

Manufacturing Success

Sources of Finance in a Changing World.

Dr Steve Walker

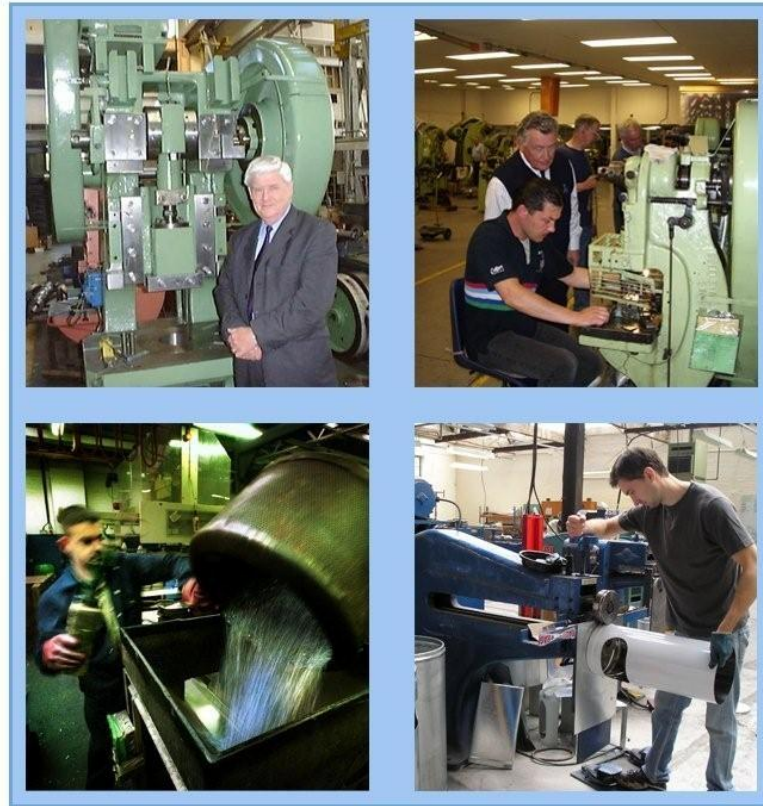
Fair Finance Consortium

26 February 2010

www.fair-finance.net



Strategic and Operational Challenges



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Additional Sources of Finance

- Own money and the banks - still two most used- excluding equity providers.
- Packaging of Finance- more usual
- Invoice Discounting/Asset Finance
- Other Sources A- Z .-Credit cards???
- Fair Finance Consortium

Fair Finance-Who are we?

- Local independent Small Business Loan providers.
- Community Development Finance Institutions (CDFIs)
- Loans from £1K to £50K
- Tripled lending during credit crunch
- Cover the West Midlands

Sources of Capital

- Public sector
 - Government Phoenix Fund
 - European Funds (ERDF)
 - AWM-Regional Development Agency
 - Local Authorities

Sources of Capital

- Private Sector
 - Member Investors
 - Individuals and Companies
 - Banks and Companies (CSR)
- Bank Loans
- Benefit from Community Investment Tax Relief (CITR)

Flexible Financial Instruments

Targeting disadvantaged areas +

- Women led businesses
- BAME led businesses
- Social Enterprises
- Young Enterprise
- But overall aim :Job creation and preservation

