

WEST HILL  
CAPITAL

Gain From Our Perspective

2018/19



# WELCOME TO WEST HILL CAPITAL



INVESTMENT STRATEGY



EXIT PLANNING



TAX BREAKS

WE ARE A LEADING PRIVATE EQUITY AND VENTURE CAPITAL FIRM PROVIDING ENTERPRISE INVESTMENT SCHEME (EIS) QUALIFYING INVESTMENTS TO PRIVATE INDIVIDUALS AND GROWTH CAPITAL TO INNOVATIVE FINANCIAL SERVICES BUSINESSES AND PIONEERING TECHNOLOGY COMPANIES WITH GLOBAL POTENTIAL.

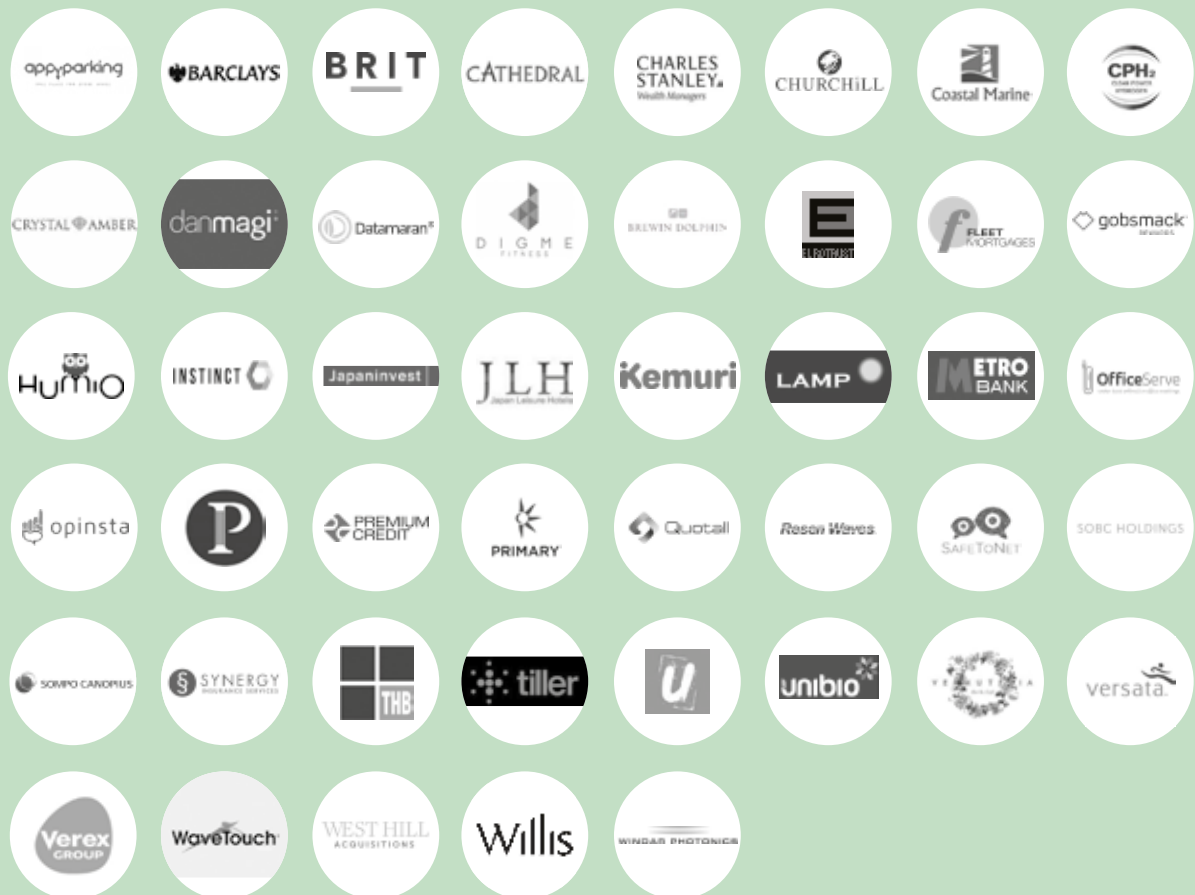
Over the years, we have been successful in advising some of the largest corporates in the financial services sector on transactions totalling in excess of £20bn, such as the \$1.7bn KKR sponsored MBO of Willis, the £889m public to private acquisition of Brit Insurance and the £75m initial equity raise for Metro Bank, the first UK high street bank to enter the market in over 100 years.

