

Company no 2995859



**THE SOCIAL ENTERPRISE
LOAN FUND (A COMPANY
LIMITED BY GUARANTEE)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 APRIL 2011

Charity no 1042514

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

Officers and professional advisers

Company registration number	2995859
Charity registration number	1042514
Registered office	Third Floor 1 – 5 Wandsworth Road London SW8 2LN

Council of Management (Trustees, Members and directors)	P R Ibbetson * R Hooley* J Illingworth P Jamal M Omer*
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Chief Executive & Secretary	M J Baker*
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* indicates member of the Executive Committee

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

Officers and professional advisers

Peter Ibbetson, Trustee & Executive Committee	Peter was Head of Small Business Services for NatWest and is now director of several companies
Roger Hooley	Roger is Senior Commercial Risk Manager at West Bromwich Building Society
John Illingworth, Trustee	John is Deputy Chief Executive of the Goodwin Trust a major social enterprise based in Hull
Pyarali Jamal, Trustee	Pyarali was Global Network Co-ordinator – Valuation & Business Modelling at Ernst & Young Global and is now an independent consultant
Mohamed Omer, Trustee & Executive Committee	Mohamed is Financial Director of Intellicomm Solutions
Mike Baker, Chief Executive & Secretary	Mike was Regional Head of Small Business for NatWest and a Board Member of King's Cross SRB

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

Officers and professional advisers

Bankers

National Westminster Bank plc
63 Piccadilly
London W1A 2AG

Barclays Bank plc
Percy Street Branch
Newcastle upon Tyne NE1 4QL

The Co-operative Bank plc
1 Balloon Street
Manchester M60 4EP

Bank of Scotland
800 Gorgie Road
Edinburgh EH11 3XP

Lloyds TSB plc
25 Gresham Street,
London, EC2V 7HN

Solicitors

Squire Sanders
Solicitors
Trinity Court
16 John Dalton Street
Manchester
M60 8HS

Auditors

Berg Kaprow Lewis LLP
35 Ballards Lane
London
N3 1XW

FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

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CHAIRMAN'S STATEMENT

For the year ended 30 APRIL 2011

Welcome to the 2011 Trustees' Report for The Social Enterprise Loan Fund. Our Report has been prepared under the Guidelines in the Statement of Recommended Practice, SORP 2005

Our continuing activities

The Social Enterprise Loan Fund operates through a National Loan Fund and through its "Family" of Community Loan Funds which are active in most of the nine English Regions

Our aim is to support the creation and growth of financially viable Social Enterprises. We do this by providing loans to Social Enterprises which cannot raise finance from normal High Street lenders

In 2001 the East Midlands Development Agency (EMDA) provided a grant that was restricted to use in that Region. Given the passage of time, EMDA have confirmed that their restriction has expired and that the remaining client loans that we have previously reported as part of a Restricted Fund, may now be reported in our accounts as part of the General Charitable Fund

In 2004 we received a grant of £500,000 from the Phoenix Challenge Fund that was restricted to use in the North East of England. Of the sixteen loans made with that grant, only four remain with balances totalling £51,204 and the repayments received from the other clients have been recycled into supporting new social enterprises. At the end of the Phoenix Challenge Fund, the Government's evaluation report said "Once loans made from Phoenix capital grants are repaid, the capital becomes an asset of the CDFI (Community Development Finance Institution) and available for re-lending". These accounts show the £51,204 continuing as a Restricted Fund with the £349,200 of client loans financed with the recycled money as part of the General Charitable Fund that has been designated by the Trustees for use in the North East

Social Enterprises have not been immune from the state of the general economy and we see a very selective approach being taken to capital projects. However, we have been able to identify more good quality projects than last year. In summary, we achieved

- Nearly £0.8m of new loans
- 13 new loans of which 11 were to brand new clients
- The Social Enterprise Loan Fund now has 61 loans to Social Enterprises which support the excellent work they do

Ten of our thirteen new loans were to organisations working in the most deprived communities well over our objective of 50%

In this harsh economic environment, we have undertaken a full review of the risks in the loan portfolio and raised a bad debt provision where we think recovery of the debt is doubtful. Because of the general economic uncertainty, we have also made an addition to our bad debt reserves for five loans which we recognise as having higher than average risk but have not yet reached the point where default is considered probable. As a consequence, the total charge for bad debts this year is £98,989

It has taken some years to build the knowledge of, and skills for, dealing with Social Enterprises. Our strategy over the past few years has been to grow our position as one of the leading providers of finance for Social Enterprises and thereby achieve an operating surplus on a regular basis

