FUNDING LONDON

Business Plan for the Financial Year ending 31 March 2021

Revised July 2020

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Executive Summary

Funding London was established in 2004 by the then Mayor of London under the name SME Wholesale Finance, with the specific long-term mandate to support the Economic Development Strategy for London through its SME funding activities. Since its founding, Funding London continues to channel funding from Europe and the UK, through appointed fund managers to sustainable and ambitious London SMEs caught in the funding gap.

Funding London's vision is to be a catalyst for growth businesses within the capital by:

1. Providing strategic funding and independent support for early stage businesses within the London ecosystem;
2. Enabling exploitation of sustainable growth opportunities for small businesses;
3. Supporting best of breed fund managers to deliver investment to small businesses; and
4. Reinvesting success, thereby fuelling the continuous provision of funding to support the next generation of high growth businesses.

Paramount to the achievement of this vision is our strategy to grow our capital base to enable us to continue to create new funds and to fund our operational costs by:

1. Taking on projects which support the strategy for London, and which offer us the potential to generate a significant return on capital committed; and
2. Working with the best private sector partners to deliver a good return on the funds that we invest.

<u>COVID 19</u>

One week before the start of this financial year, the UK went into lockdown in response to the threat posed by the COVID-19 pandemic. As any other business, our team has been focused on responding to the impact of lockdown on our core activities, as well as adapting our ways of working. Four months later, lockdown in the UK has begun to ease, but there remains significant uncertainty as to when day to day life and business can return to pre-lockdown normality and when businesses will begin to pursue growth strategies vs the current survival mode.

Before lockdown, our plan was to focus activities for the financial year to March 2021 on the following:

1. Continuing the delivery of the new £100m fund of funds for SMEs: The Greater London Investment Fund;
2. Exploring options for the future support and continuation of the London Co-investment Fund and its portfolio of 150 companies;
3. Continuing to monitor the MMC London Fund in its portfolio phase and considering the merits of extending the fund beyond its 2021 termination date; and
4. Delivering the programme of business support for the London Growth Hub and possibly the EM3 LEP proposal.

As lockdown restrictions begin to lift, we will turn our attention to pursuing the above goals as much as possible. This document sets out the actions that Funding London has already taken in response to the crisis and their continuation throughout this year. The document will also set out how we will pick up the priorities listed above, albeit recognising the impact that COVID-19 has had, and the necessary amendments which we will need to agree with funders and stakeholders.

Who We Are

Funding London was established in 2004 by the then Mayor of London under the name SME Wholesale Finance, with the specific long-term mandate to support the Economic Development Strategy for London through its SME funding activities. Since its founding, Funding London continues to channel funding from Europe and the UK through appointed fund managers to sustainable and ambitious London SMEs caught in the funding gap.

Funding London recognises the significant role that SMEs play in London's economy, not least of which is the creation of jobs and prosperity. But we also recognise the hurdles that business founders and management teams must clear before securing growth capital. With many SMEs still struggling to access the finance they need, due to the financing gap that prevails at the earlier stages of development, or simply due to the size of the business. We bridge the London funding gap and enable real opportunities for sustainable growth. Returns generated from our funds are ploughed back into the London ecosystem, making investment available to the next generation.

Our funds have achieved the following impacts as at 31 March 2020:

- Approximately £67m invested by five equity and seven loan funds into 680 SMEs;
- Co-investment multiple for venture funds at 5.7x, enabling a total of £450m into small businesses; and
- Over 6,500 jobs created or safeguarded.

In total, £7.9m of legacies has been reinvested to date:

£6.8m of the returns generated from our first set of funds were invested into four funds launched between 2012 and 2017:

- The MMC London Fund invested £13m into early-stage growth businesses, typically in Series A rounds, alongside private sector co-investors.
- The London Legacy Loan Fund lent £800k to 90 companies and continues to recycle the funds on an evergreen basis.
- The London Co-investment Fund invested £23m into 150 London based seed stage companies in the Science, Digital and Technology sectors, which are of strategic importance to the London economy.
- The CAN Early Intervention Fund provided loans and business support to 16 voluntary, community and social enterprise (VCSE) organisations planning to deliver or scale innovative, demonstrably effective products and services in the 'early intervention' space for the benefit of children and young people.

A further £1m of returns has been contributed towards set up costs and operational costs of GLIF during 2019.

Vision and Strategy

Funding London's vision is to be the catalyst for growth businesses within the capital by:

1. Providing strategic funding and independent support for early stage businesses within the London ecosystem;
2. Enabling sustainable growth opportunities for small businesses;
3. Supporting best of breed fund managers to deliver investment to small businesses; and
4. Reinvesting in success, thereby fuelling the continuous provision of funding to support the next generation of high growth businesses.

Paramount to the achievement of this vision is the ability to grow our capital base to enable us to continue to create new funds and to fund our operational costs. This is an operating principle of all our activities.

Our medium-term objective is to generate opportunities to diversify our activities by publicising the successful impact of our funds and thus promote and leverage our knowledge and expertise into other areas of the funding ecosystem. The LCIF marked a first step towards diversification as it has enabled Funding London to build a track record of direct investment.

The Greater London Investment Fund has secured substantial funds from the ERDF Programme (2014-2020) and a loan from the European Investment Bank. This has doubled the amount of funds that we manage and will enable us to develop our reputation and track record with much larger organisations.

Longer term, we believe that the diversification of our activities alongside a positive track record of investment will provide us with the opportunity to secure more diversified sources of funding. This is likely to involve expanding our activities beyond London where our expertise and knowledge will generate opportunities for income generation.

I. Review of the Year to 31 March 2020

1. Greater London Investment Fund

1.1. Launch of the Fund and Start of Investment Activity

GLIF became operational on 12th April 2019, upon signing of the three Limited Partnership Agreements establishing each sub fund. The fund of funds was officially launched by the Mayor of London at an event on 30th May 2019.

Investment activity kicked off immediately after signing the LPAs, with the first investment made by MMC Ventures in April.

Both fund managers, MMC Ventures (equity) and FSE Group (loans), reported excellent levels of demand for each fund. Whilst MMC Ventures has always been based in London, FSE Group had to establish a new office during the month of April, so there has been a time lag in processing loan applications as the team has got up and running.

The Director of Strategic Delivery joined the team at the beginning of June 2019. He is responsible for the delivery of our contractual obligations in respect of GLIF's funders; therefore, he has regular oversight of fund managers, record keeping, evidencing compliance and non-financial reporting to each of our stakeholders. He has built day to day relationships with relevant individuals within our funding organisations.

The Director of Strategic Delivery has established regular meetings with, and monitoring of, the fund managers, as well as the reporting processes necessary to fulfil our obligations in respect of the EIB, ERDF and LWARB Funding Agreements. All necessary processes are now established and working well.

The first quarterly report, to 30th June 2019, was circulated to the EIB, ERDF and LWARB in August 2019. The most recent quarterly report, to 31 March 2020, was circulated in July following the audit of the fund.

The two Limited Partnership Advisory Committees (LPACs) held their inaugural meetings in September 2019 and have met quarterly during the first year of operations; thereafter, they will meet twice a year.

1.2. Investments to 31 March 2020

As at 31st March 2020, the end of the first financial year, the funds had achieved the following:

Fund	**Number of SMEs**	**Amounts Invested**	**Amounts Committed(1)**
Equity Fund	15	£5,603,284	£5,603,284
Large Loan Fund	4	£1,645,785	£6,676,728
Small Loan Fund	4	£786,047	£1,743,549
Total	**23**	**£8,035,116**	**£14,023,561**

(1) *Amounts committed are relevant in the case of the loan funds given that loans are tranched - with each tranche requiring the achievement of milestones or conditions precedent. This means that loans committed will not be disbursed all at once.*

1.3. Outputs

Outputs targets and reporting are based on a calendar year. Reported ERDF outputs, at 31st December 2019, are as set out below.

Fund	Jobs Created	New Enterprises	Private Sector Investment Leveraged
Equity Fund	81	6	£46,764,996
Large Loan Fund	n/a	n/a	£15,262
Small Loan Fund	n/a	n/a	£8,721
Total	**81**	**6**	**£46,788,979**

Private sector leverage includes amounts contributed to the funds by the fund managers.

