

Scottish Enterprise

Scotland's economic development agency:

- 1100 staff, 12 offices
- Close links with government
- Close links with EIF

Delivering economic growth by:

- Attracting inward investment
- Business infrastructure development
- Growing indigenous companies by providing:
 - Account management and grant support;
 - Innovation and Commercialisation support;
 - Investment through the Scottish Investment Bank



Scottish Investment Bank – a division of Scottish Enterprise

The Scottish Investment Bank supports the development of Scotland's private sector SME funding market to ensure that both early stage and established companies with growth and export potential have adequate access to growth capital.

address failure in the early stage risk capital market by

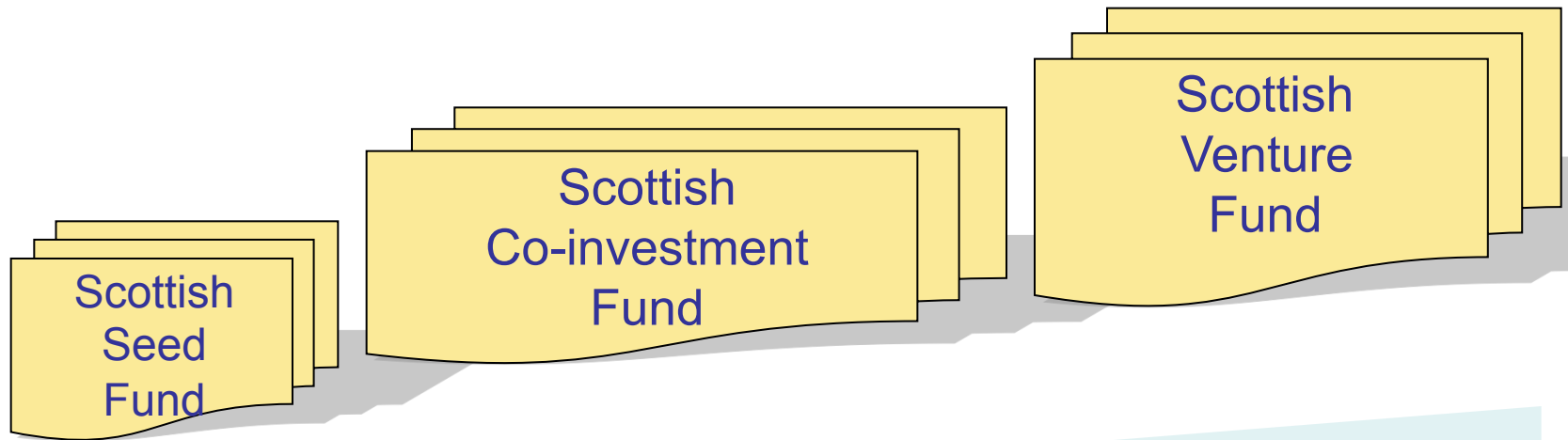
increasing the **Demand** for money:

- investment readiness for companies; and
- Developing, growing, and professionalising angel syndicates.

increasing the **Supply** of money:

- Bringing in new private investors, both local and international;
- Introducing new investment funds;
- Accessing ERDF: £100m for 3 funds (2003-10).

Follow on investing



Up to £100k

**£100k to £1m
(Deal ceiling £2m)**

**£500k to £2m
(deal ceiling £2m-£10m)**

The Co-investment Approach – Partner recruitment

- Private sector investors apply to become co-investment partners;
- Diligence process:
 - Track record of the fund/syndicate/individuals;
 - Professional standards in diligence and legals;
 - Portfolio management;
 - Exits
- Review by Investment Committee;
- Formal co-investment contractual Partnering agreement;
- Regular performance monitoring.

The Co-investment Approach – doing deals

- Private sector makes investment decisions;
- Private sector Partners brings deals to Funds:
 - Formal Notification;
 - eligibility check;
 - approval to proceed.
- Draft legals
- Deal completion on a fully commercial and pari passu basis;
- Returns re-invested in the funds.

Scottish Investment Bank: our Co-investment Partners

ANGEL SYNDICATES

- Alida Capital International
- Archangel Informal Investments Ltd
- Ashleybank Investments Ltd
- Aurora Private Equity Ltd
- Barwell plc
- Braveheart Ventures Ltd
- Capital Angels Investments
- ChimeraBio
- Highland Venture Capital
- London Capital Finance
- Longbow Capital
- Par Equity
- Pre-X Capital
- Sir Tom Farmer
- Souter Investments
- Tricapital

VCs

- ACT Venture Capital
- Aescap Ventures
- Amadeus Capital
- Atmos
- Ceres Finance
- Albion Ventures
- Adamant Ventures
- Close Growth Capital
- Delta Partners
- Discovery Investment Fund
- ED Capital Ltd
- Emerald Technology Ventures
- Energy Ventures
- E-Synergy Ltd

VCs

- Evolve Capital
- FinTech Global Capital
- Herald Ventures
- Imprimatur Capital
- Kapital Ventures
- Exomedica
- Kenda Capital
- MMC Ventures
- Nauta Capital
- NBGI Ventures
- Noble FM
- Pentech Ventures
- Quayle Munro
- PUK Ventures
- Sigma Technology Group
- Symphony Equity
- Tate & Lyle Ventures

CORPORATES

- Channel 4
- Mitsubishi UFJ Capital
- Murray Capital
- Siemens Technology Accelerator
- Scottish & Southern Energy
- Statoil Hydro Venture
- STV
- UKSE Fund Managers
- Wideblue

Does the co-investment approach work?