However, 2011 has seen interest rates continue at the lowest level that has ever been set by the Bank of England since it was founded in 1694. These falls in interest rates have significantly reduced our income and it seems we are likely to face a low interest rate environment for some considerable time. This situation has been compounded by the demise of the Regional Development Authorities many of whom have been staunch supporters providing both capital and revenue grants

CHAIRMAN'S STATEMENT

For the year ended 30 APRIL 2011

Since the end of the financial year, we have reduced our costs by moving premises and we are investigating the possibility of achieving more cost savings by merging our operations with another CDFI that also provides finance to social enterprises. We continue to explore ways to keep our costs under firm control and to raise new sources of income. We are confident that 2012 will see significant new funding from the Regional Growth Fund and Big Society Capital.

There is a very long list of people who make our work possible. I want to thank all our Regional Fund Managers and our small team of Central Office staff for their dedication and commitment, and my fellow Council Members for their endless support.

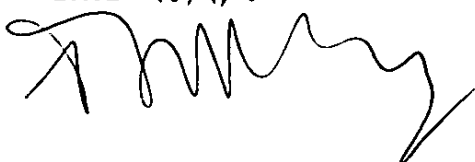
In addition we owe a debt of gratitude to the wide range of partners and supporters who share our vision. I should especially like to thank the Northern Rock Foundation, Tyne & Wear Enterprise Trust, our major banking partners (NatWest, Co-operative Bank and Barclays Bank), and last, but not least, Squire Sanders, our solicitors, for all the "pro bono" work undertaken on behalf of TSELF.

In conclusion, it is quite clear that the past twelve months have been extremely challenging. However, we expect 2012 to bring significant new opportunities and my fellow Council Members and I believe that The Social Enterprise Loan Fund has an excellent platform from which to move forward and we intend to do everything necessary to ensure that we can continue to support the excellent work being done by Social Enterprises around the country.

PETER IBBETSON

CHAIRMAN

DATE 18/1/12



Charitable Activities

Summary of Objectives & Achievements

The focus of our efforts is to grow our charitable activities in a responsible way so that we achieve long term sustainability. We believe we can only do this by supporting the growth of the charity and social enterprise sector as a whole. To achieve that goal, we have four main objectives

Leading the way

We aimed to

Be one of the leading providers of loan finance to organisations having a major social impact on their communities

Social enterprises and charities form a growing sector of the economy and many need loan finance to support that growth

What we achieved

In the year to April 2010, we made nearly £0.8m of new loans which is a major improvement on the previous year

Future year objectives

To grow our investment in social enterprises and charities by 20% a year

Supporting deprived areas

We aimed to

Have the majority of our loans supporting clients who operate in very deprived areas

Social Enterprises and Charities operating in the most deprived parts of the Country have a positive impact on their communities

What we achieved

85% of our existing loans are to organisations operating in one of the 25% most deprived boroughs or wards in England

Future year objectives

The majority of our new loans will continue to be to organizations operating in one of the 25% most deprived boroughs or wards in England

Responsible lending

We aimed to

Ensure that borrowing is the right option for our potential clients

We believe that giving good advice is a key part of our activities

What we achieved

In addition to the 11 organisations we lent to, we advised a further 82 social enterprises about their funding arrangements

Future year objectives

That the vast majority of our clients are able to service their loan repayments without causing them financial stress

Working in Partnership

We aimed to

Have a "Partnership" relationship between our clients and our Regional Managers

We maintain regular contact with all our clients, helping them to build a sustainable business

What we achieved

We now have Managers in 6 Regions. Their local knowledge is crucial

Last year they made over 120 visits to existing clients

Future year objectives

We will see all Clients twice a year and, depending on their need, some more frequently

The Trustees have paid due regard to the guidance from the Charities Commission on public benefit in deciding what activities the charity should undertake

The Council of Management present their report together with the audited financial statements for the year ended 30 April 2011

OBJECTIVES & ACTIVITIES

The Social Enterprise Loan Fund was established in 1994 and was originally known as The Local Investment Fund. The Objectives of the Charity are to promote charitable purposes by the provision of grants, financial loans and other assistance. Our clients are charities, and social enterprises with charitable purposes, who find it difficult to borrow money from the main high street lenders. Loans are provided by our network of Community Loan Funds in the English Regions.

We will consider requests for help for most charitable activities but we concentrate our efforts onto organisations which have a high social impact on their communities because they are based in the 25% most deprived wards and boroughs in England and engaged in one of the following activities:

- The advancement of education, training and retraining especially among the unemployed
- The provision of work experience to the unemployed
- The advancement of education and training in setting up in business
- The provision of recreational facilities
- The relief of poverty, age or disability

As a result, our clients have a significant impact on both jobs created and people trained for employment generally.

