



Preparing for the upturn.



Lloyds TSB | Commercial



Foreword.

James Caan is one of the most recognisable entrepreneurs in the UK. The multi-millionaire investor is a regular on the BBC's Dragons' Den and has been creating, building and selling companies since his first foray into business as a child.

In one sense, Dragons' Den is a TV show about business planning – and entrepreneurs who face the Dragons without any form of planning rarely get far.

After all, if you're not sure where your company is going, how can you persuade others to invest or give you the best advice?

This guide is designed to help you tackle all of these things. It asks you to step back, take a good hard look at your business and, stage by stage, plot how you'll approach the opportunities that exist in the prevailing economic climate. At the moment that still means an environment much tougher than in recent years.

But it doesn't have to mean it's impossible – particularly with the right advice. Many SMEs emerge from

a period of economic difficulty in perfect condition to grow: difficult decisions taken, costs re-evaluated, marketing overhauled, finance in place and new targets set.

These are the companies I expect to hear more of over the next couple of years, those that have adapted, diversified and prepared for the upturn by building business rather than sitting back and waiting for the economy to show them the way.

I never cease to be amazed by the tenacity, creativity and passion of UK entrepreneurs. When you put those values together with the power of preparation you create a clear blueprint for growth.

Best of luck.



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1

Setting your strategy for the upturn.

Many businesses have had to quickly make tough decisions such as reducing headcount or altering payment terms in order to mitigate the impact of the recession.

Even if your business model hasn't altered, the changing economic landscape may have had an effect so it's important to revisit your plans in readiness for the upturn.



Tips on business and contingency planning.

Taking a structured approach to your planning can make it easier to consider your company's future, so break it down into three key areas.

Current position.

- What is your unique selling point (USP) and how does that compare to what your competitors can offer? Do you need to update/change this as a result of the downturn?
- Have your competitors been affected by the recession? Is there an opportunity to capitalise on your competitors' difficulties?
- How has the downturn impacted your sector/industry as a whole? Are your experiences similar to that of other businesses?
- Who are your customers? What percentage of sales do your best customers represent? What would you do if there was a late payment issue with a key client? Would an insurance policy against debtor insolvency bring you peace of mind?
- How is your cashflow? Are you in a position to fulfil new orders or survive the loss of a major contract? If you've taken cost cutting measures, what effect have they had and is there more you could do?

Short term considerations.

- What's around the corner? Are there developments ahead that could affect customer demand and sales? How will your business respond to any changes?
- What does 'normal' look like? If in the short-term you've had to cut back on stock, reduce staff wages or shorten your working week, have you identified the key indicators that will let you know when you're back on track? How quickly can you get back to normal again when trade picks up?
- How can you keep what you've got? Look at the steps you need to take to retain customers and talented employees who are an asset to your company.
- Are you up to date on legislation affecting your sector? Is it a threat or an opportunity?
- Can you spread your risk? New product areas or diversifying your business should be considered.
- How strong is your referral network? Have you got the right business partners? How can you increase recommendations to your product or service?

Long term ambitions.

- How can you achieve growth and what is the right pace of expansion for your company? Look at your business objectively and ask whether you have the right team, tools and product to realise your ambitions.

- What financial support will you need and, if necessary, how do you intend to raise funding? Are there alternative forms of finance that you could consider or grants that you would be eligible for?
- Take advice. There are plenty of opportunities for you to tap into the knowledge of others.

With your updated business plan in place, aim to take time out and review it on a quarterly basis. Regularly check your progress and ensure it's still relevant to the economic climate you're operating in.

Planning your marketing.

While many businesses may have altered their marketing strategies during the downturn, cutting budgets back too far rarely makes good commercial sense.

In order to help SMEs develop a cost effective approach as the economy improves we have compiled the following simple tips for marketing on a budget:

1. Talk to customers.

A high percentage of your business is likely to come from existing customers – don't ignore them. Many companies lose sight of the value of face-to-face contact or a telephone call.



2. Base marketing on good data.

If your customer/prospect records haven't been reviewed or updated recently, then any marketing you do could provide poor return on investment. To ensure you get best value for your marketing activity, get your data 'cleaned' by a professional list company. They'll also be able to check if your recipients have opted out of unsolicited sales or marketing communications via the Telephone or Mailing preference registers. For more information visit www.mpsonline.org.uk

3. Use PR.

Microsoft's Bill Gates once famously said: "If I was down to my last marketing dollar, I would spend it on public relations". PR is ideal for SMEs to raise their profile. Visit the Public Relations Consultants' Association website for further information at www.prca.org.uk/whatispr and get someone to recommend a local agency.

