Funding 101 – Funding Basics for Start Ups LSBU

Julie Wong

Monday 19th February 2024 13:00-15:00.

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1

Business Mentor:

- British Library BIPC – Growth for Business
- SBREC – Guild Hall
- HM Government - Help to Grow
- Wolverhampton University – SPEED
- Roehampton University & Wandsworth Council
- Cherie Blair Foundation
- Portobello Business Centre

Fractional Finance Director

Former Trustee of an International Development Charity

Financial Strategy; Audit and Financial Accounts; Projects; Change Management & Process Engineering

Email : juliewong.fd@gmail.com

LinkedIn: www.linkedin.com/in/julie-wong-financial-coach

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Today's Topics

- Why Funding
- Corporate Structure and Funding
- Stages of Funding
- Sources of Funding
- Getting yourself funding ready
- Keeping yourself afloat (cashflow and financial management)

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Where are you going?

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What you need to know about funding

- Why Funding
- Compliance – legal obligations
- Managing your cash & finances
- Profitability
- Keeping your future bright

!! EVERYTHING YOU DO IN BUSINESS HAS A FINANCIAL IMPACT !!

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Business Structure & Funding

Sole Trader/ Partnership

- Responsibility
- Credit Histories
- Access to types – restricted
- Upgrade/Exit

Limited Company/ CIC/Charity

- Responsibility
- Credit History
- Access to types – wider range
- Exit

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Business & Funding Journey

- Idea
- Research Business Idea and Proof of Concept
- Pitch Deck
- Financials
- Concise Plan
- Secure Funding

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Funding Stages – Other Definitions

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Funding Stages – Other Definitions

Pre- seed	Seed Funding (£500k-£2m)	Series A (£2-£18m)	Series B + beyond
• To create MVP, Market Research, key people, IP • Founders, Friends & Family • 10%-20% Equity	• Business needs, go to market strategy, R&D, staff • Angel, VC, F&F, Crowdfunding	• Product/Service development, customer aq'n, staff • Angel, VC • 20%-25% Equity	• Scaling and expansion • VC, IPO market

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Funding Options and Types

Non Equity

- Bootstrapping
- Grants/Competitions
- Crowdfunding (Cause/P2P)
- Bank Loans

Equity

- Angel Investors
- Venture Capitalist
- Crowdfunding

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Bootstrapping

- Purpose
- Source
- Advantages
- Disadvantages

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- Definition
- Organisations
  - Kickstarter
  - Indiegogo
  - Crowdcube
  - Seedrs
- Tools
- TIP – Do not launch on less than 60% raised of goal

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Grants

- Grantfinder
- Innovate UK
- Experts – fees charged
- R&D Tax Credits
- Patent Box
- Arts & other sectors

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Incubators and Accelerators

- Helps Very Young companies
- Santander X
- Competitions
- Growth Hubs

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Angel Investors

- Investment £5k - £250k
- Areas of Expertise
- Experienced Entrepreneurs
- Expect 10x
- Exit 5-7 Years
- Network and Referrals, Family Office

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Debt Funding

- Start Up Loans
- Bank Loans
- Crowdfunding P2P
- Credit Cards
- Personal Loans
- Friends & Family
- Credit History

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Startup Loans

- British Business Bank
  - Funding via partners
  - Government Backed £500-£25k
  - Unsecured with free support
  - Available to brand new businesses (less than 24 months trading)

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- Next Stage – Proven business Model
- High Flying Team
- £100m exit valuation
- Exit 3-5 years
- High Growth

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What do you need?

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Executive Summary

- Exec Summary One-Pager
  - Problem
  - Solution
  - Proof of Concept
  - Exit

  - Financial High-Level Summary

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Pitch Deck & Financials

- Pitch Deck (8-12 Slides)
- Investor Pack (15-20 Slides)

- Solution (in more detail)
- Market Research/Competion
- Team (Skills & Abilities)
- Proof of concept/MVP
- Risks
- Personal Investment (Time/Money)

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Financials

- Cashflow (& Profit Loss Projections)
- Filed Accounts
- Bank Statements
- Credit History
- Trading History (may need >24m for bank loans)

