

A Year in the Life of an Investment Network

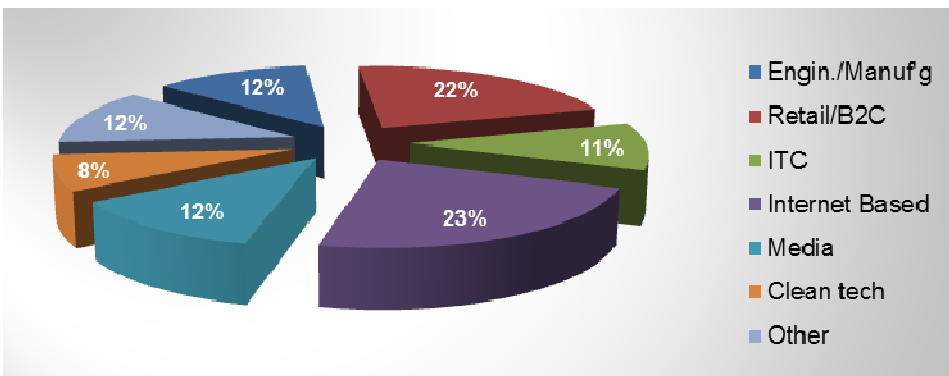
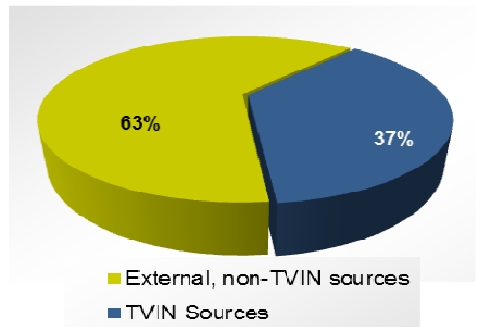
Harold Wilson once said that “ a week is a long time in politics” and, as TVIN takes a break over the summer, we reflect on a long year in the life of an investment network.

During the last twelve months the network has continued to provide its members with access to carefully screened investment opportunities. Just under 240 propositions have been reviewed, ranging from quail farms to offshore wind power generation, with 46 of these selected to present to TVIN investors at one of the eight investment meetings held.

making such that none are actually made effectively.

But this is not where the benefit ends as TVIN members continue to provide constructive feedback during the course of an investment meeting and following it. For many early stage businesses, presenting at TVIN is their first experience of meeting investors and it can be both daunting and nerve-wracking. Understanding where they are failing to convey the right message or, more fundamentally, where their business model may need further research, can have a real

accounting directly for £0.9m of this themselves.



Perhaps reflective of the economic make up of businesses within the South East, the sectors from which these propositions derived were reasonably balanced. TVIN's interest in the creative arts and clean tech businesses meant that one in five propositions came from these sectors.

Throughout the year, the dry run panel sessions, in which businesses are given the opportunity to practice their pitch in front of an invited panel, have proven their value. The experience and knowledge of the panel members, formed from amongst the TVIN membership and sponsor group, has been invaluable in giving the executives undertaking a pitch a clearer understanding of the expectations of investors. This may seem obvious but it remains surprising how many people try to deliver the full content of their business plan in a 10 minute slot, diluting the points they are

impact on how owner-managers approach the development of their businesses moving forward. As Barry Shaverin of Sparekeys.com said “the network seems to be very sociable, with as much emphasis placed on discussion, debate and informal advice as on investment. The response we had was most encouraging, and we enjoyed it too.”

Of course, whilst this is useful for the businesses that TVIN works with, their main purpose is to secure investment. With TVIN being the first port of call for many - that being a deliberate policy aim of the network - a significant proportion subsequently go on to raise the cash they need from other sources, with the benefit of the experience gained. About 1 in 3 TVIN businesses eventually obtains some investment. Over the last twelve months, the amount raised was £2.5m in total, with TVIN members

An important aspect of any network is the opportunity it presents for people with similar interests to meet and discuss these. TVIN's members come from a wide range of backgrounds, with varying career experiences and expertise, but they all have a genuine interest in early stage businesses and the investment opportunities these represent.

