FSE C.I.C.

Directors' report and financial statements

For the year ended 31 March 2018

Registered number. 04463599

Company Information

Directors	R Spencer C Reid MBE M Burch L Earley
Company secretary	D Huxford
Registered number	04463599
Registered office	Riverside House 4 Meadows Business Park Blackwater Surrey GU17 9AB
Independent auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank plc Tunbridge Wells Kent TN1 2TB

Contents

Directors' report
For the year ended 31 March 2018

The directors present their report together with the financial statements of FSE C.I.C ("the Company") and its subsidiaries, together known as "The FSE Group" or "the Group" or "FSE" for the year ended 31 March 2018.

Business review

During the year the Group undertook trading activities in the following areas:

a) fund management and the provision of mentoring services;

b) provision of finance for small and medium-sized enterprises;

c) provision of finance for social enterprises; and

d) acting as fund manager and administrator for certain funds.

On 6 January 2012, the Company was granted C.I.C. status, which is compatible with its aims. The Group arranges the provision of finance and support to small and medium-sized enterprises (SMEs) primarily in the South and East of England and for social enterprises, across the UK. Any surplus on activities is used for the furtherance of FSE's objectives for the benefit of the community.

During the year the Group continued to manage a number of funds some of which are actively investing or lending and others that are now in their run off phase.

Active funds include.

The Regional Growth Loan Scheme in the East of England, launched in 2009, providing finance, in the range of £50,000 to £200,000, to new and existing SME businesses.

The South East Seed Fund, launched in 2008, which makes equity investments of between £50,000 and £250,000 in SMEs. During the year the fund continued to invest. The committed capital fund stands at £7.065m.

The Thames Valley Berkshire Local Economic Partnership (LEP) Funding Escalator, which was launched in early 2013, and is comprised of two loan and one equity schemes supporting early stage potentially high growth SME's in Berkshire.

The Coast to Capital LEP Funding Escalator, which was launched in February 2014, is comprised of loan and an equity schemes supporting SME's in the LEP's area from Brighton along the M23 corridor to Croydon.

The Enterprise M3 LEP Funding Escalator, launched in July 2014, is comprised of loan and equity schemes which cover the M3 corridor.

The Social Impact Accelerator also launched in February 2014 comprises a national loan scheme focused on medium sized social enterprises.

The FSE Group continues to expand and seek new opportunities in its existing areas of activity.

Principal risks and uncertainties

Existing contracts continue to be renewed in line with expectations. Most of the fund management activities are inherently longer-term in nature and therefore provide some degree of certainty as to ongoing revenues.

Future prospects

Fund management is the primary activity of the FSE Group and, where appropriate, it works with partners to develop new funds and schemes to increase the availability of appropriate funding to both the SME and Social Enterprise communities.

The difficulties in obtaining funding that early stage businesses have always faced remain a challenge and the FSE Group continuously looks for ways to address this problem. The wider environment is improving though with the increasing importance of the LEPs and the government's continuing commitment to develop the British Business Bank.

Directors' report (continued)
For the year ended 31 March 2018

Directors

The directors who served during the year were:

K Jones (resigned 31 October 2017)
R Spencer
C Reid MBE
M Burch
D Mayer (appointed 13 November 2017; resigned 4 October 2018)
L Earley

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Auditor

The auditor, Buzzacott LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors 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 Company and the Group and of the surplus or deficit of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Directors' report (continued)

For the year ended 31 March 2018

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that.

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

This report was approved by the board on 4 October 2018 and signed on its behalf.

R Spencer
Director

Buzzacott
CHARTERED ACCOUNTANTS

Independent auditor's report to the members of FSE C.I.C.

For the year ended 31 March 2018

Opinion

We have audited the financial statements of FSE C.I.C. (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise the Group Statement of income and retained earnings, the Group and Company Statements of financial position, the Group Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice)

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are *relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical* Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Buzzacott
CHARTERED ACCOUNTANTS

Independent auditor's report to the members of FSE C.I.C. (continued)
For the year ended 31 March 2018

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Buzzacott
CHARTERED ACCOUNTANTS

Independent auditor's report to the members of FSE C.I.C. (continued)

For the year ended 31 March 2018

Use of our report

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

Peter Chapman (Senior statutory auditor)
for and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

4 October 2018

Consolidated statement of income and retained earnings

For the year ended 31 March 2018

	Note	2018 £	2017 £
Revenue		**2,356,417**	2,206,700
Gross profit		**2,356,417**	2,206,700
Administrative expenses		**(2,380,308)**	(2,314,929)
Operating loss	5	**(23,891)**	(108,229)
Interest receivable and similar income	9	**7,071**	8,067
Loss before tax		**(16,820)**	(100,162)
Loss after tax		**(16,820)**	(100,162)
Retained earnings at the beginning of the year		**694,798**	794,960
Loss for the year		**(16,820)**	(100,162)
Retained earnings at the end of the year		**677,978**	694,798

The notes on pages 11 to 23 form part of these financial statements.

