Community Chest.co.uk peer to peer lending for good

ART Business Loans

lending to businesses in Birmingham.

This is a ThinCats lending opportunity with a difference. The loan is to a long-established *Community Development Finance Institution* ART Business Loans (ART) which has partnered with Birmingham City Council to make loans to businesses in Birmingham unable to access the finance they need from a bank.

ART lends to viable businesses, operating in any market sector and for any business purpose, to help them grow, diversify, create and preserve jobs. This lending is made on commercial terms but also generates a social and economic impact for the City.

Birmingham City Council has always been very supportive of ART and together they recognise the advantages of encouraging borrowers and lenders in Birmingham to make the most of the benefits offered by peer to peer lending. This pilot project with ThinCats is planned to be the first stage of a major initiative which could eventually provide ART with a substantial proportion of the funds it needs to on-lend and bring substantial private investment to businesses in Birmingham.

Apart from offering ThinCats investors an opportunity to "put something back" by helping businesses in Birmingham this loan to ART provides an attractive rate of return for tax payers in the form of Community Investment Tax Relief, which reduces investors tax bills by 5% of the loan value per annum over a five-year period. This equates to a 6.25% return for standard rate Income Tax payers, 8.3% if you pay 40% tax and 9.1% for higher rate tax payers. The Tax relief also applies to businesses which get Corporation Tax relief, providing an income equivalent to 5.8%.

The ThinCats loan is for 5 years at 0% interest (so there will be no taxable income) and the capital will be repaid in a single payment at the end of 5 years. These loans cannot be traded on the ThinCats secondary market because the tax relief would be lost. ART has the cash flow to facilitate repayment at the end of the 5 years and has always met its commitments to repay such loans in the past.

NOTE: This loan will only be of interest to investors who are UK Income Tax payers or UK businesses that pay Corporation Tax and are able to leave their investment in place for five years. Please read this information pack carefully to make sure that the opportunity is suitable for your circumstances.

The project

This loan is the first stage of a three-year initiative with support from Birmingham City Council through which ART is planning to raise and lend a total of £3 million to small businesses in Birmingham. The objective is to encourage local people to invest in local businesses through peer to peer lending and to develop crowdfunding as a significant source of capital for ART. The £3m will be raised in tranches using a combination of support from ThinCats investors, Birmingham City Council and Unity Trust Bank.

For this listing, ART Business Loans is seeking to raise £250,000 (minimum £75,000) from ThinCats investors to lend to viable businesses in Birmingham. The funds will be on-lent to businesses in Birmingham at commercial rates of interest. Investors may be interested to know that unlike other investment tax relief there is no upper limit to their CITR investment except that the 5% tax relief is limited to the amount of tax you pay in each year. This means that if you think that you may not be paying tax at some point over the next 5 years this investment may not be appropriate for you. It is probable that the opportunity will be most attractive for high rate tax payers and companies seeking a long-term investment that produces a predictable and attractive return on investment.

How Community Investment Tax Relief works

- The relief is provided as a reduction on the amount of tax paid in a year by the investor.
- It equates to 5% of the amount invested in an accredited CDFI, so on an investment of £10,000 that equals £500p.a.
- The investment must be for five years and retained (i.e. no early repayment) to obtain the maximum relief each year.
- The CDFI will issue a tax certificate to the investor, which the investor sends to HMRC. In order to create the tax certificate on the HMRC website, the CDFI will need to enter certain personal information such as your name and address and by bidding on this loan you acknowledge that ThinCats will provide that information to the CDFI.
- CDFIs are authorised to create the tax certificates themselves and there is no need for the pre-clearance that would be needed for EIS or SITR tax relief.

The equivalent % return is calculated according to revenue by saying what return would be required to provide £500 on an investment of £10,000 for a tax payer.

The following table illustrates the effective annual return to lenders from a 5% tax rebate:

Income Tax Payers	**Effective Rate**
20% marginal tax rate	6.2%
40% marginal tax rate	8.3%
45% marginal Tax Rate	9.1%
Corporation Tax Payers (17.5%)	5.8%

Further information on CITR can be found by following this link:
https://www.gov.uk/government/publications/community-investment-tax-relief-citr

Why this loan is so different?

Unlike the normal ThinCats loans that are generally made to a single company and are secured by a charge over that company's assets, loans that qualify for CITR tax relief are made to social businesses known as **Community Development Finance Institutions** (CDFIs) that use the funds to on-lend to local businesses that have difficulty attracting bank funding. Risks are mitigated in this case by the track record and strong balance sheet of the borrower, the support provided by Birmingham City Council and the income in the form of tax relief paid by HMRC.

There are over 60 CDFIs in the UK and they have had considerable support from the UK Government, European Commission, several major banks and their local business communities. Between them they have made over 280,000 loans totalling over £1.6bn in the past 10 years. Most CDFIs focus on a particular locality, type of business or financially excluded individuals, they are always seeking to make commercial investments and at the same time support social objectives such as job creation. They reinvest their surplus and do not distribute profits.

