



ANNUAL REPORT

2018

JOBS
GROWTH
INNOVATION
ENTERPRISE
OPPORTUNITY

ART Business Loans

This annual report comprises the Chairman's and Chief Executive's Reports and the Summary Financial Information of ART SHARE (Social Help Association for Reinvesting in Enterprise) Limited for the year ended 31 March 2018. This financial information is not the statutory accounts but is 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 2018 was unqualified.

Copies of these financial statements, which were approved by the directors on 22nd June 2018, can be obtained from ART, Faraday Wharf, Holt St, Innovation Birmingham Campus, Birmingham B7 4BB.

Board of Directors

As at 1/9/2018

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

Dr Nick Venning DL (Chairman)	Former Marketing Director, Global Industries at PwC
Andeep Mangal (Deputy Chair)	Managing Partner, Thapers Chartered Accountants
Christopher Davis	Retired Area Regional Credit Director, Barclays Bank
Winston Duguid	Former MD of Bowater Building Products – now Non-Exec Director at several organisations in the Midlands and South West
Ian Forrest	Consultant, Squire Patton Boggs
Dr David Hardman MBE	Chief Executive Officer, Innovation Birmingham
Manjit Kang	Banker & Diversity Ambassador, NatWest Bank
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
Dr Steve Walker	Chief Executive

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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

Whilst demand for business loans remains high, the challenge for ART continues to be accessing sufficient capital and borrowing facilities from sustainable sources to achieve scale and meet that demand over the long term.

I am pleased that this year we have had access to additional funds from the long-awaited release of the Regional Growth Fund (RGF) recycling; and, with support from Birmingham City Council, ThinCats, Unity Trust Bank and The Co-operative Bank, we have been able to establish the Birmingham Small Business Loan Fund. It was frustrating that we were unable to seek further funds through ThinCats or any other peer lender following a Financial Conduct Authority (FCA) decision to block peer lenders lending to other lenders.

With some commentators now saying that businesses no longer have an issue with accessing finance, the political will to support the CDFI model of lending, despite sound evidence of the value of its social and economic impact, appears to be waning. Of course, there are other high profile demands on the public purse and Brexit has drawn attention away from Devolution. However, the contribution of ART to the inclusive growth agenda can clearly be seen when examining the wide variety of businesses supported throughout the West Midlands and we anticipate the need for loans will continue to be strong in the year ahead.

It therefore comes as no surprise to see some new entrants to the micro and small business finance market; in particular, we have seen a number of 'click & cash' platforms offering fast and easy loans. These are not filling the gap left by the banks for smaller, unsecured loans, as ART does. More worryingly, we do not believe that this statistical risk taking approach (as opposed to individual due diligence) is good for either lenders or borrowers in the long run.

On a more positive note, through our extended academic research programme in collaboration with CREME at University of Birmingham, we have championed the use of Community Investment Tax Relief with the Enterprise Finance Guarantee scheme. ART is now accredited under both schemes and plans to utilise the opportunity to seek funds from individuals and companies again during the year ahead. We are grateful for the support of all our member shareholders, loan providers and especially Unity Trust Bank, which has been vital over the last few years.

So, as demand for business loans continues to outstrip supply of funds, I return to my opening comment; the key challenge for your Board and Executive team in the year ahead will be to explore and pursue additional potential sources of finance.

As always, I am hugely indebted to my fellow Board members and the staff at ART for all their dedication and hard work during the year. However, on this occasion I would particularly like to commend our Chief Executive Dr Steve Walker who received the Responsible Finance Leader award at its Annual Conference in Glasgow earlier this year; this is in clear recognition of both his leadership of the ART team and wider contribution to the microfinance industry.

Dr Nick Venning

Chairman

25th July 2018



CHIEF EXECUTIVE'S REPORT

I am pleased to report that an increase in loan delivery was achieved in 2017-18, with total loans drawn of over £2.5 million. Our average loan deal was £38,000, a sum which businesses find it particularly challenging to access from other sources, despite additional competition in the marketplace from the growth of alternative lenders and even new entrants. Many of these have criteria which exclude the same businesses as the banks. Some have deep marketing pockets and are able to grab attention in a way that it has never been possible for ART to do. Sadly some are high cost lenders and we are beginning to see the emergence of some doubtful practices, neither of which factors will be of long term benefit to the small businesses we support.

