



Business Plan for the Financial Year ending 31 March 2023

17 March 2022

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Funding London at a glance

Who we are

- Evergreen fund of funds
- Part of the Mayor of London group
- Working in partnership with the private sector to support London's Economic Development Strategy
- 18 years supporting London SMEs caught in the Finance Gap
- Focus on innovation and growth as key elements of London's future

What we do

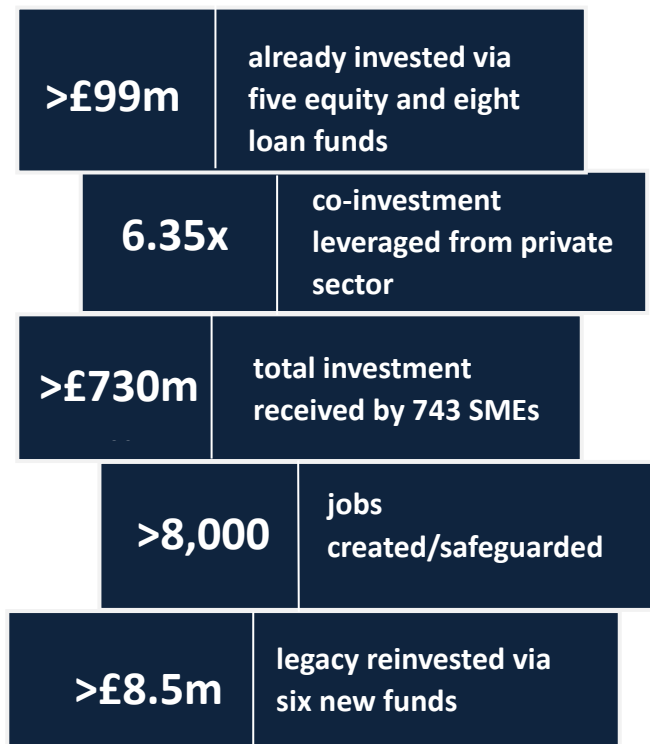


London Business Hub Investment Ready Programme



Our impact

For SMEs



For London

- Developing the early-stage eco-system
- innovative partnerships with the private sector
- Supporting underrepresented entrepreneurs and female founders
- Investment Readiness and Resilience
- Amplifying impact through collaboration with sister organisations
- Investing in the Circular Economy

A Snapshot of 2021

Continuing to adapt to challenges brought about by COVID 19

Operations

- A small nimble team, operating in a paperless environment with cloud-based data storage and systems.
- Hybrid office/home working model.
- Working relationships with our delivery partners and stakeholders remained strong, allowing for enhanced levels of communication and co-operation.

Portfolios

- Portfolios continued to perform well despite the continued challenges
- Substantial value accretion in LCIF and MMC LF continued
- Excellent returns from MMC LF
- GLIF showing very positive performance. Lending activity significantly improved during 2021 and well positioned to continue 2022

Delivering Impact

- Investment Readiness programme highly regarded. New programme to be launched in 2022
- Initiative to improve diversity in early-stage investment and support underrepresented founders

Looking to the Future

- Levelling Up agenda means that there is no certainty of future funding for our activities. Therefore, we will focus on options to continue our impact by growing and reinvesting our current capital base only

Executive Summary

Background and Strategy

For 18 years, Funding London has supported London-based SMEs caught in the finance gap through its investment activities, and more recently through complementary business support.

Our mission is to create an evergreen source of funding so that returns from previous funds are reinvested into new funds.

Therefore, the focus of our activities is not only to deliver impact through investment in growth and jobs, but also to deliver the best financial returns possible by working in partnership with the private sector.

The Year to 31 March 2022

The continued presence of COVID 19 during 2021 impacted our activities in significant ways. However, our operations continued to function well, and our projects delivered impact and much needed support to SMEs

Our funds invested £19.7m into 36 SMEs alongside private sector investors, and we delivered investment readiness workshops to 135 SMEs.

Priorities for the Year to 31 March 2023

1. Continuing the support to businesses via the government's RLS scheme;
2. Supporting our fund managers to maintain levels of investment as demand for growth funding emerges following the end of the government-backed loan schemes;
3. Renewing the search for options to continue supporting the LCIF portfolio and to expand its activities;
4. Exploring options for liquidity in our closed funds as and when appropriate;
5. Launch the new Investment Ready Programme; and
6. Seek other opportunities to bid for Business Support projects and to support London's Recovery Plan.

Financial Planning

During 2022 we will focus on managing available cashflow against our commitments, in particular to GLIF and on planning for the longer term given uncertainty around future funds.

Governance and Risk Management

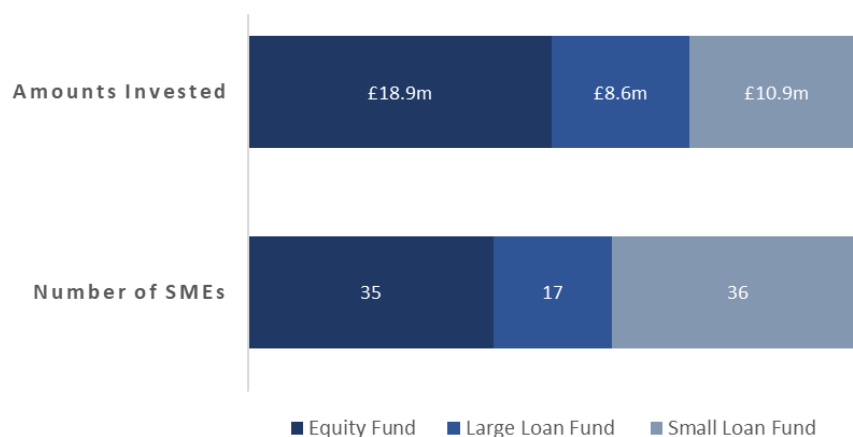
Our quarterly board meetings and risk management register remain the focus of how we manage risk and ensure good governance.

I. Review of the Year to 31 March 2022

1. Greater London Investment Fund (GLIF)

As of 31 December 2021, the fund had invested £38.4m in 88 businesses split as follows:

Cummulative Deployment 2019-2021



1.1. Outputs

Output targets and reporting are based on a calendar year. Reported outputs, at 31st December 2021, are as set out below:

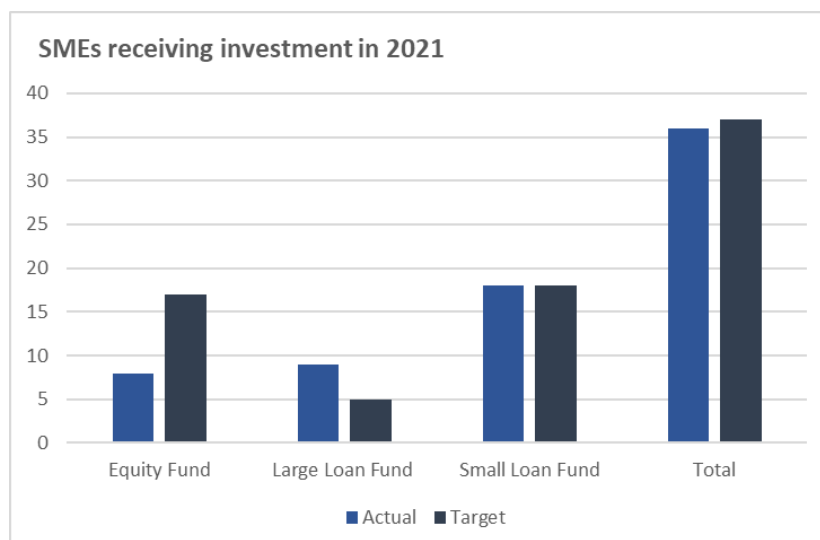
Cumulative from launch

Fund	Jobs Created	New Enterprises	Private Sector Investment Leveraged
Equity Fund	577	21	£160.8m
Large Loan Fund	120	0	£42.6m
Small Loan Fund	193	0	£29.2m
Total	890	21	232.6m

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

1.2. Performance against 2021 targets

The charts below set out performance against SME and investment targets for 2021 as set out in the Limited Partnership Agreement for each fund.