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Crowdfunding

- Video Pitch
- Exec Summary
- Pitch Deck
- Financials
- Following
- PR/Stories
- Social Media

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Financial Statements and Returns

Balance Sheet
As at 31st March 2009

Assets		
Fixed Assets	10000	
Intangible Assets	5000	
		15000
Current Assets		
Bank	1000	
Stock	500	
Debtors	2000	
		3500
Total Assets		18500
Less		
Creditors falling due in one year		
Creditors	3000	
Loan	500	
		3500
Creditors falling due after one year		
Loan		2000
		5500
Net Assets		13000
Capital and reserves		
Issued share capital		2000
Retained Profits		11000
		13000

Profit and Loss for the year ended 31st March

	£	£
Sales		
Hardware	100000	
Consultancy	20000	
Total sales		120000
Cost of Sales		
Cost of Goods sold	50000	
Direct labour	10000	
Total cost of sales		60000
Gross Profit		60000
Overheads		
Salaries	30000	
Car and Travel	1200	
rent, rates, power and insurance	3000	
Telephone and stationery	2000	
Advertising	500	
Business Entertainment	100	
Bank interest and loans	100	
Bank charges	200	
Legal fees	500	
Depreciation	200	
Corporation Tax	5000	
Total Overheads		42800
Profit/Loss		17200

- Key financial records
  - Profit and loss or… (Income and expenditure)
  - Balance Sheet
  - Company Tax Return
- Micro-entity or abridged accounts for small companies and no audit required (no

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Julie Wong - Finance Coach

CASHFLOW FORECAST

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Total for Year
Opening Bank Balance B/Fwd	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Cash Inflow													
Income 1													-
Income 2													-
Income 3													-
Total Cash Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflows													
Directors Remuneration													-
Subscriptions													-
Stock													-
Marketing													-
Professional Fees													-
Other cash outflows 5													-
Other cash outflows 6													-
Other cash outflows 7													-
Other cash outflows 8													-
Other cash outflows 9													-
Other cash outflows 10													-
Total Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Inflows vs Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance C/Fwd	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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Business Planning – What and Why

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Relationship Management

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Other Resources

- https://www.gov.uk/business-finance-support
- https://www.british-business-bank.co.uk/finance-hub/
- https://smallbusiness.co.uk/
- https://www.grantfinder.co.uk/
- https://www.find-government-grants.service.gov.uk/
- https://www.british-business-bank.co.uk/

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Applications for Advance Assurance

- Covering letter
- EIS/SEIS assurance online application form
- Amounts to be raised
- What the money will be used for
- What you do
- Articles of association
- Shareholders agreement
- Business plan
- Accounts
- Corporation Tax reference number
- Confirmation – no EIS shares previously issued and no previous VCT investment
- Details of UK and EU state aid

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Funding Game

Seed Funding £1k - £150k	Founder, family, friends, grants, incubators, competitions, crowdfunding, startup loan
Early Stage £150k - £500k	Business angels, small funds, grants, bank, invoice discounting, asset finance, bootstrapping, vendor funding, franchising, crowdfunding, startup loans
Mature Growth £500k - £10m	Venture Capital, Mezzanine finance, AIM, PLUS trading markets, franchising
End Game (Exit) High Valuation	Trade Sale, MBO, MBI, (in 2% cases - AIM listing)

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Tax Credit and Incentives

- Capital Allowances
- Annual Investment Allowance (AIA)
- Research and Development (R&D) Incentives
- R&D Tax Credits
- SEIS/EIS Investor Relief
- Patent Box

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SEIS – Seed Enterprise Investment Scheme

SEIS Company – Can Raise up to £250k

- Less than 25 employees
- Less than £350k gross assets
- Max Trading Period 3 Years
- De minimis state aid (grants, subsidies etc)
- Ordinary, non-redeemable, no preferential rights
- New Qualifying Activity
- Not controlled by another company
- No EIS previously raised

Investor

- Maximum Investment £200k pta
- No more than 30% of company's overall shares
- Income Tax Relief – 50%
- Loss Relief – if sold at a loss
- CGT – No CGT if held for 3 years
- Inheritance Tax Relief – No IHT if shares held for 2 years
- Reinvestment Relief

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EIS – Enterprise Investment Scheme

EIS Company – Can Raise up to £12m

- Less than 250 employees*
- Max Gross Assets £15m
- 7 Years Max trading period*
- Spend within 2 years
- *KICs (Knowledge intensive company)

Investor

- Income Tax Relief – 30%
- Loss Relief – if sold at a loss
- CGT – No CGT if held for 3 years
- Inheritance Tax Relief – No IHT if shares held for 2 years
- Max investment £1m per tax year, £5m per calendar year
- Not "connected" to the company

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Financial Management – What does good look like?

