Seed Enterprise Investment Schemes (SEIS) 2022/3

By

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Contents

Introduction

This report has been commissioned by IFA/GBI Magazine to outline SEIS investments as an educational piece to give advisers sufficient information to enable them to be confident to speak about them with their clients. This is one of four parts of the project to cover Tax-Efficient Investment. There are separate reports on EIS Funds, Venture Capital Trusts and Business Relief and other tax-efficient investments.

Primarily, the schemes were introduced and have remained in place over several Government cycles as a tax-efficient means of small businesses raising capital in order for them to grow. I have included the HMRC pages outlining this.

There are several elements to EIS and SEIS schemes.

- The Investee company
- HMRC
- The investors who actually become part of the company and mentor the owners
- Fund managers who may arrange the investment into the investee companies
- Third party investors.

In my opinion, the EIS and SEIS industry has suffered because people do not understand how they work. I would be interested to see how EIS and SEIS investment accelerates the growth of companies and possibly steers many companies away from failure. Many fund managers can point to successful exits and some not-so-good exits. I would again be interested to see whether there are common factors between success and failure. Then to compare these figures with companies that have not been part of these schemes. I am sure that the effects on a company of being part of this type of funding scheme are positive.

As ever, a big thank you to all the people that have helped put this report together and the firms that have been able to contribute to the information. I hope that this report will generate business for those firms.

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What is the SEIS & EIS?

The Enterprise Investment Scheme ("EIS") is a Government scheme introduced in 1994 to promote investment into smaller, and typically higher risk, companies. The EIS provides a range of tax reliefs for investors who subscribe for qualifying shares in qualifying companies. There are five current EIS tax reliefs available to investors in companies qualifying under the EIS, which are summarised below.

The Seed Enterprise Investment Scheme (SEIS) was introduced in 2012, and is similar to the EIS, though to qualify the companies must be smaller and earlier stage than for EIS.

Whilst the original schemes were intended to encourage investments into direct companies, there are now a number of Funds and Portfolio services run by professional fund managers, providing a portfolio of earlier stage UK companies.

What are the tax benefits for individuals investing through SEIS?

SEIS investors can enjoy substantial tax benefits.

The government took the view that tax reliefs of this level of generosity should be enjoyed only as a result of investments involving high risk. By extension, they should not be enjoyed as a result of investments broadly defined by capital preservation, predictable income and lower risk. This concern was among the issues at the heart of a recent major review of the funding of innovative companies in the UK.

Income tax relief

- An individual with no more than a 30% interest in the company can reduce their income tax liability by up to 30% of the amount invested. An EIS qualifying investment must be held for no less than three years from the date of issue, or until three years from commencement of trade, if later.
- There is no minimum subscription per company and the maximum in respect of which a subscriber may obtain income tax relief in any year is £2m (provided that any amount above £1m is invested in Knowledge Intensive Companies).
- Individuals may elect to treat their subscription for EIS shares, up to their maximum annual allowance, as if made in the previous tax year, thereby effectively carrying income tax relief back one year. In other words, up to £2m may be invested of which £1m could be applied to the previous tax year.
- Individuals each have an EIS allowance of £1m, so a married couple could invest up to £2m per tax year.
- Income Tax Relief is limited to the amount which reduces the individual's income tax liability for the year to nil.

CGT Freedom

- No Capital Gains Tax is payable on the disposal of shares after three years, or three years after commencement of trade, if later, provided the EIS initial income tax relief was given and not withdrawn on those shares. However, the shares can be held for much longer, thus potentially permitting CGT free gain to accrue over a longer period. The opportunity for a CGT free gain can be an extremely valuable benefit from subscribing for shares in a successful EIS qualifying company.

Inheritance Tax Relief – 'IHT' Relief

- Shares in EIS qualifying companies will generally qualify for Business Property Relief for Inheritance Tax purposes at rates of up to 100% after two years of holding such investment, so that any liability for Inheritance Tax is reduced or eliminated in respect of such shares.

CGT Deferral Relief

- Tax on capital gains realised on a different asset can be deferred for as long as the EIS qualifying shares are held or even indefinitely, where disposal of that asset was less than 36 months before the date of the issue of shares in the EIS investment or less than 12 months after it.

- Deferral relief is unlimited, in other words, this relief is not limited to investments of £1m per annum and can also be claimed by investors (individuals or trustees) whose interest in the company exceeds 30%.

Loss Relief

- If EIS shares are disposed of at any time at a loss (after taking into account income tax relief), such loss can be set against the investor's capital gains, in the tax year of loss or carried forward to a later year, or their income in the tax year of disposal or the previous year.
- For losses offset against income, the net effect is to limit the investment exposure to 38.5p in the £1 for a 45% taxpayer, or 42p in the £1 for a 40% taxpayer if the shares were to become totally worthless.

Use the Seed Enterprise Investment Scheme to raise money for your company

The Seed Enterprise Investment Scheme (SEIS) is one of four venture capital schemes.

To find out if your company or social enterprise's proposal to raise money meets the conditions of SEIS and how to apply go to the HMRC website.

Limits on the money you raise

There is no minimum, but there is a maximum amount you can raise depending on which scheme you opt for.

The maximum amount you can raise in the lifetime of your company for:

- SEIS investments is £150,000
- SITR (Social Investment Tax Relief) investments is £1.5 million
- EIS and VCT investments is £12 million
- There may be higher limits if your company carries out research, development or innovation and meets certain conditions.

How the scheme works

SEIS is designed to help your company raise money when it's starting to trade. It does this by offering tax reliefs to individual investors who buy new shares in your company.

You can receive a maximum of £150,000 through SEIS investments. This will:

- include any other de minimis state aid received in the 3 years up to and including the date of the investment
- count towards any limits for later investments through other venture capital schemes

There are various rules you must follow so your investors can claim and keep SEIS tax reliefs relating to their shares. Tax reliefs will be withheld, or withdrawn, from your investors if you do not follow the rules for at least 3 years after the investment is made.

Source https://www.gov.uk/guidance/venture-capital-schemes-apply-to-use-the-seed-enterprise-investment-scheme

Companies that can use the scheme

Your company can use the scheme if it:

- carries out a new qualifying trade
- is established in the UK
- is not trading on a recognised stock exchange at the time of the share issue
- has no arrangements to become a quoted company or a subsidiary of one at the time of the share issue
- does not control another company unless that company is a qualifying subsidiary
- has not been controlled by another company since the date of your company being incorporated

Your company and any of its subsidiaries must:

- not have gross assets over £200,000 when the shares are issued
- not be a member of a partnership
- have less than 25 full-time equivalent employees in total when the shares are issued

If you have received investment through the Enterprise Investment Scheme (EIS) or from a venture capital trust, you cannot use SEIS.

About the investment

The shares you issue must meet the same requirements as shares issued under EIS.

The money you raise from the investment must be spent within 3 years of the share issue. You must spend the money on either:

- a qualifying trade
- preparing to carry out a qualifying trade
- research and development that's expected to lead to a qualifying trade

You cannot use the investment to buy shares, unless the shares are in a qualifying 90% subsidiary that uses the money for a qualifying business activity.

New qualifying trade

If your company is already carrying out a qualifying trade, it must not have been carried out for more than 2 years by either:

- your company
- any other person who then transferred it to your company
- Your company, or any qualifying subsidiary, must not have carried out any other trade before you started the new trade.
- Your company's trade must be treated as a commercial business with the aim of making profits. However, your trade will not qualify if it consists mostly of an excluded activity.

Before raising your money – Advance Assurance

You can ask HMRC if your share issue is likely to qualify before you go ahead, this is called advance assurance.

You can ask HMRC if they agree that an investment would meet the conditions of a scheme before you apply. This is called advanced assurance. You can use this to show your potential investors that your proposed investment may qualify for a scheme.

Advance assurance will not tell you if an investor would meet the conditions of the scheme.

You will need to make separate applications for each proposed investment that you want advance assurance for.

What is the difference between SEIS and EIS?

SEIS and EIS are very similar in many respects, but there are some important differences.

SEIS and EIS serve the same essential purpose – to be a conduit for early-stage investment into high-growth-potential, smaller and younger UK companies, for which there is widely regarded to be a 'finance gap', meaning many promising businesses can struggle to obtain growth funding.

The key difference between the two is that SEIS is explicitly targeted at start-ups and very early stage companies, while EIS can be used by larger and more mature companies – though these are still relatively small and young in the context of the UK's business and corporate landscape.

SEIS funding criteria for companies:	Fewer than 25 employees	Trading for less than two years	Gross assets valued at no more than £200,000	No previous investment from a Venture Capital Trust or EIS Subject to a lifetime SEIS funding limit of £150,000
The comparable requirements for EIS:	Fewer than 250 employees	Trading for less than seven years (or less than 10 years for 'knowledge-intensive' companies – typically those with high research and development costs/requirements)	Gross assets valued at no more than £15m	Maximum lifetime amount that can be raised under SEIS, EIS and Venture Capital Trusts is £12m (or £20m for 'knowledge-intensive' companies)

HMRC SEIS statistics 2021

About these statistics

This is a National Statistics publication produced by HM Revenue and Customs (HMRC). It provides information on the number of companies raising funds, the number of subscriptions and the amounts raised through the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS).

It also includes Official Statistics on social enterprises raising funds through the Social Investment Tax Relief (SITR) scheme. The EIS, SEIS and SITR are three of four tax-based venture capital schemes, the other being the Venture Capital Trust (VCT) scheme.

The current release includes the first estimates for 2019 to 2020. The figures for 2017 to 2018 and 2018 to 2019 include small revisions and minor updates, arising from the receipt of a small number of further EIS1 and SEIS1 forms for these years.

Companies have a period of 3 years after shares are issued to submit a compliance statement. This year, we have introduced an uplift factor for figures from 2018 to 2019 onwards to take account of late returns submitted by companies. Thus, these figures should be treated as provisional and will be subject to revisions in future publications.

Seed Enterprise Investment Scheme

- Since the Seed Enterprise Investment Scheme (SEIS) was launched in 2012 to 2013, 13,800 companies have received investment and around 1.4 billion of funds have been raised.
- In 2019 to 2020, 2,090 companies raised a total of £170 million of funds under the SEIS scheme. This is a slight decrease from 2018 to 2019 when 2,125 companies raised £171 million.
- 1,620 of the companies were raising funds under the SEIS scheme for the first time in 2019 to 2020, representing £145 million of investment.
- In 2019 to 2020, companies recorded as from the Information and Communication sector accounted for £62 million (37% of all SEIS investment).
- Companies registered in London and the South East accounted for the largest proportion of investment, raising £106 million (63% of SEIS investment) in 2019 to 2020.Social Investment Tax Relief

Advance assurance requests

SEIS

- Since 2012 to 2013, there have been a total of 25,365 AAR applications received for SEIS, and of these 20,790 (82%) have been approved.
- In 2020 to 2021, 2,900 AAR applications for SEIS were received and 2,355 (81%) approved. This is an increase from 2019 to 2020, when 2,755 AAR applications were received and 2,120 (77%) approved.

Source HMRC

UK Tax-efficient Investment Comparison Table

	ISA	Pension	VCT	EIS	SEIS
Income Tax Relief	Nil	Up to 45%	30%	30%	50%
Capital Gains Deferral	Nil	Nil	Nil	Up to 28% (A)	
Capital Gains Reinvestment Relief	Nil	Nil	Nil		Effective relief up to 14% (B)
IHT Relief	No (C)	Yes (D)	No	Yes after 2 years	Yes after 2 years
Tax Free Exit	Yes	Yes/No	Yes	Yes/No (E)	Yes after 3 years
Tax Free Dividends	Yes	N/A	Yes (F)	No (F)	No (F)
Limits	£20,000	£40,000 (carry forward may also be available) (G)	£200,000	£1M (H)	£100,000 (I)
Minimum holding period	None	To age 55+	5 years	2 years for IHT 3 years for EIS	2 years for IHT 3 years for SEIS

1. Gains arising before 6 April 2021 to higher rate UK tax payers are chargeable at 28%. From 6 April 2021 the rate is generally 20% (but remains at 28% for certain assets.) The relief is a deferral only, and not an exemption and the deferred gain will crystallise on sale of the EIS shares.
2. SEIS reinvestment relief exempts half of the gain reinvested up to the SEIS maximum investment of £100k ie for a gain of £100k reinvested in an SEIS investment, £50k of the reinvested gain is exempt.
3. Some shares in AIM listed companies held in an ISA and held for at least two years may be eligible for IHT relief. All shares held in an ISA are exempt from CGT.
4. In certain circumstances. Specific IHT advice is required
5. There is no tax free exit for shares for which EIS deferral relief only was claimed.
6. With effect from 6 April 2016 the 10% tax credit on dividends has been abolished and replaced with an annual dividend allowance (the dividend nil rate ('DNR')). The DNR charges income tax at 0% on the first £2,000 of an individual's dividend income which would be chargeable to tax but for the DNR. Chargeable dividend income above the DNR is chargeable to tax at basic, upper or higher rate dependent upon the tax rate which applies to the individual shareholder.
7. Relief for pension contributions is complex and separate advice should be taken. I
    a. n 2021/2022 those with annual "adjusted" income (including pension) over £240,000 will have their annual allowance reduced by £1 for every £2 over £240,000 to a minimum of £4,000 for individuals with annual income excluding pension below £240,000 there will be no reduction
    b. Within the Annual Allowance, member contributions benefit from tax relief at the individual's marginal rate of tax, i.e., up to 45%
    c. Within the Annual Allowance, relievable member contributions are limited to 100% of employment earnings.
    d. The reduction in the Annual Allowance is, however, accompanied by a "Carry Forward" facility, allowing pension scheme members (if a member of a pension scheme at some time during the earlier tax years) to Carry Forward any unused pension allowance from the previous three tax years. Including the current tax year, that could mean that you are able to make a pension contribution of up to £160,000 including tax relief.
8. Up to £1M of EIS investment may be carried back to the previous tax year if the limit for that year was not fully utilised.
9. Up to £100k of SEIS investment may be carried back to the previous tax year if the limit for the year was not fully utilised.