The successful programme of investor workshops organised by TVIN, OION and OEI, continued this year. Aimed specifically at an investor audience, they look at issues relevant to them. Perhaps their greatest benefit is the opportunity it gives angels to meet and discuss new opportunities, form syndicates, seek help with portfolio companies and get peer advice on issues that may be perplexing them.

Social networking is a term that has developed a specific meaning in the age of the online community, but to see it in action you only need to come along to a TVIN meeting where the art of face-to-face conversation is being practiced to perfection.



Contents

Cover Stories A Year in the Life of an Investment Network	Pg 1
Network News Managers' Update Dates for your Diary	Pg 2
Expert Advice EIS Tax Relief Boosted in Budget... But How are the Changes Likely to Effect Companies Raising Finance in Practice? Steve Cook, Nunn Hayward	Pg 3
Current Investment Opportunities	Pg 4
Company Updates Growth Engineering Augmenta Ecoinomy Velotec Gas Station 8 Globe Record Incahoot	Pg 5
News in Brief	Pg 6

Network Managers' Update

We are frequently reminded, when listening to the news, or catching up with current affairs, of the importance to the UK economy of "investment", not just to aid recovery but also for its future health. It sounds a reasonable proposition and we go along with it. But if, like me, you are not an economist, do you sometimes wonder what form of investment is important? Or is all investment important regardless of the form it takes?

At the grass roots level we can all feel the impact of investment, or the lack of it, in the services we use, the facilities we are provided with and the quality of life we enjoy. However, when you talk about investment on a wider scale, judging the impact it has is much more difficult. The changes are more subtle and tend to happen over a longer timescale and/are more dispersed geographically.

In business terms, a great deal of the investment in supporting the emergence and growth of new business was funded through the RDA's (Regional Development Agencies), who were responsible for directing funding from central government to projects most needed in their area. Many of you will be aware that the RDA's were abolished by the current government and are now in the latter stages of putting their affairs in order before finally being dissolved.

The austerity measures put into place in some of our European neighbours, Greece and Ireland come to mind, have resulted in strong feelings being expressed openly and, sometimes, violently, on the streets. Our own need to bring our national debt under control has led to the introduction of policies and budgetary cuts that have been met with equal hostility in some quarters. However, most people accept that we can no longer use the national credit card to continue to meet our spending needs and these need to be reduced and controlled

to bring the outstanding balance down.

If all investment is important, including that directed at new and early stage businesses, this is a conundrum. Investment remains important but the old structures for delivering it are being dismantled and the cash to undertake it is being severely reduced. How then do you manage it?

The solution might be to look at what is currently available, how it is being delivered and how that is sustained. This the Government has done and they have (finally) recognised the important role business angel investors play in this. Looking to support this activity must therefore make sense. The changes to the Enterprise Investment Scheme (EIS) announced in March increase the attractiveness of angel investment as an alternative asset class for high net worth and sophisticated investors and should encourage more to consider this option.

In addition, OION Limited, the parent of TVIN and its two sister networks, OION and OEI, was proud to be one of the five bidding partners that helped Capital for Enterprise secure Government commitment to a £50m co-investment fund to invest alongside angels. Operational details of the fund have still to be worked out but it is hoped that it will be launched sometime in the autumn and will provide up to £1 for every £2 committed by angels.

All of this is extremely positive and reflects the newly found belief in the value of the angel community. It is something that TVIN, OION and OEI have long recognised and we will continue to work with our members to deliver the level, quality and type of service that enhances their angel investing activities.

Have a good summer.

Leo Dunne
TVIN Network Manager.

Dates for your Diary

TVIN Investment Meetings

4pm Thursday,
29th September 2011
Green Park Reading

4pm Thursday
27th October 2011
Venue tbc



Investment Workshops

TVIN, in association with its sister networks, OION and OEI, organises a series of half-day workshops aimed solely at angel investors or those considering taking the first steps along the path towards investing in early stage businesses.

Held on a roughly monthly basis, each workshop looks at a particular topic of relevance to angel investing and, through expert speakers and open forum discussions, looks to answer some of the issues faced.

The autumn schedule of workshops is being planned across the summer months and details will be made available in due course.