Consolidated statement of financial position
As at 31 March 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	11		**23,381**		12,563
Investments	12		**6,260**		6,260
			29,641		18,823
Current assets					
Debtors	13	**197,733**		187,990	
Cash at bank and in hand	15	**774,659**		824,817	
		972,392		1,012,807	
Creditors: amounts falling due within one year	16	**(324,055)**		(336,832)	
Net current assets			**648,337**		675,975
Total assets less current liabilities			**677,978**		694,798
Net assets			**677,978**		694,798
Capital and reserves					
Profit and loss account			**677,978**		694,798
			677,978		694,798

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 October 2018.

R Spencer
Director

The notes on pages 11 to 23 form part of these financial statements.

Company statement of financial position
As at 31 March 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	11		23,381		12,563
Investments	12		80,271		80,271
			103,652		92,834
Current assets					
Debtors	13	99,763		107,903	
Cash at bank and in hand	15	204,550		238,778	
		304,313		346,681	
Creditors: amounts falling due within one year	16	(188,118)		(180,077)	
Net current assets			116,195		166,604
Total assets less current liabilities			219,847		259,438
Net assets			219,847		259,438
Capital and reserves					
Profit and loss account			219,847		259,438
			219,847		259,438

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 October 2018.

R Spencer
Director

The notes on pages 11 to 23 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	**(16,820)**	(100,162)
Adjustments for:		
Depreciation of tangible assets	**5,025**	7,948
Interest received	**(7,071)**	(8,067)
(Increase)/decrease in debtors	**(9,743)**	58,594
Decrease in creditors	**(12,777)**	(83,492)
Net cash generated from operating activities	**(41,386)**	(125,179)
Cash flows from investing activities		
Purchase of tangible fixed assets	**(15,843)**	(5,000)
Interest received	**7,071**	8,067
Net cash from investing activities	**(8,772)**	3,067
Net decrease in cash and cash equivalents	**(50,158)**	(122,112)
Cash and cash equivalents at beginning of year	**824,817**	946,929
Cash and cash equivalents at the end of year	**774,659**	824,817
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**774,659**	824,817
	774,659	824,817

Notes to the financial statements
For the year ended 31 March 2018

1. Company Information

FSE C.I.C is a community interest company limited by guarantee which is registered in England and Wales. Its registered office is Riverside House, 4 Meadows Business Park, Station Approach, Blackwater, Surrey, GU17 9AB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the financial statements
For the year ended 31 March 2018

2. **Accounting policies (continued)**

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold equipment	- Over the life of the lease
Office equipment	- 20% - 33% per annum on a straight-line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of income and retained earnings.

2.5 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease to the first available break date.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated income and expenditure account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.9 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Functional and presentation currency

The Company's functional and presentational currency is GBP.

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Notes to the financial statements
For the year ended 31 March 2018

2. **Accounting policies (continued)**

2.13 Interest income

Interest income is recognised in the Consolidated statement of income and retained earnings using the effective interest method.

2.14 Taxation

Tax is recognised in the Consolidated statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 Investment funding

The group receives money from funding bodies to provide financial support schemes to small and medium enterprises. Until drawn down, the funds are repayable.

Amounts held for investment and amounts due back to the funding provider are not disclosed on the face of the balance sheet, nor is the income in respect of these funds recognised in the profit and loss account as the company is acting, in substance, as an agent, administering these funds in return for the fund meeting operating costs of the company.

Notes to the financial statements
For the year ended 31 March 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year-end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The directors do not consider that there were any significant areas of estimation uncertainty or application of judgement.

4. Revenue

All revenue arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	**5,025**	7,948
Operating lease rentals	**44,175**	43,566

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	**8,000**	8,000
Fees payable to the Group's auditor and its associates in respect of:		
The auditing of accounts of associates of the Group pursuant to legislation	**34,750**	34,750
Audit-related assurance services	**1,500**	1,500
Taxation compliance services	**12,150**	12,150
All other non-audit services not included above	**12,450**	12,450

Notes to the financial statements
For the year ended 31 March 2018

7. Employees

Staff costs during the year, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	1,373,750	1,347,108
Social security costs	150,640	142,270
Cost of defined contribution scheme	57,326	66,670
	1,581,716	1,556,048

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Administration	7	4
Management	23	23
	30	27

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	176,437	175,320
Company contributions to defined contribution pension schemes	4,055	-
	180,492	175,320

During the year retirement benefits were accruing to 1 directors (2017 - NIL) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 director (2017 - one) in respect of defined contribution pension schemes.

