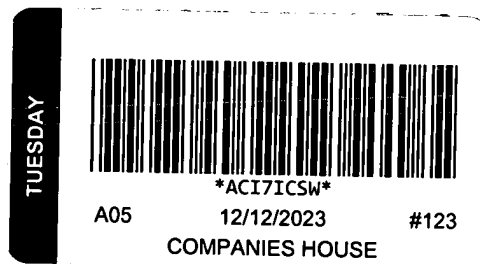


**DSL BUSINESS FINANCE LTD**  
**(A company limited by guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**



# DSL BUSINESS FINANCE LTD

## COMPANY INFORMATION

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<b>Directors</b>	Linda Andrews Martin Avila Lesley Wood Elizabeth Young Stuart Yuill
<b>Secretary</b>	Joanne Seagrave
<b>Company number</b>	SC145739
<b>Registered office</b>	Moorpark Court 5 Dava Street Govan Glasgow G51 2JA
<b>Auditor</b>	Wylie & Bisset (Audit) Limited 168 Bath Street Glasgow G2 4TP

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# **DSL BUSINESS FINANCE LTD**

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# **DSL BUSINESS FINANCE LTD**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2023**

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The directors present their annual report and financial statements for the year ended 31 March 2023.

#### **1. Purpose and background**

DSL Business Finance Ltd (DSL), formerly Developing Strathclyde Limited was established in 1993, pioneering a new approach to business lending in disadvantaged areas of the West of Scotland using capital raised from public and private sources.

The company is limited by guarantee not having a share capital. In the event of the winding up of the company a member is liable to contribute a sum not exceeding £1.

For some years DSL has provided access to business lending Scotland wide. Its key aim continues to be to remove the financial barriers to business set-up and growth for Scottish Micro, Small and Medium sized Enterprises (MSMEs) and social enterprises. This in turn creates new wealth and jobs in the Scottish economy – in many cases targeting communities who need these most.

In the period under review DSL continued to provide business loans and business support to meet the gap in provision from mainstream sources. The number of loans issued were predominantly defined as microfinance e.g., < £25,000.

Capital for lending was created from loan repayments from current clients combined with reserves and loan facilities from Unity Trust Bank (UTB). In addition, DSL continued to manage the Scottish Microfinance Fund as part of a Scottish Growth Scheme contract which commenced on 01 January 2019. This Scottish Government contract had an investment period of 31 months that ended 31<sup>st</sup> July 2021 with a realisation period of some 5 years thereafter. This contract was a follow on from the previous contract which ended 31<sup>st</sup> December 2018. We continue to provide loans via the SMF Recycled Loan Fund, albeit this is a diminishing pot.

We also continued as Fund Manager for Lanarkshire Enterprise Services Limited's Digital Development Loan Fund (DDL). This contract, for which LESL is the lead contractor on behalf of Scottish Government, was extended in May 2022 for further 1 year period and runs until 31<sup>st</sup> May 2023.

DSL's approach continues to evolve to meet the needs of Scottish businesses and has continued to diversify the range of loan funds it offers.

#### **2. Principal activities**

DSL Business Finance Ltd provides business loans to financially sustainable micro, small and medium sized businesses including social enterprises throughout Scotland.

In the 12-month period to 31 March 2023 DSL paid out £4,378,504 via 159 loans (2022 £5,140,848 via 193 loans) with an average loan size of £27,538 (2022 £26,637). The DDL Fund continued to play its part in encouraging business to digitise.

DSL's capital for lending in the year under review came from various sources but primarily The Start-up Loans Company, The Scottish Government, Inverclyde Council, Unity Trust Bank, and its own reserves.

All clients receive pre and post loan support and advice, thereby contributing to a lower business failure rate.

DSL also provides similar services on behalf of other organisations. This includes the management of loan and grant funds including:

- Continuing as an Official Delivery Partner in Scotland for the Start Up Loan Company (SULC), an arrangement that has been in place since February 2014. In addition to lending to start-up businesses, this arrangement also entails appraising loan applications and providing business support to clients.
- In December 2022 we learned that we have been successful with our bid under the SUL procurement process to be the Regional Business Support Partner for Scotland. The contract commenced 1<sup>st</sup> April 2023 and runs until 31<sup>st</sup> March 2025, with a 1-year extension option thereafter.