Source EISA

SEIS & EIS Eligibility Criteria

The Gross Assets Test

A company looking to secure SEIS investment must have under £200,000 in gross assets pre-money, whilst those looking to secure EIS investment must have less than £15 million in gross assets pre-money.

The Number of Employees Test

A company looking to secure SEIS investment must have no more than 25 employees, whilst those looking to secure EIS investment must have no more than 250 employees.

The Trading Time Test

To be eligible for SEIS funding, a company must have been trading for less than 2 years. It should be noted that the date when a company starts trading is different to the date of incorporation detailed on Companies House. When establishing whether this test has been satisfied, HMRC will review the company's profit and loss accounts rather than the date of incorporation.

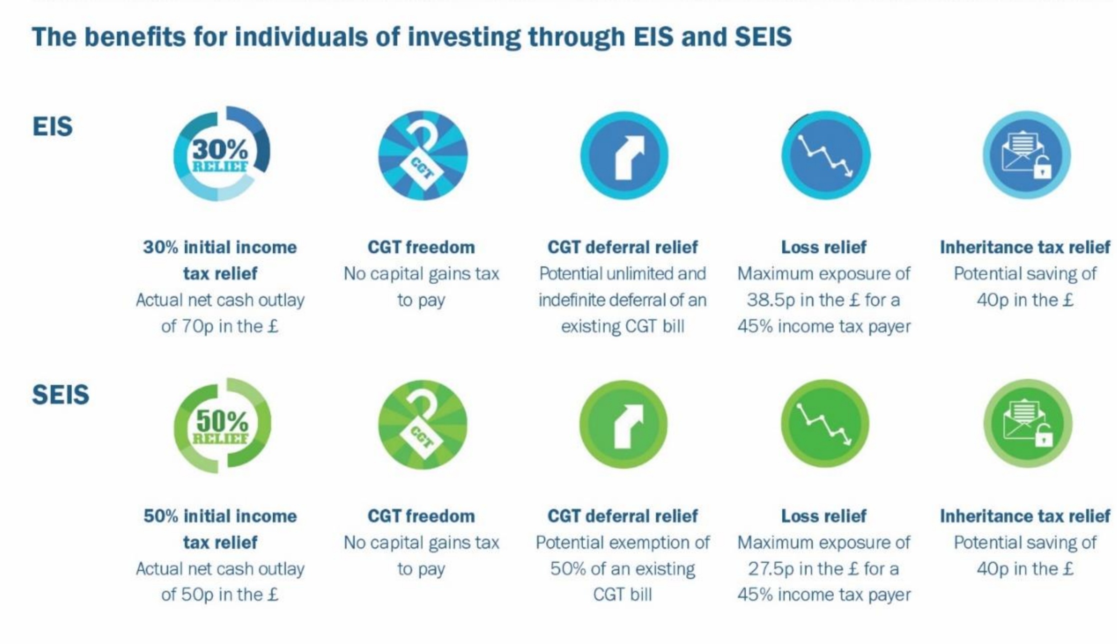
UK Permanent Establishment Test

In order to raise funds under SEIS and EIS, a company does not necessarily need be a UK company in order to qualify. A foreign company can have a permanent establishment in the UK, through which a substantial part of the company's business is conducted. In certain circumstances, having an employee based in the UK may satisfy the permanent establishment test although this should be assessed on a case by case basis.

The Partnership Test

The company looking to raise funds under SEIS or EIS must not be a member of a partnership with another company, as this will be flagged by HMRC.

The benefits of individuals investing through SEIS and EIS



The potential risks of investing in SEIS and EIS

Investing in start-ups and early-stage businesses involves risks, including illiquidity, lack of dividends, loss of investment and dilution. It should be done only as part of a diversified portfolio. EIS and SEIS investments are targeted exclusively at investors who understand the risks of investing in early-stage businesses and can make their own investment decisions.

RISK TO CAPITAL	Investors should only consider subscribing if they are able to bear the risk of losing their entire investment.
INVESTING IN SMALLER COMPANIES	Investee companies can experience significant and sudden increases or decreases in value.
LENGTH OF INVESTMENT	Our aim is to exit the majority of investments five to seven years after we first purchase shares. This is not always possible, and it is not unusual for venture capital investments to be held for periods of 10 years or more.
ILLIQUIDITY	Venture Capital is typically an illiquid investment, funds can only be returned if and when companies are sold.
PAST PERFORMANCE	Past performance is not a reliable indicator of future results.
DIVERSIFICATION RISK	There is a risk that the final portfolio may be comprised of a small number of companies, which will limit diversification .
LEGISLATIVE RISKS	Legislative changes may affect portfolio companies which are expanding to other territories, such as the US. Legislation may also change within the UK resulting in the initial product or technology becoming unviable.
TAX RISKS	Changes in UK tax legislation or its interpretation may adversely affect investment performance and returns to investors.
NEW TECHNOLOGY RISKS	Companies introducing new technology or products into existing or new markets may present additional risks

The Financial Conduct Authority (FCA) considers these investments to be high risk, due to the potential for losses,

An investor could lose all the money invested. If the investee company fails, investors may lose up to 100% of the money invested. Most start-up businesses fail.

Even if an investment is successful, it may take years for investors to get their money back.

It is unlikely that investors will be able to sell the investment early.

The most likely way for investors to get their money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.

Investors in a start-up business, should not expect to get their money back through dividends. Start-up businesses rarely pay these.

The percentage of the business that investors own will decrease if the business issues more shares. This could mean that the value of the investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares. These new shares could have additional rights that the original shares do not have, such as the right to receive a fixed dividend, which could further reduce an investor's chances of getting a return on the investment.

Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance.

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance.

Open Offers – Seed Enterprise Investment Schemes

This list is taken from the GrowthInvest website on 9th December 2022.

- Amersham Growth Fund
- Beyond Impact Vegan EIS & SEIS Fund I
- British Design Fund 4
- The British Robotics Sidecar Fund
- Endeavour Ventures EIS
- Haatch Ventures SEIS Fund
- Jenson SEIS Fund
- Nova Cofoundery SEIS & EIS Fund
- O2h Human Health SEIS Fund
- Oxford Technology Combined SEIS & EIS Fund - The Start-up Fund
- Station12 Sports, Entertainment and Knowledge Service
- Velocity SEIS Technology Fund

Compliance Disclaimer

The material provided by the any correspondent to this report is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. This document does not constitute an offer or invitation to any person.

The information and opinions in the report have been compiled or arrived at from sources believed to be reliable at the time and are given in good faith, but no representation is made as to their accuracy. Any opinion expressed in this document, whether in general or both on the performance of individual securities and in a wider economic context, represents the views of the correspondents at the time of preparation and may be subject to change.

Investments are intended to be long-term. The value of an investment, and any income from it, is not guaranteed and can go down as well as up and there is the possibility of loss to the original investment. The different risks and costs of investing are outlined in this report and further information is also available in the terms and conditions documents of the individual correspondents.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

The Catt's Eye View is unable to provide investment, taxation, or financial planning advice.

British Design Fund **Launches Fifth Seed Fund**

The British Design Fund is delighted to announce the opening of its fifth fund (BDF5) to investors. It will seek to continue championing the very best of British innovation, invention and engineering, from the UK's most promising product design and manufacturing start-ups.

Over the previous decade, according to the Design Economy Report 2022, the UK product and industrial design economy grew by 54%, yet there remains a desperate lack of venture funding available to seed stage businesses in this sector. The BDF remains the only venture fund dedicated to investing in and exclusively supporting early-stage product design and manufacturing businesses based in the UK.

The British Design Fund is led by a team of design experts and manufacturing entrepreneurs. This year, the team was joined by Sir John Rose, former CEO of Rolls Royce, and Will Hobhouse, former CEO of Tie-Rack and Whittard of Chelsea.

The launch of the fifth fund comes at a time when investment into British engineering and product innovation is strongly needed.

BDF5 will aim to invest in at least ten early stage, purpose-led, product design and manufacturing businesses. In addition, its mentoring programme is designed to support these entrepreneurs to accelerate their businesses into market and help overcome the barriers which might otherwise jeopardise their success.

To view the spread of companies the British Design Fund has invested in to date visit www.britishdesignfund.co.uk/portfolio/.

To learn more about how to invest in BDF5, please visit: www.britishdesignfund.co.uk/invest/

For further information, please contact:

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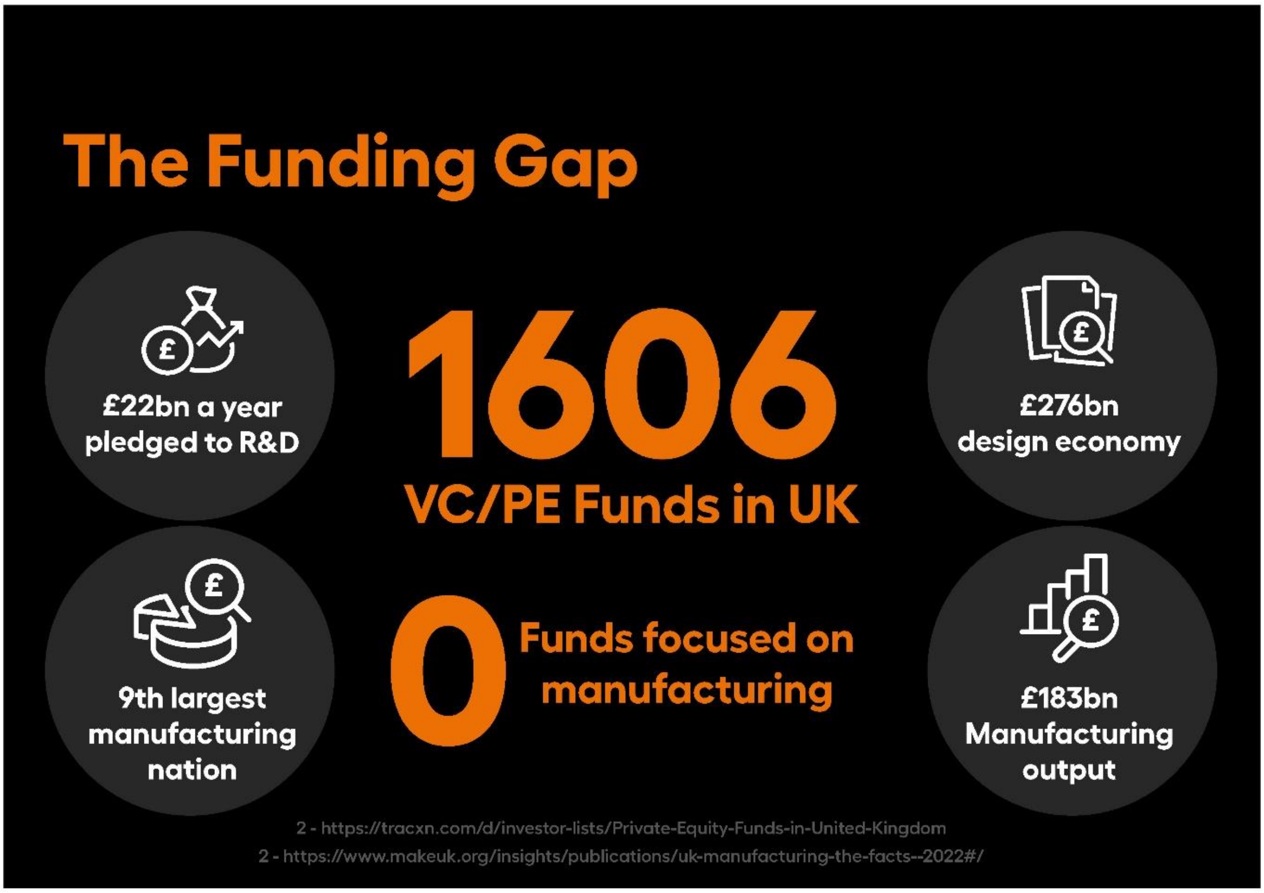
David Motum, Director - david@britishdesignfund.co.uk

For any enquiries regarding businesses seeking investment, please contact Sam Kremer, Investment Analyst. sam@britishdesignfund.co.uk



Success stories

As of October 2022, the fund has a portfolio of 20 businesses. Shares in some of the success stories.