4. Improve any web presence.

More customers now search for businesses online than anywhere else. If a company doesn't even have the most basic web presence it is at a disadvantage. Existing websites should be reviewed by an expert to ensure they are easy for search engines to find and are user friendly.

5. Network more.

There are thousands of opportunities to meet other business owners so you can pick up free advice on marketing, PR and online tactics. A bulging contacts book is never a bad thing. Check out local Chambers of Commerce or Business Link for a starting point.

Gavin Dollin.

Department for Business, Innovation and Skills.

Gavin Dollin is Assistant Director of Business Link Strategy for the Department for Business, Innovation and Skills. Business Link helps companies save time and money by providing access to clear, simple, and trustworthy information. Its services have been developed in partnership with subject experts within government and relevant business-support organisations to help firms comply with regulations and improve performance.

Business plans are a core discipline for any company securing finance.

But once they are written, the most common place you'll find them is gathering dust on a shelf.

You may feel that you don't need to look at it again – your business may have hit turnover targets in recent years and the plan may not seem as relevant.

But setting and updating goals is crucial to the future of any business – particularly in an economy which has undergone major upheaval.

Now is the time to review your business and set down your vision of its future. If you think you don't have the time you should make it – get out of your normal working environment and take a long-term view of where you want your company to be.

Because you can guarantee that if you aren't planning in this way then some of your competitors are.

Look at where your business is now and work out where you want to be in five years. How are you going to get there? What new products will drive your growth? Can you identify fresh markets? Will you need capital investment or are you looking at acquisition?

The business plan should map out when you want these things to happen and how you will finance them. Knowing where the cash will come from will help you act quickly if the opportunity comes along sooner than expected.

There are plenty of resources out there for guidance or a starting point, such as a Business Link 'healthcheck'. Go to www.businesslink.gov.uk

Speaking to advisors will give you a third party perspective. Stick to those you trust and make sure you get the opinions of a number of different ones before making any decisions.

Once you have a plan in place, be proud of it, act on it, review it, share it with your staff – after all, how are you going to get there if you are the only one who knows where you are going?



2

New business opportunities.

Now you've reviewed your business planning, it's time to begin looking for new business.

Every stage of an economic cycle offers fresh opportunities.

An upturn intensifies the need for preparation, creating a period of potential growth for SMEs ready to emerge from difficult times and face the next challenge.

Exporting, diversification, acquisition – an economic upswing is an excellent time to take stock of the future direction of your company and determine whether any of these options open up fresh avenues.

The following section covers strategies for identifying and securing new business – including a look at how you can get help to begin selling overseas or take advantage of a major event like the London 2012 Olympic Games & Paralympic Games. It also provides some ideas about how you can firm up your business's sustainable credentials and tap into the green economy.



Exporting.

The UK currently exports around £18.3 billion* worth of goods annually but imports around £6.5 billion more.

Increasing the level of UK exports is crucial to our recovering economy, but selling overseas can also offer new areas of revenue for SMEs.

Today's combination of financial circumstances has created a great climate for exporting.

While the Pound remains weak against the Euro, UK products look far more attractive to buyers within the Eurozone and could help your company boost its sales far quicker than relying on homegrown revenue.

But exporting for the first time can be daunting. A good place to start is to weigh up potential benefits and see whether international trade will offer any of the following to your business:

- An increase in profits.
- Economy of scale in production.
- A boost in productivity.
- An opportunity to spread risk.
- Potential to develop new product ideas.

Consider these against the impact that such a move could have on your UK operations, including resources, capacity and cashflow implications.

It is important to be aware of the challenges of culture and language. English is widely used in many countries, however 25 to 50 per cent of UK exporters describe language as the main barrier to business.**

“ 25 to 50 per cent of UK exporters describe language as the main barrier to business. ”

For example, emerging markets such as China – which potentially offer the greatest rewards – are far more difficult to crack without an ability to negotiate or market in the right language.