# **DSL BUSINESS FINANCE LTD**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2023**

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- Being Fund Manager for Falkirk Council's Business Loan Fund.
- Being Fund Manager for Inverclyde Council's Special Intervention Loan Fund.
- Providing Loans as an accredited lender of the British Business Bank's Recovery Loan Scheme.

#### Scottish Growth Scheme (The Scottish Microfinance Fund)

Following a tender process in 2018, Scottish Government awarded DSL a contract to deliver the Microfinance element of the £75m Scottish Growth Scheme. This committed DSL to delivering £6m of funding from 01 January 2019 to 31 July 2021 (31 months). Unlike the previous contract there was no requirement for DSL to provide capital to this initiative.

However, wishing to continue the contribution by The Start-Up Loan Company, there was agreement that they would contribute 30% funding to eligible applicants between 01 January 2019 and 31 March 2020. This time is relevant as the status of The Start-Up Loan Company was unclear beyond 31 March 2020. The Fund was therefore capitalised £574,000 by SULCo and £5,426,00 ERDF. Due to the contract extension agreed from 1<sup>st</sup> April 2021 through to 31 March 2022, the 30% SULCo contribution continued and was in place until the end of the SGS investment period on 31<sup>st</sup> July 2021.

### **3. Business Environment**

2022/23 continued to be a changing market in which to operate for SME clients and thereby for DSL, the tail of the Global Pandemic remained and the previously unforeseen invasion of Ukraine by Russia brought about several impacts on the global economy, not least supplier shortages, resultant price increases, significant increases in utility prices, increased interest rates and inflation. Labour shortages were also more prevalent across various sectors. Whilst there is some indication that conditions are easing a little, this will take time to filter through, hence uncertainty remains, and business confidence is varied.

As a consequence of the foregoing and the cessation of the SGS investment phase in August 2021 the number and value of loans provided by DSL in FY22-23 fell, albeit to what we still consider to be at a very acceptable level.

We continue to see requests for moratoriums and repayment plans and it is testimony to the Team's approach to this and that of working with clients to achieve positive outcomes that the level of debt written off remains at the lower end of the norm for the sector.

Overall, the year was another successful one for DSL despite the vagaries of the wider economic and political challenges. The economy remains fragile though and it is clear that good stewardship of the present loan book and thorough due diligence will be necessary to be continued going forward so as to ensure that both the business and its clients prosper in the year ahead.

Challenger banks continue to emerge, notably those that are very fintech based. However, the personal service provided by our team of Loan Officers based throughout Scotland continues to be very welcome by clients and also in attracting new ones. We have also continued to introduce a host of improvements to working practices that are benefitting the business and clients. This continuous improvement will feature going forward.

We continue to develop existing relationships and create new ones with business organisations throughout the country and have active referrals from a variety of sources such as Accountants, Enterprise Hubs and Business Gateways coupled with continuing to grow our social media presence. We have also enhanced our social media presence and upgraded our website in the year, initiative that have been well received.

### **4. Our achievements**

During the year, DSL continued to play its role in the Scottish economy in lending to enterprise and creating jobs as illustrated in the tables below:

**DSL BUSINESS FINANCE LTD****DIRECTORS' REPORT****FOR THE YEAR ENDED 31 MARCH 2023**

<b>Output</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2020/21</b>
Investor readiness advice, aftercare and mentoring visits/sessions	253	321	310
Private business loan applications assessed (£)	£7,199,374	£8,888,715	£8,144,732
No. Loans disbursed	159	193	171
Amount of loan disbursed	£4,378,504	£5,140,848	£5,592,329
New jobs created in start-ups	110	183	104
New jobs created in existing companies	12	67	17
Jobs maintained	516	1,059	1,026
Total Jobs created and maintained	637	1,308	1,146
£1 of DSL loan leveraged additional funds for Scottish businesses.	£11.85	£16.57	£160.61

**5. Loan application areas**

The following table shows loan enquires throughout Scotland.