9. Interest receivable

	2018 £	2017 £
Other interest receivable	7,071	8,067
	7,071	8,067

Notes to the financial statements
For the year ended 31 March 2018

10. Taxation

	2018 £	2017 £
Total current tax	-	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below.

	2018 £	2017 £
Loss on ordinary activities before tax	(16,820)	(100,162)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	(3,196)	(20,032)
Effects of:		
Expenses not deductible for tax purposes	162	1,791
Movement in deferred tax not recognised	47,434	60,531
Non-taxable income	(44,400)	(42,290)
Total tax charge for the year	-	-

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. Legislation has also been substantively enacted to reduce the corporation tax rate to 17% from 1 April 2020.

The Group has an unrecognised deferred tax asset of £238,592 (2017: £196,271) principally arising from unutilised tax losses carried forward. A deferred tax asset has not been recognised due to inherent uncertainty over timing of future taxable profits.

Notes to the financial statements
For the year ended 31 March 2018

11. Tangible fixed assets

Group and Company

	Leasehold improvements £	Office equipment £	Total £
Cost or valuation			
At 1 April 2017	35,642	84,904	120,546
Additions	-	15,843	15,843
At 31 March 2018	35,642	100,747	136,389
Depreciation			
At 1 April 2017	34,730	73,253	107,983
Charge for the year	644	4,381	5,025
At 31 March 2018	35,374	77,634	113,008
Net book value			
At 31 March 2018	268	23,113	23,381
At 31 March 2017	912	11,651	12,563

Notes to the financial statements
For the year ended 31 March 2018

12. Fixed asset investments

Group

	Investments in associates £
Cost or valuation	
At 1 April 2017	6,260
At 31 March 2018	6,260
Net book value	
At 31 March 2018	6,260
At 31 March 2017	6,260

Interest in group entities

FSE C.I.C. has a 75% interest in a limited partnership Seed Fund (Carry Partner) Limited Partnership (Scotland) which holds a 20% limited partner interest in South East Seed Fund Limited Partnership. The interest of the limited partner is limited to its capital contribution of £18 (2017: £18).

Entity	Business	Description of contribution held	Effective interest
South East Seed Fund LP	Fund management	Capital	15%

The South East Seed Fund is incorporated in England and Wales

Notes to the financial statements
For the year ended 31 March 2018

12. Fixed asset investments (continued)

Interest in group undertakings

At 31 March 2018 the following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
FSE Loan Management Limited	Ordinary	100 %	Provision of loans
FSE Fund Managers Limited	Ordinary	100 %	Fund Management
SEFM General Partner Limited *	Ordinary	100 %	Fund Management
Seed Fund (Carry Partner) General Partner Limited *	Ordinary	100 %	Fund Management
Finance South East Limited	Ordinary	100 %	Dormant
Finance East Limited *	Ordinary	100 %	Dormant
FE Loan Management Limited *	Ordinary	100 %	Loan Management
South East Sustainability Limited *	Ordinary	100 %	Fund Management
TVB Loan Management Limited	Ordinary	100 %	Loan Management
EM3 SME Finance Limited	Ordinary	100 %	Fund Management
C to C SME Finance Limited	Ordinary	100 %	Fund Management
FSE Social Impact Accelerator Limited	Ordinary	100 %	Fund Management
FSE Local Growth Finance Limited	Ordinary	100 %	Dormant
Finance Midlands Limited	Ordinary	100 %	Dormant

Seed Fund (Carry Partner) General Partner Limited is incorporated in Scotland. All of the other subsidiary undertakings are incorporated in England and Wales.

* Held by a subsidiary

Company

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost or valuation			
At 1 April 2017	74,011	6,260	80,271
At 31 March 2018	74,011	6,260	80,271
Net book value			
At 31 March 2018	74,011	6,260	80,271
At 31 March 2017	74,011	6,260	80,271

Notes to the financial statements
For the year ended 31 March 2018

13. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	**29,544**	23,901	**-**	7,500
Amounts owed by group undertakings	**-**	-	**45,721**	45,839
Other debtors	**113,479**	109,718	**77**	193
Prepayments and accrued income	**54,710**	54,371	**53,965**	54,371
	197,733	187,990	**99,763**	107,903

14. Balances in respect of fund manager activities

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Net asset value of funds under management	**24,954,383**	26,587,774	**1,751,213**	1,771,588
	24,954,383	26,587,774	**1,751,213**	1,771,588

Funds under management represents cash not invested and invested loans.

15. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	**774,659**	824,817	**204,550**	238,778
	774,659	824,817	**204,550**	238,778

16. Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	**49,040**	36,231	**38,179**	30,449
Amounts owed to group undertakings	**-**	-	***15,557***	*4,321*
Other taxation and social security	**47,407**	52,263	**47,407**	52,223
Other creditors	***50,184***	*17,678*	***38,705***	*9,494*
Accruals and deferred income	**177,424**	230,660	**48,270**	83,590
	324,055	336,832	**188,118**	180,077

Notes to the financial statements

For the year ended 31 March 2018

17. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets measured at fair value through profit or loss	**774,659**	824,817	**204,550**	238,778
Financial assets that are debt instruments measured at amortised cost	**143,023**	133,619	**45,798**	53,532
	917,682	958,436	**250,348**	292,310
Financial liabilities measured at amortised cost	**(278,519)**	(284,569)	**(154,061)**	(127,854)

Financial assets measured at fair value through profit or loss comprise of cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to group undertakings, other creditors and accruals.

18. Contingent liabilities

Four group companies are General Partners of Limited Partnerships. As General Partners, the companies are (on an unlimited basis) fully liable for such of the Limited Partnerships' debts, liabilities and obligations that exceed the total liabilities of the respective Limited Partners. As at the year end no liabilities in respect of these partnership arrangements is expected to crystallise.

The Company is committed to pay £18,750 in respect of unpaid redeemable share capital in Social Impact VCT plc. This amount becomes due if called, which is not expected to be until an investor is found for the business. At 31 March 2018 it is not probable that this amount will be paid and therefore no provision has been made on this basis.

There were no other contingent liabilities at 31 March 2018 or 31 March 2017.

19. Capital commitments

At 31 March 2018 the Group and Company had no outstanding capital commitments (2017 - £nil).

20. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £53,271 (2017 - £63,357). £7,021 of contributions were payable to the fund at the balance sheet date (2017 - £6,533).

Notes to the financial statements
For the year ended 31 March 2018

21. Commitments under operating leases

At 31 March 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

Group	2018 £	2017 £
Not later than 1 year	**17,521**	57,158
Later than 1 year and not later than 5 years	-	17,521
Total	**17,521**	74,679

22. Related party transactions

The company has taken advantage of the exemption to disclose related party transactions with other group companies whose shares are 100% controlled within the group as conferred by Financial Reporting Standard 102 paragraph 33.1A "Related Party Disclosures".

There were no other related party transactions during the year ended 31 March 2018.

23. Controlling party

The Company is limited by guarantee and therefore the directors do not consider there to be an ultimate controlling party.

24. Company status

The company is limited by guarantee and does not have issued share capital. No part of the Company's income of capital may be distributed to members by dividend or other distribution, other than by reasonable and proper remuneration for services provided. On a winding-up any surplus must be paid to one or more companies, organisations or institutions that exist for purposes similar to those of the Company. On a winding-up member liability is limited to £1 each. The current members are C Reid, R Spencer and M Burch and L Earley.

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CIC 34

Community Interest Company Report

For official use *(Please leave blank)*	
Company Name in full	FSE C.I.C.
Company Number	4463599
Year Ending	31.03.18

Please complete in typescript, or in bold black capitals.

PART 1 - GENERAL DESCRIPTION OF THE COMPANY'S ACTIVITIES AND IMPACT

In the space provided below, please insert a general account of the company's activities in the financial year to which the report relates, including a description of how they have benefited the community.

In the year to 31.03.2018 FSE C.I.C, and its wholly owned subsidiaries, collectively referred to in this report as 'FSE', provided the following services to its Community:

- financing for small & medium enterprises (SMEs)
- financing for social enterprises
- fund management and administration
- mentoring services for SMEs and Social Enterprises.

Our community is made up of the SMEs and Social Enterprises that find it difficult to raise finance though traditional routes. Our schemes of financing these growth businesses go some way to address this problem & assist the growth in economy by job creation or social impact benefits.

In the year to 31.03.2018, 58 approved applications were drawn & funds totalling £5.5m were either loaned or invested into these entities. Whilst enabling the SMEs & Social Enterprises to grow, the financing of these has additionally created or safeguarded 448 jobs.