A great place to begin researching the world of exporting is UK Trade & Investment at www.uktradeinvest.gov.uk which offers a vast array of knowledge and financial help, including:

- Free capability assessments.
- Support in visiting potential markets.
- Mentoring from a local export professional.
- Free action plans.
- Customised and subsidised training.
- Ongoing support once your company is exporting.

Expanding overseas is an exciting challenge and plenty of advice, guidance and even financial assistance makes it far less risky than many assume.

Public Sector and Government Procurement.

Knowing how to play the procurement game is a key requirement if you have identified public sector work as a potential source of new business.

Processes that give you access to a slice of the £175 billion annual public sector budget may seem daunting but as ever, preparation is the key.

*ONS figures: June 2009 – www.statistics.gov.uk/pdfdir/trd0809.pdf

**www.uktradeinvest.gov.uk article, dated 24/02/2009



These are our top tips to help you approach public sector and government procurement:

- Pick your targets carefully. There are many specialist tender information sites for different sectors. Councils publish latest available tenders on their websites and the Government features its supply contracts at **www.supply2.gov.uk**
- Don't be afraid to ask questions. Tender documents can be confusing but most organisations will offer an email address or telephone number. Additional information could give you a critical edge.
- Build a relationship with the buyer if possible. This can often be difficult, but it is the most powerful tool in winning contracts.
- Be prepared. Tendering companies will be asked about standards and policies on issues ranging from HR and the environment to quality assurance and stringent financial disclosure.
- The pre-qualification questionnaire is critical. If it isn't filled in correctly, the next stage will not be an option.
- If you can manage the cultural shift needed to secure public sector new business, you may thrive in an environment which can offer long-term contract rewards.

Stephen Howard.

Chief Executive, Business in the Community.

Stephen Howard is chief executive of Business in the Community – a membership organisation that encourages businesses to recognise the relationship between their company's values and responsible business practice and the role this plays in creating wealth, building trust and addressing social need.

A forward looking SME owner is constantly re-inventing, looking for new ways to add value to their business and find an edge over competitors.

In an economic climate which has effectively been reset by the downturn, many playing fields have been levelled and a major opportunity exists for firms to take a fresh look at how becoming more sustainable makes economic sense.

Many SMEs have ignored green issues for a variety of reasons, including the belief that addressing them does not offer the same benefits as it does to larger companies.

This is a myth. Believing the myth is dangerous for firms which refuse to take action. Increasingly, their customers will act and they could find themselves losing competitive ground.

The first thing businesses should do is measure their carbon footprint and determine which areas they can tackle to have the most impact.

They can start with the simple things – electricity usage, recycling, simple changes to their supply chain – and set longer term goals to demonstrate to employees and customers what the company is trying to achieve.

Business in the Community has developed a free online tool called The May Day Journey which you can access at **www.bitc.org.uk** to help companies plan such a process.

It is designed to demonstrate to business owners that even short-term capital outlay can deliver longer term economic benefits and added bonuses such as increased staff retention and stronger brand recognition.

“The first thing businesses should do is measure their carbon footprint.”

These can be achieved by engaging with stakeholders to ensure that the right people become aware of the achievements and goals.

I'm in no doubt that businesses which cannot demonstrate these things proactively will be left behind. Sustainability is an investment which is too good to miss.



The London 2012 Olympic & Paralympic Games.

27 July, 2012.
A global audience estimated at up to 4 billion people will focus on the London 2012 Games.

For SMEs, the event offers more than a chance to watch world records fall to top class athletes.

It is one of the most significant events ever to be staged in the UK and will have a huge financial impact – offering all types of companies the chance to secure new business.

The London 2012 Games are expected to award around 7,000 direct contracts ahead of the opening ceremony. These will form supply chains generating an estimated 75,000

opportunities for companies throughout the UK.

One misconception among SMEs is that the London 2012 Games benefit will only be felt by businesses in the South East. In fact, figures reveal that the 'Olympic effect' is UK wide, with a growing number of North West firms already having been awarded contracts by the Olympic Delivery Authority.

Want to get involved? Then you need to act now. Thousands of contracts are still available but companies need to be familiar with the London 2012 procurement process to tender successfully.

If your company has never undertaken any type of procurement before you may need to tighten your own internal processes before you qualify to

tender. Business opportunities are advertised on a system called CompeteFor, which acts as a brokerage service between buyers and other potential suppliers, ensuring an open and fair procurement process. Businesses of any size can use CompeteFor.

