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Dear Readers,

Over the last month, we have been working on two important events for your diaries. Firstly, [the Winter Workshop](#), which we have now fixed for 24th January 2006 in Warrington, sponsored by TEChINVEST and free for members and associates. Secondly, we have now set the date for the [2nd Annual Conference](#), which will be held on 12th and 13th June 2006 at the Royal Bank of Scotland HQ at 280 Bishopsgate, London. The main conference sponsors are The London Development Agency, Greater London Enterprise & London Business Angels and Royal Bank of Scotland. This event will also be free for members and associates. As with the first conference, we will be hosting our second annual [Awards Dinner](#) at the Great Eastern Hotel on the evening of 12th June. The Corporation of London have agreed to be our main sponsors and we are now actively seeking sponsors for the various Awards that will be given that evening. After the great success of our first conference earlier this year, we expect that both the Workshop and the Annual Conference will be well attended and help us to address the relevant issues facing us all today and into the future. If you would be interested in attending or know anyone who might, please let [Liz](#) know.

We mentioned the Risk Capital Summit in the last newsletter [an initial report](#) of the two days of discussions, talks and seminars is attached and DTI/SBS will soon be putting a fuller summary on the risk capital website. If you attended the event or have any strong views on the topics discussed, we will be happy to pass on any comments. We are also interested in your views regarding [tax and business angel investing](#). A big part of our role as a trade body is to take up issues that affect our members and to work to improve the wider business environment for angel investing.

Activity levels remain high at the moment. We were pleased to see that the latest results of the [Venture Index](#) reinforced our own statistics about deal volumes and sizes. There is also plenty of news this month from our members and associates.

It is always interesting to hear what is happening to the early stage investment world in other geographic locations. BBAA as a member of EBAN is well connected to the other European National and Regional Angel Groups and we now have good links with the American Angel Groups through ACA being their National Federation and through our new Associates New Vantage and Focus who are actively part of the USA Business Angels Scene. We are now also building links with Australia and South Africa. You might also be interested in the news from [Red Herring](#) that US Angels are now funding more early-stage start-ups this year than at any point since the Internet boom, a sign this informal breed of venture capitalists may be stepping in to fill a role traditionally played by venture capital firms. An excerpt from this article is included below and a link to the full article which also raises the issue of the lack of angel investors in the UK and in continental Europe. Looking closer to home, Xenos, the Welsh Business Angel Network has published [a research paper](#) on the nature of angel investing in Wales. Copies of the full report available from leanna.davies@xenos.co.uk.

We are also very pleased to welcome MBO MBI Ltd, [Bridges Community Ventures](#), [GP Bullhound](#), [New Vantage Group](#) and [Focus](#) as new associates this month. As always, if you know of anyone else who may be interested in joining please contact [Liz Carrington](#) who can let you have the appropriate marketing materials.

Finally, for those of you who may have companies who have gone through the grilling it may be of interest to you that the new series of Dragon's Den will be showing from Tuesday 15th November on BBC2 at 8:30. You may also like to recommend the show to others as an entertaining introduction to Business Angel finance!

Kind Regards,

Anthony Clarke
Chairman

BBA Winter Workshop

The Winter Workshop will be held on Tuesday 24th January 2005 from 8:30 – 17:00 at The Park Royal Hotel Warrington, WA4 4NS. It will be free of charge to members and associates only. The Workshop will provide an opportunity to review and share best practice, trends and new developments in the SME Equity Market place for our members, associates and invited guests, as well as those interested in the work of BBAA in relation to the development of Business Angel Finance. A full agenda is now on the BBAA Website and can be found [here](#).

There will be an informal networking dinner on the evening of 23rd January before the Winter Workshop at the Park Royal Hotel, which all delegates are welcome to attend. We have negotiated a very competitive price for the dinner and overnight stay at this event. A booking form with prices for accommodation and dinner will be sent out shortly. In the meantime, if you would like to find out more please contact Liz@bbaa.org.uk

BBA 2nd Annual Conference

The 2nd Annual Conference will be held on 12th & 13th June 2006. Registration will be from Noon on 12th June with the Conference to commence at 2pm it will be held at RBS, 280 Bishopsgate, London, EC2M 4RB and will be Free of Charge to all Full Members and Associates. The Conference will finish at lunchtime on 13th June 2006. The cost of tickets for non-members is to be confirmed.

