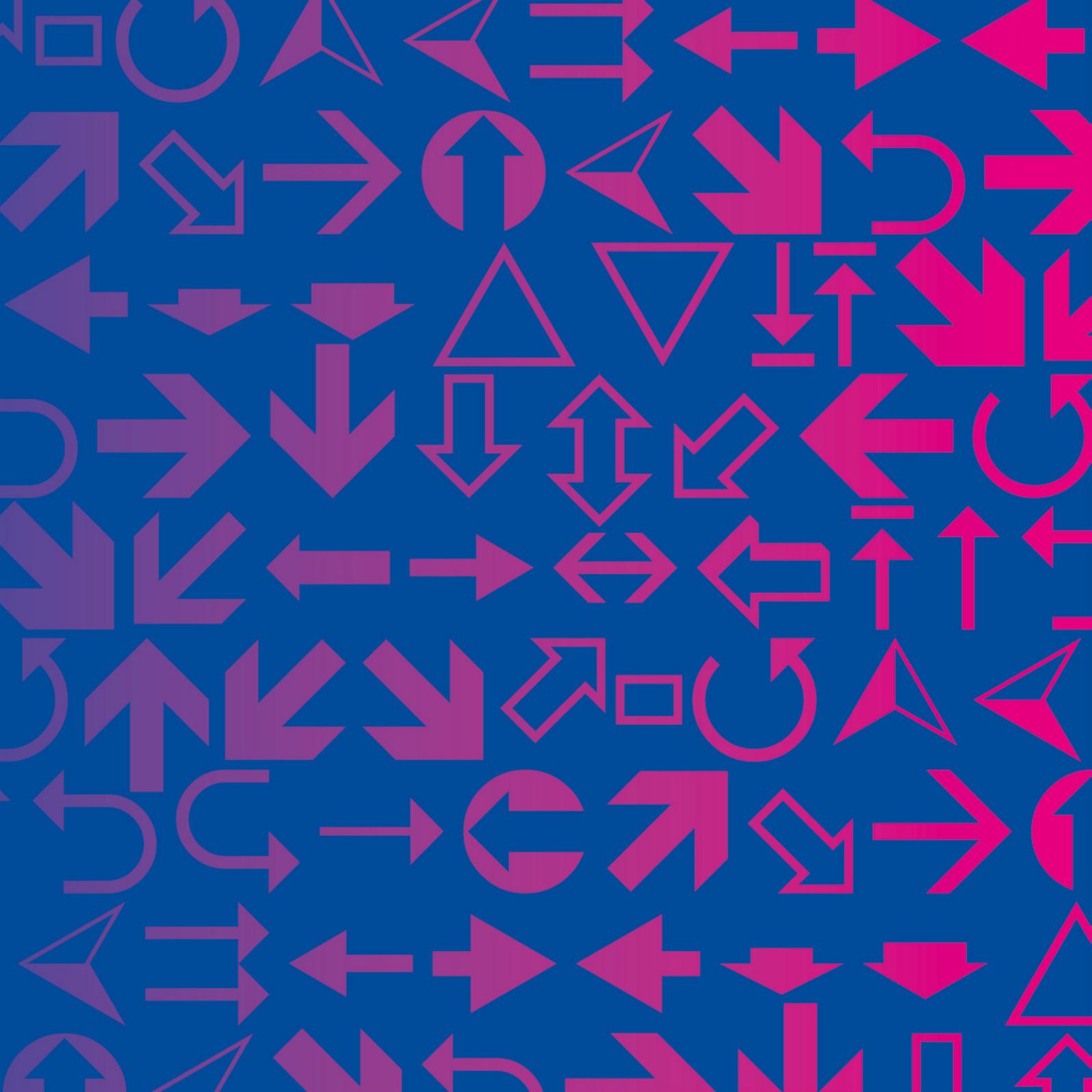


GUIDE TO FINANCE FOR YOUNG COMPANIES





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Introduction

Welcome to the second edition of the Guide to Finance for Young Companies from YCF Scotland. The Guide is targeted at young companies which need external investment (typically equity) to achieve their objectives, often but not exclusively technology companies.

There are many other resources for finding out about finance for starting and growing companies, and we have listed a number of them in the 'Further information' section. What makes this Guide different from other sources of information is its focus on the needs of entrepreneurs heading companies with high growth potential:

- very simply, we list only those organisations which invest in or lend to companies directly; other sources include for example various government schemes for supporting innovation and entrepreneurship, even though many of these are delivered by third parties;
- many other sources tell you about business angel investing, or venture capital, or loan funding without naming the providers; we give comprehensive listings of investors and lenders known to be interested in supporting companies in Scotland;
- this Guide is unique in giving examples of the young companies in Scotland which have been supported by investors and lenders – these examples are not intended to be comprehensive listings, but a means of helping entrepreneurs understand each funder's investment approach;
- other sources include helpful advice about other aspects of business development – marketing, human resources, exporting, and so on; to keep matters simple, this Guide focuses solely on raising funds;
- there are many initiatives for funding the commercialisation of university and other research; we include only those sources of funds which are available to companies (or individuals intending to start companies), as opposed to researchers;

- there is much more to securing finance than simply contacting all the investors in a list; our guidance articles are intended to help entrepreneurs to think about the questions they should ask themselves before starting to raise funds;
- the funding landscape changes very quickly; our Guide is produced as a printed publication, and also as a website (www.ycguide.com) which will be regularly updated.

