# Block 2 Ex-Ante Assessment for a Financial Instrument for Buckingham Thames Valley.

## Outline/Interim Proposal

### Introduction

In response to a commitment in its Strategic Economic Plan, Buckinghamshire Thames Valley LEP (BTV LEP) has commissioned consultants Blue Sky Corporate Finance to undertake a Block 2 Ex-Ante Assessment for a new financial instrument or investment fund that might support SME business growth in the area.

BTV LEP has indicated that around £8.75m of public funding may be available for deployment for this purpose, derived from ESIF/ERDF and from BTV LEP sources.

An Ex-Ante Assessment is a prescribed approach to an options review for new financial instruments that are likely to seek ESIF funding. The approach aims to build a business case for a fund in light of empirical evidence from the market and from other comparable activities in order to identify and shape preferred options. In line with European Commission guidance, an Ex-Ante Assessment must consist of two separate stages, referred to as blocks. Block 1 provides a broad brush market analysis to provide evidence of need, prospective user demand and the financing gap; whilst Block 2 outlines any proposed investment strategy and operating approach and should include an options appraisal and a comprehensive financial model.

The full Block 2 Ex-Ante Assessment is expected to be completed towards the end of January 2018. This outline proposal has been prepared to summarise work in progress and to support an initial approach to the ESIF Committee scheduled on the 16th January 2018.

### Background

Financial instruments or investment funds have been used widely in the UK to support market failure that can prevent viable SME businesses from obtaining the investment required to support growth, new product development or expansion into new markets.

Funds of this type can provide an independent and alternative source of business finance that smaller businesses may otherwise struggle to obtain from the commercial market due to a lack of investor appetite, track record or collateral. The financial crisis of 2007/08 triggered a significant reduction in the availability of credit terms from banks and other mainstream providers that have typically been used by SMEs to finance growth. Whilst there has been some recovery of lost ground since that time, banks have tended to move up-market, turning their focus to larger businesses, for project that offer greater potential for returns and at proportionately lesser cost and management input.

For equity funding that is typically used to support early-stage or more significant developments that would anticipate an extended time to generate the cash necessary to service a loan, it is universally accepted that a finance gap of between £2m - £5m exists. Below this value, providers are discouraged from investing as the returns are expected to be insufficient to justify the expense of due diligence and management.

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The development of new publicly-financed funds is not intended to displace whatever commercial activity may be present. On the contrary, such funds are usually designed to attract private investment by helping to de-risk proposals and leverage private finance by gearing direct investment at fund level and/or co-investment at project level.

**Block 1 Ex-Ante Assessment**

The Department of Communities and Local Government (DCLG), acting as managing authority for the 2014/20 ESIF Programme, commissioned the European Investment Bank (EIB) and consultants Regeneris to draft a Block 1 Ex-Ante Assessment which provided a national overview of demand and in a series of annexes, considered finance market gaps in each of the English regions in more detail. The report is sometimes referred to as the Regeneris Ex-Ante Report.

The Block 1 Ex-Ante Assessment referred to above was drafted to consider a range of finance types:

***Finance for microbusinesses*** *– this is defined as businesses with less than 10 employees and covers debt finance for start-ups (but excluding equity for early stages businesses which is covered below), microfinance (typically defined as up to £20-£25,000) and small loans (defined as being up to around £70-£80,000).*

***Risk capital for early stage businesses*** *– this category covers pre-start-up and early stage businesses with high growth potential (both pre-revenue and early revenue businesses), which typically require high risk venture capital investment from £0.2m to £2m. These businesses are harder to define in terms of their size – whilst they may be unincorporated, have no employees or have fewer than 10 employees when they are supported, they are distinguished by their potential for rapid growth in turnover and employment terms.*

***Debt for established SMEs*** *– this category covers established SMEs (typically with more than ten employees and established for more than two years) which seek to use debt based finance to support relatively low risk growth.*

***Risk capital for established SMEs*** *– this category covers established SMEs (again, typically with more than ten employees and established for more than two years) with their aspiration for finance to achieve more rapid growth or major events (such as management succession). This may include a mix of equity and quasi- equity finance.*

*Source: Regeneris/EIB Block 1 Ex-Ante Assessment*

The findings of the EIB Regeneris Block 1 Ex-Ante Assessment suggests that there is clear evidence of demand for gap finance across all types in the BTV LEP area. This report provides demand estimates at a South East Regional level with BTV LEP area's share of demand estimated in line with its comparative 6% distribution of SMEs (based upon figures provided by Office of National Statistics – NOMIS 2017).