It will follow a similar format to last year and is once again aimed at anyone who has an interest in the promotion and growth of Business Angel investment and SME equity finance up to £2m. The conference will offer the opportunity to review current developments in the informal investment market, to look at new emerging models and trends in angel/equity finance and will focus on the linkages between angel finance and the VC market. There will be many opportunities for audience participation and to meet and interact with a wide range of angel groups, VCs and other investors, practitioners and experts. Further details of the programme and booking forms will be provided in early 2006.

BBA Awards Dinner

The BBA Awards Dinner will be held on 12th June 2006 starting at 7.45p.m. at The Great Eastern Hotel in Bishopsgate, London. Cost to be confirmed.

Following from last year's successful awards dinner the BBAA will once again be holding an awards dinner. This will be an opportunity to improve transparency in the angel investment market and highlight the importance of angel investment to the growth of SMEs in the UK. The awards will be celebrating the achievements of angel investors, practitioners and businesses that have made a significant contribution to the development of the angel investment market and SME growth in the past year. Further details will be provided about this event in early 2006.

For more information about the conference and awards contact: Liz@bbaa.org.uk

BBA Members News and Events by region

Greater London

Investors is running its 'The Next Big Thing Event' on Wednesday 23rd November in conjunction with Davenport Lyons Solicitors. At the event there will be ten minute presentations from six companies seeking finance up to £2m. The event will take place at Arundel House in Temple Place London from 6pm – 9pm. Please note that this event is for members of Investors only however if you would like any further information please contact Pattie Mason at pattie@investors.co.uk.

London Business Angels will be hosting their **final ready2invest** workshop this year on 17th November at the London Business School. For more information, please visit www.r2i.co.uk

London Business Angels back one of London's Creative Industries businesses. Dane Bailey Ltd designs and markets premium products for the bedroom and bathroom under the Dane Bailey brand. The company has recently secured orders from Selfridges and Harrods, who are stocking the brand, which gives access to 1.7% of the £1.2bn UK bed and bath market. The products fill a void in the market between highly priced luxury designers, such as Ralph Lauren, and generic brands such as John Lewis. The company targets affluent 30-45 year old women and single men willing and able to trade up, through dept stores, specialists, and hotel chains. Dane Bailey Ltd was selected to present to investors at the Creative Industries Company Presentation Event organised on July 5th by London Business Angels. The event was supported with funding from the LDA Creative London Initiative operated by London Business Angels as part of a pilot project to raise awareness among investors of the potential of London's creative industries businesses and increase the overall level of private equity investment in the sector. As a result of this event the company has now successfully raised a total sum of £244,000 being £58,000 from LBA Investors, £100,000 from London Seed Capital (LBA's angel co-investment fund) and a further £86,000 from the London Business Angels' EIS Tracker Fund.

Midlands

On Thursday **24th November**, the **Connect Midlands Investment Conference 2005** will feature 18 high-potential technology businesses, each presenting their businesses at the National Motorcycle Museum. This is an excellent opportunity for investors to view 18 rigorously screened developing technology companies that are now looking for 2nd or 3rd stage investment of between £500k and £3.5m. Each has a clear product offering and business model and can demonstrate how investment will bring growth and appropriate return for their investors. In addition to the formal presentations and exhibitions there will be a champagne reception to allow informal networking and further information gathering towards the end of the day

The Advantage Early Growth Fund has now made 21 investments in 21 months, each in conjunction with one or more private investors, on the same terms. Last November AEGF held a conference for its investee companies and co-investors to encourage inter trading and sharing of experiences. The event was so successful that it has become an annual event and this year it will be held on 17th November just off the M42 near Birmingham. If any BBAA member would like to attend and see what AEGF has been up to please contact Kevin Caley (kevin@aegef.co.uk).

North

A syndicate of nine angel investors from the **Yorkshire Association of Business Angels (YABA)** has signed a deal worth £70,000 with Yorkshire based Autono-Med, a company that supplies assistive devices to improve the lives of people with health difficulties.

The Viking Fund, the Yorkshire-based technology investor has announced its 10th angel co-investment deal since launching 15 months ago. Matched by £50,000 from two business angels, Viking invested £50,000 in Skynet Technologies Network Limited, the Barnsley-based mobile data capture specialists. This summer, Viking also completed co-investments in two University of York spinout companies. Together with six angels, Viking completed a £200,000 total investment in Rapita Systems Limited, a real-time systems toolkit specialist spun out of the Department of Computer Science. In August, Paraytec Limited, which is developing new analytical detectors based on research from the Department of Chemistry, received a combined £170,000 from the Fund and seven angels.