This year our Social Impact Accelerator fund has committed a further £1m to help social enterprises, particularly in the area of financial inclusion, where the fund committed a further £900,000 to additional Social enterprises, subsequent to the March -18 year end. The recipients of funding commitment to March 2018 include:

- Provider of alternative finance via an online shopping platform (social alternative to Brighthouse) ; the enterprise is reducing the poverty premium for low-income households with an average £500 savings per item and FSE funding is designed to enable a doubling of customers supported to 12,500
- Provider of affordable credit to the North East of England and Scotland to low-income households who would otherwise be dependent on borrowing from very high-cost commercial lenders ; FSE funding formed part of a wider syndicate of social investment which is designed to enable the organisation to expand its annual lending from ca.£4m to £10m+ within 3-4 years.
- Operator of affiliate marketing/cashback platform for charity donations, which in particular provides fund-raising opportunities for smaller charities, community groups and schools which otherwise struggle to raise donations, being caught in a pincer movement of reducing charitable giving and reducing government budgets. The business has a database of over 200,000 registered causes creating a large breadth of social impact and FSE funding is designed to enable substantial expansion both in "active givers" and registered causes.

The FSE Group Mentoring Programme assisted 28 growth companies with free mentoring during the period in question.

(If applicable, please just state "A social audit report covering these points is attached").

(Please continue on separate continuation sheet if necessary.)

PART 2 – CONSULTATION WITH STAKEHOLDERS – Please indicate who the company's stakeholders are; how the stakeholders have been consulted and what action, if any, has the company taken in response to feedback from its consultations? If there has been no consultation, this should be made clear.

For the purposes of this report, FSE's stakeholders are defined in two ways. Firstly the small & medium size enterprises (SMEs) & Social Enterprises into which investments/loans are made. Secondly, the investors that provide funding for the schemes that FSE manages.

SMEs that receive funding via Loans or Equity investments are typically based in the South East & East of England.

Social Enterprises are supported in all locations of the UK though the Social Impact Accelerator scheme that was launched in February 2014.

Entitles that are supported are closely monitored by the relevant Fund Manager that arranged their funding. There is the opportunity for these entities to receive free mentoring through our mentoring Programme should the need arise.

Our investor stakeholders receive regular reporting reviews, frequently involving quarterly steering groups, which details how the money has been invested/lent – and specifically who has been assisted from this source of funds.

(If applicable, please just state "A social audit report covering these points is attached").

PART 3 – DIRECTORS' REMUNERATION – if you have provided full details in your accounts you need not reproduce it here. Please clearly identify the information within the accounts and confirm that, "There were no other transactions or arrangements in connection with the remuneration of directors, or compensation for director's loss of office, which require to be disclosed" (*See example with full notes*). If no remuneration was received you must state that "no remuneration was received" below.

Details of Directors remuneration can be found in Point 8 of the notes to the Accounts. There were no other transactions or arrangements in connection with the remuneration of directors, or compensation for director's loss of office which require to be disclosed.

PART 4 – TRANSFERS OF ASSETS OTHER THAN FOR FULL CONSIDERATION – Please insert full details of any transfers of assets other than for full consideration e.g. Donations to outside bodies. If this does not apply you must state that "no transfer of assets other than for full consideration has been made" below.

No transfer of assets have been made during the financial year in question.

(Please continue on separate continuation sheet if necessary.)

PART 5 – SIGNATORY

The original report must be signed by a director or secretary of the company	Signed	[signature]	Date 12 12 18

Office held (delete as appropriate) Director/~~Secretary~~

You do not have to give any contact information in the box opposite but if you do, it will help the Registrar of Companies to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Robert Spencer, Director & Chairman	
Riverside House, 4 Meadows Business Park,	
Station Approach, Blackwater, Camberley, Surrey	
GU17 9AB	Tel: 01276 608510
DX Number	DX Exchange

When you have completed and signed the form, please attach it to the accounts and send both forms <u>by post</u> to the Registrar of Companies at:

For companies registered in England and Wales: Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff

For companies registered in Scotland: Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF DX 235 Edinburgh or LP – 4 Edinburgh 2

For companies registered in Northern Ireland: Companies House, 2nd Floor, The Linenhall, 32-38 Linenhall Street, Belfast, BT2 8BG

The accounts and CIC34 **cannot** be filed online

This template illustrates what the Regulator of Community Interest Companies considers to be best practice for completing a simplified community interest company report. All such reports must be delivered in accordance with section 34 of the Companies (Audit, Investigations and Community Enterprise) Act 2004 and contain the information required by Part 7 of the Community Interest Company Regulations 2005. For further guidance see chapter 8 of the Regulator's guidance notes and the alternate example provided for a more complex company with more detailed notes.

(N.B. A Filing Fee of £15 is payable on this document. Please enclose a cheque or postal order payable to Companies House)