



Purple Shoots Business Lending Ltd

Trustees Annual Report and Unaudited Financial Statements Year ended 31 July 2023

Charity registration - 1155385

Company number - 08603690

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Legal and administrative information

Charity name

Purple Shoots Business Lending Ltd

Charity registration no.

1155385

Company registration no.

08603690

Registered office and contact details

2 Le Sor Hill
Peterston-Super-Ely
Cardiff
CF5 6LW

Trustees

Tony Johnson	Chair
Peter Elsworth	
Paula Pridham	
Timothy Stumpff	

Director

Karen Davies

Bank

Unity Trust Bank
Four Brindley Place
Birmingham
B1 2JB

Independent examiner

Andy Nash Accounting & Consultancy Ltd
Units 24 & 25
Goodsheds Container Village
Hood Road
Barry
CF62 5QU

Trustees annual report

The Board of Trustees, who are also directors of the Charity for the purposes of the Companies Act, and trustees for charity law purposes, submit their annual report and the financial statements of Purple Shoots Business Lending Ltd for the year ended 31 July 2023.

The Board of Trustees confirms that the annual report and financial statements of the Charity comply with current statutory requirements, including the Charity Act 2011, as well as the requirements of the Charity's governing document and the provisions of the 'Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) second edition (effective 1 January 2019)', the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Companies Act 2006.

Objectives and activities

Purple Shoots tackles poverty, unemployment, social isolation and financial exclusion through encouraging and building entrepreneurship and independence, enabling people to make positive changes in their lives and to solve problems for themselves, creating jobs and improving their standard of living and their well-being.

One of the tools we use to do this is microfinance which means we offer small, ethical loans to individuals who cannot raise funding from anywhere else to enable them to start or run a small business. Through this, they create their own pathway away from disadvantage, debt, low or no income and economic inactivity into independence and improved economic circumstances. The social and economic impact of lending to this client group is extremely high.

We also create roadmaps for those who haven't got as far as being ready for employment or self-employment through a range of initiatives, often with partner organizations such as churches or housing associations. The starting point is usually to invite them to be part of a small collective which we call a self-reliant group. These bring together often very isolated and left behind people and enable them to take positive steps forward, saving money together and usually doing something enterprising or community focussed. The groups become independent and can continue indefinitely, providing a support network for their members, improving their well-being and their financial circumstances. Some groups or individuals within groups go on to start their own business or enter training or employment. We provide training in business skills at a wide range of levels to facilitate this.

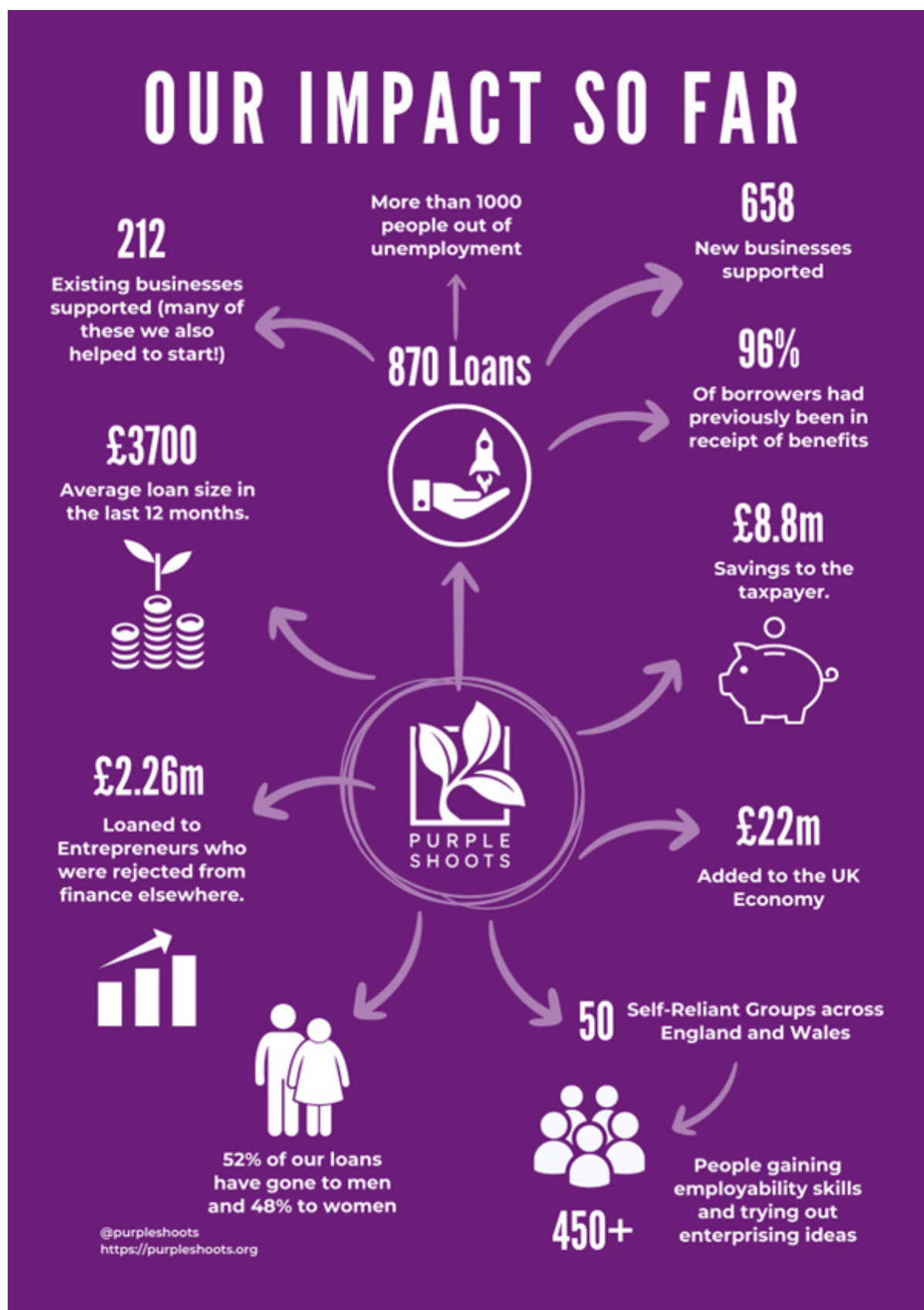
We believe that every individual is valuable and capable and should have an opportunity to be the best they can. Our support enables people to transform their lives in a sustainable way.

