



Business Plan for the Financial Year ending 31 March 2022

Draft dated 4 June 2021

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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
- 17 years supporting London SME's caught in the Finance Gap
- Focus on innovation and growth as key elements of London's future

What we do

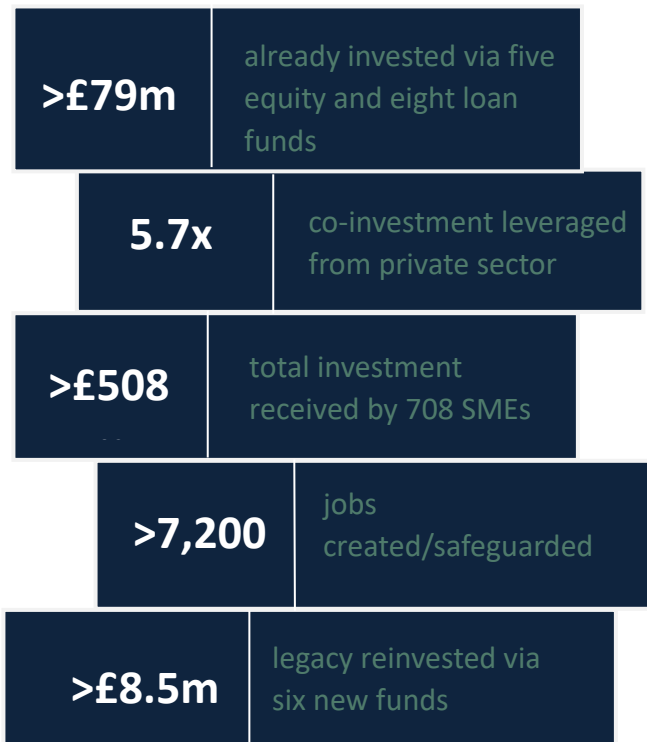


London Business Hub
Investment Readiness Programme



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 2020

Adapting to COVID 19

Operations

- A small nimble team, already operating in a paperless environment with cloud-based data storage and systems.
- The only significant shift in our operation has been the virtual meeting environment.
- Strong working relationships with our delivery partners and stakeholders already in place, allowing for enhanced levels of communication and co-operation during the crisis.

Portfolios

- High levels of resilience across portfolio companies except for travel, some retail and consumer-facing business models.
- Early-stage nature of portfolios means limited impact of economic downturn
- Several companies capitalised on the opportunity created by COVID 19 achieving extraordinary growth and value.
- Healthy cash reserves at the start of 2020 along with government support measures enabled the vast majority of companies to adopt resilience strategies.
- COVID valuation discounts applied across the LCIF portfolio at the beginning of lockdown were significantly reversed a year later once the extent of impact became clearer

Delivering Impact

- Despite the decline in demand for growth loans, we harnessed the opportunity to adapt our funds to lend under the governments CBILS programme.
- In the six months since the CBILS accreditation was granted, the loan funds invested £2.4million under the scheme with a further £8.4m approved during the period to 31 May 2021, when the scheme closed.
- We are well positioned to transition to the new RLS scheme for the second half of 2021.
- Our equity fund invested £5.7m in 14 early-stage businesses, despite having to adapt its investment model which is highly reliant on establishing relationships with management teams.
- The Investment Readiness programme of workshops and events was swiftly adapted to on-line delivery and the content repurposed to support London's SMEs to build resilience strategies. Ten workshops/webinars were delivered between April and July.
- Ensuring that the benefits of our programmes extended to all diversity groups remained at the core of our agenda.

Looking to the Future

- Renewed search for options to continue supporting the LCIF portfolio
- Leveraged our experience to bid for business support projects
- A list of specific actions to improve diversity in early-stage investments

Executive Summary

Background and Strategy

For 17 years, Funding London has supported London-based SMEs caught in the finance gap through its investment activities, and more recently through complimentary 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 2021

COVID 19 impacted our activities in significant ways. However, our operations adapted swiftly and our projects delivered impact and much needed support to SMEs

Our funds invested £13m into 47 SMEs alongside private sector investors, and we delivered workshops on resilience and investment readiness to more than 125 businesses

We are well placed to recover pre-crisis levels of activity during 2021

Priorities for the Year to 31 March 2022

1. Continuing the support to businesses via the new government initiative, RLS
2. Supporting our fund managers to increase levels of investment as demand for growth funding is expected to recover during the second half of 2021;
3. Renewing the search for options to continue supporting the LCIF portfolio;
4. Exploring options for liquidity in our closed funds as and when appropriate;
5. Complete the delivery the Investment Readiness Programme for the London Business Hub and seek opportunities for further collaboration; and
6. Seek other opportunities to bid for Business Support projects and to support London's Recovery Plan.

Financial Planning

Following two financial years of significant investment into setting up and funding the start of the GLIF operations, we will focus on protecting our reserves in the medium term.

Governance and Risk Management

More than at any other time in our history, in 2020 we relied on the excellent support and advice of the boards of SME Wholesale Finance and GLIF Limited. Their insight, challenge and support has been invaluable to manage the crisis and make swift decisions. We would like to record our gratitude here.

We expect that the time demands on our non-executive directors will revert to pre-crisis levels during 2021; and we will continue to review our risk registers at our quarterly board meetings.

I. Review of the Year to 31 March 2021

1. COVID 19

Covid impacted our activities in significant ways.

Our business support projects had to be adapted to be relevant during the crisis and to be delivered online. Our GLIF funds were severely impacted by demand issues which reduced the amounts that the fund managers were able to invest during 2020.

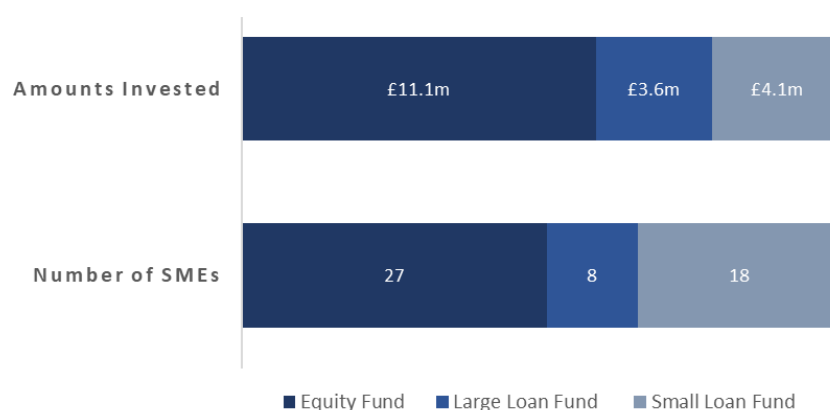
However, the impact on the performance of our portfolios was limited. The vast majority of investee companies across all our funds have demonstrated resilience and have been able to safeguard their activities.

The UK government's roadmap out of lockdown anticipates all restrictions to have been lifted by 21 June 2021. We anticipate business sentiment to remain subdued and plans for growth to continue on hold during the first half of 2021.

2. Greater London Investment Fund (GLIF)

Following its launch in May 2019, 2020 was the first full year of operations for GLIF. At 31 December 2020, the fund had invested £18.8m in 53 businesses split as follows:

Cummulative Deployment 2019-2020



2.1. Outputs

Output targets and reporting are based on a calendar year. Reported ERDF outputs, at 31st December 2020, are as set out below:

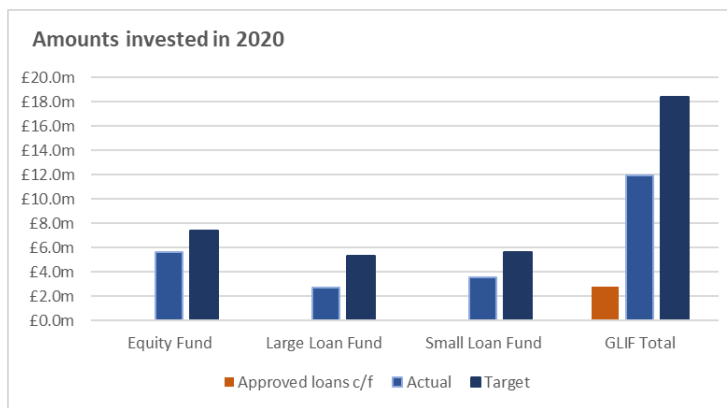
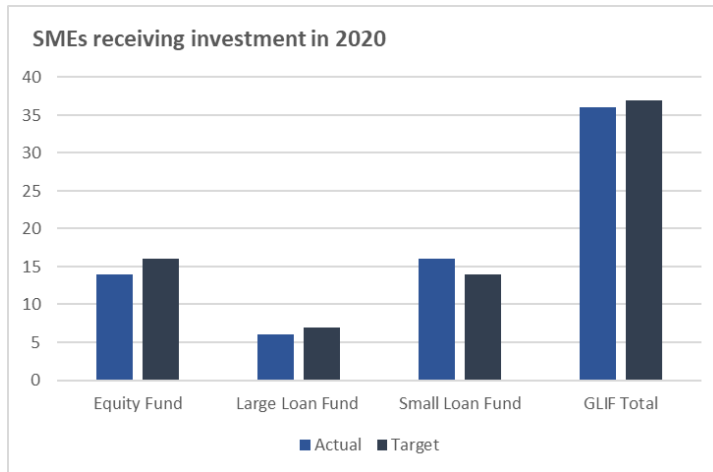
Cumulative from launch

Fund	Jobs Created	New Enterprises	Private Sector Investment Leveraged
Equity Fund	228	16	£74,724,245
Large Loan Fund	43	n/a	£62,558
Small Loan Fund	22	n/a	£320,409
Total	293	16	£75,107,212

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

2.2. Performance against 2020 targets and impact of COVID 19

The charts below set out performance against SME and investment targets for 2020 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.£12m was invested in 36 businesses across all three funds versus a planned £18.4m. Given the impact of COVID 19 on the pace of investment, the loan funds delivered a stronger than expected performance having deployed more than 50% of the 2020 investment targets. The aggregate EIB investment target for 2020 was £22m; 65% of this target was achieved.