Taking market gap estimates for microloans and debt for established businesses, the market gap for business loans in the BTV LEP area is just short of £13.7m per annum, summarised in the following table:

| | Finance class | | | |
|---|---|---|---|---|
| | **Micro Loans** | **Early Stage VC** | **Debt for Growing, Established SMEs** | **Expansion Equity for Established SMEs** |
| **Estimated regional demand** | £8m pa | Not provided | £220m pa | £22m pa |
| **Calculated BTV share of demand – 6% of total.** | £480k pa | Not provided | £13.2m pa | £1.32m pa |

**Benchmarking demand with the British Business Bank**

Two major financial instruments have been established using funding from the European Investment Bank, the 2014/20 ESIF Programme and the British Business Bank. Those funds are the Northern Powerhouse Investment Fund (NPIF) and the Midlands Engine Investment Fund (MEIF) and they are valued at £400m and £250m respectively.

Both funds used the Regeneris report and regional overviews of unmet demand to establish fund sizes that are expected to be both viable and capable of generating impact. By analysing the ratio of fund allocations to SME distributions in the LEP areas covered, it is possible to determine an indicative estimate of the size and spread of a fund if the same rationale was to be adopted in the BTV LEP area.

Using the same benchmarking methodology, the BTV LEP area could sustainably deliver a fund of up to £23.7m with £11m and £2.07m allocated to BTV only debt and early stage equity respectively.

**Survey of BTV LEP area finance market intermediaries**

A survey of business, professional and financial services intermediaries in November 2017, indicated that there is perceived to be a market failure priority across all finance classes with preferred options identified to address particular needs for:

1. A fund providing loans for small and medium sized businesses

   and to a lesser extent;

2. A fund to provide early stage venture capital for technology based start-ups and spin-outs.

**Options analysis**

An assessment has been undertaken for the two preferred options and early indications are that option 1, for a fund to support business loans may be most capable of generating the greatest value of investment impact for the funding available.

## Option 1: Business Loan fund

This option would comprise the assembly of an £11.75m fund using £8.75m drawn from ESIF/LEP grant sources, leveraged with a £3m bank loan. The bank loan will be sourced through an open and competitive procurement procedure.

A financial model has been constructed that could invest between £25,000 and £150,000, with an average deal size of £100,000 lent over 48 months. The investment and returns phases are both assumed to be 4 years in duration and thus, the fund would be expected to lend an average of almost £2.94m per annum to a total of 118 client companies.

Key assumptions are summarised below:

| | |
|---|---|
| **Fund size** | £11,750,000 |
| **Investment phase (years)** | 4 |
| **Returns phase (years)** | 4 |
| **Lower limit of investment** | £25,000 (may extend to £10,000 by exception) |
| **Upper limit of investment** | £150,000 |
| **Average deal value** | £100,000 |
| **Average loan term** | 48 months |
| **Effective loss rate by value** | 12% |
| **Interest rate to loan clients (over base)** | 14% (0.25%) |
| **Arrangement fee** | 3% of advance |
| **Annual monitoring fee** | 0% of advance |
| | |
| **Capital from BTV LEP (as equity)** | £8,750,000 |
| **Capital from bank loan** | £3,000,000 |
| **Fund set up costs** | £50,000 |
| **Interest on bank loan** | 3.5% (0.5% on undrawn funds) |
| **Fund management fees, set-up and operating costs** | £2,843,867 (4% during investment phase with 25% per annum stepdown during returns phase). |

It is assumed that around one quarter of all business that receive a loan, will secure a second loan of equivalent value. The fund that is outlined here is expected to fulfil just short of £3m of unmet demand per annum. This is fully in line with current published estimates of market demand and arguably, it is safe to assume that given that the fund may only invest where applicants can demonstrate a decline from mainstream providers, sufficient market gap will remain to ensure that displacement of commercial operators will be negligible.