The main risk when lending money is that bad debts will be incurred. Every time we incur a bad debt it means that a charity or social enterprise has ceased trading and is insolvent thus depriving its community of the benefits previously provided. We do everything possible to minimise the risk of adversely affecting communities in that way.

Our long term objective is to keep the annual cost of bad debts within 5% of the total amount of money lent. In the year to 30th April 2011, our bad debt charge was 5% of total money lent in line with our objective. To keep bad debts to a minimum,

- Before a loan application is formally considered, we spend time with each client examining their forecasts and budgets
- We will lend only when we believe that the repayments are affordable for the borrower
- To protect our own Reserves, we will take security when it is available
- After the loan has been made, we will visit each client on a regular basis to ensure the business is on plan

Our long term objective is to grow our business to the point where we have created a permanent, sustainable Loan Fund for social enterprises and charities. It is clear that the current, historically low, level of interest rates will make achieving that objective more difficult.

REPORT OF THE COUNCIL OF MANAGEMENT.

To ensure that we focus on our key objectives, we measure our performance against 5 key numerical targets

Objective and recent performance	Comment
<p>50% of the new loans each year to be to organisations operating in the 25% most deprived wards and boroughs in England</p> <p>2007 56%</p> <p>2008 75%</p> <p>2009 81%</p> <p>2010 90%</p> <p>2011 82%</p>	<p>We believe that we can achieve a balanced performance by concentrating our efforts on deprived communities and at the same time supporting high quality social enterprises in more affluent areas</p>
<p>50% of the total number of loans to be to organisations operating in the 25% most deprived wards and boroughs in England</p> <p>2007 70%</p> <p>2008 62%</p> <p>2009 73%</p> <p>2010 75%</p> <p>2011 85%</p>	<p>We remain fully committed to having the majority of our loans supporting social enterprises in the most deprived communities</p>
<p>To keep the net cost of bad debts to within 5% of the total amount of money lent</p> <p>2007 5.6%</p> <p>2008 17.1%</p> <p>2009 4.9%</p> <p>2010 5.9%</p> <p>2011 5.0%</p>	<p>The great majority of our clients continue to trade well. We have taken a rigorous approach to consider the need for bad debt provision in respect of those few clients that are struggling to meet their loan repayments</p>
<p>To grow the total value of loans made by 20% a year</p> <p>2007 +18%</p> <p>2008 -15%</p> <p>2009 -4%</p> <p>2010 -20%</p> <p>2011 +2%</p>	<p>We made £0.68m of new loans in the year. However, repayments made by clients and a reluctance by clients to embark on capital projects as a result of the current economic climate have had a major impact on this measure</p>
<p>To reach the point of sustainability where fees and interest received exceed 100% of operating costs</p> <p>2007 65%</p> <p>2008 72%</p> <p>2009 46%</p> <p>2010 35%</p> <p>2011 35%</p>	<p>Recent falls in interest rates have had a major adverse impact but the actions we have taken to reduce costs and increase income are starting to bear fruit. Costs have already been reduced further since the end of the financial year and we have identified more savings to be realised in 2012</p>

STRATEGY

Developing the social enterprise sector is high on the agenda of the new Coalition Government and everything we see points to it being a growing sector. If it is to realise its full potential, the sector needs access to funds for new projects and growth.

We are determined that our Community Loan Funds support the tremendous work done by social enterprises by being leading providers of that finance.

We aim to seek out high quality social enterprises and build a relationship with them. When they need funds we will be there.

A number of factors underpin our approach:

Sufficient funds available to meet demand	<ul style="list-style-type: none">▪ Grant funding previously available from the regional Development Agencies is no longer available▪ We have invested considerable time and effort in collaborative working with other CDFI's to ensure we are well placed to gain investment from the Regional Growth Fund and Big Society Capital
A network of Community Loan Fund managers who have the skills to find the high quality social enterprises in their region and work with clients to develop appropriate funding arrangements	<ul style="list-style-type: none">▪ We have Regional Fund Managers covering 6 English Regions
Keep central overheads to an acceptable level	<ul style="list-style-type: none">▪ Our central support team comprises our Chief Executive plus two support staff▪ This is the minimum level consistent with providing a good service to our clients▪ We do not see a need for any increase in the short term▪ Since the year end, we have moved premises to reduce costs
Robust systems	<ul style="list-style-type: none">▪ Our accounting and loan management systems are adequate for current levels of operations▪ Some investment may be needed as we grow still further
Good marketing and external communications	<ul style="list-style-type: none">▪ We continue to see a good level of visits to our website and enquiries from potential clients▪ In the current economic environment we work hard with potential clients to ensure that they will be able to afford loan repayments without difficulty

