

The Social Enterprise Loan Fund (A Company Limited by Guarantee)

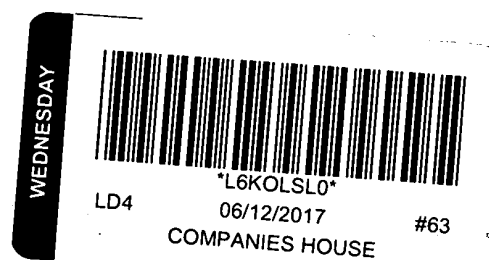
Report and Financial Statements

Year Ended

31 March 2017

**Company Registration No. 2995859
(England and Wales)**

**Charity Registration No. 1042514
(England and Wales)**



The Social Enterprise Loan Fund

Annual Report and Financial Statements for the year ended 31 March 2017

Contents

Page:

2	Report of the Trustees
10	Trustees' Responsibilities
11	Independent Auditor's Report
13	Statement of Financial Activities
14	Balance Sheet
15	Statement of Cash Flows
16	Notes forming part of the Financial Statements

Trustees

Pyarali Jamal
Roger Hooley
John Illingworth
Nigel Kershaw
Mohamed Omer

The Trustees present their Report and the Annual Audited Financial Statements for the year ended 31 March 2017.

The Social Enterprise Loan Fund

**Report of the Trustees
for the year ended 31 March 2017**

Company registration number

2995859

Charity registration number

1042514

Registered Office

113-115 Fonthill Road, London, N4 3HH

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

Unity Trust Bank, 9 Brindley Place, Birmingham, B1 2HB

Solicitors

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

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

The Social Enterprise Loan Fund

Report of the Trustees for the year ended 31 March 2017

Pyarali Jamal	Pyarali has twenty years of international experience in finance, strategy and operations, including over ten years with the Transaction Advisory Services group at EY. He has also provided independent consulting services to various organisations, including to those in the impact investing sector, and was CEO and COO of a London-based social enterprise. Pyarali sits on several other boards including the Big Issue Invest. He joined The Social Investment Enterprise Loan Fund ("TSELF") board in 2009.
Roger Hooley	After a long banking career and five years as Senior Commercial Lending Manager at West Bromwich Building Society, Roger is now a Senior Credit Manager at Aldermore Bank. Roger joined the TSELF Board in 2010 and is Head of the joint Credit Committee for the TSELF and BII Boards.
John Illingworth	John was Deputy Chief Executive of the Goodwin Development Trust a major social enterprise based in Hull and is now an independent consultant. John joined the Board in 2006.
Nigel Kershaw, OBE	Nigel joined The Big Issue in 1994 and currently is its Group Chairman, previously being its Chief Executive. Nigel is also Executive Chairman of Big Issue Invest.
Mohamed Omer	Mohamed is Financial Director of Intellicomm Solutions and also Board Member-External Affairs, Gardens of Peace Muslim Cemetery Trust, the largest dedicated Muslim Cemetery in the UK. Mohamed is a Chartered Accountant and has been on the TSELF Board since 2009.

The Social Enterprise Loan Fund

Report of the Trustees (*continued*) for the year ended 31 March 2017

Welcome to the 2017 Trustees' Report for The Social Enterprise Loan Fund ("TSELF"). Our Report has been prepared under the Guidelines in the Statement of Recommended Practice, SORP 2015.

The Social Enterprise Loan Fund was established in 1994 (originally called the Local Investment Fund) and is a Social Investment Financial Intermediary ("SIFI"). TSELF provides loans to sustainable charities and social enterprises in some of the most deprived areas of the UK which cannot otherwise raise financing from high street lenders. On 1 April 2012, we merged with the Big Issue Invest Limited ("BII") to create one of the UK's largest SIFIs – it was the first merger between two Community Development Finance Institutions in the UK and resulted in BII becoming TSELF's sole corporate member. The primary objective of the merger was to strengthen and expand our combined capabilities in order to better serve the social sector.

Our ongoing strategic review of the business has confirmed that grant funding sources which TSELF has historically relied upon are no longer available, and that access to new sources of affordable wholesale funding remains very limited. The Trustees have, therefore, decided that TSELF should focus on managing its existing portfolio through to conclusion, with particular focus on repaying our obligations to our creditors, whilst undertaking a strategic review to determine the charity's future. I am pleased to report we have now fully repaid all creditors apart from the RGF funding which we are in a position to repay subject to Charity Commission permission (which we have formally requested).