If anyone has any suggestions for topics or issues that they would like tackled in a forthcoming workshop, please do let us know as soon as possible.

TVIN is delighted to be sponsored by a select group of prominent professional service firms active in the Thames Valley Region and further afield. Here they provide Newsletter readers with the benefit of their expertise and discuss issues relevant to both managing and investing in early stage businesses.

EIS Tax Relief Boosted in Budget... But How are the Changes Likely to Effect Companies Raising Finance in Practice?

Enterprise Investment Scheme (EIS) tax relief, for those of you who need reminding, is extremely valuable. It provides:

1. Exempt Capital Gains status on sale of shares after three years;
2. 30% Income Tax rebate on amount invested; and
3. an ability to holdover other capital gains realised against the cost of the investment.

Typically, most companies raising alternative finance to bridge the funding gap are at one of four stages in the life of their business.

1. Business inception "friends and family round"

Here the company will be in start up phase and would not have a sufficient track record to attract external investors. Typical issues to be addressed include:

- ensuring individuals, together with associates, do not control more than 30% of the ordinary share capital;
- ensuring individuals do not control more than 30% of the aggregated issued share capital and loan capital (of loans and/or loan notes);
- ensuring future rights (which must be taken into account), do not impinge these tests;
- ensuring those investors who wish to become paid directors/employees appreciate that appointment as a director and investment needs to be carefully timed to ensure relief is not blocked, as well as considering the various restrictions on the level of remuneration paid.

2. First Round Funding – External EIS Investors

Here the company, with a track record, is likely to seek funding potentially from EIS and possibly VC investors.

Where shareholders are all individual EIS investors coming in on the same terms, there is usually little issue other than ensuring the company has a qualifying trade. The definition of a qualifying trade in the 2011 Budget was expanded such that it should now be sufficient to qualify if you have a business establishment in the UK, regardless of where trading is undertaken.

Further, where there is a mixture of individuals and VC funds coming in at this stage, it is extremely important to ensure that any corporate entity does not end up being in control of more than 51% of the company, as this will block relief for all other EIS investors.

Outside investors will also expect official confirmation from HMRC that the trade qualifies. An experienced advisor should be able to obtain this clearance covering the trade, use of funds and likely investor profile for a company.

3. Rescue Funding!

As most experienced EIS investors and owners of SME businesses will tell you, matters rarely go according to plan! It is often necessary to consider raising additional funds.

Where existing investors are unwilling to inject further funding, typically a third party outside investor will be sought. At this stage, this outside investor, in effect holding all the strings, may well be insisting on acquiring control of the company. Ensuring that the investor is not a limited company will therefore be important to avoid jeopardising relief for other EIS investors.

In addition, should the incoming investor(s) wish to claim EIS relief, they will, due to new rules introduced in the 2011 Budget, need to show that the company is not "in difficulty" at the time of fund raising. There is a statutory definition of this which favours companies in their early years of trade, but becomes more difficult to fulfil once companies have traded for more than three years.

4. Home Run – Exit

The key tax criterion is that the sale occurs three years or more after the shares are acquired or trading starts, if later. Alternatives to exit could include becoming listed, whether this is on the full Stock Market, AIM or even Plus Market. Such a listing would not usually affect the availability of EIS tax status. In such cases, new holding companies are usually those that are "floated" and there are detailed rules allowing such share exchanges prior to a listing to not jeopardise the tax status for EIS purposes. Again, advisors with knowledge of such matters can and should obtain official tax clearances for such reorganisations.

As can be seen from the above, at each and every stage during the life of an SME business where investors are wishing to rely upon EIS tax relief, it is vitally important to ensure that those managing and running the company are aware of the potential pitfalls that commercially driven decisions regarding the raising of finance can bring. Jeopardising EIS relief potentially risks upsetting or even triggering claims under warranties and indemnities that investors may have sought on coming into the company.

As always, the key is to have an open and close working relationship with your advisors. At Nunn Hayward, we seek to achieve this with every single client and fully believe that we are

BIG ENOUGH TO COPE, SMALL
ENOUGH TO CARE

If you have any queries with regard to the above article, or indeed any taxation matters, please speak with Stephen Cook, Tax Partner, at Nunn Hayward, Chartered Accountants.

