CLT Network	7,500	-
	£ 32,500	£ 45,620

5. OPERATIONAL AND SUPPORT COSTS	2015	2014
	£	£
Staff costs (see Note 7)	390,303	393,106
Staff training and welfare	3,283	6,443
Rent	22,611	23,207
Hospitality and refreshment	3,735	5,639
Telephone and postage	5,049	11,748
Insurance	2,988	4,343
Property depreciation	6,764	6,748
Depreciation of other tangible fixed assets (see Note 10)	19,566	19,486
Mileage allowance and other travel and subsistence costs	30,055	31,273
Consumables	3,219	6,504
Equipment and IT	15,235	20,597
Advertising and marketing	2,968	14,081
Loan arrangement fees and bank charges	22,397	14,261
Conference and seminar fees	858	678
Loss on disposal of fixed assets	-	6,593
Subscriptions and memberships	4,556	7,018
Website	9,035	8,247
Legal fees	1,669	4,483
Professional and consultancy fees	9,743	16,251
Property servicing costs	17,109	22,103
Interest payable on RGF Capital Fund loan	37,323	15,730
Interest payable on Adventure Capital Fund loan	-	381
Interest payable on Unity Trust Revenue loan	-	3,466
Other expenses	1,814	4,604
	610,280	646,990
Allocated to governance costs	(9,447)	(27,463)
	£ 600,833	£ 619,527

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 6).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

6. GOVERNANCE COSTS	2015	2014
	£	£
Auditor remuneration:		
Audit fees	10,560	8,508
Advice and assistance	4,920	1,296
Under accrual of 2014 audit fee	756	-
Allocated from operational costs (see Note 5)	9,447	27,463
	<u>£ 25,683</u>	<u>£ 37,267</u>
7. STAFF NUMBERS AND COSTS	2015	2014
	£	£
Salaries	334,899	336,689
Social security costs	31,404	32,909
Defined contribution pension costs	24,000	23,508
	<u>£ 390,303</u>	<u>£ 393,106</u>

The average weekly number of employees, calculated as full time equivalents, during the period was: 12 (2014 - 11.8).

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

8. DIRECTORS

During the year, no Director received any remuneration (2014 - £NIL). However as described in Note 20, 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 £144 (2014 - two members of the board: £85). There were no amounts outstanding at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. FREEHOLD PROPERTIES

	Miles Ward Court £	154 Chediston Street £	Total £
Cost net of impairment losses			
At 1 April 2014	222,301	199,454	421,755
Additions	1,008	-	1,008
At 31 March 2015	<u>£ 223,309</u>	<u>£ 199,454</u>	<u>£ 422,763</u>
Depreciation			
At 1 April 2014	17,551	15,849	33,400
Charge for the year	3,573	3,191	6,764
At 31 March 2015	<u>£ 21,124</u>	<u>£ 19,040</u>	<u>£ 40,164</u>
Net book value			
At 1 April 2014	<u>£ 204,750</u>	<u>£ 183,605</u>	<u>£ 388,355</u>
At 31 March 2015	<u>£ 202,185</u>	<u>£ 180,414</u>	<u>£ 382,599</u>

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.

10. OTHER TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures & Fittings £	Office equipment £	Total £
Cost				
At 1 April 2014	69,344	18,393	6,178	93,915
Additions	890	-	1,140	2,030
At 31 March 2015	<u>70,234</u>	<u>18,393</u>	<u>7,318</u>	<u>95,945</u>
Depreciation				
At 1 April 2014	18,346	13,523	4,605	36,474
Charge for the year	17,734	1,440	392	19,566
At 31 March 2015	<u>36,080</u>	<u>14,963</u>	<u>4,997</u>	<u>56,040</u>
Net book value				
At 31 March 2014	<u>£ 50,998</u>	<u>£ 4,870</u>	<u>£ 1,573</u>	<u>£ 57,441</u>
At 31 March 2015	<u>£ 34,154</u>	<u>£ 3,430</u>	<u>£ 2,321</u>	<u>£ 39,905</u>

Computer equipment additions in the year comprised website development costs and other IT costs.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

11. LOANS	2015	2014
	£	£
Capital Loan balance		
At 1 April 2014	1,773,656	1,335,042
Loans disbursed in the year	1,039,518	1,018,096
Loans repaid in the year	(467,407)	(501,631)
Loans written off in the year	(195,026)	(77,851)
Capital Loan Balance as at 31 March 2015	<u>2,150,741</u>	<u>1,773,656</u>
Less: Provision for doubtful debts		
At 1 April 2014	(393,177)	(296,679)
Decrease/(increase) in provisions during the year	(37,086)	(96,498)
Provision for doubtful debts as at 31 March 2015	<u>(430,263)</u>	<u>(393,177)</u>
	<u>£ 1,720,478</u>	<u>£ 1,380,479</u>

At the year end £258,309 of the loan balance was receivable in one year (2014: £682,085).