The London 2012 website www.london2012.com/business provides a wealth of guidance about CompeteFor and the Games-related procurement process, including top tips if you are looking to tender.

“ One misconception among SMEs is that the London 2012 Games benefit will only be felt by businesses in the South East. ”



Case Study Jutexpo.



Sam Turner of Jutexpo (right) with Damian Mohan, relationship director for Lloyds TSB Commercial.

Jutexpo Ltd is the UK's leading supplier of ethically-produced fibre shopping bags.

Having secured UK customers including leading supermarkets and charities, the £10 million turnover company was keen to identify new business opportunities to maintain growth.

Barrie Turner, the company's managing director, says: "With environmentally aware consumers keen to reduce plastic bag usage, demand for re-usable fibre shopping bags has soared.

"We decided to draw on the knowledge we had developed from successfully launching

our UK operations to identify countries which were likely to experience similar consumer appetite for our re-usable and ethically sourced products.

"Once we mapped potential end users, we approached our existing clients that have international operations in these geographical areas and researched other potential customers in order to offer services which matched their needs and trends in these markets."

The strategy also required the business to ensure it had adequate cash flow support available as it expanded.

"We produce over 1 million bags every month, which means we have significant working capital requirements to fulfil our orders," Barrie explains.

"We approached Lloyds TSB to explore potential funding options and they put together a package of facilities to support the business."

This included a £3.5million invoice discounting facility provided by Lloyds TSB Commercial Finance and bank loans amounting to £700k from Lloyds TSB Commercial under the Enterprise Finance Guarantee (EFG) scheme.

Jutexpo is now focusing on capitalising on new business opportunities in order to target increased sales.

For more information, visit www.jutexpo.co.uk

3

Investing in growth.

To come out of a tough economic period successfully, you will need to adapt to the new marketplace.

'Investing' may not be the first word on your mind right now but be aware that your competitors may have emerged from the downturn leaner, more efficient and full of new ideas.

When we talk about investing we mean taking a fresh look at where money is currently being spent on crucial costs such as IT, research and development and distribution.

In the next few pages we look at the best ways to invest money in these areas in order to remain competitive and free up more of the commodity that no-one seems to have enough of – time.



Robert Epstein.

Head of Small Business Sales & Marketing, Microsoft UK.

Robert Epstein is Head of Small Business for Microsoft UK. His role focuses on how technology helps SMEs. Before working for Microsoft he ran his own small business and has worked with IT for over 20 years.

The last time the UK suffered an economic downturn, the IT outlook for SMEs was very different.

In fact, it was blamed largely on IT. Many small business owners felt cheated by the cash they had been encouraged to spend preparing for Y2K and were reluctant to invest in any kind of technology for a while.

Less than ten years on, UK businesses are in a very different position. Technology is far more integral to how smaller companies are managed and it is one of the key areas for investment in the wake of a downturn.

We definitely reached a tipping point over the last decade. IT went from being useful to essential – the costs associated with it lowered and the familiarity of using it for everyday tasks went through the roof.

As the availability of broadband improved, companies have begun to realise that not investing in technology actually slows them down, prevents employees from being collaborative and is very inefficient.

Even so, there are still businesses which have not embraced technology. I tend to find this is a generational thing – a company which has operated for 10 or 20

years with very little change suddenly finds that it has to invest in technology.

And now is an ideal time to review IT as competitors will be adapting to the post downturn environment. Technology is an investment that can transform businesses, giving them a cutting edge over competitors.

Many SME owners are never sure where to start. They have always purchased technology ad hoc, on a reactive basis, when what they really need to do is look forward, consider where they can maximise its use to reduce costs and increase profits.

“ In addition to the web, the systems your company uses – or maybe doesn't – also need reviewing with the help of a reputable IT supplier. ”

It seems surprising but Microsoft recently conducted a survey of SMEs which showed that only 53 per cent had their own websites. This is an incredible figure when you consider that most people will begin researching a supplier via a search engine.

But this doesn't mean that the knee-jerk response should be to get a website online as soon as possible, as the internet now offers far more opportunities than an 'online brochure'.

Work on a wider, long-term plan. Can your business use the internet to sell direct? Is it cheaper to make marketing material available online? Would there be a benefit in two-way engagement with customers via a website?