Using performance standards for deal flow and delinquency that are typical for comparable loan funds, a legacy of over £7.127m (after repayment of the bank loan) may be expected which may be re-invested to create an evergreen fund.

Results are summarised below:

| | |
|---|---|
| **Businesses receiving investment** | 118 (1.25 loans each) |
| **Proportion of start-ups** | 10% |

| | |
|---|---|
| **Business start-ups** | 9 (after losses) |
| **New jobs created** | 451 (after losses) |
| **Leverage (fund level)** | £5,875,000 (50%) |
| **Legacy (after costs)** | £7,127,892 |

Screen shots from the model are provided at Appendix 1 at the rear of this report. The model has been configured to represent what are felt to be current market rates for loan pricing.

The impact delivered would be significant and of low cost in comparison to a grant scheme, which is able to be deployed just once and cannot generate a recyclable legacy.

In simple terms, the fund generates the following impacts:

| Impact | Value |
|---|---|
| Jobs created (gross) | £3,596 cost per job |
| Businesses assisted | £13,745 cost per business |
| Leverage (fund and investment level) | £11.875m |



## Structure and management

The proposed fund will build on lessons learned from existing fund models elsewhere in the UK and will be established under a Limited Partnership structure[1]. Such structures are typical and commonplace for commercial funds of this type and offer benefits in safeguarding investors against any liabilities that might arise from investment activity, more tax effective ways of rewarding investment teams and from loss of funding from irrecoverable VAT leakage – a cost that may be inevitable and significant under alternative structures.

The key features of a Limited Partnership are as follows:

- An organisation willing to be appointed by DCLG as Entrusted Entity (most likely to be Buckinghamshire County Council) would be the applicant and recipient of ESIF/ERDF[2] and would receive grant in tranches from DCLG, drawn down in 25% tranches with new draw-downs triggered by 75% of tranche useage for investment. ERDF will be introduced to the Limited Partnership by the Entrusted Entity as an interest free loan. The Entrusted Entity will act as Holding Company to the Limited Partnership for the purpose of investment.

- In doing so, the Entrusted Entity/Holding Company would join the Limited Partnership as a Limited Partner (and investor) in the Limited Partnership.

- The fund must procure and appoint a professional FCA authorised Alternative Investment Fund Manager (AIFM) to manage the affairs of the fund – including investment decisions at all stages through to disposal or exit/realisation. The fund manager acts as 'General Partner' (GP) to the Limited Partnership.

[1] Under regulations set by the Limited Partnerships Act 1907.

[2] There are specific eligibility criteria for organisations wishing to be considered as Entrusted Entities – they are covered elsewhere in this report.

- Limited Partners and other stakeholders influence and control the way that the fund is invested at a strategic level by setting the Investment and Operational Guidelines (IOGs) that form part of the contract with and terms of engagement for the GP/Fund Manager.

- The fund manager's remuneration is a combination of fixed fees to cover operating costs and payment by results to cover the profit margin that it bid for at procurement stage.

- The Entrusted Entity/Holding Company functions and responsibilities would include:
  - Acting as an 'Entrusted Entity' for DCLG as the ERDF Managing Agent.
  - Applicant for grants and credit arrangement – ESIF/ERDF, bank overdrafts etc.
  - Holding company for the Limited Partnership in which it would be a Limited Partner.
  - Secretariat function for the Board and an Investment Advisory Panel.
  - Convening strategic development/management/review – guided by the Investment Advisory Panel (see below).
  - Approving the GP/fund manager's annual business plan with budgets/targets for investment activity, marketing and other undertakings.
  - Treasury management for idle funds – ESIF/ERDF prior to investment and returns.
  - Liaison with stakeholders and interface with fund manager.
  - Strategic marketing and promotion.
  - Procurement, contracting, performance reporting and management of the GP/fund manager.
  - Receipt and aggregation of returns to form legacies for future re-investment, subject to investor consents.