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

Overall, c.£19.7m was invested in 36 businesses across all three funds surpassing the aggregate target of £18.6m.

Both loan funds deployed significantly higher amounts than in 2020 with £7.7m deployed under the CBILS guarantee and a further £4m under the RLS guarantee.

Performance against other output targets

Table 1 – Progress against GLIF's Business Plan Objectives

	Target	Actual	% Achieved
Total Investments ⁽¹⁾	£100,000,000	£37,877,259	38%
Total no. of SMEs supported	170	88	52%
Jobs Created	3,500	890	25%
Private Sector Leverage	£104,000,000	£232,601,607	224%
Circular Economy (CE) businesses supported	20	9	45%
Jobs Created by CE Businesses	500	147.5	30%
Amounted Invested in CE Businesses	£14,000,000	£5,041,038	36%

- (1) This is the amount contributed by GLIF towards investments made by the funds. It differs from the total amounts invested into SMEs as c. [98.7]% of amounts invested are provided by GLIF with the balance provided by the fund managers.

Table 2 – GLIF Support for Underrepresented Entrepreneurs, December 2021

Business led/managed by	No. of companies	GLIF Investment (£)	% of Total GLIF Investment
Female	25	8,720,708	23%
Ethnic Minority	22	9,722,767	26%
Disabled	3	1,157,893	3%
Total	44	16,434,086	
% of Total GLIF Amount	50%	43%	

1.3. Equity Fund

The table above shows progress made against key targets for the year to December 2021.

Equity Fund	2021	
	Total	% of Target
Amount Invested	£7,860,760	93%
Co-investment Leverage	£86,174,882	513%
No. of SMEs Receiving Finance	8	47%
No. of New SMEs*	5	250%
Jobs Created	354	177%

The amounts deployed by the equity fund came in slightly below target. However, on a cumulative basis, the equity fund remains approximately in line with its target. Investments during 2021 were heavily weighted towards follow on funding rounds with £4.94m deployed across 15 follow on investment. The fund added eight companies to the portfolio, although this is c. 50% of the target for the year.

To date, the fund manager has committed £5m across nine Circular Economy businesses. The amounts invested represent 36% of the £14m target for this sector.

The equity fund has had its first exit. In July, Watchkeeper was acquired by Dataminr for cash and shares at a multiple of 4.48x the amount invested.

1.4. Loan Funds

1.4.1. Small Debt (SD) Fund

The table below shows progress made against key targets for the year to December 2021.

Small Debt Fund	2021	
	Total	% of Target
Amount lent	£6,842,500	103%
Undrawn commitment c/f to 2022	£2,400,000	N/A
Private sector leverage	£24,181,806	371%
No. of SMEs Receiving Finance	18	100%
Jobs Created	171	127%

The fund made very significant progress in deployment. The fund approved £7.48m and by the year end £6.84m had been deployed into 18 SMEs. 99% of loans were made under the CBILS/RLS guarantee. More detail is provided in Section 1.4.3 below

1.4.2. Large Debt (LD) Fund

The table above shows progress made against key targets during 2020.

Large Debt Fund	2021	
	Total	% of Target
Amount lent	£4,950,000	143%
Undrawn commitment c/f to 2021	£2,525,000	N/A
Private sector leverage	£35,465,476	1019%
No. of SMEs Receiving Finance	9	180%
Jobs Created	77	128%

The Large Debt fund had an excellent performance during 2021 deploying nearly £5m against £7.48m loan approvals.

1.4.3. Coronavirus Business Interruption Loan Scheme (CBILS) and Recovery Loan Scheme (RLS)

Ninety-nine per cent of amounts lent during 2021 were deployed under either CBILS or RLS.

The CBILS scheme launched in 2020 was extended until May 2021. FSE Group continued to deploy funding under CBILS for the first half of 2021 under its strategy targeted at SMEs with ambitious growth strategies.

In addition to the £2.4m deployed during 2020, the fund managers deployed a further £7.675m in the period from 1 January to 31st May 2021.

Table 1 = Amount Committed and Lent under CBILS during 2021

	Amount Committed	No. of SMEs	Amount Lent
Small Debt Fund	£5,475,000	12	£5,150,000
Large Debt Fund	£2,500,000	3	£2,500,000
Total	£7,975,000	15	£7,675,000

During the second half of 2021, the fund managers deployed £4.03m under the Recovery Loan Scheme (RLS) which replaced CBILS.

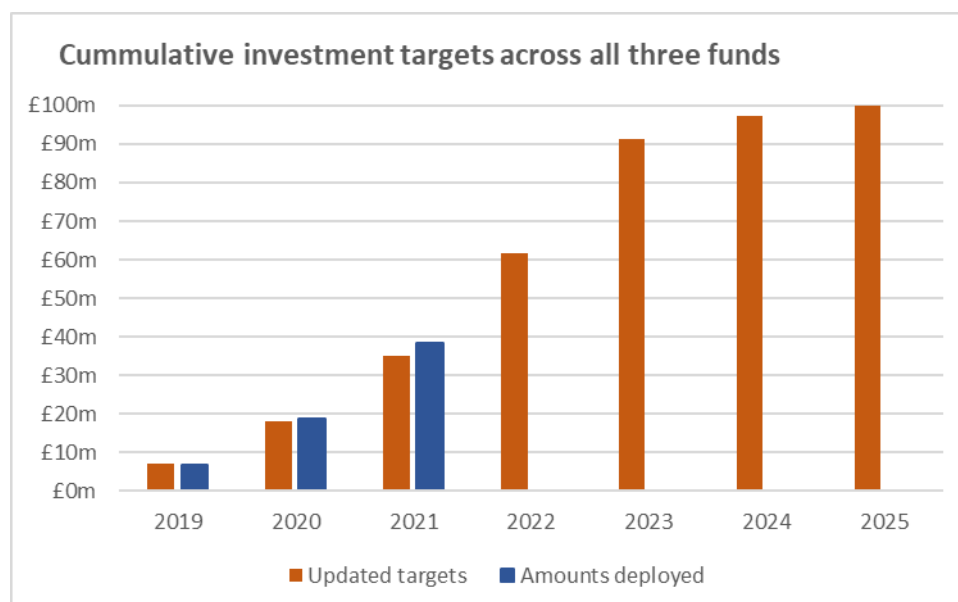
Table 2 = Amount Committed and Lent under RLS during 2021

	Amount Committed	No. of SMEs	Amount Lent
Small Debt Fund	£2,760,000	9	£1,580,000
Large Debt Fund	£4,980,000	7	£2,450,000
Total	£7,975,000	16	£4,030,000

Of the amounts committed during 2021 under CBILS and RLS, £3.9m remained to be disbursed at 31 December. During January and February 2022, the fund managers have disbursed a further £900,000; thereby reducing this balance to £3m.