Delivering Public Benefit

The Trustees have followed the guidance issued by the Charity Commission with regard to the public benefit arising from the activities undertaken by Purple Shoots Business Lending Ltd. The Trustees are satisfied that the services provided by Purple Shoots Business Lending Ltd fully meet the principles of public benefit as set out in the Charity Commission Guidance.

Achievements and performance in the year

In the last 12 months we have loaned £351k in 95 loans across Wales and England, starting 72 new businesses and supporting 23 existing ones. Most of the existing businesses we supported were businesses Purple Shoots has previously helped to start. 51 of the loans (54%) were to women. This has helped around 115 people out of unemployment. In July 2023 we were 10 years old and the graphic on the next page summarizes our achievements in that whole period.



Each loan can be transformative and we have many stories on our website in case studies and videos.

Samira's Story:

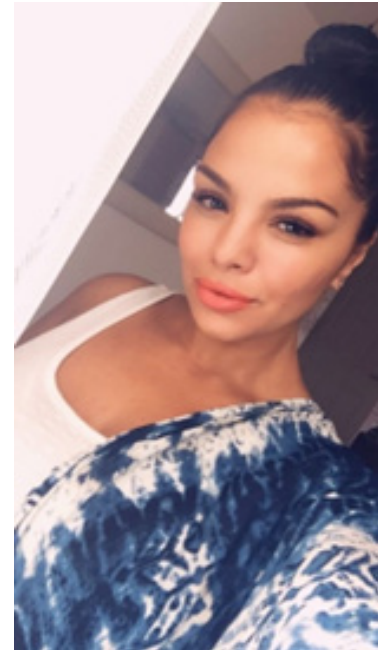
Samira is a single parent on her own, surviving on benefits and doing the best she can for her son. However, this was not by choice as her partner sadly passed away just before their only child was born. That was 12 years ago – in that time Samira did a degree, worked freelance for production companies and then for 5 years in a bank. She was working up until 2019 when her employer relocated and she was made redundant. She explored starting her own business then but the covid lockdowns put a stop to that. With this, her financial situation was impacted negatively.

However, she hadn't given up the idea of working for herself, wanting to be able to fit work in around her responsibilities as a mum and so she began PrintDimage in January 2022 on a small scale, selling bespoke printed items through an Etsy shop. She began with images, artwork and posters and saw the potential to expand into a range of household items (lamps, clocks etc). Her turnover was growing but she had started with no money behind her and could not finance the stock she needed to grow and to cover the gap between Etsy sales and payments.

Because her finances had been so negatively impacted by the pandemic, Samira faced many barriers when trying to raise finance to help support/grow PrintDimage. Purple Shoots saw the progress she had made already with her business and the potential she had, coupled with her courage and resilience, and offered her the finance she needed.

Samira said:

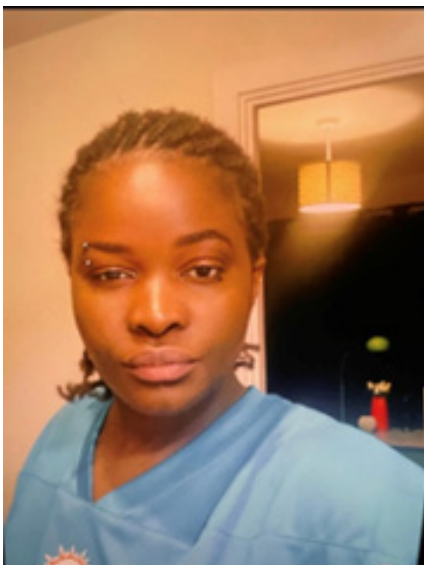
"I was frustrated that after all my years of working hard, I couldn't get funding from anywhere just because I had struggled over the last couple of years. I am so pleased now to have my own business that is working and growing."



Jennifer Mensah:

In a world where second chances are often frustratingly hard to come by, Jennifer Mensah's story stands as a testament to determination, resilience, and the power of self-belief. Arriving in the UK having fled a history of abuse and seeking asylum, Jennifer always had a strong desire to work and make a positive impact in her community. Now, with the support of Purple Shoots, she is determined to shape her own future through self-employment, despite the challenges she has faced along the way.

Jennifer's journey began when she sought asylum in the UK in 2013. Despite the uncertainty and hardships she faced, she always maintained a strong mindset to work. In her home country of Ghana, Jennifer had successfully run her own business, and she was determined to recreate that success in her new environment. Despite the language barriers and the challenges associated with finding employment, Jennifer's passion and drive remained unwavering.