Why use peer to peer lending in this way?

Birmingham City Council recognises the potential benefits of peer to peer lending to the City economy and is keen to encourage local investors and businesses to invest in the City. CITR tax relief makes private sector capital a viable alternative to hard-pressed public sector funding. ART Business Loans needs to diversify its sources of funding and peer to peer finance has the potential to provide a significant proportion of the funding required. For ThinCats lenders loans qualifying for CITR could be a useful way to diversify their investment portfolio.

Why not invest directly in a CDFI?

Although it is possible for large investors to support a CDFI directly and benefit from Community Investment Tax Relief, it is not easy for CDFIs to promote themselves and manage large numbers of investors and they have traditionally concentrated on attracting funding from major banks, local large businesses and high net worth investors. The development of peer to peer finance platforms such as ThinCats offers an opportunity for them to use crowdfunding and allow a large number of smaller investors to get involved.

What happens in case of bad debts?

ART Business Loans (ART) and Birmingham City Council are providing pari passu underwriting of any bad debts incurred up to 30% on the £3million lending portfolio, although ART will be fully liable to repay the ThinCats loan facility. It has never failed to repay its loan investors on time.

Over the last five years ART's average bad debt rate incurred to date is under 15% and peaked at 23.24% on the 2011-12 portfolio since which time ART has moved to providing access to finance to early stage and established businesses rather than start-ups.

About ART Business Loans

ART SHARE (Social Help Association for Reinvesting in Enterprise) Ltd, company number 28537R, formerly trading as ART (Aston Reinvestment Trust) now trading as ART Business Loans (ART), is one of the leading Community Development Finance Institutions (CDFIs) in the UK.

It was founded in 1997 by its first Chairman, Sir Adrian Cadbury, among others as an Industrial and Provident Society with the objective of providing finance to businesses and social enterprises that needed funding to grow, but were unable to access that funding from their banks – either at all, or in full. The aim was, and remains, to enable such businesses to access finance, support local employment and boost the local economy. This not only benefits employers and employees but also their families and the public sector, which avoids potential costs associated with unemployment, including benefits, healthcare and housing.

ART SHARE Ltd is authorised and regulated by the Financial Conduct Authority (No 723068). It is owned and run by its member investors and borrowers (250+), who elect representatives to the Board of Directors at each Annual General Meeting. These Board Directors are unpaid volunteers. ART SHARE Ltd became a registered Community Benefit Society under the Cooperative and Community Benefit Societies Act 2014. Membership is on the basis of one member one vote.

From the outset ART has raised money from investors interested in a social return and used their money to leverage further public and private sector funding. Supporters have included large private sector companies, all the major banks, local and national government, trust funds, high net worth individuals and other individuals wanting to put their money to work for a social purpose and support the economy in the areas that ART serves (Birmingham and the West Midlands). Most recently ART has been supported by loan support from Unity Trust and Co-Operative Banks, which matched funding from the Government's Regional Growth Fund.

ART lends between £10,000 and £150,000. Its average loan size is £33,000, a sum that makes a significant difference to small and medium sized businesses, but which is particularly hard for them to access from other providers. ART has lent over £20m since launch in 1997, helping its borrowers to preserve or create thousands of jobs.

ART's current loan portfolio is £4.5m. All loans taken by ART (totalling in excess of £7m since it started) have been for capital to lend to businesses and have either been fully repaid or are still being serviced in line with terms and conditions. The audited accounts for the year to March 2016 reveal capital and reserves of £4.432m. ART's Annual Reports, including audited accounts, can be viewed on its website: www.artbusinessloans.co.uk/resources. The 2016 Annual Report and audited accounts form part of this document.

Demand for ART's loans continues to increase – it has lent over £3m per annum to businesses across the West Midlands in the past two financial years, to March 2016 - and plans to support this demand and continuing growth by seeking funding from a broad range of sources including, for the first time, peer to peer lenders.

ART works closely with a wide range of public and private sector partners and is a long-standing champion of access to finance for business. Borrowers either find ART directly or are referred by others working in the finance and business support sectors. In many cases ART lends alongside the banks (when they have already lent all they can) and providers of alternative sources of finance to make up a package of finance.

ART's Borrowers

Here are some examples of the businesses that have benefited from ART as a source of funding:

CHANGE KITCHEN

Birgit Kehrer grew up in Bavaria which, she says, influenced many of her ideas about cooking, community and health. She established her catering company, ChangeKitchen CIC (Community Interest Company) to provide imaginative combinations of freshly cooked vegetarian and vegan food for events, whilst at the same time creating jobs for people trying to cope with a variety of difficulties, from mental illness to homelessness. When public sector spending cuts hit her client base, a loan from ART supported Birgit to target and begin to make a name for her business in new sectors.