1.5. Progress against targets

At the end of December 2021, the fund managers had deployed £38.4m in aggregate against the cumulative target of £35m.



In GLIF's business plan, the experiences from previous funds were used to estimate the number of jobs to be created per SME. A key assumption was that companies would use a large proportion of their funding to hire new people. However, the rate of job creation has been significantly less than anticipated and this has been exacerbated by COVID. This means that jobs will now be created later than expected. As such, the revised targets in the table below were agreed with the GLA, in December 2021.

Job Created	2019	2020	2021	2022	2023	2024	2025	2026	Total
Previous ERDF Target	81	212	216	1412	1641	-	-	-	3,562
New ERDF Targets	81	212	395	505	611	695	744	319	3,562

1.6. Outlook for 2022

Due to the excellent progress achieved in 2021, the funds are very well placed for 2022. Already in January a further £0.9m has been deployed by the loan fund managers from amounts already committed before the end of December. Momentum continues in the pipeline for the loan funds. We expect a significant proportion of loan commitments in the first half of 2022 to benefit from the continuance of the RLS which ends in June 2022.

As it nears the start of the fourth year of the investment period, the equity fund manager will taper off investments in pre-seed companies and focus on later stages (seed and Series A). Support for the existing portfolio will continue to grow as a proportion of investment activity.

1.7. 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 2021, the three measures – loan to value ratio (LTV); default rate; and Total Value to Paid In (TVPI) – were comfortably within the agreed limits.

Covenant	Sub Fund	Covenant for 2021	At 31 st December 2021
LTV ratio	n/a	Not exceeding 60%	23%
Default rate	Loan funds	Not exceeding 6.1%	1.34%
TVPI	Equity fund	Not less than 0.65x	2.84x

2. London Co-investment Fund

2.1. Fund highlights

The LCIF portfolio continued to outperform expectations during 2021. At the date of the last valuation on 30 September, the value of the live portfolio stood at £56.6m with a further £2m of realised proceeds from 13 exits.

In December, we exited a proportion of our holding in Cognism bringing the total proceeds from exits to £3.9m. The revised value of the portfolio now stands at £54.6m. Including exits achieved, the fund value stands at c£58.6m, (which includes c.£2m from 13 exits).

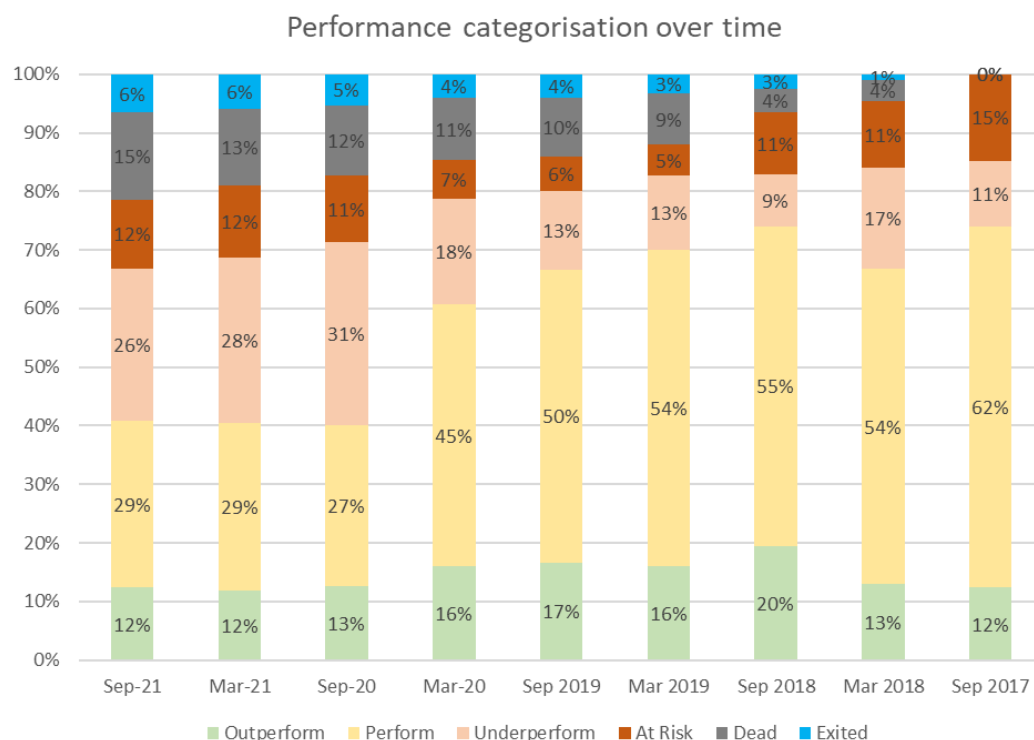
2.2. Reinvestment of returns

During 2021, the LCIF team continued to reinvest proceeds from exits according to the agreed follow-on policy. Five follow-on investments were completed during 2021 bringing the total amounts reinvested to £1.73m across seventeen investments.

S.No.	Investee name	Co-invest Partner	Business Description	Date signed	Round size	LCIF investment
1	Patch Gardens Ltd.	Forward Partners	Indoor/ terrace garden plants for urban clients	19/11/2019	£5,287,990	£100,000.00
2	Hazy Ltd. (Anon AI)	Albion	AI based data anonimisation solutions	18/12/2019	£2,739,770	£149,998.24
3	Masters of Pie Ltd.	Downing LLP	VR collaborative working environment	10/01/2020	£3,599,181	£49,999.35
4	Lifebit Biotech Ltd.	Beacon Capital	Bio-informatics, genomics analyses	16/04/2020	£6,000,000	£145,000.10
5	Orbital Witness Ltd.	Seedcamp	Automated legal due diligence for property transactions	23/04/2020	£3,270,456	£46,213.85
6	Skin Analytics Ltd.	Crowdcube	AI based skin cancer detection	20/07/2020	£3,476,113	£99,999.93
7	Nozzle.AI Ltd. (MediaGamma)	Albion	A.I. for enterprise applications	05/10/2020	£1,200,000	£27,319.72
8	Superscript/ (Enro Holdings Ltd.)	Concentric	Online only insurance MGA	09/10/2020	£8,500,000	£150,000.00
9	Hummingbird Technologies Ltd.	Newable	AI enabled crop analytics for agritech applications	28/10/2020	£7,000,000	£150,000.00
10	Phasecraft Ltd.	Albion	Quantum computing	03/11/2020	£3,399,971	£99,986.25
11	Memgraph Ltd.	Downing LLP	Graph database for high speed, at scale, analytics	06/11/2020	£4,799,831	£62,658.29
12	Houst Ltd. (Airsorted)	Newable	Managed solutions for short term rentals	18/11/2020	£2,655,424	£60,000.00
13	Vivacity Labs Ltd.	Downing LLP	Machine learning solution for road and traffic classification	17/02/2021	£5,069,995	£99,999.90
14	Glisser Ltd.	Downing LLP	SaaS platform for interactive and remote events	23/03/2021	£3,710,867.00	£150,000.00
15	Clustermarket Ltd.	Newable	Lab equipment sharing and booking system	20/05/2021	£2,500,276	£47,314.04
16	Humanising Autonomy	Startup Funding Club	Autonomous driving tools for predicting pedestrian intent	11/10/2021	£6,835,072	£150,000
17	Learnerbly	Playfair Capital	Learning and Development management systems	15/11/2021	£5,652,862	£139,905

2.3. Portfolio performance

During 2021 the portfolio continued to mature. Overall, the distribution of performance categories remains unchanged although individual companies have changed categories. There was an increase in the proportion of the portfolio (by value) that has been written off, however this was offset by an equivalent decrease in the proportion classed as underperforming.



