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## BE AN ANGEL: AN IN-DEPTH LOOK AT ANGEL INVESTING & HOW TO MAKE THE MOST OF THE OPPORTUNITY



IN PARTNERSHIP WITH





# British Business Bank

**Be an Angel: An in-depth look at angel investing and  
how to make the most of the opportunity**

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**7<sup>th</sup> February 2024**

**Lewis Stringer, Senior Manager – East and South-East  
Midlands, UKN**

[british-business-bank.co.uk](https://british-business-bank.co.uk)  
@BritishBBank

## Who we are

The British Business Bank is 100% Government owned, but independently managed. We bring expertise and capital to the smaller business finance markets.



We don't generally lend or invest directly. Instead, we work alongside over **218** delivery partners such as banks, leasing companies, venture capital funds and web-based platforms.



Businesses access capital through our partners who, because they work with us, can lend and invest more, especially to younger and faster growing companies. Operating indirectly gives us greater scale, reach and impact to our interventions.

# Our strategic objectives

## Driving sustainable growth

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ensuring smaller businesses can access the right type of finance they need to start, survive and grow



## Backing innovation

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ensuring innovative businesses can access the right capital to start and scale



## Unlocking potential

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unlocking growth by ensuring entrepreneurs can access the finance they need regardless of where and who they are



## Building the modern, green economy

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financing groundbreaking solutions to climate change and helping smaller businesses transition to net zero so they thrive in a green future