The Board and management continue to work on developing our strategic plans for the charity. Based on consultations we've had with various experts and our peers in the sector and, importantly, on our experience in supporting social enterprises and trading arms of charities for many years, we believe there is a strong need for skills and management capacity development in the sector. Our future plans for the organisation, therefore, will likely include providing financial support to organisations in the sector which would most benefit from such capacity development assistance - this is an objective which closely aligns with TSELF's current mission and with its original aims.

I would like to thank my fellow Trustees, the BII Board and staff for their hard work and dedication, particularly during this transition period. And on behalf of everyone at TSELF, I would like to thank our various partners, especially our previous and current banking partners, funders, and investees for their ongoing support.

Sincerely,



P. Jamal
Chairman

1-DEC-2017

The Social Enterprise Loan Fund

Report of the Trustees (continued) for the year ended 31 March 2017

Charitable Activities

Summary of Objectives & Achievements

As an entity within The Big Issue group, TSELF shares and strives to achieve the group's mission, which "is to dismantle poverty by creating opportunity through self-help, social trading and business solutions". TSELF contributes to the group's mission by providing financing to sustainable social enterprises and charities which seek to tackle poverty and inequality. Accordingly, the Trustees have paid due regard to the Charity Commission's guidance on public benefit, and have adopted the following objectives:

Lead the way

We aim 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:

We have £849K of loans issued to social impact organisations across the country

Support deprived areas

We aim 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:

67% of loans are to organisations operating in one of the 25% most deprived boroughs or wards in England.

Lend responsibly

We aim 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:

We currently have only 2 clients where we believe full repayment of their loans may not be achieved (2016 7 clients).

Work in Partnership

We aim 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:

Close relationships with social enterprises and support organisations in the regions where we operate

The Social Enterprise Loan Fund

Report of the Trustees *(continued)* for the year ended 31 March 2017

The Board of Trustees present their report together with the audited financial statements for the year ended 31 March 2017.

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.

We will consider loan financing requests from charities and social enterprises throughout England 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.

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 maintain contact with each client on a regular basis to ensure the business is on plan.

It is clear that the current, historically low level of interest rates, along with the on-going challenges of securing suitable funding for lending purposes, will make achieving that objective more difficult. In light of this, the board has directed and provided guidance to management to undertake a thorough strategic review, and to provide recommendations on the most viable strategies available to TSELF.

The Social Enterprise Loan Fund

Report of the Trustees (*continued*) for the year ended 31 March 2017

GOING CONCERN

As at the date of approval of these financial statements, the Trustees are of the opinion that the going concern basis of preparation of the financial statements of the charitable company is appropriate

In reaching this opinion, the Trustees have considered the recent remediation plan approved by the board which includes renegotiating and restructuring creditor liabilities, and curtailing non-committed future investments and reducing the cost base. Whilst this plan is at an advanced stage and is not yet finalised, the Trustees have determined there is sufficient cash flows to meet all debts as they fall due.

GOVERNANCE AND DECISION MAKING

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

DECISION MAKING PROCESSES

The Social Enterprise Loan Fund Board of Trustees 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. Monitoring and managing potential conflicts of interest of management, Trustees and stakeholders, including misuse of corporate assets and abuse in related party transactions.
3. 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.
4. Monitoring the effectiveness of the governance practices under which TSELF operates and making changes as needed and ensuring a formal and transparent Trustee nomination process.
5. Overseeing the process of disclosure and communication.

TRUSTEES AND THEIR INTERESTS

The Trustees who also serve as Board Directors during the year and up to the date of signing the financial statements were:

Pyarali Jamal (Chair)
Roger Hooley
John Illingworth
Nigel Kershaw
Mohamed Omer

None of the Trustees have any beneficial interest in the company. Big Issue Invest Limited is the sole corporate member of the Charity and has agreed to contribute £1 in the event of the charity being wound up.

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

The Social Enterprise Loan Fund

Report of the Trustees (*continued*) for the year ended 31 March 2017

RECRUITMENT, INDUCTION & TRAINING OF TRUSTEES

It is our clear policy that the TSELF Board of Trustees will have a suitable combination of experience and leadership necessary to support the effective provision of loan finance to charities and social enterprises. In particular we need individuals with experience in:

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

In addition, we endeavour to have an appropriate mix of gender, ethnic, and regional representation on the board to strengthen our ability to best understand relevant issues, and to identify and adopt suitable strategic responses. Big Issue Invest has the right to appoint up to four Trustees and another three are people who are independent of Big Issue Invest. Trustees who are employees of Big Issue Invest may continue in post until they end that employment. All other 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 trustee to the Board, we would:

- 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 Board 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 Financial Statements;
- Providing our current Plan;
- Providing Minutes of recent Board 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 £73,785 (2016: £225,440) and expenditure totalled £67,490 (2016: 179,266)

A full analysis of our expenditure is given in Notes 6 & 7 under the headings of "Costs 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.

