

PRESS Release

## **Review of business angel activity shows investors and their networks making the best of difficult times**

*The government has published the second independent report on business angel activity in the UK, which shows how angels have continued to invest millions in promising young firms in 2009/10 despite a challenging environment.*

The report, prepared by Prof. Colin Mason of Strathclyde Business School and Prof. Richard Harrison of Queen's University Management School, was commissioned by a consortium led by the Department for Business, Innovation and Skills (BIS) and comprising ACCA (the Association of Chartered Certified Accountants); the British Business Angels Association (BBAA); the British Private Equity and Venture Capital Association (BVCA); and LINC Scotland, the Scottish Angel Capital Association.

The researchers found that the tightening supply of finance from other sources, coupled with growing awareness of the sector, has driven more businesses to approach angel networks, which received 11% more business plans in the last fiscal year than the one before.

In turn, business angel networks have had to redouble their efforts: given a growing pool of applicants, they have become more selective in choosing which opportunities to present to investors (7.9% of those received, down from 9.5%) and more effective in picking the best ones: 31% of businesses presented to business angels actually got the investment they sought, up from 28% in 2008/9.

Overall, the amount of investment provided to angel-funded businesses remained broadly constant year-on-year, largely due to angels' ability

to leverage more investment from third parties than they had in previous years. With the average deal size falling, more businesses benefited from angel investment and a larger share of these received seed funding compared to the previous year.

The report underscores the importance of the Enterprise Investment Scheme (EIS) to angel investment. EIS was used by more than two-thirds of investors, although it is likely that recent changes to eligibility criteria could drive this percentage upwards.

Business and Enterprise Minister Mark Prisk said: *" This research shows that business angels continue to play a very important role in funding new and growing businesses, which are vital to economic growth in the UK. The support of angels is hugely significant and I am encouraged to see that businesses have been looking to angels as a viable source of finance. I hope that this trend will continue. In addition to investment, business angels also provide valuable business expertise and guidance."*

Anthony Clarke, Chairman of BBAA said: *" BBAA welcomes this 2nd report and whilst 2009-10 statistics from our networks show some lasting effects of the financial crisis we have received strong indications that the level of investing among the angel community has improved during the past 12 months with a significant number of new investors and investor groups entering the marketplace place. With the recently announced EIS tax relief rise to 30% and the new UK £50m Angel co-investment fund launching later this year, angel investing will continue to increase in 2011/12."*

Colin Ellis, Head of Research at BVCA, said: *"Business angels are a vital source of finance for many new and exciting businesses. Today' s research provides some of the hard facts that are needed to understand the impact and influence that angels have, and the vital contribution*

*that they can make to the broader economy as the public spending cuts really start to bite.”*

Prof. Robin Jarvis, Head of SME affairs at ACCA said: *“Information on business angels and their activity is notoriously hard to come by; we need more research like this if government is to design appropriate policies to encourage investment. Accountants and other business advisers also need such insights to help them refer clients to the appropriate sources of finance for their business.”*

Notes to editors:

1. The research report is available on the website of the Department for Business, Innovation and Skills, at:  
<http://www.bis.gov.uk/assets/biscore/enterprise/docs/a/11-p116-annual-report-business-angel-market-uk-2009-10.pdf>
2. The report was overseen by the Business Angel Report Steering Group, comprising representatives from BIS, BBAA, LINC Scotland, ACCA, BVCA and HM Treasury. The views expressed in the report are those of the authors, and do not necessarily those of the Steering Group.
3. [ACCA](#) (the Association of Chartered Certified Accountants) is the global body for professional accountants. We support our 140,000 members and 404,000 students (including more than 64,500 members and over 87,000 students in the UK) throughout their careers, providing services through a network of 83 offices and active centres.
4. [The British Private Equity and Venture Capital Association \(BVCA\)](#) is the industry body for the UK private equity and venture capital

industry. The BVCA has over 450 member firms, representing the overwhelming number of UK-based private equity and venture capital firms and their advisers.

5. [The British Business Angels Association \(BBAA\)](#) is the national trade association dedicated to promoting angel investing and supporting early stage investment in the UK. BBAA works to create an ecosystem to help support the industry through bringing together angel networks, private investors, early stage funds and professional advisors and represents almost 100 organisations including the vast majority of business angel networks across the UK, over 20 early stage venture capital funds, professional service providers and advisers and business angel investors.
  
6. The June 2010 budget announced a set of changes to existing tax-based Venture Capital Schemes (including EIS) and Enterprise Management Incentives ensuring State Aid compliance. These have made the venture capital schemes, including EIS and VCTs, more flexible by relaxing limitations on where target companies can carry out their activities and where VCTs can be listed. A full impact assessment of these changes, which the Government expects could eventually provide an additional £40m of tax relief to investors per annum, can be found on the HMRC website: <http://www.hmrc.gov.uk/budget2010/vent-cap-ent-man-ia-2540.pdf>