West Hill Capital was established to execute our smaller transactions and in recent years we have successfully raised over £100m for 27 companies.

Whether it's a transaction worth £1bn or £1m, the same principles still apply, we choose to focus our attention on the industries that we know best, where we have enjoyed the most success and where we have made the best connections. Accordingly, we leverage this experience and contact base to give private investors the best possible opportunity to get access to and invest in high quality private businesses with some of the strongest management teams within their industry.

Many of these businesses qualify for tax-breaks under the Enterprise Investment Scheme, and as such, we believe that as a tax efficient investment provider, West Hill Capital offers a truly strong and differentiated proposition.

OUR CORPORATE CLIENTS INCLUDE:



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# What We Look For

WEST HILL CORPORATE FINANCE HAVE ACCESS TO AN IMPRESSIVE PIPELINE OF MANY TYPES OF BUSINESSES, AT DIFFERENT STAGES OF DEVELOPMENT AND IN A VARIETY OF SECTORS. THE STRATEGY AT WEST HILL CAPITAL IS TO SELECT AND FUND COMPANIES THAT CAN IN THE FIRST INSTANCE ILLUSTRATE THAT THEY HAVE SIGNIFICANT UPSIDE AND GROWTH POTENTIAL.

Funding sizes can vary but generally range between £1–10m. We look for an attractive value proposition, a scalable business plan and a strong management team with a demonstrable track record of success. These are fast growing businesses that have a well-positioned, innovative product, a genuine USP and a clearly defined exit strategy. We will also, where possible, endeavour to package these investments in tax-efficient wrappers such as the Enterprise Investment Scheme.

# What We Look For

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# Aligning Our Interests

IN ALL INSTANCES WHERE WE RAISE FUNDS FOR A BUSINESS, WEST HILL OR ITS PRINCIPALS WILL SEEK TO TAKE AN EQUITY INTEREST IN THE COMPANY AND HENCE HAVE A VESTED FINANCIAL INTEREST IN ITS SUCCESS.

This confirms our long-term commitment to the project and also serves to align our interests with that of investors. Together with West Hill Corporate Finance, we work closely with our portfolio companies, where applicable providing advice and insight and also potentially placing contacts of ours on the board of the companies. These will often be high profile individuals that provide a wealth of sector experience, ensuring that there is shareholder representation at the top level of the company.

*- Of the £100m raised, the partners of West Hill have personally invested over £3m at exactly the same price and terms as investors -*





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# Research And Documentation

IN CONJUNCTION WITH OUR COLLEAGUES AT WEST HILL CORPORATE FINANCE, WE SOURCE OPPORTUNITIES, CARRY OUT EXTENSIVE RESEARCH ON EACH PROSPECT, NEGOTIATE THE TERMS OF THE DEAL, OVERSEE THE LEGAL DOCUMENTATION AND THEN PRESENT ALL OF THIS WORK IN THE FORM OF A COMPREHENSIVE PLACING MEMORANDUM.

Each document will give a concise description of all aspects of the business in question, highlighting the investment terms, the management profile, the potential risks as well as the upside case and exit strategy.

Our fundraising team is available to answer any questions but ultimately the final decision on whether or not to invest is made by the investor.

*- At West Hill Capital we aim to fund exceptional businesses that have the potential for high growth and global scalability -*

# Flexible Investing

WEST HILL CAPITAL PROVIDE BOTH CAPITAL GROWTH AND INCOME OPPORTUNITIES VIA EQUITY, DEBT OR COMBINED STRUCTURES.