www.changekitchen.co.uk

REYNOLDS TECHNOLOGY

From a small factory in a suburb of Birmingham comes the specialist tube used to make some of the best bicycles in the world. Since 1898 the company has continually innovated and experimented with materials and processes, maintaining its reputation for skilled engineering and the supply of unique, market-leading, products. ART has provided loans at a number of critical points, enabling Reynolds to keep trading, preserving and creating jobs through the challenges of a main supplier going out of business and mass manufacturing moving from the West to the Far East.

www.reynoldstechnology.biz

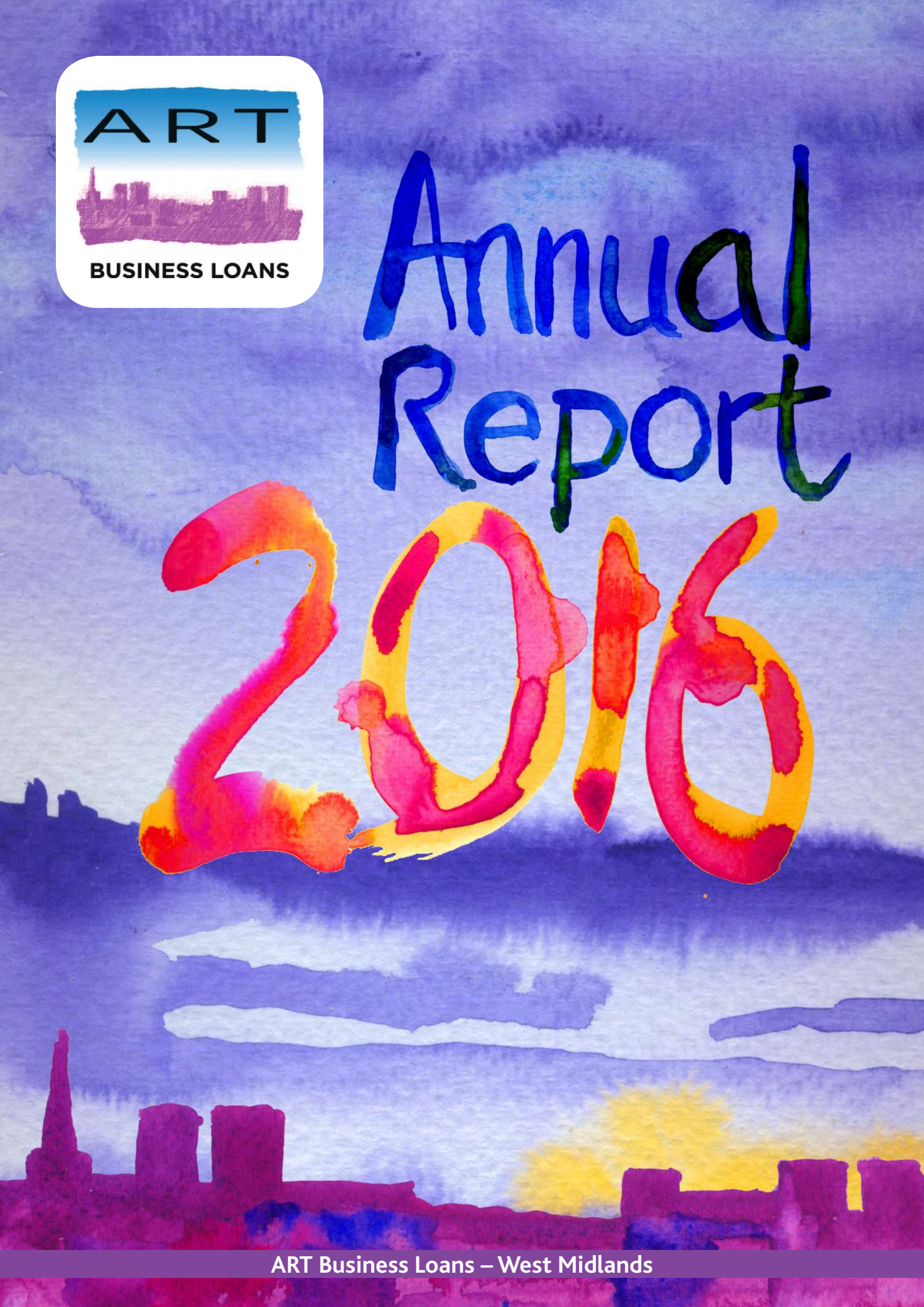
SYNAPSE

Entrepreneur Brian Donnelly sought finance from ART to support cashflow resulting from the rapid growth of his software solutions business. Synapse offers a cloud-based tool that allows staff to update financial spreadsheets remotely and simultaneously, providing accurate and timely management information. This saves time and money and can improve business performance. Two successive loans from ART enabled Brian to stabilise his business and access more finance. With ART's support Synapse grew from a standing start to a £2.0m turnover enterprise employing 40 staff in just over three years. www.SynapseInformation.com