# Overview of debt solutions

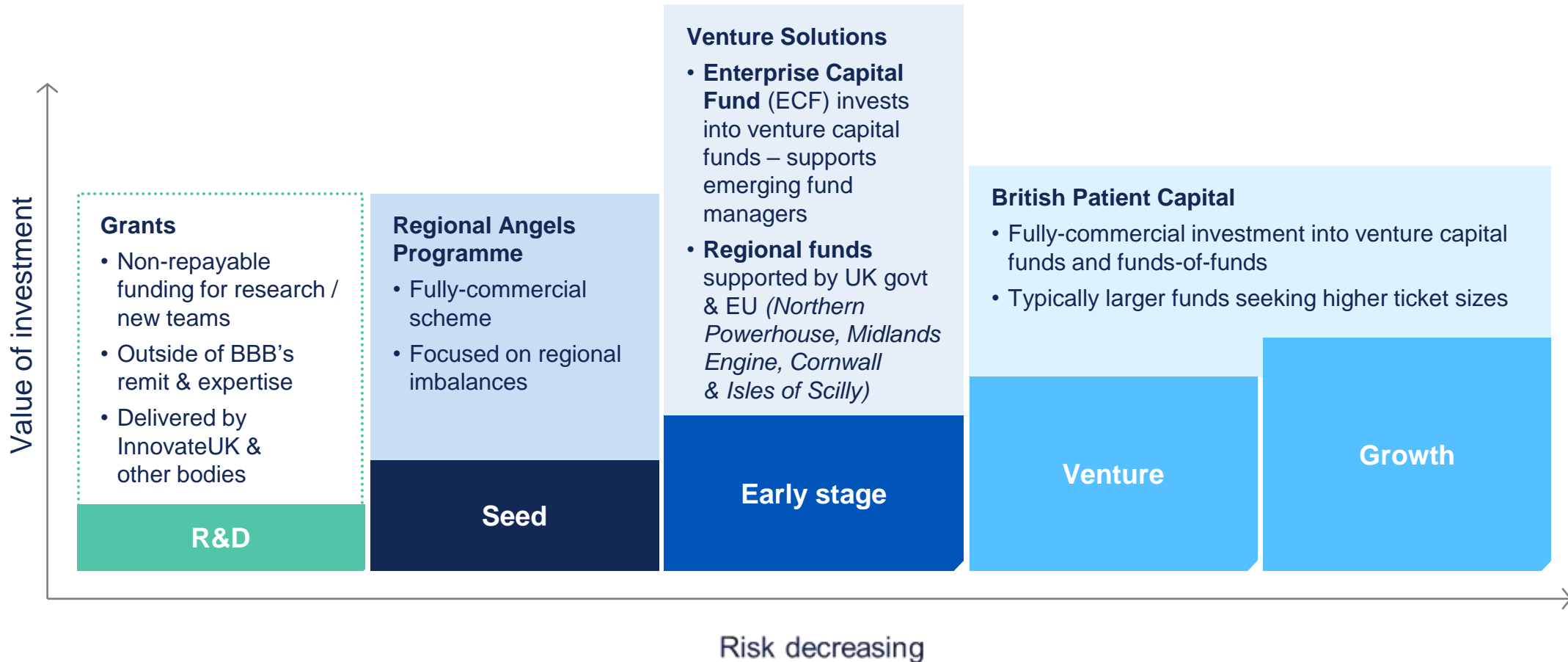
Illustrative





# Overview of equity solutions

Illustrative



# Thank you

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## Contact details

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# Rod Beer

Managing Director, UK Business Angels Association



# UKBAA

UK Business Angels Association

**How to Angel  
Invest like a Pro**

# About UKBAA

The UK Business Angels Association (UKBAA) is the trade body for angel and early-stage investing in the UK, representing over 200 member organisations and around 17,000 investors.

Our members collectively invest an estimated £2 billion per annum and are the UK's largest source of investment for start-ups and early-stage businesses seeking to grow.

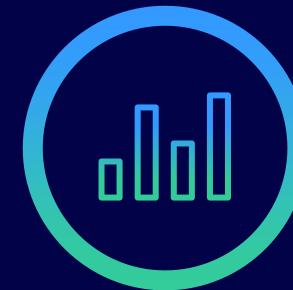
UKBAA acts as the voice of the early-stage investment community and strives to build, train and connect the seed investment ecosystem to ensure a coherent landscape for financing high-potential entrepreneurs.



**100's ANGELS**



**103 ANGEL  
GROUPS**



**50 FUNDS**



**15 PLATFORMS**

# Our work at a glance



## CONNECTING

We work to build better connectivity across the investment landscape through our programme of events, our online investment platform and our network of angel hubs.



## EDUCATING

We upskill investor and founder communities through elearning courses, workshops and roundtables. Improving the capacity to effectively deploy early-stage capital.



## REPRESENTING

Through research and collaboration, we work with industry to define market challenges and champion change to government, opinion formers and business leaders.



## PROMOTING

From providing market intelligence on key trends to reporting on new developments in the investment landscape, we raise awareness and understanding of early-stage investing as an asset class.

# The Upside

## MAKE AN IMPACT

Backing businesses brings meaningful societal impact. Not only through the jobs they create but through innovating.

## BUILD RETURNS

Strong returns evidence across seed stage investment ecosystem.

## HAVE FUN

Picking and backing top founders is incredibly rewarding.



