



FALKLAND ISLANDS
DEVELOPMENT CORPORATION

Applying for finance from FIDC

FIDC is committed to ensure the successful development of businesses and a positive business environment in the Falkland Islands. The provision of financial assistance to individuals, commercial enterprises or other organisations forms an important element of that purpose.

The following guide outlines the process that is involved in an application for finance being developed and approved. FIDC's Development Officers (DO's) are able to help with any aspects of the loan/grant application. However, it is important to remember that input from the client will be a determining factor for the success of their application as they are the owner of the project. ***A fundamental principle guiding our lender-borrower relationship is that FIDC is committed to responsible lending and will only lend amounts that will not burden borrowers with an unacceptable level of debt of repayments. Equally, FIDC will ensure that the risks to which its funds are exposed are kept at an acceptable level.***

PROCESSES PRIOR TO APPROVAL OF A LOAN/GRANT

As a client and potential future borrower, you will need to commit to the procedure described below in order to secure approval for the finance you are requesting.

1. Initial enquiry

After your initial enquiry, a meeting will be arranged with one of our DO's to discuss your business proposal where they will consider how feasible your project is. If it hasn't been adequately planned, the DO will discuss with you which areas need adjusting. ***Key to the success of your business is to build your proposal on a robust business plan based on sound preliminary market research. We are here to guide you through this initial stage of your project.***

2. Application

When the DO considers that your project is sufficiently developed, you will be given a form for applying for finance. The aim of this document is to demonstrate that your business proposal is robust i.e. based on relevant skills, experience and market research for FIDC to lend you the required amount of money.

If we consider that your proposal has areas for improvement, we will discuss this with you and you will be given every opportunity to resolve any issues with your project before the application goes any further.

You should return the completed and signed form along with: 3 years of historic accounts (for existing businesses only), 3-year Profit and Loss forecasts, 3 year Balance Sheet forecast, and 3 year cash flow forecast. All business cases in respect of applications for loans need to demonstrate commercial viability into the medium-term, whilst contributing to the objectives of FIDC on a sustained basis. ***Carefully working out the financial projections and showing that the money you require***

from FIDC will be beneficial to your business is part of our commitment to responsible lending. FIDC also needs to ensure that the risk to which its funds are exposed is minimised and that it does not financially support any ventures when it is not appropriate to do so.

Templates are available to help you and the DO is able to guide you through the process of financial forecasting. You should make sure that your figures mirror the project described in your application form and are realistic. To manage the financial risk involved in your project, it is also important that you include all relevant costs and the best and worst case scenarios.

Discussions about your project occurring between our Development Officer and yourself are context specific and should be kept strictly confidential. The advice provided by FIDC aims to give you and your business the best possible chance of success.

Working out a robust business case with our DO is vital to give your loan application the best chance of being approved. Should your business case not be robust, the DO will help you explore alternative business models.

2.1 Borrowing criteria

FIDC may provide loans for the purchase of land and buildings, plant and equipment, fixtures and fittings or vehicles and for financing working capital requirements. ***It is important to note that loans will only be provided for business purposes and, as stated previously, be assessed on the ability of the borrower to repay.***

Where funds are sought to purchase land or buildings then the applicant must demonstrate the ability to own land (either through right of status or licence granted by Executive Council) and obtain full planning permission and any other relevant approval prior to a loan being released.

2.2 Interest rate policy

The term of the loan and the interest rate applied will be advised by the DO when discussing the assistance needed in order for you to fill in the Profit and Loss forecast. FIDC has an interest rate policy in place with a range of available options, the most common being a variable interest rate as detailed below:

- Secured loans = 2.5% above bank of England Base.
- Unsecured loans = 3.5% above the Bank of England base rate.

A deposit of 10% is usually required for an application to be accepted. However, FIDC does maintain a level of flexibility, subject to the borrower's exceptional circumstances, so it is worth discussing this with a DO.

2.3 Security

FIDC loans are secured by collateral, which is property in which a security interest is granted to secure repayment of the loan. The loan collateral may include business assets, stocks, bonds, or personal assets. When determining the security to be taken the DO will inform you if a formal valuation of the security is required. FIDC provide both secured and unsecured loans, however where security is available it will be sought.

2.4 Pre-payment conditions

Pre-payment conditions are attached to loans to reduce the risk to you and to FIDC. Taking security is the most common pre-payment condition. Where we have taken security over a property, it is normal to require evidence of insurance over the property. FIDC may also require loan applicants to take adequate life insurance for the duration of the loan, in order to protect the applicant as much as the Corporation.

3. Assessment

Once they are in agreement that the loan is robust and in line with the Corporation's objectives, the DO will write up your application and refer it to the relevant internal body with the aim of securing their approval. FIDC has a policy in place where the level of funding requested determines which body is relevant for assessing the application but they reserve the right to seek approval from the body they see fit.

You will be informed of the decision verbally (normally on the same day) and in writing within a week of the meeting.

If you are not satisfied with the decision, you are invited to come back to us and we will explain how and why the decision was aimed at and what your options are to take the matter further.

PROCESSES FOLLOWING APPROVAL OF A LOAN/GRANT

Once your application for finance has been approved, you will need to go through the following steps for the funds to be made available to you.

4. Loan/grant contract (or loan/grant facility Letter)

The loan/grant facility letter is the contract between you as the borrower and FIDC as the lender. The content of this letter is confidential and you should only discuss it with the Corporation and your solicitor. It will be sent to you and, should you wish to accept the offer, you will be required to sign it along with a witness who is on the electoral register. **Once signed, it becomes a legally binding document.** The contract should be returned as soon as possible and within an agreed period (generally 30 days).

5. Appointing a solicitor

In some circumstances, it will be necessary for you to appoint a solicitor to progress some aspects of the contract. Your solicitor will advise you regarding the process of the application going forward. If FIDC has to appoint a solicitor for the preparation of security documents or to undertake conveyance then you will be liable for the legal fees.

6. Draw down of funds

Funds will normally be released to your solicitors account. The funds will be available to you once a signed loan facility letter has been received by FIDC, all pre-payment conditions have been met, the security (if required) has been secured and the settlement date has been confirmed.

7. Maintenance of loans

You are committed to repay your loan as stated in the repayment schedule referred to in the loan facility letter. Should you face difficulties in paying back your instalments, you will need to consult FIDC to see which arrangements are available. If your repayments are late and you haven't consulted FIDC then you are liable for any administrative charges set out in your loan facility letter and you will receive correspondence from FIDC's finance department regarding this.

8. Follow-up advice

FIDC's involvement does not just end once your loan/grant application has been finalised. **Should you wish to discuss how your business is performing, FIDC are here to offer support to any business whether it is in the form of business health checks or, once your business is reasonably established, assistance with new projects to expand or diversify.**