2.3.1. Valuation

The following table shows the holding value as at 31 December 2021.

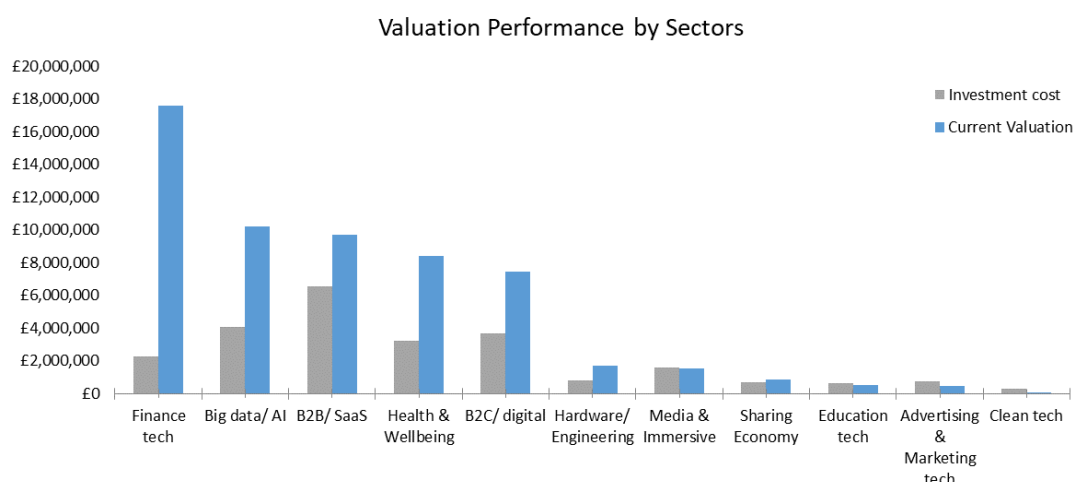
Category	No. of Investments	No. of Companies	Value at cost	Carrying Value	Uplift/ Impairment	Change % of Cost
Held flat (no change)	91	61	£11,462,728	£32,654,562	£21,191,835	185%
Updated following new funding round	19	12	£2,058,814	£14,367,218	£12,308,404	598%
Uplift following outperformance	3	2	£274,944	£4,328,451	£4,053,507	1474%
Impairment due to underperformance	37	29	£4,573,650	£3,294,702	£-1,278,948	-28%
Impaired prospects due to covid	0	0	£0	£0	£0	
Total Live Portfolio	150	104	£18,370,136	£54,644,934	£36,274,797	197%
Written off or Dead	46	39	£4,745,962	£0	£-4,745,962	-100%
Exited	14	11	£1,422,386	£3,913,733	£2,491,347	175%
Total Fund	210	154	£24,538,484	£58,558,667	£34,020,183	139%

Source: 30 September valuation adjusted to reflect the Cognism partial exit at the end of December

The carrying value at the end of December represents an increase of £10m from 31 March 2021. Including exits to date, this represents a TVPI multiple of 2.4x.

Valuation by sector

Fintech, Big data/ AI, B2B/ SaaS, Health and Consumer focused businesses remain key generators of significant value in the portfolio



Top 20 companies

The top 20 companies account for 75% of Book Value; therefore, the bulk of the return will be generated by this subset

	Company	Investment Partner	Subsector	Total LCIF Investment in the company	Value of Total LCIF holding in the company
1	Curve OS Ltd.	Seedcamp	Finance tech	£500,000	£6,936,290
2	Cognism Ltd.	Newable LBA Network	Big data/ AI	£299,995	£6,131,303
3	Railsbank Technology Ltd.	Firestartr	Finance tech	£255,000	£5,137,897
4	Thrive Ltd.	Seedcamp	Health & Wellbeing	£175,000	£3,828,729
5	Threads Styling Ltd.	Newable LBA Network	B2C/ digital	£499,211	£2,309,184
6	Lifebit Biotech Ltd.	Beacon	Health & Wellbeing	£225,000	£2,236,420
7	Ably Real-Time Ltd.	Forward Partners	B2B/ SaaS	£150,000	£1,967,805
8	WealthKernel Ltd.	Seedcamp	Finance tech	£100,000	£1,929,623
9	Zero Height Ltd.	Newable LBA Network	B2B/ SaaS	£100,000	£1,916,980
10	Baby2Body Ltd.	Firestartr	B2C/ digital	£213,182	£1,679,970
11	Flock Ltd.	Newable LBA Network	Finance tech	£190,758	£1,288,080
12	Humanising Autonomy Ltd.	Startup Funding Club	Big data/ AI	£225,000	£1,182,015
13	Wagestream Holdings Ltd.	Firestartr	Finance tech	£135,875	£921,485
14	Patch Gardens Ltd.	Forward Partners	B2C/ digital	£289,866	£801,740
15	Benivo (Flat-Club Ltd.)	Newable LBA Network	B2B/ SaaS	£491,638	£753,857
16	Glisser Ltd.	Downing	B2B/ SaaS	£315,407	£752,287
17	9fin Ltd.	Seedcamp	Big data/ AI	£85,000	£728,740
18	Urban Massage Holding Ltd.	Firestartr	Health & Wellbeing	£471,029	£648,680
19	Superscript/ Digital Risks	Concentric	Finance tech	£300,000	£642,278
20	Kyra TV (Thetrianglelab Ltd.)	Playfair	Media & Immersive	£421,409	£609,457
	Total Top 20			£5,443,370	£42,402,820

Next 20

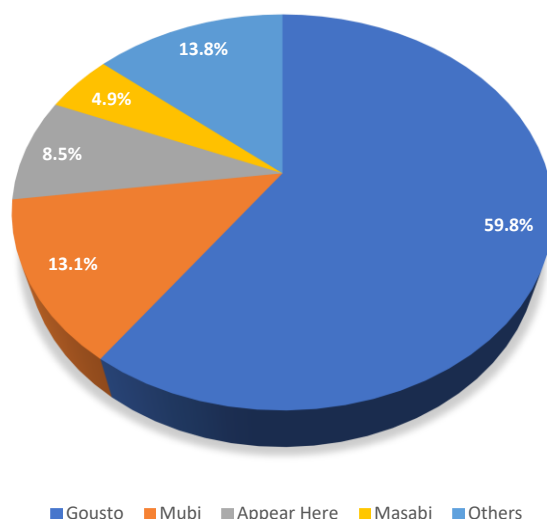
The next 20 companies represent a further 14% of book value