1.4. Achievement of Targets

The 2019 targets set by GLIF's funders were based on a 12-month period (January to December), even though the product funds were not established until mid-April 2019. The table below sets out the amounts invested and the number of SMEs receiving investment during 2019, both in terms of targets and actuals.

	Number of SMEs		Amounts Invested		
Fund	**Actual**	**Target**	**Actual**	**Committed (1)**	**Target**
Equity Fund	13	8	£5,365,810	£5,365,810	£2,940,469
Large Loan Fund (2)	3	3	£1,351,017	£2,702,035	£2,475,000
Small Loan Fund	2	7	£491,279	£1,129,944	£2,681,250
Total	**18**	**18**	**£7,208,106**	**£9,197,789**	**£8,096,719**

(1) *Amounts committed are relevant in the case of the loan funds given that loans are tranched - with each tranche requiring the achievement of milestones or conditions precedent. This means that loans committed will not be disbursed all at once.*

(2) *Amounts invested in respect of the large loan fund, include £491,279 which was disbursed in early January (due to delays).*

Overall, there has been good progress from the sub-funds, especially from the equity fund. However, although the loan funds approved a higher amount of loans than their targets, amounts actually disbursed to SMEs were below target (see table above).

Looking at the individual fund activity during 2019, the equity fund experienced a significant level of demand. MMC Venture's ability to quickly complete deals was due to its existing presence in London and well-established activity in the VC market. They were able to commit to investment rounds from late 2018/early 2019 in the knowledge that the completion of the new fund was imminent.

In the case of the loan fund manager, the FSE Group, this was not possible as the establishment of a London presence was only made possible once the contracts were signed in April. Therefore, lending activity did not begin until May/June.

Despite the inherent delay, and up to the end of March (pre COVID), the FSE Group was seeing good levels of deal introductions for both funds and was working at full capacity to get applications to credit committee. However, as most of the loans approved require disbursement in tranches, that are in turn subject to milestones and conditions, there is a further lag between loan commitments and loan disbursements. Given the extremely tight EIB covenants that the funds must meet, tranching reflects a prudent approach to lending.

We have agreed with the EIB and GLA that we will revisit progress after the third quarter (July to September) and, if appropriate, agree a reprofiling of targets then.

1.5. EIB Loan Covenants

The EIB's financial covenants are tested twice per year, on 30th June and 31st December. At the test date of 31st December 2019, the three measures – loan to value ratio (LTV); default rate; and Total Value to Paid In (TVPI) – were comfortably within the agreed limits. This was also the case at the earlier test date in June 2019.

2. London Co-Investment Fund

The fund reached the end of its investment period on 29th March 2019. During the year, the team focused its efforts on continuing to support the portfolio of 150 companies and preserving the value of the fund. The team explored alternatives to secure further funding to continue to support the fund; this activity will be reassessed later during 2020.

2.1. Performance against Targets

During the year to March 2020, LCIF progressed further in respect of the achievement of its overall targets:

LCIF Objective	Outcome
Invest £23m in high-growth early stage Science, Digital & Technology businesses in London during the Fund's investment period	**Achieved** £22,949,993 invested 150 companies
Co-investment multiple of 2.9x	**Exceeded** £167m raised in rounds, providing a co-investment multiple of 7.24x
Generate 2,653 jobs over the fund's life as a result of investments made	**Well ahead of schedule** As at 30th September, companies reported 2,494 jobs created within its first five years. This leaves 159 jobs to be created within the next five years
Maximise returns from exits to enable further fund investment in later years	The team has put in place a high-quality programme of portfolio events and workshops to support the companies Some exits have been achieved, generating £1m of proceeds available for re-investment

2.2. Exits and Follow-ons

As at 31st March, the fund had completed six exits, generating £1.1m of proceeds available for follow-on investment. At the time of writing, a seventh partial exit is in process.

In September 2019, we secured approval from the LEAP to reinvest proceeds from exits into follow-on investments in the current portfolio. This has allowed us to support the fund further. Our follow-on policy is based on strict criteria, so not every LCIF portfolio company will receive a follow-on investment.

As at 31st March 2020, we had deployed c. £491,000 of exit proceeds in follow-on investments as shown below:

S.No.	Name	Partner	Description	Date	Round	LCIF Invst
1	Patch Gardens Ltd.	Forward Partners	Indoor/ terrace garden plants for urban clients	19/11/2019	£5,287,990	£100,000
2	Hazy Ltd. (Anon AI)	Albion	AI based automated document anonymisation solutions	18/12/2019	£2,739,770	£149,998
3	Masters of Pie Ltd.	Downing LLP	VR collaborative working environment	10/01/2020	£3,599,181	£49,999
4	Lifebit Biotech Ltd.	Beacon Capital	Bio-informatics, genomics analyses	16/04/2020	£6,000,000	£145,000
5	Orbital Witness Ltd.	Seedcamp	Automated legal due diligence for property transactions	23/04/2020	£3,270,456	£46,213
	TOTAL					£491,211

2.3. Portfolio Performance

During 2019, the LCIF portfolio continued to perform well. Book value is £10.2m above cost, as at the latest valuation to 31st March 2020.

Category	No. of Investments	No. of Companies	Value at cost	Suggested Carrying Value	Uplift or Impairment
Held flat (no change)	55	43	£7,092,169	£15,095,698	£8,003,529
Updated following new funding round	23	14	£2,450,148	£7,762,410	£5,312,261
Uplift following outperformance	0	0	£0	£0	£0
Impairment due to underperformance	15	11	£1,858,999	£1,432,794	-£426,205
Impaired prospects due to covid	64	52	£8,062,395	£8,339,756	£277,361
Written off or Dead	31	24	£3,322,466	£0	-£3,322,466
Exited	6	6	£655,026	£1,052,570	£397,543
Total Portfolio	**194**	**150**	**£23,441,204**	**£33,683,228**	**£10,242,024**

2.4. Value Concentration

The top 20 businesses in the LCIF portfolio, by total holding value of investments, represent c.56% of the total value of the portfolio.

2.5. Exploring Funding Alternatives for LCIF

The LCIF team held several conversations with the GLA but no new sources of funds could be identified that would allow investment activity to continue. We also surveyed the market to identify potential sources of funding for the fund, and we pursued four initiatives:

1. Listing of LCIF and raising funds from public markets;
2. Growing Places Fund proposal;
3. Recapitalisation of LCIF LLP with a part secondary sale; and
4. Raising a new fund based on the original LCIF model.
5. Listing of LCIF

2.6. Proposal for Mayor's Coronavirus Start-up Sustainability Fund (CSSF)

Considering the sever impact of Corona Virus on the economy and significant gaps in the support initiatives launched by the government, specifically towards the start-up ecosystem which is substantially based in London, Funding London has proposed a new support and recovery fund.

The fund proposes to provide equity investment support to seed stage star-ups that are not covered by initiatives such as the Future Fund, or where the matched funding is challenging to raise due to the requirements of a non-EIS complaint investment instrument. The fund is under consideration at the GLA and if approved, will be welcomed by entrepreneurs, innovative businesses and investors in the ecosystem, which remains of great strategic importance to London.

3. MMC London Fund

3.1. Portfolio Performance

The MMC London Fund has been in its portfolio phase since June 2016. It will reach the end of its investment period in June 2021; just after this financial year.

As at 31st March 2020, the MMC portfolio comprised 12 companies and was valued at more than twice costs.

3.2. Potential Exits

Lockdown has meant that potential exits at the beginning of 2020 are unlikely to be achieved at this time.

4. Releasing Value from Closed Funds

We will continue to search and review opportunities to generate liquidity from our closed funds.

5. Wider Review of Opportunities, New Initiatives and Future Funding

We conducted a review of opportunities to diversify sources of income for Funding London as a whole. This included a "blue sky" review of potential strategic opportunities mapped against our areas of expertise:

– Fund management;
– Fund structuring; and
– Business support.

As part of that review, we identified two concrete strategic opportunities to grow our business support activities. These are summarised in 4.1 and 4.2 below.