White Motorcycle Concepts

Automotive

WHITE MOTORCYCLE CONCEPTS

WMC's target is to invent, innovate and create market disrupting concepts for the automotive industry. The team has managed to produce significant performance and environmental benefits through aerodynamic efficiency combined with electrification.

BRITISH DESIGN FUND

Designed and engineered specifically for the first responder market, the now-in-service WMC300FR incorporates the patented V-Duct, dramatically improving aerodynamic efficiency. Combined with the power assist hybrid motor, CO_2 is reduced by up to 50%.

The electric input is provided by EGO detachable batteries that can be charged using a three-pin plug, meaning there's no requirement for additional charging infrastructure.

"A cash investment and access to industry experts, through the BDF mentoring programme is where the real value exists."

ROBERT WHITE,
Founder White Motorcycle Concepts

Matter Industries

Clean Tech

Matter.

Matter is a microplastic technology and innovation company with a mission to stop microplastic pollution at the source. The company is pioneering solutions for capturing, harvesting and recycling microplastics that are harmful to our health and global eco-systems.

BRITISH DESIGN FUND

Gulp, Matter's first product that will launch to market, is a device that can be universally fitted to washing machines throughout Europe. It captures microfibres that otherwise would wash into our waterways, damage the environment and eventually end up in our food chain.

Alongside Gulp, Matter is working with global white goods manufacturers to licence and integrate their filtration technology into washing machines. This will see the technology being delivered into millions of homes and make a huge impact on the levels of micro-plastics being released globally.

"It's great to have an investor onboard that really gets design"

ADAM ROOT,
Founder and CEO of Matter

Koalaa

Prosthetics

Easy-to-fit and affordable prosthetic arms for children and adults. Koalaa prosthetics are lightweight and can be fitted by the user without the need to visit a clinic.

BRITISH DESIGN FUND

Creators of the ALX and Paww sleeves, affordable, comfortable and modular upper limb prosthetics. The sleeves are 20x cheaper than conventional alternatives and can be sent through the post and fitted remotely without a need for medical infrastructure. Each sleeve is designed to be "slip on and go" and is made using soft fabrics and interchangeable tools.

"BDF has helped get manufacturing flying and our marketing to match."

NATE MACABUAG,
Co-founder of Koalaa

Armaros

Protective sportswear

High-tech upper body protector for the equestrian market which affords the rider free movement whilst providing vital spine protection.

BRITISH DESIGN FUND

Armaros' patented new material structure allows for a new kind of body protection vest which gives the rider the ability to move freely, maintain their balance and performance while being protected to the highest standard. The Guardian Angel has been engineered to fit all body shapes and for comfort at all times.

"The support from BDF has future-proofed the commercialisation of Armaros."

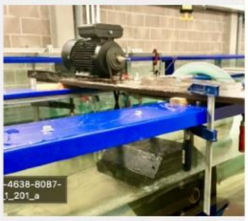
ESMERALDA TUOMI,
Founder of Armaros

Lutra Marine

Marine

LUTRA MARINE

Patented dredging technology which solves the problem of dredging in environmentally sensitive areas, removing sediment without causing a drop in water quality.



BRITISH DESIGN FUND

Lutra has developed a patented technology to dredge silt, sediment and rock from harbours and other marine environments. By using high-precision cutter heads the team can vastly reduce turbidity and sediment being stirred up. All the dredged material is captured within the cutter head unit and is pumped safely to the chosen disposal location.

"We have been blown away by the interest shown from harbours, ports and the mining sectors."

DANIEL WORMALD,
Founder of Lutra Marine

Calla shoes

Footwear

calla

Beautiful shoes to support the feet of bunion sufferers whilst remaining stylish and comfortable, offering wider toe boxes, softer leather and standard heels.

BRITISH DESIGN FUND

10 million women in the UK and 1-in-3 women across western countries suffer with bunions. Calla footwear is specially designed to fit the feet of bunion inflicted women. The shoe designs follow classic fashion trends however they also offer technical features to enhance comfort.

"The BDF mentors connected me with retail networks I could not have accessed."

JENNIFER BAILEY,
Founder of Calla Shoes

Haatch SEIS Fund

Haatch Ventures
Founded by Scott Weavers-Wright and Fred Soneya in 2013 as an angel co-investment joint venture under the Haatch Angel brand, before launching Haatch Ventures in 2018, Haatch is an award-winning pre-seed and seed-stage fund manager backing growth focused digital transformation businesses. Looking at the broader market, digital is a key growth driver across many industries. Haatch is therefore able to remain broad in sectors yet focused on the most transformative businesses. This provides Investors with access to what Haatch deems an extremely exciting early-stage and scale-up investment portfolio.

The partners at Haatch have created, grown and sold their own businesses. It is this practical experience that we bring to all the companies that we invest in.

As a manager, Haatch backs entrepreneurs from MVP through to exit via the suite of Haatch funds. Haatch's SEIS fund companies will use the capital to go-to-market and importantly begin to commercialise their business ready for their Seed round and beyond. The SEIS fund provides deal-flow for Haatch's flagship EIS fund and enables investors to back Haatch companies multiple times; right at the beginning of their journey, through go-to-market and commercialisation and as they transition from Startup to Scale Up.

At a glance:

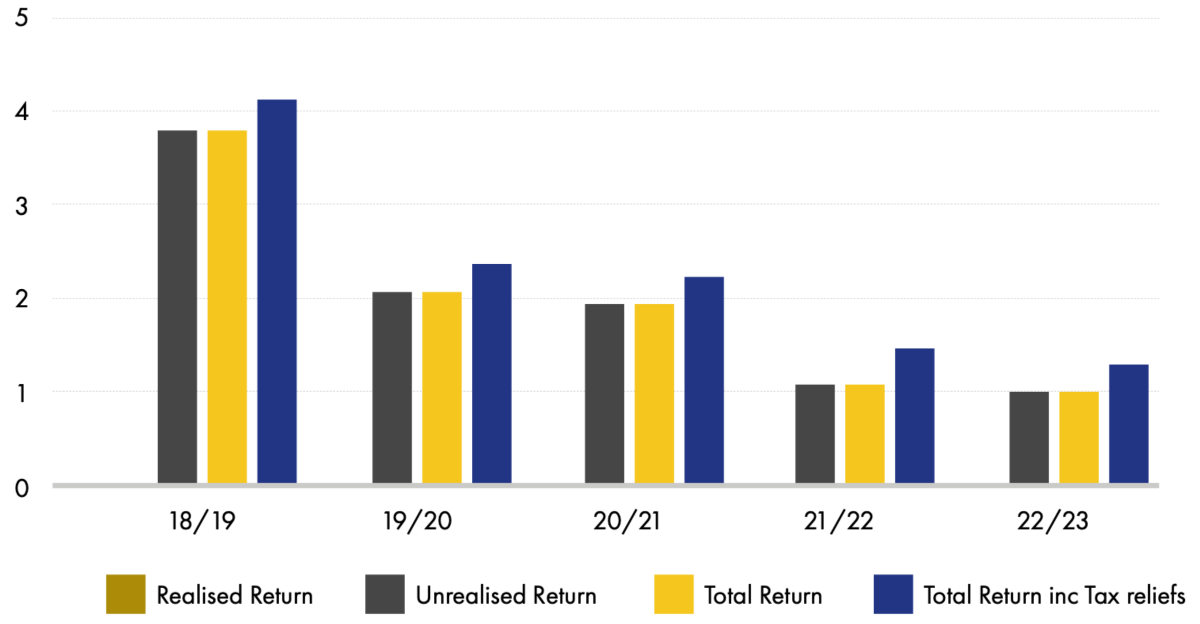
Haatch SEIS Fund
- Portfolio of 10-15 very early-stage digital companies
- Targeting 10x return on investment
- Minimum investment £10,000
- Target time horizon 5-10 years
- Deployment in the 2023/24 tax year under the new SEIS limits

Haatch EIS Fund
- Portfolio of 4-6 pre-seed and seed stage digital companies
- Targeting 10x return on investment
- Minimum investment £10,000
- Target time horizon 5-7 years
- Fully deployed this tax year if applying before end of March (2022/23)

Working with BBI
In 2022, Haatch secured a £10m commitment from British Business Investments, a subsidiary of British Business Bank, to fund early-stage businesses across the UK as part of its Regional Angel Programme. The monies are invested alongside investors in the Haatch funds over the next three years.

Track record

Haatch Ventures has been investing since 2018 through the different Haatch EIS/SEIS funds. The funds are on track to deliver the target 10x return to investors on monies invested.



Haatch data as at 1 September 2022.
The above graph shows performance across all investments made in all Haatch funds per tax year. Investments are held at cost until a third-party funding round.

Examples of Haatch SEIS fund portfolio companies

Plend

Plend is the UK's first Social Lending Marketplace which matches lenders to borrowers, allowing people to directly fund affordable credit.

Plend use open-banking data to reclassify near-prime and sub-prime borrowers who have been overlooked by traditional lenders due to archaic classification models.The rates offered are better than traditional lenders because they take more data points into account to calculate a borrower's true creditworthiness.

The streamlined social lending model lowers the operational costs, and the savings are passed onto the lenders for market- beating returns each month.

Plend is currently held at 3x monies invested having first invested in summer 2021.

Diode

Diode's innovative web-based software platform is an easy- to-use all-in-one solution that helps businesses, employees and consumers assess their electric vehicle suitability, generate a tailored charge point roll-out plan, and purchase charge points through an automated tender process.

With the UK only having 9 years to phase out petrol and diesel vehicles, Diode's mission to drive a faster, easier switch to electric vehicles across the world will undoubtedly help tackle the global climate crisis.

We believe that Diode is uniquely placed to have a key role in driving electric vehicle adoption across the UK and the rest of the world.

Diode is currently held at 2.2x monies invested having first invested in 2021.

Contact Jessica Fox, Head of Marketing & Investor Relations for more information.
E: jessica@haatch.com
T: 07958 213122
W: www.haatch.com

Risk Warning: Capital is at risk. Investing in early-stage companies involves risks including loss of capital, illiquidity, lack of dividends and dilution. These are high-risk investments where you are unlikely to be protected if something goes wrong. **Take 2 mins to learn more.**

Past performance is not a predictor of future performance. The availability of tax relief depends on individual investors personal circumstances. If you are in doubt about eligibility for tax reliefs or the tax treatment of your investment, you should seek independent tax advice. The Haatch Ventures Enterprise Investment Fund, Haatch Ventures Follow On Enterprise Investment Fund & Haatch Ventures Seed Enterprise Investment Fund, is managed by Haatch Ventures LLP, authorised and regulated by the Financial Conduct Authority under FRN 916959, registered in England with company number OC421829 and with a registered office at The Hub, Blackfriars Street, Stamford, Lincolnshire, PE9 2BW.

Jenson SEIS Fund

Highlights

- **Minimum Subscription:** £10,000 and multiples of £1,000 thereafter.
- **Current Status:** 2 Tranches closed in the 2022/23 tax year with deployment commenced.
- **Investment Period:** 3rd tranche closing 31st January for deployment in 2022/23. 4th tranche closing end of March 23 for deployment in 1st quarter of 23/24.
- **Deployment:** Portfolio size 8 – 10 high growth companies.
- **Fees:** No upfront or ongoing fees to investors.
- **Exits:** 10 SEIS exits and 1 EIS exit.

Investment Strategy

The Jenson SEIS Fund aims to target exciting new innovative and disruptive technologies, is sector agnostic with a focus on tech-enabled businesses with a unique and disruptive technology. The investee companies are nurtured alongside existing investment opportunities that require follow on investment, via the EIS, to fully exploit commercialization of a proven business model. The fund has a mandate to focus on long-term capital growth and enables private investors to invest in a range of committed and ambitious entrepreneurs and their early stage growing companies. All companies will be small unquoted UK companies which have been trading for less than two years that qualify under the SEIS tax rules. The Jenson SEIS Fund targets companies with: strong management, momentum in the business (i.e. not pure start-ups) and low risk for a start-up (e.g. have a low cash burn).

Jenson has a very strong dealflow pipeline that has come about from years of relationship building within the early-stage investment community. Jenson receives well over 2,000 pitch decks a year from a range of sources including accelerators and incubators, entrepreneurial clubs and organisations, corporate finance houses and other professional services firms, syndication with other VC funds and angels and also with their own private network.

