



what you need to know to start and grow your business

funding

When should I think about funding?

Always. At every stage of your business journey, from initial start-up to later expansion. You should be clear on where your funds will come from and what they will be spent on. If nothing else, potential partners, investors and bank managers will want to see you are on top of this. This is a key aspect of your business plan even if you don't need to raise any additional funding right now. Considerations include:

INITIAL SET-UP	OPERATIONAL	EXPANSION
<p>What equipment, machinery and services do you need to get going?</p> <ul style="list-style-type: none">• Office furniture• IT equipment• Stationery• Brand design• Website design• Legal costs for IP protection/employment issues/data protection/sales and website terms and conditions etc• Product development/R&D• Etc.	<p>What ongoing, regular costs will your business incur?</p> <ul style="list-style-type: none">• Office utilities (heating, cleaning, broadband etc.)• Tax and accounting services• IT support• Materials• Transport/delivery• Marketing• Legal• Employees or contract staff• Etc.	<p>What does the future look like for your business? How will you grow? Funding for:</p> <ul style="list-style-type: none">• New market entry?• Product diversification?• Taking on (more) staff• Acquisitions or sales of shares or assets?• Licensing/sponsorships?• R&D or pilots/testing?• Etc.

What types of funding are available?

There are several different ways of obtaining funding. Some will help you directly with different business activities, whilst others will help you indirectly, making it more attractive to others to invest in your business. Funding sources in this wide sense include:

GRANT/DONATION	LOAN	EQUITY
<ul style="list-style-type: none">• Money you do not have to pay back, although there may be strings attached, such as: prominently name source of funding/only use for specified purposes (eg R&D, intellectual property protection, specific product etc)/you have to put in [x]% yourself• Most likely to come from government/local council	<ul style="list-style-type: none">• Money you have to pay back or perhaps allow the debt to convert to shares in your company• May be strings attached• Secured against your business assets (eg for larger amounts, although you may get lower % interest rate) or unsecured (eg smaller amounts)• May need to give director's personal guarantee• May come from government, bank, venture capital investors, peer to peer (other people/businesses with no bank inbetween them and you)	<ul style="list-style-type: none">• If your business is set up as a limited liability company: money invested in return for shares in your company and possibly a seat as director on your board• Could be 'seed' funding, or early stage (eg 'Series A') or growth funding (Series B and C)• More external shareholders can ultimately mean less control of your business• Likely to come from 'angel' investors or venture capital funds
TAX RELIEF	LITIGATION FUNDING	LEGAL/IP INSURANCE
<p>Schemes directly benefitting your business:</p> <ul style="list-style-type: none">• Patent Box: reduced corporation tax (~10%) on profits derived from products/processes covered by granted UK/European patent.• Research & Development tax credits on technology development costs <p>Schemes benefitting investors:</p> <ul style="list-style-type: none">• Seed Enterprise Investment Scheme: Investors taking equity in start-ups can claim large tax rebates in first year• Enterprise Investment Scheme: same for later stage SMEs• Venture Capital Trusts: tax relief on investing in a fund that in turn invests in start-ups.	<ul style="list-style-type: none">• If you are involved in court litigation or arbitration but cannot/don't want to pay for it, you can find a third party who may pay some/all of the dispute costs in return for a share of any award made if you win the dispute.• They may insist on using certain legal counsel or other conditions but will meet the agreed costs even if you lose.• Professional funders offer this service.	<ul style="list-style-type: none">• You can insure your business against the risk of becoming involved in expensive legal disputes: either claims against you, or claims you wish to bring against others. This could be for negligence, breach of contract, infringement of intellectual property rights, etc.• Enables you to claim back on large part of your legal expenses.• Small business and/or specialist insurers will offer this.
CROWDFUNDING	STRETCHING YOUR BUDGET	
<p>A large number of people put up a small amount of money. It can take most of the forms of funding described above (not tax relief or insurance!) and is usually provided in return for equity or supply of the product/service if/when your business is ready to do so.</p>	<p>You can try to make existing funds stretch as far as possible by doing certain things yourself (e.g. company formation, domain name registration) or taking the 'low fee' option (eg instructing an attorney to do carefully chosen intellectual property right filings or essential contracts only).</p>	

Where do I apply for funding?

Dont be shy and don't give up. There are multiple sources to try although all may not be appropriate depending on your circumstances. You can also do some research online and with relevant industries, local business and social networks, and with different banks. You can also try Venture Adventures: we may be able to help connect you with investors. Sources include:

GRANTS	LOANS
<ul style="list-style-type: none">• Try supportive family and friends!• Government: Innovate UK<ul style="list-style-type: none">- Technology R&D: competitions, often regional for specific areas of technology- Innovate2succeed: up to £3,000 available for innovation advice, including intellectual property legal advice on how to protect your ideas and exploit them	<ul style="list-style-type: none">• Again, try friends and family• Government: Start Up Loan<ul style="list-style-type: none">- Government backed personal loan to start or grow a business, with 12 months of mentoring advice• Bank: when you open your business bank account, check what loans they offer• Search for regional schemes near you• Peer-to-peer: try the Peer-to-Peer Finance Association www.p2pfa.org.uk
EQUITY	TAX RELIEF
<ul style="list-style-type: none">• To find 'Angel' investors: www.angelinvestmentnetwork.co.uk• To find venture capital, try the British Private Equity & Venture Capital Association www.bvca.co.uk• Crowdfunding: try the UK Crowdfunding Association www.ukcfa.org.uk	<ul style="list-style-type: none">• Her Majesty's Revenue & Customs• You can find information on the government website www.gov.uk• You can find tax advisers via our website.

FURTHER INFORMATION

- Useful information on the British Business Bank website: www.british-business-bank.co.uk
- Further connections to specific funding sponsors, including litigation funders and insurers and crowdfunders, may be available via our website: www.ventureadventures.co.uk

How do I decide which funding route is best?

Almost all routes will involve satisfying certain criteria or complying with certain restrictions. You will need to read the small print and work out which is realistic for you and your business.

<p>What do you need the funding for: starting up, bridging finance, expansion, etc.? Are you prepared to give up same equity/control to achieve this?</p>	<p>How much do you need?</p>	<p>If a loan, how long will you need to pay it back?</p>	<p>What are the conditions of the particular loan/grant: can you meet them?</p>
<p>Is your business eligible? e.g. trading for less than [x] years? UK based? Previous financial difficulties?</p>	<p>If a loan, what are the interest rates?</p>	<p>Is there a prohibitive application/arrangement fee or related financial commitment required from you?</p>	<p>Can you follow the required application process? (e.g. Online vs face-to-face interviews)</p>

Also think about

- Business plan • Records, Tax & Reporting • Risks & Insurance
- Intellectual Property Rights • Contracts • Disputes

This content is for general information purposes only and does not constitute legal, financial or tax advice.

To address any specific concern, you should not rely on this content and should seek appropriate advice for the relevant jurisdiction.

To find more information or request help or advice:

WWW.VENTUREADVENTURES.CO.UK
INFO@VENTUREADVENTURES.CO.UK

© 2019 Venture Adventures Limited

 **VENTURE ADVENTURES** 

are trademarks of Venture Adventures Limited. All rights reserved.