In addition to the web, the systems your company uses – or maybe doesn't – also need reviewing with the help of a reputable IT supplier.

One common problem that smaller businesses face is that they often purchase technology in silos as they grow. This leads to inefficient situations such as an ordering process where the customer details have to be printed out and keyed in at each stage, rather than a totally integrated system.

That is the kind of investment where the inherent value should be immediately obvious. It offers a far more efficient business model and frees up time for your team to concentrate on ways to grow the company.

The corporate world is a different place post downturn but the first signs of people re-investing in IT are there. They are making smart purchases, 're-booting' their businesses for the new economy.

Don't get left behind!



Research & Development.

Whatever research and development you were working on prior to the change in economic climate, now is a good time to review it.

So many things have changed that it is sensible to take a look at whether your company's products and services are suitable for the 'reset' marketplace.

Raw material costs may have changed, customer expectations on pricing may be different and whole new opportunities may have opened up for 'leaner' versions of key products.

A good starting place is to examine how the downturn has affected your customers. Engage with them more often, consider a feedback survey regarding product expectation, pricing and general confidence.

Benchmarking against competitors is also crucial – have they reduced prices or offered additional value through other services? Are they about to go out of business or acquire and expand?

If available, all of this knowledge can then be used to help re-evaluate R&D, alter marketing messages and develop products and services which deliver growth by matching the needs of customers in a post downturn, cautious economy.

It can also prevent you from continuing to develop products for a marketplace that no longer exists.

Distribution.

Distribution doesn't simply mean the logistics of how you transport goods from one area to another. It starts with how your company actually gets its products to market.

These distribution channels are typically:

- Sell direct to the customer/end user.
- Sell to the customer/end user indirectly through intermediaries or retail partners.
- A combination of direct and indirect distribution.

Again, any major economic upheaval should prompt you to review how your business markets and sells its products.

There is potentially more profit to be made in direct sales but it may be something you haven't considered to date, preferring to rely on a retail partner which has guaranteed sales.

Once a product or service has been established, can your core, or traditional, route to market be supplemented by direct sales?

This may be as simple as setting up a transactional website or even opening a branded

store but it needs you to work with advisors to consider the cost and funding implications.

If the downturn has affected the way your customers buy, it can't be assumed that an upturn will change these habits back. Smaller orders, shorter lead times to manufacture, demands for higher specification – all of these things make spreading your risk across different distribution channels all the more attractive.

Logistics.

The physical act of delivering a product to the end user is always a tricky area for a growing business.

You often hear tales of entrepreneurs who started out by wearing a suit and selling one day before jumping into a van to deliver their orders the next.

Most companies outgrow this stage pretty quickly but may well keep transport management and deliveries in-house for some time.

Any review of the major costs facing your business has to take logistics into account. Is your system fit for the future?

Would it make more sense to outsource your fleet to a larger, more experienced business which can deliver to new markets and offer economies of scale?

It isn't just about where your business is now, it is part of preparing it for growth.



Case Study GreenMech.



Jonathan Turner (left) and Tony Turner of Greenmech with Mark Lodge of Lloyds TSB Commercial (centre).

Tony Turner is the Chairman of GreenMech, a manufacturer of wood chippers and shredders which help divert green waste from landfill sites.

He says: "The green agenda has led to a regulatory environment which is generating rising demand for our products. With this in mind, we decided to review our operations to spot areas we needed to strengthen in order to seize opportunities."

Based in Warwickshire, the company supplies local authorities and vegetation control contractors for rail companies and motorways. It has an established customer base in Europe, Australia, New Zealand and Singapore.

Tony says: "We knew we could grow the business by targeting new customers in the UK and Europe and exporting to the US.

"We researched the markets we'd be looking to penetrate and quickly realised we would need to boost our research and development (R&D) department and increase our manufacturing capacity to stay ahead of the competition.

"Without investing in these key areas, we wouldn't have been able to deliver as demand grew and we'd miss out on hitting our target of doubling turnover to £10 million by 2012.

"Once we'd conducted the research and felt confident we were making the right decision, we needed to work out the best way to finance the investment.

"By working with Lloyds TSB Commercial, we were able to use a mix of lending from the bank and our own capital to fund the purchase of £1 million of new machinery and ensure we had capacity to fulfil orders from new customers overseas.