5.1. Collaboration with the London Growth Hub

Following our successful collaboration during early 2019 to design and deliver three workshops on investment to BAME entrepreneurs, we held detailed discussions with the Growth Hub to deliver further content and workshops during the year to March 2020.

Three proposals were delivered for the Growth Hub's consideration in summer 2019, and we have agreed the specification for a monthly intensive one-day series of workshops to be delivered during the year to 31st March 2021. The topic of the workshops will be 'Investment Readiness' and will be specifically aimed at entrepreneurs from underrepresented groups. Although the project launched in March 2020, delivery so far has been on line due to lockdown and the topics have been modified to address SME resilience and financial planning.

5.2. Enterprise M3

During the year we submitted a proposal to the Enterprise M3 LEP to deliver a programme of business support and investment readiness for high growth businesses in the region. The proposal is to be backed by the European Regional Development Fund. Our proposal leverages the wealth of knowledge and experience that the Funding London team has built over the years in supporting the LCIF portfolio companies.

We were successful in getting through to the final stage and submitted a final application at the beginning of March. This programme would have represented a first step towards establishing credentials outside London – with a view to enhancing prospects of generating income across Southern England. Unfortunately, as a result of the lockdown, MHCLG's priorities changed, and our application has not yet been reviewed. As at the date of this document, it is unclear when MHCLG will progress any new applications.

II. Priorities for the Year

1. Greater London Investment Fund ("GLIF")

1.1. Summary of the Project

The fund of funds comprises three financial instruments specifically created to provide finance where there remains evidence of persistent market failure in the SME funding ecosystem in London. The table below sets out the financial instruments:

Financial Instrument	Size	Investment Range	Brief Description
Venture and Circular Economy Fund (pre-series A to series A)	£45m (£14m ring-fenced for Circular Economy)	£100k to £2m	Focus on sectors of strategic importance to the London economy; specific support for early stage SMEs in the circular economy.
Small Loan Fund (Small loans focus)	£27.5m	£100k to £500k	This fund will provide loans to enterprises seeking debt facilities to expand their business.
Large Loan Fund (Larger loans focus)	£27.5m	£500k to £1m	This fund will provide loans to enterprises seeking debt facilities to expand their business with larger funding requirements.
Total across fund of funds	**£100m**		

1.2. Project Objectives

The project's objectives are as follows:

a) To provide investment finance to SMEs with excellent growth prospects who continue to be caught in the finance gap;

b) To invest £100m in 170 SMEs across three different investment products and to leverage a further £104m from private sector co-investors;

c) To create 3,500 new jobs in London as a result of this investment;

d) To help develop the Circular Economy ecosystem by supporting early stage Circular Economy businesses; and

e) To invest according to sound commercial disciplines; thereby ensuring the funds generate a return and therefore grow the capital base.

1.3. Position at the End of 2019 and Targets for 2020

The funds committed during 2019 total £9.2m in aggregate; although only £7.2m has been disbursed as at the start of 2020. This is due to the tranche structuring of the loans and the fact that the FSE Group only became fully operational during June 2019; thereby having a much-reduced period to meet the targets for a year. The original targets had been set with the view that fund managers would be able to begin lending much nearer to the start of 2019.

1.3.1. Invested Amounts to Date

The table below sets out the amounts invested during 2019 by each fund manager as well as the annual investment targets for 2020 and subsequent years.

Fund manager investment targets (£)

Fund	2019 target	2019 committed	2019 disbursed	2020 target	2021 target	2022 target	2023 target	2024/25 target	Total Project
Equity	2,940,469	5,365,810	5,365,810	7,442,819	8,396,550	9,745,137	7,645,425	8,829,600	45,000,000
Smaller Loan	2,681,250	£2,702,035	1,351,017	5,637,500	6,737,500	6,050,000	6,393,750		27,500,000
Larger Loan	2,475,000	£1,129,944	491,279	5,362,500	6,668,750	6,153,125	6,840,625		27,500,000
Total	8,096,719	9,197,789	7,208,106	18,442,819	21,802,800	21,948,262	20,879,800	8,829,600	100,000,000

Despite having committed £9.2m of investments during 2019, only £7.2m was disbursed to SMEs. As explained above, this is because loans made to SMEs are disbursed in tranches. Therefore, the £1.9m of loan commitments not yet disbursed represent second tranches. The loan fund managers expect to disburse these tranches during the course of 2020.

Cumulative targets (£)

	2019	2020	2021	2022	2023	Follow on	Total
Cumulative Target	8,096,719	26,539,538	48,342,338	70,290,600	91,170,400	100,000,000	100,000,000
Cumulative Investment	7,208,106						
Commitment c/f	1,989,683						

1.3.2. Investment Target for 2020

Per the fund manager contracts, the aggregate investment target for 2020 is £18m; although the EIB contract stipulates that £22m will be invested during 2020. However, we expect COVID 19 to have a significant impact on the funds as SME's focus on resilience rather than growth.

To mitigate this, the Funding London team has carried out considerable work during the period to the end of June to repurpose some of the funding to support businesses affected by the crisis. This involved Funding London working very closely with FSE to develop a loan product that would be suitable for businesses, and also acceptable to GLIF's funders.

Alongside providing growth loans where possible, it is proposed that Coronavirus Resilience Loans (CRLs) are be made available. These would provide debt finance to SMEs seeking to preserve or adapt their existing capacity and strengthen the general activities of their business in readiness for future growth. During May and June, Funding London sought and gained approval from GLIF's Board and its funders to deploy £2.3m from the Small Loan Fund and £2m from the Large Loan Fund as CRLs.

Additionally, work was done by Funding London in supporting FSE to successfully enable the loan funds to be accredited as a lender under the Coronavirus Business Interruption Loan Scheme (CBILS) operated by the British Business Bank. CRLs will be made available through CBILS, which guarantees up to 80% of outstanding loan principal of defaulting loans. Intense work will continue to help market and promote CRLs so that businesses can take advantage of the opportunities of this and CBILS, which ends on 30th September 2020.

While the actions outlined above should generate lending, it has been acknowledged by GLIF's funders that achieving the investment and output targets will be challenging during this unprecedented and unpredictable economic period. It has been agreed with the EIB and the GLA (for ERDF) that, rather than revising targets at this stage, there will be a review of progress against the investment and output targets during the autumn of 2020 and, where necessary, agree a process for revising targets for 2020 and possibly those for future years. This could include reducing the targets and/or rolling them into the future years.

The Director of Strategic Delivery will continue to monitor the progress of the fund managers against targets, and he will support the pipeline building efforts through introductions and events.

1.3.3. Output Targets

1.3.3.1. Number of SMEs Receiving Investment

Eighteen SMEs received investment during 2019, thereby meeting the original output target. For 2020 the target number of SMEs is 37, however given the challenges already highlighted, we expect that the target for 2020 may not be met. This in turn may have an impact on other outputs.

1.3.3.2. Jobs Created

81 jobs were created by SMEs receiving equity investment. Given the operational and time-lag issues that were experienced by the loan fund manager, no jobs created data was reported during 2019 for SMEs receiving loans. During Q1 2020 an aggregate of 20 jobs has been reported so far for the loan funds.

The Director of Strategic Delivery will continue to monitor the progress of the fund managers against output targets and the collection of information required to verify outputs.

1.3.4. Priorities for the Year to 31 December 2020

Having worked to develop CRLs and gained CBILS accreditation, we will work closely with FSE to deploy this between the beginning of July and the end of September (or any further date should the CBILS programme be extended).

The team will focus on supporting the fund managers in their pipeline building efforts through introductions and promoting the funds given the uncertainties in the market.

We will continue to maintain a close eye on the growth loan fund products in particular, to identify any structural factors that may be affecting demand, e.g. pricing, personal guarantees, conditions precedent.

Around October 2020, we will assess progress against this year's investment and output targets, and where necessary, agree a process/methodology with our funders of how any underachievement will be dealt with. This agreement should be secured by December 2020 and any contractual arrangement put in place by 31st March 2021.

1.4. Management of Contracts and Performance Obligations

The Director of Strategic Delivery will continue leading the management of each funding contract and the day to day interaction with the ERDF, LWARB and the EIB. The Finance Director will continue to lead the management of drawdowns, financial planning, reporting and covenants.