We adopt a non-fund based approach where investors have the opportunity to make direct investments into individual companies. This is an unusual model which more experienced investors appreciate as it means that they have a level of control as to where their money is invested. Of course this is contrary to a VCT for example, where capital is placed by the fund manager across an array of different businesses and the investor has little or no say as to where their funds are eventually invested. The fundamental principle of diversification over a number of companies remains, but at West Hill Capital investors have the opportunity progressively to build a bespoke, tax-efficient portfolio of self-selected individual investments.

*- The principals of West Hill Corporate Finance have  
Advised on over £20bn of transactions -*









# Strong Management

BUSINESS PLANS ARE OF COURSE IMPORTANT BUT IT IS PEOPLE THAT ULTIMATELY MAKE COMPANIES SUCCESSFUL. IT IS VITAL THAT MANAGEMENT CAN DEMONSTRATE A DEPTH OF KNOWLEDGE AND UNDERSTANDING OF THEIR MARKET AND ALSO A DEGREE OF FLEXIBILITY IN ORDER TO EFFECTIVELY MANAGE THE VARIABLES THAT A COMPANY ENCOUNTERS.

We aim to identify strong management teams that have illustrated a solid track record of success as well as a firm commitment to the Business financially and in terms of their time and enthusiasm.

Finally, management must have a clear and credible strategy to expand the company, add value and of course to create an exit event enabling shareholders to realise a profitable return.

*- We seek to identify strong management teams with a demonstrable track record of success -*

# Monitoring And Reporting

OUR COMPANIES WRITE TO SHAREHOLDERS ON A REGULAR BASIS TO KEEP THEM ABREAST OF DEVELOPMENTS FROM THE INITIAL INVESTMENT THROUGH TO EXIT.

We provide an annual review of the portfolio and we also host investor conferences which enable shareholders to meet with the management teams of investee companies and talk to them directly.

*- West Hill Capital has funded 27 companies, raising in excess of £100m -*





*- We aim to achieve significant capital growth upon exit -*

# Exit Planning

WEST HILL CAPITAL CONSIDERS EXIT POSSIBILITIES BEFORE FUNDING A BUSINESS AND PERIODICALLY REFINES THESE EXIT PLANS POST INVESTMENT. IT IS AN IMPORTANT ASPECT OF THE INITIAL DUE-DILIGENCE PROCESS THOROUGHLY TO ASSESS HOW AND WHEN A REALISATION MAY BE ACHIEVED.