GOVERNANCE AND DECISION MAKING

The Social Enterprise Loan Fund is a company limited by guarantee that was incorporated in November 1994

Lending to our Charity and Social Enterprise Clients is usually done with the assistance of our “Family” of Community Loan Funds which operate in most of the English Regions

Each Community Loan Fund is a separate Trust established for the benefit of its locality with the use of its funds being for purposes identical to those of TSELF

DECISION MAKING PROCESSES

The Social Enterprise Loan Fund Council of Management meets quarterly Its key functions include

- 1 Reviewing and guiding TSELF’s corporate strategy, major plans of action, risk policy, annual budget and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestitures
- 2 Selecting, compensating, monitoring and, where necessary, replacing key executives, overseeing succession planning, and ensuring a formal and transparent Council nomination process
- 3 Monitoring and managing potential conflicts of interest of management, Council members and stakeholders, including misuse of corporate assets and abuse in related party transactions
- 4 Ensuring the integrity of TSELF’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, particularly systems for monitoring risk, financial control and compliance with the law
- 5 Monitoring the effectiveness of the governance practices under which TSELF operates and making changes as needed
- 6 Overseeing the process of disclosure and communication

REPORT OF THE COUNCIL OF MANAGEMENT

The Executive Committee, appointed by the Council Of Management, meets eight times a year Its purpose is to

- 1 Consider the annual budgets and business plans of TSELF and make recommendations to the Council,
- 2 Monitor implementation of business plans and business performance against approved budgets,
- 3 Review and approve loan applications for amounts up to £250,000
- 4 Approve expenditures and disbursements against approved budgets and in accordance with delegations of authority approved by the Council
- 5 Selecting, compensating, monitoring and, where necessary, replacing key members of staff overseeing succession planning and reviewing the remuneration and compensation arrangements, including annual performance bonuses of staff on the payroll of TSELF

TRUSTEES AND THEIR INTERESTS

The trustees who also serve as directors on the Council of Management during the year were

P R Ibbetson (Chairman)
R Hooley
J Illingworth
P Jamal
A M Mawji
M Omer

None of the trustees have any beneficial interest in the company All trustees are members of the company and guarantee to contribute £1 each in the event of the company winding up

None of the trustees have any beneficial interest in the organisations that receive loan funding from The Social Enterprise Loan Fund

RECRUITMENT, INDUCTION & TRAINING OF TRUSTEES

It is our clear policy that the TSELF Council of Management will have the combination of skills necessary to support the effective provision of loan finance to Charities and Social Enterprises In particular we need individuals with wide experience of

- Banking
- Financial and risk management
- Commercial law
- Marketing
- Social Enterprises
- Potential sources of new funds

REPORT OF THE COUNCIL OF MANAGEMENT

Trustees are appointed for a fixed three year term and may serve no more than three consecutive three year terms

If we needed to recruit a new person to the Council of Management, we would

- Form a recruitment "Committee" to oversee the whole process and ensure complete impartiality
- Review what skills / expertise we most needed to recruit
- Draw up a "Job Description"
- Consider advertising the role / using trustee brokerage services
- Broaden the diversity of the Council of Management so long as that is consistent with obtaining the right skills
- Undertake appropriate background checks
- Ensure there are no legal or technical barriers to the appointment of the preferred individual

Having selected the best individual, our induction and training process have actually included

- Providing copies of our governing document (M&AA) and Policies & Procedures Manual
- Providing our latest Audited and Management Accounts
- Providing our current Plan
- Providing Minutes of recent Council of Management Meetings
- Providing relevant Charity Commission publications including "The essential Trustee – what you need to know"
- Arranging a familiarisation programme that would include time with Chairman, Chief Executive, a Regional Fund Manager and at least one Client

FINANCIAL REVIEW

The only activity of the charity is the making of investments in social enterprises

Incoming resources for the year were £129,123 and expenditure totalled £437,203

A full analysis of our expenditure is given in Notes 3 & 4 under the headings of "Cost of generating Voluntary Income", "Direct Charitable Activities" and "Governance"

We ensure that our resources are closely focused onto looking after our existing clients and finding new organisations that need our support

Despite the challenges of the current economic environment, our financial position is sound

- We have taken a prudent approach to raising bad debt provisions when a loan is considered doubtful
- None of our Funds are in deficit

RELATED PARTIES

There were no transactions with "Related parties" during the year

RISK REVIEW

The major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems or procedures have been established to manage those risks