2. London Co-Investment Fund

The London Co-Investment Fund reached the end of its investment period on 29th March 2019. Having secured permission to re-invest exit proceeds, we will continue to focus on this activity during 2020.

We will also continue our discussions in respect of possible sources of funding for LCIF.

2.1. Reinvest Returns per Policy in Place

Following the independent review of LCIF, a proposal was made to the GLA in summer 2019 to consider making LCIF an evergreen vehicle, re-investing proceeds of exits, as envisaged in the original LCIF Funding Agreement.

Following meetings with LEAP members, the decision to make LCIF an evergreen vehicle was postponed to 2023. However, re-investment was approved with some restrictions. The agreed re-investment policy is:

- Funds available from exits should be primarily re-invested in follow-on funding rounds in the existing LCIF portfolio;
- The investments should be made on the commercial merits of each follow-on opportunity; and
- The selection of follow-on investment propositions will be across the entire portfolio of LCIF, i.e. across all sectors previously invested in.

If substantial exits are achieved during the period to June 2023, the decision to continue re-investing should be revisited in discussion with the GLA and LEAP members. Whilst this would be identified through ongoing dialogue with the GLA, a formal review of the approach will be triggered once £10 million of cumulative funds had been made available for re-investment across the LCIF portfolio at any time before June 2023.

Should any investments in new businesses be agreed, such investments would need to be targeted at:

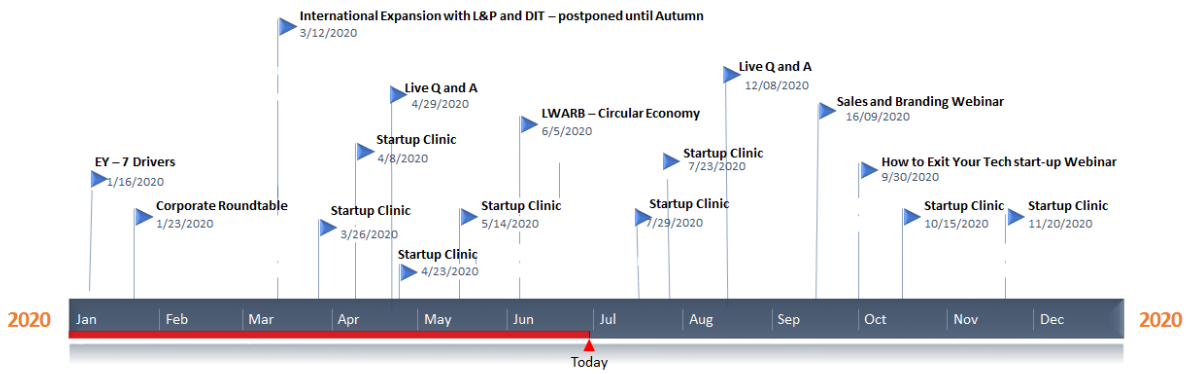
- Sub-sectors within the science, tech and digital sectors, where a continued market failure is evidenced;
- Companies founded by women and BAME entrepreneurs; and/or
- Companies based in outer London.

2.1.1. Pro-active Portfolio Management and Follow-on Process Moved In-house

During the year, we will focus as much as possible on consolidating management of the portfolio and the follow-on investment process in house, so as to be able to protect the value of the portfolio as much as possible.

2.2. Continuing to Support the Portfolio through Webinars and Other Online Initiatives

The introduction of lockdown in late March, forced us to rethink the methods of delivery for our usual programme of workshops and events. We quickly reformatted and repurposed our content and have successfully delivered several of the planned events as webinars under the programme renamed, “The Road to High Growth during a Pandemic”.



The workshop and webinar descriptions are as follows:

- **Growing Beyond Borders** – Business support workshop led by industry experts to help companies prepare to scale up internationally.
- **How to Exit your Tech Start-up** and 'When' you should start preparing for exit.
- **Talent and Acquisition** – Scaling early stage companies.
- **Financial Planning and Strategy Workshop**.
- **EY – Business Growth Workshop** – 7 key drivers to high growth.
- **LCIF Peer to Peer Meet-ups** – Solutions led meet-up for LCIF companies to collaborate and widen business channels within the portfolio companies.
- **Start-up Clinic** – Informal session for companies to speak about business needs and workout solutions with experts.
- **Fintech/Insurtech Showcase** – Businesses who have upcoming fundraising to showcase to investors and corporates.
- **International Expansion** with London and Partners & WSGR – Forum session for companies to understand potential markets and preparation needed to expand internationally.

Events in pipeline that are still to be confirmed for Q2/Q3 2020 are:

- **TFL Away Day** – opportunity for Big Data/AI companies to showcase to TFL their technology that aligns with the Mayor of London's 2020 vision.
- **Sales and Branding Workshop** – Sales pricing and strategy, boost inbound and outbound sales and business branding.

2.2.1. Themes for the Coming Year

We will seek opportunities to continue to support the portfolio companies through one-on-one support, webinars and introductions to potential investors. Our support will be guided by the themes identified during the one-to-one meetings that took place during the autumn of 2019. These are listed below:

Financial Strategy and Planning

- Maintaining cash flows in between fundraising - Series A-B
- Cash flow issues / sustaining a manageable burn rate
- Exploring fundraising alternatives – bank debt and corporate investment
- Cash shortfall / short runways
- Issues securing Series A

Sales and Branding

- Long sales cycles
- Testing pricing models for new products
- Customer acquisition rates
- Increasing inbound and outbound sales leads
- Value proposition of new model to existing customers
- Refine value proposition – operating in highly competitive markets
- Slow sales with corporate partners
- Marketing yourself in competitive fields
- Product market fit and relevance of product

International Expansion

- Understanding opportunities in new markets and the legal/financial process in setting up operations

Mergers & Acquisitions

- Exploring different exit opportunities
- The preparations for securing an exit
- Impact on shareholders
- Pricing and company valuations

Talent Acquisition

- Retaining skilled staff
- Training the team
- Team expansion
- Restructuring the senior team

Other Themes

- Brexit tariffs – expansion plans
- Slowdown in sales due to Brexit
- EU regulation delay
- LCIF – peer to peer support and widening business channels

We will use the upcoming portfolio review in October, to revisit the themes above.

3. MMC London Fund

The MMC London Fund has been in its portfolio phase since June 2016. As at 31st March 2020, the MMC portfolio comprised 12 companies and was valued at more than twice cost.

3.1. Realisation of Investments to Fund GLIF

Given the age of the fund and the degree of value concentration, our focus as investors is on realisations. Furthermore, we are contractually obliged to contribute £11m towards the Greater London Investment Fund, and the MMC London Fund is the principal source of that capital.

3.2. End of Fund Period

Towards the end of 2020, we will take a decision whether to extend the period of the fund. This will be dependent, *inter alia,* on the book value remaining in the portfolio and on the prospects of remaining investee companies.

Funding London will also continue to explore alternatives to create liquidity in the portfolio.

4. New Initiatives

4.1. Growth Hub: Investor Readiness Programme 2020

The 'Investor Readiness Programme 2020' is a new initiative organised by Funding London and the London Growth Hub. This half-day, intensive programme is designed to support early-stage businesses to become investor-ready. Following approval in late February, the 'Investor Readiness Programme 2020' was launched at the Growth Hub's 'Ready 2020 Initiative' in March.

Since then, due to lockdown, we have had to modify the programme. Firstly, given the impact of lockdown on businesses, the content of the programme to date has been adapted to support businesses build resilience. Secondly, it has been delivered wholly online.

From early July, the programme will refocus its content to the original topic of Investment Readiness and will be piloted in August (continuing with an online format). This second part will be delivered via monthly online seminars. The topic of the webinars will be specifically aimed at entrepreneurs from underrepresented groups.

From September onwards, a monthly online session will be organised. Partnerships with various stakeholders will be established to support the successful delivery of the programme.

The programme has a particular focus on start-ups led by disabled, female and BAME entrepreneurs, and will guide and explain how to access external finance such as equity and debt. The programme will also facilitate introductions with angel and early-stage institutional investors, accelerators and incubators.