"Alongside this, we also invested £250,000 of existing capital in R&D to ensure we could continue to deliver innovative products and secure the long-term stability of the business."

For more information, please visit www.greenmech.co.uk

4

Financing growth.

So, you've made your business plan, considered your marketing, targeted new business opportunities and picked out where you need to invest. How are you going to fund that?

External funding is the route most businesses will take to make their plans a reality. Even those fortunate enough to have cash reserves in place may opt to use secured, fixed rate borrowing in order to support ambitions without over-stretching working capital.

However, there is a wealth of other options available to businesses to help ease financial constraints or provide a cash injection.

Our next section is designed to help you understand these in more detail as you consider what form of financing is best placed to help your company grow.



Bank lending.

Finance options can seem daunting, particularly if your business hasn't needed to borrow before. Making the right choice for your company at this stage in its lifecycle can help you gain a competitive advantage. Conventional banking products may be familiar but could need combining in a different way as your business grows.

Overdrafts.

The starting point for many businesses and often the first resort when faced with an urgent need for cash. A business overdraft is usually available to a well run business as a facility on the main current account where balances are expected to fluctuate between credit and debit.

Overdrafts carry an arrangement fee when set up or renewed but interest is usually only charged on what's outstanding, so you can treat it as an insurance against short-term changes where you need a financial cushion.

If your sales grow and you have more invested in stock, debtors and work in progress than is available through trade credit, you may need to extend your overdraft. Talk to your banking partner.

John Maltby. CEO of Commercial, Lloyds Banking Group.

John Maltby is the CEO of Lloyds TSB Commercial, a division of Lloyds Banking Group which provides relationship banking services and products to around 1 million business customers with an annual turnover of up to £15m, supporting both the personal and business needs of entrepreneurs at all stages of their business lifecycle.

The risk of a company failing through lack of cash in the months immediately following a resumption of economic growth is very real.

At the same time, many businesses turn changes to their advantage by reshaping their operating model and market position, which can demand investment.

While surviving the recession is widely understood to require good financial management, when the upturn arrives both expansion and business transformation mean that you may need to review your company's whole financial structure.

And there may not be much time. Recovery will happen at different times in different sectors but if you are prepared then you have a competitive advantage. Being able to react quickly to the opportunities this uncertainty can create may make all the difference to the future of your business.

Because, however well your business model worked prior to the tough trading conditions, the landscape you operate in is likely to have changed when things

improve. For example, new rules may have been drawn up regarding payment, procurement and delivery.

Do you have the cash flow or short-term facilities necessary to fulfil the first major new order to land on your books? Has a supplier changed payment terms and left a previously healthy cashflow exposed? What impact has there been on the cost of raw materials?

Such a proactive review is ideally carried out with a banking partner. By doing this, you can ensure that your lender knows your business, can respond quickly when the time comes and can also guide you on the financial package that will give you the flexibility, protection and cost efficiency you need.

The following pages outline a number of options, such as asset based lending, which allows you to free up cash as your sales grow, and debtor insurance, which protects you from challenges such as customer insolvency.

With the right advice and ability to invest quickly in new equipment, technology or people, a changing economy can help you improve your market position and profitability.

So while it may feel like harder work than ever to keep a business going during the downturn it is definitely worth finding the time to step back, take stock, talk with someone who can offer impartial advice and plan a future with the right financial backing for growth.

“ Now may be the ideal time to look at whether a loan can help you take advantage of situations created by the downturn. ”

Loans.

Most loans are used to fund investments in tangible things such as property, plant and machinery, vehicles, IT or shopfittings.

But loans might also be useful for major one-off increases in working capital requirements. Now may be the ideal time to look at whether a loan can help you take advantage of situations created by the downturn, such as buying cheap surplus stock from a failing competitor.

Unless it's for a small amount, you'll often need to provide security for a loan – such as property or other assets and as it's a longer term commitment than an overdraft, you'll need to decide how long you wish to make repayments and whether to go for fixed or variable rate of interest. Again, your bank can set out the options.

Commercial mortgages.

Traditionally, these are used for initial investment in premises or properties.

If you own your business property, you could use it to secure a commercial mortgage or a long term loan to aid business development.

It's similar to remortgaging your residential property in order to finance an extension, and may be the best way to cover the costs of refurbishing your property.