# The Returns Performance

**13.1%**

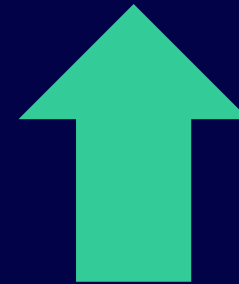
**ANGEL INVESTING**

IRR, not including the tax breaks

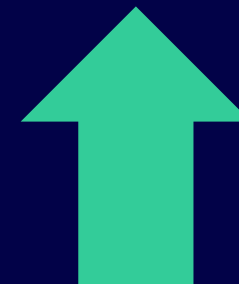
**5.6%**

**FTSE**

All share index



**Number of VC-backed Exits up  
76%**



**VC-backed Exit value up  
785%**

# Where the exits come from

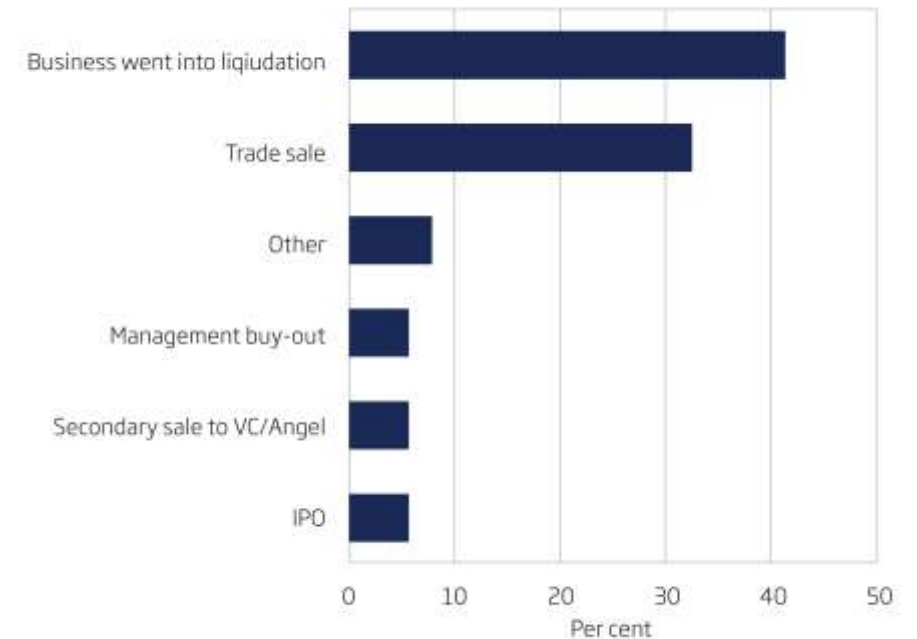
The most common form of exit is the company going into liquidation.

Most exits happen through trade sale, IPO's are relatively rare.

FIG 4.25

## Exit route for each business angel exit

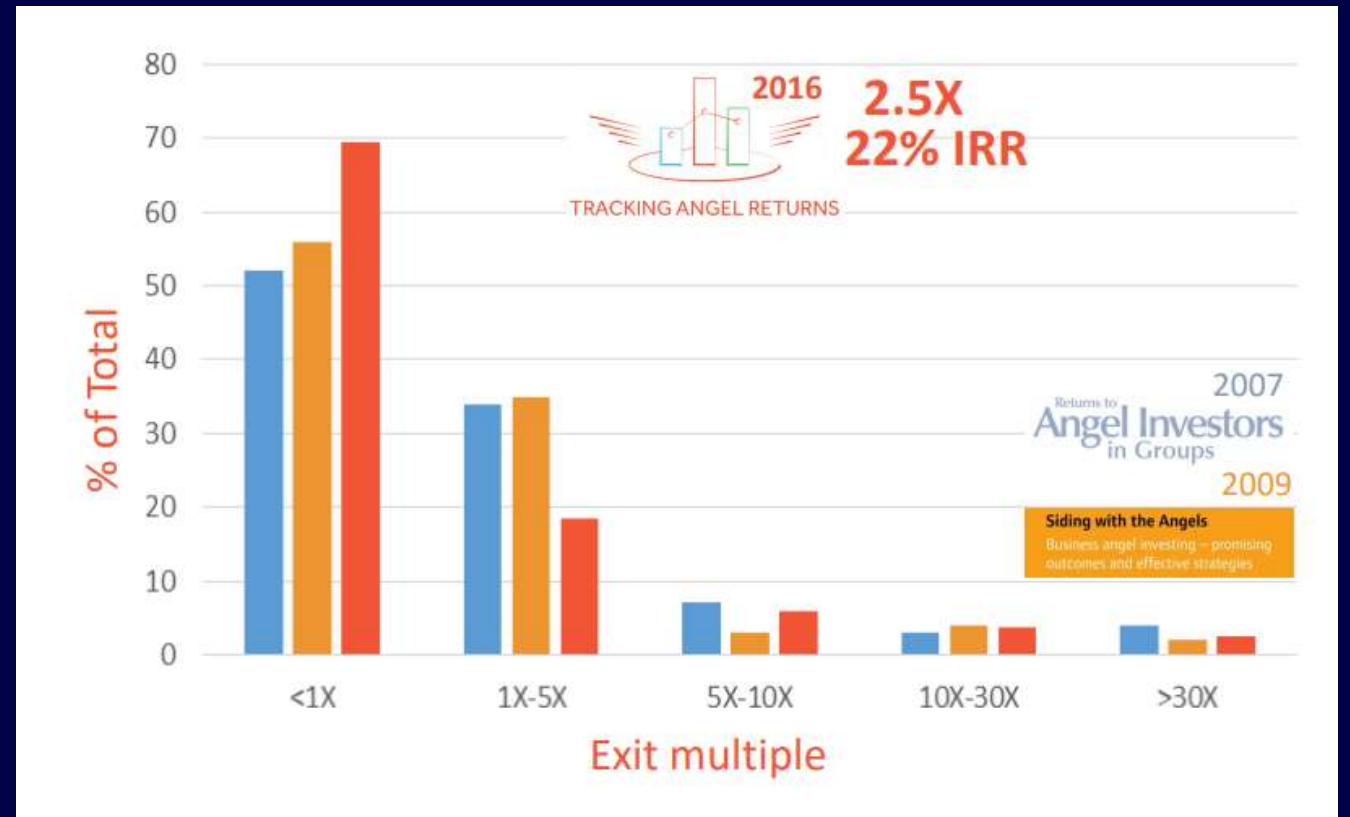
Source: C3. For each of these exits, what was the exit route? (telephone survey, n=88)