4.2. Mayor's CSSF: Coronavirus Start-up Sustainability Fund

The COVID-19 interventions announced by the government so far leave significant gaps in coverage for early stage tech start-ups. Specifically, the Future Fund that has recently opened to applications is available only to businesses that have raised at least £250k from investors and will only invest through non-EIS compliant Convertible Loan Notes (CLNs).

Funding London has proposed a new fund for London based tech start-ups, that would not be able to receive funding from the Future Fund, either because they have not raised the requisite £250k or because they have HNW angels and angel syndicates as lead investors, who may not be sufficiently incentivised to invest in CLNs.

The fund would target investments of £70k - £100k on a 1:1 matched basis in c.100 businesses. Funding London's current infrastructure would be used to deliver the fund, suitably augmented by support from VCs and legal advisors from the industry.

4.3. Other Initiatives

In early March, we submitted a full application for the delivery of an ERDF-backed business support programme in the Enterprise M3 LEP Region. The programme will encompass a platform of tailored support for high growth businesses (or scale ups), leveraging our experience and connections built while supporting the London Co-investment Fund. The support will include the following principal elements:

- Webinars;
- Podcasts;
- Workshops, office hours and networking events in several locations around the Enterprise M3 LEP area; and
- Delegations to other countries to meet investors.

This proposal would allow us to cement our credentials in a new line of business. It will also allow us to increase the sustainability of Funding London going forward by pursuing further opportunities in this space.

Unfortunately, it is unlikely that our application will progress given the impact of COVID-19 on MHCLG's priorities.

III. Financial Planning and Budget for the Financial Year to 31 March 2021

The budgeted operational costs for the SME Wholesale Finance Group ("SME WFL" or "Funding London" Group) amount to £3.4m across LCIF, GLIF, MMC London Fund and business support projects. Of this budget, Funding London will contribute £658.7k from its own resources with the remainder shared amongst our grant funding bodies.

The budget has been prepared taking into account the known impacts of the COVID 19 crisis; in particular, the potential slow down in activity of the GLIF loan funds, which in turn impacts the amounts likely to be drawn down from the EIB facility during the year.

1. Sources of Funding per Project

Funding London will cover its financial commitments to 31st March 2021 as follows:

Unencumbered Cash	FL ex. GLIF/LCIF	LCIF Only	Total
	£	£	£
Cash at 31 Mar 20	**745,203**	**76,138**	**821,340**
Commitments to 31 Mar 21			
LCIF	-	21,682	**21,682**
MMC LF	16,043	-	**16,043**
GLIF	470,514	-	**470,514**
SME WFL	150,482	-	**150,482**
Total commitments	**637,038**	**21,682**	**658,720**
Unencumbered cash at 31 Mar 21	**108,165**	**54,456**	**162,621**
Receivables			
Due from GLA for GLIF recharges	402,470	-	**402,470**
Due from LWARB for GLIF recharges	125,018	-	**125,018**
Due from LCIF	270,022		**270,022**
	797,510	-	**797,510**
Cash balance at 31 Mar 21	**905,675**	**54,456**	**960,131**

1.1. LCIF

Funds have already been set aside from previous legacies to meet Funding London's 6.1517% share of LCIF's operational costs. These costs are estimated to be £22k this year.

1.2. MMC London Fund

Remaining cash of £16k is allocated solely to fund the MMC London Fund. Once it has been utilised, we have agreed with MMC Ventures that future costs – largely MMC's priority share – will be accrued and paid from future disposal proceeds.

1.3. GLIF

The budget for GLIF operational costs comprises recharges from SME WFL in respect of staff costs (salary, bonus, pension and employers NI contributions) and apportioned overheads which are attributable to the management and delivery of GLIF.

Funding London's share (c.21%) of GLIF's operational cost budget of £470k for the year can be met from existing cash balances. Potential disposal proceeds from the MMC London Fund will help to replenish our cash balances.

Note that we assume that interest income of £623k is generated during the year by the loan funds.

1.4. Growth Hub

The Growth Hub programme for London began in April. The budget for the year of £28k will be covered by the GLA. A contribution is not required from Funding London as we are expected to recover 100% of our costs.

1.5. SME WFL

As shown above, the current cash balances can meet 100% of administrative/running costs to 31st March 2021; these are estimated at £150k.

2. GLIF Investments: Sources & Uses of Funds

The table below summarises the sources and uses of funds for investments to 31st December 2025.

Investments: Sources & Uses of Funds (£)

	31 Dec 18	31 Dec 19	31 Dec 20	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25
b/f	-	8,000,000	2,683,173	4,555,604	7,108,004	10,332,583	4,414,800	1,364,210
Sources of funds	8,000,000	1,400,000	17,000,000	24,355,200	26,447,500	18,382,500	3,050,590	1,364,211
Uses of funds	-	(6,716,827)	(15,127,569)	(21,802,800)	(23,222,921)	(24,300,283)	(6,101,179)	(2,728,421)
c/f	**8,000,000**	**2,683,173**	**4,555,604**	**7,108,004**	**10,332,583**	**4,414,800**	**1,364,210**	**(0)**

Since all finance contracts and LPAs use calendar years as opposed to financial years, the numbers presented above are for calendar years.

2.1. Sources of Funds

Investments: Sources of Funds (£)

	31 Dec 18 *Actual*	31 Dec 19 *Actual*	31 Dec 20 *Estimate*	31 Dec 21 *Estimate*	31 Dec 22 *Estimate*	31 Dec 23 *Estimate*	31 Dec 24 *Estimate*	31 Dec 25 *Estimate*	Total
EIB	-	-	5,600,000	11,455,200	13,047,500	15,482,500	3,050,590	1,364,211	**50,000,000**
ERDF	8,000,000	-	9,000,000	9,000,000	9,000,000	-	-	-	**35,000,000**
Funding London	-	-	1,000,000	2,500,000	3,000,000	2,900,000	-	-	**9,400,000**
LWARB	-	1,400,000	1,400,000	1,400,000	1,400,000	-	-	-	**5,600,000**
	8,000,000	**1,400,000**	**17,000,000**	**24,355,200**	**26,447,500**	**18,382,500**	**3,050,590**	**1,364,211**	**100,000,000**

Actuals have been provided for the calendar years 2018 and 2019. From 2020 onwards, the finance agreements have been used as a starting point but have been revised to account for the actuals to date.

2.1.1. EIB

GLIF can only draw down the EIB loan in arrears, once adequate evidence of investment has been provided. The first tranche of £5.6m was received in early February. We do not expect a second tranche to be drawn down in H2 2020. In order to reduce the interest payable to the EIB on its loan, we will only drawdown the amounts needed.

2.1.2. ERDF

The ERDF committed £35m to fund investments, payable in four equal instalments. The first instalment of £8m was received in November 2018 (based on the original commitment of £32m). The second instalment of £9m will only be released once £15m of investments have been made, which is expected to be late summer 2020.

2.1.3. Funding London

To date, no funds have been contributed towards Funding London's £9.4m commitment towards investments. This commitment can only be fulfilled from future, yet unrealised, exits from the MMC London.

It is estimated that up to £1m could be released from the MMC London Fund in late 2020 which Funding London would use towards its obligation to GLIF to make investments. Overall it is expected that £9.4m of proceeds from the London Fund will be used by Funding London to meet its £9.4m commitment to GLIF investments.

2.1.4. LWARB

LWARB has committed £5.6m to investments. The 2019 and 2020 investment instalments of £1.4m each have been received.

2.2. Uses of Funds

Investments: Uses of Funds (£)

	31 Dec 18	31 Dec 19	31 Dec 20	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	Total
	Actual	*Actual*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	*Estimate*	
Equity	-	5,365,810	7,442,819	8,396,550	7,519,796	7,445,425	6,101,179	2,728,421	**45,000,000**
Large loans	-	859,738	4,420,250	6,668,750	7,653,125	7,898,137	-	-	**27,500,000**
Small loans	-	491,279	3,264,500	6,737,500	8,050,000	8,956,721	-	-	**27,500,000**
	-	**6,716,827**	**15,127,569**	**21,802,800**	**23,222,921**	**24,300,283**	**6,101,179**	**2,728,421**	**100,000,000**

Actuals have been provided for the calendar years 2018 and 2019. Actuals represent amounts invested and not (higher) amounts committed. This is more prudent because committed amounts include second tranches of loans which may not be disbursed if conditions precedent are not met by the SMEs.