Approved loans carried forward reflect loans that have been approved but remain undrawn as they are “second tranches” which are subject to the achievement of milestones or other conditions. As at 31 December, there remained c. £2.8m of second tranches yet to be drawn down by borrowers. We would expect these second tranches to be deployed during 2021.

Performance against other output targets

New enterprises

There was a strong performance against the 2020 target for new enterprise supported with the target being exceeded by 150%.

Job creation

As shown in the following sections 2.3 to 2.5, reported jobs created by each fund during 2020 were significantly below the expected outputs across all three funds. This was somewhat offset by significant outperformance by the equity fund during 2019. Going

forward, the targets have been revised (See Section 2.5) to better reflect the likely slower pace of growth in jobs during 2021.

Syndication

Given the severely reduced levels of demand for loans during 2020 and the restrictions attached to lending under the CBILS guarantee, it has been difficult for the loan funds to syndicate loans. We will review this later in 2021 and, if necessary, make recommendations for changes to this target accordingly.

2.3. Equity Fund

The table above shows progress made against key targets for the year to December 2020.

Equity Fund	2020	
	Total	% of Target
Amount Invested	£5,660,091	77%
Co-investment Leverage	£29,149,929	195%
No. of SMEs Receiving Finance	14	88%
No. of New SMEs*	10	250%
Jobs Created	147	78%

The pace of investment by the equity fund was affected partly by the COVID 19 crisis given the initial difficulties in adapting the investment process during lockdown and partly due to other shifting trends in the market. However, the pace of investment during the last quarter was significantly improved with £1.8m invested during Q4. Overall a strong performance was delivered with nearly 80% of the original investment target achieved.

2.3.1. Deployment Strategy

During 2020 the fund manager carried out a review of the deployment strategy (relating to the distribution of initial and follow-on investments) to reflect changing trends in early-stage funding since it submitted proposals for the fund in 2018.

The revised strategy takes into account the trends observed in respect of larger funding rounds and higher valuations; as these are the key factors which determine the fund manager's ability to invest in sufficiently meaningful stakes in potential portfolio companies. The importance of focusing on meaningful stakes is that it will ensure the fund's ownership is high enough in those winning investments that will underpin the returns.

The fund manager's revised strategy explicitly targets 10%-12% ownership or more in a company by the time it raises a Series A round. This might start with a 5% to 8% stake in the first cheque in pre-Series A rounds, that would increase with follow-on investments. Overall, this requires a shift of the original deployment plan to invest more capital at pre-seed and seed stages. This is because earlier rounds are much more impactful in terms of buying ownership. By the time of a high-priced Series A, even a £1million cheque may only buy 3%.

2.4. Loan Funds

2.4.1. Small Debt (SD) Fund

The table below shows progress made against key targets for the year to December 2020.

Small Debt Fund	2020	
	Total	% of Target
Amount lent	£3,552,500	63%
Undrawn commitment c/f to 2021	£1,442,000	N/A
Co-investment via syndication (25% across portfolio)	£250,000	6%
No. of SMEs Receiving Finance	16	114%
Jobs Created	22	16%

During 2020, a total of £3.5m was lent to 16 businesses. This is 63% of the target for 2020. Demand for growth loans dried up following the March lockdown and amounts approved during 2019 for second tranche drawdowns during 2020 have been delayed or cancelled. However, the pace of lending during the last quarter of 2020 was significantly improved with just over £2m or 60% of total lending during 2020 made during Q4.

The improvement in lending during the latter part of the year was due largely to the debt funds received accreditation under the government CBILS guarantee programme on 1 July. £2.2m or 61% of amounts lent were deployed under the CBILS guarantee to nine businesses.

2.4.2. Large Debt (LD) Fund

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

Large Debt Fund	2020	
	Total	% of Target
Amount lent	£2,750,000	51%
Undrawn commitment c/f to 2021	£1,325,000	N/A
Co-investment via syndication (25% across portfolio)	0	0%
No. of SMEs Receiving Finance	6	86%
Jobs Created	43	46%

Due to COVID, there was significantly less demand for large growth loans. During 2020, the Large loan fund deployed £2.7m across six business. As with the SD fund, the second tranche payments have been delayed as business growth opportunities remain limited. One loan was made under the CBILS guarantee.

2.4.3. Coronavirus Business Interruption Loan Scheme (CBILS)

FSE Group secured accreditation of the GLIF loan funds under the CBILS guarantee. The CBILS-backed product was labelled the Coronavirus Resilience Loan (CRL) and FSE's strategy targeted SMEs with ambitious growth strategies (during or post Coronavirus market-impacted conditions) which FSE considered to be viable and potentially suitable for growth lending either contemporaneously with CRL or at some stage in remaining fund active life.

An initial allocation of £4.3m was made from GLIF to be deployed via this product. Table 1 below shows the progress against the £4.3m allocation. A total of £2.4m was lent during 2020. This represents 43% of the amount lent during 2020.

Table 1 = Amount Committed and Lent under CBILS, as at 31 Dec 2020

Fund	Committed		Lent	
	Amount	No. of SMEs	Amount	% of Approval
Small Debt Fund	£2,440,000	10	£2,190,000	90%
Large Debt Fund	£250,000	1	£250,000	100%
Total	£2,690,000	11	£2,440,000	91%

With a significant fall in the demand for growth loans, the CRL product was very important for the deployment of the debt funds, especially the small fund.

Given the continuation of lockdown conditions into 2021, there was a further £8m allocation of funding to the CBILS programme following the extension by the government until 31 March (for applications) and 31st May for approval.

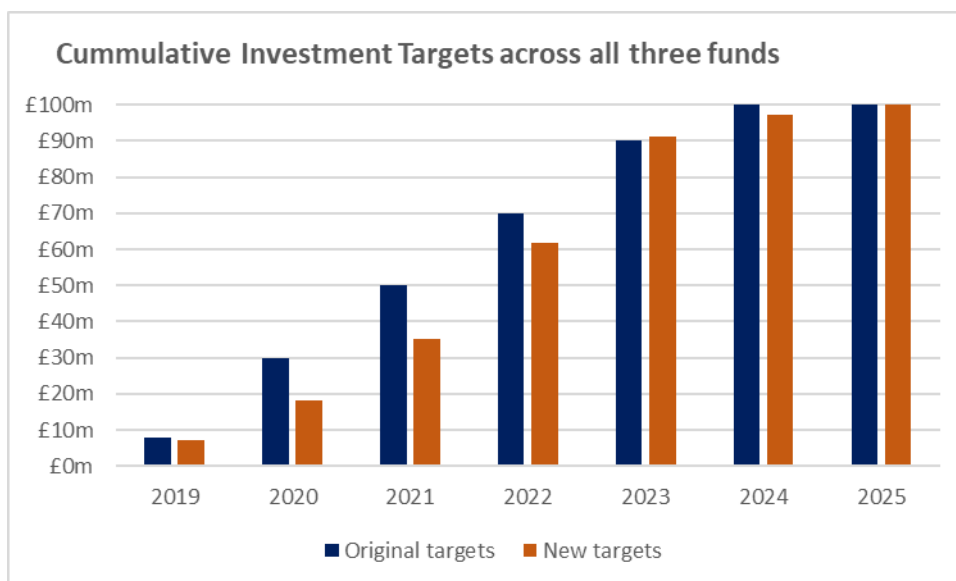
In the period from 1 January to 31st May, the fund managers committed a further £8.375m in CBILS loans with £1.1m already disbursed. We expect the remaining commitments to be deployed by [date]

Fund	Committed		Lent	
	Amount	No. of SMEs	Amount	% of Approval
Small Debt Fund	£5,875,000	13	£3,275,000	56%
Large Debt Fund	£2,500,000	3	£900,000	36%
Total	£8,375,000	16	£4,175,000	50%

2.5. Recasting of targets

Given the impact of COVID, a narrow review was carried out on GLIF's progress in deploying its funding during 2020 and the impact on future years. The result of this has been used to inform proposed changes to GLIF's targets set by GLA and EIB. No changes are proposed for LWARB's targets.

The fund managers were asked to provide revised profiles for the rest of the investment period, and this was used to inform the proposed amendment to the EIB (cumulative) Investment Target, set out in the chart below.



We believe that the demand will eventually recover to enable the full utilisation of the £100m allocated to GLIF within the allowed timeframe, i.e. by December 2023 for the debt funds and by December 2025 to complete follow-on investments for the equity fund. In view of this, we have agreed a reprofiling of the aggregate investment targets to reflect a moderate increase in investment for 2021 (compared to 2020), followed by stronger performance in 2022 and 2023, as shown in the chart above.

We are proposing that investments go until December 2025 (as allowed by ERDF Rules) to allow follow-on funding from the equity fund. This was always envisaged for the equity fund; however, it was not fully reflected in the original Investment Schedule in the EIB contract. MMC anticipates that companies in which they invest during H2 2022 and H1 2023 will be raising their next round of funding in 2025 and so it's right that some of the capital is reserved for those investment rounds.

While most of the other ERDF targets for 2020 were met, the change in the investment profile will no doubt affect the targets in the following years. As noted above, we are working on the basis that the entire £100m will be utilised and so the proposal is not to change the total value of the ERDF targets, but rather to reprofile the annual figures, as set out in the Table 3 below.