One significant hurdle Jennifer encountered was the inability to secure support from the British Business Bank, which seems to be becoming increasingly risk averse. Despite her entrepreneurial experience in Ghana and a clear business plan, Jennifer's aspirations were met with disappointment. However, it was in this moment of setback that Purple Shoots recognised Jennifer's potential and eagerly stepped in to provide the support she needed.

Purple Shoots, dedicated to empowering individuals through self-employment and entrepreneurship, saw Jennifer's determination, resilience, and entrepreneurial spirit. We recognised the value she could bring to her community by providing Afro-Caribbean foodstuff that was currently inaccessible or required travelling to neighbouring cities. Purple Shoots not only believed in Jennifer's potential but also embraced the

opportunity to support her on her journey.

With Purple Shoots by her side, Jennifer's dream of starting her own business began to take shape. Armed with her experience in Ghana and a deep understanding of her community's needs, Jennifer has embarked on a mission to provide a range of Afro-Caribbean foodstuff. By sourcing the right goods and delivering them directly to her community, Jennifer aimed to create accessibility and convenience for her customers, eliminating the need for them to travel elsewhere.

Jennifer's journey is a testament to the transformative power of entrepreneurship. With her determination, resourcefulness, and the support of Purple Shoots, she has the opportunity to create a better future for herself and her community. Her entrepreneurial venture not only provides a valuable service but also serves as an inspiration to others facing similar challenges. Jennifer's story reminds us that with the right support, passion, and determination, anyone can overcome obstacles and shape their own destiny.

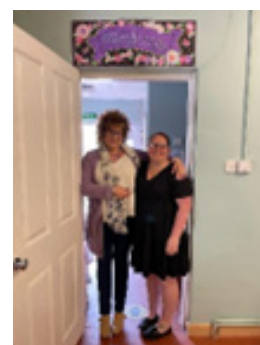
Jennifer Mensah's journey from seeking asylum to becoming a determined entrepreneur showcases the power of self-determination and the importance of organisations like Purple Shoots, who recognise and support individuals with untapped potential. Her passion for entrepreneurship, coupled with her experience and determination, positions her for success in providing Afro-Caribbean foodstuff to her community. Through her journey, Jennifer serves as an inspiration, reminding us that everyone deserves a chance to shape their own future and make a positive impact in their community.

Our lending in England has taken off at a much faster rate than anticipated. Our first full year has seen us making loans beyond Yorkshire and the West Country to almost every other part of England (and even one in Scotland). With this level of demand, we know we need to expand and to grow our capital base so that we are able to meet it.

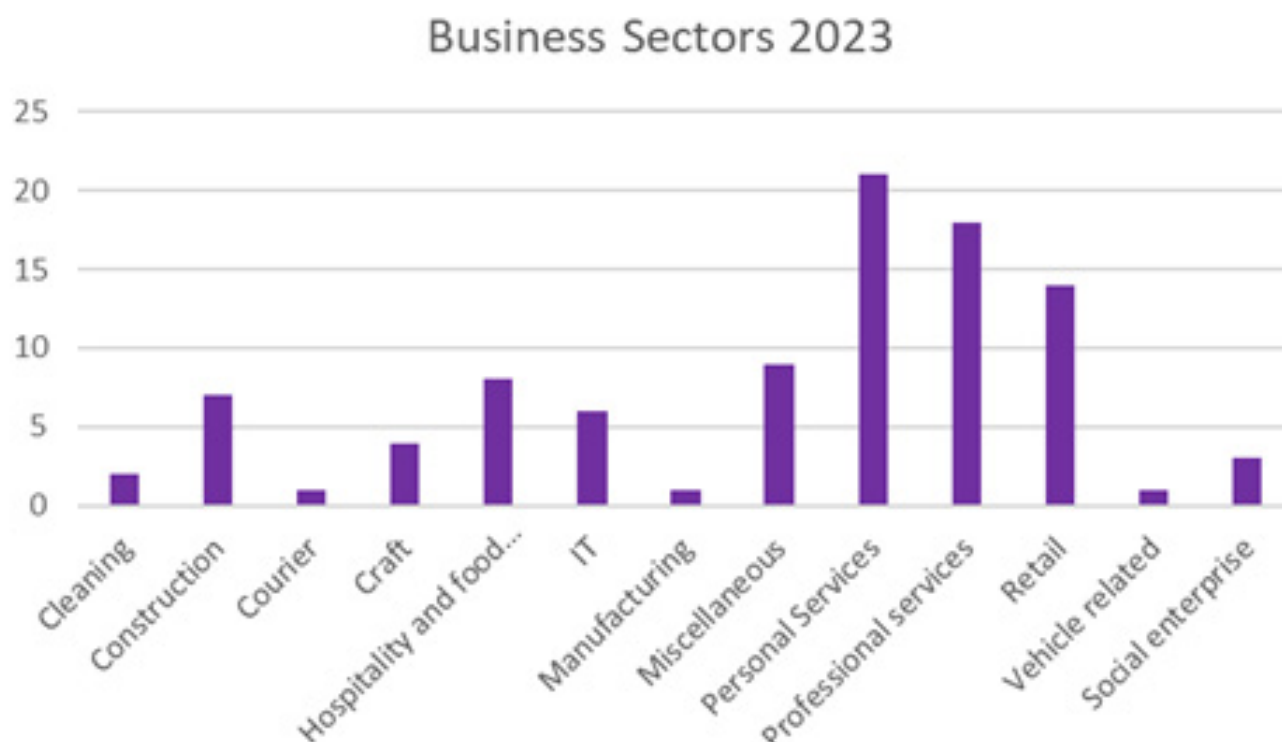
Self-reliant groups



Our Self-reliant groups have also seen significant growth this year. We have continued to build partnerships with organisations such as churches and Housing Associations which has the dual aim of building our sustainability and spreading the model more widely. We have run our first successful group under social prescribing, which has led to at least two of its members looking to start their own business. Our established groups continue to flourish. Our group members report improvements in well-being and a wider support network as a result of being a part of one of our groups. One said, "this group saves my life every week" and another said, "when I moved here, I knew no one, now I have friends and people I can visit, and I'm volunteering."