The Social Enterprise Loan Fund

Report of the Trustees (*continued*) for the year ended 31 March 2017

The 2017 financial statements have been drawn up for the year ended 31 March 2017

RELATED PARTIES

The Social Enterprise Loan Fund has entered into a management services agreement with Big Issue Invest (BII) under which BII carry out the day to day activities of the charity. In the year to 31 March 2017, the charity paid BII £15,000 (2016: £64,206) under this arrangement. The terms of the management services agreement including the annual budget are reviewed each year by three Trustees with no link to BII.

TSELF has lent £50,000, in previous years, to Big Issue Invest Corporate Social Ventures all of which remains outstanding.

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.

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; and
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 31 March 2017, the level of Unrestricted Reserves required under this policy would have amounted to £67,490. The actual level of Unrestricted Reserves as at that date was £435,724.

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 Board of Trustees.

FUNDING

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

COMMUNITY LOAN FUND LIMITED

The Community Loan Fund Limited is a dormant company of which The Social Enterprise Loan Fund is the sole Member. It has not traded since incorporation and does not have any assets or liabilities.

The Social Enterprise Loan Fund

Trustees' Responsibilities

Trustees' responsibilities

The Trustees are responsible for preparing the Trustees Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the charity's transactions and 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 Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

All of the current trustees have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the charitable company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The trustees are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

The annual report and financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

BY ORDER OF THE BOARD OF TRUSTEES



Pyarali Jamal
Chairman

1 - DEC - 2017

The Social Enterprise Loan Fund

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOCIAL ENTERPRISE LOAN FUND

We have audited the financial statements of The Social Enterprise Loan Fund for the year ended 31 March 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed auditor under the Companies Act 2006 and report in accordance with that Act. 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2017 and of the charity's incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the trustees' report has been prepared in accordance with applicable legal requirements.

Based on our knowledge and understanding of the charity and its environment obtained during the course of the audit we have identified no material misstatements in the trustees' report.

The Social Enterprise Loan Fund

Independent Auditor's Report *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements and the trustees' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.

BDO LLP

Fiona Condron (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date: 1 December 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Social Enterprise Loan Fund

Statement of Financial Activities for the year ended 31 March 2017

	Note	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Income from:					
Donations and legacies	3	-	-	-	98,216
Investments	4	630	-	630	803
Charitable activities	5	73,155	-	73,155	126,421
Total income		73,785	-	73,785	225,440
Expenditure on:					
Charitable activities	6	(55,490)	(12,000)	(67,490)	(179,266)
Total expenditure		(55,490)	(12,000)	(67,490)	(179,266)
Net income/(expenditure)		18,295	(12,000)	6,295	46,174
Transfers between funds		202,693	(202,693)	-	-
Net movements in funds		220,988	(214,693)	6,295	46,174
Balance brought forward at 1 April 2016	12,13	214,736	500,732	715,468	669,294
Balance carried forward at 31 March 2017	12,13	435,724	286,039	721,763	715,468

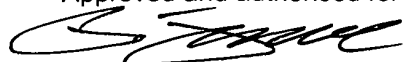
All amounts relate to continuing activities. All gains and losses recognised in the year are included above. The notes on pages 16 to 27 form part of these financial statements.

The Social Enterprise Loan Fund

Balance Sheet as at 31 March 2017

Company Registration No. 2995859 (England & Wales)	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Programme related investments	8		543,052		1,051,614
Current assets					
Programme related investments	8	220,792		454,276	
Debtors	9	24,215		33,524	
Cash and cash equivalents	16	791,974		949,076	
		1,036,981		1,436,876	
Creditors: amounts falling due within one year	10	(151,161)		(649,642)	
Net current assets			885,820		787,234
Total assets less current liabilities			1,428,872		1,838,848
Creditors: amounts falling due after more than one year	11		(707,109)		(1,123,380)
Net assets			721,763		715,468
Financed by:					
Funds of the charity					
Restricted funds	13		286,039		500,732
Unrestricted funds:	12		435,724		214,736
			721,763		715,468