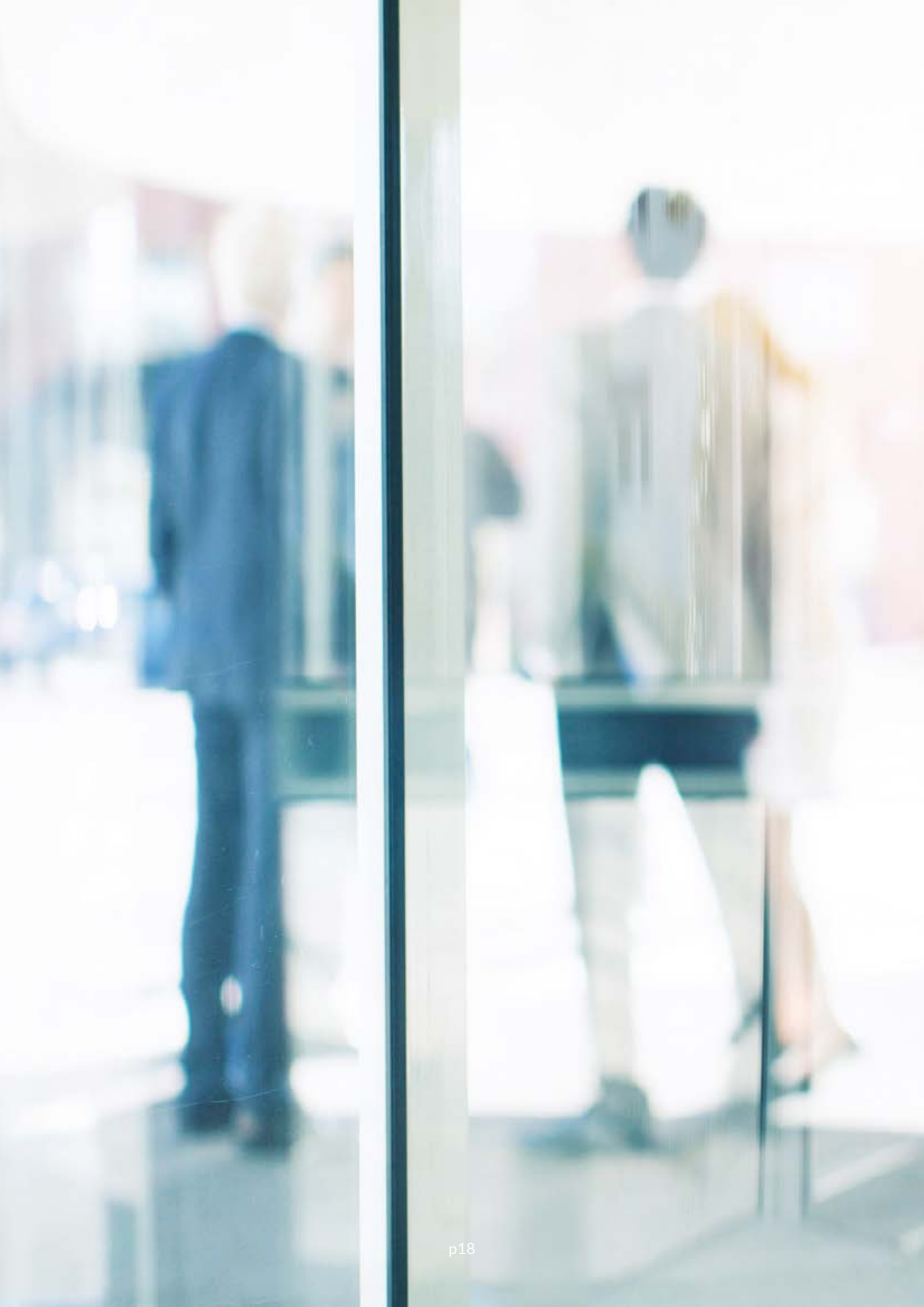
As a pre-requisite to investment, the management of investee companies will need to demonstrate that they have a credible strategy to create shareholder liquidity, usually within a 3-5 year time frame.

This of course is not a prescriptive plan but rather a good understanding of what a potential buyer will look for and what will be required to achieve one of the various exit opportunities.

Typically, exits come in the form of a capital gain either through a trade-sale to a larger company, financial buyer or a stock market quotation facilitating a sale of the investor's shareholding. The West Hill Corporate Finance team provides ongoing support and guidance to investee companies. A significant advantage that companies have in working with West Hill is that we have existing long-term relationships with various institutional investors. Therefore, if a company is looking to raise further expansion capital at larger funding levels we are able to make high level introductions with a view to facilitating that, provided this is beneficial to the company and its shareholders. Our knowledge of the sector and understanding of the requirements of institutional investors allows us to tailor our selection process so as we are raising capital for attractive businesses in growth markets.

The key is to select portfolio companies that have good potential to become a target alongside an attractive risk/reward ratio in their business model. We look to identify companies with valuable characteristics that may be attractive to larger competitors or to a new company looking to enter their market. In all instances we believe that the investee companies that we select will grow significantly following the funding and as such provide potentially significant returns to shareholders.







# Key People



## Andrew Galloway

PARTNER & CO-FOUNDER OF  
WEST HILL CORPORATE FINANCE

Andrew has over 35 years corporate finance experience, ranging from mergers and acquisitions advice to equity and debt financing across a number of jurisdictions. Prior to 2002, he built and led HSBC's Financial Institutions team.

He co-founded West Hill Corporate Finance in 2003.