Loans



The above graph shows the split of our loans by sectors for the last 12 months. Personal services includes hairdressers, barbers, beauty therapists, personal trainers, tattooists etc. Vehicle related includes repairs, vehicle wrapping and also delivery drivers and couriers.

Plans for future periods

We know that what we do works to bring about positive changes in people's lives. Our clients are constantly telling us we need to do more. We have already begun expanding our microfinance work into England with the opening of our Yorkshire office and with our lending in the West Country. In the next few years we plan to open other small bases around the UK so that our lending is widely available to our specific market. We also plan to grow our self-reliant groups through working in partnership with others, particularly churches and Housing Associations, and with others involved in similar work in Manchester, Leeds, Glasgow and in other parts of the world. We want to see a growing network of groups creating a rising tide of change for those on the margins of our economy and society, enabling them to become contributors and to make the positive changes they want to make.

In addition, we now have accreditation with the Institute of Entrepreneurship and Enterprise so that our courses in starting and running businesses, developing community cafes etc. can result in recognized qualifications. We plan to generate income from this part of our work to help build sustainability, as well as to offer our training more widely to encourage more people to try self-employment.

Financial review

During the current financial year the Charity achieved a surplus of £4,329 (2022: surplus of £93,573). This resulted in total reserves increasing in the year to £99,518 (2022: £95,189).

The Trustees are satisfied with the financial performance of the Charity throughout the year.

Of the total reserves held at year end £99,518 (2022: £95,189) were unrestricted as to use.

Reserves policy

Cash levels are monitored on a month by month basis to ensure that there is sufficient cash available for at least three months' activity, and that there is sufficient cash to pay the interest on loan investments from investors. If levels fall below this, then loan activity can be suspended until loan repayments (or fundraising) build the levels back up. This should only be necessary until the capital base for sustainability is achieved.

We are constantly reviewing and updating our forecasts which give us detailed information on our financial needs given various scenarios, and confirm funding needed to cover both operating costs and lending over the next 8 years. This gives us a focus for fund raising.

To protect our investors' money, the Trustees have adopted a policy which states that the total loan investments received should not exceed the total of the debtor book less 20% plus cash in the bank. At year end this policy was exceeded by £26,613 (3.4%) which was deemed within a suitable tolerance level.

In addition, free reserves are ideally kept at a level that allows for a minimum of three months operating costs and the above reserves of £99,518 are above this level.

Structure, governance and management

The organisation is a charitable company limited by guarantee incorporated on 10th July 2013 and was registered as a charity on 20th January 2014. The company was established under Articles of Association which established the objects and powers of the charitable company and is the governing document. In the event of the company being wound up, the members are required to contribute an amount not exceeding £10.

Day to day decisions on the running of the charity are made by the director. Loan decisions are made by the director in consultation with one of the members of the lending team to ensure consistency and fairness.

All strategic decision and decisions relating to expenditure beyond the day to day level are taken at Trustee meetings at which the director and at least two of the four Trustees must be present. This includes staff remuneration with the current policy benchmarking salaries against similar sized charities in the relevant locality.

There must be a minimum of three trustees and only Trustees can appoint new Trustees. New trustees are inducted by the director and current trustees.

The current board of Trustees comprises four members. The Chair is the original philanthropic donor who enabled Purple Shoots to start and he brings legal knowledge as well as considerable knowledge of the charitable sector. The other three bring a good range of skills to the board including HR, strategy, finance and detailed knowledge of microfinance. One board member takes specific responsibility and overview of the finances and accounts and is himself a former Financial Director and an accountant.

There is also a small advisory board who are available for specific input to the board of Trustees or the director when their expertise is needed. Members of this board are agreed by the Trustees and the director.

Risk management

The key risk to Purple Shoots is the health of its loan portfolio. It is important that losses and defaults are no higher than budgeted or historically experienced or this will have an impact on our ability to repay borrowings when they become due. Our loan clients are extremely vulnerable to setbacks either in their businesses or in the wider economy because they are starting their businesses with nothing apart from our loan, and the benefits system ensures that they are unable to build up any reserves from money they make on their business because it claws it all back in reduced payments (an outrageously ridiculous system that is self-defeating in that it jeopardizes the chances of success for our borrowers which means that they will be back on benefits if their businesses fail!)

We know this is our risk when we make our loans and our whole lending process is aimed at minimizing the risk that the business might fail. In order to mitigate this risk once the loan has been made, we monitor repayments very closely so that we are able to follow up a client as soon as a payment is missed. In

addition, we offer mentoring to all our clients which they can take up at any point to help them get past obstacles or to rethink or take a new direction. In addition, we have “well-being checks” for all our clients – a regular phone call to check that they are doing well and to identify any problems or issues before they become serious for the business. We are also using this to help us with our impact evaluation. The detailed loan portfolio is reported to the Trustees at every meeting, and monthly bank reconciliations are sent to them which also detail repayments received so that patterns can be seen and action taken where possible (for example to limit lending in a particular sector if we are seeing higher defaults in it).