Approved and authorised for issue on behalf of the Trustees on 1 December 2017 by:



P Jamal
Chairman

The notes on pages 16 to 27 form part of these financial statements

The Social Enterprise Loan Fund

Statement of Cash Flows for the year ended 31 March 2017

	Note	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities					
Net cash used in operating activities	15		(398,111)		(74,503)
Cash flows from investing activities					
Interest received		73,155		126,421	
Repayment of investments		715,937		403,765	
Net cash from investing activities			789,092		530,186
Cash flows from financing activities					
Interest paid		(110)		(29,138)	
New loans - bank		-		1,880	
Repayment of loan facility		(547,973)		-	
Net cash from financing activities			(548,083)		(27,258)
(Decrease)/ Increase in cash and cash equivalents in the year			(157,102)		428,425
Cash and cash equivalents at the beginning of the year	16		949,076		520,651
Total cash and cash equivalents at the end of the year	16		791,974		949,076

The notes on pages 16 to 27 form part of these financial statements

The Social Enterprise Loan Fund

Notes forming part of the Financial statements for the year ended 31 March 2017

1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Social Enterprise Loan Fund meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The preparation of the financial statements in accordance with FRS 102 requires the trustees to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement, or areas where assumptions or estimates were significant to the financial statements are disclosed in note 2.

b) Going concern

As at the date of approval of these financial statements the Trustees are of the opinion that the going concern basis of preparation of the financial statements of the company is appropriate

c) 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 fixed 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.

d) 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.

e) Investment Income

Investment income, including associated tax recoveries, is recognised when receivable and is allocated against the fund that facilitated the investment.

The Social Enterprise Loan Fund

Notes forming part of the Financial statements
for the year ended 31 March 2017

1 Accounting policies (*continued*)

f) 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 (Expenditure on raising funds); 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 contributes to future development of the charity. (Governance costs – included within Expenditure on Charitable activities)

Within Governance Costs, staff costs are 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.

g) 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. Transfers between unrestricted funds are made to reflect the level of investments in each fund and to cover expected expenditure.

h) 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.

i) Taxation

The charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried out in the furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Social Enterprise Loan Fund

Notes forming part of the Financial statements for the year ended 31 March 2017

1 Accounting policies (*continued*)

j) Financial instruments

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Bank loans

The Trust's bank loans are classified as basic financial instruments in accordance with FRS 102. This instrument is initially recorded at the transaction price less any transaction costs (historical cost) and subsequently measured at the amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents in the Group's balance sheet consists of cash at bank, in hand, deposits and notice accounts with an original maturity of three months or less.

Concessionary loans

Concessionary loans are initially recognised at the amount received or paid. The carrying amount is adjusted in subsequent years to reflect repayments, accrued interest and if necessary for any impairment.

2 Accounting estimates and judgements

In preparing the financial statements, the trustees are required to make estimates and judgements. The matters considered below are considered to be the most important in understanding the judgements that are involved in preparing the financial statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cash flows. Accounting policies are shown at note 1 to the financial statements.

Cost allocation

As per note 1, costs are allocated directly to charitable activities and services for beneficiaries. Governance, premises and sundry costs are allocated to activity cost categories on a basis consistent with the use of staff resources. Items of expenditure involving more than one cost category are apportioned on an appropriate basis.

The Social Enterprise Loan Fund

Notes forming part of the Financial statements
for the year ended 31 March 2017 (*continued*)

2 Accounting estimates and judgement (*continued*)

Loan provision policy

The loan portfolio is assessed annually to determine an appropriate level of bad debt provision using the below guideline for the different fund sources of loans:

Grant funding

Existing provisions are reversed to the extent that grant funding is available to absorb potential losses;

Non-grant funded loans

For any loans where TSELF is liable for any bad debts a specific provision is made on a case-by-case basis for each loan if the loan manager has any information to suggest that the client may default on some or all of the outstanding balance.