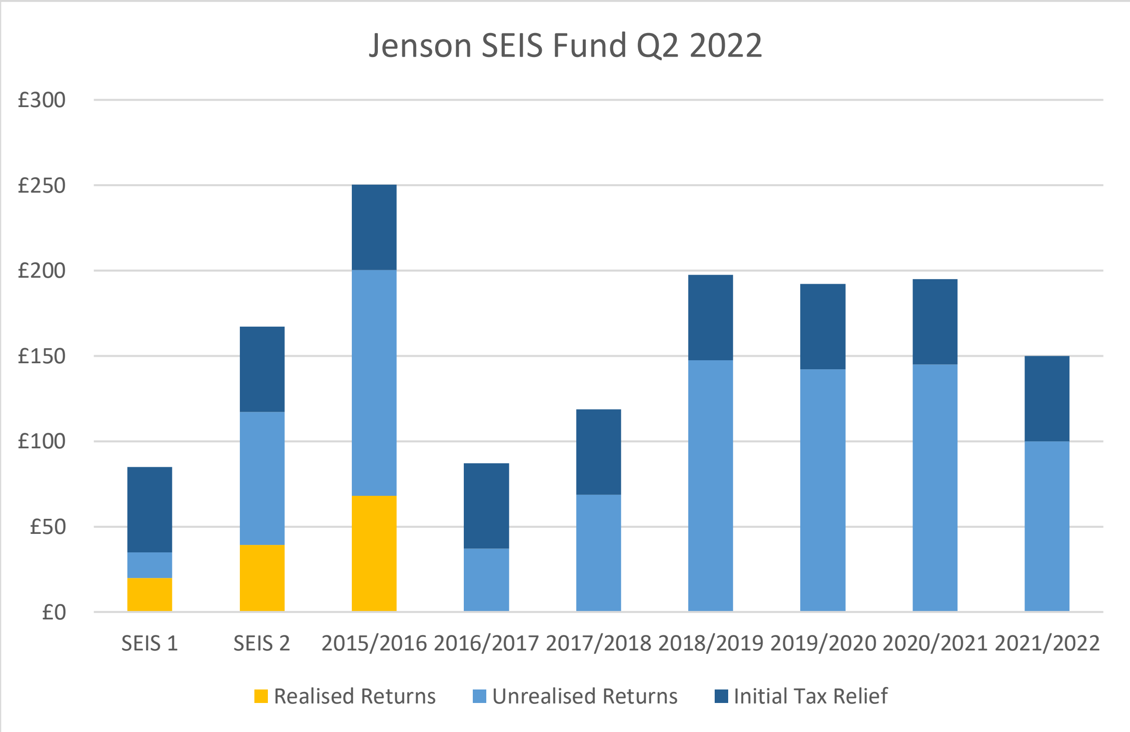
Example SEIS Portfolio companies:

Fund Performance and Exits

Jenson has exited ten companies across its first three SEIS funds. All but three of the SEIS exits were cash exits. One exception is Market Making Ltd, the majority was in cash with some publicly traded stock. The current return is 6.1x investment with a mix of shares and equity (before tax incentives and performance fee). Our most recent exit in August 2022 was from OneTouch, a digital health platform that allows home care providers to manage care delivery from a centralised app. The exit was facilitated by a significant investment from August Equity, a private equity firm that specialises in service-oriented companies in high-growth sectors such as healthcare, education, business services and technology. This provided our highest exit return to date.

In May 2020 Gloop Labs Limited in Fund 2 and Optimicer Limited in Fund 3 were acquired by Whitespace Global Limited, in share-for-share deals with Gloop a 3.2x uplift on original cost and Optimicer an 8x uplift on original cost. In February 2021 Voneus exited the SEIS Fund 1 and provided exits across five of Jenson's EIS Funds with a range of returns from 2x to 4x. To date, Jenson has made 125+ SEIS investments.

Fund *Performance for Jenson EIS Funds



Important Information

*Performance is based on the combination of realised and unrealised value. Investments are illiquid until any of the underlying Investee Companies are sold or float on a stock market. As at 5 October 2022.

Company Support

Once an investment has been made, Jenson, through at least monthly contact between investees and the Jenson Portfolio team, will provide investee companies with both general management and strategic advice, including a particular focus on governance and financial management, planning and control. The Portfolio team takes an active role in company boards through Jenson's board observer rights. When the investee company grows to the point of benefitting from specialist support from a dedicated Non-Executive Director or a Finance Director, Jenson works closely with them to monitor company strategy and performance.

Fee Structure

Jenson does not charge investors any upfront or ongoing fees, 100% of their investment is eligible for tax relief. A performance fee of 35% will be charged to the investor once they have received 120% of their Net Subscription. Jenson charges the investee company an upfront fee of 12%, there are no ongoing fees to the company or investor.

Nova Cofoundery SEIS & EIS FUND

NOVA GROWTH CAPITAL

NOVA

Nova Cofoundery SEIS & EIS Fund

By investing into the Nova Cofoundery SEIS & EIS Fund (the "Fund"), you are investing alongside Nova Cofoundery Limited and Nova Growth Capital Limited (the "Nova Group") in the Cofoundery portfolio. Along with benefiting from the many years of operating experience accumulated by the Nova Group team you are also benefiting from, in our view, a very attractive category of tax relief available to UK investors.

THIS DOCUMENT IS FOR PROFESSIONAL ADVISOR USE ONLY. CAPITAL AT RISK. *2020 / 21*

Nova Group by numbers

12
years experience

£20m+
invested

66%
of Nova's startups live beyond 3 years
(industry average 8%)

36.5%
YoY growth for 11 years*

£70m+
of shareholder value created

80+
companies invested in

**Valuations represent unrealised gain and past performance is not indicative of future performance of the Fund.*

Nova Group exits (not the Fund)

sentric music	£50K invested 100% disposal for £2.25m 45x investor returns over 9 years	Complete exit
DOOR	£250k services invested 100% disposal for £770k 3.08x return over 2 years	Complete exit
ORCHA	£100k services invested 78% disposal for £539k 6.89x return over 4 years	Partial exit

NGC NOVA GROWTH CAPITAL

PLEASE NOTE THAT THE NOVA COFOUNDERY SEIS & EIS FUND IS SEPARATE TO THE NOVA GROUP

NOVA COFOUNDERY SEIS & EIS FUND BY NUMBERS

20+ targeted distribution across 20 companies	targeted monthly deployments
£10k minimum investment	**6** years targeted exit timeframe
0% no fees to investors - all fees charged to investee company	**20%** targeted YoY growth

FUND INVESTMENT FEES

5% initial fees and 2% annual fees paid by the Fund Investee Companies, resulting in 100% allocation of investment for tax reliefs with no additional fees. 20% performance fee only once on original investments that return over 150%.

INDEPENDENT REPORTS AVAILABLE	AWARDS & NOMINATIONS	AVAILABLE ON THE FOLLOWING PLATFORMS	CONTACT FOR FURTHER INFORMATION
HARDMAN&CO.	GROWTH INVESTOR 2020 AWARDS – WINNER BEST NEW PRODUCT / SERVICE	CO INVESTOR	Alistair Marsden Director of NGC
MICAP ALTERNATIVE INVESTMENT RESEARCH	GROWTH INVESTOR 2020 AWARDS – WINNER INDUSTRY RISING STAR	Sapphire	fund@wearenova.co.uk 0151 318 0761
MJ HUDSON	eisa 2020 FINALIST BEST SEIS INVESTMENT MANAGER	Kuber	novagrowthcapital.co.uk @novagrowthcptl
		GROWTH INVEST	
		Available on the Sapphire platform at no fee!	

IMPORTANT NOTICE: Investments of this nature carry risks to your capital. The risks include illiquidity where shares may not be able to be sold easily, lack of dividends and dilution. Past performance is not indicative of future returns. Investors should only invest a proportion of their available investment funds into Nova Cofoundery SEIS & EIS Fund as these investments are high risk. Nova Growth Capital Limited is an Appointed Representative of Sapphire Capital Partners LLP, which is authorised and regulated by the Financial Conduct Authority (FRN 565716). Nova Growth Capital is a trading name of Nova Growth Capital Limited.

Why we believe the Nova Group approach works

Through the Nova Group Cofoundery mentorship programme, we screen deal flow and choose what we believe are the most viable ideas. Over 12 years, the Nova Group has designed its infrastructure in order to mentor and support our co-founders to develop a business through to exit.

The Nova Cofoundery SEIS & EIS Fund (the "Fund") is designed to support the future development of what the Nova Group believes are the best startups. The Fund provides a solution that aims to allow an advisor to offer a diversified portfolio within a highly concentrated asset class of up to 10 underlying investee companies per quarter or 20 companies per year to each investor.

Some of the startups that we've recently backed with SEIS and EIS investment:

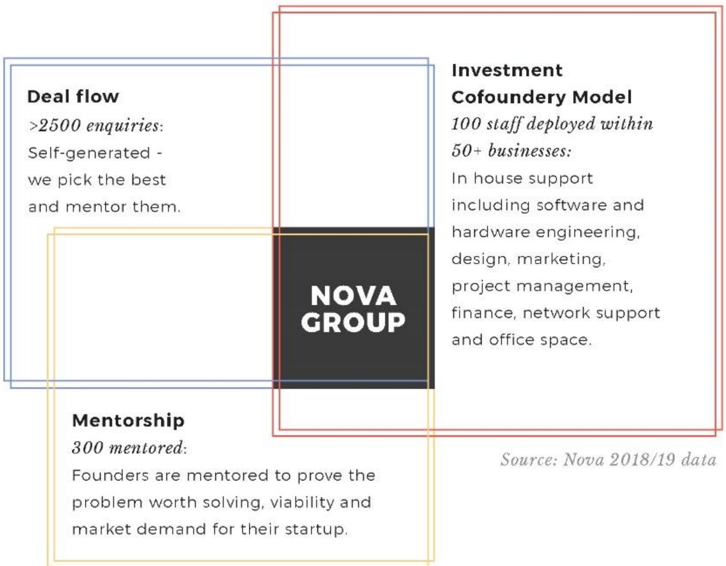
welbee | AQUARATE | Hy-genie | picturepath

VidiVet | CLIK | senti | bitbaby

EdFinders | DLG | Passmate | umii

See all the Nova Group companies here

Unique mix of ingredients for Nova Group success



Nova Cofoundery SEIS & EIS Fund Questionnaire

What type of fund/s are you running? EIS-SEIS-VCT-BR-IHS
Nova Cofoundery SEIS & EIS Fund - A fund which enables the individual to choose their risk appetite i.e. full SEIS or EIS or a percentage based app e.g. 20% SEIS and 80% EIS.
AUM changed since last year?
£5.9M
How happy are you with your fund performance this year?
The SEIS and EIS fund portfolio is performing as expected and we are pleased with the performance to date. From 2015 - 2022 on average the Nova Cofoundery model has seen a 26.7% growth on its portfolio year on year, as the fund invests exclusively into deals generated by the Nova Cofoundery this is then reflected in the fund.
How has the economic climate affected your AUM?
The current has had no negative impact on existing AUM. As with most SEIS and EIS funds a large proportion of a funds AUM is raised in the months of Jan - March and therefore it is too early to say how this year has affected new inflows / AUM.
What has been your exit record in the last 12 months?
Nova Cofoundery SEIS & EIS Fund has not had an exit yet. Founding investors have had significant exits. Previous investments include e.g. Boohoo, Asos, SentriMusic and Orcha. CEO of Nova's most recent exit was a 45x return.
Is your fund evergeen? If not, is it open or closed now? Is this status likely to change?
Yes
How has MiFIDII affected your fund/business?
The Nova Cofoundery SEIS and EIS Fund is only 4 years old and therefore, we have not experienced anything different. Our regulations and processes were put in place with our investment manager with the requirements in place to be compliant.

How have you implemented the PROD rules?
We are an AR under Sapphire Capital Partners and so all regulations are implemented with them and under their guidance. We have not experienced any direct effects.
How has SFDR and PRIIPS affected your provision of information?
We are an AR under Sapphire Capital Partners and so all regulations are implemented with them and under their guidance. We have not experienced any direct effects.
Do you expect Consumer Duty to have any further effects?
We are an AR under Sapphire Capital Partners and so all regulations are implemented with them and under their guidance. We have not experienced any direct effects.
How has your sustainable investment strategy evolved?
N/a
What is your experience of the numbers of advisers starting or stopping using tax-efficient funds?
Over the years, we have seen in general an increase in SEIS and EIS funds, there are more options available to investors and advisers which shows the importance and value of the scheme - more entrepreneurs are using the model to raise their funds and boost the UK economy. However, we have not necessarily seen an equal correlation of financial advisers using the schemes for investors. Therefore, I think it would be fair to say that the buy side is not increasing which is a concern.
Do you have a recent AKG report?
N/a
Anything else you feel that I should be including.
Some key elements about the model, because it is not typical of an SEIS and EIS fund. • Our operating model is designed to mitigate early-stage risk. • Genuine off market deal flow • Leveraging Nova's resource, focusing founders on their key skills • Providing continuity of investment capital through SEIS & EIS • Solving key problem areas whilst creating equity in valuable companies that are acquisition targets for trade sales. How does this work? Nova Growth Capital invests in partnership with the Nova Cofoundery (A Liverpool based, Venture Builder - Venture builders are different to incubators and accelerators. They offer equity alongside resources and expertise throughout the key stages of a company's development - resources and expertise are not given in the form of a quarterly check in or meeting like other funds. What this means with Nova is experienced team members working on the start-up themselves. e.g., an engineer or product / tech developer that's worked on multiple start-ups before).