£10K to £50K West Midlands Providers

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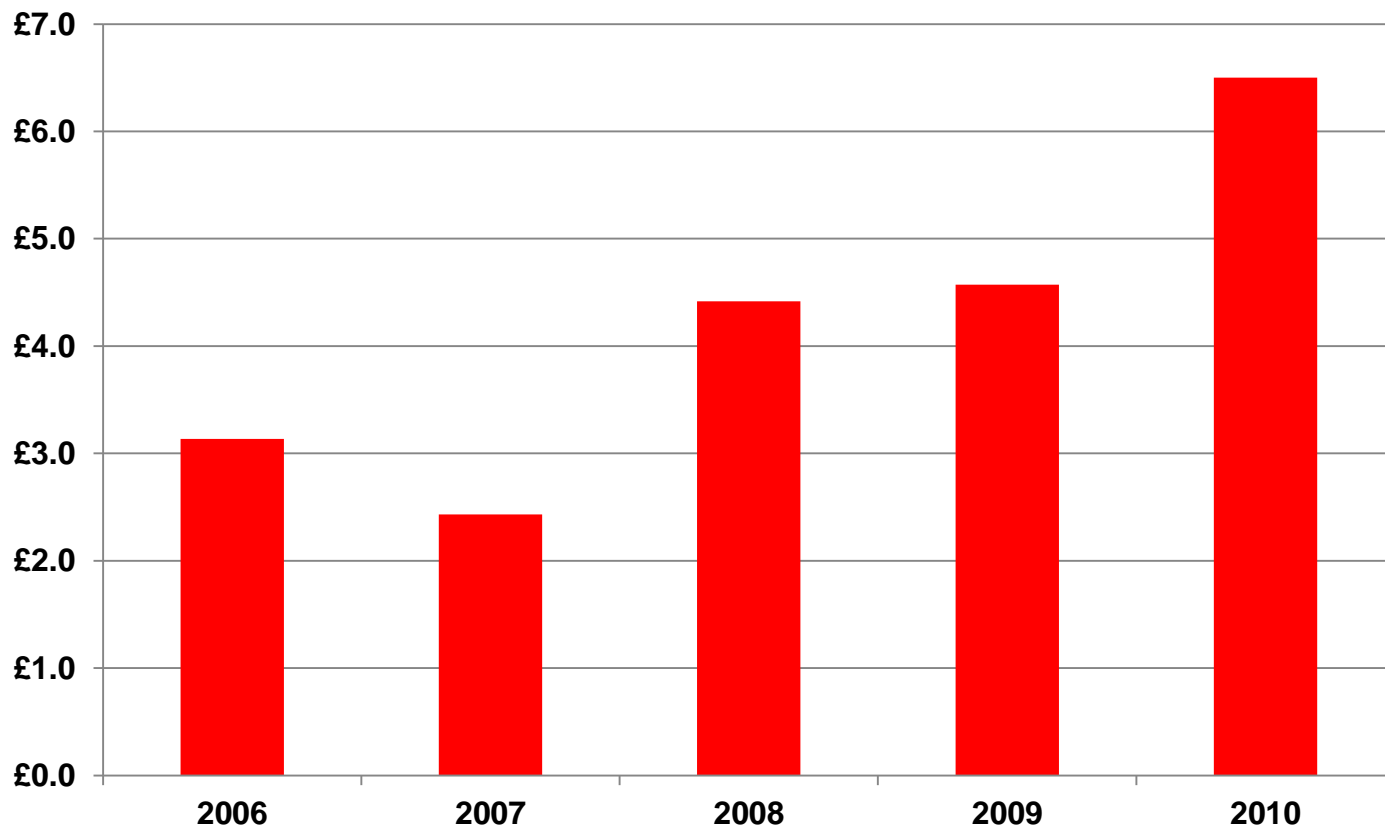
Targeted to areas, providing full Regional coverage, to viable businesses unable to obtain full need from other sources:

- ART(Aston Reinvestment Trust)-*Birmingham and Solihull*
Black Country Reinvestment Society-*Black Country and Staffordshire*
Coventry and Warwickshire Reinvestment Trust-*Coventry and Warwickshire*
Impetus (Marches Rural Reinvestment Trust) -
Herefordshire, Shropshire and Worcestershire.