# The Risks

80–90% of the returns come from 10–20% of a portfolio



# Key Risk Mitigators



## SEIS

Invest up to £100,000 p.a.

50% tax relief

Loss, CGT, IHT relief

CGT free gains!



## EIS

Invest up to £1m p.a.

30% tax relief

Loss, CGT, IHT relief

CGT free gains!

# Leverage Other Finance & Reduce Risk Exposure

Equity investment acts as a cornerstone to many other forms of finance, particularly grant funding and co-investment funds. 86% of angels co-invested alongside other types of finance providers.



# Once you've invested, support your founders!



## RE-INVEST

Make sure you can follow your money



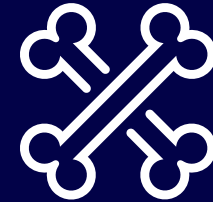
## ADVISE

It's tough starting a business, they'll need guidance from people who've done it before



## INTRODUCTIONS

Other investors, potential customers



## LEAVE THEM ALONE

If you can't bring real value then leave them alone to focus on building a business

# Portfolio Diversification



# Three Key Things



## It's a marathon not a race

You build your portfolio up over a number of years. Look to invest in no more than 3-5 businesses a year



## Keep some dry powder

You need to re-invest more money in those that start to look like one of your one in ten star performer



## Review a lot of deals

Build up your pattern recognition skills by reviewing a lot of deals, you'll start to see what great looks like

# Follow a lead investor

A lead investor has more experience in deal execution and may well know more about the sector. By trusting their judgement and experience, you'll be able to invest outside your sector knowledge





# Join an Angel Group

- Wider and stronger dealflow
- They have lead investors
- 'Buy in' power to deals
- Share the DD burden
- More capital
- More insight
- More contacts
- It's Fun!



# Self-Certification Threshold Increase: Timeline, Docs and Links

## 3/22 Response to Treasury

UKBAA, along with other bodies made clear that the thresholds should remain as they are, highlighting the likely negative impact on Angels, Angel groups and in particular women and underrepresented investors and founders.

## 11/23 Treasury Publishes Official Response

The Official response was published in November, UKBAA shared this outcome amongst our community. There was a very short time frame for adoption.

## 01/24 UKBAA Doubles Down

Using our research along with the analysis on the income levels by [Hermesa](#) and [Alma](#) we wrote to Treasury emphasising the impact on women and underrepresented investors and founders.

## 12/21 Treasury Consultation

The treasury engaged with industry bodies to understand the impact of the proposed changes to the exemptions, sighting significant changes to the market since the last update 15 years ago.

## 10/23 UKBAA Writes to the Chancellor

While awaiting the results to Treasury's consultation, we wrote to the Chancellor ahead of his Autumn Statement, alerting him to the potential impact on underrepresented investors and founders.

## 12/23 UKBAA Issues Guidance and Templates

Led by RW Blears from the UKBAA Legal, Tax and Regulatory Committee, a detailed explanation guide and adapted self certification templates were shared to our community.