His landmark deals include:

- KKR's \$1.7bn take private of Willis
- Led team on c\$1.6bn EV offer by Achilles for Brit Insurance NV
- Advice to Metro Bank (the UK's first high street Bank in over 100 years) on its launch capital raising
- A number of Lloyd's related transactions, including the £164m acquisition by Canopus of Omega, the £113m private equity backed MBO of Cathedral Capital and the £350m sale of Limit to QBE amongst a number of others
- Mutualisation of shareholder estates through sale transactions at Irish Life & Permanent and Axa's Irish life business
- Andrew is a graduate of Oxford University where he read Classics



## Alan Richards

PARTNER & CO-FOUNDER OF  
WEST HILL CORPORATE FINANCE

Alan has over 30 years capital markets experience. He began his career with consulting actuaries Bacon & Woodrow before becoming an investment analyst specialising in the financial services sector, first with BZW and then HSBC

James Capel. In 1996, he left HSBC to found a new investment business with Canadian broker, Maple Financial Group, and when this interest was sold in 2000 he became a self employed consultant advising a number of investment banks and fund managers about trends in the financial services sector. He co-founded West Hill Corporate Finance in 2003.

Transactions on which he has advised include:

- £20m fund raising for Synergy Insurance, an innovative insurance business chaired by Sir Mark Weinberg
- The £105m AIM quotation of Macau Property Opportunities Fund, a specialist property fund, which subsequently moved to the Main Market
- The £60m AIM quotation of Crystal Amber, an activist fund
- Alan is a mathematics graduate of Durham University



## Edward Williams

PARTNER OF WEST HILL CORPORATE FINANCE

Edward has over 25 years corporate finance experience, including advice on merger and acquisitions, capital raisings and restructurings in a number of jurisdictions. Previously he was a Managing Director in HSBC's Financial Institutions team, having originally joined Samuel Montagu after qualifying as a Chartered Accountant. Edward has

widely drawn experience in insurance, banking and other financial sectors.

Transactions on which he has advised include:

- A number of Lloyd's transactions including the sale of Limit to QBE, the restructuring of Cox's operations & equity raising, the £113m take private of Cathedral Capital and the acquisition of Brit Insurance by Achilles
- In insurance intermediation, raising capital for Verex, an innovative motor insurance MGA and service company and advising investors on the subscription of new capital in THB, the London Market broker, and subsequent sale to AmWins
- Advice on capital raising for Metro Bank, the UK's first high street bank in more than 100 years, and extensive M&A banking experience including the sale of a number of banks internationally
- Edward is a graduate of King's College, London, where he read Law



## Monika Wajda

ASSOCIATE DIRECTOR OF WEST HILL CORPORATE FINANCE

Monika joined West Hill in 2005 in a joint role as a corporate finance executive and office manager. She was promoted to Associate Director in 2018 and has assisted with a number of transaction types across many sectors in different capacities.

Monikas core competencies include:

- Industry analysis
- Presentation materials
- Financial modelling
- Due diligence document verification
- Monika graduated from Krakow University of Economics with a Masters in Finance and gained her Corporate Finance Qualification from Institute of Chartered Accountants in England and Wales



## Robert Forbes Caie

PARTNER & CO-FOUNDER OF WEST HILL CAPITAL

Robert leads the private equity investment team at West Hill Capital having cofounded the Business alongside David Hollidge and Mark Hickson in 2013. He also sits on the Board of West Hill Acquisitions.

Over the years, Robert has managed the deployment of over £200m into a variety of technology and financial services companies.

Robert's experience at West Hill includes:

- £6m pre-IPO capital raising for Windar Photonics PLC and the subsequent £40m listing on AIM
- £2.5m SOBC Holdings PLC, a specialist insurance vehicle established to acquire non-life companies in run off, subsequently sold to Sandell Re
- £10m Series A round for SafeToNet, a developer of AI technology, which is licensed by global Mobile Network Operators to safeguard children online by blocking cyber-bullying, aggression, sexting, indecent imagery and media in real time
- £3.5m debt and £2m EIS equity in West Hill Acquisitions, a vehicle established to acquire a FoodTech platform and a number of established food manufacturing & catering businesses



## David Hollidge

PARTNER & CO-FOUNDER OF WEST HILL CAPITAL

David is a founding partner of West Hill Capital and has been operating in the venture capital fundraising market for over 16 years. During this time, David has played a key role in executing more than 100 public, pre-IPO and private capital rounds of £1-10m for companies operating in a broad range of sectors, in the UK and internationally and during numerous economic cycles.