There is no source of information on finance for early stage companies that can guarantee to cover every possible investor and lender, and nor is this desirable. At some point it is crucial that companies looking for finance do some research for themselves (and we include a guidance article on this very subject).

What this Guide does attempt to do is to illustrate the range of financing options available, describe some of their criteria and restrictions, and give some advice on what sort of finance is appropriate for different types of company at different stages of their journey. It is hoped that this will provide a suitable platform for companies to consider their own circumstances and ultimate ambitions, find some examples of how the market currently operates, then work out a strategy for meeting their own funding needs and start engaging with suitable sources of finance.

Jonathan Harris
Editor, YCF

How to use this Guide

This Guide brings together directories of funders and advisers with articles giving guidance to young companies preparing to raise finance.

The objective of the guidance articles is not to give a comprehensive account of the subject, but to spur readers to ask themselves the right questions when preparing for fundraising. Most of the websites of the organisations in the directory listings give further information and advice, and we have added further sources of information in the following section.

Likewise, the directories are not intended to be comprehensive listings of every possible investor or funding initiative, but rather to illustrate those organisations which are known to have supported Scottish companies in the recent past, or have indicated an intention to do so, for example by entering a partnership agreement with the Scottish Investment Bank. In effect, the Guide can be seen as a starting point for young companies to carry out further research for themselves, and find sources of funds which are relevant to their own particular circumstances.

A special feature of our directories is the listing of companies in Scotland which each investor has supported. These not only indicate the level of engagement by the investor in this market, but also enable other young companies to have a better idea of the types of company which have secured investment, and their stage of development.

The directories of advisers include details of many of the firms which have worked with young companies as they build their businesses, or with their investors. Advisers have the advantage of seeing many different companies and investors, and have a range of experience which each young company has to learn individually. Choosing good advisers is an essential step in creating a successful business, and all the organisations included in these listings, together with those for incubators, are able to give considerable help to young companies starting to raise finance.

About our sponsors

We are very grateful to the following four organisations, which are sponsoring a number of YCF's activities this year, including this Guide to Finance for Young Companies, and our Annual Conference in September.

BioCity Scotland

BioCity specialises in the creation and development of life science businesses. It provides homes and access to high-end equipment, shared services, training, business support and access to investment. In close proximity to Edinburgh and Glasgow with enterprise area status BioCity Scotland has more than 130,000 sq ft of state-of-the-art laboratories, access to shared services, business support and investment.

www.biocity.co.uk



Eden Scott

Eden Scott is a leading professional, technical and executive recruitment firm with extensive experience in supporting Scottish technology, digital and life sciences SME sectors.

www.edenscott.com



Scott-Moncrieff

Scott-Moncrieff advises high calibre clients, working across all sectors in Scotland and beyond, offering expert business insights at every opportunity.

www.scott-moncrieff.com



Morisons LLP

Morisons High Growth Company & Investment team, experienced specialists in risk capital funding for early stage and growth businesses, supporting ambitious companies and their investors.

www.morisonsslpl.com



Further information

There is no shortage of information on access to finance, but many sources attempt to be all-encompassing, which (despite filtering options) can make them unwieldy for those with specific interests. In most of these, the regional filtering options fail to work properly, and include under Scotland some funders which have a specific regional focus elsewhere. They can also include various initiatives which are not directly accessible by young company entrepreneurs, for example Government programmes delivered through third parties, and grants for academic researchers.

In Scotland, the main source is the **Scottish Government** portal: www.finance.scotland.gov.uk

Although this gives plenty of searchable information about a very wide range of funding options, its Business Sector classifications are very broadly framed (eg no obvious categories to cover life sciences, ICT, or R&D) and it is less helpful on the equity investors (business angel groups, and institutional investors) who are most likely to feature in the plans of early stage high growth companies that are trying to commercialise technology.