PURNELLS

A loan from ART enabled Yummy Brummie Glynn Purnell to realise his dream of opening his own restaurant. Glynn, whose adventurous and innovative cuisine won him one of the city's first two Michelin stars in 2005, had a promise of funding from his bank, but it was not quite enough. ART stepped in to make up the total. From the day it opened Purnells took gourmet eaters by storm. Winning the BBC 2 Great British Menu competition a year later propelled Glynn into the limelight and his reputation as a celebrity chef continues to grow. www.purnellsrestaurant.com

More case studies are available on ART's website: www.artbusinessloans.co.uk/case-studies



ART Business Loans – West Midlands

ART Business Loans

This annual report comprises the Chairman's and Chief Executive's Reports and the group Profit and Loss Account and Balance Sheet of ART SHARE (Social Help Association for Reinvesting in Enterprise) Limited for the year ended 31 March 2016. This summary financial information is not the statutory accounts but is a summary derived from the full financial statements which have been audited.

The auditor's report contained within the Report of the Directors and Consolidated Financial Statements of ART SHARE (Social Help Association for Reinvesting in Enterprise) Limited for the year ended 31 March 2016 was unqualified.

Copies of these financial statements, which were approved by the directors on 24th June 2016, can be obtained from ART, Faraday Wharf, Holt St, Innovation Birmingham Campus, Birmingham B7 4BB.

Board of Directors

The Directors during the year under review to the date of this report:

Dr Craig Errington (Chairman)	Chief Executive, Wesleyan Assurance Society
Ian Forrest (Deputy Chair)	Consultant, Squire Patton Boggs
Steven Brown	Performance Director, Business Banking, NatWest Bank
Winston Duguid	Former MD of Bowater Building Products – now Non-Exec Director at several organisations in the Midlands and South West
Dr David Hardman MBE	Chief Executive Officer, Innovation Birmingham
Andeep Mangal	Managing Partner, Thapers Chartered Accountants
Beverley Nielsen	Director & Associate Professor – Institute for Design & Economic Acceleration, Birmingham City University
Professor Monder Ram OBE	Director, Centre for Research in Ethnic Minority Entrepreneurship, University of Birmingham
Christopher Tucker	Retired Area Director, Commercial Banking, Lloyds Banking Group

Staff

Dr Steve Walker	Chief Executive
Christine Allen-Lloyd	Operations Officer
Graham Donaldson	Loans Manager
Martin Edmonds	Loans Manager
Rozna Haque	Loans Manager
Andy King	Loans Manager
Barbara Seaton	Operations Manager

CHAIRMAN'S REPORT

It is hugely gratifying to be able to report that 2015-16 proved to be another record year for ART in terms of loan delivery, with demand from West Midlands businesses continuing to rise.

What is frustrating is that funding for CDFIs such as ART remains short term and ad hoc, in spite of the sector's ability to demonstrate high levels of social and economic impact and excellent value for money for the public purse.

This is the third report in which I have had occasion to regret that a national mechanism for sustained funding for the CDFI sector remains elusive. During the past year, the highly successful Government-backed Regional Growth Fund programme run by the CDFA in association with Unity Trust and Co-operative banks has closed and the recommendation from Government has been that CDFIs seek funding for lending locally.

Rising to the challenge, the ART Board and staff team have devoted much time and energy to exploring the options for ongoing funding from a variety of public and private sector sources, including opportunities to innovate and create new schemes.

New ideas and programmes take time to negotiate – we have been working on one for well over 18 months – but we look forward to some different funding streams starting to flow in the year ahead. We are hopeful that new sources of public support will be available alongside private sector funds and will continue to pursue all opportunities to achieve our plans for further growth.

We anticipate that 2016-17 will be a challenging year, with the consequences of Brexit added to the mix, but plan to continue to work with partners aiming to establish potential templates for longer term support for ART and the wider sector.

On a personal note it has been a real pleasure and privilege to serve on the ART board for the past six years. In my time as Chairman, together with Steve Walker and an exceptional Board of Directors, ART has gone from strength to strength. We as a Board support the principles of good corporate governance, something strongly promoted by the late Sir Adrian Cadbury, who was founder and former President of ART. Therefore in line with best practice, having spent many enjoyable years as Chairman, I have decided to stand down from the Board. I feel confident that ART will continue to support small businesses in our community for many years to come and wish the new leadership luck in their endeavours.

In the meantime, the Board extends its congratulations to the staff team on another excellent year and I extend my personal thanks to all Directors and to our local and national supporters.

Craig Errington
Chairman
22nd July 2016

CHIEF EXECUTIVE'S REPORT

The updated info-graphic at the end of this report highlights ART's continued growth over the past year and the impact of our lending activity in the West Midlands.

There is no doubt that the need for ART Business Loans remains strong. A number of research reports and surveys published during the past year evidence that the gap in the business funding market for smaller loans – ART's still average below £40,000 – is increasing.

The wide variety of businesses from all sectors reaching out to ART for support continues to grow and we have plans in hand to achieve further substantial growth over the next few years, if appropriate capital funding can be sourced.

