

Other Sources of Funding

Small Firms Loan Guarantee Scheme

As one of the biggest government backed 'incentive' schemes, it is important to examine the SFLGS. The reason behind referring to this scheme as an incentive is that many private investors or business angels feel encouraged to invest in a particular company, if they've either secured a certain amount under this scheme or have had conditional pledges from the institution providing this scheme on behalf of the DTI.

Many small to medium-sized enterprises (SMEs) have viable business plans that need funding, for which a loan would be appropriate. However, some SMEs may be unable to obtain a conventional loan because they do not have assets to offer as security. The Small Firms Loan Guarantee (SFLG) helps to overcome this by providing lenders with a government guarantee against default in certain circumstances.

Over the years there have been a number of changes made to the SFLG and it now focuses on newer businesses. The main features and criteria of the scheme are:

- A guarantee to the lender covering 75 per cent of the loan amount, for which the borrower pays a two per cent premium on the outstanding balance of the loan.
- The ability to guarantee loans of up to £250,000 and with terms of up to ten years.
- Availability to qualifying UK businesses with an annual turnover of up to £5.6 million and which are up to five years old.
- Availability to businesses in most sectors and for most business purposes, although there are some restrictions.

Venture Capital (VCs)

Typically VC firms look at larger deals upwards of £2 million they are less likely to invest in early stage, although some companies could be interested in post proof concept they are often a good option for a company looking for second or third round of funding, VCs can either develop a strong relationship with Business Angels or they may dilute the Angels. These firms normally prefer to invest in businesses with a track record. However, some of the smaller VCs, certainly the Co-investment funds, will invest alongside Business Angels at the early stage. For further information about Venture Capital refer to the British Venture Capital Association (BVCA) 170 full VC members – further info: www.bvca.co.uk

Enterprise Capital Funds (ECFs)

These funds are set up by UK Government to bridge the equity gap, they operate in that the Government leverages private investment to support SMEs. The majority of the ECFs which have already been set up operate as a VC however many involve Business Angel Funding and will co invest alongside business angels. The typical size of the funds are £15-30m and in general they are looking to invest between £500k to £2m. The funds are a relatively new initiative and so far six have been approved. The closest fund to London Business Angels is **Seraphim Capital** £30M fund – now launched led by GLE and 9 investors, links to the US. Further info: www.seraphimcapital.com

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Grants & Awards

There are a number of Grants & Awards from bodies such as the European Union, the DTI, the National Lottery & UK Grant Making Trusts. Two of the key grants available are 1) **Proof of Concept**: Grants provided by the Government (co-ordinated by Individual Universities) to support entrepreneurs who are still within the University. Generally up to £40k is available often to support registration of Intellectual Property. There are five main Proof of Concept grants supported by networks of Universities in London. 2) **R&D Grants** - Support proof of concept for entrepreneurs operating outside the University, also support product testing and further stages of technological development. There are four levels of grant from £20k to £500k

Factoring/Invoice Financing

This is where a company buys a businesses trade debts and pays them up to 85% as soon as the company issues a valid invoice. The balance minus the charges is paid once the business pays. Factoring or invoice financing can be useful for rapidly-growing businesses which sell to business customers on credit.

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