Stephen Cook

Tax Partner


01753 888211

stephen.cook@nunn-hayward.com


Disclaimer: Further taxation advice should always be taken before acting, or refraining to act upon, any matters raised in this article.

Nunn
Hayward 
Chartered Accountants

The following provides brief details of businesses seeking investment who have presented their propositions at a TVIN Investment Meeting in recent months and show updated requirements. Further details are available from the TVIN team.

Book A Time Online		
£100k	March 11	


A provider of online booking services to trades people. Trades people subscribing for an online diary are given a website link to use with their advertising. Customers can click to the site at any time to check for availability. The software and website have been completed. £100k is sought to invest in marketing and property managing agents to stimulate demand.

CoachYourWay		
£400k	Jun 11	

CoachYourWay's website CoachAnyWay.com will be the only online self-publishing resource that promotes organic sport development and democratic coaching. The aim is to build relationships with sport related businesses interested in promoting their latest products. Advertising space on the website will be contracted and sold at competitive prices.

Dental Health Plan		
£250k	Jun 11	

The company is the only corporate dental plan provider in the UK to settle claims directly with dentists. Cost savings are achieved by all stakeholders through the use of online scheme administration. A bespoke web based business critical system has been completed. £250k is sought to serve both working and FSA capital adequacy.

Eventful Stays		
£190k	May 11	

Eventful Stays is the only UK wide web based accommodation services company which markets privately owned properties for rental by visitors attending major events. The website has been completed and is constantly being tuned and optimised. Funding of £190k is sought to grow the business and to secure more properties for rental.

ExactTrack		
£250k	Jun 11	

ExactTrack has developed a best-of-breed mobile data security solution in the form of a managed service that deploys software & mobile data security services via a patented hardware device. Security Guardian is now a production item and is undergoing evaluation trials across many sectors. The business model is one of indirect sales through System Integrators

GlobeRecord		
£500k	May 11	

GlobeRecord is a new digital download music store. The company developed a geo-location search mechanism that allows customers to search local, national and ethnic music. They have licensed the complete catalogues of four major labels and has a beta version available online. £500k is sought for additional technical development and market roll out.

Gas Station 8		
£270k	May 11	


Division 19 is a science fiction feature film starring Dougray Scott, Neve Campbell, Jamie Draven, Paul McGann and Chase Armitage. The film budget is £1.35m of which £630k of the £900k required equity has been raised. Risk outlay is mitigated to 30% of the original investment using EIS and a ring-fenced amount from the tax.

Identity Protection Worldwide		
£650k	May 11	

The company provides a unique online protection against identity theft, fraudulent transactions and rogue impersonations. The company's patent-pending solution incorporates a 3-level authentication system that verifies the ID of the user. £650k is sought to complete development and preparations for high-profile marketing.

North Sea Recovery		
£225k	Jun 11	

North Sea Recovery has confirmed locations of a large number of steel wrecks, lost between 50-100 years ago. They contain large quantities of copper, lead, silver etc. for which NSR have developed a low cost and relatively straightforward means of recovery. £225k is sought to cover the initial operational cash flow gap arising from the 1 year salvage award delay.

M2g.com		
£250k	March 11	

The company is a unique web based platform promoting car sharing to sports and music events. Through annual subscription member identity is verified. The initial target is the 92 clubs of the Football Association who generate 200 m car journeys per season. Funding of £250k is sought for marketing and product development costs.

Redemption Productions		
£24k	Jun 11	

The company is creating a 4-part interactive digital comic for downloading and purchasing from the Internet. The production team is now finalized and includes some well-known creatives. Episode 1 and the website will be launched on the internet in October. The interactive comic will be available primarily on Steam—the he online game distributor -and iTunes.

VeloTec		
£50k	March 11	

VeloTec have developed a unique GSM/GPS tracking device, Cyclops, which can be retrofitted to any cycle and that allows the cycle to be tracked when stolen, with pin point accuracy. VeloTec will supply the tracking device to the customer at cost in return for an annual contract. £100k has been accounted for and a further £50k is sought..