REPORT OF THE COUNCIL OF MANAGEMENT

RESERVES POLICY

To aid transparency and to provide operational control, the Trustees apportion Unrestricted Funds between the general Fund and the Regions in which we operate

TSELF's Unrestricted Funds include funds which have been loaned to enterprises and are expected to be repaid. TSELF also needs Unrestricted Funds to cover the management and administration costs without which the Charity could not function. Any "surplus" Reserves will be invested in financially viable Social Enterprises as soon as possible. The trustees consider it prudent that Unrestricted Reserves should be sufficient to

- 1 continue to fund the loans that have already been drawn down or irrevocably committed, until such time as they are repaid
- 2 meet any new applications for funding support from regional funds that have been specifically designated for those regions by the Trustees
- 3 to cover one year's management and administration costs, net of expected investment income and discretionary expenditure

The Trustees review the appropriateness of this policy annually

At 30 April 2011, the level of Unrestricted Reserves required under this policy would have amounted to £149,773. The actual level of Unrestricted Reserves as at that date was £680,167

We expect the surplus reserves (£530,394) will be used to finance further loans to social enterprises

BANKING COVENANTS

We have a 5 year term loan agreement with Lloyds TSB which contains a covenant restricting our total borrowings to a fixed multiple of our "Total Charity Funds". The Trustees ensure on a quarterly basis that there are no breaches of this covenant

INVESTMENT POLICY

The Trustees have considered the requirements and purpose of the charity and consider it appropriate for the funds to be held as cash and / or short term instruments with banks approved by the Trustees. Changes to this investment policy would be decided upon by the Council of Management

FUNDING

The Trustees are satisfied that the charity's assets are available and adequate to fulfil its obligations

COMMUNITY LOAN FUND LIMITED & LOCAL INVESTMENT FUND LIMITED

The Community Loan Fund Limited and the Local Investment Fund are dormant companies of which The Social Enterprise Loan Fund is the sole Member. Neither has traded since incorporation and neither has any assets or liabilities

REPORT OF THE COUNCIL OF MANAGEMENT

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The law applicable to charities in England & Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the trustees are aware

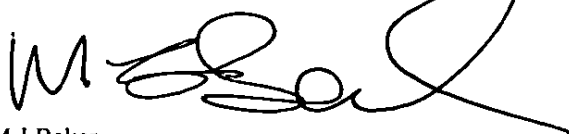
- there is no relevant audit information of which the company's auditors are unaware, and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

AUDITORS

Under Section 487 of the Companies Act 2006, Berg Kaprow Lewis LLP will be deemed to have been reappointed as Auditors 28 days after these financial statements were sent to the Members or 28 days after the latest date prescribed for filing accounts with the Registrar, whichever is earlier

BY ORDER OF THE COUNCIL OF MANAGEMENT



M J Baker
Secretary
18th January 2012

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE SOCIAL ENTERPRISE LOAN FUND (A COMPANY LIMITED BY GUARANTEE)

We have audited the financial statements of The Social Enterprise Loan Fund for the year ended 30 April 2011 set out on pages 14 to 25. These financial statements have been prepared under the accounting policies set out on pages 14 and 15.

This report is made solely to the charitable company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The Trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and for being satisfied that the charitable company's financial statements give a true and fair view, are set out in the Statement of Trustees' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006 and whether the information given in the Trustees' annual report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept adequate accounting records, if information specified by law regarding Trustees' remuneration is not disclosed or if we have not received all the information and explanations we require for our audit.

We read the Trustees' annual report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion

- the financial statements give a true and fair view of the state of affairs of the charitable company as at 30 April 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the Trustees' annual report is consistent with the financial statements

Berg Kaprow Lewis LLP

Brian J Wolkind FCA (Senior Statutory Auditor)
for and on behalf of
BERG KAPROW LEWIS LLP
Chartered Accountants
Statutory Auditor
London

Date *18th January 2012*

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The following policies, which have been consistently applied, are considered material in relation to the company's financial statements

The financial statements have been prepared in accordance with United Kingdom applicable accounting standards, and follow the recommendations in the Statement of Recommended Practice Accounting by Charities (the SORP) issued in 2005. The financial statements have been prepared under the historical cost convention.

PROGRAMME RELATED INVESTMENT LOANS AND PROVISION FOR BAD AND DOUBTFUL DEBTS

Investment loans are recognised in the accounts when funds are drawn by the client and interest on loans made is recognised on a receivable basis.