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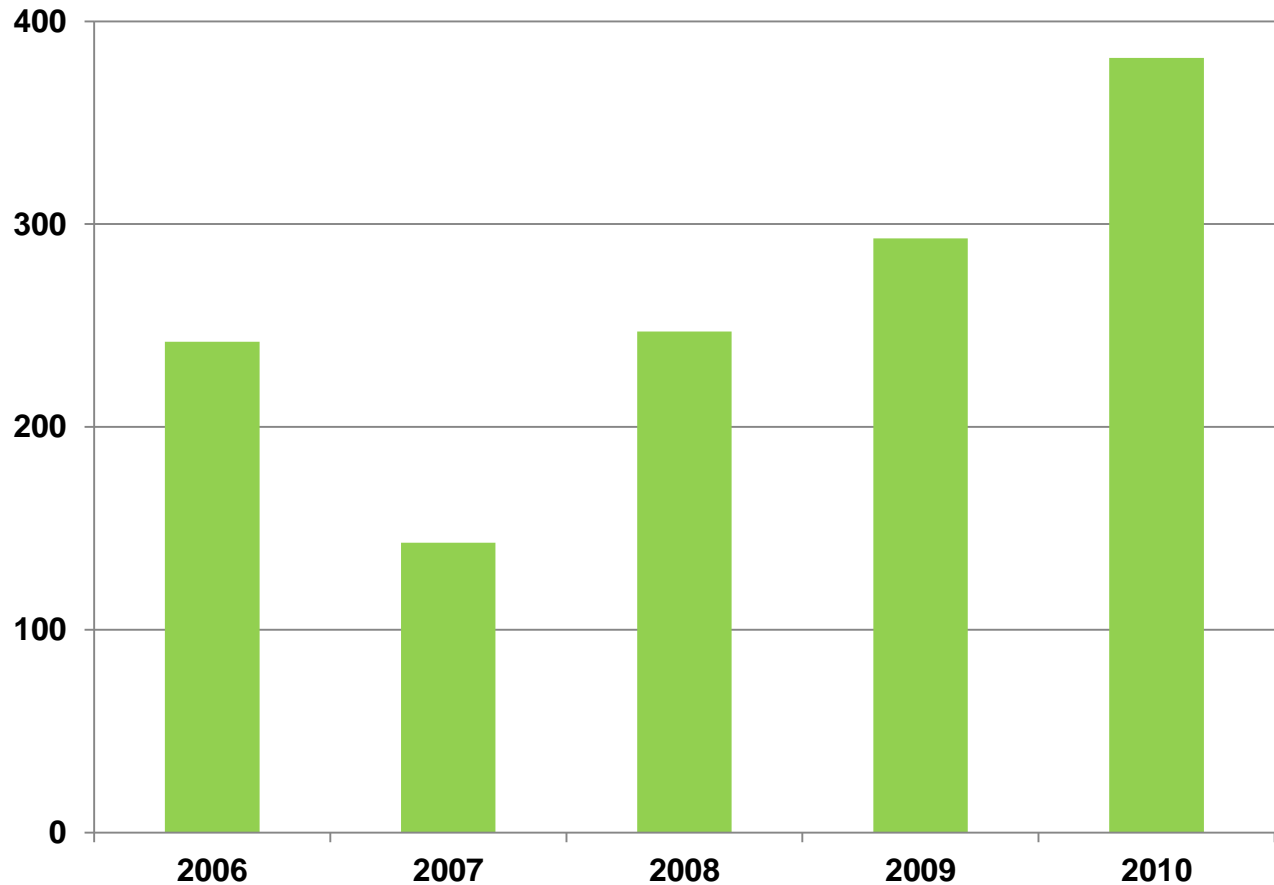
Loans made 2006 – 2009. Loans forecast 2010. £



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Loans made 2006 – 2009. Loans forecast 2010. No of loans



Future Prospects

- Increased demand as we emerge from the recession.
- Banks unlikely to be able to cover risk of lending to this market - especially based upon forecasts only.
- Wholesale lending from banks to CDFIs with public sector investment
- Social Investment Wholesale Bank

What does any Investor or Lender look for?

- Business Plan.
- **Knowledge** of product .
- **Understanding** of market.
- **Evidence** of demand.
- **Realistic** sales forecast.
- **Financial planning**, systems and controls.
- **Credibility** of people involved.
- **Clear assumptions** that make sense.

Barriers to saying ‘ Yes’

- Lack of owner stake or balance sheet strength – current Bank policy at start up usually is minimum 50% of total by owner. Existing business based upon past performance, including operation of bank account.
- Plans too ambitious-forecasts realistic?
- Risk too great.
- Reward too little.
- Can’t understand your Business Plan – too much or too little information

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To Access Finance

- Weigh up ALL the options.
- Don't forget that finance can be 'packaged' from a consortium of funders.
- Do not set expectations too high - or too low!
- -Plan thoroughly and test assumptions. Use independent support.

Challenges.

- Confidence and demand in small business sector.
- Debt to increase to invest and grow.
- Raising awareness of availability of alternatives.
- Business Support -quality and use.
- Joined up action and thinking.