There is a **UK Government** alternative, which provides a regional filter which includes Scotland, but can produce some bizarre results: www.gov.uk/business-finance-support-finder

Better Business Finance, managed by the British Bankers' Association, suffers from similar limitations: www.betterbusinessfinance.co.uk/?finance-finder

The **Scottish Enterprise** website gives a listing of the grants and funds which it can offer. It includes a list of the **Scottish Investment Bank's** Accredited Partners, with information about each. The website also gives a list of companies in which SIB has invested, but without indicating the investment partner through whom investments were made: www.scottish-enterprise.com/services/attract-investment

CROWDFUNDING

NESTA has a searchable list of UK crowdfunding platforms: www.crowdingin.com

The **UK Crowdfunding** Association's website gives details of its members: www.ukcfa.org.uk

BUSINESS ANGELS

LINC Scotland lists its members, and gives links to their own websites: <http://www.lincscot.co.uk/resources/member-directory> It also offers a typical investment agreement and guidance notes, which should be studied by anyone intending to approach business angel groups for investment: www.lincscot.co.uk/documents

There are some engaging videos giving tips from investors on SaaS funding platform Gust: videos.gust.com

The **UK Business Angels Association** gives a search facility with a regional option that includes Scotland. Not only does this exclude many of the angel groups active in Scotland, but it also includes all those investors who claim to invest on a 'national' basis but in fact only operate locally, not in Scotland. www.ukbusinessangelsassociation.org.uk

Further information

INSTITUTIONAL INVESTORS

The **British Private Equity and Venture Capital Association** (BVCA) Member Directory provides full details of each of its member firms, broken down by membership type, investment preferences, industry specialisations, and with relevant contact information, but charges £160 for one year's subscription: www.bvca.co.uk

The **European Private Equity and Venture Capital Association** (EVCA) gives a searchable online directory of its members, but the narrowest regional filter is for the UK as a whole, not Scotland: www.evca.eu

The US equivalent, the **National Venture Capital Association** (NVCA), provides much information, guidance, and statistics about the industry, but access to its membership directory requires an annual subscription of \$325. www.nvca.org

Global Corporate Venturing gives news about this rapidly growing investment type, but does not list the corporate venturing organisations which it tracks: www.globalcorporateventuring.com

Funding a business from start-up to profitability

Far and away the best source of finance for a business is revenue from customers. Most other sources – especially equity investment, and loans – have strings attached.

It follows that start-up businesses should focus as hard as they can on reaching their first paying customers as soon as possible, and in the meantime keep costs as low as possible. The 'lean start-up' model describes how various iterations of a minimum viable product are tested with potential customers as the company develops.

However, some businesses cannot avoid turning to investors for funding to prove a concept, build a prototype, or carry out trials; they cannot take a product to market without spending significant money on its development, and need to consider their entire journey from start-up to profitability.

The first step is to estimate how much cash is required to reach breakeven, when the company's revenue covers its outgoings. This analysis is likely to involve several milestones such as completion of a prototype, appointment of key people, agreements with suppliers and distributors, and more. At each stage there is a balance between keeping costs low and having sufficient resources to reach the next goal.

One tendency, often remarked upon by investors, is that early stage companies focus far more on the product or service itself than on the market opportunity, or on how the business will bring the product to market.

The more effort put into researching the market before embarking upon product development, the better. The first version of a product is unlikely to be exactly what the market requires, and concentrating solely upon completing product development before addressing market entry is likely to be expensive and ineffective.

To use the terminology of electronics, a parallel rather than a serial approach is required, and this has a bearing on how the business is funded. At the outset, entrepreneurs will need to find some resources of their own; savings, earnings from parttime jobs or consultancy, or support from family and friends. There are several grant schemes for helping businesses set up and investigate proof of concept, but even these usually require some matching funds from the founder.

The objective should be to prepare a convincing case for the next level of investor, maybe a business angel group or institutional investor such as a VC. These investors will need to know how and when they will be able to realise a profit on the funds they invest, often by the sale of the business to a larger firm (a trade sale), or perhaps by way of a flotation. This will determine a demanding timescale for the growth of the company, and the investors will need to have confidence in the team assembled by the company to implement its plans.

Once the business has started to make regular sales, more funding options become available, including debt, and the company can start to depend more upon building its customer base than on further funding from its investors.

Jonathan Harris
Editor, YCF

Scottish Investment Bank

The Scottish Investment Bank (SIB) is the investment division of Scottish Enterprise, investing alongside private sector investors in an innovative shared risk model, on equal terms.

In its Co-investment Fund and Venture Fund, SIB invests in Scottish small to medium businesses (SMEs) with high growth potential, matching the lead private sector investor up to 50%.

Scottish Co-investment Fund

The Scottish Co-investment Fund (SCF) is designed to address finance gaps alongside accredited co-investment partners, providing from £10,000 to £1.5 million in total deal sizes of up to £10 million. The investment decision is made by the accredited partner. A list of these partners is given on the Scottish Enterprise website:

www.scottish-enterprise.com/services/attract-investment

and initial approaches for funding from the SCF should be made to these partners.

Scottish Venture Fund

The Scottish Venture Fund (SVF) is a flexible equity gap fund investing alongside private sector investors, where the investment decision is made by SIB.

SVF can provide from £10,000 up to £2 million for equity and venture debt finance deals, in deals sizes from £20,000 up to £10 million

Investment from both the SCF and SVF is available for start up, early stage and expanding businesses.