Table 3 – Proposed Reprofile of ERDF Output Targets

ERDF Output		2019	2020	2021	2022	2023	Total
C1 - Number of Enterprise receiving support	Current Target	12	39	44	42	33	170
	New Target	17	36	36	41	40	170
C3 - Number of Enterprise receiving financial support other than grants	Current Target	12	39	44	42	33	170
	New Target	17	36	36	41	40	170
C5 - Number of New Enterprise supported	Current Target	3	4	5	6	3	21
	New Target	6	7	2	4	2	21
C7 - Private Investment matching public support to enterprises (non-grants)	Current Target	£32,398,697	£42,650,000	£46,650,000	£42,650,000	£4,446,303	£168,795,000
	New Target	£45,598,299	£19,650,353	£32,655,000	£35,242,403	£35,648,946	£168,795,000
C8 - Employment increase in supported enterprises	Current Target	40	140	913	1,092	1,377	3,562
	New Target	81	157	236	1,431	1,658	3,562

While in the table above, the figures for C8 have been shifted to the latter years, GLA has agreed to reconsider them in the latter part of 2021 as we have indicated that these figures are now unachievable in the given timeframe. 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, with companies pausing recruitment and funding being used to make them more resilient during the crisis.

2.6.Outlook for 2021

The UK's third lock down period lasted until mid-April. We expect demand for our loan funds to continue to be subdued during the first half of 2021 until such time as further evidence that the UK can lift all remaining restrictions emerges.

The latest outlook from the fund managers is mixed with the equity fund remaining positive given the early-stage nature of its portfolio and the relatively limited effect on the ability to continue investing. The loan funds' prospects are more mixed as lending products depend on a business' ability to service debt.

Equity Fund

Despite the challenging macro environment, the fund managers believe that this remains a good time to be a nimble, digital business serving customers remotely. Those are exactly the sorts of companies that the equity fund seeks to back. As a result, the majority of the equity fund's B2B and consumer portfolio companies are getting on with their plans, trading well and outpacing their more traditional competitors.

A number have taken the opportunity to raise new follow-on funding sooner than planned, with Snowplow (\$10m) and Red Sift (£3m) raising investments rounds led by new investors at significant uplifts in value over the past few months. Our stake in Snowplow is now carried at 1.7x cost and Red Sift at 1.4x cost.

Having invested in an average of one new company a month throughout 2020, MMC expects to continue that pace into 2021, with several new investments already made and a good pipeline established. The team continues to focus on circular economy businesses and those with founders from under-represented groups. In addition, this year should see a larger number of follow-on investments as the portfolio begins to mature.

Loan Funds

The impact of the pandemic has been deeper and more prolonged than anticipated. The fund manager anticipates that the CBILS product will drive deployment over the first half of the year. Thereafter, the new RLS product (replacing CBILS from 1 April) will be deployed

Beyond the term of the government support programmes, the fund manager anticipates that SMEs will seek to accelerate their growth plans and that this will play an important part in driving the economic recovery. Our growth loans will remain key to SME plans, and the fund manager anticipates an uplift in the number of new introductions as business confidence returns. In order to support anticipated higher levels of delivery, the fund manager has recruited new team members to further drive deployment and help to access a wider SME audience.

2.7. 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 2020, 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 2020	At 31st December 2020
LTV ratio	n/a	Not exceeding 60%	0%
Default rate	Loan funds	Not exceeding 6.1%	0%
TVPI	Equity fund	Not less than 0.60x	0.91x

3. London Co-investment Fund

3.1. Fund highlights

The London Co-investment Fund (LCIF) is now in its seventh year. As at 31 March, the LCIF portfolio comprised investments in 107 live businesses, having made investments in a total of 153 companies.

Nine investments have been exited, and 37 are either dead or written off.

As at 31 March, we estimate that the portfolio companies have created 4,058 jobs and safeguarded 633 jobs.

At the latest valuation point of 31st March, the portfolio was valued at £46.2m or 1.9 times cost.

3.2. Reinvestment of returns

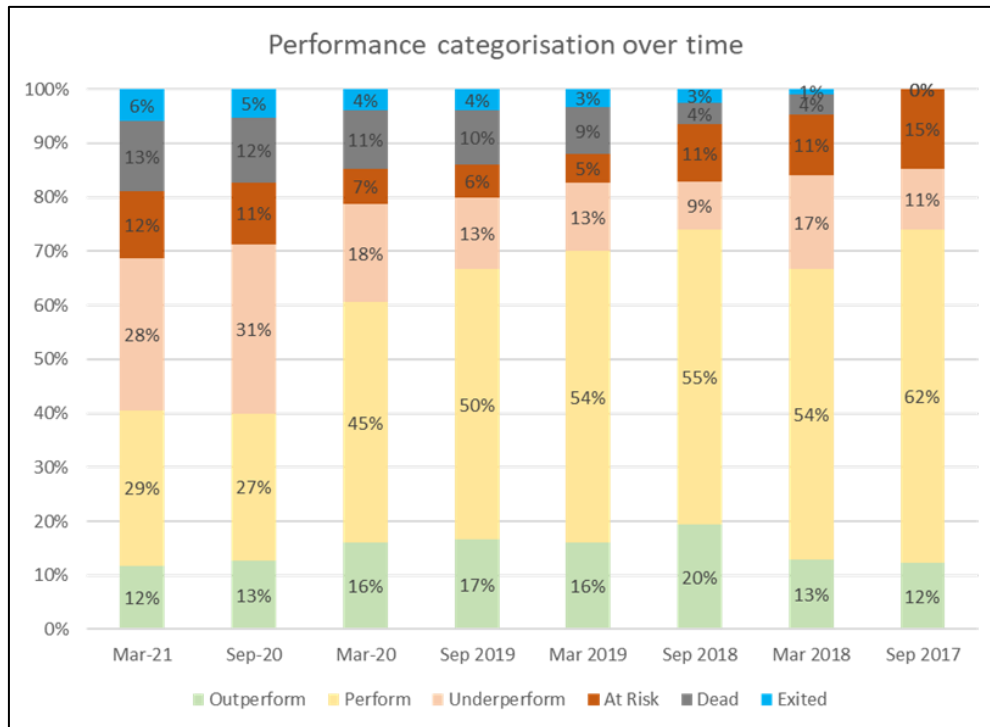
In 2019, LCIF secured approval from the GLA to reinvest up to £10m of proceeds from exits, as and when they become available. As of 31 May, LCIF had received £1.45m of proceeds from exits. Most of this has been redeployed into follow on investments. Fifteen investments have been completed as of May 2021.

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

As and when new proceeds from exits become available, we will continue to reinvest into follow-on rounds which meet our criteria.

3.3. Portfolio performance

After the significant shifts in performance categories last year, exacerbated by the Covid epidemic, the current year is expecting evolutionary changes. There have been reversals on write-downs in some businesses that had seen a sharp early impact of the pandemic, but have now stabilised. As a consequence, the underperformance of many has been reversed. There are still businesses in PropTech and Travel and Tourism sectors that are yet to recover, but with reduced spend and continued customer engagement, they are expected to emerge stronger.

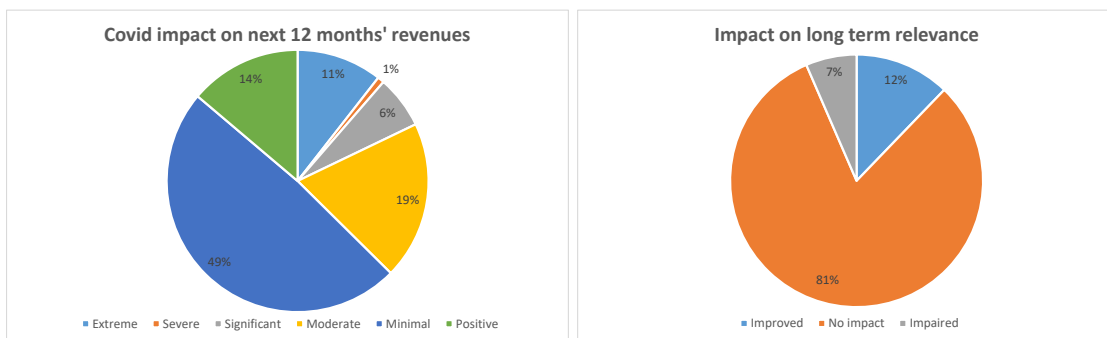


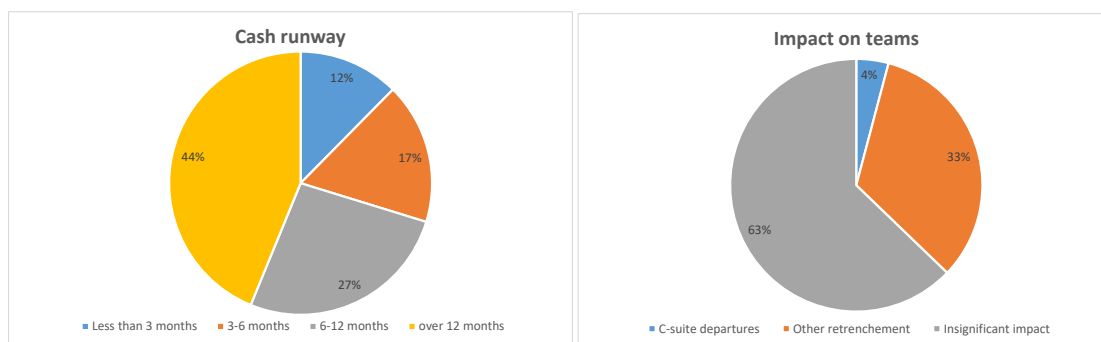
As further time lapses, clarity is emerging about the investments that are likely to generate value for this fund. See tables in section 3.3.2 regarding the top 20 investments and the next 20 investments.