From 2020 onwards, targets set out in the LPAs have been used as a starting point but have been revised to account for the actuals to date.

3. GLIF Fees & Costs

The operational cost budget for GLIF amounts to £2.8m. Most of this (about 75%) is attributed to fund managers fees and costs, with the balance being for Funding London's costs, and EIB's interest and fees.

These costs will largely be funded from the Reserve Amount provided by GLIF funders, as well as from interest income generated by the loan funds.

IV. Operational Risk and Responsibility

Our business is subject to the usual risks faced by small entities who rely on cloud-based services by third party providers. During 2019, we implemented a number of changes to our IT systems in order to have more robust defences against threats.

During the new financial year, we implemented a new IT / cybersecurity support solution.

We will also address other priorities such as the adoption of an environmental policy to ensure our business practices minimise the impact on the environment.

We will continue to monitor, both, broader operational risk and project specific risk.

1. COVID-19

Lockdown measures imposed as a result of the COVID-19 crisis have impacted our business in several ways. The impact of COVID-19 has been incorporated within the risk registers set out in sections 3 and 4 below.

2. Cybersecurity

Following the email breach of February 2018, MOPAC conducted a review, issuing its final report in December 2019. The report included a list of actions which have now been addressed.

In December, Funding London published a request for proposals and has since appointed Worknet Ltd to be its IT support provider going forward. Worknet have been tasked with looking at, *inter alia*, cybersecurity protection and the implementation of the cybersecurity policy.

In addition to IT support, Worknet will conduct periodic reviews of our hardware and IT setup.

3. Environmental Responsibility

We have introduced an Environmental Policy to ensure that our business practices are as environmentally conscious as they can be. The focus of our policy is on minimising the use of paper, energy and other consumables as well as eliminating unnecessary travel.

4. Operational Risk Register

4.1. COVID-19

Risks Description	Probability	Impact	Mitigation
Lockdown measures prevent Funding London team from operating properly	Low	Medium	Regular online team meetings to keep everybody up to speed Documents already saved in the cloud, so access is not a problem Team members can purchase equipment they need to work from home. This may include desks, desk chairs, PC accessories, and office consumables. We estimate on average, between £250 and £500 per team member, depending on how much longer we continue to work from home. Meetings with outside organisations on Zoom or Teams
Lockdown measures delay key decisions by GLA	High	Medium	Keep dialogue open with GLA and continue to seek opportunities to bring matters to the GLA for decision
Effect of lockdown affects GLIF project viability/funding	Medium	High	As demand for growth loans drops, leading to reduced interest income, the Reserve Amount is available to cover costs. Proposals to amend the strategy to allow lending during the crisis have been approved by the board. Expected exits from MMC LF now delayed; we have some room given the Reserve Amount
Effects of lockdown affects portfolio performance across the projects	High	Medium	LCIF: Portfolio review meetings online may have affected the quality of the insights that were gathered. London Growth Hub: Project is being delivered online, albeit content is focused on resilience rather than investor readiness. GLIF: ERDF recognises high probability that original targets for 2020 will not be met.
Lockdown measures delay decisions on new projects	Medium	Low	Enterprise M3 Project: Although no decision has been communicated, the project relied on significant online delivery, so this should be an advantage in due course

Risks Description	Probability	Impact	Mitigation
			The more significant risk is that MHCLG decide to drop all unapproved project applications.
Impact on the economy affects insurance pricing	Medium	Medium	Difficult to mitigate rise in costs of D&O insurance. Renewal not due until Q4 so perhaps pricing will have improved
COVID secure requirements affect directors' liability	Medium	Medium	We will seek advice from employment law advisers if we cannot get comfortable that our workplace can be made COVID secure. Based on preliminary risk assessments, we are continuing to work from home given risks of travelling to work and prevailing government guidance. Longer term, we will implement the government's guidance, including defining teams and limiting the number of team members in the office (to a maximum of three).
Outcome of the review of the UK's Capital Gains Tax regime may negatively impact our funds or fund managers. Possible areas of impact include the ability of our equity fund manager to syndicate rounds with participation from angel investors. Should CGT changes impact carried interest arrangements, these will affect our equity manager's business model.	Medium	Medium	As the results of the review will not be known until the Autumn Statement, it is difficult to take any mitigating actions. We will review this in the autumn and act accordingly.

4.2. Reputational Risk

Risks Description	Probability	Impact	Mitigation
Partners: We invest through or alongside third-party investment managers. Therefore, actions could be taken by our partners that could negatively impact our reputation. For example, by making investments in companies that are seen as socially	Low	Medium	We establish and maintain close relationships with our investment partners and ensure that the strict policies and principles of responsible investment are understood by our partners. In the case of investments brought to us by our co-investors in LCIF, the ultimate investment decision rests with our team.

Risks Description	Probability	Impact	Mitigation
irresponsible, or which can have a negative effect on the market			In the case of third-party managers, we have regular contact where we can review any “controversial” investments.
Investee companies: We are at risk from actions taken by our investee companies	Low	Medium	We include a number of contractual obligations in investment agreements which clearly place responsibility on companies to uphold high standards of behaviour. In the case of our direct investments, we hold good relationships and lines of communication with each company. In the case of funds managed by third party managers, we have chosen managers who demonstrate active involvement with the portfolio.
Market profile/public perception: Our own profile in the market can be affected by: The inability to continue our commitment to our investee companies; The inability to safeguard the value of our portfolio; thereby leading to claims that we are wasting taxpayers’ money; The perception that our funds are not needed in London	Low	Medium	We have strong relationships with investors and companies. We add value via business support. We have selected co-investment partners for LCIF with the best track records and we have a highly diversified portfolio; therefore, we are in a good position to derive value from investments; albeit it will be reduced by the dilution of our initial stakes. We participate in the ecosystem through thought leadership and speaking at events, and we are constantly in dialogue with the wider ecosystem. We understand first-hand where the market gaps remain in early stage investment and we can demonstrate how our funds align with those gaps. We have established relationships with the BBB’s UK Network representatives for the South and for London.

4.3. Cyber Risk

Risks Description	Probability	Impact	Mitigation
Devices and systems: we are exposed via computers, laptops, mobiles and other portable devices to viruses or malware	Low	Medium	Our devices are reviewed every six months to ensure all software is up to date. We segregate administration rights from day to day use. We make sure that communications and other applications accessed through the internet are subject to two-factor authentication.
Communications	Medium	Medium	The team receives training once a year to make sure they are up to date with best practice in terms of passwords and the usual threats such as phishing attacks, suspicious emails, requests for payments. All inbound communications are screened via ATP, a third-party solution similar to Mimecast.
Offices	Low	Medium	Our physical office environment is only accessible to the team. The office is never left unlocked if no members of the team are present. We have a clear desk policy.

4.4. Financial Risk

Risks Description	Probability	Impact	Mitigation
Limited amounts of cash available beyond 2020. Unless exits materialise from the MMC London Fund, we may be unable to satisfy the going concern requirements for next year's audit	Medium	High	A high proportion of our team costs are recharged to either the GLIF or LCIF. The proportion that cannot be recharged can be covered by legacy funds. Our cash balances have been depleted during 2019 due to our commitments to GLIF. We are expecting MMC LF to achieve an exit this year; a proportion of those funds will go to replenish the legacies already spent by Funding London on GLIF. We will monitor the situation closely.