	Company	Investment Partner	Subsector	Total LCIF Investment in the company	Value of Total LCIF holding in the company
1	Phasecraft Ltd.	Albion	Hardware/Engineering	£249,986	£587,486
2	Craft Machine Inc.	Downing	B2B/ SaaS	£300,000	£569,859
3	Lexoo Ltd.	Forward Partners	B2B/ SaaS	£281,163	£551,389
4	Swytch Technology Ltd.	Startup Funding Club	Hardware/Engineering	£99,945	£499,723
5	Learnerbly (Enternships Ltd.)	Playfair	B2B/ SaaS	£149,998	£491,597
6	Hubble (Spacious Ltd.)	Firestartr	Sharing Economy	£358,655	£476,394
7	Houst Ltd. (Airsorted)	Newable LBA Network	B2C/ digital	£189,999	£442,573
8	Hackajob Ltd.	Downing	B2B/ SaaS	£500,000	£429,586
9	Hazy Ltd. (Anon AI)	Albion	Big data/ AI	£389,999	£407,625
10	Fenton & Co (L Lambert Holdings Ltd.)	Mustard Seed	B2C/ digital	£150,001	£395,221
11	MyRecovery (Future Health Works Ltd.)	Downing	Health & Wellbeing	£290,000	£388,743
12	Vivacity Labs Ltd.	Downing	Big data/ AI	£200,000	£358,741
13	Skin Analytics Ltd.	Crowdcube	Health & Wellbeing	£200,000	£320,280
14	Juno Legal Holdings Ltd.	Forward Partners	B2C/ digital	£299,997	£299,997
15	Food Clubs (Good Clubs Ltd.)	Mustard Seed	B2C/ digital	£75,003	£299,544
16	Sceenic (Orion Technologies Ltd.)	Startup Funding Club	Media & Immersive	£149,973	£298,932
17	Snaptrip (Rest Easy Rental Ltd.)	Craigie	B2C/ digital	£125,071	£279,496
18	Advizzo Ltd.	Newable LBA Network	B2B/ SaaS	£309,746	£276,280
19	Autologyx Ltd.	Beacon	B2B/ SaaS	£314,999	£261,397
20	Geckolabs Ltd.	Beacon	Education tech	£80,000	£259,489
	Total Next 20			£4,714,535	£7,894,352

3. MMC London Fund

The MMC London Fund has extended its portfolio phase by another two years to 30 June 2023. There remain 10 companies in the MMC LF portfolio, and they are valued at £23.5m –3.6 times cost. Four companies account for 86% of book value with Gousto representing just under 60%

MMC Portfolio at 31 March 2022



In early January, Gousto raised \$100 million from SoftBank's Vision Fund 2 and \$50 million in new debt capital from HSBC and Barclays. The funding values Gousto at \$1.7 billion, a significant increase on the previous round in November 2020 of \$1 billion.

3.1. Exit prospects

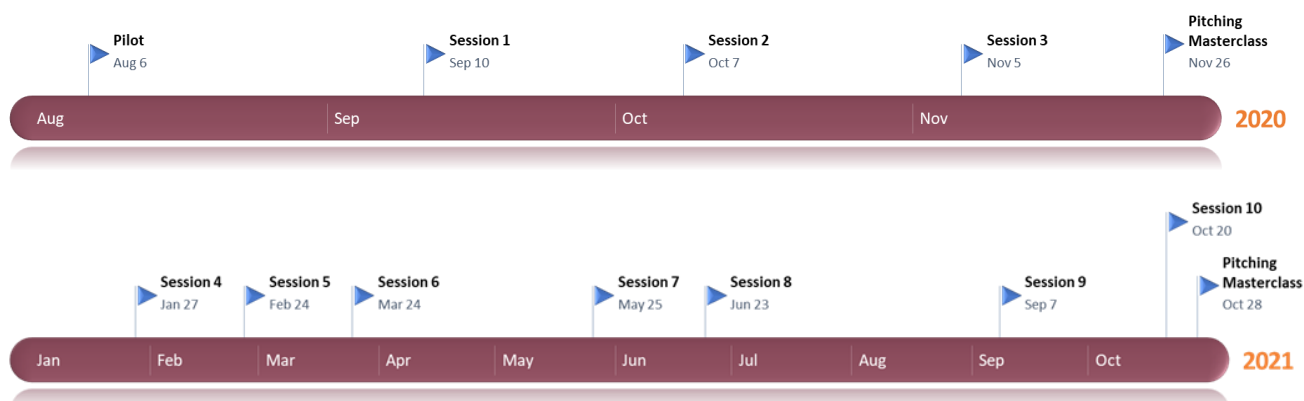
In January, Somo was acquired by CI&T. We have received cash proceeds of £1.12m.

Following the SoftBank investment in Gousto, there has been an opportunity to sell down a proportion of our stake generating a further £8.5m of proceeds.

The exit proceeds (net of capital gains tax) generated from the recent exits will fund a further contribution towards our £11m commitment to Greater London Investment Fund. The exact amount will be known once the CGT obligation is confirmed. We will also reserve c. £800,000 from proceeds to cover future operating costs of SME Wholesale Finance.

4. Investment Readiness Programme

Initially launched in March 2020 during the 'Ready 2020' London Business Hub Roadshow, the original programme was postponed due to Covid-19. The programme eventually launched in the autumn of 2020. Eleven IR sessions and two Pitching Masterclasses were delivered under this Programme; with the seven of the 11 IR sessions delivered during 2021:



The final session took place on 20th October. In addition, on 28th October, we delivered the second Pitching Masterclass exclusively for IRP graduates.

4.1. Programme performance against targets

186 businesses have graduated from the Programme. This represents 103% of the overarching output target. All other targets have been exceeded:

	Programme Targets	Achieved to date	
		Total	% of Prgm
Total SMEs supported	180	186	103%
Founders who report an increased knowledge of accessing external finance*	150	175	117%
Founders from underrepresented groups**			
Total	90	138	153%
<i>Female</i>	n/a	72	n/a
<i>Ethnic minorities</i>	n/a	98	n/a
Referrals			
Total	100	146	146%
<i>Underrepresented groups</i>	50	77	154%

*Collected with the help of surveys. Results depend on the feedback response rate.