Scottish Loan Fund

The Scottish Loan Fund (SLF), managed by Maven Capital Partners, provides flexible, mezzanine loans of £250,000 - £5 million to growing SMEs.

Scottish Recycling Fund

This Fund, delivered in partnership with Zero Waste Scotland, provides loan finance to improve waste recycling capacity.

Renewable Energy Investment Fund

The Renewable Energy Investment Fund (REIF) provides debt and/or equity funding to companies and community groups working in the area of renewable energy, to support projects at the test or commercialisation phase.

SIB also offers a Financial Readiness service, which helps young companies to identify the most appropriate sources of finance, and also helps them secure a funding package from a range of sources including bank funding, other debt providers, equity and grants.

For further information on any of these Funds, go to

www.scottish-enterprise.com/sib



Delivered by Scottish Enterprise

Highlands & Islands Enterprise

Highlands & Islands Enterprise (HIE) is the Scottish Government's economic and social development agency for the north and west of Scotland.

HIE can offer financial assistance through grants, loans and direct investment, sometimes in combination, to business and social enterprises. Each application for assistance is considered on its merits, and assessed against HIE policy and objectives. All awards are discretionary. HIE works with a portfolio of account managed companies. As part of the relationship HIE works with each client to agree the most suitable financial package for projects which businesses wish to undertake. Companies in the Highlands and Islands have access not only to many initiatives delivered by Scottish Enterprise and the Scottish Investment Bank, but also to a range of funding schemes backed by the EU Commission which apply specifically to the region as a EU Tier 1 Assisted Area.



Scottish Investment Bank

- Scottish Co-investment Fund
- Scottish Venture Fund
- Scottish Loan Fund
- Renewable Energy Investment Fund
- Scottish Recycling Fund

Scottish Enterprise

- SMART:Scotland
- Regional Selective Assistance (RSA)

There are different tiers of assisted areas in Scotland, reflecting different maximum levels of grant assistance potentially available. Most of the Highlands and Islands, aside from East Moray, qualifies for Tier 1 RSA.

Highlands & Islands Enterprise

- HIE Research And Development Funding Scheme
- R&D tax credits
- Small Business Research Initiative (SBRI)

Marine Renewables Commercialisation Fund

The Marine Renewables Commercialisation Fund (MRCF), administered by the Carbon Trust, is a Scottish Government fund which aims to help commercialise the marine energy industry in Scotland. £18m million in funding is available to provide capital support for projects that will accelerate the deployment of commercial-scale wave and tidal stream energy arrays in Scottish waters.

For further information, go to www.hie.co.uk/business-support/funding

Understanding the different types of funding

One of the key factors in taking a business from start up to serious growth phase is the ability to source growth or development funding. There are several different ways of doing this, and it is important to understand the differences between them.

Early stage

Most start-ups phase are eligible for grant funding and to enter competitions carrying cash awards.

Frequently such funding does not require repayment and can be used as the owners wish, without operational interference. Note, however, that such funding is usually low value and comes with conditions, such as a requirement for matched funding and restrictions on how the money can be deployed. Receipt of grants and winning awards can be a good base for generating publicity towards future funding.

Publicity can also be generated by crowdfunding (see below), and reward crowdfunding - offering product in exchange for cash - can be a relatively easy way of generating funding without giving up ownership.

Debt

Traditionally a business's first port of call for funding would be their bank manager. Today bank managers have practically disappeared and a business must be cashflow positive with secure assets before a bank will lend and then usually with personal guarantees from the owners. The "challenger banks" are now stepping into the shoes of traditional lenders, offering a wide range of products, from invoice discounting facilities to trade finance for exporters.

Increasingly businesses are turning to alternative debt funding sources. Angel networks now make debt funding available in addition to equity, although usually only to existing investee companies. Peer to peer lending (also known as debt crowdfunding) is becoming increasingly popular. This is regulated by the Financial Conduct Authority and becoming mainstream. Changes to pensions and savings legislation are growing the crowd of lenders seeking a better return than traditional savings accounts.

Equity funding

Theoretically, through equity funding owners of a business give away a slice of their ownership in return for funds invested, ultimately getting a smaller slice of a bigger pie. Equity funding therefore represents genuine risk capital which may be lost entirely by the investor if the business fails. If the business succeeds then the investor makes a healthy return, and may also receive dividends. The investor risk can be mitigated by investing in businesses which are eligible for EIS or SEIS tax relief (a tax relief operated by HMRC to encourage investment in new and growing businesses), which provides for tax free gains and as generous loss relief, subject to certain criteria.

Multiple funding rounds may be required, giving existing shareholders the opportunity to "follow their money" and bringing in new investors to add specific skills or contacts to the business. Normally equity investors are involved in the business, either through simple 'investor protection' rights or a board position.