David's experience at West Hill includes:

- £11m pre-IPO capital raising for Unibio International, developer of an innovative fermentation technology that converts natural gas into protein for use in animal feed, a \$500billion market
- £5.7m EIS funding for Instinct Studios, an innovative Fintech business that provides its SAAS solution to various top-tier asset managers
- £3.3m equity raise for Digma Fitness, a rapidly expanding Group of premium fitness studios based in prime locations throughout Central London
- £4m EIS equity raising for Gobsmack, provider of an insurance cashback rewards technology, working alongside some of the leading insurance carriers in the UK



## Mark Hickson

PARTNER & CO-FOUNDER OF WEST HILL CAPITAL

Mark leads the venture capital investment team at West Hill, having co-founded the Company in 2013 alongside Robert Caie and David Hollidge.

Over 13 years Mark has facilitated very significant direct investment into a portfolio of over 40 businesses, and has overseen multiple funding rounds that have contributed to the growth and success of a selection of innovative and highly scalable technologies.

Mark's experience at West Hill includes:

- £3.5m equity round for Tiller, an algorithm based ROBO advisor platform that has superior functionality to market incumbents and caters to professional investors
- £2.8m EIS equity raise for Datamaran, the developer of the first fully automated big data analytics software of its type with 50 blue chip customers and backed by high profile investors
- £2.1m EIS equity round for Humio, a leading cyber security and big data analytics software business that aims to protect its customers from the threat of a cyber attack
- £5.1m EIS capital raise for Wavetouch, a patented optical touchscreen technology that has greater functionality and is cheaper to manufacture than comparable products



## Robert Colley

ASSOCIATE OF WEST HILL CAPITAL

Robert joined West Hill in 2015 as an Associate and has developed an extensive network of investor relationships across family offices, institutions and private investors. Robert has an in depth knowledge of the Enterprise Investment Scheme and has facilitated substantial investment into 25 West Hill EIS equity and debt funding rounds.

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## Theo McDonnell

ASSOCIATE OF WEST HILL CAPITAL

Theo is an experienced financial services professional with a background in equity sales and fixed income investment. Since joining West Hill in 2016, Theo has been successful in raising several £million for the West Hill portfolio and has built relationships with IFAs, UHNW and HNW investors.

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## William Sadler

ASSOCIATE OF WEST HILL CAPITAL

William is an Associate at West Hill and works with institutional and private investors to raise capital for high growth companies. He has previous experience working in both commercial real estate investment and business space agency. William attended Henley Business School and joined West Hill Capital in 2017.









# Introduction To EIS

THE ENTERPRISE INVESTMENT SCHEME (EIS) AND SEED ENTERPRISE INVESTMENT SCHEME (SEIS) WERE INTRODUCED BY THE GOVERNMENT IN 1994 AND 2012 IN ORDER TO HELP SMALLER, GROWING COMPANIES TO RAISE FINANCE FROM INVESTORS, OFFERING AN ATTRACTIVE RANGE OF TAX BENEFITS. WITH LIMITS ON PENSION ALLOWANCES BECOMING INCREASINGLY RESTRICTIVE, AND A GROWING AWARENESS OF THE NEED TO DIVERSIFY AWAY FROM PUBLIC MARKETS, AN INCREASING NUMBER OF INVESTORS ARE UTILISING EIS INVESTMENTS AS A TAX-EFFICIENT AND POTENTIALLY HIGH-GROWTH INVESTMENT OPTION.

The primary purpose behind the initiation of EIS was to provide a source of growth capital to small businesses which may find it excessively costly to raise expansion capital through more conventional means.

# 1 Tax Allowances

THE ENTERPRISE INVESTMENT SCHEME (EIS) IS A GOVERNMENT-BACKED INITIATIVE DESIGNED TO INCENTIVISE INVESTMENT INTO SMALL AND EMERGING GROWTH BUSINESSES IN THE UK. THERE ARE VARIOUS HIGHLY ATTRACTIVE TAX BREAKS FOR INVESTORS TO BENEFIT FROM, INCLUDING 30% INCOME TAX RELIEF, CAPITAL GAINS TAX RELIEF (CGT), INHERITANCE TAX (IHT) EXEMPTION, CGT DEFERRAL AND LOSS RELIEF.