O2H Ventures SEIS & EIS Human Health Funds

o2h Ventures Ltd - the human health funds specialist

o2h Ventures is an established fund manager based in the heart of the biotech community in central Cambridge. We are a specialist fund that only invests in biotech therapeutics and the intersection between biotechnology and AI/ML. Our two specialist tax-efficient funds that are open for investment are–

- The o2h human health SEIS Fund
- The o2h human health knowledge-intensive EIS Fund

Our Aim

There is a huge amount of untapped value in this sector in the UK, mainly due to smaller funds not having the capabilities to perform the required due diligence on knowledge-intensive biotech deals in the pipeline, thus, so many of these great opportunities get lost or snaffled up by large USA- or China-based venture funds.

Our Approach

- Identify and invest in innovative early stage biotech therapeutic and related AI/ML Tech companies.
- Provide ongoing support to the portfolio companies through the o2h Ecosystem/Network.
- Provide capital growth opportunities with impact driven investment to the clients.
- Improve the customer experience when onboarding and investing in o2h Ventures Funds.

Our Investment Strategy

- To build and support the UK early-stage biotech ecosystem to create a pipeline of innovative medicines and investment opportunities for later stage funds and pharmaceutical companies to partner with.
- Focused on de-risking the investment by providing hands-on support to the portfolio with a variety of activities from team building, fundraising, hands-on science and connecting to big pharma.
- To work diligently and curate a strong portfolio with the aim to ensure our investors get one of the most diversified and unique portfolios in the 'human health' and related AI sector.

Johnson, the last patient has been dosed with Exonate's lead compound, EXN 407, in a Phase Ib/II clinical trial of patient volunteers with center-involved diabetic macular oedema (CI-DMO). The original agreement with Janssen was facilitated by Johnson & Johnson Innovation. If the license is triggered there will be a ~$30m as the first payment of upto ~1$B as the drug progresses through the clinic. o2h Ventures invested at a ~£5m valuation.

AIVIVO, a company combining systems pharmacology and artificial intelligence (AI) to accelerate drug discovery, has announced that its platform correctly identified dexamethasone as having high potential for the treatment of COVID-19 in April 2020. This demonstrates the ability of AI VIVO's platform to systematically and correctly identify candidates with the highest chance of therapeutic success.

Impact beyond Investment

- Apart from above, post COVID-19 pandemic the investors became more responsible to add biotech to their portfolios but due to lack of technical expertise, they relied on due diligence from Biotech experts like o2h Ventures.
- Leveraging the business experience, skills, knowledge, strategic advice, and market contacts of the fund manager, we have also assisted companies in raising further funds from syndicates. Apart from this, the fund manager has also helped some of our portfolio companies connect with big pharmaceuticals for their next phase.
- 9 out of 28 portfolio companies will impact directly to patients in less than 3 years, 9 will affect directly in 3 to 7 years and 8 companies will affect patients in the next 7 years or more.
- 330+ Jobs created by 28 biotech companies
- 50% of our portfolio either has a female CEO or Chairperson.
- Raised more than £150m or $180m together by our portfolio companies

- To maximize investor returns, we have developed a unique business model that offers them an edge both in terms of access to opportunities as well as an understanding of the support they require post-investment in terms of incubation. We believe in combining these two approaches will increase the Fund's prospects of making successful exits.

Our Success Stories

Turbine, which is creating a platform for simulating cell function, concluded its Series A investment round after raising €20 million. Strategic investors like Mercia and MSD Global Health Innovation Fund, along with other investors like Day One Capital, joined the funding round.

Small Pharma (TSXV:DMT) has completed a fund raise of $58M CAD and completed the reverse take-over transaction. They listed on the Toronto Stock Exchange and commenced trading on 6th May 21 at ~39x uplift in valuation. It has now initiated a clinical program into DMT assisted psychotherapy in February 2021 which includes a Phase I/IIa trial on the Company's lead candidate. Progress continues in the Phase I/IIa clinical trial of the Company's lead program. Phase IIa patient dosing is expected to complete in the coming months. Updates on trial completion and top line data timing are anticipated throughout H2 2022.

Metrion, the specialist ion channel CRO and drug discovery company, announced in April that it has secured £2.7m in new equity financing, including £2.25m from lead investor Gresham House Ventures. The funding will be used to expand Metrion's laboratories in Cambridge, UK, invest in specialist equipment, develop its cell line library, and add GLP cardiac safety services.

Tay Therapeutics announced a Strategic Partnership with a Nasdaq listed biotech with a >$200m Option License Agreement. Tay has recently raised £1.6m pre-Series A funding to support its growing pipeline of first-in-class anti-inflammatory and orphan disease therapeutics.

Exonate, an mRNA therapy company focused on retinal diseases, announced that in collaboration with Janssen Pharmaceuticals, Inc., one of the Janssen Pharmaceutical Companies of Johnson &

o2h Ventures SEIS & EIS Human Health Funds Questionnaire

What type of fund/s are you running? EIS-SEIS-VCT-BR-IHS
Knowledge Intensive EIS and SEIS
AUM changed since last year?
+4%
Funds raised v target in the last year?
For SEIS Fund, the target was £500k and funds raised were £330k. For KI EIS Fund, the target is £2m and funds raised were £1.12m
How happy are you with your fund performance this year?
We are excited with the funds' performances, as of now as the cumulative unrealized value of the Funds has increased by 28% and two of our portfolio companies have completed their phase2 clinical trials and are awaiting for the data. Most of our companies have raised new funding rounds at uplifted valuations with a significant increase in their share prices. We are aiming to exit from two of our portfolio companies in the next tax year with at least 2.5x average return.
How has the economic climate affected your AUM?
We saw significant impact on our fund as the global economic downturn got underway which seemed neutral. We also saw that post the COVID-19 outbreak, investors took greater responsibility in adding biotech to their portfolios, but because to a lack of technical knowledge, they resorted to consulting biotech professionals like o2h Ventures for due diligence.
What has been your exit record in the last 12 months?
No exits
Is your fund evergeen? If not, is it open or closed now? Is this status likely to change?
Our SEIS fund is evergreen and is open for investment. Our KI EIS fund is HMRC approved and has six monthly closes in October and April. Next closing is on 5th April 2023 and is open for investment.
How has your sustainable investment strategy evolved?
At o2h Ventures, we have been working diligently and have curated a strong portfolio of 28 companies. Our investment strategy is to ensure that we support our best performing existing portfolio companies with follow-on investments while also ensuring that our investors get one of the most diversified and unique portfolios in the 'human health' and related AI sector.

Oxford Technology Start-Up Fund - SEIS

Oxford Technology manages two funds:

1. OT(S)EIS - The Start-up Fund: Investors' money is invested over 3 years - Approx. 1/3 (less fees) in SEIS investments in year 1, 1/3 in EIS investments in year 2 in those of the earlier SEIS investees which are doing well, and the same again in year 3. SEIS investments are very high risk and some failures are to be expected, although there have been very few so far which is why the track record is so good. So it takes 3-4 years before all the tax reliefs are obtained, which does not suit everybody.

2. OTEIS - The Development Fund: Investors have all their money invested within one year in EIS investments, mainly in earlier OT(S)EIS investments which are developing well. So this fund has a lower risk profile than OT(S)EIS and investors can claim their tax reliefs more quickly.

Oxford Technology Q3 2022 Portfolio Report

Summary

This report summarises the progress made by portfolio companies in the latest quarter. By the 30th September 2022, OT(S)EIS had completed 194 investments in 53 companies. It also details useful information about the fund, including how we invest, opportunities for co-investment at presentations, and the intricacies of SEIS/EIS tax reliefs.

The investment figures for the fund as a whole are as follows:

- Invested Capital: £10.27m
- Cash from Tax Reliefs: £3.79m
- Cash from Exits: £2.23m
- Cash due from Ducentis Exit: £1.65m
- Remaining Equity Value: £28.20m

In addition, there is the potential for a further £40.42m in milestones from the Ducentis exit.

Valuations are all made according to the most recent price paid by investors in the company. If, following an investment, things have gone wrong, then the valuation is reduced. But if things have gone well, the valuation is not increased unless there is another funding round. To this extent the valuations are conservative, but obviously nothing really counts until the gains are realised through exits.

The figures assume that the investor in question has claimed the full amount of tax relief available from the SEIS and EIS investments. The cash back from tax reliefs can take some time to arrive, but it comes in the end. Firstly, the investee company has to meet certain HMRC requirements (e.g. trade for 4 months). Then they inform HMRC, who must authorise the issuance of certificates which will enable investors to claim their tax relief.

Exits are typically expected on a 10-year timescale: investments in OT(S)EIS are illiquid and long term.

Nevertheless, the return multiples when exits occur can be considerable. For instance, the recent Ducentis exit could have a return multiple of up to 127x.

Portfolio Progress and Highlights

Ducentis has been acquired by Nasdaq listed Arcutis. The deal involves $30m upfront (half cash half shares) and up to $400m in development and commercial Milestones, with mid single digit royalties on sales of over $1.5bn a year. We would like to congratulate founders Dr Philip Huxley, Dr Rebecca Ashfield and Prof David Blackbourn.

We have concluded a secondary sale of shares in **Refeyn** for some of our investors with a 12x return (pre tax break)

Run 3D had another good quarter with the first clinic in the Middle East Opening. The number of clinics, each paying a monthly fee, has now grown to 34.

Lightpoint's SENSEI probe was used in prostate cancer surgery in the US for the first time.

The number of subscribers to The Smarter Food Company's VHG (Very High Glucoraphanin) soup has now increased to 700. The soup was developed and patented by the Quadram Institute. The company can make no health claims until clinical trials have been conducted but one cup of the soup per week may be enough to lower blood sugar levels and so help prevent some of the world's 1 bn pre-diabetics from joining the 370m diabetics. Please consider joining in (cost £65 per 12 weeks - the soups are sent by post.) It will do you no harm and may do you some good.

Cryologyx has successfully demonstrated the recovery of red blood cells from frozen storage.

Covatic had a good quarter and a partial exit has been arranged for some shareholders.

During the quarter, Machine Discovery's first customer, First Light Fusion announced that it had achieved fusion for the first time, using an entirely new concept, accelerating a mass up to 70km/sec and smashing this into its target, to achieve the extreme conditions needed to create fusion.

At the end of the quarter**, Zayndu** shipped its first machine, for a trial at a vertical farm in California. If the trial is successful, an initial batch of four machines will be required. Machines will be supplied on a monthly rental model.

Digilab closed its funding round and has signed up two large customers, and is close to breakeven.

SFC Capital SEIS Fund

Winner of Best SEIS Fund Manager 2020, 2021, 2022 (EIS Association, Growth Investor Awards)

SFC Capital is a leading SEIS and EIS fund manager, founded by software entrepreneur Stephen Page. The company has grown from an angel investor network to become the UK's most active SEIS Fund investor, with more than £100m AUM across the company and three consecutive "Best SEIS Fund Manager" awards at the Growth Investor Awards.

SFC evaluates over 3,000 start-ups each year, utilising key deal flow pillars and strong partnerships with top accelerators, university incubators, angel investors and entrepreneurs to stay at the forefront of the UK's Start-up ecosystem. SFC's unique scoring system, developed through years of experience, evaluates each start-up on 30 key data points to build diverse portfolios for our investors across a range of high-growth, high-potential sectors in the UK.

On top of our investment track record, we pride ourselves on providing exceptional customer service and support to our investors and their advisors. Our dedicated team helps to guide you through every step of the process, providing ongoing support and advice as well as bi-annual reporting on your portfolio.

With its reputation for excellence, outstanding track record, and position as the UK's leading SEIS Fund Manager, SFC Capital is the ideal partner for financial advisors seeking to utilise the SEIS scheme for their clients.

SFC Capital Questionnaire

What type of fund/s are you running? EIS-SEIS-VCT-BR-IHS
SEIS Fund and EIS Fund
AUM changed since last year?
SFC has grown AUM by £15m in the last year, totalling +£100m AUM.
Funds raised v target in the last year?
SFC raised £15m for our funds over the last year, exceeding our target of £10m.
How happy are you with your fund performance this year?
SFC has enjoyed its best-ever year. Momentum continues and we are hugely excited about the next 12 months too.
How has the economic climate affected your AUM?
Our portfolio continues to perform very well and we have grown our investor base more during these past few months than at any point in our history.
What has been your exit record in the last 12 months?
3 exits over the last 12 months – 5x return multiple, 5.5x return multiple, 45x return multiple
Is your fund evergeen? If not, is it open or closed now? Is this status likely to change?
We have rolling funds which allow investors to join at any point in the calendar year
How has your sustainable investment strategy evolved?
We continue to see great opportunities investing in sustainability-led businesses.
What is your experience of the numbers of advisers starting or stopping using tax-efficient funds?
We have had a record number of advisors approach us for the first time since the changes to SEIS were announced by the government.
Anything else you feel that I should be including.
SFC is the UK's leading SEIS fund and Winner of Best SEIS Fund Manager 2020, 2021, 2022 (Growth Investor Awards)

Station12

Station 12 Sports, Entertainment and Knowledge Service
Blended SEIS/EIS Service

The UK is a leading Sports, Entertainment and Knowledge player and is the source of some of the most successful and powerful franchises and intellectual property in the world.

These sectors are extensive and far reaching from content production and delivery, live events, enabling technologies, talent, education, knowledge and innovation through to advertising, fashion, marketing services and the circular economy.