During the year it has become increasingly clear that the stage reached by businesses seeking ART's support is changing and that, although some are relatively young, there are more established businesses looking to achieve growth and improve performance that are still in need of loan funding of the type ART offers. Despite the substantial growth in peer lending, which has undoubtedly taken a slice of our market, the increasing difficulty faced by the banks in serving this area of the market has seen further expansion of the market gap faced by businesses.

Sir Adrian Cadbury, founding Chairman of ART in 1997, sadly passed away during the year and will be missed by all. He would, I feel sure, have welcomed our return to seeking private investors (individuals and companies) who are prepared to support the local business economy through ART, as we did at start up. At that time we could only offer a social return on investment. We are now also able to offer Community Investment Tax Relief, which is of financial value to investors - particularly those paying higher rate tax.

Our original social investors have seen their investments maintained and used to grow the ART business and provide opportunity for our borrowers. We look forward to hearing more success stories from our borrowers in the year ahead.

I would like to extend my thanks to all our partners and supporters for their help this year, to the ART staff team for their hard work and enthusiasm, and to the ART Board for their advice and guidance.
I would like to also like to take this opportunity to express my personal thanks to Craig Errington, as he steps down, for his support and guidance over the years and especially for his strategic lead in achieving a focused growth agenda for ART.

Dr Steve Walker
Chief Executive
22nd July 2016

Supplementary Material

Group Profit and Loss Account
For the year ended 31 March 2016

	2016 £'000	2015 £'000
Turnover	901	808
Administrative expenses	(817)	(761)
Operating profit	84	47
Interest receivable and similar income	10	6
Interest payable and similar charges	(94)	(53)
Profit on ordinary activities before and after taxation	-	-

Turnover includes £218,000 (2015 £250,000) from capital grants utilised.

Administrative expenses include provision to write off specific bad debts. For the year ended 31 March 2016 the charge for bad debts was £444,000 (2015 £397,000). During the year, bad debts recovered amounted to £119,000 (2015 £133,000).

Group Balance Sheet
As at 31 March 2016

	2016 £'000	2015 £'000
Assets		
Tangible fixed assets	6	8
Debtors	5,591	4,406
Cash at bank	3,840	3,097
	9,437	7,511
Liabilities		
Creditors due within one year	597	405
Creditors due after more than one year	4,175	3,300
	4,772	3,705
Net assets	**4,665**	**3,806**
Represented by:		
Member share capital	505	483
Other reserves	4,118	3,281
Profit & loss account	42	42
	4,665	**3,806**
Other reserves comprise		
Guarantee reserve	214	214
General loan fund	89	102
ASLP loan fund	85	93
Small Business Loans	642	647
Regional Growth Fund	3,088	2,225
	4,118	3,281

ART Business Loans
Thanks to all our members and supporters

The co-operative bank

unitytrust bank

Supported by the Regional Growth Fund

Responsible Finance

investing in your future
European Regional Development Fund
European Union

For all enquiries on loans and investments or to support ART Business Loans

Telephone: 0121 359 2444

Mail: Faraday Wharf, Holt St
Innovation Birmingham Campus
Birmingham B7 4BB

E Mail: **art@artbusinessloans.co.uk**
Website: www.artbusinessloans.co.uk

ART BUSINESS LOANS

ART Business Loans and Aston Reinvestment Trust are the trading names of: ART SHARE (Social Help Association for Reinvesting in Enterprise) Limited – a Community Benefit Society, registered number 28537R and Aston Reinvestment Guarantee Company Limited – a company limited by guarantee, registered number 2422872
The registered address for all companies is Faraday Wharf, Holt St, Innovation Birmingham Campus, Birmingham B7 4BB

JOANNE'S FLORIST AND TEA ROOM

Joanne McDonnell was surrounded by retail as she grew up – her Nan was a hairdresser, Dad ran a butcher's shop and Mom had a greengrocery business. "I always fancied running a tea room," she says, "although my first shop was a bakery."

When her mother Joan had to go into hospital to have an operation, Joanne looked after the greengrocer's shop and really took to the floristry side of the business. After her mother recovered they sold both the greengrocer's and the baker's and set up a small flower and plants shop together.

When a large shop nearby became available, they jumped at the chance to expand and include a coffee shop on the premises. Looking for funding to support the move, Joan found ART Business Loans.

"ART was brilliant to deal with," says Joanne. "They helped us with a loan to buy a van, stock and improve the premises."
www.joannesflorist.co.uk

OAKS CONSULTANCY

With a background in sport, both as competitors and administrators, brothers Adam and Mark Walker set up Oaks Consultancy in 2008 to offer business planning, transformation and fundraising expertise to sports-related third sector organisations.

The business grew rapidly, reaching beyond sports organisations into the charity, education, physical activities and commercial business sectors. When their bank was unable to help support further growth, Adam and Mark were recommended to try their local CDFI - ART Business Loans.