West Hill proposes investments in EIS qualifying companies purely based on our conviction in the quality and growth potential of the firm – for this reason, West Hill’s principals often invest on the same terms as clients. Our view is that the EIS tax incentives should be considered as an added benefit and not the primary reason to undertake EIS investments. EIS is a useful tool where investors can look to maximise their profits but also shelter their tax burden.

## INCOME TAX RELIEF

An individual can reduce their income tax liability by 30% of the amount invested, regardless of an individual’s tax rate but assuming they have enough taxable income. If an individual has not used their EIS allowance in the previous tax year they can carry back up to 100% of their investment to the previous year for purposes of income tax relief.

This relief is available against a UK income tax liability regardless of whether the investor is resident in the UK.

In order to receive income tax relief, the maximum level of investment into EIS qualifying companies is £1 million per investor per tax year. The investment must be held for a minimum of 3 years from the date of issue.

INCOME TAX RELIEF OF 30% OF THE AMOUNT INVESTED	
GROSS INVESTMENT	£100,000
LESS: INCOME TAX RELIEF AT 30%	£30,000
NET INVESTMENT COST:	£70,000

## CAPITAL GAINS TAX DEFERRAL

Investors that have realised a capital gain on another investment within the last 3 years or expect to incur a taxable gain in the next year can benefit from capital gains tax deferral relief. This class of relief is unlimited but investors must be resident in the UK.

CAPITAL GAINS TAX REFERRAL	
CAPITAL GAINS TAX RATE	28%
GROSS INVESTMENT	£100,000
LESS: INCOME TAX RELIEF AT 30%	£30,000
NET INVESTMENT COST	£70,000
CAPITAL GAINS TAX LIABILITY DEFERRED	£28,000
NET INVESTMENT COST	£42,000

#### CAPITAL GAINS TAX EXEMPTION

Assuming shares are held for a minimum of 3 years and retain their EIS status, no Capital Gains Tax is payable upon sale. If the EIS investment is held at death, then the CGT liability is eliminated enabling the full value of the EIS investment to be passed on to the beneficiaries.

#### LOSS RELIEF

Any loss suffered on disposal of an investment (after allowing for the income tax relief received) can be offset against an individual's income or capital gains tax in the current or previous tax year.

With EIS investments, each individual holding is assessed separately for loss relief. This means that any holding that has fallen in value at the time of sale will qualify for loss relief irrespective of the overall portfolio performance. For instance, even if only one holding within a portfolio of ten investments falls in value, investors are entitled to loss relief on that one holding. Gains offset against income tax have the net effect of limiting the investment exposure to 38.5% of the amount invested for a 45% taxpayer if the investor realises a total loss. Alternatively, losses can be offset against Capital Gains Tax at the current rate of up to 28%.

LOSS RELIEF BASED UPON A 45% INCOME TAX RATE AND FULL LOSS OF INVESTMENT	
GROSS INVESTMENT	£100,000
LESS: INCOME TAX RELIEF AT 30%	£30,000
REALISED VALUE OF SHARES	£0
LOSS BEFORE LOSS RELIEF	£70,000
TAX RELIEF AT 45%	£31,500
NET LOSS	£38,500

## INHERITANCE TAX EXEMPTION

Investments are typically exempt from Inheritance Tax after 2 years.

An EIS investment becomes a particularly attractive proposition when an investor can benefit from two or more of these incentives as they can all be used in conjunction. For example, an investor can use EIS to defer a capital gain, whilst also making an investment that's free from inheritance tax and even enable an income tax saving to be made as well.

## KNOWLEDGE INTENSIVE STATUS

Effective as of April 2018, the annual limit for individuals investing in EIS companies and obtaining the EIS tax reliefs, has effectively increased. Up to £2m can now be invested per tax year on the basis that £1m of this is invested in EIS Knowledge-Intensive companies.