The above results are typical of an early stage fund.

3.3.1. COVID 19

During 2020, we established a framework to assess the COVID impact across four key parameters: Revenues, Cash Runway, Impact on Team, and Long-Term Relevance. The charts below reflect the impact on the portfolio as at the last review during Mar 2021. The position below is a significant improvement from the initial position during the April 2020 review.





The impact on expectations of revenues over the next 12 months has been limited with under 20% of the businesses expecting an adverse impact, most due to elongated sales cycles. The experience of the previous year has borne out the positive impact on this portfolio, which is largely focused on disruptive, digitally native young enterprises.

UK tech has continued to attract further investment and the LCIF portfolio finds itself in good health with over 60% of businesses having at least six-months worth of cash.

In keeping with the innovative, disruptive profile of the business propositions, the effect on long term relevance has been only on a small minority of the portfolio. The impact on teams has also been mitigated somewhat following the fund raises and use of the Jobs Retention Scheme.

However, the opening up of the economy and impending traction with clients, and the availability of investment to support this progression remain crucial to sustain the current outlook.

3.3.2. Valuation

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

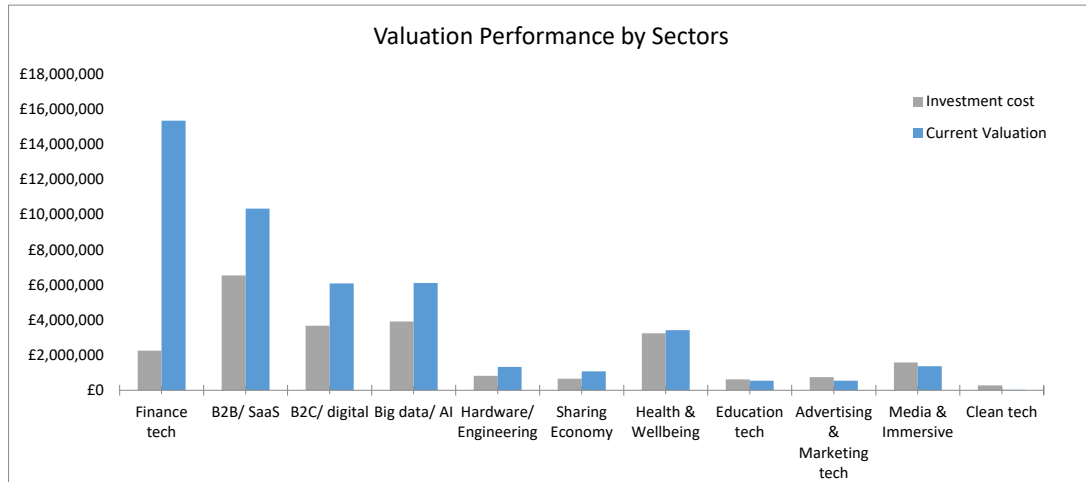
Category	No. of Investments	No. of Companies	Value at cost	Suggested Carrying Value	Uplift or Impairment	Change % of Cost
Held flat (no change)	62	44	£8,272,853	£14,399,895	£6,127,042	74.06%
Updated following new funding round	43	28	£5,045,852	£26,378,659	£21,332,808	422.78%
Uplift following outperformance	0	0	£0	£0	£0	#DIV/0!
Impairment due to underperformance	40	29	£4,683,136	£3,060,177	-\$1,622,959	-34.66%
Impaired prospects due to covid	8	6	£975,240	£906,365	-\$68,876	-7.06%
Written off or Dead	42	37	£4,198,794	£0	-\$4,198,794	-100.00%
Exited	12	9	£1,165,295	£1,455,136	£289,841	24.87%
Total Portfolio	207	153	£24,341,170	£46,200,232	£21,859,062	89.80%

The value has increased by £12.5m from March 2020.

Whilst the portfolio has matured further and the valuation categorisation of companies has much changed, it must be noted that a significant number of companies raised bridging funds in convertible loan notes during 2020. As these instruments convert, and depending on the next round valuations, there may be a significant dilutive impact. However, current availability of capital has prompted a number of companies to explore priced equity rounds to minimize such dilutive effects.

Valuation by sector

Fintech, B2B/ SaaS, Big data/ AI and Consumer focused businesses remain key generators of significant value in the portfolio. The portfolio has seen decreases in suggested holding value within AdTech, CleanTech, EdTech, and Media & immersive.



Top 20 companies

The Top 20 holdings in the LCIF portfolio are now collectively valued at £30.6m vs an investment cost of £6m. This represents 66% of the total LCIF value. Crucially, the holding value of these businesses, along with the exit proceeds already realised make up more than the c.£24m, which is the total value of LCIF's cost of investments across the entire portfolio. This augurs well for the ability of the portfolio to generate positive returns.

No.	Company	Investment Partner	Subsector	Total LCIF Investment in the company	Value of Total LCIF holding in the company
1	Curve 1 Ltd.	Seedcamp	Finance tech	£500,000	£6,936,290
2	Railsbank Technology Ltd.	Firestartr	Finance tech	£255,000	£5,137,897
3	Cognism Ltd.	Newable LBA Network	Big data/ AI	£299,995	£2,402,701
4	Threads Styling Ltd.	Newable LBA Network	B2C/ digital	£499,211	£2,309,184
5	Zero Height Ltd.	Newable LBA Network	B2B/ SaaS	£100,000	£2,181,800
6	Abyl Real-Time Ltd.	Forward Partners	B2B/ SaaS	£150,000	£1,953,002
7	Wagestream Holdings Ltd.	Firestartr	Finance tech	£135,875	£921,485
8	Hackajob Ltd.	Downing	B2B/ SaaS	£500,000	£859,366
9	Urban Massage Holding Ltd.	Firestartr	Health & Wellbeing	£471,029	£828,198
10	Patch Gardens Ltd.	Forward Partners	B2C/ digital	£289,866	£801,740
11	Benivo (Flat-Club Ltd.)	Newable LBA Network	B2B/ SaaS	£491,638	£753,857
12	Glisser Ltd.	Downing	B2B/ SaaS	£315,407	£752,287
13	WealthKernel Ltd.	Seedcamp	Finance tech	£100,000	£714,324
14	Superscript/ Digital Risks (Enro Holdings Ltd.)	Concentric	Finance tech	£300,000	£642,278
15	Humanising Autonomy Ltd.	Startup Funding Club	Big data/ AI	£75,000	£612,585
16	Kyra TV (Thetrianglelab Ltd.)	Playfair	Media & Immersive	£421,409	£609,457
17	Phasecraft Ltd.	Albion	Hardware/ Engineering	£249,986	£587,486
18	Craft Machine Inc.	Downing	B2B/ SaaS	£300,000	£569,859
19	Lexoo Ltd.	Forward Partners	B2B/ SaaS	£281,163	£551,389
20	MyRecovery (Future Health Works Ltd.)	Downing	Health & Wellbeing	£290,000	£518,324
Total Top 20				£6,025,580	£30,643,510

Next 20

Considerable value is also concentrated in the next 20 companies, which represent a total value of £6.9M against cost of £4.1M. This represents 15% of the LCIF portfolio value. More significantly, this cohort has been further de-risked and some investments already have significant investor appetite, including Lifebit, Hummingbird, and Skin Analytics. There is also significant potential in Houst which is poised to grow significantly once COVID restrictions are lifted.

No.	Company	Investment Partner	Subsector	Total LCIF Investment in the company	Value of Total LCIF holding in the company
21	Thrive Ltd.	Seedcamp	Health & Wellbeing	£175,000	£513,755
22	Hubble (Spacious Ltd.)	Firestartr	Sharing Economy	£358,655	£476,394
23	Clustermarket Ltd.	Newable LBA Network	Sharing Economy	£90,000	£465,384
24	Hummingbird Technologies Ltd.	Newable LBA Network	Big data/ AI	£284,937	£454,920
25	Houst Ltd. (Airsorted)	Newable LBA Network	B2C/ digital	£189,999	£442,573
26	Eola Ltd.	Startup Funding Club	B2C/ digital	£80,000	£430,045
27	Hazy Ltd. (Anon AI)	Albion	Big data/ AI	£389,999	£407,625
28	Baby2Body Ltd.	Firestartr	B2C/ digital	£213,182	£377,580
29	Advizzo Ltd.	Newable LBA Network	B2B/ SaaS	£309,746	£368,373
30	Vivacity Labs Ltd.	Downing	Big data/ AI	£200,000	£358,741
31	Skin Analytics Ltd.	Crowdcube	Health & Wellbeing	£200,000	£316,075
32	Lifebit Biotech Ltd.	Beacon	Health & Wellbeing	£225,000	£310,256
33	Juno Legal Holdings Ltd.	Forward Partners	B2C/ digital	£299,997	£299,997
34	Snaptrip (Rest Easy Rental Ltd.)	Craigie	B2C/ digital	£125,071	£279,496
35	Autologyx Ltd. (NowWeComply)	Beacon	B2B/ SaaS	£314,999	£261,397
36	Geckolabs Ltd.	Beacon	Education tech	£80,000	£259,489
37	NumberEight Technologies Ltd	Beacon	Big data/ AI	£124,996	£241,979
38	Staysafe (Safe Apps Ltd.)	Crowdcube	B2B/ SaaS	£200,000	£224,352
39	Reality Zero One Ltd.	Startup Funding Club	Hardware/ Engineering	£70,000	£224,000
40	Novoville Ltd.	Beacon	B2B/ SaaS	£220,000	£220,107
Total Next 20				£4,151,581	£6,932,538

3.4. Review of Funding Solutions for LCIF

During 2020, the team continued its review of options and held several discussions to explore the possibility of releasing value from LCIF (on its own or combined with the MMC LF portfolio) through secondary transactions and other alternative routes. These have been regularly reported to and advice received from the Funding London board as well as the LCIF Investment Advisory Committee.