- ***At the level of the Fund – annual data:***
 - £30m invested in 100 SMEs (ICT, Life Sciences, Renewables);
 - Turnover: £115m;
 - 2,000 Jobs;
 - Investment income = £11m (2010/11).
- ***At the level of the industry – longitudinal data, 2003/11:***
 - Increasing the availability of risk capital -
 - More investors via LINC: from 2 to 20 syndicates;
 - More investors: 40 Partners inc. VCs, corporates, international.
 - More money: from £4m to £30m
 - Improving market stability – UK: -23%, Scotland: +0.4% (2009/10)

Macroeconomic impact

Total Invested by Year

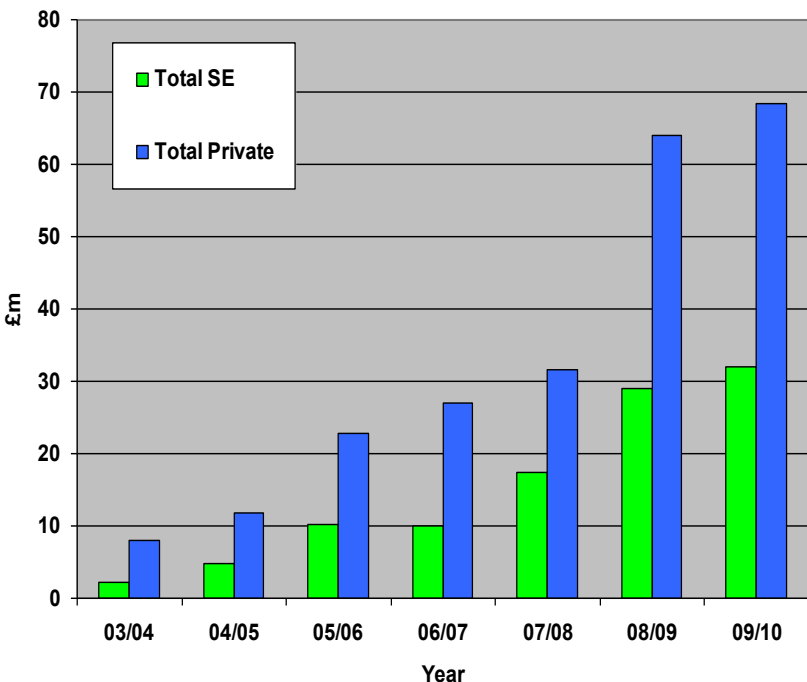
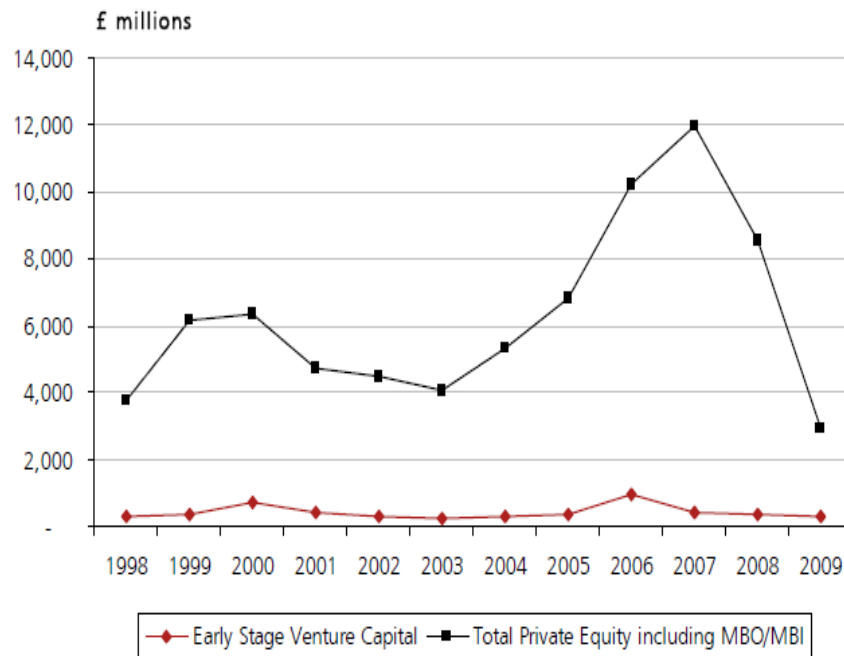


Chart 3.10: Amount invested by BVCA members



Source: BVCA

Case Study: Lab901

Inputs:

Product = ScreenTape 'lab on a strip' automation X10
£1.9m invested
Grant, research, and start up support
Agilent Technologies Inc

Outputs:

43 high value jobs
Remains Scottish based with R&D
Turnover = £1.3m p.a.
Investment return

Benefits of the co-investment approach

- *Far greater rate of investment cf traditional LP models:
Eg, 40 Partners = 40 fund managers = x40 rate of investment;*
- *Complements and enhances existing private sector provision;*
- *Extends investor reach;*
- *High levels of additionality;*
- *Co-investment model = months to market; traditional model = year+*