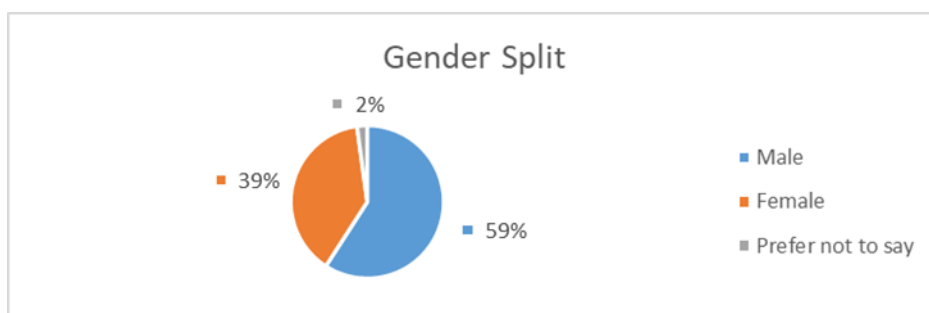
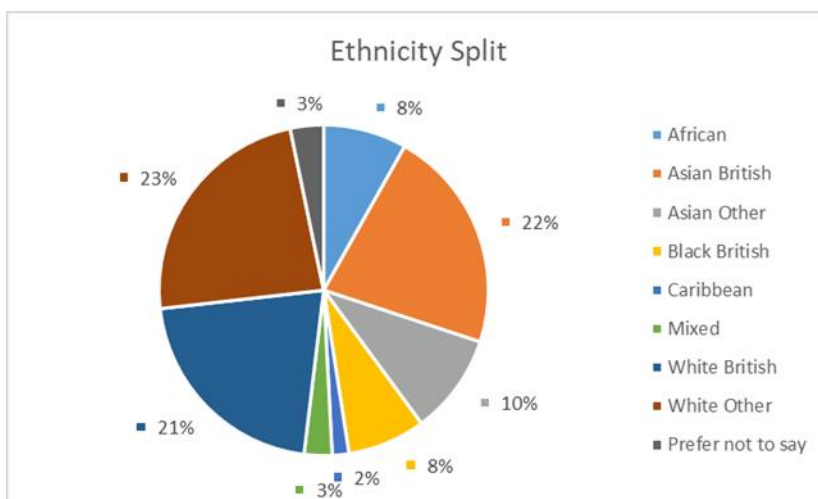
**Underrepresented groups include female founders (BAME and white) and BAME founders (male and female).

4.1.1. Attendees

Session	number of attendees
Q2: Jul – Sep 20	28
Q3: Oct – Dec 20	23
Q4: Jan – Mar 21	55
Q1: Apr – Jun 21	45

Q2: Jul – Sep 21	19
Q3: Oct – Dec 21	16
Total	186

4.1.2. Demographics



4.2. Outcomes

Outcomes data for the first seven sessions have been collated, with exceptionally positive results reported. The results are included below.

Session	Responses received	Number of businesses that have raised finance	Amount raised by programme graduates	Number of graduates enrolled in accelerator programmes	Number of due diligence processes graduates went through
Aug-20	5	4	£ 1,417,500	3	5
Sep-20	1	1	£ 314,000	2	0
Oct-20	1	0	£ -	0	0
Nov-20	2	2	£ 100,000	0	2
Jan-21	3	1	£ 25,000	2	1
Feb-21	6	3	£ 295,000	2	2
Mar-21	4	2	£ 140,000	1	0
Total	22	13	£ 2,291,500	10	10

Outcomes data to measure the short-term impact of the Programme has been collated from 134 participants. So far, we have received 28 forms. Out of those:

- 18 companies have reported they have raised a total of £3.36M. This is a combination of equity, debt and grants.
- 13 companies reported they had joined a total of 16 accelerators, and

- 13 companies reported they have gone through at least one due diligence process.

We are still to collect outcomes data from 52 participants in the subsequent months. Total outcomes data for this Programme will be provided to the GLA by the end of May 2022.

The Investment Readiness LinkedIn group created exclusively for programme graduates at the end of February is growing steadily. There are 69 members in this community. Relevant content for early-stage founders will continue to be shared regularly on the group even beyond the completion of the Programme.

Of all those who attended the Programme, 74% reported they are from underrepresented backgrounds; 39% declared to be female founders; 52% ethnic minority founders; 4% reported to have a disability.

4.3. Future programmes

Following the success of the IR programme, we will be launching a new programme in early 2022 focused on supporting entrepreneurs from underrepresented backgrounds that are ready to embark on a fundraising process. The programme's specific target is to help entrepreneurs be successful in raising funding.

II. Priorities for the Year

1. Greater London Investment Fund

1.1. Position at the End of 2021 and Targets for 2022

At the end of December, the funds had invested in aggregate £38.4m into 88 businesses. This positions the fund ahead of its cumulative target for 2021 of £35m.

	2019	2020	2021	2022	2023	2024	2025
Annual Target	7,000,000	11,000,000	17,000,000	26,700,000	29,500,000	6,100,000	2,700,000
Cumulative Target	7,000,000	18,000,000	35,000,000	61,700,000	91,200,000	97,300,000	100,000,000

1.2. Individual fund manager forecasts

Going into 2022, the cumulative target represents a very significant step up in amounts to be invested compared to last year. The table below sets out the individual fund manager forecasts of what they aim to deploy this year, as compared to the amounts deployed during 2021.

Fund	Investment Target for 2022	Amounts deployed during 2021
Equity	£9,745,137	£7,860,760
LD	£10,197,298	£4,950,000
SD	£8,197,988	£6,842,500
Total	28,140,423	19,653,260

Despite the challenging targets, the fund managers are entering 2022 with good pipelines. The loan fund managers are well placed to maintain the momentum built in the last quarter of 2021, and in respect of lending under the RLS which is set to continue until 30 June.

1.3. Supporting the fund managers during 2022

At the end of 2021, we agreed key changes to the deployment strategy for the Large Loan Fund to better reflect the levels of demand in the market. The strategy has been amended to allow loans of up to £1.5m to businesses that can demonstrate a path to profitability. This should contribute to the achievement of the annual investment target whilst maintaining the quality of the portfolio.

The loan fund manager will expand its investment team capacity; thereby enabling more support of potential borrowers whilst being able to process increasing levels of demand.

Led by the Director of Strategic Delivery, the team will continue to focus its efforts on supporting the fund managers through:

- Frequent and close contact with the fund managers to remain abreast of progress in deploying funds and any new challenges encountered;
- Continuous review of market conditions as the economy continues to recover from COVID and as government support tapers off, to inform discussions with stakeholders;
- Liaising with our stakeholders to address any issues and ensure that we manage our contractual obligations as efficiently as possible;
- Continue our initiatives to improve our reach towards underrepresented groups.

2. London Co-investment Fund

2.1. Continuing to support the portfolio

The LCIF team will continue to focus on managing the portfolio and opportunities to provide follow on funding as and when they arise. At the beginning of 2022, there remain £2.2m available for reinvestment.

The team will also continue to evaluate opportunities to exit investments either partially or fully.

2.2. Funding Options

We will continue to explore options to extend LCIF activities beyond the management of the current portfolio.

2.3. Programme of Events for 2022

We continue to use feedback gathered during our biannual portfolio review process to create a programme of relevant events to our portfolio. The proposed programme for 2022 is as set out below:

LCIF Provisional Events 2022

January – March	April – June	July – September	October – December
<ul style="list-style-type: none">• Venture Debt• Software Developer recruitment session• Growth Clinic• MMC investor event	<ul style="list-style-type: none">• How to raise Series A- Mountside Ventures• Highlighting LCIF's impact on key sectors/ Photo Shoot• Growth Clinic	<ul style="list-style-type: none">• FSE – Raising Debt• Growth Clinic• VC office hours	<ul style="list-style-type: none">• Fundraise and launching in America – Wilson Sonsini• Growth Clinic• In person pitch event

3. Investment Ready Programme

The Investment Ready Programme (for Underrepresented Founders) is designed as a pilot project to help London based SMEs, especially those led/managed by female, disabled or ethnic minority founders raise equity or debt finance. The programme will seek to leverage preceding Investment Readiness programmes and other support programmes to identify the most suitable candidates to support in a fundraising journey. The overall goal is to help SMEs raise external finance by removing barriers to fundraising through targeted support.