The fund manager's remuneration will be linked to alignment with the IOGs, performance of certain key performance indicators (KPIs) that will include investment deal flow, financial returns to the Limited Partnership to form legacies and economic outputs and impacts that include job creation.

A small budget of £150k per annum is allocated to cover the Entrusted Entity's operating costs.

## The Fund Manager's role

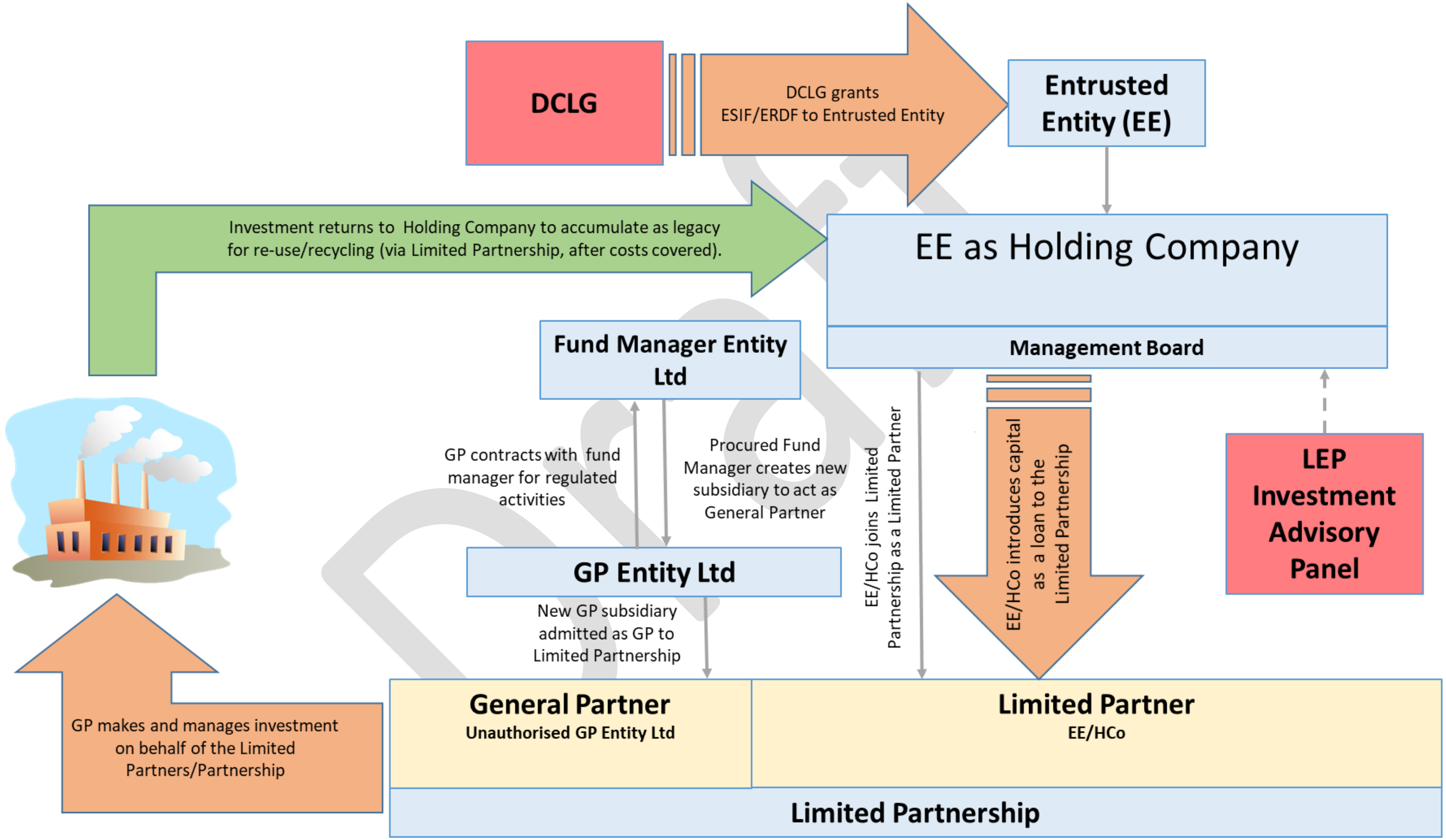
The role of the appointed GP/fund manager is underpinned by a Fund Management Agreement and defined by the fund's IOGs.