Over the past year, we have seen an increase in the number of established businesses applying to us, which have been unable to find appropriate finance elsewhere to support their growth plans. In terms of size and sector, our borrowers have continued to cover the full spectrum. We remain especially committed to supporting businesses run by minority groups and those operating in underserved areas. In other words, those which find it the most difficult to access finance elsewhere. All of our loans continue to be made as an additional source of finance after a bank decline.

It is always gratifying to receive positive feedback from our clients and to understand the impact that our loans have had. We have included some of the comments received on the back page of this report and you can read a selection of borrowers' stories in more depth on our website under the heading 'Be Inspired'. We also promote our work via social media and are truly appreciative of those who share our posts with their contacts. Raising awareness of what we offer is an ongoing challenge in an increasingly busy and fragmented world.

The network of brokers and finance professionals that we have developed over the years continues to be a key part of the success of both ART and its borrowers – making vital and appropriate introductions. Good working relationships with the banks are also important and we were delighted to welcome all of the major banks to our Spring networking event. It is disappointing that the various web portals that have been established locally and nationally, including those established with support from the Banks to cater for their declines, so far have yielded very few referrals.

As we look forward to another busy year ahead, my grateful thanks are extended to the staff team and volunteer Board members for their continued support and valuable contribution to helping us achieve our mission. We will continue to support businesses in the West Midlands unable to obtain their full requirements from the banks, enabling them to create or preserve local jobs.

Dr Steve Walker
Chief Executive
25th July 2018



Summary Financial Information

Group Statement of Comprehensive Income For the year ended 31 March 2018

	2018 £'000	2017 £'000
Turnover	902	894
Administrative expenses	(870)	(803)
Operating profit	<u>32</u>	<u>91</u>
Interest receivable and similar income	3	5
Interest payable and similar charges	(59)	(96)
Loss for the financial year	<u>(24)</u>	<u>-</u>

During the year we charged £414,000 (2017: £343,000) for bad debts, utilised £249,000 (2017: £158,000) of capital grants against bad debts and recovered £101,000 (2017: £83,000) of bad debts previously written off.

Group Balance Sheet As at 31 March 2018

	2018 £'000	2017 £'000
Assets		
Tangible fixed assets	12	2
Debtors	4,690	4,325
Cash at bank	<u>4,097</u>	<u>4,619</u>
	<u>8,787</u>	<u>8,944</u>
Creditors due within one year	<u>(697)</u>	<u>(718)</u>
Net current assets	<u>8,090</u>	<u>8,226</u>
Total assets less current liabilities	8,102	8,228
Creditors due after more than one year	(6,431)	(6,568)
Net Assets	<u>1,671</u>	<u>1,660</u>
Capital and reserves		
Member share capital	663	629
Profit and loss account	<u>1,008</u>	<u>1,031</u>
	<u>1,671</u>	<u>1,660</u>

ART Business Loans

Thanks to our members and supporters

The **co-operative**
bank


unitytrust
bank

Supported by the
 Regional Growth Fund

 **BRITISH
BUSINESS
BANK**
**ENTERPRISE FINANCE
GUARANTEE**

 **Responsible
Finance**

 **Birmingham
City Council**

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


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

ART Business Loans – Fast, Flexible Finance



Established in 1997, ART Business Loans provides finance to businesses and social enterprises across the West Midlands where full bank support is not available.

- Up to £150,000
- In house decision
- Fast turnaround
- Any sector / most business purposes
- Relationship Loan Manager - real people
- Business must be based in the West Midlands, Staffordshire, Herefordshire, Worcestershire, Shropshire or Warwickshire

ART Business Loans - Fast, Flexible Finance

What we have achieved in the last five years 2013-2018

Total Lent

£11.7m

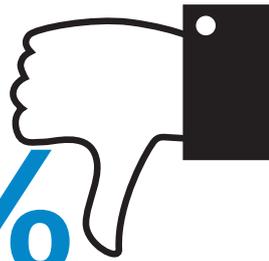


Average Loan

£32K

Loans declined
by banks

100%



363

Businesses Supported

Jobs
Supported
2300+



*"They are looking for reasons to
give you a loan"* **Enigma Digital**



"ART was a life saver" **Synapse**

*"Thank goodness that organisations
like ART exist"* **StayDry**



Can we help? – Yes we can!