A summary of discussions is set out in Appendix I. Although a formal process of request for proposals has not been carried out, we are confident that the list represents a broad range of potential solutions and is representative of options available in the market in general.

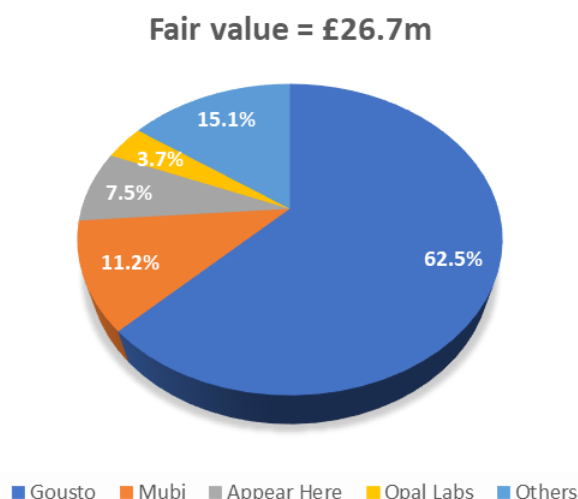
A proposal with Beacon Capital, an LCIF co-investment partner, was progressed during early 2021. The initiative required carving out a part of LCIF portfolio focused on Enterprise technology solutions, and investing these holdings into a new fund, which would then attract further private capital investment to participate in next funding rounds of these companies. The proposal was well received with strong market interest. However, as some of the companies in the list grew rapidly to higher valuations, a final close could not be reached where the incoming investors were comfortable paying the uplifted price, even though LCIF itself was backing those valuations.

Given the significant number of conversations that we have held in the 24 months to March 2021, and the key learnings, we concluded that it is unlikely that a broader exercise, would yield more positive prospects. Moreover, given the complexity and size of LCIF, we believe that a solution involving the entire portfolio at attractive terms would be extremely difficult to find. Nonetheless, we will keep a watch brief during 2021, to pick up any changes or opportunities arising once investor sentiment improves post COVID.

4. MMC London Fund

The MMC Loan Fund has entered its tenth year of operations. There remain 11 companies in the MMC LF portfolio, and they are valued at ££26.4m – nearly four times cost. Four companies account for 85% of book value with Gousto representing 63%

MMC Portfolio at 31 March 2021



The total portfolio book value of £26.7m is net of the sale of c. 15% of our stake in Gousto in December (See 4.1 below). Immediately prior to the Gousto sale, the portfolio was valued at £29.3m which represents an increase of c. 33% on the previous year. See 4.1 below.

The bulk of the value increase was attributable to Gousto where per the latest fundraising in November, the company was valued at \$1bn (a unicorn!) in GBP this is c.£800m

Mubi has benefited from lockdown as consumer have bought into their curated streaming offering. The company recently raised funds leading to an increase of £0.8m to the value of our stake.

4.1. Partial exit of Gousto

In December, MMC realised a partial exit of our holding in Gousto as part of the latest investment round where earlier, smaller investors were offered the opportunity to sell in shares. MMC 17,111 shares representing c. 15% of our stake; realising net proceeds of £2.6m. These proceeds will be largely re-invested in the GLIF fund. The carrying value of the remaining stake in Gousto in the portfolio is £16.7m.

4.2. Extension of the fund

The MMC LF was due to end on 30 June 2021 unless extended. We have agreed to extend the life of the fund to 30 June 2023.

Given the number of companies that remain in the portfolio, we believe this is the right course of action to ensure that the ability to realise the value of the portfolio is maximised. The ongoing management fee is c. £132k per annum.

5. London Business Hub support for SMEs

Initially launched in March 2020 during the 'Ready 2020' London Business Hub Roadshow, the original programme was postponed due to Covid-19 and lockdown.

Between March and July, content was repurposed to address the needs of SME's needing to adapt to the trading restrictions imposed by lockdown and to build resilience. The following is a list of the workshops delivered:

26 March: Adapting your financial strategy – focused on providing insights into what financial measures need to be taken to ensure continuity of business in such unprecedented times.

8 April: Government support for startups – covered the latest grants and loans businesses can access, R&D tax credits, deferral of VAT payments and job retention scheme.

22 April: Changes to the employment law under Covid-19 – focused on the latest updates on the job retention scheme, furloughing and redundancies and will look at approaches other employers are adopting to ease the pressure, including pay cuts, reducing hours, and changes in relation to employee data privacy.

29 April: Prospering in a pandemic panel discussion - a panel discussion focused on delivering valuable insights from three successful serial entrepreneurs/angel investors on how to pivot and preserve cash flow, customer retention and acquisition, and adapting business strategy to ensure continuity during the current climate. This included former Sage CEO Stephen Kelly, Chairman of Sirius Sukhendu Pal and Steve Garnett, ex-Chairman EMEA of Salesforce.

6 May: Fundraising during a crisis – a insightful discussion with three key investors in the early stage ecosystem and will help you discover if the pandemic has affected their investment activity, understand how they continue to meet new businesses and their view on the impact the crisis will have on the early stage market. The discussion was with John Spindler, Co-Founder of AI Seed Fund, London Co-Investment Fund and CEO at Capital Enterprise; Chris Smith, Managing Partner at Playfair Capital; and Oliver Richards, Partner at MMC Ventures (manager of Greater London Investment Fund).

20 May: Adapting your financial strategy - focused on providing insights into what financial measures need to be taken to ensure continuity of business in such unprecedented times.

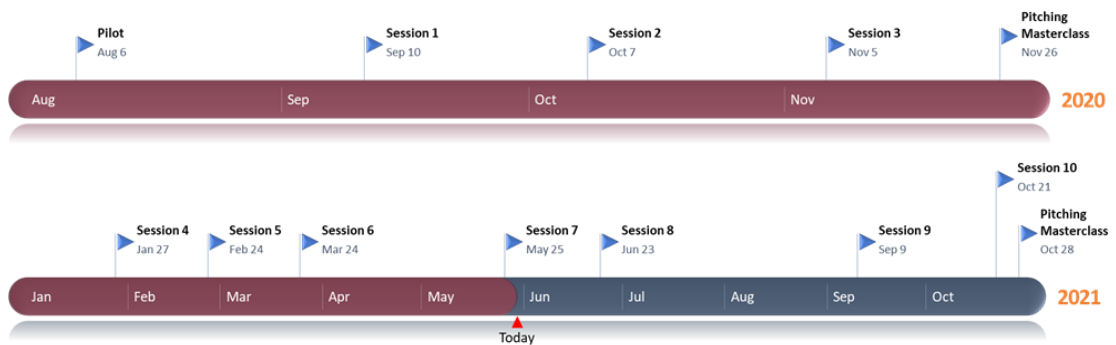
3 June: Overcoming the fundraising challenges – a session focused on types of funding options available, valuation implications in the current climate, tips on pitching remotely and discover which investors are actually fundraising and how you can tell.

16 June: Venture debt for growing SMEs - covered the main advantages of using venture debt as a complement to traditional equity capital.

5.1. Resumption of Investment Readiness Programme (IRP) for the London Business Hub

Over the summer of 2020, the original programme was redesigned for online delivery. A successful pilot was delivered on 6th August. Since then we have run seven successful workshops with a further four scheduled for 2021.

Programme Timeline



5.2. Programme targets

	Programme Target	Achieved to date	
		Total	% of Target
Total SME's supported	180	134	74%
Founders who report an increased knowledge of accessing external finance*	150	106	71%
Founders from underrepresented groups <i>Of which:</i>	90	96	107%
Female (incl. white)	n/a	48	n/a
BAME (incl. male)	n/a	69	n/a
Referrals <i>Of which:</i>	100	121	121%
Underrepresented groups	50	75	150%

*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).