5. Project Risk Review

5.1. Greater London Investment Fund

5.1.1. Sub Funds

Risks Description	Probability	Impact	Mitigation
Lack of demand for the financial instruments being offered	Low	Medium	The winning fund managers were appointed based on the evidence they provided in their proposals that there would be demand. The Equity Fund continued to see good demand at the start of 2020. The Large Loan Fund was also seeing good demand and levels of take up of approved loans. The Small Loan Fund saw a number of approved loans lapse because either borrowers found cheaper alternative loan funding or raised equity instead of debt. The loan fund manager is considering how to modify their approach so that pricing is made clear to borrowers at the beginning of the process with a view to establishing commitment from the borrowers to accept the loan before credit committee. The COVID crisis will impact demand for the loan funds. We have agreed a plan for an alternative lending strategy based on CBILS accreditation. This will provide an attractive guarantee for the loans made and generate demand. Taking account of the impact of the CBILS guarantee (which was recently awarded) we will need to review the situation during Q3.
Sub optimal portfolio performance	Low	Medium	The process to select the fund managers was designed to ensure that we encourage bids from fund managers with excellent track records. The winning bidders demonstrated excellent track records as well as best practice in their investment processes. At the beginning of 2020, performance was good. Some portfolio businesses are affected by the COVID crisis; therefore, we have increased our communication

Risks Description	Probability	Impact	Mitigation
			with the fund managers so we can address issues that may affect our EIB covenants. We will continue to monitor and track performance of each manager.
Fund managers fail to deliver the required level of investments and/or outputs	Medium	Low	Funding London will maintain a very close dialogue with each fund manager to ensure that any issues in respect of outputs or pace of investment are identified and addressed at the earliest opportunity. The COVID 19 crisis means that target levels of investment may not be achieved. We have agreed proposals for an alternative lending strategy based on CBILS accreditation. We believe that this will generate demand for loans. We will review in September.

5.1.2. Fund of Funds

Risks Description	Probability	Impact	Mitigation
Lockdown measures prevent Funding London team from operating properly	Low	Medium	Regular online team meetings to keep everybody up to speed Documents already saved in the cloud, so access is not a problem Team members can purchase equipment they need to work from home Meetings with outside organisations on Zoom or Teams
Impact on the economy affects insurance pricing	Medium	Medium	Difficult to mitigate rise in costs of D&O insurance. Renewal not due until Q4 so perhaps pricing will have improved
COVID Secure requirements affect directors' liability	Medium	Medium	We will seek advice from Employment Law advisers if we cannot reach comfort that our workplace can be made COVID Secure. Based on preliminary risk assessments, we are continuing to work from home given risk attached to travelling into work Longer term, we will implement the guidance including defining teams and

Risks Description	Probability	Impact	Mitigation
			limiting the number of team members in the office to a maximum of three.
A slower pace of loan investments slows down the interest income from borrowers	Medium	High	£7.5m has been set aside in the event that there is insufficient income to cover fund expenses. In addition, a further £7.2m has been committed by the GLA for EIB interest and fees. The COVID 19 crisis is likely to exacerbate the position as the loan funds will most likely see a drop in demand Latest estimates are that the Reserve Amount will be used up by December 2022.
Insufficient funds are realised from Funding London's legacy funds during the period to 2023	Medium	Medium	Other sources of funding may need to be found or the size of the EIB facility would need to be reduced. This would require a negotiation in due course with the EIB.
The fund of funds fails the loan fund default covenant tests imposed by EIB; these require default rates significantly lower than those anticipated in the winning fund manager's bid	Medium	Medium	We conduct monthly meetings with FSE Group to monitor performance and discuss any likelihood of covenant breach. The agreement with the EIB requires us to attend review meetings once the covenants reach a certain default rate. After two measuring dates (June and December 2019), default rates are zero.
Breach of structural funds' regulations and/or other funders' contractual terms at fund of funds (or sub-fund) level; e.g. incurring ineligible expenditure	Low	High	Funding London has a good track record of ensuring compliance with structural funds' regulations and other contractual terms, and will continue to implement its monitoring framework, including fund managers' file review. Ongoing consultation with the GLA's Structural Funds team on interpretation of ERDF rules, and with other funders on their relevant funding conditions.
GLIF fails to deliver on funders' investments and/or outputs targets, resulting in reduced funding (especially ERDF) being available	Medium	Medium	Funding London will closely monitor each sub-fund to ensure that they are making the necessary contributions to GLIF's targets. Where issues are identified, these will be addressed at the earliest opportunity, which could

Risks Description	Probability	Impact	Mitigation
			include agreeing reprofiling with funders. COVID: Given lack of demand for loan funds, we have agreed an alternative investment strategy backed by a CBILS guarantee. ERDF recognises that outputs will not be met so we do not expect any action by ERDF for the time being. EIB is aware that investment targets will not be met We continue close dialogue with both fund managers and funders
Outcome of the Brexit negotiation may impact negatively on the GLIF if EIB's existing privileges and immunities under the EU Treaty are removed	Low	High	The EU Withdrawal Act currently includes provisions for EIB's existing privileges and immunities to continue. Funding London, along with the GLA, will monitor this for any change.
The outcome of the Brexit negotiation may impact negatively on the GLIF if ERDF is no longer available	Low	Low	The UK Government has confirmed it will continue to make funding available beyond Brexit for the full term of the ERDF programme (until December 2023), even in the event of 'no-deal'. Funding London, along with the GLA, will monitor this for any change.

5.2. London Co-investment Fund

Risks Description	Probability	Impact	Mitigation
The portfolio loses value through dilution of positions, as we will be unable to make follow on investments to maintain our stakes	High	High	During the investment phase, the fund only followed those investments where there was sufficient progress in the business and valuation. This should reduce the level of dilution in future rounds as they are likely to be at a higher valuation than our last investment. The London Co-Investment Fund reached the end of its investment period on 29th March 2019. Having secured permission to re-invest exit proceeds, we will continue to support the best performers in the portfolio as much as possible. We continue to pursue opportunities to secure further funding from alternative sources.
Once we have stopped investing, we may struggle to maintain the relationships that we have built with our co-investment partners. In some cases, this may impact our ability to obtain information we need to manage our portfolio	Medium	Medium	We will continue to participate as much as possible through events and workshops in supporting the ecosystem. We will maintain close contact with the companies and provide any help we can with introductions to potential investors and other useful contacts.
Funding London's reputation will be damaged if we cannot continue to support the early stage ecosystem	Medium	Medium	We will continue to participate as much as possible through events and workshops in supporting the ecosystem. We will maintain close contact with the companies and provide any help we can with introductions to potential investors and other useful contacts. We are also seeking other means of funding e.g. private sector funders; however, without a crystallised track record, this is extremely difficult.

5.3. MMC London Fund

Risks Description	Probability	Impact	Mitigation
Value concentrated in a handful of investments. The failure of any one of these investments will significantly deplete our future funding	Medium	High	The LPA structure ensures alignment of interests between Funding London as Limited Partner and MMC Ventures as General Partner, by linking MMC's remuneration over and above operational costs to the returns generated. However, we do not have any direct control over the fund manager's decisions. We are exploring options to de-risk the amount of value in unrealised gains and will produce much needed liquidity.
Timing of exits may prevent us from fulfilling our obligations under the GLIF contracts	Medium	High	MMC Ventures is aware that we are required to invest approximately £1.8m from future exits during 2020.

APPENDIX I

Funding London Board Members

<u>Sir Harvey McGrath, Chairman</u>

Joined the board in January 2015

Sir Harvey was Chairman of Governors of Birkbeck, University of London, until earlier this year and is the Chair of Big Society Capital. He is the former Chairman of Prudential plc, Man Group plc, and the London Development Agency.

Prior to taking on the Chair of the LDA, he was Chairman of London First, the capital's influential business campaign group, a director of Gateway to London, the inward investment agency for the Thames Gateway and Chairman of the East London Business Alliance, a partnership of substantial businesses engaged in the social and economic regeneration of East London.

Harvey is also Chairman of Heart of the City, which helps companies develop Corporate Social Responsibility through learning from one another; Chairman of the Prince's Teaching Institute, which promotes subject based professional development for teachers; and a trustee of a number of other charities including New Philanthropy Capital, a research based charity which gives advice and guidance to donors and charities; icould, an online careers resource; and the Mayor's Fund for London.

<u>Maggie Rodriguez-Piza, Chief Executive</u>

Joined the board in September 2009

Since taking the helm at Funding London, Maggie's main focus has been the planning, creation and launch of new funds to continue to support the company's mission. Under her leadership, three funds have been launched: the Greater London Investment Fund (April 2019), the MMC London Fund (late 2012) and the London Co-investment Fund (December 2014).

Maggie began her career at Hawkpoint Partners (now part of Canaccord Genuity) in mid-market M&A and capital markets, and was later a corporate finance partner at Mazars.