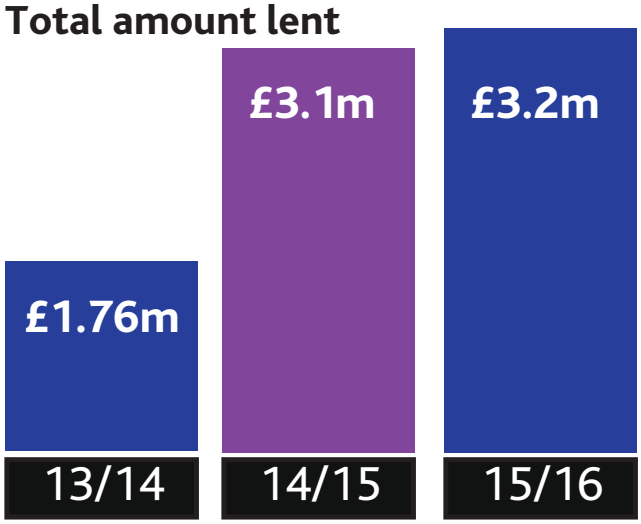
ART lent £50,000, which enabled the brothers to employ more staff in both their sales and delivery teams. Last year turnover increased from £500,000 to £750,000 and staff from 14 to 20. The business is forecast to reach £1m turnover this year and there are plans to move to a bigger office.

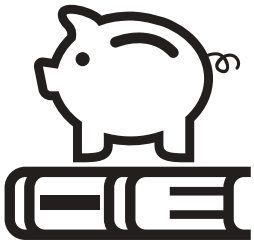
"ART's approach was quick, concise and business-focused," says Mark. "They were able to provide exactly what we needed at the right time."
www.oaksconsultancy.co.uk

2015/16 At-A-Glance

ART BUSINESS LOANS

Total amount lent





Our total loan book stands at **£5.4m**

The average loan taken out is **£33,000**

730 jobs have been supported in 2015/16

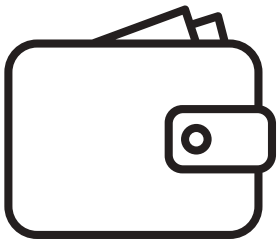
96 loans have been drawn in 2015/16

Since the launch of ART in June 1997....

- **900+** Loans
- **6,900** Jobs Supported
- **£20m+** Total loans

Over **75%** of loans have been used in disadvantaged areas of the West Midlands

£2.2k = average cost of each job supported by the public purse in 2015/16



www.artbusinessloans.co.uk

JOBS OPPORTUNITY GROWTH INNOVATION ENTERPRISE

Registered number: 28537R

ART SHARE (SOCIAL HELP ASSOCIATION FOR REINVESTING IN ENTERPRISE) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

ART SHARE (SOCIAL HELP ASSOCIATION FOR REINVESTING IN ENTERPRISE) LIMITED

SOCIETY INFORMATION

Directors	Dr Craig Errington (Chair) Steven Andrew Brown (appointed 18 June 2015) Peter Winston Duguid John Stephen Forrest Dr David Hardman MBE Andeep Mangal Beverley Nielsen Monder Ram OBE Christopher Tucker
Company secretary	Barbara Jadwiga Seaton
Registered number	28537R
Registered office	Faraday Wharf Holt Street Innovation Birmingham Campus Birmingham B7 4BB
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Rutland House 148 Edmund Street Birmingham B3 2FD

ART SHARE (SOCIAL HELP ASSOCIATION FOR REINVESTING IN ENTERPRISE) LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report and the audited financial statements for the year ended 31 March 2016.

Principal activities

The principal activities of the society are to provide loans for viable small businesses and social enterprise throughout the West Midlands when the banks are unable to help or have done all they can, with the following aims:

- support local jobs for local people
- promote much needed services in local communities
- promote equal opportunity for access for finance for enterprise
- encourage the take-up of loan finance in the third sector
- promote a culture of social investment

Lending activities

During the year loans of £3,196,864 (2015: £3,146,691) were delivered, representing an increase of 1.6%. The loan portfolio at the year end amounted to £5,468,598 (2015: £4,374,582). Capital grants of £218,331 (2015: £249,758) were utilised against debts which were written off in the year.

Directors

The directors who served during the year were:

Steven Andrew Brown (appointed 18 June 2015)
Peter Winston Duguid
Dr Craig Errington (Chair)
John Stephen Forrest
Dr David Hardman MBE
Andeep Mangal
Beverley Nielsen
Monder Ram OBE
Christopher Tucker

Company status

The company is a registered community benefit society.

Shares

The society issued £28,750 of member capital and redeemed £1,250 of members share capital.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016

Directors' responsibilities statement

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

The Co-operative and Community Benefit Societies Act 2014 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 society and the group and of the income or expenditure of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 society's transactions and disclose with reasonable accuracy at any time the financial position of the society and the group and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the society and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 that director is aware, there is no relevant audit information of which the society and the group's auditor is unaware, and
- that 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 society and the group's auditor is aware of that information.