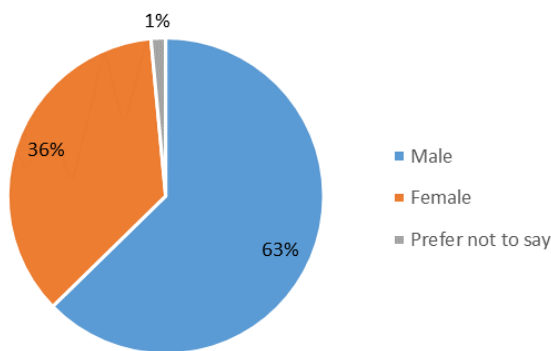
5.2.1. Outputs summary

Attendees

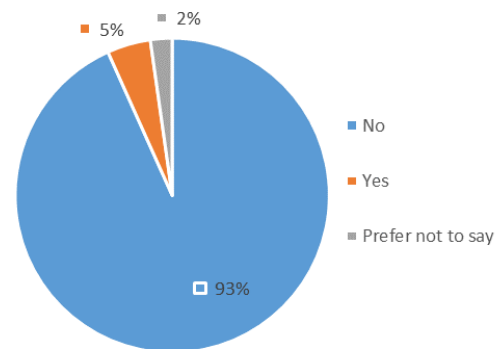
Session	Total attendees
Q2: Jul - Sep 20	28
Q3: Oct - Dec 20	23
Q4: Jan - Mar 21	55
Q1: Apr - Jun 21	28
Total	134

Demographics

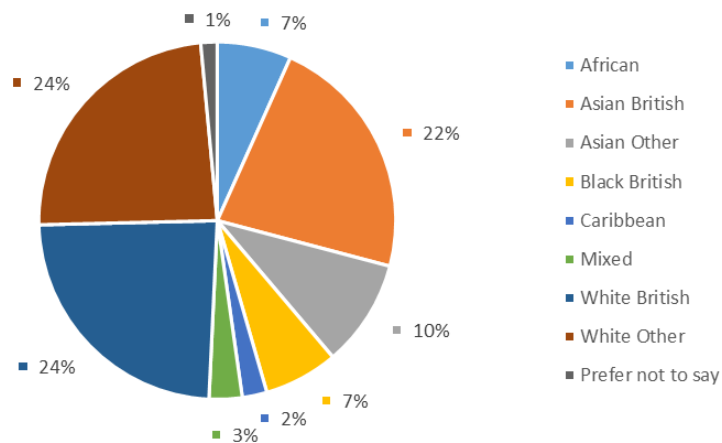
Attendees by Gender



Attendees by Disability



Attendees by Ethnicity



5.3. Pitching Masterclass

Ten businesses from the first three cohorts were selected to attend our first 'Pitching Masterclass'. The first Session is organised for 26th November.

5.4. Achievements

To date, we have achieved the support of underrepresented groups' target, the total referrals' target and the referrals of underrepresented founders' target.

In conjunction with the Business Hub, we have agreed to extend the programme till November 2021. This will ensure the delivery of all outstanding targets.

A total of 80% of founders who attended the Investment Readiness Programme this quarter reported they are from underrepresented backgrounds. We also had six founders who reported having a disability.

Outcomes data has been gathered for the Pilot and the first three sessions. So far, we have been notified that six companies have raised a total of £937.5k post Programme.

A LinkedIn group has been created exclusively for programme graduates at the end of February. This facilitates peer to peer connection and helps us connect with participants after they have attended the Investment Readiness Programme. Relevant content for early-stage founders is being shared regularly in the group.

II. Priorities for the Year

1. Greater London Investment Fund

1.1. Position at the End of 2020 and Targets for 2021

At the end of December, the funds had invested in aggregate £18.5m into 53 businesses. This is £12m below the expected position due to the challenges that the funds experienced during 2020.

We have agreed with EIB revised aggregate investment targets going forward to reflect the delays experienced in 2020 and the expected lower levels of demand expected to continue during the first half of 2021.

The revised aggregate targets for 2021 and beyond are set out below:

	2019	2020	2021	2022	2023	2024	2025
OLD TARGETS							
Annual Target	8,000,000	22,000,000	20,000,000	20,000,000	20,000,000	10,000,000	
Cumulative Target	8,000,000	30,000,000	50,000,000	70,000,000	90,000,000	100,000,000	
NEW TARGETS							
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

The table below set out the amounts of investment forecasted by each fund manager for 2021 and beyond. These are the basis for the aggregate targets agreed with EIB.

Fund	2019 disbursed	2020 disbursed	2021 forecast	2022 forecast	2023 forecast	2024/25 forecast	Total Project
Equity	5,365,810	5,660,091	8,353,090	9,595,131	7,495,425	8,530,453	45,000,000
Smaller Loan	491,279	3,552,500	4,317,413	8,408,125	10,730,683	0	27,500,000
Larger Loan	859,738	2,750,000	4,286,723	8,487,188	11,116,351	0	27,500,000
Total	6,716,827	11,962,591	16,957,226	26,490,444	29,342,459	8,530,453	100,000,000

1.3. Lending under the new government scheme, RLS

In the Budget on 3rd March, the Chancellor announced a replacement scheme for CBILS - the Recovery Loan Scheme (RLS) - that will run from 6 April to 31 December 2021. The RLS will provide lenders with a guarantee of 80% on loans between £25k and £10m so they can continue to support business as they grow and recover from the disruption of the pandemic. RLS loans can be used for any legitimate business purpose, including growth and investment. It will be open to all businesses, including those who have already received support under existing COVID guaranteed loan schemes

The GLIF loan funds have received accreditation for RLS on 14 May, FSE is now working with BBB on the documentation, which should be similar to CBILS', with expectation that this will be completed by mid-June. We expect that any further commitment from the debt funds during 2021 will be made under RLS.

The initial allocation is the same as our first allocation under CBILS: £4.3m - £2.3m for small debt and £2m for large debt. However, we expect that, as with CBILS, BBB will increase the allocation in the event it is exceeded by demand.

1.4. Supporting the fund managers during 2021

Led by the Director of Strategic Delivery, the Funding London team will focus its efforts on supporting the fund managers to deliver the investment targets for 2021. Areas of focus will include:

- 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 given the expected prevalence of uncertainty and disrupted market conditions during the first half of 2021 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;
- Launch initiatives to improve our reach towards underrepresented groups.

In addition, we will conduct a review of the key terms of the lending to product to maximise their attractiveness to the target market; in particular in respect of pricing.

2. London Co-investment Fund

At the latest valuation date, the portfolio was valued at £46.2m (or 1.9x cost). The top 20 companies by value account for 66% of the book value with the next 20 companies accounting for a further 15%.

At this point in the portfolio, it is likely that a large proportion of the fund's return will be generated by these top 40 companies. Nonetheless, the team will focus on supporting and adding value across all remaining 124 companies in the portfolio.

Our activities in this respect will include:

- I. Leveraging the LCIF portfolio manager's considerable experience to continue to support companies for example by:
 - Supporting boards in the recruitment of key management hires refocused business strategy;
 - Assisting management teams to formulate funding strategies and scaleup plan;
 - Participating with management teams in the formulation of business strategies;
 - Support in mediations; and
 - Making introductions to investors
- II. A programme of events focused on:
 - VC Fundraising events
 - Peer networks
 - Workshops
 - Collaborations with trusted organisations
- III. Continuing to carefully manage the reinvestment of returns focused on companies that meet our criteria and where there are funds available for investment.

2.1. Programme of Events for 2021

Fundraising event. The objective of this event is to allow portfolio companies looking to raise finance in the first half of 2021 to have introductions to the relevant VC investors in the Funding London network. This will be split into two groups of investors with companies raising £2m+ meeting one group and the earlier stage companies raising £500k-£2m meeting other investors.

Peer to Peer networking event. This will allow portfolio companies to meet and discuss issues with other portfolio companies. This will be a topic led open discussion, with companies suggesting relevant topics they wish to cover beforehand.

Workshops. From the Peer to Peer networking event, if any key areas arise that portfolio companies are looking for help with, LCIF will set up specialist sessions with 'Experts'.

Specialist VC fundraising events. When companies in the same sectors are fundraising, we will look to put together an event for certain sectors. Ideas include: Med Tech / Consumer Tech / Deep Tech.

VC office hours. This is where a VC will be available for 1-3 hours depending on demand to meet with and portfolio company for general discussions / pitching.

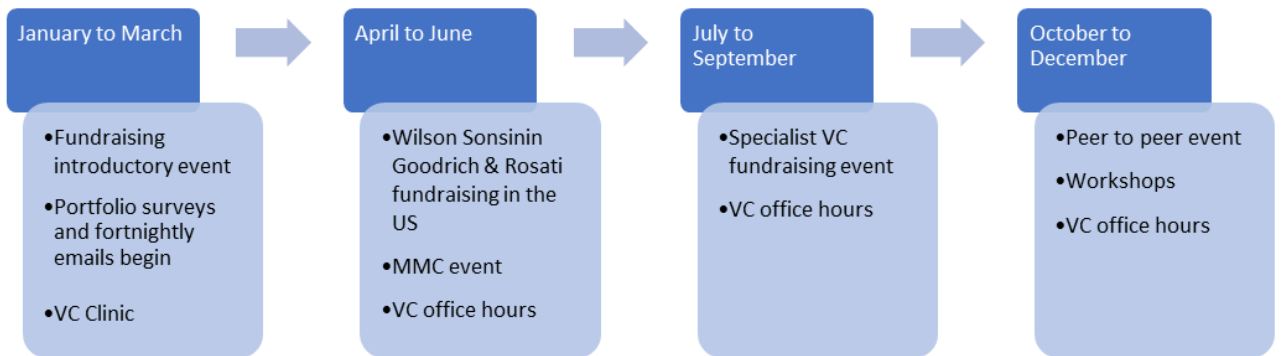
Collaborations with other organisations

- MMC are currently putting together their events calendar and wish to collaborate with LCIF. The structure and date of this event is undecided at present.
- Wilson Sonsini Goodrich & Rosati is a Silicon Valley-headquartered law firm. The team we are speaking with supports UK start-ups and scaleups on venture financing, M&A, and IPO transactions, and through their US life cycle – US launch, expansion, fundraising, commercial partnerships, M&A and IPO. LCIF will put together an event with them in 2021.
- We will continue to evaluate opportunities to create other events if useful to the portfolio.

Other initiatives to assist the portfolio

- **Fortnightly / Monthly emails.** Each email will focus on one company and give them the opportunity to sell or advertise their offering to the portfolio. In this email, the companies will also have an opportunity to ask questions to the portfolio if guidance is needed.

Proposed calendar of events



2.2. Continuing to explore other funding solutions

We will resume the process to seek out opportunities to form JV's for parts of the LCIF portfolio, either by sector or by specific strategy. Furthermore, we will maintain a market watch for further funding solutions as and when market sentiment improves as the COVID restrictions begin to ease.