	2015	2014
	£	£
Bad debt expenditure		
Loans written off in the year	195,026	77,851
Loans previously written off and subsequently recovered (see below)	(33,277)	(53,596)
(Decrease) / increase in provision during the financial year	37,086	96,498
	<u>£ 198,835</u>	<u>£ 120,753</u>

12. DEBTORS	2015	2014
Due within one year	£	£
Grant and rent debtors	50,878	57,005
Prepayments and accrued income	22,738	16,547
	<u>£ 73,616</u>	<u>£ 73,552</u>

13. CASH AT BANK AND IN HAND

See Note 21 for details of intermediary funds netted off the cash at bank and in hand balance on the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2015 £	2014 £
Trade creditors	4,014	4,048
Salary costs owed to third party agents	-	96,648
Accruals	24,488	16,897
Deferred income (see below)	3,250	3,180
Rent deposits	2,468	2,268
	£ 34,220	£ 123,041

	2015 £	2014 £
<u>Deferred income</u>		
Balance at 1 April 2014	3,180	1,880
Property security fees released to incoming resources	(3,180)	(1,880)
Property security fees deferred in the year	3,250	3,180
Balance at 31 March 2015	£ 3,250	£ 3,180

15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	2015 £	2014 £
Loan from Unity Trust Bank	1,025,000	425,000
Loan from The Co-operative Bank	175,000	175,000
	£ 1,200,000	£ 600,000

The £1,025,000 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 and 2017. Interest is payable on £175,000 at 3.5% over the Bank of England's Base Rate and 4% over the Bank's Base Rate on the remaining £850,000. 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.

The £175,000 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.

16. SHARE CAPITAL	2015 £	2014 £
Ordinary shares of £1 each	50,050	46,500
CITR ordinary shares of £1 each	71,150	71,150
	£ 121,200	£ 117,650

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

Movement in share capital	2015	2014
	£	£
At 1 April 2014	117,650	82,250
Shares issued	6,050	35,500
Shares redeemed	<u>(2,500)</u>	<u>(100)</u>
At 31 March 2015	<u>£ 121,200</u>	<u>£ 117,650</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.

17. SUMMARY OF FUNDS

	Brought Forward	Incoming Resources	Resources Expended	Transfers	Carried Forward
	£	£	£	£	£
SUMMARY OF FUNDS					
Restricted funds	419,760	1,100,000	(231,683)	(95,400)	1,192,677
Unrestricted funds:					
Loan capital	566,526	-	20,144	95,400	682,070
Other unrestricted funds					
Fixed asset fund	445,796	-	(26,330)	3,038	422,504
General fund	<u>115,559</u>	<u>490,391</u>	<u>(587,482)</u>	<u>(3,038)</u>	<u>15,430</u>
	<u>£ 1,547,641</u>	<u>£ 1,590,391</u>	<u>£ (825,351)</u>	<u>£ Nil</u>	<u>£ 2,312,681</u>

Restricted funds (see below) are funds which are to be used in accordance with the specific restrictions imposed by funders and which have been raised by the Society for particular purposes. The restricted funds balance contains capital from the Regional Growth Fund which will become unrestricted on the earlier of loan capital being lent and repaid twice or the society receiving notification from the Regional Growth Fund to the contrary. Additionally the Society entered into a contract with Allia Limited during the year to provide a loan fund for social enterprises benefitting from the Social Incubator East programme. The fund will be treated as restricted until such time as the funds are repaid at which point a share of the recycled fund will become unrestricted and the balance paid to other members of the Social Incubator East consortium.

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.

The Fixed asset fund represents the net book value of the Society's equipment and properties (see Note 9 and 10).

FOUNDATION EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

RESTRICTED FUNDS	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Carried Forward £
Lending activities:					
Capital grants	419,760	1,100,000	(231,683)	(95,400)	1,192,677
	<u>£ 419,760</u>	<u>£ 1,100,000</u>	<u>£ (231,683)</u>	<u>£ (95,400)</u>	<u>£ 1,192,677</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.

LOAN CAPITAL FUND	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Carried Forward £
Undistributed recycled loan capital	407,315	-	8,147	109,838	525,300
Loans made to businesses and individuals	159,211	-	11,997	(14,438)	156,770
	<u>£ 566,526</u>	<u>£ Nil</u>	<u>£ 20,144</u>	<u>£ 95,400</u>	<u>£ 682,070</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Fixed assets £	Loans £	Other net current assets £	Creditors due after one year £	Total £
Share capital	-	-	121,200	-	121,200
Restricted funds	-	1,219,613	1,173,064	(1,200,000)	1,192,677
Loan capital	-	156,770	525,300	-	682,070
Fixed assets fund	422,504	-	-	-	422,504
General fund	-	343,565	(328,665)	-	15,430
	<u>£ 422,504</u>	<u>£ 1,720,478</u>	<u>£ 1,490,899</u>	<u>£ (1,200,000)</u>	<u>£ 2,433,881</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

19. FINANCIAL COMMITMENTS	2015	<i>2014</i>
	£	£
At 31 March 2015 the Society had annual commitments under non-cancellable operating leases (property rent) expiring as below:		
within one year	20,750	<i>20,750</i>
within two to five years	2,360	<i>2,360</i>
	<u>£ 23,110</u>	<u>£ 23,110</u>

20. 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 £910 (2014: £480).

21. FUNDS HELD AS INTERMEDIARY AGENT

For the last 3 years the Society held funds on behalf of the Start Up Loans Company for the distribution of loans on their behalf. During the year Loans totalling £624,260 were disbursed by the Society. Non-distributed funds and collected repayments totalling £51,444 (2014: £21,420) are held in an account to the order of The Start Up Loans Company and do not appear on the balance sheet.

21. CAPITAL COMMITMENTS

Before the year end the Society had no capital commitments.

22. CONTINGENT LIABILITY

The Society has a grant contract totalling £7,500 with the National CLT Network. The grant is intended to bridge the gap between earned income and costs to deliver the CLT advice service with a view to enabling the service to become financially self-sustaining by 31st March 2018. If this is achieved some or all of this grant may become repayable.