The UK is a unique environment, combining well-established brands and premiere events with creativity and innovation. By 2025, the UK's entertainment and media market worth is projected to reach £88bn. Digital opportunities within these verticals continue to grow, in 2021 90% of every £1 spent on entertainment in the UK was digital. There is significant international demand for this output.

Currently only 4% of venture capital investment is going to ethnic teams, furthermore less than 3% to all female founder teams. Station12 looks to address the underinvestment into BAME and female led businesses.

A key trend affecting the areas in which we invest is climate change, with consumers taking an increasingly environmentally conscious approach to how they spend their money and time. Station12 is looking at opportunities that provide environmentally friendly solutions within the existing investment verticals.

Station12 finds opportunities through its networks, use of market intelligence and a team deep in operational and investment experience. Using a tailored investment philosophy designed to deliver high growth returns, we are raising funds to take advantage of our proprietary pipeline. We invite you to become an investor in this vibrant and exciting sector.

1 https://www.statista.com/statistics/237778/value-of-the-entertainmentand-media-market-in-the-uk/

2 https://www.ibc.org/news/uk-entertainment-market-enjoys-9th-year-ofgrowth/8265.article

3 https://www.bbc.co.uk/news/business-59051679 , https://www.forbes.com/sites/kimelsesser/2022/06/06/female-entrepreneurs-funded-by-female-vcsface-difficulties-obtaining-future-funds/?sh=4b5347086a7c

The Service will make investments into a combination of SEIS/EIS qualifying companies in the Sports, Entertainment and Knowledge sectors.

The Service will select SEIS opportunities which will be suitable for EIS follow on from the Service, thus providing comfort to the companies that follow on capital is available. In addition, the Service also expects to be able to make EIS investments independently, without having provided previous SEIS investment to such companies.

Station12 will source deal flow from a number of different channels, relying mainly on its unparalleled network and proprietary opportunities created internally through its venture building activities.

The Service will look to exit the investee companies typically between 4 to 6 years after investments have been made. The Service will only make investments into companies which have received SEIS/EIS advance assurance.

The Service will make investments in venture capital and qualifying venture building opportunities. These opportunities are fluid and change as the market evolves.

Our track record has always been in venture based investment.

Areas of particular interest currently are:

- Companies focusing on live events, be it music, food or special interests
- Businesses in Sport
- Circular Economy opportunities in our verticals
- Businesses in and around Education
- Content producers and distributors that are focusing on TV and digital platforms
- Music rights and publishing
- Emerging platforms driven by new technology and innovation, such as AI, VR, AR

We look for companies that:

- Have strong management/founding teams who know their market and are exceptional at executing
- Have products or services that customers are willing to pay for
- Exploit opportunities driven by innovation in technology, regulation or consumer behaviour
- Have a significant competitive advantage in the market
- Are environmentally conscious in their approach
- Do not require significant rounds of funding and have a clear strategy to grow profitability
- Exit because they are in a strong position, not because of an artificial exit timetable

The Patient Capital Review requires SEIS/EIS to be used for genuine trading propositions, as opposed to capital protected or structured funding which was common previously.

Venture based investment carries a high risk to capital. Station12 believes that specialisation and sector focus mitigates this risk for our investors.

WITH THE BENEFITS OF SEIS/EIS INVESTMENT, ILLUSTRATED BELOW

Investor → £100k* → Portfolio of investments

HM Revenue & Customs

SEIS and EIS qualifying companies
Investors with sufficient UK income tax liabilities can apply for tax relief. This can be done once the Investee Company has issued SEIS 3/EIS 3 certificates to Investors.

Return profile for investors

	Company					
Detail	**VB1**	**VC1**	**VC2**	**VC3**	**VC4**	**Total**
Initial investment (Allocated to SEIS)	£6,000	£6,000	£6,000	–	–	£18,000
Initial investment (Allocated to EIS)	£16,400	£16,400	£16,400	£16,400	£16,400	£82,000
Total initial investment	**£22,400**	**£22,400**	**£22,400**	**£16,400**	**£16,400**	**£100,000**
Income tax relief @ 50% (SEIS)	£3,000	£3,000	£3,000	–	–	£9,000
Income tax relief @ 30% (EIS)	£4,920	£4,920	£4,920	£4,920	£4,920	£24,600
Net outlay for investment	**£14,480**	**£14,480**	**£14,480**	**£11,480**	**£11,480**	**£66,400**
Realised value (Proceeds from exit)	£15,000	£100,000	£75,000	–	£60,000	£250,000
Net Gain/Loss before fees and loss relief	**£520**	**£85,520**	**£60,520**	**(£11,480)**	**£48,520**	**£183,600**
Loss relief against income at 45%**	–	–	–	£5,166	–	£5,166
Performance fees (20% of excess of £1.30 per £1 investment)†	–	–	–	–	–	£8,480
Net Gain/Loss after fees	–	–	–	–	–	**£180,286**

£33.6k (income tax relief)
£5.2k (loss relief)

*Net of Transaction Fee
**Assuming a 45% income tax payer
† No Performance Fee applies to Venture Builds

VB: Venture Build
VC: Venture Capital

The figures in the chart are examples only and are for illustrative purposes. They are not, and should not be construed as, forecasts or projections of the likely performance of the investment described in this document.

Investor return summary

Detail	Without SEIS/EIS	With SEIS/EIS
Net invested	£100,000	£66,400
Profit	£141,520	£180,286
Returned* **	**£241,520**	**£246,686**
Net multiple	2.4x	3.7x

*** This is after all fees. The capital gain on this investment will be tax free.

This example shows an approximate 3.7x return on net investment, providing the Investor has full SEIS/EIS cover. The return multiple is purely illustrative and is no indication of future performance of the Service. The charts above are for illustrative purposes only.

FEES AND REIMBURSEMENT OF COSTS AND EXPENSES

Fees charged to investors

Transaction fee an up front fee of 3% retail advised clients of the amount invested in the Service from the Investor on a one-off basis.

Performance fee charged as follows:

- On a Service basis (ignoring tax reliefs) a performance fee of 20% of all returns to an investor (including dividends and other distributions) above 130p per 100p invested. All profits from Venture Building deals, where Station12 has more than 10% equity in an Investee Company post investment by the Service, will not be included in the Performance Fee calculation.

The reasonable third party expenses incurred in and the reasonable costs of, managing, providing services to and administering the Service and the Investee Company by the Service Manager and/or any affiliated company may be charged to the Investee Company (as appropriate). This will be limited to 0.25% (per annum) of total cumulative capital invested into each Investee Company.

Fees charged to Investee Company

Annual Monitoring Fee comprising the higher of:

- 2% of the total cumulative amount invested in each Investee Company by the Service; or
- £15,000.

Third party fees will be charged to investee companies on an arm's length basis where applicable.

Benefits of a specialist

- We have proprietary access to, and a deep understanding of, the Sports, Entertainment and Knowledge sector together with a strong investment track record
- We have a wide range of deal origination sources from founders, talent, studios, producers, family offices, high net worth individuals, advisors, academics, journalists and senior executives of global companies
- We act as a trusted entry point to an opaque sector
- Our sector-specific expertise and hands on approach allows us to attract higher quality and proprietary deal flow, with off market opportunities sourced through our own network. This will enable us to win deals with the best entrepreneurs and creative talent
- Our operational knowledge and sector specialism helps us to gauge what our companies should be achieving and by when. This knowledge helps them to drive their business forward more efficiently. We are able to anticipate their problems and advise on strategies to work around them, making us preferred partners

Team's sector experience

Contact

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Information

Request download of the Information Memorandum from our website

www.station12.co/investwithus hello@station12.co www.station12.co

Symvan Technology SEIS Fund 3

Ideal for investors seeking enhanced capital growth from seed investments in early-stage companies.

- Symvan are the most prolific winner of the Best SEIS Fund Management award for both the Growth Investor Awards and the EISA awards.
- Open to new subscriptions for deployment in 2023/24.
- Capital growth fund.
- Investments across software with a focus on B2B enterprise customers.
- Portfolio management service structured as an Alternative Investment Fund.
- Target exit in 5-7 years from date of investment.
- Zero upfront fees or charges to investors; 20% performance fee at exit. Fees charged to Investee Companies.
- Funds invested in tranches for investors advised by qualified intermediaries and for unadvised high net worth and sophisticated investors seeking SEIS tax reliefs where an investment in the Fund is confirmed as appropriate.
- No fixed deployment dates. Deployment timeframe over 12-18 months.
- Not suitable for investors seeking to "carry-back" relief to the previous tax year

Portfolio

Since 2014, we have invested in 40 companies seeking to have a material impact in their industry with the potential to deliver exceptional investment returns within a realistic time frame.

SEIS and EIS abbreviations and jargon glossary

ARPU	Average Revenue Per User
AOV	Average Order Value.
ARRG Ratio	Average Recurring Revenue (ARR) / Growth Rate
Accelerator	A program that provides the mentorship and capital necessary to accelerate the growth and success of young startups. Typically, the program will provide some capital and in exchange will take an equity stake in the startup.
Accredited Investor	An individual or institution that meets certain wealth criteria (as defined regulators), and is therefore deemed to be sophisticated enough to participate in private, non-public investments. There are many ways to qualify, including if you are:- An individual that has had income in excess of $200,000 per year in each of the prior two years, and reasonably expects the same for the current year- A spousal couple that has had income in excess of $300,000 per year in each of the prior two years, and reasonably expects the same for the current year- An individual or spousal couple with over $1,000,000 in net worth (excluding the value of their primary residence)- A charitable organization, corporation, partnership or trust with assets in excess of $5,000,000. For most up to date definitions see www.irs.gov.
Advance Assurance	Confirmation from HMRC that investment in your company is likely to qualify for EIS tax relief.
Allocation	The size of the round that is set aside for a specific investor (can be a fund or group of investors), usually communicated in a dollar amount
Anchor investor	First investor in a fund; can be also referred to as the lead investor
ARR	Annual revenue run rate; the revenue for the last month multiplied times 12 months as an estimate of the total revenue rate for the year.
Angel Investor	Wealthy individuals that invest in start-ups in their early stages of development or seed round of fundraising. Due to the inherent risk of loss of capital or significant dilution in subsequent fundraising, angel investors typically pursue investments with returns that they believe may have the potential to return multiples of the initial investment.
Anti-dilution Clause	Contractual clause that protects an investor from having their investment as a percentage of ownership significantly reduced in subsequent rounds of fundraising. Technically the provision increases the number of shares of Common Stock issuable upon conversion of a convertible security or upon exercise of a warrant or option upon the occurrence of specified events, usually the issuance of more shares for a low price.
Blended Preferences	When all classes of preferred stock have equal payment rights in the event of a liquidation
Bootstrapping	Business strategy by which a start-up self-finances, eliminating the need for seed or angel investment. Typically achieved through lean operation and a product that generates revenue early in the company's life cycle.
Bridge Loan | Financing	A loan given to a start-up by investors that serves to fund the company until the next round of financing. The bridge loan is usually converted into equity at the next equity financing of the company.
Burn Rate	Rate at which a company consumes cash to cover expenses. Typically expressed monthly or weekly. Usually applied to a company with no revenues, to give a metric of financial health and fundraising needs. A company with a low burn rate can theoretically operate longer without new injection of capital.
Capital Call	When a fund makes an investment and messages the LPs to put capital into the fund account to invest in the portfolio companies
Cap Table	An official document that shows the capital structure of a company, including the specific ownership level by investor. Generally used to view the percentage ownership that each investor or employee owns of a certain company. For great tool check out http://captable.io/.
Carried Interest	The share of generated profits that an investment manager is entitled to keep as compensation. Typical venture capital fund incentive fees range from 20% to 30%, depending on the fund. This can also be referred to as an "Incentive Fee" or a "Performance Fee."
Clawback	A clawback or clawback provision is a special contractual clause typically included in employment contracts by financial firms, by which money already paid must be paid back under certain conditions.
Cliff	Employee stock vesting agreements generally have a cliff, usually one year, before which no employee stock options vest.
Come Along Rights	Sometimes also called Tag Along Rights. The right of an investor to sell shares, if a founder or other key employee sells shares. This right is designed to protect the investors against being trapped in an investment after the founders have cashed out.
Conversion Rate or Ratio	Means the number of shares of Common Stock into which each share of Preferred Stock is convertible
Common Stock	A type of equity security, contrasted with preferred shares. Common stock is most frequently issued to founders, management, and employees. In a liquidation event, preferred shares generally take priority over common shares.