## 01/24 What is Next?

Making a noise. There are many bodies approaching government and treasury through multiple channels. There will be an update from us soon on this, working alongside The Startup Coalition.

**For guides,  
events and all  
things  
investing, visit  
[ukbaa.org.uk](https://ukbaa.org.uk)**





# Inger Anson

Partner, Head of Cambridge Office, hcr hewitsons

# The financial benefits of being an Angel Investor

Inger Anson

**hcr**  
hewitsons

# Financial benefits

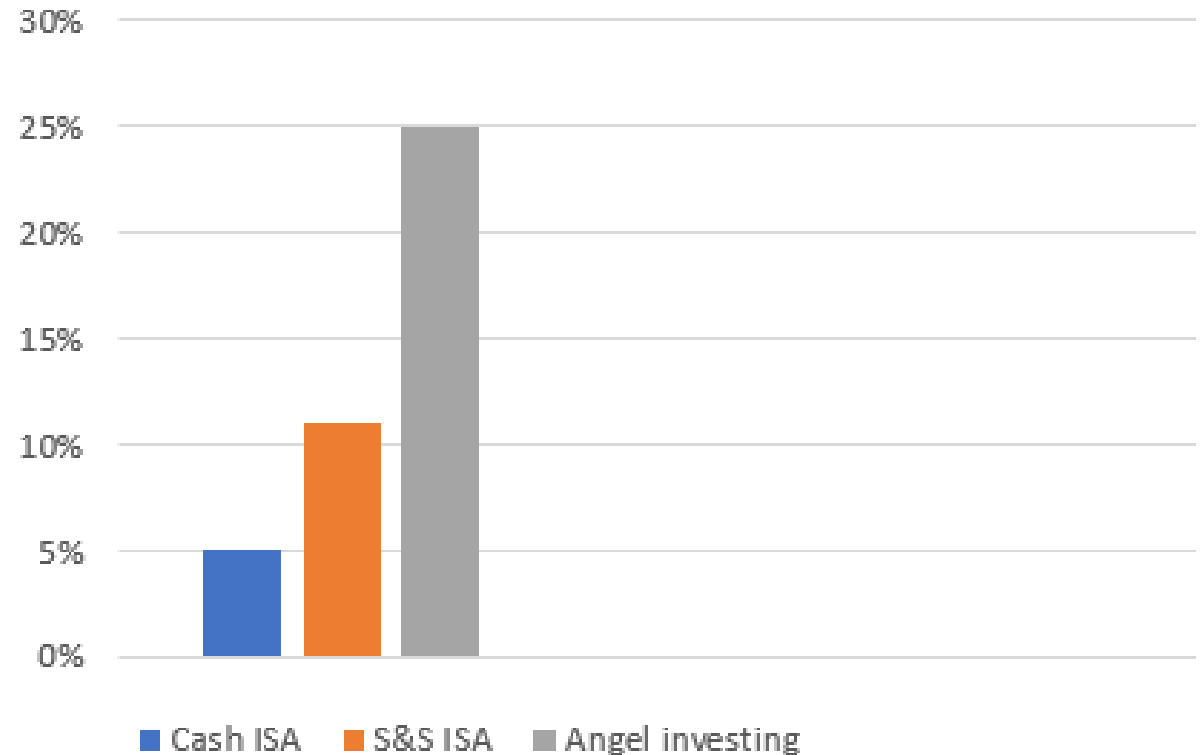
- Potential significant return on investment
- Tax incentives
  - SEIS
  - EIS
  - VCT
- Loss mitigation



# Significant ROIs

## ISAs vs EIS Investing

Average Annualised Returns - 2000 to 2021





# Tax Incentives

- Seed Enterprise Investment Scheme (SEIS)
- Enterprise Investment Scheme (EIS)
- UK government initiatives designed to encourage investments in small and high-risk trading companies by offering tax reliefs to individual investors
- Significant tax breaks for investing in early-stage, 'high-risk' companies
- 2021/2022 - 2,270 companies raised a total of £205 million under SEIS, up 16% from 2020/2021 - 2,105 companies raised £176 million
- 2021/2022 - 4,480 companies raised a total of £2,305 million under EIS, up 39% from 2020/2021 - 3,765 companies raised £1,662 million