Specific provisions are made against loans when, as a result of regular appraisals of the assets, it is considered that recovery is doubtful. The specific provision is deducted from the current asset, Programme related investment. Provisions made during the year, less amounts released, are charged to the Statement of Financial Activities. The Trustees also consider each year if it is appropriate to make an additional reserve against those loans that are known to be higher risk but have not yet reached the point where default is considered probable.

GRANTS RECEIVED

All grants are credited to income on the earlier date of when they are received or when they are receivable, unless they relate to a specified future period, in which case they are deferred.

INVESTMENT INCOME

Investment income, including associated tax recoveries, is recognised when receivable.

EXPENDITURE

Expenditure, which is charged on an accruals basis, is allocated between

- expenditure incurred directly to the fulfilment of the charity's objectives (Charitable activities),
- expenditure incurred directly in the effort to raise voluntary contributions (Cost of generating voluntary income), and
- expenditure on the governance infrastructure which allows the charity to operate and to generate the information required for public accountability. This includes the strategic planning processes that contribute to future development of the charity (Governance cost).

Within Governance Costs, staff cost is attributed based on an analysis of time spent on the various activities. Premises and sundry costs are allocated pro rata to staff time.

Items of expenditure involving more than one cost category are apportioned on an appropriate basis.

PRINCIPAL ACCOUNTING POLICIES

FUND ACCOUNTING

Restricted funds are to be used for specific purposes laid down by the donor. Expenditure for those purposes is charged to the fund, together with a fair allocation of overheads, support costs and interest income.

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the charity.

Designated funds are unrestricted funds which have been designated for specific purposes by the Trustees.

PENSION CONTRIBUTIONS

The pension costs charged in the income and expenditure account are the contributions payable to personal pension schemes of members of the staff in respect of the accounting period.

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 30 APRIL 2011

	Note	Unrestricted funds General fund £	Designated funds £	Restricted £	Total funds 2011 £	Total funds 2010 £
Incoming Resources						
Incoming resources from generated funds						
Voluntary income	1	0	9,000	3,000	12,000	545,000
Bank interest		79	93	1,799	1,971	1,607
Incoming resources from charitable activities	2	20,505	59,176	35,471	115,152	116,952
Total incoming resources		20,584	68,269	40,270	129,123	663,559
Resources expended						
Cost of generating voluntary income	3	171	2,945	1,293	4,409	4,400
Charitable activities	4	17,259	236,462	133,004	386,725	418,513
Governance costs	3	5,116	30,364	10,589	46,069	46,049
Transfer of Adventure Capital Fund to New Charity						
Total Resources Expended		22,545	269,771	144,886	437,202	468,962
Net incoming/(outgoing) resources before transfers		(1,961)	(201,502)	(104,616)	(308,079)	194,597
Transfers between funds	10 & 11	(49,227)	534,585	(485,358)	-	-
Net movement in funds		(51,188)	333,083	(589,974)	(308,079)	194,597
Balances brought forward at 1 May 2010		125,007	273,265	1,986,838	2,385,110	2,190,513
Balances carried forward at 30 April 2011	10/11/12	73,819	606,348	1,396,864	2,077,031	2,385,110

All transactions arose from continuing operations

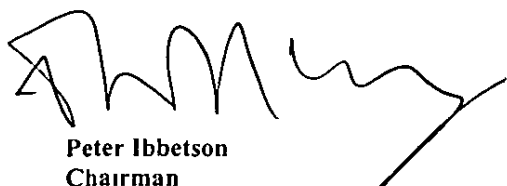
All recognised gains and losses are included in the Statement of Financial Activities.

BALANCE SHEET AT 30 APRIL 2011

	Note	2011 £	2010 £
Fixed Assets			
Programme related investments	7	1,838,993	1,795,416
Current assets.			
Debtors	6	16,387	16,943
Cash at bank and in hand		<u>1,074,453</u>	<u>1,645,541</u>
Total current assets		<u>1,090,840</u>	<u>1,662,484</u>
Liabilities:			
Creditors: amounts falling due within one year	8	<u>(356,135)</u>	<u>(747,790)</u>
Net current assets		734,705	914,694
Creditors. amounts falling due after more than one year	9	<u>(496,667)</u>	<u>(325,000)</u>
Net assets		<u>2,077,031</u>	<u>2,385,110</u>
 The Funds of the Charity			
Restricted income funds	12	1,396,864	1,986,838
Unrestricted income funds			
General fund	12	73,819	125,007
Designated funds	12	<u>606,348</u>	<u>273,265</u>
Total unrestricted funds		<u>680,167</u>	<u>398,272</u>
 Total charity funds	12	<u>2,077,031</u>	<u>2,385,110</u>

The financial statements have been prepared in accordance with the provisions of the Companies Act 2006 as applicable to small companies