Several recent reports¹ provide evidence of the significant and persistent barriers faced by entrepreneurs from underrepresented backgrounds and point to the need in London for targeted intervention to support founders from underrepresented groups. Addressing these disparities will help to deliver a key cross-cutting theme in the London Recovery Programme, to recognise and address structural inequalities and promote a fairer and more inclusive London.

3.1. Specific goals of the programme

As set out in the Mayor's EDS, 'Businesses need access to capital to support their growth ambitions, and external sources of finance are particularly important for a significant proportion of SMEs'. The programme will support the Mayor's aim to ensure businesses can access finance - particularly those from underrepresented groups. Specifically, the programme will seek to:

- 1) Increase the value of investments made into SMEs from underrepresented groups;
- 2) Address presentation failures and increase invest ability of participating SMEs; and
- 3) Enable at least £2.5m of investment.

This will be achieved by:

- Creating a bespoke programme of targeted support to increase the chances of participating businesses to raise external finance;
- Creating and fostering an environment of collaboration and peer-to-peer support where participants can learn from each other; and
- Connecting with ecosystem stakeholders to enhance the targeted one-to-one support participants require to increase their chances of raising finance.

The programme will focus on those entrepreneurs who are on the cusp of launching their fund-raising campaign and need further support to increase their chance of success. The Areas of support the programme will offer are:

1. Reviewing fundraising strategy
2. Reviewing and presenting the deck and the story
3. Financial modelling and valuation
4. Creating a data room and investor FAQ
5. Accessing start up loans
6. Referrals to finance providers

The project will also aim to leverage the commitment of stakeholders to contribute to the recovery of the London economy and ensure that it happens in an equitable way. A Recent report by the British Business Bank makes a commitment to make slight changes to their venture capital programmes by ensuring that they engage with fund managers with 'networks

¹ "Alone Together" British Business Bank; "The Deal", Beauhurst; "Diversity Beyond Gender", Extend Ventures.

beyond the norm and (that they will) assess approaches to diversity', additionally that they have a commitment to the investing in women code.

A total of 36 companies will graduate from this programme. Three cohorts of 12 participants each, will be launched in three separate stages, three months apart. The first cohort will launch during March 2022. Keeping the size of each cohort small will ensure a high-level targeted support being achieved. As a result, the programme will deliver more value to each participant.

Our target is that 60% of the businesses enrolled to be led/managed by female, disable and ethnic founders should access external capital.

A combination of group and one-to-one support will be provided. Depending on the support each participant requires, the programme will provide between 8 to 14 hours of group support and 2 to 5 hours of one-to-one support.

The delivery method of this programme will involve both online and face to face sessions and meetings. Funding London will bring to bear the experience of delivering the current Investment Readiness Programme.

4. Supporting GLA's priorities

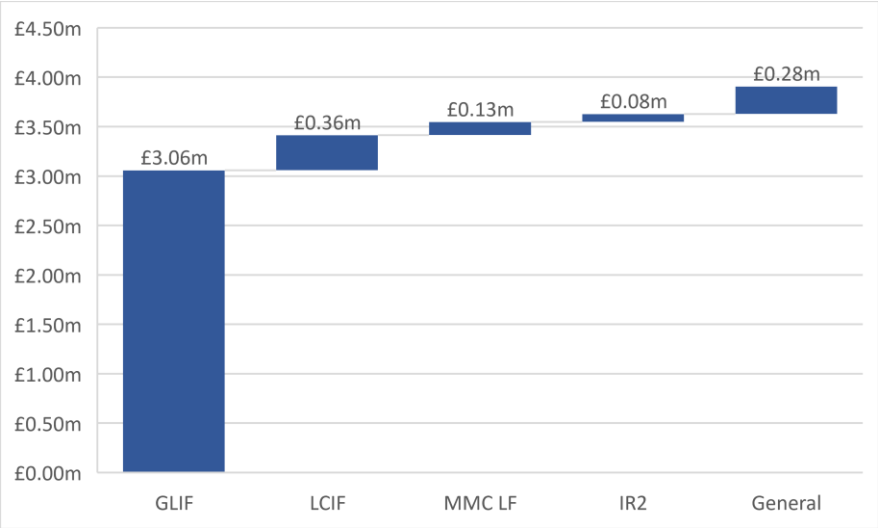
We continue to support the Mayor's Priorities in respect of underrepresented entrepreneurs in all our activities. In addition, we are supporting the Review of Business Support by connecting the team to various cohorts of participants and intermediaries in London to provide feedback.

III. Financial Planning and Budget for the Year to 31 March 2023

1. Operating cost budget for the year

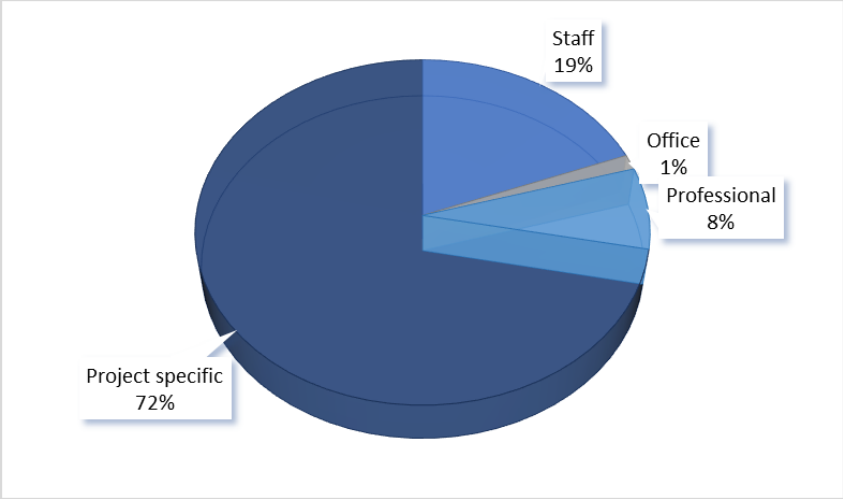
The total operational cost budget for the Funding London Group is £3.9m. Of this, 93% is directly related to the delivery of our programmes with 78% apportioned to GLIF.

Funding London Group Budget for the year to 31 March 2023



The Funding London operation continues to be extremely cost efficient with 72% of costs directly related to the delivery of our programmes. Furthermore, 82% of staff related costs are recharged to projects.