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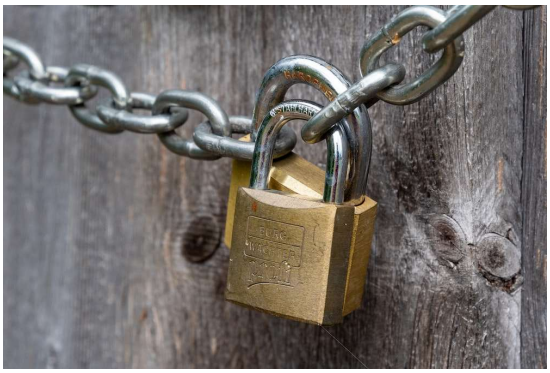
Profit Planning – financial data



Profit and Loss forecast:

- Decision Making
- Relevant
- Accurate
- Timely
- Actionable
- Control
- Deployment of resources

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P&L - Example

Summary Year Ended:	(Insert Year Here)	TOTAL Jan 22 - Dec 22	Jan-22 BUD	Feb-22 BUD	Mar-22 BUD	Apr-22 BUD	May-22 BUD	Jun-22 BUD	Jul-22 BUD	Aug-22 BUD	Sep-22 BUD	Oct-22 BUD	Nov-22 BUD	Dec-22 BUD
B2C Income	Relocation Services	7,500	-	3,500	-	-	4,000	-	-	-	-	-	-	-
TOTAL B2C INCOME		20,000	2,800	3,500	2,000	3,200	4,000	4,500	-	-	-	-	-	-
		-												
TOTAL TRADING INCOME (B2B/B2C)		40,000	5,600	7,000	4,000	6,400	8,000	9,000	-	-	-	-	-	-
		-												
Other Income	Interest Income	15,000	3,000	3,000	3,000	3,000	3,000	-	-	-	-	-	-	-
Other Income	Other Income	1,000	-	200	200	200	200	200	-	-	-	-	-	-
Other Income	Income Type 3	600	-	120	120	120	120	120	-	-	-	-	-	-
Total Other Income		16,600	3,000	3,320	3,320	3,320	3,320	320	-	-	-	-	-	-
		-												
Total Income		56,600	8,600	10,320	7,320	9,720	11,320	9,320	-	-	-	-	-	-
		-												
DIRECT COSTS														
Direct Costs	Immigration - Consultancy	100	100	-	-	-	-	-	-	-	-	-	-	-
Direct Costs	Other Services - Consultancy	100	-	100	-	-	-	-	-	-	-	-	-	-
Direct Costs	Relocation Services - Consultancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Direct Costs	Tax Services - Consultancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Direct Costs		200	100	100	-	-	-	-	-	-	-	-	-	-
OTHER COSTS OF SALES														
Other Costs of Sales	Direct Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Costs of Sales	Client Catering	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Costs of Sales	Client Related Travel	100	-	100	-	-	-	-	-	-	-	-	-	-
Total Other Costs of Sales		100	-	100	-	-	-	-	-	-	-	-	-	-
Monthly Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
One Off Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
Variable Costs		240	20	20	20	20	20	20	20	20	20	20	20	20
Professional Fees		-	-	-	-	-	-	-	-	-	-	-	-	-
Travel & Subsistence		-	-	-	-	-	-	-	-	-	-	-	-	-
Other Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Overheads		240	20	20	20	20	20	20	20	20	20	20	20	20
Total Expenditure		440	120	120	20	20	20	20	20	20	20	20	20	20
NET PROFIT		56,160	8,480	10,200	7,300	9,700	11,300	9,300	- 20	- 20	- 20	- 20	- 20	- 20
		-												

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Exit Strategy

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