Key fund manager roles typically include:

- Business development and strategic promotional activity.
- Drafting and regular review of a fund investment strategy, in line with the IOGs, contracted KPIs and the Fund Management Agreement.
- Liaison with market intermediaries, including Buckinghamshire Business First, commercial introducers and co-investors such as banks and other finance providers.
- Appraisal of new proposals against investment criteria established by the IOGs.

- Decision making – the sub-fund manager will be required to work with partners to define decision making procedures including discretionary limits at which deals must be referred to an investment committee.
- Negotiation and legal documentation of investment terms.
- Management of the portfolio in line with targets for investment and returns set down by the IOGs and Fund Management Agreement.
- Collection of economic output evidence.
- Production of annual accounts, portfolio reports and valuations for the Limited Partnership, periodic reporting on fund performance against KPIs and targets.

The diagram below outlines how the structure might appear in practice:


DCLG
DCLG grants ESIF/ERDF to Entrusted Entity
Entrusted Entity (EE)
Investment returns to Holding Company to accumulate as legacy for re-use/recycling (via Limited Partnership, after costs covered).
EE as Holding Company
Management Board
Fund Manager Entity Ltd
GP contracts with fund manager for regulated activities
Procured Fund Manager creates new subsidiary to act as General Partner
EE/HCo joins Limited Partnership as a Limited Partner
EE/HCo introduces capital as a loan to the Limited Partnership
LEP Investment Advisory Panel
GP Entity Ltd
New GP subsidiary admitted as GP to Limited Partnership
GP makes and manages investment on behalf of the Limited Partners/Partnership
General Partner
Unauthorised GP Entity Ltd
Limited Partner
EE/HCo
Limited Partnership

# Appendix1

**Bucks TV Loan Fund Model**
**Assumptions Master**

Fund name:

| | | | |
|---|---|---|---|
| Product name | | Total | **Loan 1** |
| Fund life | Months (max 144) | | 96 |
| Investment period | Months | | 48 |
| Total fund size | £'s | 11,750,000 | **11,750,000** |
| Investment start date | Date | | 01/01/18 |
| Investment end date | £'s | | 31/12/21 |
| Proportion of final portfolio | £'s | 100% | 100% |
| Lower limit on investment size | £'s | | 10,000 |
| Upper limit on investment size | £'s | | 100,000 |
| Average value of initial investment | £'s | | 40,000 |
| Loans | Number | 294 | 294 |
| Non-performing portfolio | % | | 15% |
| Effective default rate | % | | |
| Non-performing portfolio default month | % | | 24 |
| Proportion of portfolio fully performing | Month number | | 85% |
| Proportion of failed investments recovered | % | | 20% |
| Failed investments recovered months after default | % (Loan only) | | 9 |
| Base rate | Month number | | 0.25% |
| Premium over Base | % | | 14.00% |
| Default portfolio | % of portfolio | | 15% |
| Fund end month | Month | | 96 |
| Repayment (capital and interest) | | | |
| First repayment | Month | | 1 |
| Final repayment | Month number | | 48 |
| Repayment method | Month number | | S/L |

| | | | |
|---|---|---|---|
| **Management fees (Fund Manager)** | | | |
| Investment period start | | 1 | 1 |
| Investment period end | Month | 48 | 48 |
| Realisation period start | Month | 49 | 49 |
| Realisation period end | Month | 96 | 96 |
| Undrawn commitments -investment period Stepdown>£20m | Annual rate (charged quarterly) | | 4.00% |
| Drawndown commitments during investment period Stepdown>£20m | Annual rate (charged quarterly) | | 4.00% |
| Step down (deduct from A&C) >£20million | Annual rate (charged quarterly) | | 0.50% |
| Step down per annum Realisation period | Annual rate (charged quarterly) | | 25.00% |

| | | |
|---|---|---|
| Investment Value | GBP | 11,750,000 |
| Stepdown over | GBP | 11,750,001 |
| Drawdown minimum tranche | GBP | 500,000 |
| Investment Period | Years | 4 |
| Realisation Period | Years | 4 |