Common sources of equity funding are:

- Friends and family - to get the business started. Notwithstanding the closeness of any relationships (and perhaps for just that reason) it is important to record investment terms properly to avoid disputes down the line.
- Business angels, a collection of high net worth individuals, expect a high degree of influence over the operation and direction of the business and operate on the basis of pro forma investment documentation.
- Equity crowdfunding, where a 'crowd' of small investors combine to raise equity funding. Equity crowdfunding can be carried out in conjunction with business angel funding to fill a funding gap. Crowdfunders invest small amounts in several businesses thereby spreading their portfolio. They tend to seek out businesses with EIS or SEIS status.
- Venture capital or private equity funds are investment funds of pooled money from a combination of individuals and corporate entities managed by specialised teams who seek to identify suitable investment opportunities to produce a return for their investors. They tend to be sector specific with set investment criteria, and a heavy involvement in the operation of the business and a sharp focus on an exit. Venture capital focuses generally on early stage technology and healthcare businesses, whereas private equity provides funding to more mature businesses and management buy outs.

Morton Fraser has hugely experienced lawyers in all of the above areas and would be delighted to discuss any aspect covered here in more detail.

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Fancy crowdfunding? Here's what you need to think about

From being seen as a way for small businesses to obtain direct support from consumers or finance that was not forthcoming from banks, crowdfunding has changed beyond recognition.

Although still a popular way for startups to obtain finance and support, businesses of all sizes have realised that crowdfunding is not only a way to attract investment but to market their brand.

The UK alternative finance market is expected to be worth £4.4 billion by the end of 2015 and shows no signs of slowing down.

Here Paula Skinner, one of Scotland's leading legal advisers on crowdfunding, outlines key points to think about when considering a crowdfunding campaign.

Types of crowdfunding

Broadly speaking there are four main types of crowdfunding; donation-based, rewards-based, equity crowdfunding and peer-to-peer lending. Much of the growth, publicity and large deals have come through equity crowdfunding.

Crowdfunding Platforms

There are a host of different platforms, which either focus on one type of crowdfunding or offer different options. The different platforms will charge different fees. This might be a percentage of the amount received by the company through the campaign, or a flat fee eg legal fees.

Equity crowdfunding

Companies should approach equity crowdfunding in the same way as they would approach any form of investment as every platform will carry out a level of diligence on the company. This is done to ensure that the company has no gaping holes in its history and that it is likely to be successful in its campaign. Simply put, you need to be investor-ready.

It is important for a company to be prepared for this and to ensure that can support any statements it plans to make in its pitch - it is likely that potential investors who are looking to invest will query these statements.

In addition, different equity sites have different legal structures so it is vital that you take advice as regards the different platforms and the impact these could have on your business.

You may wish to consider whether or not you want the 'crowd' to have voting rights in the company, and whether the company articles of association need to be tweaked so as to include transfer provisions and any other more bespoke terms. As legal advisers, we work with businesses to identify any changes or terms which they may look to include.

Protecting your business

Crowdfunding will not suit everyone. It is important to understand that there is a possibility that someone else could use your idea once it is out there. Many businesses decide that the marketing exposure that they receive will outweigh this risk, however it is worth considering whether or not you need to protect some of your ideas, particularly around intellectual property, and to take advice on this at an early stage.

Running the campaign

Momentum plays a key role in a successful crowdfunding campaign. Having different investors, including family and friends, lined up when you launch will spike interest from other potential investors. A crowdfunding campaign involves a lot of work and it is therefore important to ensure that as many people as possible are pushing the campaign forward to ensure a successful outcome.

Paula Skinner

Partner, Harper Macleod LLP
Start up, growth & investment team

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Researching suitable investors for your business

Investors come in all shapes and sizes, and for any early stage business some will be a better match than others. It is worth devoting as much time and effort into researching the most suitable investors for your business as into potential customers or suppliers, agents or distributors.

One purpose of this Guide is to enable young company owners to see which organisations are already investing in Scottish companies, or are looking to do so. The listings of investors are intended to be a starting point for business owners to see the range of options, and the investing preferences and criteria of different firms, to enable them to research further possibilities against this context.

Some aspects to investigate are obvious:

- Does the investor have restrictions on market sector, or geographic location? (Trade associations often have lists of specialist investors, and Scottish Enterprise has the same for its priority sectors)
- Will the firm invest pre-revenue?
- What are its minimum and maximum investment levels?

Others are more detailed:

- Does the organisation normally lead the investment?
- Does it regularly co-invest with others, and if so, who?
- Despite its stated investment levels, what is the pattern of its actual investments?
- How many companies in its portfolio, and how many new companies does it take on per year?
- What successful exits has the firm achieved?

Other questions will need to be put to the investor directly, or to an investee company:

- What connections does the investor have in your market sector? How helpful might they be in opening doors?
- Can they help in putting a funding package together, introducing other investors and debt funding?