3 Donations and legacies

	General	Restricted	Total 2017	Total 2016
	£	£	£	£
Grants receivable	-	-	-	98,216
	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,216</u>
	-	-	-	98,216
	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,216</u>

Last year £89,108 of income related to restricted funds and £9,108 related to general funds

4 Income from Investments

	General	Restricted	Total 2017	Total 2016
	£	£	£	£
Bank interest	630	-	630	803
	<u>630</u>	<u>-</u>	<u>630</u>	<u>803</u>
	630	-	630	803
	<u>630</u>	<u>-</u>	<u>630</u>	<u>803</u>

Previous year income all related to general funds

The Social Enterprise Loan Fund

Notes forming part of the Financial statements
for the year ended 31 March 2017 (*continued*)

5 Income from charitable activities

	General £	Restricted £	Total 2017 £	Total 2016 £
Loan interest	73,155	-	73,155	126,421
	<u>73,155</u>	<u>-</u>	<u>73,155</u>	<u>126,421</u>

Previous year income all related to general funds

6 Allocation of expenditure on charitable activities

	Direct charitable activities £	Governance costs £	Total 2017 £	Total 2016 £
Premises and operational	43,360	-	43,360	116,903
Interest expense and bank charges	1,393	-	1,393	31,128
Legal and other professional services	5,106	-	5,106	18,288
- Audit fee	-	17,631	17,631	11,940
- Trustees expenses	-	-	-	1,007
	<u>49,859</u>	<u>17,631</u>	<u>67,490</u>	<u>179,266</u>

The expenditure for the year totalled £67,490 (2016 - £179,266) of which £55,490 was unrestricted general (2016: £70,164) and £12,000 was restricted (2016: £109,102).

No remuneration was paid to Trustees nor any persons connected with them in the year (2016: £nil).

During the year ERDF funding of £12,000 was reclaimed by the funder.

The Social Enterprise Loan Fund

Notes forming part of the Financial statements for the year ended 31 March 2017 (continued)

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Employee costs during the year were £nil (2016: nil).

The average monthly number of employees of the company during the year was nil (2016: nil)

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

Travel expenses of £nil (2016: £1,007) were incurred on behalf of the Board of Trustees. Reimbursed expenses do not form part of remuneration, and are subject to the normal processes of internal financial control.

Key management personnel of the group include Trustees, directors of the subsidiary and the senior management team. The total employee benefits to the key management personnel were £nil (2016 - £nil).

8 Programme Related Investments

	2017 Total £	2016 Total £
Cost		
At 1 April 2016	1,664,442	2,164,217
Repayments	(715,937)	(403,765)
Disposals / write off	(99,661)	(96,010)
	<hr/>	<hr/>
At 31 March 2017	848,844	1,664,442
	<hr/>	<hr/>
Provisions		
At 1 April 2016	158,552	299,451
Charge for the year	(5,617)	(37,155)
Disposals	(67,935)	(103,744)
	<hr/>	<hr/>
At 31 March 2017	85,000	158,552
	<hr/>	<hr/>
Net book amount at 31 March 2017	763,844	1,505,890
	<hr/>	<hr/>

The Social Enterprise Loan Fund

Notes forming part of the Financial statements
for the year ended 31 March 2017 *(continued)*

8 Programme Related Investments (continued)

Programme related investments are repayable in the following manner:

	2017 Total £	2016 Total £
Within one year	220,792	454,276
After one and within two years	106,922	266,331
After two and within five years	180,428	370,856
After five years	255,702	414,427
Total investments	<u>763,844</u>	<u>1,505,890</u>

Programme related investments repayable within one year are included within current assets.

9 Debtors: Amount falling due within one year

	2017 £	2016 £
Other debtors	20,608	6,978
Prepayments and accrued income	3,607	26,547
	<u>24,215</u>	<u>33,524</u>

The Social Enterprise Loan Fund

Notes forming part of the Financial statements
for the year ended 31 March 2017 (*continued*)

10 Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts	128,931	303,524
Other creditors	1,600	254,178
Deferred grant	-	15,000
Accruals and deferred income	20,630	76,940
	<u>151,161</u>	<u>649,642</u>

11 Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	250,000	623,380
Deferred grant	457,109	500,000
	<u>707,109</u>	<u>1,123,380</u>

Borrowings are repayable as follows:

	2017 £	2016 £
In one year or less, or on demand	128,931	303,524
In more than one year but not more than two years	125,000	297,913
In more than two years but not more than five years	125,000	325,467
	<u>378,931</u>	<u>926,904</u>

Included within creditors falling due after more than one year is a deferred grant of £457,109 from Regional Growth Fund. This carries a first loss clause meaning that any losses incurred from lending due to client default are recognised against this amount. As such any losses will be drawn down from this grant until the end of the project at which time the charity will repay the balance.