The second major risk is around systems failure and potential breaches of confidentiality with client data. We have continued with our system which is cloud based and heavily password protected so that no confidential information is stored on individual laptops or phones. Bank statements are only collected if the client is unable to connect to the new open banking system, which is again password protected and much more secure than sharing bank statements. All employee laptops which work on our borrowers are encrypted and are backed up securely every day.

Statement of Board of Trustees’ responsibilities

The Trustees are responsible for preparing the Trustees’ Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company’s transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. In addition, the Trustees confirm that they are happy that the content of the annual review on pages 5 to 12 of this document, as well as the legal and administrative information on page 4, meet the requirements of both the Trustees’ Annual Report under charity law and the Directors’ Report under company law.

They also confirm that the financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the Charity’s governing document, the Charities Act 2011, the ‘Charities SORP (FRS 102) – Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) second edition (effective 1 January 2019)’, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Trustees confirm that:

- so far as each Trustee is aware, there is no relevant information of which the Charity's independent examiner is unaware; and,
- each Trustee has taken all the steps that they should have taken as a Trustee/Director in order to make themselves aware of any relevant independent examination information and to establish that the Charity's independent examiner is aware of that information.

Preparation of the report

This report has been prepared taking advantage of the small companies exemption of section 415A of the Companies Act 2006, and the exemptions available for smaller charities under the Statement of Recommended Practice.

This report was approved and authorised for issue by the Board of Trustees on 19 January 2024 and signed on its behalf by:

Peter Elsworth

Peter Elsworth (Apr 9, 2024 14:47 GMT+1)

PETER ELSWORTH

TRUSTEE

Independent examiner's report

I report to the Trustees on my examination of the accounts of Purple Shoots Business Lending Ltd (charity number 1155385, company number 08603690) for the year ended 31 July 2023 which are set out on pages 15 to 30.

Respective responsibilities of trustees and examiner

The Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act'). The Trustees consider that an audit is not required for this year under section 144(2) of the Charities Act 2011 ('the 2011 Act') nor under Part 16 of the 2006 Act, and that an independent examination is needed.

Having satisfied myself that the accounts of the Company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, it is my responsibility to:

- examine the accounts under section 145 of the 2011 Act;
- to follow the procedures laid down in the general directions given by the Charity Commission under section 145(5)(b) of the Charities Act; and,
- to state whether particular matters have come to my attention.

This report, including my statement, has been prepared for and only for the Charity's Trustees as a body. My work has been undertaken so that I might state to the Charity's Trustees those matters I am required to state to them in an independent examiner's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body for my examination work, for this report, or for the statements I have made.

Basis of independent examiner's statement

My examination was carried out in accordance with general directions given by the Charity Commission. An examination includes a review of the accounting records kept by the Charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from the Trustees concerning any such matters.

The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently no opinion is given as to whether the accounts present a 'true and fair' view and the report is limited to those matters set out in the statement below.

Independent examiner's statement

Since the Company's gross income exceeded £250,000 your examiner must be a member of a body listed in section 145 of the 2011 Act. I confirm that I am qualified to undertake the examination because I am a member of the Institute of Chartered Accountants in England & Wales, which is one of the listed bodies.

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

- accounting records were not kept in respect of the Company as required by section 386 of the 2006 Act; or,
- the accounts do not accord with those records; or,
- the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair' view which is not a matter considered as part of an independent examination; or,
- the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities applicable to charities

preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.



ANDREW PHILIP NASH FCA

MEMBER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES – 2461833

DATED: 9 APRIL 2024

Andy Nash Accounting & Consultancy Ltd
Units 24 & 25
Goodsheds Container Village
Hood Road
Barry
CF62 5QU

Statement of financial activities**Incorporating the Income and Expenditure Account & Statement of Realised Gains and Losses**

For the year ended 31 July 2023

		Unrestricted funds	Restricted funds	Total funds	Total funds
		Year ended	Year ended	Year ended	Year ended
		31-Jul-23	31-Jul-23	31-Jul-23	31-Jul-22
	Notes	£	£	£	£
Income from:					
Donations & legacies	3	58,299	494,905	553,204	624,659
Charitable activities	4	90,775	-	90,775	66,275
Other trading activities	5	3,446	-	3,446	5,689
Total income		152,520	494,905	647,425	696,623
Expenditure on:					
Raising funds	6 & 7	57,924	-	57,924	54,560
Charitable activities	6 & 8	430,267	154,905	585,172	548,490
Total expenditure		488,191	154,905	643,096	603,050
Net income/(expenditure)		(335,671)	340,000	4,329	93,573
Transfers between funds		340,000	(340,000)	-	-
Net movement in funds		4,329	-	4,329	93,573
Reconciliation of fund					
Funds brought forward	13 & 14	95,189	-	95,189	1,616
Funds carried forward	13 & 14	99,518	-	99,518	95,189

The notes on pages 18 to 30 form part of the financial statements.