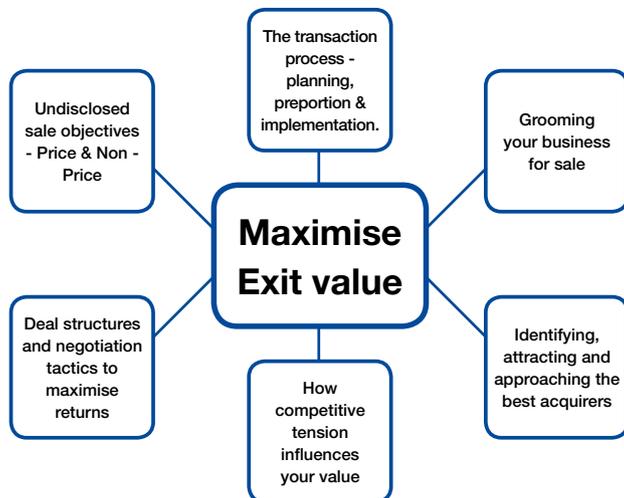
Most investors say that they like to meet young company founders before the point where they might be negotiating terms; many of them have arrangements for meeting visiting entrepreneurs, and most attend some trade events and pitching competitions, so it is well worth making a shortlist of appropriate investors and trying to meet them personally well in advance of fundraising.

Investors pay more attention to proposals introduced by people they have worked with before (other investors, professional advisers, other company founders), so it is also worth exploring whether you have any connections who could make these introductions.

At the start-up stage, some investors (especially business angels) will guide a company through various iterations of its business plan until it has addressed the issues of particular concern, but only if the proposition seems inherently promising. Although there are many issues which all investors will need to see addressed in a business plan – chiefly the abilities of the management team, and how any missing expertise will be recruited – each investor has its own specific criteria, and working with a single investor through a number of business plan changes may limit the scope for taking it to others.

Exits: how will you and your investors reap the rewards

It's never too early to start planning for the sale of your business. **But, it can be too late.** A perceived lack of company exits is a common issue with most if not all investors; they are constantly striving to drive earlier exits, therefore understanding this process is vital in order to unlock value.



Key steps to maximise value

- **A strong, motivated management team** — Motivating and retaining top talent is crucial for the sale value of your company.
- **Recurring quality revenue and multiple streams of revenue** — the larger the portion of a company's revenue that is from blue chip customers, recurring, stable, and likely to continue in the future, the more desirable that company is to prospective buyers.
- **Customer diversification** — building a diversified customer base is critically important.
- **Realistic strategic growth plan and scalability** — how will your business get to the next level? Buyers are interested in the future, so having a realistic plan that demonstrates the potential for growth and profitability for your business is important.

- **Financial systems and controls that can withstand due diligence** — the quality of your systems and of your financial information can have a huge impact on the sale of your business.

Exit planning

Early planning allows you, and your corporate finance advisers, to create a strategy to generate the outcomes you want. Key points to consider include timeframe to exit, expectations of value vs company collateral, likely exit routes (eg strategic, trade or financial acquirers) and optimal size/time for exit to maximise value and acquirer appeal. In our experience, it pays for businesses at an immediate pre-exit stage to work hard on building their profile within their own and adjacent industries. We see this as being primarily about building confidence with potential acquirers, who will be ever mindful of the fear factors surrounding a potential acquisition. If you can demonstrate to them that your business is a market leader (or will be) which drives market opinion, then you will have gone a long way in terms of allaying these fears; importantly, this will assist in maximising value and/or minimising price erosion during the negotiation phase.

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DC CONSULTING

Angels and angel groups

Business Angels are high net worth individuals, generally successful entrepreneurs or business people themselves, looking for the opportunity to invest in up and coming businesses.

There is no such thing as a typical business angel or angel group but one thing they have in common is that they invest in people as much as in business propositions. A good business plan is necessary, but never sufficient, to clinch a deal. The investors' perception of the qualities of the management team, and chemistry with them, has to be right.

Angel investment offers: **Long term risk finance** - the angel is taking the risk of sharing in the fruits of the business as they ripen. If there are no fruits there is nothing to share - or it could be a share of significance if your company has prospered.

Business skills and experience - since they tend to invest in sectors they understand, angels can be an important source of advice and mentoring for the management of innovative or technology-based businesses. **Credibility and leverage** - with their track record of achievement, having business angels on your team can greatly influence other funders. Quite often the angels have the financial skills and contacts to help bring the whole package together.

Collectively, business angels have many millions available but they tend to be active mainly in the range of £25K to £500K. The most common investments by individuals tend to be around £25K to £50K but syndicates or structured angel groups can come up with much more. This latter kind of risk sharing through group membership is now the predominant style of angel investing in Scotland, particularly in the high-tech sector, so it is important to understand what they consider important.