A range of innovative businesses are expected to qualify for EIS Knowledge-Intensive status. Those companies that do, qualify shall also obtain a number of additional benefits including an increase in the annual limit that can be raised under the scheme to £10m from what has traditionally been £5m per annum.

The majority of the West Hill Capital portfolio is expected to qualify for EIS Knowledge Intensive Status.



## 2 Why invest in EIS qualifying companies?

Independent of the very generous tax advantages of investing in EIS qualifying companies, there is also a very positive investment case from a risk/reward profile.

### THE POTENTIAL FOR SUPERIOR RETURNS

Early stage EIS investment in smaller companies can generate superior returns for investors as these companies expand and gain market share. Indeed, many large, publicly listed companies that are now household names would have been considered small companies only a decade ago. Around 10% of investments into smaller companies return a multiple of money of greater than 10x on exit, according to the 2014 Alternative Investment Report by Intelligent Partnership whilst investment in listed equities rarely generate such high returns, particularly in the midcap and large-cap sections of the market.

### SUPERIOR DIVERSIFICATION

As unquoted investments may be in companies that are at very different stages of their development, or working in non-mainstream activities, smaller company investments tend to be less heavily correlated to the stock market. This means that investment in small, EIS qualifying companies can provide an important diversification benefit to investors. Including EIS qualifying companies within your portfolio can help to reduce the extent to which overall portfolio returns are correlated to the returns of major markets.

### FILLING A GAP IN THE MARKET

The Enterprise Investment Scheme was introduced to fill a gap in the funding market with banks reluctant to lend and conventional growth-capital raising routes possibly not economical for smaller companies. Historically, this has meant that a section of smaller companies have struggled to raise growth capital. Therefore, for potential EIS investors, it is very much a buyers' market.

### COMPANIES SEEKING NON-EXECUTIVE DIRECTORS

EIS investing allows interested individuals to support exciting new companies working in sectors in which they have particular interest or expertise. Several investors in EIS qualifying companies, who have invested through West Hill, have subsequently been appointed to non-executive roles.

### BENEFITS FOR THE UK ECONOMY

According to the Federation of Small Businesses, there were 5.4 million private sector businesses in the UK at the start of 2015, the vast majority of them small and medium sized businesses (SMEs). SMEs accounted for over 99% of all private sector businesses at the start of 2015, and employed over 15.6 million people. Their combined turnover exceeded £1.8 trillion.

While all investment benefits the UK economy to an extent, stock market investing often supports companies whose main activities and spending occur overseas, or supports companies which are already well capitalized. Conversely, SMEs are more likely to transact within the UK, and hence investing in SMEs will benefit the UK economy to a greater extent than an equivalent investment in a large-cap firm, on balance of probability.

## 3 The EIS market

The Enterprise Investment Scheme was launched in 1994, and grew out of previous schemes which used tax incentives to encourage private individuals to invest in smaller companies. The amount raised per annum using EIS has been steadily growing since 2010, and looks set to continue as interest rates stay low and pension allowances become less generous. Since its inception in 1994, £12 billion worth of funding to small UK companies have benefitted from EIS.

The rationale behind the government's continual support of the EIS is that it provides threefold benefit to investors, firms and public finances;

- Investors benefit from potentially superior risk adjusted returns and portfolio diversification.
- Firms benefit through access to growth capital that otherwise would be challenging to raise.
- The Treasury benefits as EIS qualifying companies grow and begin to increase their nominal tax payments.

### EIS QUALIFYING CRITERIA

EIS qualifying companies must comply with a simple set of criteria. They must have;

- No more than 250 employees.
- Assets of £16 million or under, post investment.
- A maximum investment of £5 million per company per year can be raised through EIS (or VCT).
- Deployed the funds raised within two years.
- Must not operate in a number of specifically excluded industries such as dealing in land or property.



# WEST HILL CAPITAL

West Hill Capital LLP, Becket House, 36 Old Jewry, London EC2R 8DD  
T +44 (0) 20 3440 7555 enquiries@westhillcapital.co.uk westhillcapital.co.uk

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Registered office: Passer Chevern & Co, 5 Spring Villa Road, Edgware HA8 7EB. Registered in England & Wales No. OC388745