South East

On **1st December Beer and Partners** will be hosting an investor evening jointly with Gaby Hardwicke in Eastbourne.

South West

SWAIN has completed its 10th deal in just over 12 months despite being a relatively new Angel Network established in Summer 2004.

Risk Capital Summit – conclusions

On the 4th and 5th of October 2005, the Small Business Service, on behalf of the UK Presidency of the EU, and the European Commission jointly hosted the Risk Capital Summit 2005.

The aim of the conference was to provide a platform to enable Member States, the European Commission, and members of the finance community to examine global best practice in risk capital interventions. The conference also focused on the risk capital aspects of the Lisbon strategy, to develop concrete recommendations as to further actions required.

Some 300 delegates attended the conference, including Ministers and Senior Officials from European Union Member States, alongside their counterparts from the US and Asia Pacific countries.

Chris Gibson-Smith, the London Stock Exchange's chairman, delivered a keynote speech announcing ambitious plans to transform AIM, into a pan-European market for small businesses.

Alun Michael MP gave a keynote speech in which he spoke of the challenges of addressing the Lisbon agenda, looking forward to what needs to be done to unleash the dynamism of financial markets and increase the availability of risk capital across the European Union.

The highlight of the second day was the keynote speech given by the Chancellor of the Exchequer, the Rt Hon. Gordon Brown MP, in which he affirmed the Government's support for the risk capital agenda, declaring it essential to the future of the European economy.

The high quality of speakers and panel members, and the international mix of delegates at the event, ensured that there was plenty of healthy and open debate on the importance of risk capital finance and the role that business angels play.

The conference included keynote presentations, plenary sessions, and participative workshops over the two days, including a Workshop on "Business Angel Finance", which was chaired by Brigitte Baumann, the founder of Swiss angel investing firm Go Beyond Ltd. BBAA Chairman Anthony Clarke facilitated the discussion. The panel included leading Business Angels from across Europe.

During the workshop, it was acknowledged that Business Angels are an important element in providing risk capital to businesses with high growth potential, with estimates that between 50,000 and 100,000 angels are active in Europe, investing several billion Euros into SMEs. However, it was recognised that the sector is fragmented and that a lot of angel activity went unrecorded, networks needed greater visibility and accountability. Methods of increasing angel activity were also discussed with best practice ideas from across the EU.

Recommendations from the workshop with more detail from each of the workshops will shortly be available at www.riskcap2005.com. Grant Peggie of the SBS will also be giving a presentation on the conference conclusions at the forthcoming EBAN Winter University.

Report to Government on Business Angels and Tax

In our role as a trade body we are looking to make a comment to the Government on behalf of the members and associates of the BBAA in relation to the forthcoming budget for 2006 - 2007. We would therefore like to request that you consider the following issues and return your views to Liz@bbaa.org.uk

- 1) What changes should be made to stimulate Angel Investment into SMEs?
- 2) What would improve the current tax system in relation to Angel Investment?
- 3) Any other comments or ideas you would like us to raise in relation to the budget and angel investment

We will be collating all comments and discussing them with the BBAA Board. We will also be providing an opportunity at the winter workshop to further debate these issues. We will then draw up a report on behalf of BBAA reflecting your views and forward this to the Government by end of January.

Red Herring – More Startups tapping angels

"Angel investors in USA are funding more early-stage startups this year than at any point since the Internet boom, a sign this informal breed of venture capitalists may be stepping in to fill a role traditionally played by venture capital firms. Innovators who meet with angels are twice as likely to get funding this year as two years ago, a study shows. In 2005, angel investors backed 21.8 percent of the companies they investigated, up from 10.3 percent in 2003, according to a study by the Centre for Venture Research. This is the highest rate of funding per investigation since 2000, when 23.3 percent of companies that sat down in front of angel investors got money." [Click here](#) for the full article.