Firstly, most business angels focus on companies which qualify under the HMRC Enterprise Investment Scheme or Seed Enterprise Investment Scheme. Establishing your eligibility should be a first step before seeking investment. More information can be found at www.hmrc.gov.uk/eis and www.gov.uk/guidance/seis

After that choose your targets, don't just use a scatter gun approach. Most angel groups have websites which highlight their preferences and criteria – and showcase their existing portfolios so you can see where they have really been putting their money. Think about their sectoral relevance, their skills and experience and whether they have the capacity to follow their money as your business grows.

Then you need to get a hearing with the group 'gatekeeper' or screening committee. This needs a really strong executive summary which doesn't dwell on your technology or product but on the problem it solves and the business opportunity it creates. Demonstrate that there is a large growing market - and you know how to access it; that your investors can make a significant multiple on their investment in three to five years and that you have clear understanding of the route to that exit and how much capital it will take to get there.

Understand the process – study a couple of investment agreements; know which conditions are 'standard' and don't waste time disputing them; prepare for challenging diligence and expect delay!

David Grahame

Executive Director LINC Scotland

www.lincscot.co.uk

Initial Public Offering – IPO

An IPO is the first sale of shares to the general public on an open stock market, such as the London Stock Market and the AIM market in the UK, or New York Stock Exchange and NASDAQ in the USA.

An IPO enables a company to raise levels of capital to fund expansion that would likely not be available from only private or venture capital investors. While the Alibaba IPO of 2014 raised US\$22 billion, more typical might be the £15m raised by Redx Pharma in April or the £30m secured by Gloo Networks in August 2015.

In addition to access to cash, an IPO may provide the company with additional advantages. The perceived increased status and public profile of being a 'plc' may open up new trading opportunities, giving access to larger contracts or better trading terms, attract higher quality management or facilitate the ability to acquire other companies in return for shares rather than cash. Once floated, the company has the option to raise further cash both to fund additional growth and to cover periods of financial difficulty.

Business plans often suggest an IPO as a potential exit route for the investors in a company (typically alongside the alternative of a trade sale). The stakeholders in a company should however be cautious about pursuing an IPO solely to facilitate an exit. Indeed some pre-IPO investors (angels and VCs), and almost certainly the company founders, may find that the legal conditions of a particular IPO actually prohibit them from selling their shares until some months after the company has gone public in order to maintain share price stability. After the IPO, management in particular will have additional restrictions on the periods when they can sell (or buy) shares, under the stock market rules intended to prevent management benefiting from 'insider knowledge'. Early stage investors often appear somewhat sceptical when an IPO is suggested as an exit route, not least because in practice only a

very small percentage of companies do float. The University of New Hampshire estimates that 73,400 US companies received angel funding in 2014 but there were just 365 IPOs. And while the UK has the most active IPO market in Europe, it still only achieved 17 in the first half of 2015, compared with 67 in the US. The advantages a company may have from access to substantial additional capital resulting from a successful IPO need to be balanced against the significant financial costs and management time associated with the flotation and later to maintain the listing. These, combined with the need to disclose extensive financial and business information, at the time of the IPO and on an on-going basis, can be significantly off-putting, particularly to younger companies still engaged in extensive research and development for example.

The ability of companies to achieve an IPO, particularly at an attractive share price, is also subject to the volatility of the public markets. Sentiment can be affected not only by global and regional economic and political uncertainties, but also by the performance of other IPOs.

It is essential therefore that companies take a long term strategic view as to the practicality and strategic value of a potential IPO for all stakeholders in the business, and seek appropriate professional advice regarding costs, process and timing, and location.

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Crowdfunding and peer-to-peer lending

Crowdfunding platforms can be grouped under four categories: donations, mainly applicable to charitable giving; rewards, where the venture seeking funds offers something in return for the money pledged; equity, where the supporter acquires a shareholding in the business; and peer-to-peer (P2P) lending, where the 'crowd' can lend funds more quickly and at more competitive rates than institutional lenders.

There are also more specialist forms of 'alternative finance' usually based on lending, including invoice financing, and supply chain financing.

However, the crowdfunding sector is complex, and rapidly growing. A reliable guide to the wide range of funding available is given on the Nesta-operated website www.crowdingin.com

We have included here just a few examples of crowdfunding platforms which have hosted successful campaigns by Scottish companies.