Control Rights	Rights of an investor or shareholder relating to control over the company's affairs. Control rights typically relate to voting or designation of board seats, voting (e.g., does a class of securities give the holder 10 votes per share?), and certain actions (e.g., incurring indebtedness) which require the consent of a majority of a certain class or series of security.
Convertible Debt	A loan that allows the lender to exchange the debt for common stock at a predetermined ratio instead of recollecting the principle as cash.
Convertible	The right of the investor to convert shares of Preferred Stock into shares of Common Stock at the Conversion Rate stated in the corporate charter. Conversion is usually automatic upon the occurrence of a Qualified IPO. Mandatory conversion is necessary because companies sell Common Stock in their IPOs and new investors are not likely to purchase Common Stock, if earlier investors retain Preferred Stock with superior rights.
Convertible Note	A method of raising funds between funding rounds, where an investor loans money to a startup under the agreement that it will translate into equity at an agreed milestone (upon valuation of the company during a future round, for example). It usually includes a clause to compensate for the risk, such as a discount on future shares.
Covenant	The obligation in a contact to do something. An obligation to refrain from doing something is called a Negative Covenant. For example, the obligation to obtain life insurance on key employees is a covenant and the obligation to not deviate from the budget approved by investors is a negative covenant.
Cumulative Dividend	If the dividend is not declared during the period stated in the corporate charter, the dividend accrues and is payable in a later period. If a dividend right isn't cumulative, the dividend would be lost forever if it's not declared during the period stated in the corporate charter. Accrued but unpaid dividends are sometimes convertible into shares of Common Stock
Cutback Rights	Where shareholders exercise piggyback registration rights, but there are too many shares for the underwriters to sell in the public offering without adversely affecting the price, cutback rights determine whose shares are left out of the offering and whose shares are included in the offering.
Demand Registration Rights.	The right of investors to require the company to register the investors' shares for sale to the public even if the company was not otherwise planning to conduct a public offering. Usually, an investor or group of investors receives one or two Demand Registration Rights. Typically, the right isn't exercisable until after the company's initial public offering or after a stated time period.
Dilution	Generally speaking, as subsequent financing rounds occur, existing investors will own proportionally less of the company than they did previously since additional equity is generally issued as part of a new financing round. Dilution is not necessarily a bad thing _ since new stock can be issued at a higher price, you may own a smaller piece of a larger company, which means the value of your investment is actually higher than it was previously.
Down Round	A fundraising round in which the company is valued at a lower value per share than previous rounds
Drag-Along Rights	The right of the owners of a specified percentage of the shares of the company to require other shareholders to sell their shares or to vote their shares to approve sale of the company. This prevents one group of shareholders from blocking sale of the company to someone who is only interested in purchasing 100% ownership of the company.
Due diligence	The process performed by prospective investors to assess the viability of an investment and confirm that the information provided by the company is accurate.
Exit Velocity	A term from baseball originally referring to the speed of the baseball as it comes off the bat, immediately after a batter makes contact. In venture it refers to the speed between investment and exit, immediately when the investment is made to the liquidity event that allows the investor to cash out. Example — capital invested for growth funds has a higher exit velocity than capital invested by accelerators in startups because the ventures are less mature and have a longer time to exit.
Earnings before interest and taxes (EBIT)	A measurement of the operating profit of the company. A possible valuation methodology is based on a comparison of private and public companies' value as a multiple of EBIT
Elevator pitch	A concise presentation given from an entrepreneur to a potential investor about an investment opportunity. The presentation should be concise enough to be shared during an elevator ride.
Employee Stock Ownership Program (ESOP)	A pool of options that is reserved for future employee compensation packages.
Exercise Price (also known as Strike Price)	The amount that must be paid to execute your options. Generally, the exercise price is pegged to the "Fair Market Value" on the date of issuance, rather than the vesting date.
Exit Event or Liquidity Event	When an issuer engages in a transaction that allows investors to sell their shares, which generally happens through a tender offer (sale) or an IPO.
Fair Market Value	The value of a company based on what investors are willing to pay for it. For private companies or illiquid assets, "fair market value" is generally derived from comparable companies or assets that have recently had a transaction associated with them.
Fiduciary	Someone who owes special duties to another person and who has liability for not performing that duty
First Refusal Rights	The right to purchase stock in future offerings by the company on the same terms as other investors. Usually the right is designed to enable investors to maintain their percentage ownership of the company by purchasing a pro

	rata share of all new stock sold by the company. Investors also often require company founders to grant first refusal rights on shares the founders own. Also sometimes called Pre-emptive Rights.
Friends and Family Round	Capital provided by the friends and family of founders of an early-stage start-up. This is typically its first outside capital. The start-up is generally too early (often still at ideation) to raise capital from professional angel or seed investors, but needs capital to get started.
Full Ratchet	The method of total protection from dilution is called a and ensures that should a fundraising round cause a previous investor's ownership percentage to decrease as a result of newly issued shares, they will be given the opportunity to maintain their ownership level. In more technical terms, it is a type of Antidilution Protection that adjusts the Conversion Ratio so that each share of Preferred Stock will be convertible into a number of shares of Common Stock equal to the number of shares the investor would have received, if the investor had purchased the shares at the lowest subsequent price at which the company later sells its stock. The number of shares sold at the lower price doesn't matter. Only the lower price matters. For example, if the company sells Preferred Stock with a one-for-one Conversion Ratio for $10 per share and later sells Common Stock for $1 per share, each share of Preferred Stock would become convertible into ten shares of Common Stock, even if only one share is sold at the lower price.
Fully Diluted	Fully diluted means the total number of shares of Common Stock the company has issued, plus all shares of Common Stock issuable if all outstanding options, warrants, convertible preferred stock and convertible debt were to be exercised or converted. Fully diluted calculations are used to compare the percentage ownership of a company of different classes of securities by reducing each class to its Common Stock equivalent.
Fund of funds	A fund created to invest in private equity or venture capital funds. This entity is often referred to as a Limited Partner to the venture capital funds.
Grandfather Rights	A grandfather clause (or grandfather policy) is a provision in which an old rule continues to apply to some existing situations while a new rule will apply to all future cases. Those exempt from the new rule are said to have grandfather rights or acquired rights, or to have been grandfathered in
GP	General Partner of a fund
General Solicitation	The act of publicly soliciting investors, usually through advertising or any other non-controlled method of a public offering. If a company or issuer engages in public solicitation, it may eliminate certain safe harbours that were previously afforded to them under current securities regulation.
Gross Margin	The difference between revenue and cost of goods sold (COGS), divided by revenue.
Growth Equity	Growth Equity refers to private investments in late-stage companies which aim to finance revenue growth through market expansion. Such investments typically target minority positions in proven market segment leaders
K1	The Schedule K-1 is an Internal Revenue Service (IRS) tax form issued annually for an investment in partnership interests. The purpose of the Schedule K-1 is to report each partner's share of the partnership's earnings, losses, deductions, and credits. It serves a similar purpose for tax reporting as one of the various Forms 1099, which report dividend or interest from securities or income from the sale of securities.
Key man clause	Document sent to LP investors by the fund that tells investors the percentage of the profits and losses of the fund that they are responsible for. Clause in the LPA that enables the LP to break the agreement if one of the major GPs in the fund leave.
Key man risk	Referred to as the risk associated with depending on a single charismatic individual in a start-up; key tactic is to build a strong capable team around the individual, usually the founder, to mitigate this risk.
Key man insurance	Insurance on the life of key employees which investors require the company to obtain.
Incubator	A program that provides the mentorship and capital necessary to accelerate the growth and success of young start-ups. Typically, the program will provide some capital and in exchange will take an equity stake in the start-up.
Information Rights	The right of investors to have the company provide financial information annually, quarterly or monthly and other information as requested by investors. Under Delaware (and most state) law, a stockholder has the right to inspect and make copies of the corporation's information, including their stock ledger, a list of stockholders, and its books and records. However, such a demand must be for a "proper purpose", which means a purpose reasonably related to the person's interest as a stockholder.
Initial Public Offering (IPO)	Process by which a formerly private company first issues stock to the public. New disclosures must be made, as the company must now adhere to SEC reporting requirements.
Inside Round	A round of financing entirely composed of existing investors.
Investment Syndicate	A group of investors that agree to participate in an investment round of funding for a company.
Investor's Rights Agreement	An agreement that is frequently required by early, or large, investors in a company. This agreement may include many provisions, such as "First Offer" (the right, but not the obligation, to participate in future fundraising rounds) and "Observer Rights" (the right to observe board meetings). This provision is relevant to shareholders because it may include a separate right of first refusal for investors.
Issuer	The entity / company that shares represent ownership in
JOBS Act	Jumpstart Our Business Startups Act, passed in April 2012. Includes several provisions related to early stage companies, including new regulation regarding the maximum number of shareholders private companies are allowed and changes to the method in which companies can solicit private investors.

Knowledge Intensive Company	A company that is engaged in research, development, or innovation while it is issuing shares. It qualifies for extra advantages under the EIS
Letter of Intent (LOI)	A letter of intent (LOI) is similar to a memorandum of understanding (MOU) in that is is a common agreement between businesses (including startups) and potential customers to define commitment, interest, terms, and pricing in writing prior to delivering the good or service. This document is used to clarify understanding of both the customer and founder and often used to show investors. LOI and MOU agreements are used interchangeably and usually non-binding. At times, in working with customers on large projects with multiple phases where the customer and business work together before payment and services are exchanged a MOU may be used before a LOI is used to define pricing and terms. Also see Memorandum of Understanding (MOU).
Limited Partner (LP)	Limited Partner, typically funds 99–100% of a fund, major investors
Lead investor	The investor who takes on most of the work in negotiating the investment terms, doing due diligence and monitoring the company after the closing. The lead investor usually invests more than other investors who participate in the round. The lead investor is often located near the company or specializes in the company's industry.
Liquidation	An event that could result in either investors or debt holders to receive cash from the company, either through acquisition or a sale of assets resulting from bankruptcy. In either case, preference clauses determine order of payout to claimants, typically valuing debt holders and preferred shareholders over common stockholders.
Liquidation Preference	The order in which investors, or debt holders, get paid in the event of company liquidation or bankruptcy. Commonly used by venture capitalists to ensure they see a return on their investment in different liquidation scenarios.
Liquidity	The ability of an asset to be freely transferred with minimal interference from the issuer. Public equity is deemed to be extremely liquid since there are many buyers and sellers, while stock in private companies is generally much less liquid since the buyers and sellers are more limited.
Lock-up Period	A period of time that must elapse before the holder of a specific security can transfer or sell the security.
LPA	Limited Partnership Agreement. Usually a 70 page document and agreement between the LP and the General Partnership.
Management Fee	The fees that a fund will charge its limited partners each year. Venture capital fund management fees typically range from 1–3% annually (usually 2%) and are generally charged based on committed capital during the investment period, and then invested capital after the investment period has finished.
Memorandum of Understanding (MOU)	The memorandum of understanding (MOU) is a common agreement between startups who are pre-product and potential customers to define commitment, interest, terms, and pricing in writing prior to delivering the good or service. LOI and MOU agreements are used interchangeably and usually non-binding. At times the MOU is used in partnerships to define working relationships where no financial exchange is yet made. At times, in working with customers on large projects with multiple phases where the customer and business work together before payment and services are exchanged a MOU may be used before a LOI is used to define pricing and terms. This document is usually also used to clarify understanding of both the customer and founder and often used to show investors. Also see Letter of Intent (LOI).
Milestone	An event that triggers another investment by the venture investors.
Non binding	Refers to the depth of the legal commitment of the document. Term sheets, Memorandums of Understanding (MOUs), Letters of Intent (LOIs) are non-binding documents of which the investor or startup can back out of the intended agreement. The etiquette in venture is to provide a term sheet and once the founder agrees to the term sheet move to execute the investment. It is not common for investors to back out of agreements once a term sheet is issued.
'No shop' clause	The clause in a term sheet that states to the founder they are not to share the term sheet with other investors in order to receive a competing offer. This is a standard clause. The etiquette in venture is to give founders about a week or less for a decision on a term sheet to limit the time founders have to unofficially 'shop around' the deal.
MFN	Most Favored Nation — the anchor investor that the largest investor can get all the benefits of all the side letters with the individual LP investors
Net Revenue	Net revenue is not the same as gross revenue. It accounts for certain price reductions, price adjustments and refunds.
Non-disclosure agreement (NDA)	An agreement issued by entrepreneurs to protect the privacy of their ideas when disclosing those ideas to third parties such as investors.
OA	GP Operation Agreement — governance document for the GP that is based on the term sheet and includes specifics related to the economics of the deal among the fund managers, management and operations, transfers and substitutions, termination and dissolution, and vesting.
Option Pool	A number of shares of Common Stock specified in the corporate charter that can be sold to employees, officers and directors at low prices without triggering the Price Antidilution Protection of the Preferred Stock. 15% of the fully diluted shares is fairly typical, although the size of the Option Pool usually depends on the number of shares estimated to be necessary to grant to employees to attract a team capable of achieving the goals of the company's business plan. This varies from one company to another. Option Pool shares are usually considered to be outstanding shares when calculating the company's valuation.
A Ordinary Shares	A type of Ordinary Share that has Liquidation Priority: when a company is liquidated or sold, the proceeds of the sale are split 99.9% to the AO shareholders and 0.01% to the Ordinary shareholders. Once the AO shareholders