The Social Enterprise Loan Fund

Notes forming part of the Financial statements
for the year ended 31 March 2017 (*continued*)

12 Unrestricted Funds

General fund

	At 1 April 2016 £	Transfers £	Incoming	Outgoing £	At 31 March 2017 £
General Fund	214,736	202,693	73,785	(55,490)	435,724

	At 1 April 2015 £	Transfers £	Incoming	Outgoing £	At 31 March 2016 £
General Fund	148,568	-	136,332	(70,164)	214,736

13 Restricted Funds

	At 1 April 2016 £	Transfers £	Incoming	Outgoing £	At 31 March 2017 £
Community Loan Fund					
Advantage	309,861	(23,822)	-	-	286,039
North West	190,871	(178,871)	-	(12,000)	-
Total	500,732	(202,693)	-	(12,000)	286,039

	At 1 April 2015 £	Transfers £	Incoming	Outgoing £	At 31 March 2016 £
Community Loan Fund					
Advantage	220,753	-	89,108	-	309,861
North West	299,973	-	-	(109,102)	190,871
Total	520,726	-	89,108	(109,102)	500,732

The purpose of each Community Loan Fund is to provide assistance in contributing to the regeneration of deprived areas of England.

The North West loan stock was funded by ERDF grant money. Following the completion of their audit this year they have confirmed that we no longer have any restrictions on how we use the remaining funds. As such these funds have now been transferred from restricted to general.

The Social Enterprise Loan Fund

Notes forming part of the Financial statements
for the year ended 31 March 2017 (*continued*)

14 Analysis of net assets between funds

	Current assets	Programme related investment	Current liabilities	Long term liabilities	Net assets
As at 31 March 2017	£	£	£	£	£
General fund	750,942	543,052	(151,161)	(707,109)	435,724
Total unrestricted funds	750,942	543,052	(151,161)	(707,109)	435,724
Restricted funds					
Advantage	286,039	-	-	-	286,039
Total restricted funds	286,039	-	-	-	286,039
Overall total	1,036,981	543,052	(151,161)	(707,109)	721,763
As at 31 March 2016					
General fund	899,501	626,028	(480,281)	(830,512)	214,736
Total unrestricted funds	899,501	626,028	(480,281)	(830,512)	214,736
Restricted funds					
Advantage	400,000	107,574	(72,443)	(125,270)	309,861
North West	137,375	318,012	(96,918)	(167,598)	190,871
Total restricted funds	537,375	425,586	(169,361)	(292,868)	500,732
Overall total	1,436,876	1,051,614	(649,642)	(1,123,380)	715,468

The Social Enterprise Loan Fund

Notes forming part of the Financial statements
for the year ended 31 March 2017 (*continued*)

15 Reconciliation of net (expenditure) to net cash flow from operating activities and analysis of cash and cash equivalents

	2017 £	2016 £
Net income/(expenditure) for the year (as per the Statement of financial activities)		
	6,295	46,174
Interest payable	110	29,138
Interest received	(73,155)	(126,421)
Decrease in debtors	9,309	2,571
(Decrease)/ increase in creditors	(366,779)	98,924
(Increase) in provisions	(73,552)	(140,899)
Loans written off	99,661	96,010
Loans converted into grants	-	(80,000)
Net cash outflow from operating activities	(398,111)	(74,503)

16 Analysis of cash and cash equivalents

Included in the statement of financial activities are the following amounts in respect of the Trust:

	2017 £	2016 £
Cash at bank and in hand	791,974	949,076
Total cash and cash equivalents	791,974	949,076

17 Financial commitments

As at 31 March 2017, the charity did not have any offers outstanding in respect of new investment loans (2016: nil).

18 Grant payments

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

19 Liability of members

The liability of members is limited. In the event of the company being wound up during a member's period of membership, or within a year afterwards, an amount not exceeding £1 may be required from that member towards the payment of debts and liabilities of the company incurred before membership ceased. As at 31 March 2017 the company had 1 member (31 March 2016: 1), Big Issue Invest Limited.

The Social Enterprise Loan Fund

**Notes forming part of the Financial statements
for the year ended 31 March 2017 (*continued*)**

20 Related party transactions

During the year, the Company paid management fees of £15,000 (2016: £64,206) to its corporate member company Big Issue Invest Limited. At the year end the Company owed Big Issue Invest Limited £5,000 (2016: £226,256) and is owed £20,608 from Big Issue Invest (2016: nil)

TSELF has lent £50,000 to CSV. This is unsecured at 0% interest and will be repaid upon the completion of the "Tech for good" project run by CSV.