Balance sheet

As at 31 July 2023

	Notes	£	Total funds 31-Jul-23 £	Total funds 31-Jul-22 £
Fixed assets				
Tangible fixed assets	10		664	885
Client loans due in more than 12 months			241,297	189,629
			241,961	190,514
Current assets				
Debtors	11	430,131		361,419
Cash at bank and in hand		223,597		138,833
		653,728		500,252
Creditors				
Amounts falling due within one year	12	(38,819)		(40,225)
Net current assets			614,909	460,027
Creditors				
Amounts falling due within more than one year			(757,352)	(555,352)
Net assets			99,518	95,189
Funds of the charity				
Restricted	13 & 14		-	-
Unrestricted	13 & 14		99,518	95,189
			99,518	95,189

The notes on pages 18 to 30 form part of the financial statements.

The financial statements have been prepared in accordance with section 415A of the Companies Act 2006 relating to small companies and FRS 102 Section 1A. The charitable company is entitled to exemption from audit under section 477 of the Companies Act 2006 for the year ended 31 July 2023, and the members have not required the charitable company to obtain an audit of its financial statements for the year ended 31 July 2023 under section 476 of the Companies Act 2006. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

They were approved and authorised for issue by the Board of Trustees on 19 January 2024 and signed on their behalf by:

Peter Elsworth
Peter Elsworth (Apr 9, 2024 14:47 GMT+1)

PETER ELSWORTH

TRUSTEE

Statement of cash flows

For year ended 31 July 2023

		Total funds 31-Jul-23	Total funds 31-Jul-22
	£	£	£
Cash flows from operating activities			
Net income/(expenditure) for the year	4,329		93,573
Adjustments for:			
Depreciation	221		295
Interest paid on loans	22,535		9,326
(Increase)/decrease in client loans	(120,380)		(38,180)
(Increase)/decrease in other debtors	-		13,396
Increase/(decrease) in creditors	(1,406)		4,863
Net cash flows from operating activities		(94,701)	83,273
Cash flows from financing activities			
Interest paid on loans	(22,535)		(9,326)
Increase/(decrease) in loans	202,000		(74,323)
Net cash flows from financing activities		179,465	(83,649)
Net movement in cash and cash equivalents		84,764	(376)
Cash and cash equivalents at 1 August 2022		138,833	139,209
Cash and cash equivalents at 31 July 2023		223,597	138,833

The notes on pages 18 to 30 form part of the financial statements.

Notes to the financial statements

1. Accounting policies

Basis of preparation of the financial statements

The financial statements have been prepared in accordance with 'Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) second edition (effective 1 January 2019)', the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), including Update Bulletin 2, and the Companies Act 2006.

The effect of any event relating to the year ended 31 July 2023, which occurred before the date of approval of the financial statements by the Board of Trustees has been included in the financial statements to the extent required to show a true and fair view of the state of affairs at 31 July 2023 and the results for the year ended on that date.

The functional currency of the Charity is sterling and amounts in the financial statements are rounded to the nearest pound.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Going concern

The financial statements have been prepared on the going concern basis as the Board of Trustees is confident that future reserves and future income is more than sufficient to meet current commitments. There are no material uncertainties that impact this assessment, and the ongoing global COVID-19 pandemic and subsequent financial challenges have had no material impact on this assessment.

Legal status

Purple Shoots Business Lending Ltd is a charitable company registered in England & Wales and meets the definition of a public benefit entity. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £10 per member. The registered address is 2 Le Sor Hill, Peterston-Super-Ely, Cardiff, CF5 6LW.

Fund Accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds are unrestricted funds which have been designated for a specific purpose by the Trustees. The aim and use of each designated fund is set out in note 13 of the financial statements.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or that have been raised by the Charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in note 13 of the financial statements.

Income

Income is recognised when the Charity has entitlement to the funds, any performance indicators attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Donations are recognised in full in the Statement of Financial Activities when entitled, receipt is probable and when the amount can be quantified with reasonable accuracy. Gift aid receivable is included when claimable.

1. Accounting policies (continued from previous page)

Income (continued from previous page)

Grant income is credited to the Statement of Financial Activities when received or receivable whichever is earlier, unless the grant relates to a future period, in which case it is deferred.

Income from charitable activities, including contract income and client fees, is credited to the Statement of Financial Activities when received or receivable whichever is earlier, unless it relates to a specific future period or event, in which case it is deferred.

Interest is recorded when it is receivable.

Expenditure and irrecoverable VAT

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities.

Indirect costs, including governance costs, which cannot be directly attributed to activities, are allocated proportionate to total direct costs allocated to each project area, as outlined in note 6 of the financial statements.

Irrecoverable VAT is charged against the category of expenditure for which it was incurred.

Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

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 residual value, over their useful life, on the following basis:

Office equipment	25% reducing balance
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Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits with banks and funds that are readily convertible into cash at, or close to, their carrying values but are not held for investment purposes.

Debtors and prepayments

Trade and other debtors are recognised at the settlement amount after any trade discount is applied. Prepayments are valued at the amount prepaid net of any trade discounts due.

Creditors and accruals

Creditors are recognised where the Charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party, and the amount due to settle the obligation can be measured or estimated reliably.

Critical estimates and judgements

In preparing financial statements it is necessary to make certain judgements, estimates and assumptions that affect the amounts recognised in the financial statements. The annual depreciation charge for tangible fixed assets is sensitive to changes in useful economic lives and residual values of assets. In the view of the Trustees in applying the accounting policies adopted, no judgements were required that have a significant effect on the amounts recognised in the financial statements nor do any estimates or assumptions made carry a significant risk of material adjustment in the next financial year.