The financial statements were approved and signed on behalf of the Council of Management on 18/11/12


Peter Ibbetson
 Chairman

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

1 VOLUNTARY INCOME

Grants receivable during the year were as follows

Category	Source	2011 £	2010 £
North West Development Agency			500,000
Northern Rock Foundation			15,000
Tyne & Wear Enterprise Trust		12,000	30,000
Total		12,000	545,000

2 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted	Total funds 2011	Total funds 2010
	General fund £	Designated funds £	£	£	£
Arrangement Fees	-	2,900	6,259	9,159	11,131
Loan Interest	3,308	55,867	29,211	88,386	81,509
Other income	17,197	409	1	17,607	24,312
Total Income	20,505	59,176	35,471	115,152	116,952

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

3 ALLOCATION OF SUPPORT COSTS AND OVERHEADS

	Direct charitable activities £	Allocated to: Costs of generating voluntary income £	Governance £	Total 2011 £	Total 2010 £
Staff cost	-	4,017	28,650	32,667	32,369
Premises and operational	31,537	392	7,558	39,486	50,792
Interest expense	7,340	-	-	7,340	4,366
Marketing & advertising	13,754	-	-	13,754	18,966
Legal and other professional services	2,628	-	-	2,628	721
External audit	-	-	9,450	9,450	7,757
Trustees Expenses	-	-	411	411	145
Total	55,259	4,409	46,069	105,736	115,116

The support costs and overheads are allocated as incurred and allocated on time spent. The premises and operational costs have been allocated on the basis of staff time.

Rent of £13,216.66 is included in the Premises & Operational costs above (2010, £14,982)

Trustee expenses are for subsistence costs incurred during a meeting of the Trustees. No remuneration or travel expenses were paid to trustees in the year (2010, nil also)

4 ANALYSIS OF CHARITABLE ACTIVITIES

	Staff costs £	Other direct costs £	Support costs £	Total 2011 £	Total 2010 £
Investment in social enterprises:					
Facilitation of loan financing	232,478	98,989	55,258	386,725	418,513
Total	232,478	98,989	55,259	386,725	418,513

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

5 TRUSTEES AND EMPLOYEES

Employee costs during the year were as follows

	2011 £	2010 £
Wages and salaries	103,397	101,976
Other pension costs	2,500	2,500
Social security costs	11,003	10,845
	<u>116,901</u>	<u>115,321</u>

The average number of employees of the company during the year was

	2010 Number	2009 Number
Administration	<u>3</u>	<u>3</u>

No employee earned £60,000 per annum or more in the current or preceding period

No Trustee received any remuneration in the current or preceding period

Subsistence expenses of £411 (2010 £145) were incurred on behalf of the Board of Trustees

6 DEBTORS

	2011 £	2010 £
Interest receivable	11,243	10,754
Other debtors	5,144	6,189
	<u>16,387</u>	<u>16,943</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

7 PROGRAMME RELATED INVESTMENTS

	<u>Total 2011</u> £	<u>Total 2010</u> £
Opening balance (net of bad debt provision)	<u>1,795,416</u>	<u>2,245,983</u>
Net bad debt provision charge	(98,989)	(127,145)
Repayments received	(649,934)	(634,222)
New loans	<u>792,500</u>	<u>310,800</u>
Closing balance (net of bad debt provision)	<u>1,838,993</u>	<u>1,795,416</u>

Programme related investments are repayable in the following manner

Within one year	507,466	480,531
After one and within two years	334,131	343,697
After two and within five years	521,782	658,100
After five years	<u>475,614</u>	<u>313,088</u>
	<u>1,838,993</u>	<u>1,795,416</u>

Movement in provision for bad debts

	<u>Total 2011</u> £	<u>Total 2010</u> £
Opening balance	<u>109,726</u>	<u>60,235</u>
New bad debt provision	98,989	127,145
Provision Released	(410)	-
Loans written off	(80,537)	(77,654)
Closing balance	<u>127,768</u>	<u>109,726</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Bank and other loans	328,333	725,000
Other creditors	3,305	2,650
Accruals	<u>24,497</u>	<u>20,140</u>
	<u>356,135</u>	<u>747,790</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £	2010 £
Bank loans	380,000	125,000
Other loans	116,667	200,000
	<u>496,667</u>	<u>325,000</u>

Borrowings are repayable as follows

	2011 £	2010 £
Within one year	328,333	725,000
After one and within two years	163,334	225,000
After two and within five years	333,333	100,000
After five years		
Total Funding Loan	<u>825,000</u>	<u>1,050,000</u>