3. MMC London Fund

There remain 10 companies in the MMC portfolio representing aggregate book value of £26.7m.

The most important investment in the fund is Gousto with a carrying value of £16.7m. Having achieved a partial sale of 15% of the fund's shareholding at the end of 2020, it is unlikely that there will be more opportunities to do so during 2021. However, we expect Gousto to explore a listing of the company for early 2022, market conditions permitting.

We have agreed to extend the fund period for a further two years to 30 June 2023, initially, to allow the fund manager to realise exits. Our focus as the sole investor in the fund, is to explore opportunities to realise further investments, and we will continue to hold discussions with the fund manager to do so.

We will continue to explore opportunities to realise value via the sale of our interest in the fund as and when the market conditions improve.

4. Adding Value to GLA's activities

We will continue to pursue opportunities to collaborate with the GLA and add value through the expertise of our team. In particular, we will look for opportunities to assist with the Recovery Plan for London.

III. Financial Planning and Budget for the Year to 31 March 2022

The table below sets out the budgeted operational costs for the SME Wholesale Finance Group ("SME WFL" or "Funding London" Group), before and after apportionment to individual projects.

Budget for Year Ending 31 March 2022							Commentary
Expense	Unallocated	Project Allocation					
		LCIF	MMC LF	GLIF	Growth Hub	SME WFL	
Salaries	473,860	185,140	-	200,948	6,741	81,031	Assumes 0% salary increase
Bonuses	84,715	34,262	-	35,307	1,348	13,798	Assumes 20% max achieved
Employers' pension contributions	35,540	13,885	-	15,071	506	6,077	7.5% of salary
Employers' NI contributions	77,083	30,277	-	32,603	1,116	13,086	Includes NI on bonuses
Rent	41,380	10,345	-	19,633	-	11,402	Based on current contract + £2k increment
Insurance	53,773	7,040	-	7,040	-	39,693	Actuals for calendar year 2021
Audit & accountancy fees	124,150	25,450	11,700	61,850	-	25,150	Per S&W proposal, plus 3 GLIF sub funds & MMC LF
Unrecoverable VAT	55,032	10,794	-	19,511	-	24,728	Calculated
Professional fees	48,137	-	1,200	4,167	4,935	37,835	Jane, Worknet, Studiomade, contingency
Legal fees	40,000	18,173	-	11,904	-	9,923	LCIF and GLIF amounts plus £10k contingency
Marketing	5,000	-	-	-	-	5,000	Estimated
GLIF - management fees	2,259,594	-	-	2,259,594	-	-	Gross fees; includes MMC & FSE performance fees
GLIF - EIB interest & fee	317,109	-	-	317,109	-	-	12m of 1st DD of £5.6m & 6m of 2nd DD of £7.1m
MMC LF - profit share	133,057	-	133,057	-	-	-	Per Q4 fee; assumes no disposals
MMC LF - IAC meetings	1,750	-	1,750	-	-	-	Estimated based on current year
General expenses	6,160	2,362	-	-	-	3,798	Archive, e-storage, FT, payroll, Sage, contingency
Phone	3,000	1,000	-	-	-	2,000	Landline, mobiles and email
Travel	1,750	600	-	-	800	350	Estimated, assuming less WFH than 31 Mar 21
Entertainment	1,500	-	-	-	960	540	Estimated, assuming some 'allowed' during year
Office equipment	700	-	-	-	-	700	Contingency for one new laptop
Staff training	500	-	-	-	-	500	Estimate; slightly higher than current year
Bank charges	300	-	-	-	-	300	Estimate; slightly higher than current year
Subscriptions	2,134	-	-	-	-	2,134	BVCA, FCA, ICAEW x2, LSE, contingency
Stationery	350	-	-	-	-	350	Estimated based on current year
Postage	100	-	-	-	-	100	Estimate; higher than current year given WFH
	3,766,675	339,328	147,707	2,984,738	16,406	278,496	

1. Funding London contributions towards individual projects

As each project is funded from different grants and other funding pots, it is important to map each projects budget against available sources of cash as show below. Furthermore, in addition to grant funding specifically provided to support each project, Funding London contributes specific proportions of costs form its own legacies. The analysis below, therefore, allows us to determine cash flow requirements for the financial year and to identify any potential issues arising out of cash short falls.

Funding London's Cash Allocation of Running Costs							
	LCIF	MMC LF	GLIF	Growth Hub	SME WFL	Total	
100% running costs for 12m (Apr 21 - Mar 22)	339,328	147,707	2,984,738	16,406	278,496	3,766,675	
GLIF interest and other income	-	-	1,366,248	-	-		
FL's share of costs	6.1517%	100%	21.3333%	100%	100%		
Adj. FL cash allocation	20,874	147,707	345,278	16,406	278,496	808,761	
Reserve receivable from GLA and LWARB	-	-	(234,272)	-	-	(234,272)	
Adj. FL cash allocation	20,874	147,707	111,006	16,406	278,496	574,489	

Per the analysis above, we expect a requirement for £574,496 of Funding London's own cash to support our projects during the next financial year.

2. Sources of Funding

The table below maps each of Funding London's contributions towards each project against relevant pots of cash available:

Unencumbered Cash				
	FL ex. GLIF/LCIF	LCIF Only	GLIF Only	Total
	£	£	£	£
Cash at 31 Mar 21	1,226,185	60,400	540,346	1,826,931
Commitments to 31 Mar 22				
LCIF	-	20,874	-	20,874
MMC LF	147,707	-	-	147,707
GLIF	111,006	-	-	111,006
Growth Hub	16,406	-	-	16,406
SME WFL	278,496	-	-	278,496
Total commitments	553,615	20,874	-	574,489
Unencumbered cash at 31 Mar 22	672,571	39,526	540,346	1,252,442

3. GLIF Reserve

A Reserve of £7.5m has been committed by the GLA, Funding London and ReLondon (LWARB) to fund expenses. This will fill the funding gap in the early years, until sufficient interest income and fees are generated by the two loan funds. The table below shows actual and projected contributions to the Reserve by each entity on a cash basis.

Fees & Costs: Sources of Funds (£)								
	31 Dec 19	31 Dec 20	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	Total
	Actual	Actual	F'cst	F'cst	F'cst	F'cst	F'cst	
Reserve - GLA	1,322,006	1,263,406	983,072	505,719	-	-	-	4,074,203
Reserve - FL	1,267,638	352,695	(371,363)	177,002	-	-	-	1,425,971
Reserve - LWARB	127,868	492,581	509,571	160,144	-	-	-	1,290,164
Bank interest	283	197	200	200	200	200	200	1,481
Loan income	23,962	633,767	1,079,004	2,227,979	3,493,388	2,959,397	1,706,411	12,123,909
	2,741,757	2,742,646	2,200,484	3,071,044	3,493,588	2,959,597	1,706,611	18,915,728
Cumulative sources	2,741,757	5,484,403	7,684,888	10,755,932	14,249,520	17,209,117	18,915,728	
Reserve drawdown	2,717,512	4,826,193	5,947,473	6,790,338	6,790,338	6,790,338	6,790,338	
Cummulative Reserve used	2,218,539	4,249,188	5,947,473					
c/f	498,973	577,005	-					

As shown by the table, at the end of 2020 GLIF had drawn down £4.83m of the Reserve; but only used £4.25m; leaving a carry forward balance of £577k. As GLIF can only claim Reserve amounts in arrears, it requires Funding London to advance to it cash to cover payments. In this manner the balance of £577k has been accumulated over the two years to December 2020; and it represents contribution by Funding London towards the Reserve over and above its pro-rata share. Given the carry forward balance, Funding London's contribution to the Reserve is expected to be negative during 2021, and we are forecasting a further net £1.1m of Reserve to be drawn down by GLIF during 2021.

Based on the latest forecasts for lending in 2021 and beyond, we anticipate that we may only need to draw down £6.8m of the £7.5m available as Reserve; however, this is dependent on the funds being able to achieve the expected interest income levels at a blended rate of interest of c. 11-12% at some point beyond 2021. Therefore, any drop in amounts lent (or the blended interest rate achieved) from 2022 will have a significant impact on our Reserve utilisation.

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. 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 2022.

1. Risk Register

1.1. Continuing Impact of COVID-19

Risks Description	Probability	Impact	Mitigation
Decision Making Further delay in GLA's ability to make decisions on new projects given upcoming elections and COVID 19 crisis	Medium	Medium	Maintaining regular dialogue to understand priorities
Funding for GLIF's costs is insufficient as not enough interest income is generated by the loan funds due to either: <ul style="list-style-type: none"> - Continuing lack of demand for growth loans due to third lockdown; or - Increased levels of CBILS lending during Jan-March 2021 	Low	High	The Reserve Amount was set at £7.5m on the basis of a worst case scenario model which assumed much higher levels of default than we are experiencing and lower pricing of loans than is being achieved Our latest analysis suggests that the Reserve Amount will be sufficient but this will depend on the fund managers deploying the amounts expected during 2021 and beyond
LCF/MMC/GLIF Trading benefits seen by certain sectors during lockdown may not be sustainable	Medium	Medium	Diversification of the portfolio serves to mitigate this risk

1.2. Project Risk

1.2.1. Concentration of exposure

Risks Description	Probability	Impact	Mitigation
Growing/significant exposure to LCIF and MMC LF companies via the GLIF loan funds will have a multiplied effect for Funding London's capital base across projects should companies begin to fail	Low	High	Close monitoring to identify issues early and address with our funders

