

## **Bridging the Investment Gap**

*January 2007 – Birmingham Post*

The term “angel” was originally coined to describe those who risked their money on Broadway shows. Nowadays we use it instead to describe anyone who invests their personal funds in unquoted businesses which can form part of a balanced portfolio including stock market investments, cash and property.

Angels have usually had experience in management or running their own companies. Of course, its very satisfying for them to see a high potential business grow and to know that they had a hand in that process – but that’s not their only goal: they also aim to make a healthy return on their investment.

“Even though they get a real buzz out of their involvement, this certainly isn’t a hobby,” says Harry Stott, Director of the University of Warwick Science Park’s Minerva business angel network.

People may be familiar with the BBC programme Dragon’s Den where serial entrepreneur Peter Jones and his fellow panellists invest their own funds into exciting new businesses. Most angels are a lot less conspicuous, of course. You might be surprised to learn that there are actually tens of thousands of angle investors already within the UK, investing about £3bn into UK businesses every year. In the West Midlands alone, there are more than 1,000 active angels.

They usually invest anything between £15,000 and £250,000, often working on their own, but also investing as members of small syndicates. The money they invest can be crucial to a company’s development because it bridges the gap between the money needed to found the business and the high levels of funding offered by large venture capital investors, like Midven which works in partnership with Connect Midlands.

As with any investment strategy, you have to strike a balance between the risk and the potential reward. But this is not just about seeking high returns for a risky investment. Many angels were once in need of a helping hand themselves and they see their investment as a way of ploughing something back into the system. More often than not, they are simply convinced and inspired by the budding entrepreneurs.

Angels tend to invest more than just money: many decide to help the companies still further by offering them their time and the skills and business contacts that comes with experience. Such personal involvement is usually on a non-executive level but it can also be part-time as well. It is this element of personal involvement, with the ability to boost the rate of return through personal influence that differentiates angel investors from investors on the Stock Market.

But, naturally, the angel can benefit fiscally like any other investor. Through its Enterprise Investment Scheme the Government offers special tax breaks on “angel” investments. Up to 20% of the amount invested could be deducted from the tax bill of an EIS qualifying investor, and after three years, any capital gains are tax free.

The business angel sector is evolving. In the West Midlands the biggest change came with the creation of professionally managed venture capital funds by the regional

development agency, Advantage West Midlands. As Nicholas Moate of Midven, the manager of the Advantage Growth Fund points out, “We welcome Business Angels who invest individually alongside our funds as they enable investee companies to have access to a larger pool of funds.”

Sex is a driving factor in the changing pattern of business angel investment – and not just because business angel networks describe themselves as “dating agencies” for entrepreneurs and angels. Historically, angels have been almost exclusively male. But, as we all know, if a species is going to multiply that will need to change! Women are becoming increasingly interested in becoming angels, but we need to go a lot further if the gender imbalance is to reflect the increasing numbers of women entrepreneurs seeking investment.

Some would-be investors are often reluctant to step into the fray because they are put off by its mystique. Because of that a series of workshops have been organised aimed at stripping away some of these barriers. The workshops will be run by Connect Midlands, Midven and Minerva (University of Warwick Science Park), and will cover all the various aspects of being an angel investor: finding opportunities, appraisal, investment criteria, tax breaks, co-investment and the investment process. At the end, participants will be invited to a RoundTable event where they will get the chance to meet innovative companies seeking early stage investment.

The first of our workshops will be held at Warwick University on February 27<sup>th</sup>. We are anticipating high demand from investors eager to learn about this exciting opportunity. To find out more contact Helen O’Connor on 02476 323 323 or [Helen@connectmidlands.org](mailto:Helen@connectmidlands.org).