1. Accounting policies (continued from previous page)

Financial instruments

Basic financial instruments are measured at amortised cost other than investments which are measured at fair value.

Pensions

The Charity operates a defined contribution pension scheme which is administered by an external independent pension provider. Contributions are recognised in the Statement of Financial Activities as they fall due.

2. Comparative statement of financial activities

		Unrestricted funds Year ended 31-Jul-22 £	Restricted funds Year ended 31-Jul-22 £	Total funds Year ended 31-Jul-22 £
	Notes			
Income from:				
Donations & legacies	3	444,371	180,288	624,659
Charitable activities	4	66,275	-	66,275
Other trading activities	5	5,689	-	5,689
Total income		516,335	180,288	696,623
Expenditure on:				
Raising funds	6 & 7	54,560	-	54,560
Charitable activities	6 & 8	368,202	180,288	548,490
Total expenditure		422,762	180,288	603,050
Net income/(expenditure)		93,573	-	93,573
Reconciliation of fund				
Funds brought forward	13 & 14	1,616	-	1,616
Funds carried forward	13 & 14	95,189	-	95,189

3. Income from donations and legacies

	Unrestricted funds Year ended 31-Jul-23 £	Restricted funds Year ended 31-Jul-23 £	Total funds Year ended 31-Jul-23 £
Donations and grants	58,299	494,905	553,204
	58,299	494,905	553,204

	Unrestricted funds Year ended 31-Jul-22 £	Restricted funds Year ended 31-Jul-22 £	Total funds Year ended 31-Jul-22 £
Donations and grants	444,371	180,288	624,659
	444,371	180,288	624,659

4. Income from charitable activities

	Unrestricted funds Year ended 31-Jul-23 £	Restricted funds Year ended 31-Jul-23 £	Total funds Year ended 31-Jul-23 £
Interest on client loans	53,597	-	53,597
Loans recovered previously written off	3,028	-	3,028
Sales of beneficiary goods	9,144	-	9,144
Consultancy	25,006	-	25,006
	90,775	-	90,775

	Unrestricted funds Year ended 31-Jul-22 £	Restricted funds Year ended 31-Jul-22 £	Total funds Year ended 31-Jul-22 £
Interest on client loans	44,043	-	44,043
Loans recovered previously written off	4,529	-	4,529
Sales of beneficiary goods	12,052	-	12,052
Consultancy	5,651	-	5,651
	66,275	-	66,275

5. Income from other trading activities

	Unrestricted funds	Restricted funds	Total funds
	Year ended 31-Jul-23	Year ended 31-Jul-23	Year ended 31-Jul-23
	£	£	£
Café sales	3,446	-	3,446
	3,446	-	3,446

	Unrestricted funds	Restricted funds	Total funds
	Year ended 31-Jul-22	Year ended 31-Jul-22	Year ended 31-Jul-22
	£	£	£
Café sales	5,689	-	5,689
	5,689	-	5,689

6. Total expenditure

	Direct staff costs	Direct other costs	Indirect costs	Total costs
	Year ended 31-Jul-23	Year ended 31-Jul-23	Year ended 31-Jul-23	Year ended 31-Jul-23
	£	£	£	£
Raising funds	30,149	18,028	9,747	57,924
Charitable activities	194,848	291,856	98,468	585,172
	224,997	309,884	108,215	643,096

	Direct staff costs	Direct other costs	Indirect costs	Total costs
	Year ended 31-Jul-22	Year ended 31-Jul-22	Year ended 31-Jul-22	Year ended 31-Jul-22
	£	£	£	£
Raising funds	27,567	18,087	8,906	54,560
Charitable activities	150,504	308,458	89,528	548,490
	178,071	326,545	98,434	603,050

Indirect costs, including governance costs, which cannot be directly attributed to activities, were allocated between cost centres proportionate to the direct staff and other costs allocated to those activities.

An analysis of costs of raising funds split between restricted and unrestricted funds can be found in note 7.

An analysis of charitable activities split between restricted and unrestricted funds can be found in note 8.

An analysis of staff costs can be found in note 9.

Indirect costs includes:

	Total costs	Total costs
	Year ended 31-Jul-23	Year ended 31-Jul-22
	£	£
Indirect staff costs	61,293	61,991
Administration	31,050	24,182
Premises	8,972	5,389
Professional services	5,364	5,408
Independent examination	1,536	1,464
	108,215	98,434

7. Expenditure on raising funds

	Unrestricted funds Year ended 31-Jul-23 £	Restricted funds Year ended 31-Jul-23 £	Total funds Year ended 31-Jul-23 £
Direct staff costs	30,149	-	30,149
Direct other costs	18,028	-	18,028
Indirect costs	9,747	-	9,747
	57,924	-	57,924

	Unrestricted funds Year ended 31-Jul-22 £	Restricted funds Year ended 31-Jul-22 £	Total funds Year ended 31-Jul-22 £
Direct staff costs	27,567	-	27,567
Direct other costs	18,087	-	18,087
Indirect costs	8,906	-	8,906
	54,560	-	54,560

8. Expenditure on charitable activities

	Unrestricted funds	Restricted funds	Total funds
	Year ended 31-Jul-23	Year ended 31-Jul-23	Year ended 31-Jul-23
	£	£	£
Direct staff costs	139,943	54,905	194,848
Direct other costs	191,856	100,000	291,856
Indirect costs	98,468	-	98,468
	430,267	154,905	585,172

	Unrestricted funds	Restricted funds	Total funds
	Year ended 31-Jul-22	Year ended 31-Jul-22	Year ended 31-Jul-22
	£	£	£
Direct staff costs	60,088	90,416	150,504
Direct other costs	218,586	89,872	308,458
Indirect costs	89,528	-	89,528
	368,202	180,288	548,490

9. Staff costs

	Total costs	Total costs
	Year ended 31-Jul-23	Year ended 31-Jul-22
	£	£
Gross salaries	267,577	221,071
Employers national insurance	14,129	9,742
Employers pension	4,584	9,249
	286,290	240,062

The average headcount during the period was 14 persons (2022: 11 persons).