Business Angels in Wales putting some boundaries on our ignorance

The paper prepared by Neil Marriott, Professor of Accounting and Finance, Glamorgan Business School, Glamorgan University and Ray Hurcombe and Leanna Davies of Xenos – The Wales Business Angel Network derives some interesting conclusions about the nature of business angel investing in Wales. Amongst the conclusion is the fact that average deal size appears to be significantly higher than the UK average, but that the topography of Wales causes some areas to be relatively deprived of investment activity because of, inter alia, the travelling time taken to see the investee company.

Welsh business angels have many similar characteristics to others angels. They are male, aged between 41 and 60 and have made their fortunes through successful management of their own businesses. They invest for capital gain and for intrinsic rewards. Altruism plays a part and they tend to be relatively successful at investing with a higher percentage breaking even or making profits than might typically be expected. Quality of dealflow remains an issue and the recommendations of business associates and friends are more highly regarded than those of others.

If you would like to see a copy of the report, please contact Leanna Davies, Network Manager of Xenos at Leanna.Davies@financewales.co.uk

Venture Index

Further to the announcement of the BBAA statistics of activity amongst their members, we are pleased to report that the Venture Index has announced a further upturn in activity in the sub £1m investment space in the last quarter. Many of our members also contribute their data to the Venture Index and therefore there is some overlap in the underlying numbers, but the Venture Index also covers many of the Regional Venture Capital Funds and other early stage venture capital investors. Of particular interest is the fact that Yorkshire was the most popular investment region in the last 12 months – well done YABA! Medical Instruments investments were the most popular by sector and expansion the most popular stage. The median amount invested per deal was £125,000, which is slightly lower than the average amount invested by BBAA members in the first six months of the year.

If you want any further information on the Venture Index, please contact enquiries@ventureindex.co.uk.

Technical Update

SELF INVESTED PERSONAL PENSION (SIPPS), SHOULD THEY BE USED TO PURCHASE UNQUOTED INVESTMENTS?

Readers will be aware that “A Day” approaches on 6 April 2006. A wholesale revision of pension legislation will take place on that date including a relaxation of the rules covering allowable investments by SIPPS.

SIPPS will be able to invest in racehorses, art, classic cars, vintage wine, residential property but also unquoted investments.

Investments into a SIPPS, will for higher rate tax payers attract tax relief at 40% on the contributions made and this has to be compared with the 20% immediate tax relief allowed for direct EIS (Enterprise Investment Scheme) qualifying investments. However, unquoted investments are not readily realisable, and therefore, when the time comes for the SIPP to provide a pension, it will be difficult to raise the money to provide the funds for the pension.

Investments in unquoted companies attract loss relief if the investment fails directly set against income tax, this loss relief not being available to unquoted investments that go into a SIPP. Everyone hopes that their investments will be successful, but the risk of loss can be mitigated because of this relief. Effectively, taking into account the 20% initial tax relief, and the further tax relief (top rate tax payers at 40%) on the remaining balance, only £48 in every £100 of EIS Investment is at risk, tax relief is being obtained at the rate of 52%. This compares with the 40% tax relief on the contributions in to the SIPP, and the income tax charged when drawing the pension out of the SIPP.

Investors should take their own advice in the light of their own circumstances but changing the rules will not necessarily lead to an increase in unquoted investments via pension contributions.

Ron Norman

ABOUT BBAA NEWS

BBAA News is a monthly e-newsletter delivered to all members and to other interested parties. It is a plain text email with appropriate links to PDFs or websites etc for further information. BBAA News circulation currently comprises our existing members, prospective members, the press, government officials, the academic community, advisers who take an interest in the industry and other interested parties.

BBAA News offers a major form of communication with members and other recipients. Readers and others provide regular information about their activities - particularly opinion, research results and, in the case of full members, investment success stories to provide readers with an up-to-date and interesting news service on the business angel industry in the UK and how it fits into the wider national financial services environment and the international business angel community. BBAA News also offers a forum to support BBAA's role in lobbying government and promoting the growth of angel investing.

ABOUT THE BBAA

The British Business Angels Association is the new National Trade Association of the UK's business angel networks and associate organisations. It has a number of other roles ranging from supporting its members and lobbying government to encouraging the exchange of best practice, experiences and ideas between its members. It specifically does not have a purpose to promote investment opportunities to investors or to advisers.

If you would like to obtain more detail about the purpose and objectives of the BBAA or to obtain membership application forms please go to www.bbaa.org.uk. In the meantime, if you have any other questions you can contact Liz Carrington either by telephone 0207 089 2305 or e-mail liz@bbaa.org.uk

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