Auditor

During the year our auditor, Bloomer Heaven Limited merged with MHA MacIntyre Hudson. MHA MacIntyre Hudson will be proposed for reappointment in accordance with section 93 of the Co-operative and Community Benefit Societies Act 2014.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 24 June 2016 and signed on its behalf.

Barbara Jadwiga Seaton
Secretary

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ART SHARE (SOCIAL HELP ASSOCIATION FOR REINVESTING IN ENTERPRISE) LIMITED

We have audited the financial statements of ART SHARE (Social Help Association for Reinvesting in Enterprise) Limited for the year ended 31 March 2016, set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the society's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to 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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent society's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ART SHARE (SOCIAL HELP ASSOCIATION FOR REINVESTING IN ENTERPRISE) LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent society, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent society financial statements are not in agreement with the accounting records and returns; or
- the revenue account of the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the society; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and to take advantage of the small companies' exemption from the requirement to prepare a group strategic report or in preparing the directors' report.

Helen Blundell

Helen Blundell LLB FCA FCIE DChA (senior statutory auditor)
for and on behalf of
MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditors
Rutland House
148 Edmund Street
Birmingham
B3 2FD

24 June 2016

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £	2015 £
Turnover	1	**901,778**	808,082
Administrative expenses		**(817,360)**	(761,240)
Operating profit	2	**84,418**	46,842
Interest receivable and similar income		**9,992**	6,474
Interest payable and similar charges		**(94,410)**	(53,304)
Profit on ordinary activities before taxation		**-**	12
Tax on profit on ordinary activities	4	**(2)**	-
(Loss)/profit for the financial year	12	**(2)**	12

The notes on pages 8 to 13 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	5		**5,690**		7,739
Current assets					
Debtors	6	**5,590,567**		4,406,435	
Cash at bank		**3,840,522**		3,096,945	
		9,431,089		7,503,380	
Creditors: amounts falling due within one year	9	**(596,649)**		(405,156)	
Net current assets			**8,834,440**		7,098,224
Total assets less current liabilities			**8,840,130**		7,105,963
Creditors: amounts falling due after more than one year	10		**(4,175,000)**		(3,300,000)
Net assets			**4,665,130**		3,805,963
Capital and reserves					
Called up share capital	11		**505,400**		483,150
Other reserves	12		**4,117,538**		3,280,619
Profit and loss account	12		**42,192**		42,194
			4,665,130		3,805,963

The financial statements have been prepared in accordance with the special provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 June 2016.

Dr Craig Errington (Chair)
Director

Andeep Mangal
Director

Barbara Jadwiga Seaton
Secretary

The notes on pages 8 to 13 form part of these financial statements.

SOCIETY BALANCE SHEET
AS AT 31 MARCH 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	5		**5,690**		7,739
Current assets					
Debtors	6	**5,590,567**		4,406,435	
Cash at bank		**3,768,748**		2,875,721	
		9,359,315		7,282,156	
Creditors: amounts falling due within one year	9	**(757,017)**		(416,076)	
Net current assets			**8,602,298**		6,866,080
Total assets less current liabilities			**8,607,988**		6,873,819
Creditors: amounts falling due after more than one year	10		**(4,175,000)**		(3,300,000)
Net assets			**4,432,988**		3,573,819
Capital and reserves					
Called up share capital	11		**505,400**		483,150
Other reserves	12		**3,903,739**		3,066,820
Profit and loss account	12		**23,849**		23,849
			4,432,988		3,573,819

The financial statements have been prepared in accordance with the special provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 June 2016.

Dr Craig Errington (Chair)
Director

Andeep Mangal
Director

Barbara Jadwiga Seaton
Secretary

The notes on pages 8 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

1.2 Basis of consolidation

The financial statements consolidate the accounts of ART SHARE (Social Help Association for Reinvesting in Enterprise) Limited and all of its subsidiary undertakings ('subsidiaries').

The society has taken advantage of the exemption contained within section 98 of the Co-operative and Community Benefit Societies Act 2014 not to present its own profit and loss account.

The profit and loss account for the year dealt with in the accounts of the society was £NIL (2015 - £Nil).

1.3 Turnover

Turnover comprises revenue recognised by the society in respect of lending services during the year, being arrangement fees and consultancy, utilisation of capital grants and loan interest receivable.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	25% straight line

1.5 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.6 Grants

Grants received towards capital for on lending are released to the profit and loss account when the funds are utilised in accordance with the society's principal activities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

2. Operating profit

The operating profit is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets:		
- owned by the group	**3,439**	3,918
Auditor's remuneration	**7,750**	7,200

During the year, no director received any emoluments (2015 - £NIL).

Auditors fees for the society were £7,200 (2015 - £6,660)

3. Administrative expenses

Administrative expenses include £444,071 (2015: £396,861) as a result of the Society's bad debt charge for the year. Turnover includes £218,331 (2015: £249,758) as a result of the utilisation of capital grants for on lending.