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**Bucks TV Loan Fund Model**
**Assumptions Master**

Fund name:
**Microloan**

| | | | |
|---|---|---|---|
| Product name | | Total | **Loan 1** |
| Fund life | Months (max 144) | | 96 |
| Investment period | Months | | 48 |
| Total fund size | £'s | 11,750,000 | **11,750,000** |
| Investment start date | Date | | 01/01/18 |
| Investment end date | £'s | | 31/12/21 |
| Proportion of final portfolio | £'s | 100% | 100% |
| Lower limit on investment size | £'s | | 10,000 |
| Upper limit on investment size | £'s | | 150,000 |
| Average value of initial investment | £'s | | 100,000 |
| Loans | Number | 118 | 118 |
| Non-performing portfolio | % | | 15% |
| Effective default rate | % | | |
| Non-performing portfolio default month | % | | 24 |
| Proportion of portfolio fully performing | Month number | | 85% |
| Proportion of failed investments recovered | % | | 20% |
| Failed investments recovered months after default | % (Loan only) | | 9 |
| Base rate | Month number | | 0.25% |
| Premium over Base | % | | 14.00% |
| Default portfolio | % of portfolio | | 15% |
| Fund end month | Month | | 96 |
| Repayment (capital and interest) | | | |
| First repayment | Month | | 1 |
| Final repayment | Month number | | 48 |
| Repayment method | Month number | | S/L |
| **Management fees (Fund Manager)** | | | |
| Investment period start | | 1 | 1 |
| Investment period end | Month | 48 | 48 |
| Realisation period start | Month | 49 | 49 |
| Realisation period end | Month | 96 | 96 |
| Undrawn commitments -investment period | Annual rate (charged quarterly) | | 4.00% |
| Stepdown>£20m | | | |
| Drawndown commitments during investment period | Annual rate (charged quarterly) | | 4.00% |
| Stepdown>£20m | | | |
| Step down (deduct from A&C) >£11.75million | Annual rate (charged quarterly) | | 0.50% |
| Step down per annum Realisation period | Annual rate (charged quarterly) | | 25.00% |
| Investment Value | GBP | | 11,750,000 |
| Stepdown over | GBP | | 11,750,000 |
| Drawdown minimum tranche | GBP | | 750,000 |
| Investment Period | Years | | 4 |
| Realisation Period | Years | | 4 |
| **Management fees (SME)** | | | |
| Arrangement fee (payment time zero) | % | | 3.000% |
| Monitoring fee - Annual IRR | % | | 0.000% |
| Monitoring fee - Monthly IRR | % | | 0.000% |
| Entrusted Entity Costs | Annual | 150,000 | 150,000 |
| Audit costs | £ per annum | 10,000 | 10,000 |
| Setup Cost | £ | 50,000 | 50,000 |
| Setup Cost month paid | Month | 1 | 1 |