# Reliefs

- Income tax relief - reduce your income tax bill by 30 per cent of the sum invested
- CGT relief - any capital gain on disposal is exempt from capital gains tax
- IHT relief – qualify for Business Property Relief for Inheritance Tax purposes at rates of up to 100%
- CGT deferral relief – CGT otherwise due on disposal of other assets may be deferred
- Loss relief - if sold at a loss, loss can be set against either income or chargeable gains

# SEIS Reliefs

- SEIS offers mostly similar incentives to EIS
- Key difference - reduce your income tax bill by 50 per cent of the sum invested
- Three year qualifying period for most of the above to apply!

# Illustration

A 45% taxpayer invests £15,000 in an EIS company:

	Shares sold at 1X amount paid	Shares sold at 3X amount paid	Company fails
EIS investment	£15,000	£15,000	£15,000
Income tax relief	£4,500	£4,500	£4,500
Net investment	£10,500	£10,500	£10,500
Proceeds on disposal	£15,000	£45,000	£0
Income tax loss relief	-	-	-£4,725
CGT payable	£0	£0	-
<b>Net profit/loss including income tax relief</b>	<b>£4,500</b>	<b>£34,500</b>	<b>-£5,775</b>

# EIS Conditions – the Company

- “new” business - less than seven years old
- fewer than 250 full time employees (500 if “knowledge intensive”)
- £15m of gross assets before any investment (£16m afterwards)
- taxable in the UK (though it can also trade outside the UK)
- it must not be a subsidiary or under the control of another company
- excluded trades – examples include financial services and property development, trading, management
- company cannot raise more than £5m under EIS/SEIS/VCT over a 12 month period (£10m if “knowledge intensive”)
- lifetime limit of £12m (£20m if “knowledge intensive”) per group

# EIS Conditions – the Investment

- shares must be new fully paid-up in cash
- shares must not carry any preferential rights on winding up
- shares must be issued for genuine commercial purposes
- shares must not be listed on certain stock exchanges
- investor must be exposed to a genuine risk of losing their capital
- investment monies must be used for the trade

# EIS Conditions – the Investor

- must hold the shares for at least three years
- must be over 18
- maximum investment through EIS is £2m per year (£1m of which must in knowledge intensive businesses)
- maximum shareholding in a single company must not be more than 30%
- must not be employed by the company



# SEIS Conditions

SEIS has mostly similar conditions to EIS – key differences are:

The Company:

- “new” business - less than three years old
- not more than £350,000 of gross assets
- fewer than 25 full time employees
- cannot raise more than £250,000 under SEIS
- must not have previously raised money under EIS or received VCT funding

The Investor - maximum investment through SEIS is £200,000 per year

# SEIS/EIS – the pitfalls

- State Aid – Employment Allowance, R&D, grant funding
- No preferential rights
  - Deferred shares
  - Growth share schemes
- Rules around being a director

# VCTs

- Government initiative to promote investment
- Listed company making high risk investments
- Invest in young companies with rapid growth potential
- Can be sector specific
- Reliefs:
  - Income tax - 30% up to £200,000
  - CGT free
  - Tax free dividends

# Other benefits

- Diversification
- Personal involvement
- Access to new ideas and innovations

# Risks

- No guarantee of growth
- Significant failure rates
- Illiquidity
- Limited information



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**CHAMBERS**  
AND PARTNERS

# Discussion Panel

Rod Beer, Managing Director, UK Business Angels Association  
Inger Anson, Partner, Head of Cambridge Office, hcr hewitsons  
Rob Purdie, Advisory Group Member, Central Arc Angels  
Pim van Baarsen, CEO at Silverstone Technology Cluster

# Fireside Chat

Jamie Roberts, Partner, YFM Equity Partners

Aaron Phethean, Founder, Matatika Limited





**MATATIKA**  
BYTE SIZED INSIGHTS

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