<b>Areas</b>	<b>Apr 2022 – Mar 2023</b>	<b>Apr 2020 – Mar 2021</b>	<b>Apr 2020 – Mar 2021</b>
Aberdeen	8.21%	5.96%	5.96%
Aberdeenshire	3.04%	6.67%	6.67%
Angus	1.22%	0.70%	0.70%
Argyle & Bute	1.22%	2.11%	2.11%
Ayrshire	7.60%	7.37%	7.37%
Borders	4.26%	2.46%	2.46%
Clackmannanshire	0.30%	2.46%	2.46%
Dumfries & Galloway	2.43%	3.16%	3.16%
Dunbartonshire	3.65%	3.16%	3.16%
Dundee	3.04%	7.72%	7.72%
Edinburgh & Lothian	20.67%	13.68%	13.68%
Falkirk	3.04%	1.05%	1.05%
Fife	3.65%	1.75%	1.75%
Glasgow	9.73%	11.23%	11.23%
Highlands & Islands	8.21%	10.18%	10.18%
Inverclyde	1.82%	1.05%	1.05%
Lanarkshire	8.81%	8.07%	8.07%
Orkney	0.30%	0.70%	0.70%
Perth & Kinross	3.34%	3.16%	3.16%
Renfrewshire	1.82%	5.26%	5.26%
Stirlingshire	3.65%	2.11%	2.11%
<b>Total Scotland</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## DSL BUSINESS FINANCE LTD

### DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MARCH 2023**

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#### 6. Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Marian Gardiner	(Resigned 06/09/2022)
Stuart Yuill	
Derek Jamieson	(Resigned 30/06/2023)
Lesley Wood	
Martin Avila	(Appointed as Sec 23/08/2023, resigned as Sec 15/11/2023)
Oonagh Gill	(Resigned 20/12/2022)
Linda Andrews	
Fiona McClune	(Resigned as Sec 18/08/2023)
Joanne Seagrave	(Appointed Sec 15/11/2023)
Elizabeth Young	(Appointed 18/08/2023)

In accordance with the company's Articles of Association, at the conclusion of each annual general meeting of the company, one third (to the nearest round number) of the directors shall retire from office. The directors to retire under article 57 shall be those who have been longest in office since they were last elected or re-elected.

#### 7. Auditor

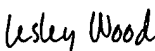
The auditor, Wylie & Bisset (Audit) Limited, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Approved by the board of directors and signed on their behalf by:

DocuSigned by:  
  
E71C77066F674DC...

Lesley Wood  
(Director)

Date: 7 December 2023

**DSL BUSINESS FINANCE LTD**  
**DIRECTORS' RESPONSIBILITIES STATEMENT**  
***FOR THE YEAR ENDED 31 MARCH 2023***

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **DSL BUSINESS FINANCE LTD**

### **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF DSL BUSINESS FINANCE LTD**

***FOR THE YEAR ENDED 31 MARCH 2023***

#### **Opinion**

We have audited the financial statements of DSL Business Finance Ltd (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The directors are responsible for the other information contained within the annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **DSL BUSINESS FINANCE LTD**

### **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF DSL BUSINESS FINANCE LTD**

***FOR THE YEAR ENDED 31 MARCH 2023***

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

#### **Respective responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

## **DSL BUSINESS FINANCE LTD**

### **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF DSL BUSINESS FINANCE LTD**

#### **FOR THE YEAR ENDED 31 MARCH 2023**

#### **Explanation as to what extent the audit was considered capable of detecting irregularities including fraud**

We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, responding appropriately to fraud or suspected fraud identified during the audit process. This includes obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The primary responsibility however for the prevention and detection of fraud rests with those charged with governance and executive management of the entity.

In identifying and assessing the risks or material misstatements in respect of irregularities, including fraud and non-compliance with laws and regulations we considered the following;

- The nature of the company, the environment in which it operates and the control procedures implemented by management and the directors; and
- Our enquiries of management and directors about their identification and assessment of the risks of irregularities.

Based on our understanding of the company and the industry we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to;

- Regulations and legislation pertinent to the company's industry operations; and
- UK tax legislation.

