

A step in the right direction

By Andrew Steen, Managing Director of Redwoods Dowling Kerr



This scheme is aimed at small to medium sized enterprises and businesses and backed by the Government, who will provide a 75% guarantee to lenders on business loans. The guarantee can be used to support refinance existing loans, new loans or to convert part or all of an existing overdraft into a loan to release capacity to meet working capital needs.

Andrew comments 'The scheme was initially launched to replace the Small Firms Loan Guarantee Scheme on 14th January last year and until the latter part of last year there was uncertainty as to how successful this scheme actually was, many editors would suggest that the Government was not meeting it's promised £1.3bn Enterprise Finance Guarantee.

However, the last quarter of 2009 provided some impressive results with an influx of financially sound offers and sale completions backed by the fund'.

He continues 'A prime example of this is Buzy Bee Day Nursery in Coventry. The nursery has a registration of 30 children with the potential to increase this further in the future. Purchased by Maureen Frindi a nursery nurse of 18 years. Maureen raised £275,000 to buy her own nursery with £71,000 backed by the scheme'.

Maureen says 'I have worked in the care sector for many years and have a very good name in the social care industry, where I have experience of looking after children and adults. After so many years

Whilst there is no denying that 2009 was a difficult year for any small, owner managed business, it is evident that a leap of faith has once again sprung into the sector. The looming economic climate did not suppress the appetite we at Redwoods Dowling Kerr have experienced from buyers. However, it did linger in the air and managed to delay a lot of deals due to higher precautions being taken by banks and lenders, through tighter credit referencing and administrative controls. That said, over the past two years we have managed to complete over 125 nursery sales, so despite a few months of over complications, the sector is still very much as buoyant as we have seen in previous years.

Leap of faith

On the 9th December 2009 the Chancellor announced a 12 month continuation of the Government Enterprise Guarantee Scheme (EFG).

Enterprise Guarantee Scheme – Know the Facts

Last year over £150 million of government backed loans to over 1,650 businesses were issued. The success of the EFG scheme has earned the scheme another 12 months, but what do you need to know?

- The Government provides 75% loan guarantee on individual loans made by participating lenders.
- The business should have a viable business plan in place to utilise the loan.
- The EFG loan is open to businesses with an annual turnover of up to £25million seeking loans between £1,000 and £1million.
- The loans can be used as a new loan for a business purchase or new business venture, they can also be used to refinance existing loans and to move long term debt from an existing overdraft into term loan to release capacity and meet working capital requirements.



being an employee, I decided it was time to become my own boss. I originally thought about buying a care home, but in the end opted for Buzy Bee which was an excellent decision. Working with children is extremely rewarding - they are our future and it is a privilege to be involved in their learning and development. It has been a big change, but it was a fantastic opportunity and I'm thoroughly enjoying the challenge'.

Chris Bull, Director of Clear Business mortgages is a firm believer in the EFG scheme and comments 'Following a slow start in 2009 the much heralded Enterprise Finance Guarantee scheme has started to kick into life leading to a market increase in loan liquidity available to the Small to Medium enterprises market. A number of high street banks are actively looking to assist would be buyers with funding packages backed by the EFG scheme. The EFG scheme opens up a much wider

range of funding options, especially in the leasehold area of the sector. The Government backed scheme allows lenders to grant up to 70% of the purchase price, providing the standard tests of affordability are met and a good client is the buyer. Before the scheme, such funding was granted on a case by case basis and at the most at 50% of value without security. There is good news for freehold purchasers too with a couple of notable lenders re-entering the market place this year. At Clear Business Mortgages we have already secured a number of packages for both leasehold and freehold day nurseries - a sure sign that the outlook is improving'.

In conclusion

The number of nurseries that Redwoods Dowling Kerr has sold in the first two months of this year have been impressive. January and February have seen some interesting yet challenging deals for us, many of

which have been funded through the Enterprise Finance Guarantee Scheme (EFG). In the past few weeks alone two nurseries that have only been on the market four weeks have had good offers accepted and are now undergoing legal proceedings. Although this scheme has only just started filtering through to completions and in turn our marketing statistics, we have already seen more sales in this period compared to last year. This is certainly interesting and exciting news for the sector and without a doubt a step in the right direction. ■

- For further information about how you could benefit from an EFG loan, or if you are considering buying or selling a day nursery contact Andrew Steen directly on 07590 777 854.