1.2.2. LCIF

Risk Description	Probability	Impact	Mitigation
Loss of value through dilution of shareholdings	Medium	High	Maintaining involvement with portfolio companies through regular communication and adding value Maintaining good relationships with co-investment partners to ensure we are represented in shareholder decisions Redeploy proceeds from exits as and when available
Concentration of value in the portfolio with top 20 companies by valuation accounting for 60% total book value and the next 20 for a further 15%. Therefore we	Medium	High	Maintain strong relationships with management teams and co-investment partners to ensure we are consulted and represented in shareholder decisions, exit

Risk Description	Probability	Impact	Mitigation
<p>face a risk of value erosion should our interests not be well represented or one of these companies were to fail</p>			<p>opportunities and maintain our information rights</p> <p>Focus on supporting the remaining 110 companies in the portfolio to add value and enable growth in value</p>
<p>UK's exit from the EU:</p> <p>Uncertainty around Financial Services</p> <p>Other companies who rely on raw materials from Europe will see temporary disruption while border issues clear, e.g. Patch;</p>	<p>Medium</p>	<p>Medium</p>	<p>Our companies are young and agile, so are able to adapt.</p> <p>Most business models are global, not EU focused, so impact should not be hugely detrimental.</p> <p>Some companies with significant operations in the EU will need to consider setting up operations or moving, e.g. Wealth Kernel</p>

1.2.3. MMC LF

Risks Description	Probability	Impact	Mitigation
<p>Concentration of value where Gousto represents 63% of book value.</p> <p>There is a risk that after lockdown, Gousto's trading may be negatively affected and/or that the chances for a potential IPO are diminished; either of these risks will impact on our ability to meet commitments to the GLIF</p>	Medium	High	<p>Per latest fund manager update, the company may consider an IPO process. We will maintain communications with the fund manager to understand any potential issues and will watch progress with Gousto's trading beyond the third lockdown</p> <p>Our interests are aligned with the fund manager as this investment represents their profit share</p>
<p>Uncertain exit route for several companies in the portfolio</p>	Medium	Medium	<p>We have extended the fund by a further two years to 30 June 2023 to allow the fund manager to find exits/continue to manage the portfolio to maintain value</p> <p>We will continue to look out for secondary exit opportunities involving the entire portfolio</p>
<p>Temporary COVID effects</p> <p>A few companies who have seen a very large increase in trading during the pandemic, may lose gains once life returns to normal</p>	Medium	Medium	<p>Rely on the effect of diversification in the portfolio; the fund manager's ability to safeguard our interests; and the management team's ability to identify issues early and address them swiftly and effectively</p>

1.2.4. GLIF

Risks Description	Probability	Impact	Mitigation
Attractiveness of loan fund terms will be tested once restrictions are lifted and CBILS no longer available	Medium	High	We are in the process of reviewing pricing and terms with the fund manager
The revised deployment targets for 2021 and beyond may prove challenging depending on how quickly UK business confidence recovers after the COVID 19 crisis	Medium	Medium	The revised targets proposed to EIB and ERDF were based on the fund managers own forecasts of what could be achieved in 2021, in particular. We further reduced the targets for the loan funds in 2021 to make sure the chances of underperformance are minimised.
A significant proportion of companies with loans made during 2020 under the CBILS guarantee will not need to begin repayments until 2021. Therefore, we may see a drop in performance once the deadlines pass with a potential increase in default rates.	Medium	High	Monthly catch ups with fund manager will include a review of borrowers to make sure all continue to trade as per their business plans Quarterly reporting to include an analysis of the portfolio in terms of current and expected performance
UK's exit from the EU Uncertainty around Financial Services	Medium	Medium	Our companies are young and agile, so are able to adapt.

Risks Description	Probability	Impact	Mitigation
Other companies who rely on raw materials from Europe will see temporary disruption while border issues clear			<p>Most business models are global, not EU focused, so impact will not be detrimental.</p> <p>Some companies with significant operations in the EU will need to consider setting up operations or moving</p>
ERDF Audits will continue until the programmes are closed. Despite the UK's exit from the EU, we will continue to be subject to irregularities which could be found by European Auditors	Low	Low	Our procedures are extremely robust and therefore it is unlikely that we would commit serious breaches of ERDF regulations

1.3. Long term sustainability

Risks Description	Probability	Impact	Mitigation
<p>Going concern</p> <p>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</p>	Low	High	<p>Close monitoring of cashflow requirements against available cash</p> <p>Prudent financial planning</p>
<p>Resources vs expense of activities</p> <p>Our financial resources and team capacity are limited; therefore, we may be prevented from going after opportunities or being able to compete for projects.</p> <p>Longer term, this may threaten our sustainability given funding uncertainty post Brexit</p>	Medium	Medium	Consider a review of hiring requirements
<p>Future strategy</p> <p>Continued uncertainty regarding future funding limits our options</p>	Medium	Medium	Maintain regular dialogue with GLA

Appendix I: Summary of LCIF Discussions March 2019 – September 2020

OPTIONS	PARTIES APPROACHED/SUMMARY	KEY LEARNINGS
Raising funds from the GLA	<ul style="list-style-type: none"> • As LCIF approached full deployment, conversations were had with the GLA regarding topping up the fund to continue with the investment activity. • An application was submitted to the Good Growth Fund (GGF) to support underrepresented entrepreneurs with investment from LCIF. The proposal would have seen us collaborate with other business support programmes being delivered in areas of high deprivation to maximise businesses' prospects. 	<ul style="list-style-type: none"> • These conversations did not lead to any support for a continuation, as other projects such as the Greater London Investment Fund, superseded these discussions. • There was lack of support from the LEAP unless proposals focused exclusively on underrepresented entrepreneurs. • Our application to GGF was unsuccessful. The feedback received was that compared to other submissions focused on one or two issues, we demonstrated less significant impact, or there may have been reservations about deliverability.
Raising funds from strategic fund investors	<ul style="list-style-type: none"> • Several exploratory conversations were established with strategic investors to support LCIF/or an LCIF-like fund. These included the British Business Bank, British Patient Capital and the Business Growth Fund. • There was initial interest from BGF in the proposal to establish a new LCIF type programme that would benefit from their own regional reach and help augment their offerings with a seed stage product. • Initial conversations with ADV, who had invested in several very early stage VC funds, did not progress as their mandate moved away from London and the south east 	<ul style="list-style-type: none"> • In general, both for BGF and BPC, the proposal would be a significant departure from the stated strategy, and therefore, discussions could not progress: <ul style="list-style-type: none"> – BPC suggested that their focus was not on the Seed stage of investments, but on growth businesses that were further developed. – BGF could not get sufficient buy-in to take on LCIF as their current mandate bars any investment in financial services firms. – British Business Bank expressed their inability to provide any funding to LCIF unless it could fit within their defined fund investment programmes such as the Enterprise Capital Funds.

OPTIONS	PARTIES APPROACHED/SUMMARY	KEY LEARNINGS
Raising an ECF Fund	<ul style="list-style-type: none"> • The ECF scheme is the only current funding initiative available from BBB, and it would require LCIF to have significant soft commitments from private investors to be able to consider an application (c.£15m for a total fund of c.£50m). • We continue to evaluate the prospects of success of such an initiative and continue to look for ways to raise the required levels of commitments. 	<ul style="list-style-type: none"> • Funding London, not having personnel and expertise in raising funds from the private sector, could not take on the ECF proposal; so our team would need to be expanded to the satisfaction of the BBB • A couple of initial conversations with family offices and private institutional investors were positive, but we have not identified the significant anchor commitment needed before progressing. • Timelines for a successful fund raise (assuming BBB approves the strategy) are at least 18 months • At the moment, the BBB is evaluating c. 45 proposals who more closely fit its requirements
Listing of LCIF and fund raising in the public markets	<ul style="list-style-type: none"> • A number of conversations were held to evaluate the prospects of listing LCIF in the public markets and to raise further funds. Parties included <ul style="list-style-type: none"> – the stock market professionals from LSE Group, – currently listed entities that invest in early stage businesses including Draper Esprit, Augmentum, Mercia and – brokers including Investec, Numis, N+1 Singer – likely investors including Rothschild, Invesco, Isomer Capital, Sandaire 	<ul style="list-style-type: none"> • The LCIF model and the existence of an anchor investor is positive; but • The asset base is small. It should be c. £50m to allow for a further £50m to be raised • Significant work would be needed in pre-marketing to secure at least £20m to gain momentum • Following the demise of Woodford, the investor sentiment towards early stage funds deteriorated in 2019 and this proposal was shelved. • Market conditions in 2020 have not improved and remain unfavourable for early stage investment funds.

OPTIONS	PARTIES APPROACHED/SUMMARY	KEY LEARNINGS
Secondary Buyout	<ul style="list-style-type: none"> The team held conversations with secondary buyout houses such as Arcsis, Hambro Perks, Entier Capital, Tempo Capital. Information on the portfolio was shared with them under NDA. 	<ul style="list-style-type: none"> The consistent message is that the portfolio is too large and diverse, and the individual shareholdings are too small. There is some interest in taking on selective assets from within the portfolio (Entier Capital and Hambro Perks). However, this would be at significant discounts to holding value (discounts of c.60% were suggested). There would also be significant deliverability issues, as LCIFs shareholdings are governed by individual Investment Agreements, which do not allow for a sale without triggering co-sale procedures
Alternate Structures	<ul style="list-style-type: none"> These involved raising debt/ preferred equity financing against the fund assets. Conversations were held with Setter Capital and Campbell Lutyens 	<ul style="list-style-type: none"> Such structures may be ultra-vires for Funding London. Even if it were feasible, the indicative terms suggested raising less than 50% of the fund value for at least a 2x preferred return to the investors. This was not deemed value for money by the executive team