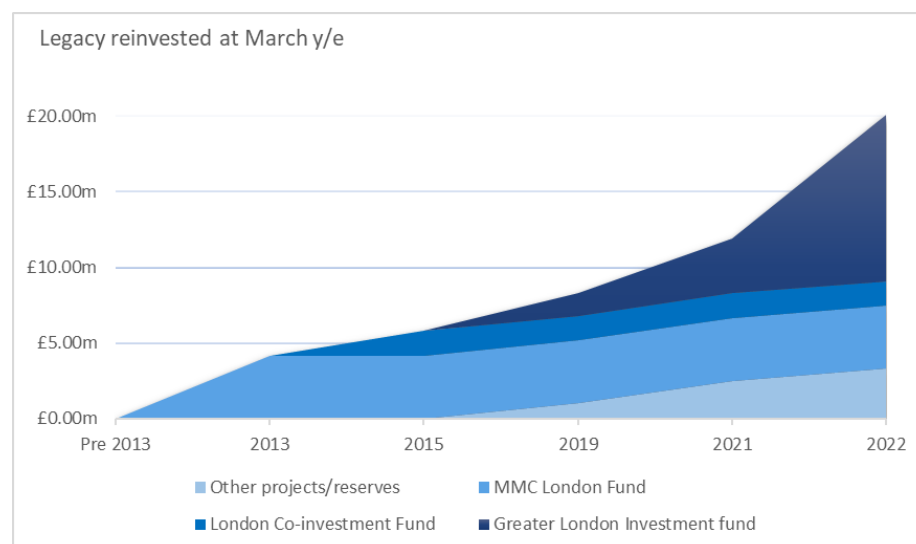
Breakdown of 2022/23 operating costs by category



2. Sources of funding for our programmes

Investments and expenditure related to the delivery of our activities are funded by specific grants for each fund/project. Increasingly, a significant proportion of these is also funded by the reinvestment of returns from previous funds (our legacies).

To date, Funding London has reinvested £20m of legacies via the GLIF, LCIF and MMC London Funds. This includes the reinvestment of recent exits from the MMC London Fund.



2.1. GLIF Reserve Amount

The business plan for GLIF requires that interest income generated by the loan funds is applied towards GLIF's operating costs across three categories:

- EIB interest and fees
- Fund management fees
- Other operational costs

In the first few years of GLIF a Reserve Grant is available to cover operating costs until interest income generated by the funds reaches sufficient levels. At 31 December 2021, we have utilised £6m of Reserve Amount; leaving a further £1.5m for future years.

For the year to 31 March 2023, we expect c. 90% of GLIF related to costs to be covered by interest income with only 10% to be covered by Reserve Grant.

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 of certain administrative services. In order to mitigate these risks, we have several policies on the appropriate use of IT and we undergo cybersecurity training once per year.

We retain an IT support services company who monitors our devices and ensures there are uniform virus protection and other security applications across all our equipment.

Our payment processes are robust and require verbal confirmation of payment details and two-person authorisation.

We establish a Risk Register at the beginning of each financial year, and this is reviewed at each of our quarterly board meetings.

The table overleaf sets out our Risk Register for the financial year to 31 March 2023.

Risk Register

1. GLIF

Risk Description	Probability	Impact	Status/Mitigation
Deployment rates of the sub-funds fall significantly behind levels required to achieve the aggregate deployment and ERDF output targets for 2023	Medium	High	<ul style="list-style-type: none"> Both managers are starting 2022 with strong momentum from 2021 The loan fund managers are in the process of increasing capacity in the London team to maximise conversions from enquiries to approved loans and to support borrowers to complete conditions precedent to drawdown funds Equity fund will be deploying significant amounts towards follow on rounds in the existing portfolio in addition to investing in new companies
Performance of portfolios deteriorates as they mature leading to breaching of EIB Facility covenants	Medium	Medium	<ul style="list-style-type: none"> As at 31 December, the performance of the loan portfolios continues to uphold with only 6.7% of amounts lent in the amber risk category and 1.4% in any danger of default (red). Most of the amounts lent have been under either the CBILS or RLS government guarantees, therefore, the true exposure to defaults is much more limited The equity portfolio valuation sits at 2.8x costs significantly above the TVPI ratios required Although the portfolio has yet to mature, there is very good diversification across the 88 companies to date so that any unforeseen failures can be absorbed by the high valuations vs book value across the portfolio. The equity fund manager will continue to closely monitor and support the portfolio to optimise performance

Risk Description	Probability	Impact	Status/Mitigation
Percentage split between equity and debt investments does not improve sufficiently to meet target of 45%/55%	Low	Medium	<ul style="list-style-type: none"> At the end of 2021, the ratio stood at 49%/51%, a significant improvement on the previous years. The loan fund managers are in a good position to deploy against the investment targets for the year thereby making progress towards the required ratio We will continue to closely monitor progress on a quarterly basis and address any issues early
Interest income levels are not sufficient to cover all operating costs	Low	Medium	<ul style="list-style-type: none"> Interest income levels have significantly increased due to lending achieved during 2020 and 2021. For the year to March 2023, we are forecasting interest income and fees generated by the loan funds to cover c. 90% of GLIF operating costs. The balance of costs will be covered by the Reserve Amount. At the end of 2021, utilisation of the Reserve Amount was £6m. We have an excellent relationship with the loan fund managers and will continue to monitor closely as part of our regular catch-up meetings and reporting procedures
London Area Condition challenges	Medium	High	<ul style="list-style-type: none"> The ERDF Audit Authority agreed that having a London registered address, while a useful indicator, is not the only means to demonstrate that a business is carrying out trading activities in London. In line with the audit recommendation, we will work with fund managers to ensure that businesses without a London registered address can provide clear evidence of: <ul style="list-style-type: none"> their operations/trading activities in London; and

Risk Description	Probability	Impact	Status/Mitigation
			<ul style="list-style-type: none"> – how London is benefiting /will benefit from these activities e.g. through creating jobs and growth.

2. MMC LF

Risk Description	Probability	Impact	Status/Mitigation
Lack of exit routes for most of the companies that remain in the portfolio	Medium	Low	<ul style="list-style-type: none"> • Of the 10 portfolio companies that remain, 86% of book value is concentrated in four. These four companies have good exit prospects and, in particular, Gousto • Exits to date have generated 94% of amounts committed to the London Fund, so the fund is on track to generate a good return • After the two-year extension expires, we will consider options which may include a distribution in specie of the remaining investments
Either of the above affecting our ability to fulfil funding obligations to GLIF during 2022	Low	Low	<ul style="list-style-type: none"> • There have been two recent exits in the first quarter of 2022 which contributed a further £9.7m of proceeds. Most of this, net of tax, will be committed to GLIF. Based on current estimates of CGT liability, we expect to have fulfilled 100% of our expected commitment to GLIF.
There remain still a significant number of companies in the portfolio at June 2023			<ul style="list-style-type: none"> • The LPA allows for a further 12-month extension, however, we will evaluate the merits of in specie distribution depending on what companies remain

3. LCIF

Risks Description	Probability	Impact	Status/Mitigation
Inability to defend positions leading to erosion of value	High	High	<ul style="list-style-type: none">• Seek selective exits, where available• Seek new funds for follow-on investments
Funding for operational costs	High	High	<ul style="list-style-type: none">• Seek GLA's approval for the LCIF Evergreen fund proposal

4. Long term sustainability

Risks Description	Probability	Impact	Status/Mitigation
Funding for operational costs	High	High	<ul style="list-style-type: none"> For the moment most of our operational costs are recharged to specific projects which are fully funded; however, this will decrease significantly after 2023 We will retain £800k from the recent MMC LF distributions to cover operational costs for the next three years
Lack of funding and Levelling Up agenda	High	High	<ul style="list-style-type: none"> Seek alternate sources of funding Proposals GLA on the case for Funding London to remain as the central Access to Finance entity to the GLA Proposals to GLA to allow us control of our legacies
Our going concern position is healthy for now, but we will need to realise more exits in the next two to three years to avoid becoming insolvent			<ul style="list-style-type: none"> Close monitoring of cashflow requirements against available cash Prudent financial planning and we will replenish reserves with £800k from the recent MMC LF exits