	have all their money back, any remaining assets are divided up pro-rata between the other shareholders. Compatible with the EIS (must be worded very carefully in the Articles).
Over allotment Option	The right of investors to exercise the First Refusal Rights and Come Along Rights of other investors who don't exercise their own rights.
Pari passu	Legal term that refers to equal treatment for two or more parties in an agreement meaning "on the same terms as".
Participating Preferred	For the term, the Participating preferred stock holders are entitled to receive a share of any remaining liquidation proceeds on an as-converted to common stock basis, after they have already gotten back their liquidation preference, whereas non-participating preferred stock holders either get (i) their liquidation preference back, or (ii) the amount they would have gotten had they converted to common stock. In other words, participating preferred gets the original capital back and the share of ownership. This term is sometimes referred to as investors double dipping as investors are getting the capital and the ownership verses just the percentage of the capital. More here.
Participating Preferred Stock	A class of stock with a Liquidation Preference, whereby on liquidation, sale or merger of the company, the owner has the right to share on an equal basis with holders of Common Stock any money or other assets that remain for distribution after payment of the Liquidation Preference of the Preferred Stock. With Nonparticipating Preferred Stock, the holders of Preferred Stock must choose either to receive their Liquidation Preference or to receive the same distribution holders of Common Stock receive. A holder of Participating Preferred Stock doesn't have to choose and receives both
Pay to Play	In venture capital, investors can raise the ante with co-investors by means of a "pay-to-play" provision, requiring that all investors in a portfolio company continue their pro rata financial commitment to the company, or else lose certain rights with respect to their original investment. The rights can often be anti-dilution rights. In some cases there is a provision of a portion of pro rata (e.g. 50%) or investors convert to common equity.
PEG ratio	Ratio of (price/earnings to growth ratio) is a valuation metric for determining the relative trade-off between the price of a stock, the earnings generated per share (EPS), and the company's expected growth.
Party Round	A trend beginning several years ago in early financing rounds where, instead of raising large amounts of money from a few large investors, companies are raising small amounts of money from many small investors.
Piggyback Registration Rights	The right of investors to have shares included in a public offering the company plans to conduct for itself or another shareholder. Usually, this applies to an unlimited number of offerings until the registration rights terminate.
Piggyback rights	Rights of an investor to have their shares included in a registration of a company's shares in preparation for an IPO.
Pledge	A contract that requires one party to transfer the cash proceeds from a liquidation of equity to another party in exchange for cash received prior to the liquidation event.
Portfolio Company	A company that has received an investment from a venture capital fund becomes a portfolio company of that fund.
Post-Money Valuation	The valuation of a company that includes the capital provided by the current round of financing. For example, if an individual invests \$3 million in a company with a \$10 million pre-money valuation, the post-money valuation is \$13 million. Calculated by adding the dollar amount invested in the transaction to the Pre-Money Valuation
PPM	Private Placement Memo — Usually 50–100 pages long that is the 'business plan' for starting a fund or for making an investment.
Pre-emptive Rights	Similar to rights of first refusal. The term pre-emptive rights refers to the right to purchase a company's new shares before they are offered to anyone else. In term sheets the preemptive rights provision may be titled "Right to Participate Pro Rata in Future Rounds". This is standard in term sheets.
Preferred Stock	A type of equity security that has certain rights over common stockholders. These rights may include, but are not limited to, liquidation preferences, dividends, anti-dilution clauses, and managerial voting power. A class of stock with a Liquidation Preference; that is, the right to receive distributions of money or assets prior to one or more other classes of stock if the company is sold, merged or liquidated. This protects investors by ensuring the investors get their money back (and sometimes a fixed return on the investment) before holders of Common Stock receive any money or assets.
Pre-Money Valuation	Valuation of a company excluding the capital from the current round of financing. The theoretical value of the company before the investment agreed upon by the company and the investors. Pre- Money Valuation is calculated by multiplying the number of Fully Diluted shares of the company before the investment transaction by the purchase price per share in the investment transaction.
Price Antidilution Protection	Protects investors from overpaying for stock by adjusting the Conversion Ratio if the company later issues shares for a price less than the price the investors paid. Adjustment of the Conversion Ratio results in more shares of Common Stock becoming issuable upon conversion of each share of Preferred Stock than was agreed at the time of the investment. There are two basic types of Price Antidilution Protection; Full Ratchet and Weighted Average. Weighted Average can be either Broad Based or Narrow Based.

Private Placement	The direct sale of a security to a limited number of qualified buyers, which may include accredited investors or institutional investors. Proper controls and structuring may exempt the placement from standard disclosure and registration policies mandated by the SEC.
Pro-rata rights	Pro-rata investment rights give an investor in a company the right to participate in a subsequent round of funding to maintain their level of percentage ownership in the company. This becomes a way for investors to continue to invest in companies that they want to put more into.
Protective Provisions	The right of an investor or group of investors to veto certain transactions by the company. This is usually achieved by prohibiting certain transactions, unless they are approved by a class vote of the Preferred Stock.
Qualified IPO	Means an initial public offering by the company of a size and price specified in the corporate charter. An IPO with $20 million in gross proceeds to the company and a price per share three times the price the investor paid for its stock is fairly typical for a Qualified IPO, but this varies from one deal to another.
Ratchet	A provision that provides an investor with down-round protection (i.e., where the company raises a subsequent round of financing, which can include IPO, at a lower price) by providing for the issuance of additional shares in the subsequent round. In the IPO context, a ratchet provision provides that if the IPO price does not meet a certain level, say at least the price paid by the investor in the private round or some baked in rate of return above that price, the IPO conversion of those shares to common shares is adjusted such that an additional number of shares are issued to investors which would meet the predetermined level.
Recapitalization	The reorganization of a company's capital structure.
Registration Rights	The right of investors in a public offering to require the company to include shares owned by the investors in a registration statement filed with the Securities and Exchange Commission under Section 5 of the Securities Act of 1933. There are three general types of registration rights (i) Demand; (ii) Piggybacks; and (iii) S-3.
Redemption Rights (Redeemable)	The right of the investor to require the company to repurchase the investor's stock for a price specified in the corporate charter. Redemption rights usually are not exercisable until five years or longer after the investment. Redemption rights are rarely exercised, but they give investors leverage to ensure their investment will eventually become liquid through sale of the company if an IPO hasn't occurred by a specified date.
Repurchase Option	The right of a company to buy back vested or issued shares.
Restricted Stock (also known as RSU)	Represents a class of stock that has some restrictions on the transfer or sale of the instrument. Generally, most non-public stock has some restrictions, though they may vary depending on the issuer and holder. See our post on RSUs for a deeper dive.
Return on Investment (ROI)	The proceeds from an investment during a specific time period, which are calculated as a percentage of the original investment
Revenue	Revenue is the amount of money that a company actually receives during a specific period, including discounts and deductions for returned merchandise.
Revenue Multiple	TEV/TTM Revenue, usually used for valuing a company when it's not profitable yet.
Revenue Run Rate	The Revenue Run Rate (also run rate — one word) is the annualized revenue of a company if you were to extrapolate the current revenue over a year. It refers to the financial performance of a company based on using current financial information as a predictor of future performance. The run rate functions as an extrapolation of current financial performance and is based on the assumption that current conditions will continue. Run rates are useful for new business or business units within a company that have only had a short period of revenue generation opportunity. This figure allows managers, venture capitalists and investors to measure the annualized revenue
Reverse dilution	When stock is returned to a company by departed employees whose stock has not yet vested.
Risk to Capital Condition:	A condition for obtaining Advance Assurance, introduced by HMRC in 2018. A qualifying company must be intending to grow over the long term, and there must be significant risk that an investor stands to lose more than they stand to gain. The condition is designed to deter tax planning.
Right of First Refusal (ROFR)	A common transfer restriction that gives companies / issuers the right to purchase the stock at the same price, before allowing a shareholder to transfer it to a third party. Large investors in companies are also often granted a ROFR prior to transfers or sales.
Road Show	Presentations usually made in several cities to potential investors and other potentially interested parties. A company will often use a road show to create interest from investors before its IPO.
Roll up	A Rollup (also "Roll-up" or "Roll up") is a process used by investors (commonly private equity firms) where multiple small companies in the same market are acquired and merged. The principal aim of a rollup is to reduce costs through economies of scale.
Rule 506(b)	A legal "safe harbour" that allows issuers of non-public stock to sell interests to accredited investors without having to register with the SEC. Under this provision, issuers cannot engage in "general solicitation", such as advertising.
Run Rate	The run rate is how the financial performance (usually revenue) of a company would look like if the current results are extrapolated out over a certain period of time.
SAFE	A SAFE or safe stands for a "simple agreement for future equity". This document was authored by Y Combinator lawyer Carolynn Levy and open sourced. It was created and published as a simple replacement for convertible

	notes. In practice a SAFE enables a start-up company and an investor to accomplish the same general goal as a convertible note, though a SAFE is not a debt instrument. A SAFE is an agreement that can be used between a company and an investor. The investors invests money in the company using a SAFE. In exchange for the money, with a SAFE, the investor receives the right to purchase stock in a future equity round (when one occurs) subject to certain parameters set in advance in the SAFE.
Seed Round	The earliest round of fundraising, typically backed by a company's founders, their friends, family, or Angel investors. The company is generally not generating revenues and is in the process of developing their product.
Senior Liquidation Preference	An entitlement given to a certain class of shareholders that gives them a higher liquidation preference over other shareholders. Also known as Stacked Preference.
Separation Agreement	Not always one document, the "Separation Agreement" refers to the entire package of rights and considerations when an employee amicably leaves a company. In addition to severance pay, separation agreements often include provisions about non-disparagement, non-disclosure, and vesting of equity.
Shareholder Agreement	A contract that sets out how the company will be operated and the shareholders' obligation and rights. It often provides protection to minority shareholders.
Shareholder Limit	Established by Section 12(g) of the Exchange Act, requires that private companies register with the SEC, depending on certain criteria, including the type of shareholders and the total number of shareholders.
Shareholder of Record	The name of a shareholder as it exists on the registrar of the issuer.
Shares Outstanding	Refers to a company's stock currently held by all of its shareholders, including shares held by institutional investors and restricted shares owned by a company's executives. This number is used to calculate key metrics such as a company's market capitalization, earnings per share, and cash flow per share.
Side Letter	Agreement between the fund and the individual investor.
Stacked Preference	When different classes of preferred stock have senior rights to payment over other classes of preferred stock. Also known as Senior Liquidation Preference.
Stock Option	A right to purchase or sell a share of stock at a specific price within a specified period of time. Stock options are often used as long term incentive compensation for management and employees at high-growth companies.
Stock Plan or Employee Incentive Plan	The Stock Plan is an assimilation of all the rights and economic interests that are attached to company stock, including the company's bylaws, grant documents, shareholder agreements, etc.
Super Pro Rata	Super pro-rata right the investor (let's say in your A round) will ask for more than their pro-rata right.
Syndicate	The group of venture investors who participate in the investment round.
S-3 Registration Rights	The right of investors to require the company to file a short form registration statement on Form S-3. S-3 Registration Rights are similar to Demand Registration Rights, but usually one or two registrations each year are permitted, because the short Form S-3 is less burdensome to the company.
TEV	Total Enterprise Value.
TTM	Trailing 12-month revenue; sum of revenue.
Tag-Along Right	The right of a minority investor to receive the same benefits as a majority investor. This often applies to a sale of securities by investors and is also known as co-sale right.
Term Sheet	A document that includes the basic terms of a company's fundraising round (or any investment). Once signed, it indicates that the investor and the company intend to move forward to complete the transaction and stipulates the major economic or corporate governance terms related to the investment.
Trading	When applying for Advance Assurance from HMRC, it's necessary to know the date your company started trading. HMRC uses the analogy of a shop: if you've turned the shop sign to "Open", so it's clear you're looking for customers, that means you've started trading ("undertaking activities with a view to a profit"). Earliest date of trading will always be before or equal to the date you first received revenue.
Transfer Restrictions	Contractually defined limitations on an individual's ability to sell or transfer their shares in the company.
Unicorn	Team referring to a start-up valued at $1B or more
Visitation Rights	Also called Observer Rights. The right of investors to have a nonvoting representative attend meetings of the Board of Directors of the company and committees of the Board.
Vesting	Generally, when something that is promised is delivered and ownership is officially granted to the recipient. For employees, shares generally vest according to a predetermined schedule. Vesting effectively means that employees only receive their equity compensation after a period of employment to ensure alignment of interest between the company and the employee. The current market standard for vesting schedules is 4 years with a one-year "cliff". Typically, this means that 25% of the grant will vest after one year, and the balance will vest in equal monthly instalments over the following 36 months.
Warrant	The right to purchase stock at a later date at a fixed price. Similar to stock options, but usually given to investors, not employees
Warrant Coverage	Warrants issued to reward bridge loan lenders, guarantors or other lenders for incurring the risk of lending. The number of shares issuable upon exercise of the warrants is based on a percentage of the debt.
Washout Round	A round of financing where previous investors, the founders, and management suffer significant dilution. The new investor in a washout round will typically gain majority ownership and control of the company.

Weighted Average	A form of Antidilution Protection that adjusts the Conversion Ratio according to a formula that takes into account both the lower price and the number of shares issued at the lower price. This is more favorable to the company than a Full Ratchet. Narrow Based Weighted Average uses only the number of outstanding shares of Preferred Stock in the formula used to adjust the conversion price. This is more favorable to the investor than Broad Based Weighted Average, which includes all fully diluted shares in its formula.
Write-Off	A decrease in the reported value of an asset or company.