If you would like further information on any of the companies above, please contact the Network Administrator, Heni Sanislova, on 01865 261 484 or email Heni at h.sanislova@oxin.co.uk



growthengineering

Growth Engineering (TVIN Jun 2009) create innovative online training portals and eLearning for clients such as Brother, HP, Spicers, SleepMasters and Premier Training. Since presenting at TVIN and securing the investment they required, Growth Engineering have been on a growth curve, with turnover doubling for the last two years and the company is on target to do the same this year. It is now employing 10 people, with plans to increase this to 17 by the end of the year. Juliette Denny states that "the development of our business continues at a pace. We have a strong sales pipeline and recurring revenues from current clients. Our mission is to deliver an exceptional online learning experience and this seems to be exactly what our clients are looking for."

www.growthengineering.co.uk



ViewRanger (Nov 2008) continues to grow its business of delivering the popular 'ViewRanger GPS' location-based service for outdoor enthusiasts. The company has recently launched an online community and trip planning website, that compliments and wirelessly synchs with the ViewRanger smartphone app, that makes it even easier to discover, create, and publish guides to the best trails and to share outdoor adventures via a social network. The company has announced that more than half of the mountain rescue teams in England and Wales now use and trust ViewRanger GPS for navigation and team coordination. Existing Augmentra shareholders, including several TVIN members, have just backed the company with a follow-on investment to enable the acceleration of key activities as revenues and its customer acquisition rate grow.

www.viewranger.com



Ecoinomy (Sep 2010) designed a reward system for employees within large companies that encouraged them to embrace new ways of working to reduce carbon emissions within the workplace. Having secured their first large corporate clients, the business is now working on developing an SME version of their eco.system product. This will mean that companies with as few as ten people will be able to use it to reduce waste and cost whilst producing money for charities and local causes. The SME version will have greater flexibility to track just about any cost saving behaviour and will track how much carbon dioxide emissions have been avoided.

www.ecoinomy.com



VeloTec (Mar 2011) have secured £50k of the £100k sought. They have entered into a collaborative agreement with MSC for the manufacture of their cycle tracking device and the product will be launched in February 2012. They have identified a new segment of the market and will be selling the product direct, to cycle hire companies and to delivery companies, like DHL, that use cycles for local deliveries. Trials with a major delivery company based in Cambridge are about to begin. Velotec is also working with Plymouth University on the development of a marine version of the tracking device, which is being tested on three boats, and with Southampton University on the use of the latest OptoElectronic technology with a third product, a cycle safety device.



Globe Record (May 2011) have developed an online platform that allows the download of local, national and ethnic music, \$9bn of which is currently sold on CDs each year. Its initial target market are the 25 million immigrants based within the major European countries who are underserved by the existing digital music stores. Since presenting to TVIN in May, the business have secured the rights to Turkish music and negotiated a deal with their platform developers which will see the service available in August.

www.globerecord.com



Gas Station 8 (May 2011) are a film production company with a difference, concentrating as much on the commercial aspects of their product as the artistic content. As a result, they have been offered a £250k minimum guarantee against sales, discussions are already taking place with a US distributor and talks have been held to pre-sell the video-on-demand rights. Investor will require more details on the potential income streams but pre-box office, post-production, revenue opportunities in discussion could exceed a value equivalent to 70% of the overall investment sought. Further funding of up to £220k is sought to reach the desired £1.3m production budget.

<http://gasstation8.com/>



Incahoot (May 2011) is an online group purchasing community which provides a range of essential household products and services at discounted prices. The business was in discussion with an number of interested parties but indications were that they were going to fall short of their full requirement. John Evans therefore presented to TVIN members looking to secure £400k to complete an investment round of £1.05m. A group of TVIN members expressed interest in the proposition following the meeting and John was following this up with copies of the full business plan. However, less than a week after the meeting, Incahoot received an enhanced offer from members of the existing syndicate, which completed the round. John called to apologise for shutting out TVIN members but we're sure there were no broken hearts involved.