Any property given as security which may include your home, may be repossessed if you do not keep up repayments on your mortgage or other debts secured on it. All loans are subject to status. You should not apply for an amount that you cannot comfortably afford to repay.



It's important to remember that your business will either need to be able to cover repayments already or the benefits of the investment will need to add sufficient income to meet the costs.

Subject to your ability to repay, you'll be able to borrow up to a certain percentage of the value of the property. Talk to your bank about the options.

Debtor insurance policies.

One of the risks of a recovering economy is that it is difficult to know how well your customers are performing financially.

Debtor insurance products are pretty straightforward. The provider risk assesses all of the companies which may owe you money and then insures against them failing to do so for a variety of reasons, from late payment to customer insolvency issues.

It offers peace of mind – particularly if your company is an asset light operation, such as a consultancy. Knowing the insurance is in place can give you the confidence to agree to an order which requires you to raise stock levels or invest in raw materials.



Interest rate movement protection for international trade.

Exporting can be a great new source of revenue for businesses but volatile currency markets can wipe out profit margin overnight.

One way to ensure that a great deal struck at a certain exchange rate still looks as good when you receive payment six months later is to take out protection against the Pound falling further during that time.

There are different degrees of protection, depending on how much of a risk you are willing to shoulder and bearing in mind that a currency swing in your favour can improve your profit.

Offsetting the risk of currency fluctuations can help an SME find its feet in the export market or ride out a particularly turbulent economic period.

Vehicle finance.

If your business requires even one vehicle to operate effectively it can be frustrating to realise how much financial pressure this puts you under.

As well as funding investment in your transport needs, vehicle finance allows you to essentially 'sell' your fleet to a third party and let them manage all of the associated issues such as maintenance.

This isn't a loan, there are a choice of funding options depending on whether you want to own the vehicles at the end of the agreement. There can even be tax advantages.

For all these options and more, consult your banking partner and advisors.

Equity based funding.

Issuing shares in return for an injection of equity can offer an alternative to taking on debt for SME owners.

Among the many positives of a recovering economy is the renewed interest from investors in growth opportunities. But even through this recession, additional help has been made available to SMEs from various sources.

One such scheme initiated by the Government in partnership with a number of banks, including Lloyds TSB, are Enterprise Capital Funds.

Not all of the traditional borrowing options are open to all companies – sometimes through no fault of their own.

Launched in January 2009 to address the cashflow, credit and capital needs of businesses, the initiative will provide a £75 million equity fund, made up of £50m of Government funds and an additional £25 million from the major banks involved.

Your company may qualify for equity or quasi equity of £250,000 to £2 million if you have a turnover of up to €50 million and can demonstrate a viable business model and growth potential.

If you would like to explore this option further, call the Capital for Enterprise Fund Registration Helpline on **0845 4599780** or visit **www.berr.gov.uk**

“Offsetting the risk of currency fluctuations can help an SME find its feet.”

As well as Government-backed equity options, private investors can also provide capital to support expansion.

For example, venture capitalists can invest directly in your business. This would be as part of a wider portfolio of companies whose funds are under their control.



Business Angels.

Early stage investors typically account for between £800 million and £1 billion of cash pumped into fledgling companies each year.

Think Dragons' Den.

Typically high net worth individuals, Business Angels put up their own cash or join other people to invest in growing ventures in return for a share of the company.

But their involvement isn't always just about cash. Their own skills, experience and contacts can prove just as valuable. Once you have involved them with your firm they are often very committed and hands on. You'll need to be investment ready with a solid business plan, clear evidence of the capability to deliver on the plan, including what you're looking for from the Angel and a structure both to enable the investor to manage their investment and to exit when the time is right.

To make the most of your backing it's a good idea to find an Angel with experience of your sector and see what they can bring to the table other than finance.

Your relationship manager may know of local networks and investors interested in your sector but a good place to get more information directly is the British Business Angels Association www.bbaa.org.uk

Asset based lending.

Having solid cash flow is essential for any company planning to make the most of the upturn.

Working capital is crucial to consolidating your trading position and can mitigate future risk or even give your firm a competitive advantage.

Asset based lending which includes factoring and invoice discounting, is proving increasingly popular in the current climate due to the flexibility it offers firms of all sizes.