Maggie holds a Masters in Materials Engineering from MIT and an MBA from the Yale School of Management. She also holds ICAEW's Corporate Finance qualification and is a member of the board of the Corporate Finance Faculty.

<u>Jamie Izzard, GLA Representative</u>

Joined the board in February 2020

Jamie is head of the Mayor of London's Enterprise Team, with responsibility for the delivery of policies, programmes and partnerships that help all of London's enterprises to start, sustain and succeed in the city's economy. Since 2012, he has led policy and strategy for London's Local Enterprise Partnership, which oversees over £1.3bn of funding devolved to London from the UK Government and the EU. Jamie also leads the London Growth Hub, the Mayor of London's flagship small business support service.

Until recently, Jamie led the Mayor of London's work to help all Londoners access healthy, affordable and sustainable food, personally leading the Mayor's world-renowned policy to restrict the advertising of unhealthy food and drink advertising across the world's largest advertising estate. Prior to joining the Mayor's office, Jamie worked as a governance professional across the public and private sectors, having started his career working in the creative industries.

Pauline Barnett

Joined the board in June 2015

Pauline was the Chief Executive of the East London Small Business Centre, a not-for-profit organisation established in 1978. She took up this post in 2011 after nearly 30 years holding several posts at the centre. The organisation provides specialist business advice to SMEs and support in developing viable business plans, facilitating new ideas and supporting the creation of new businesses.

Pauline contributed to the centre's growth and expansion by winning significant new contracts across London from both the public and private sector, raising millions of pounds of new loan funding to support entrepreneurial growth.

Marion Bernard

UK Managing Director, The Firmament Group

Joined the board in June 2019

Marion is a leader in the venture capital and private equity industry with a successful 20-year investment track record. Marion played a pivotal role in establishing BGF as the largest UK growth capital investor since 2011. Prior to this, she led NorthStar to become a pre-eminent regional fund manager. Marion is skilled in raising funds, building teams, originating deals, delivering investment objectives and creating valuable exits.

Marion is also an independent director on the board of the UK Innovation and Science Seed Fund.

Marguerite Mc Mahon

Joined the board in June 2019

Marguerite is an experienced banker and leader specialised in long term sustainable finance in a wide range of sectors from SMEs to large corporates, banks, Public Finance Partnerships, Venture Capital, the public sector and structured finance. She spent over 30 years at the European Investment Bank, most recently as Head of Division, Banks and Corporates: Italy, Malta, Croatia and Slovenia – where she led a team to develop and implement lending strategy to SMEs via banks/securitisation and to large companies targeting sustainable investment in innovation and climate action.

Marguerite has served on a number of European SME investment boards.

Praveen Paranjothi

Founder Director, Early-stage investments, innovation and investment management

Start-up Europe India Network, United Kingdom

Joined the board in June 2019

Praveen has spent nearly ten years in various venture capital roles. Praveen invests in early-stage tech and consults for high-growth tech companies and VCs. He is also the founder of Start-up Europe India Network, a Europe-India tech corridor. Praveen was previously a senior investor in the Venture and Growth capital investments team at the European Investment Fund (EIF). In this role he held several Advisory Board roles in top VC funds and was part of the team that invested c. USD 1.5 billion per annum in European venture and growth equity capital. The team invested over USD 5 billion in the last six years and screened c. 250-300 venture and growth capital funds a year and managed a portfolio of 4,000+ innovative SME investments.

David Prais

Joined the board in 2004

David became chairman of SME Wholesale Finance in the autumn of 2008 and held that position until January of 2015. He has been a non-executive director of the company since its foundation in 2004.

David's management experience lies in building fast-growing companies and aligning strategy and business plans having been in strategic planning for Gateway and Dell.

He is retained by a number of SMEs at board level in a number of industries delivering their action plans from strategy to execution.

Adrian Simon

Joined the board in 2006

Adrian was Director of Brunel University's Commercialisation Office; being involved over a period of ten years with bringing to market the output of academic research provided significant experience in the formation and initial launch of technology start-ups. Prior to that, Adrian was a senior international executive with Heinz, managing businesses in the UK, continental Europe and South America.

Adrian's area of expertise centres around the performance of the equity funds, marketing and providing advice on Funding London's future strategy to support entrepreneurship.

APPENDIX II

GLIF Board Members

<u>David Prais, Chairman</u>

Joined the board in June 2018 upon incorporation of GLIF

David has been a non-executive director of Funding London since its foundation in 2004.

David's management experience lies in building fast-growing companies and aligning strategy and business plans having been in strategic planning for Gateway and Dell.

He is retained by a number of SMEs at a board level in a number of industries delivering their action plans from strategy to execution.

<u>Maggie Rodriguez-Piza, Chief Executive of Funding London</u>

Joined the board in June 2018 upon incorporation of GLIF

Maggie has been Chief Executive of Funding London since September 2009.

Maggie began her career at Hawkpoint Partners (now part of Canaccord Genuity) in mid-market M&A and capital markets, and was later a corporate finance partner at Mazars.

Maggie holds a Masters in Materials Engineering from MIT and an MBA from the Yale School of Management. She also holds ICAEW's Corporate Finance qualification and is a member of the board of the Corporate Finance Faculty.

<u>Sarah Abrahams</u>

Head of Growth Finance, Grant Thornton

Joined the board in May 2019

Sarah leads Grant Thornton's national, award-winning Growth Finance business, providing a range of advisory and transactional services to businesses seeking up to £10m in external finance and representing the firm in the early-stage investment community.

Prior to this, Sarah led the national investor relations activity at Grant Thornton for its government-backed Growth Accelerator service, which supported 3,000 businesses with investment readiness coaching, and 350 SMEs to raise over £230m of external finance during the four years of its operation. Sarah worked closely with participant companies to identify suitable funding strategies and facilitating targeted introductions to investors.

Sarah holds the ICAEW Corporate Finance Qualification and is a member of the Chartered Institute of Securities and Investments (CISI), the UK Business Angels Association (UKBAA) and sat on the Advisory Committee for the Enterprise Investment Scheme Association (EISA) between 2012-2018.

<u>Pauline Barnett</u>

Joined the board in June 2018 upon incorporation of GLIF

Pauline has been a non-executive director of Funding London since June 2015

Pauline was the Chief Executive of the East London Small Business Centre, a not-for-profit organisation established in 1978. She took up this post in 2011 after nearly 30 years holding several posts at the centre. The organisation provides specialist business advice to SMEs and support in developing viable business plans, facilitating new ideas and supporting the creation of new businesses.

Pauline contributed to the centre's growth and expansion by winning significant new contracts across London from both the public and private sector, raising millions of pounds of new loan funding to support entrepreneurial growth.

Kevin Chong

Co-Head, Emerging Companies UK/EU, Investec

Joined the board in May 2019

Kevin is responsible for the INVC Fund, which is backed by Investec and third party investors, and invests early in fast growing FinTech companies. Prior to that, Kevin co-founded London-based Beacon Capital which invested in FinTech and Enterprise Tech start-ups, and served on the boards of a number of portfolio companies.

Kevin worked internationally in capital markets for many years and holds degrees in Law and in Commerce, and qualified as a CA with PwC. Kevin is also a non-executive director of Moneyline, a not-for-profit provider of financial products for vulnerable UK households.

Richard Tray

Founder Partner at Traycer LLP and Director of Renewable Storage Solutions Ltd

Joined the board in May 2019

Richard is a Founder Partner at Traycer LLP, a boutique corporate finance and capital markets advisory firm serving family offices and unquoted SME clients. Richard is also a Director of Renewable Storage Solutions Ltd, which distributes automated energy storage systems.

Richard held senior investment banking and capital markets roles as a Managing Director in structured finance and corporate securitization at JP Morgan including as Group Head of Structured Capital - Europe between 1993 and 2001. In his investment banking career Richard also held positions in primary and secondary loan and securities distribution, and in leveraged and acquisition finance at JP Morgan and GE Capital.

After leaving JP Morgan in 2003, Richard formed an independent financial consultancy, serving fixed income and private equity asset managers. In 2009, Richard founded Traycer focusing on private placements and debt advisory / restructuring services.