We considered the extent to which non-compliance might have a material impact on the financial statements. We also considered those laws and regulations which have a direct impact on the preparation of the financial statements, such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to;

- Posting inappropriate journal entries; and
- Management bias in accounting estimates

#### **Audit response to the risks identified;**

Our procedures to respond to the risks identified included the following:

- *Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates;*
- *Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;*
- *Enquiring of management and legal advisors concerning actual and potential litigation and claims;*
- *Reviewing correspondence with HMRC;*
- *In addressing the risk of fraud as a result of management override of controls, testing the appropriateness of journal entries and other adjustments' assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and, evaluating business rationale of any significant transactions that are unusual or outside the normal course of business.*

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would be to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

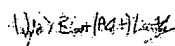
## **DSL BUSINESS FINANCE LTD**

### **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF DSL BUSINESS FINANCE LTD**

***FOR THE YEAR ENDED 31 MARCH 2023***

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
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Scott Gillon BA(Hons) FCCA, CA  
(Senior Statutory Auditor)  
For and on behalf of Wylie & Bisset (Audit) Limited, Statutory Auditor

168 Bath Street  
Glasgow  
G2 4TP

Date: 7 December 2023

**DSL BUSINESS FINANCE LTD**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2023**

		<b>Year to 31 March 2023 £</b>	<b>Year to 31 March 2022 £</b>
Donations and fees	<b>Notes</b>	650,670	647,405
Administrative expenses		(633,530)	(561,088)
<b>Operating profit</b>		<u>17,140</u>	<u>86,317</u>
Interest payable and similar expenses		(13,790)	(5,496)
<b>Profit before taxation</b>		<u>3,350</u>	<u>80,821</u>
Taxation		-	-
<b>Profit for the financial period</b>		<u><u>3,350</u></u>	<u><u>80,821</u></u>

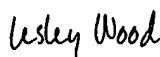
**DSL BUSINESS FINANCE LTD**  
**(A company limited by guarantee)**  
**BALANCE SHEET**

**AS AT 31 MARCH 2023**

		<b>As at 31 March 2023</b>		<b>As at 31 March 2022</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Tangible assets	3		-		1,318
			-		1,318
<b>Current assets</b>					
Debtors	4	991,601		891,144	
Cash at bank and in hand		929,603		898,759	
		1,921,204		1,789,903	
<b>Creditors: amounts falling due within one year</b>	5	(640,711)		(476,822)	
Net current assets			1,280,493		1,113,079
<b>Total assets less current liabilities</b>			1,280,493		1,114,397
<b>Creditors: amounts falling due after more than one year</b>	6		(429,681)		(200,000)
<b>Net assets</b>			850,812		914,397
<b>Capital and reserves</b>					
Core Funding			84,745		84,745
Profit and loss reserves			766,067		829,652
<b>Total equity</b>			850,812		914,397

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 7 December 2023 and are signed on its behalf by:

DocuSigned by:  
  
 E71C77086F674DC...

Lesley Wood  
 (Director)

**Company Registration No. SC145739**

**DSL BUSINESS FINANCE LTD**

**STATEMENT OF CHANGES IN EQUITY**

**AS AT 31 MARCH 2023**

	Notes	Core Funding £	Profit and Loss Reserves £	Total £
<b>Balance at 1 April 2021</b>		84,745	801,277	886,022
<b>Year ended 31 March 2022:</b>				
Profit and total comprehensive income for the year		-	80,821	80,821
Distribution to parent charity under gift aid		-	(52,446)	(52,446)
<b>Balance at 31 March 2022</b>		84,745	829,652	914,397
<b>Year ended 31 March 2023:</b>				
Profit and total comprehensive income for the year		-	3,350	3,350
Distribution to parent charity under gift aid		-	(66,935)	(66,935)
<b>Balance at 31 March 2023</b>		84,745	766,067	850,812

# DSL BUSINESS FINANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

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#### 1 Accounting policies

##### Company information

DSL Business Finance Ltd is a private company limited by guarantee incorporated in Scotland. The registered office is Moorpark Court, 5 Dava Street, Govan, Glasgow, G51 2JA.

The principal activity of the company continued to be that of providing business loans to financially sustainable small and medium sized businesses including social enterprises throughout Scotland.

##### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

##### 1.2 Turnover

Turnover represents amounts receivable in respect of management fees and other income arising as a result of the company's principal activities.

Donations are accounted for in the period in which they are received. Donations to fund the core activities of the company are treated as capital and included in core funding in the balance sheet. All other donations are treated as revenue.

##### 1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Office equipment	33% straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

##### 1.4 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.



# DSL BUSINESS FINANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 1 Accounting policies

##### 1.5 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### 1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

##### 1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# DSL BUSINESS FINANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2023

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#### 1 Accounting policies

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial assets**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

## DSL BUSINESS FINANCE LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2023

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##### **1.9 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **1.10 Retirement benefits**

The company was part of a defined benefit pension scheme until 31st March 2017. Upon exiting the defined benefit pension scheme in March 2017 a liability of £99,000 arose which has been fully accounted for in the accounts in line with the discounting requirements of FRS102. From April 2017 onwards the company offers a defined contribution scheme to eligible employees.