European Union
European Regional Development Fund

| | Total £ | Year 1 £ | Year 2 £ | Year 3 £ | Year 4 £ | Year 5 £ | Year 6 £ | Year 7 £ | Year 8 £ | Year 9 £ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | | | |
| *Negotiation fees* | | | | | | | | | | |
| Loan 1 | **431,813** | 86,363 | 86,363 | 86,363 | 86,363 | 86,363 | - | - | - | - |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| *Monitoring fees* | **-** | - | - | - | - | - | - | - | - | - |
| Loan 1 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| *Interest/dividends* | **-** | - | - | - | - | - | - | - | - | - |
| Loan 1 | **4,182,967** | 209,127 | 536,426 | 735,731 | 821,697 | 836,593 | 627,466 | 300,167 | 100,863 | 14,897 |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | |
| Bad debt recovered | **-** | - | - | - | - | - | - | - | - | - |
| Loan 1 | **502,630** | - | - | 25,132 | 100,526 | 100,526 | 100,526 | 100,526 | 75,395 | - |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| **Total income** | **5,117,409** | **295,490** | **622,789** | **847,225** | **1,008,585** | **1,023,482** | **727,992** | **400,693** | **176,257** | **14,897** |
| | | | | | | | | | | |
| **Expenditure** | | | | | | | | | | |
| Fund managers fees | **2,843,867** | 470,000 | 470,000 | 470,000 | 470,000 | 352,500 | 264,375 | 198,281 | 148,711 | - |
| Set-up costs/audit | **130,000** | 60,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - |
| Entrusted Entity Costs | **1,200,000** | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | - |
| Interest on Fund Loan | **52,500** | 11,375 | 18,156 | 12,906 | 7,656 | 2,406 | - | - | - | - |
| *Movement on bad debt provision* | **-** | - | - | - | - | - | - | - | - | - |
| Loan 1 | **2,513,150** | - | - | 502,630 | 502,630 | 502,630 | 502,630 | 502,630 | - | - |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| **Total expenditure** | **6,739,517** | **691,375** | **648,156** | **1,145,536** | **1,140,286** | **1,017,536** | **927,005** | **860,911** | **308,711** | **-** |
| | | | | | | | | | | |
| **Net profit** | **(1,622,108)** | **(395,885)** | **(25,367)** | **(298,312)** | **(131,701)** | **5,946** | **(199,013)** | **(460,218)** | **(132,454)** | **14,897** |
| **Profit and loss b/fwd** | (0) | **-** | **(395,885)** | **(421,253)** | **(719,564)** | **(851,266)** | **(845,320)** | **(1,044,333)** | **(1,504,551)** | **(1,637,005)** |
| **Profit and loss c/fwd** | | **(395,885)** | **(421,253)** | **(719,564)** | **(851,266)** | **(845,320)** | **(1,044,333)** | **(1,504,551)** | **(1,637,005)** | **(1,622,108)** |

| Cash flow projections | Total | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 |
|---|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| **Inflows** | | | | | | | | | | |
| *Negotiation fees* | | | | | | | | | | |
| Loan 1 | **431,813** | 86,363 | 86,363 | 86,363 | 86,363 | 86,363 | - | - | - | - |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| *Monitoring fees* | **-** | - | - | - | - | - | - | - | - | - |
| Loan 1 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| *Funds Drawn Down* | **-** | - | - | - | - | - | - | - | - | - |
| Grant Draw Down | **8,750,000** | 1,750,000 | 1,750,000 | 1,750,000 | 1,750,000 | 1,750,000 | - | - | - | - |
| Loan Draw Down | **3,000,000** | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | - | - | - | - |
| Equity Drawn Down | **-** | - | - | - | - | - | - | - | - | - |
| External Contribution to Management Fees | **-** | - | - | - | - | - | - | - | - | - |
| Bad debts recovered | **502,630** | - | - | 25,132 | 100,526 | 100,526 | 100,526 | 100,526 | 75,395 | - |
| *Repayments* | | | | | | | | | | |
| Loan 1 | **16,063,567** | 513,679 | 1,462,010 | 2,253,093 | 2,911,118 | 3,212,713 | 2,699,034 | 1,750,703 | 959,621 | 301,595 |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| **Total income** | **28,748,009** | **2,950,042** | **3,898,373** | **4,714,587** | **5,448,007** | **5,749,602** | **2,799,560** | **1,851,229** | **1,035,015** | **301,595** |
| | | | | | | | | | | |
| **Outflows** | | | | | | | | | | |
| Fund managers fees | **2,843,867** | 470,000 | 470,000 | 470,000 | 470,000 | 352,500 | 264,375 | 198,281 | 148,711 | - |
| Set-up costs/audit | **130,000** | 60,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - |
| Entrusted Entity Costs | **1,200,000** | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | - |
| | | | | | | | | | | |
| New investments | | | | | | | | | | |
| Loan 1 | **14,393,750** | 2,878,750 | 2,878,750 | 2,878,750 | 2,878,750 | 2,878,750 | - | - | - | - |
| Loan 2 | **-** | - | - | - | - | - | - | - | - | - |
| Loan 3 | **-** | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | |
| Repayment of Fund Loan | **-** | - | - | - | - | - | - | - | - | - |
| Capital | **3,000,000** | - | 750,000 | 750,000 | 750,000 | 750,000 | - | - | - | - |
| Interest | **52,500** | 12,031 | 13,125 | 13,125 | 13,125 | 1,094 | - | - | - | - |
| **Total outflows** | **21,620,117** | **3,570,781** | **4,271,875** | **4,271,875** | **4,271,875** | **4,142,344** | **424,375** | **358,281** | **308,711** | **-** |
| **Net flow** | **7,127,892** | **(620,740)** | **(373,502)** | **442,712** | **1,176,132** | **1,607,258** | **2,375,185** | **1,492,948** | **726,304** | **301,595** |
| **Inflows less outflows** | **7,127,892** | **(620,740)** | **(373,502)** | **442,712** | **1,176,132** | **1,607,258** | **2,375,185** | **1,492,948** | **726,304** | **301,595** |
| **Balance b/fwd** | | **-** | **(620,740)** | **(994,242)** | **(551,530)** | **624,602** | **2,231,860** | **4,607,045** | **6,099,993** | **6,826,297** |
| **Balance c/fwd** | **7,127,892** | **(620,740)** | **(994,242)** | **(551,530)** | **624,602** | **2,231,860** | **4,607,045** | **6,099,993** | **6,826,297** | **7,127,892** |