4. Taxation

	2016	2015
	£	£
UK corporation tax charge on profit for the year	**2**	-

Factors that may affect future tax charges

The society has losses carried forward of £5,900. No deferred tax asset has been recognised in respect of these as it is not possible to determine when these amounts will be utilised.

5. Tangible fixed assets

Group and Society	Fixtures & fittings £
Cost	
At 1 April 2015	**22,090**
Additions	**1,525**
Disposals	**(8,283)**
At 31 March 2016	**15,332**
Depreciation	
At 1 April 2015	**14,351**
Charge for the year	**3,439**
On disposals	**(8,148)**
At 31 March 2016	**9,642**
Net book value	
At 31 March 2016	**5,690**
At 31 March 2015	7,739

6. Debtors

	Group and Society	
	2016 £	2015 £
Due after more than one year		
Trade debtors	**3,941,845**	3,224,754
Due within one year		
Trade debtors	**1,526,753**	1,149,828
Other debtors	**121,969**	31,853
	5,590,567	4,406,435

7. Trade debtors

Trade debtors are made up as follows.

	2016 £	2015 £
SME borrowers	**5,299,885**	4,140,782
Social Enterprise borrowers	**168,713**	233,800
Total	**5,468,598**	4,374,582

8. Cash at bank

	Group		Society	
	2016	2015	**2016**	2015
	£	£	**£**	£
Cash at bank and in hand	**3,840,522**	3,096,945	**3,768,748**	2,875,721

A covenant is in place between the society and Unity Trust Bank. As part of that covenant the bank retains control over specific bank accounts which collect capital loan repayments from borrowers. As at 31 March 2016 the balance on these bank accounts totalled £3,344,455 (2015: £2,379,031).

9. Creditors: Amounts falling due within one year

	Group		Society	
	2016	2015	**2016**	2015
	£	£	**£**	£
Bank loans	**500,000**	300,000	**500,000**	300,000
Amounts owed to group undertakings	**-**	-	**160,918**	11,460
Other taxation and social security	**7,845**	7,015	**7,845**	7,015
Other creditors	**88,804**	98,141	**88,254**	97,601
	596,649	405,156	**757,017**	416,076

The bank loans are secured by a fixed and floating charge over the assets of the society.

10. Creditors: Amounts falling due after more than one year

	Group		Society	
	2016	2015	**2016**	2015
	£	£	**£**	£
Bank loans	**4,175,000**	3,300,000	**4,175,000**	3,300,000

Creditors include amounts not wholly repayable within 5 years as follows:

	Group		Society	
	2016	2015	**2016**	2015
	£	£	**£**	£
Repayable other than by instalments	**675,000**	-	**675,000**	-

The bank loans are secured by a fixed and floating charge over the assets of the society.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

11. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
505,400 (2015 - 483,150) Ordinary shares of £1 each	**505,400**	483,150

During the year 28,750 shares were issued, 1,250 were redeemed and 5,250 were cancelled on debts written off.

12. Reserves

Group	Other reserves £	Profit and loss account £
At 1 April 2015	**3,280,619**	**42,194**
Loss for the financial year	**-**	**(2)**
Capital grants received	**1,050,000**	**-**
Utilised for bad debts	**(218,331)**	**-**
Share capital cancelled on debts written off	**5,250**	**-**
At 31 March 2016	**4,117,538**	**42,192**

Society	Other reserves £	Profit and loss account £
At 1 April 2015	**3,066,820**	**23,849**
Capital grants received	**1,050,000**	**-**
Utilised for bad debts	**(218,331)**	**-**
Share capital cancelled on debts written off	**5,250**	**-**
At 31 March 2016	**3,903,739**	**23,849**

Other reserves represent capital grants received by the Society for the provision of loans in accordance with the Society's principal activities. The balance as at 31 March 2016 consists of the following:

12. Reserves (continued)

Society

	Brought forward £	Capital grants £	Utilised for bad debts £	Share capital written off £	Total £
General Loan Fund	**102,076**	**-**	**(13,688)**	**750**	**89,138**
ASLP Loan Fund	**92,976**	**-**	**(8,287)**	**250**	**84,939**
Small Business Loans	**647,175**	**-**	**(5,530)**	**500**	**642,145**
Regional Growth Fund	**2,224,593**	**1,050,000**	**(190,826)**	**3,750**	**3,087,517**
Total	**3,066,820**	**1,050,000**	**(218,331)**	**5,250**	**3,903,739**

13. Operating lease commitments

At 31 March 2016 the group had annual commitments under non-cancellable operating leases as follows:

Group and Society	**2016** £	2015 £
Expiry date:		
Within 1 year	**27,669**	417
Between 2 and 5 years	**-**	33,202

14. Related party transactions

The Society has taken advantage of the exemption contained in Financial Reporting Standard for Smaller Entities in not reporting transactions with group undertakings contained within these consolidated financial statements.

15. Subsidiaries

The society is the sole member of Aston Reinvestment Guarantee Company Limited and ART Development Services Limited, which are both companies limited by guarantee. In each case the company is committed to pay £10 upon a winding up of the company.