



## A Guide to... Raising Finance

Most businesses will need to obtain finance at some point in order to develop and achieve growth.

There are many types of finance available and the below guidance is designed to identify the most suitable to your circumstances, who you should approach for funding and the planning required before approaching any lending institution.

### **Is finance required?**

More often than not, finance is required to develop the business however the business must be capable of sustaining any additional commitment to growth or expansion and consideration will need to be given to effects on manpower, materials and space.

#### **Existing resources**

Before obtaining external finance, consider whether improvements could be made to the business's working capital.

Consider the time it takes to issue a customer invoice to collecting the debt, look at ways of reducing this time. Consider the debtors terms, creditors payment policy. Consider stock levels and look at ways to reduce this to a minimum.

#### **Business Plan**

On the assumption that external funding is necessary, planning is essential in order to achieve success. A good business plan will not only assist you with the nature of the project and the timing of any required funding but is also vital to any lending organisation.

The business plan should include: -

- Objectives and aims of the business
- Purpose of the required funding
- Business ownership and history
- Management and responsibilities
- Products/services and market share
- Sales and marketing strategy
- Financial position of the business with detailed financial forecasts and prior years accounts.

### **Sources of Finance available**

Finance is available in many forms but it is important to make sure that it is right for your business. Onerous terms and inflexibility can often hinder a growing business.

- Bank overdraft
- Bank loans
- Mortgages
- Leasing assets
- Hire purchase
- Debt factoring
- Invoice discounting

- Family loan
- Government grants
- Loan guarantee
- Share issue

Bank interest charged on loans can vary considerably, we always advise you to seek advice before making your final decision.

Finance is available for acquiring assets or releasing cash from debtors in the form of factoring.

The Government operate a small business loan guarantee scheme. Should your company be trading for less than five years it may meet the criteria to qualify for this loan. Should your application be successful, the government provide a 75% loan guarantee to the bank providing the small business loan.

Your business may qualify for the enterprise investment scheme. This would provide investors with tax relief on the capital invested into the company.

Each method of funding has advantages and disadvantages including implications for tax purposes.

## Security

Whatever form of finance is offered, the lender will always require some form of security however the level of security may vary.

**Fixed and floating charges** - Most bank loans and overdrafts are secured by way of a fixed charge over land and buildings with floating charges over the assets of the company such as stock and debtors.

**Personal guarantees** - For some businesses little security may be available because of insufficient assets. Consequently the security will be given in the form of personal guarantees. By signing a personal guarantee you are giving assurances that you will meet the repayment of the loan or debt personally should the company become insolvent. This could mean losing personal assets.

**General** - It may be possible to use other assets as collateral such as a life insurance policy or by taking a second mortgage over your home. Whatever the means of security pledged, it should be carefully considered and advise sought.

## How Warr & Co can help you?

As accountants, we are able to assist you in identifying and obtaining your funding requirements. Individual circumstances require specific planning and vary enormously according to:

- Amounts required
- Nature of the business
- Risk exposure to the lender
- Period for which finance is required.

Our experience and contacts can enable you to achieve the means to help your business grow.

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