| Balance sheets | Year 1 £ | Year 2 £ | Year 3 £ | Year 4 £ | Year 5 £ | Year 6 £ | Year 7 £ | Year 8 £ | Year 9 £ |
|---|---|---|---|---|---|---|---|---|---|
| **Investment portfolio** | | | | | | | | | |
| Loan 1 | 2,574,198 | 4,527,364 | 5,386,122 | 5,672,820 | 5,672,820 | 3,098,623 | 1,145,456 | 286,698 | - |
| Loan 2 | - | - | - | - | - | - | - | - | - |
| Loan 3 | - | - | - | - | - | - | - | - | - |
| **Total Investment portfolio** | **2,574,198** | **4,527,364** | **5,386,122** | **5,672,820** | **5,672,820** | **3,098,623** | **1,145,456** | **286,698** | **-** |
| **Current assets** | | | | | | | | | |
| Bank account | (620,739) | (994,242) | (551,530) | 624,602 | 2,231,860 | 4,607,045 | 6,099,993 | 6,826,297 | 7,127,892 |
| **Net current assets** | **(620,739)** | **(994,242)** | **(551,530)** | **624,602** | **2,231,860** | **4,607,045** | **6,099,993** | **6,826,297** | **7,127,892** |
| **Investment Fund Loan Liability** | 599,344 | 454,375 | 304,156 | 148,688 | - | - | - | - | - |
| **Net Assets** | **1,354,115** | **3,078,747** | **4,530,436** | **6,148,735** | **7,904,680** | **7,705,668** | **7,245,449** | **7,112,995** | **7,127,892** |
| **Represented by:** | | | | | | | | | |
| Holding Company capital account | - | - | - | - | - | - | - | - | - |
| Equity | - | - | - | - | - | - | - | - | - |
| Grant | 1,750,000 | 3,500,000 | 5,250,000 | 7,000,000 | 8,750,000 | 8,750,000 | 8,750,000 | 8,750,000 | 8,750,000 |
| **Total capital** | 1,750,000 | 3,500,000 | 5,250,000 | 7,000,000 | 8,750,000 | 8,750,000 | 8,750,000 | 8,750,000 | 8,750,000 |
| **Profit and loss account** | (395,885) | (421,253) | (719,564) | (851,265) | (845,320) | (1,044,333) | (1,504,551) | (1,637,005) | (1,622,108) |
| **Total funds** | **1,354,115** | **3,078,747** | **4,530,436** | **6,148,735** | **7,904,680** | **7,705,668** | **7,245,449** | **7,112,995** | **7,127,892** |