##### **1.11 Income from investments**

Investment income is included in the financial statements in the accounting period in which it is received.

##### **1.12 Grant income**

Grants, where entitlement is not conditional on the delivery of a specific performance by the company, are recognised when the company becomes unconditionally entitled to the grant.

##### **1.13 Loans**

Loans are recognised in the financial statements at the point at which they are approved and drawn by the client using the policies and procedures approved by the Board of the company.

##### **1.14 Areas of judgement and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

##### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### ***Depreciation of fixed assets***

Fixed assets are depreciated over the useful life of the assets. The useful lives of fixed assets are based on the knowledge of senior management, with reference to the assets expected life cycle.

##### ***Debt provision***

Old or obsolete stock is written down using standard methodology based on the aging of stock movements.

This methodology has been designed by senior management experienced with the stock items in question and the likely realisable value of these.

**DSL BUSINESS FINANCE LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****2 Operating profit**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Operating profit for the period is stated after charging:		
Fees payable to the company's auditors for the audit of the company's financial statements	8,374	5,268
Depreciation of tangible fixed assets	1,318	2,384

**3 Tangible fixed assets**

	<b>Office Equipment</b>
	<b>£</b>
<b>Cost</b>	
At 1 April 2022	48,138
Additions	-
At 31 March 2023	<u>48,138</u>
<b>Depreciation and impairment</b>	
At 1 April 2022	46,820
Depreciation charged in the period	1,318
As 31 March 2023	<u>48,138</u>
<b>Carrying amount</b>	
At 31 March 2023	-
At 31 March 2022	<u>1,318</u>

**4 Debtors**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	937,638	791,560
Other debtors	53,963	99,585
	<u>991,601</u>	<u>891,144</u>

**5 Creditors: amounts falling due within one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Bank Loans and overdrafts	111,785	-
Other Creditors	528,926	476,822
	<u>640,711</u>	<u>476,822</u>

**DSL BUSINESS FINANCE LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****6 Creditors: amounts falling due after more than one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Bank Loans	254,681	-
Deferred Income	175,000	200,000
	<u>429,681</u>	<u>200,000</u>

**7 Loans and overdrafts**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Bank loans	366,466	-
	<u>366,466</u>	<u>-</u>
<b>Analysis of Repayments:</b>		
Payable within one year	111,785	-
Payable after one year	254,681	-
	<u>366,466</u>	<u>-</u>

The bank loan is secured by assignment of the loan book to the lender and a floating charge over the borrowing company's assets.

**8 Pension obligations**

The Board approved a decision to exit Strathclyde Pension Scheme on 31st March 2017 for the future sustainability of the company. This gave rise to an exit cost of £99,000, which is repayable over 6 years. This cost has been fully accounted for in the accounts in line with the discounting requirements of FRS102. The Strathclyde Pension Scheme was a defined benefit scheme which has now been replaced with the company defined contribution scheme.

**9 Operating lease commitments**

At the reporting end date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Due in less than one year	48,070	52,341
Due in two to five years	1,890	2,970
	<u>49,960</u>	<u>55,311</u>

**DSL BUSINESS FINANCE LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****10 Related party transactions**

During the period the company did not receive funding from members of the company.

The company made payment of £64k to Stuart Yuill, a Director of the Company (2022: £62k) in relation to his position as acting General Manager.

DSL paid its sole member, Community Enterprise in Scotland, a management fee of £125k (2022: £129k) based on its service level agreement which includes £47k (2022: £51k) based on the lease agreement for Dava Street.

During the year DSL received a fee for services of £nil (2022: £nil) from CEIS.

At 31 March 2023 £66k (2022: £9) was due from DSL to CEIS.

**11 Average staff numbers**

The average weekly numbers of persons, by headcount, employed by the company during the year was:

2023 No.	2022 No.
10	11

**12 Ultimate Controlling Party**

The company's sole member is Community Enterprise in Scotland, a company limited by guarantee and registered in Scotland, which is considered to be the ultimate controlling party.