It essentially draws on existing assets such as a firm's sales ledger, plant and machinery, property or stock, injecting funds into a company in order to provide rapid access to working capital.

This degree of flexibility has seen asset based lending move steadily into the mainstream finance arena, successfully establishing itself as an integral part of the funding landscape for buyouts, acquisitions and refinancings of all sizes across all sectors, as well as providing capital for expanding SMEs.

This can really help focus your efforts on this essential cashflow, ensuring you address issues such as reducing debtor days or maximising stock turn.

Facilities are also regularly reviewed and can be scaled up to meet your firm's needs.

The best lenders will adopt a relationship-led approach, using their experience to guide your management team and tailor facilities according to your unique assets, trading history, current requirements and business plan.

There are a few key factors to consider when selecting a lender.

A good provider will assess your company's trading history and make a lending decision based on the confidence they have in your strategy and ability to drive growth.

These are also the funders most likely to 'stretch' their facilities to suit the business rather than withhold funds and potentially leave it dangerously short of cash.

In a challenging economic environment, the ability to closely manage and control capital is a necessity and asset based lending is a proven tool for ensuring cash can flow during the recovery.

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Accessing support.

Accessing support doesn't have to mean finance. There are plenty of advisors and organisations prepared to offer guidance and expertise to help you take your company forward or tackle a particular situation.

There are many different directions a SME owner can turn for support, advice and funding.

So where do you start?

The best choice is with someone you trust. If you've had the same accountant for several years it is hopefully because they offer you a service and degree of industry insight above and beyond filing your taxes.

Maybe it's your banking partner or solicitor. Whoever you choose it should be because they are knowledgeable and prepared to give you time to discuss issues or future strategy.



“ Always be conscious that if you aren’t taking advice, your competitors may be out there drawing on expert guidance. ”

Working together.

If you have chosen your advisors well they should have knowledge of your sector and be able to point you in the right direction for networking, finance, recruitment and general advice – not necessarily just to their own products.

A good advisor should have a good contacts book. Can they introduce you to new business prospects or other SMEs which have experienced similar issues to your own?

Try not to involve them at the last minute. The sooner you bring an advisor into the frame the sooner they can begin to help you access finance, reshape your strategy or identify issues you may not have considered. Any significant move, such as an acquisition, ideally requires these advisors to be working together from the earliest opportunity to ensure that the deal is structured to your needs and funded in the most efficient way.

As well as banking partners, lawyers and accountants, there are other advisors whose time and expertise can be invaluable.

Organisations such as Business Link offer a wealth of free advice to SMEs as well as important insight into how to unlock Government funding, deal with legislation and tackle issues such as health and safety – see www.businesslink.gov.uk for more information.

They can also guide you on topical matters such as the environment, highlighting the best way to secure grants or promote initiatives your company has undertaken.

Always be conscious that if you aren’t taking advice, your competitors may be out there drawing on expert guidance in order to win regional funding to move premises or help recruit graduates.

As we have highlighted throughout this guide, the upturn should be seen as a change in economic circumstances which brings opportunities that your business can prepare for. It requires you to be sharp, consider pitfalls, spot opportunities and not get left behind by the speed of change.

There’s no need to tackle it on your own.

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Useful contacts.

The web addresses listed below are good reference points to help you prepare your business for the upturn:

British Chambers of Commerce
www.britishchambers.org.uk

British Franchise Association
www.thebfa.org

Business Link
www.businesslink.gov.uk

Business Eye
www.busesseye.co.uk

Business Gateway
www.bgateway.com

Companies House
www.companieshouse.gov.uk

HM Revenue and Customs
www.hmrc.gov.uk

UK Intellectual Property Office
www.ipo.gov.uk

The Prince's Trust
www.princes-trust.org.uk

Federation of Small Businesses
www.fsb.org.uk

The Chartered Institute of
Marketing (CIM)
www.cim.co.uk

Institute of Credit Management
(ICM)
www.icm.org.uk

Chartered Institute of
Management Accountants (CIMA)
www.cimaglobal.com

Forum of Private Business
www.fpb.org

The Confederation of
British Industry (CBI)
www.cbibookshop.biz

Institute of Directors (IoD)
www.iod.com

Association of Chartered
Certified Accountants (ACCA)
www.accaglobal.com

The Institute of Chartered
Accountants in England
and Wales (ICAEW)
www.icaew.com

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