LeaderFest

13th July 2011, 8.30am - 4.30pm,
Kassam Stadium,
Oxford, OX4 4XP

LeaderFest is about leaders learning with and from other leaders and as such is targeted at people leading teams of at least 10 people; a definition that is intended to allow the attendance of senior managers from medium sized organisations as well as the person at the top of small or medium sized organizations
For further information and to register please visit www.md2md.com

Growth Company Investor Show 2011 Barbican Exhibition Halls, London Wednesday 12 October 2011

Now in its seventh year, remains the must-attend event of the calendar for investors and entrepreneurs alike.
Free to register.
www.growthcompanyinvestorshow.co.uk

TVIN Dry Run Venues

TVIN is continually looking for Thames Valley based organisations to host and participate in the dry run sessions attended by companies due to present at TVIN Investment Meetings. At each dry run session, between 4 and 8 companies deliver their 10 minute presentation to an invited panel of between five and seven members. The panel is generally formed from TVIN sponsors, guests, investor members and the Network Manager. Anybody interested or aware of an organisation that may be interested, please make contact for further details.

Getting Value from Project Management in the High Technology Sector

13th Jul 2011, 9:15am - 4:30pm

Holiday Inn Farnborough, GU14 6AZ

Directors, project managers, project stakeholders and sponsors, technical managers, commercial and financial personnel will all benefit from this interactive day, aimed at developing a deeper understanding of the benefits and application of good project management. For further information email events@fac.org.uk

Newsletter Contributions

TVIN is happy to include any items of business or personal news in this section from any of its members or Newsletter readers. Please contact Heni or Leo for further details.

Heroes Berkshire

Heroes Berkshire is a social enterprise working with young people who are not engaged with the mainstream education system. It provides a range of dedicated activities to support their development needs.

Premises at the Old Shire Horse Centre are now up for sale and Heroes Berkshire would consider making an offer if funding can be secured. If any investors are interested in getting involved in this project, please let us know and we will provide further contact details.
www.heroesberkshire.co.uk

How to Win Funds for R&D

Tuesday, 26th July, 9.30 am-1.30pm
Electron Building, Harwell, Oxford

An introduction to sources of funds for research and development with lessons and tips on improving your chances of bid success.

* Learn about some of the main sources of funding open to you.

* Understand what distinguishes a good application from a poor one.

* Take on board some useful concepts that you can apply to your proposal.

Please register by email

julie.hollins@innovationgrowth.co.uk

TVIN would like to thank
CBS Business Interiors
and **Lily Hill House** for kindly hosting our dry run panel meetings



Phil Green

CBS
CBS Court, Kennel Ride
Ascot, Berkshire
SL5 7NP
01344 899121
PhilG@cbs-plc.co.uk
www.cbsofficeinteriors.co.uk



Sponsorship Opportunities

If you are interested in exploring how you or your company can become involved with TVIN, please contact the Network Manager, Leo Dunne.

TVIN Sponsors

TVIN gratefully acknowledges the commitment and support of its sponsors, who are happy to answer any questions you may have in their particular areas of specialism.

Steve Cook

Nunn Hayward
Sterling House
20 Station Road
Gerrards Cross
Buckinghamshire
SL9 8EL
01753 888211
steve.cook@nunn-hayward.com



Mehrtash A'zami

Maxim Corporate Finance

55 Old Broad Street
London
EC2M 1RX
0844 7704 077
mehrtash.azami@maximllip.com



Don Spalinger

University of Southampton

University Road
Southampton
SO17 1BJ
02380 594686



Mark Baker

University of Portsmouth

Purple Door,
28 Guildhall Walk
Portsmouth
PO1 2DD
02392 846191



James Olden

Cafécreate

The Hub
Station Road
Henley-on-Thames
Oxfordshire RG9 1AY
01491 845 910
james@cafecreate.com



For further information on TVIN, please contact either:

Leo Dunne - Network Manager

Tel: 01865 261 488

Email: l.dunne@oxin.co.uk

Heni Sanislova - Network Administrator

Tel: 01865 261 484

Email: h.sanislova@oxin.co.uk



TVIN is managed by Oxford Innovation Ltd (www.oxin.co.uk), the UK's leading operator of innovation centre premises for start-up companies.