Most loans are for five year term. Until the date of repayment, interest is payable at rates ranging from zero to 1.5% above banks' base rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

10 GENERAL FUND

	Balance at 1 May 2010 £	Transfers £	Incoming £	Outgoing £	Balance at 30 April 2011 £
	125,007	(49,227)	20,584	(22,545)	73,819

11 DESIGNATED FUNDS

	Balance at 1 May 2010 £	Transfers £	Incoming £	Outgoing £	Balance at 30 April 2011 £
Community Loan Fund					
Advantage	593	(593)	0	0	0
East Midlands	634	136,158	10,694	(65,906)	81,580
Merseyside	23,639	0	1,720	(8,922)	16,437
North East Community	44,259	329,200	45,744	(121,510)	297,693
North West Community	1,201	70,000	2,218	(23,951)	49,468
South East Community	202,324	(2,000)	7,590	(46,745)	161,169
South West Community	615	1,820	303	(2,737)	1
	<u>273,265</u>	<u>534,585</u>	<u>68,269</u>	<u>(269,771)</u>	<u>606,348</u>

Designated funds are unrestricted funds which have been designated for specific purposes by the Trustees

RESTRICTED FUNDS

	Balances at 1 May 2010 £	Transfer £	Incoming £	Outgoing £	Balances at 30 April 2011 £
Community Loan Fund					
Advantage	264,352	0	7,085	(5,826)	265,611
East Midlands	136,158	(136,158)	0	0	0
Merseyside	19,560	0	407	(19,967)	0
North East	418,669	(349,200)	5,784	(23,955)	51,298
North West	1,148,099	0	26,994	(95,138)	1,079,955
South East	0	0	0	0	0
Total restricted funds	1,986,838	(485,358)	40,270	(144,886)	1,396,864

Total of all funds	<u>2,385,110</u>	<u>0</u>	<u>129,123</u>	<u>(437,203)</u>	<u>2,077,031</u>
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The purpose of each Community Loan Fund is to provide assistance in contributing to the regeneration of deprived areas of England

In 2001 the East Midlands Development Agency (EMDA) provided a grant that was restricted to use in that Region. Given the passage of time, EMDA have confirmed that their restriction has expired and that the remaining client loans may now be reported in our accounts as part of the General Charitable Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

In 2004 we received a grant of £500,000 from the Phoenix Challenge Fund with use restricted to the North East of England. The terms of that fund are that "once loans made from Phoenix capital grants are repaid, the capital becomes an asset of the CDFI". The vast majority of the loans made with that Grant have been repaid and the funds lent to new social enterprises. Those "new" loans and a small cash balance have now been transferred to the North East Designated Fund with the remaining original loans still classified as Restricted Assets.

12 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Community Loan Fund	Current assets £	Programme related investments £	Current liabilities £	Long term liabilities £	Net assets £
General Fund	69,722	31,529	(15,662)	(11,770)	73,819
Designated Funds					
East Midlands	(141)	207,521	(80,000)	(45,800)	81,580
Merseyside	84	54,853	0	(38,500)	16,437
North East	4,036	614,472	(124,148)	(196,667)	297,693
North West	1,561	220,535	(34,172)	(138,455)	49,469
South East	370	271,273	(45,000)	(65,475)	161,168
South West	53,053	1,296	(54,348)	0	1
Total Designated Funds	58,963	1,369,950	(337,668)	(484,897)	606,348
Total Unrestricted Funds	128,685	1,401,479	(353,330)	(496,667)	680,167
Restricted funds					
Advantage	209,119	59,297	(2,805)	0	265,611
North East	94	51,205	0	0	51,299
North west	752,942	327,012	0	0	1,079,954
South East	0	0	0	0	0
Total Restricted	962,155	437,514	(2,805)	0	1,396,864
Overall Total	1,090,840	1,838,993	(356,135)	(496,667)	2,077,031

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 APRIL 2011

13 OTHER FINANCIAL COMMITMENTS & OPERATING LEASES

As at 30th April 2011, the charity had offered but not advanced £167,500 in the form of new investment loans (2010 £685,000)

Annual obligations under operating leases

Contract	Property 2011 £	Other 2011 £	Total 2011 £
Within 1 Year	1,661	1,410	3,071
In Years 2 to 5	Nil	Nil	Nil
After 5 Years	Nil	Nil	Nil
Total			

The operating leases covering premises and office equipment all expired shortly after the end of the financial year, 30th April 2011. The figures above are the remaining rental payments actually paid under these contracts and any termination costs paid.

14 GRANT PAYMENTS

The Social Enterprise Loan Fund does not, in the usual course of its business, make grants to social enterprises or to charities.