No employee received employee benefits of greater than £60,000 (2022: Nil).

The total employee benefits paid to key management personnel during the year was £43,118 (2022: £42,000).

10. Tangible fixed assets

	Office equipment	Total
	£	£
Cost		
At 1 August 2022	3,105	3,105
At 31 July 2023	3,105	3,105
Accumulated depreciation		
At 1 August 2022	2,220	2,220
Charge for the year	221	221
At 31 July 2023	2,441	2,441
Net book value		
At 1 August 2022	885	885
At 31 July 2023	664	664

11. Debtors and prepayments

	Total 31-Jul-23	Total 31-Jul-22
	£	£
Client loans receivable within twelve months	430,131	361,419
	430,131	361,419

In addition to the amounts above there was £241,297 recoverable from clients in greater than 12 months at the end of the year (2022: £189,629).

12. Creditors: amounts falling due within one year

	Total	Total
	31-Jul-23	31-Jul-22
	£	£
Accounts payable	-	2,383
Accruals	2,536	2,464
Loans repayable within twelve months	30,000	30,000
HMRC payable	5,099	4,440
Pension payable	1,184	938
	38,819	40,225

In addition to the amounts above there was £757,352 payable to investors in greater than 12 months at the end of the year (2022: £555,352). These are a mixture of interest bearing and non-interest bearing loans and are from a variety of individuals and organisations.

13. Analysis of charity funds

	Balance brought forward Year ended 31-Jul-23 £	Income in the period Year ended 31-Jul-23 £	Expenditure in the period Year ended 31-Jul-23 £	Transfers between funds Year ended 31-Jul-23 £	Balance carried forward Year ended 31-Jul-23 £
Restricted funds					
Lending - England	-	100,000	-	(100,000)	-
Lending - Wales	-	240,000	-	(240,000)	-
Provisions	-	100,000	(100,000)	-	-
SRGs	-	54,905	(54,905)	-	-
Total restricted funds	-	494,905	(154,905)	(340,000)	-
Unrestricted funds	95,189	152,520	(488,191)	340,000	99,518
Total funds	95,189	647,425	(643,096)	-	99,518

Lending

This relates to funding provided to support lending in a number of geographical locations. As the loans provided are recognised as liabilities as opposed to expenditure, the restricted funds are released to unrestricted funds at the point that each loan is made.

Provisions

This relates to funding provide to support the Charity in writing off loans that were now deemed irrecoverable.

SRGs

These are funds from a number of sources to support the work with self-reliant groups in a number of localities.

	Balance brought forward Year ended 31-Jul-22 £	Income in the period Year ended 31-Jul-22 £	Expenditure in the period Year ended 31-Jul-22 £	Transfers between funds Year ended 31-Jul-22 £	Balance carried forward Year ended 31-Jul-22 £
Restricted funds					
CORE	-	126,923	(126,923)	-	-
SRGs	-	53,365	(53,365)	-	-
Total restricted funds	-	180,288	(180,288)	-	-
Unrestricted funds	1,616	516,335	(422,762)	-	95,189
Total funds	1,616	696,623	(603,050)	-	95,189

CORE

This was a specific project in partnership with Wales Co-Operative to support social enterprises in the Cynon Valley and to develop SRGs there.

14. Analysis of net assets

	Unrestricted funds	Restricted funds	Total funds
	Year ended	Year ended	Year ended
	31-Jul-23	31-Jul-23	31-Jul-23
	£	£	£
Fixed assets	241,961	-	241,961
Current assets	653,728	-	653,728
Current liabilities	(38,819)	-	(38,819)
Non-current liabilities	(757,352)	-	(757,352)
	99,518	-	99,518

	Unrestricted funds	Restricted funds	Total funds
	Year ended	Year ended	Year ended
	31-Jul-22	31-Jul-22	31-Jul-22
	£	£	£
Fixed assets	190,514	-	190,514
Current assets	500,252	-	500,252
Current liabilities	(40,225)	-	(40,225)
Non-current liabilities	(555,352)	-	(555,352)
	95,189	-	95,189

15. Analysis of net debt

	As at 1-Aug-22	Cash flows	Other movements	At at 31-Jul-23
	£	£	£	£
Cash and cash equivalents	138,833	84,764	-	223,597
Loans	(585,352)	(202,000)	-	(787,352)
Net debt	(446,519)	(117,236)	-	(563,755)

	As at 1-Aug-21	Cash flows	Other movements	At at 31-Jul-22
	£	£	£	£
Cash and cash equivalents	139,209	(376)	-	138,833
Loans	(659,675)	74,323	-	(585,352)
Net debt	(520,466)	73,947	-	(446,519)

16. Trustee remuneration

During the year, no trustee received any remuneration (2022: £Nil). No members of the Board of Trustees received reimbursement of expenses (2022: £Nil).

17. Related party transactions

During the year there were no related party transactions (2022: £Nil).