REWARD-BASED CROWDFUNDING

Bloom VC

Glasgow

Contacts: Amanda Boyle
0845 2696 296
bloomvc.com

Successful campaigns in Scotland:

The Ecosse Candle Company, Bonnie Bling

Kickstarter

New York, US

Contact: Yancey Strickler
kickstarter.com

Successful campaigns in Scotland:

*LiveCode, Namisu, Strathberry,
Instrmnt 01, Minimal Wallet*

Indiegogo

California, US

indiegogo.com

Successful campaigns in Scotland:

Tens, Tipple Box

EQUITY CROWDFUNDING

Asset Match

London

Contact: Ben Weaver
020 724 82788
assetmatch.com

Successful campaigns in Scotland:

Syntropharma, Veeemotion, BrewDog

BnkToTheFuture

Hong Kong

Contact: Simon Dixon
bnktothefuture.com

Successful campaigns in Scotland:

Mr C's Bar

Crowdcube

Edinburgh

Funding range: £10k to £150k (flexible)

Contact: Craig McKenna
0139 224 1319
crowdcube.com

Successful campaigns in Scotland:

*Bellfield Brewers, Growler Beers,
Flavourly, CHOC+, Plan Bee*

Seedrs

London

Funding range: £10k to £1m+

Contact: Carlos Silva
seedrs.com

Successful campaigns in Scotland:

FreeAgent, Find a Player

ShareIn

Edinburgh

Funding range: £40k to £1m

Contact: Jude Cook
0131 641 0018
sharein.com

Successful campaigns in Scotland:

Reminova, Parkure, Holoxica

EQUITY CROWDFUNDING

Squareknot

Glasgow

Funding range: £30k to £250k (flexible)

Contact: Derek Bond
07717 432091
squareknot.co.uk

Successful campaigns in Scotland:

Hermes Apps, LetPal

Syndicate Room

Cambridge

Funding range: from £150k

Contact: James Sore
0122 347 8558
syndicateroom.com

Successful campaigns in Scotland:

Ambicare Health

P2P AND ALTERNATIVE FINANCE

Marketinvoice

London

Contact: Ari Last
0845 548 0508
marketinvoice.com

Funding Circle

London

Funding range: from £5k to £1m

Contact: David De Koning
020 7401 9231
fundingcircle.com

Lending Crowd

Edinburgh

Funding range: from £5k to £250k

Contact: Fraser Lusty
0131 564 1600
lendingcrowd.com

Successful campaigns in Scotland:

Tag Games

Business angels

The following directory includes angel groups which are actively investing in Scottish companies, or known to be looking for opportunities in Scotland.

Details for sectors and regions are shown only where a group has preferences or restrictions.

The companies shown as recent investees are in many cases just a sample of the group's investments, to illustrate the types of company in which the group invests.

For more information about business angel groups, how they invest, and how to approach them, see the article "Angels and angel groups".

24Haymarket

London

Contacts: Charlie Green

Recent Investees:

Intelligent Point of Sale

Aero Den LP

Texas, US

Investment level: Between \$100,000 and \$2 million

Region: Europe, USA, & Canada

Sector: All sectors considered

Contact: Douglas Cribbes

Telephone: 001 972 874 0239

Recent Investees:

UWI Technology

Alida Capital International

Edinburgh

Investment level: up to £1m

Sector: Biotechnology

Contact: Hugh Griffith
0131 248 3660
alidacapital.com

Recent investees:

OncoBioPharm, MedAnnex

Angel Academe

London

Contact: Sarah Turner
angelacade.me

Recent investees:

Clear Returns

Angel CoFund

Sheffield

Investment level: up to £1m

Contact: Tim Mills
angelcofund.co.uk

Angels Den

London

Contact: Raymond McLennan
0203 318 0230 ext 23
angelsden.com

Recent investees:

Nutrifiz, Freeflow Technologies

Apollo Informal Investment

Edinburgh

Contact: John Preston
apollo-informal-investment.com

Recent investees:

Appointedd, Gusto Artisan Foods

Archangel Investors

Edinburgh

Investment level: up to £1m

Sector: All sectors except property, retail and leisure

Region: Scotland only - Preference for Central Belt

Contact: John Waddell
0131 221 9876
archangelsonline.com

Recent investees:

Calcivis, NetThings, Reactec, Administrate, PowerPhotonic

Aurora Private Equity

Aberdeen

Investment level: up to £1m

Contact: Bill Henderson
0770 3474686
auroraequity.co.uk

Recent investees:

IV Horse, NovaBiotics

Barwell PLC
Glasgow

Investment level: up to £250k
Sector: All except property, retail & financial services
Contact: Alec Mackie
0141 248 8814

Recent investees:
Lamellar Biomedical, Factonomy, Fixed Phage, MGB Biopharma

Bradenham Partners
Gerrards Cross

Investment level: up to £500k
Contact: Ian A Morrison
07711 016511
bradenhampartners.co.uk

Recent investees:
Advanced Display Solutions, Vegware, ExecSpace

ChimaeraBio
Crieff

Investment level: up to £500k
Sector: Technology
Contact: Jim Reid
01764 652162
chimaeraBio.com

Recent investees:
Sistemic (Scotland), Syntropharma, Ocutec

Discovery Investment Fund
Dundee

Investment level: up to £500k
Contact: Julie Findlay
01382 731915
discoveryinvestmentfund.co.uk

Recent investees: *Actual Analytics, Dundee Cell Products, Calnex Solutions, EB Docking Solutions*

EOS Technology Investment
St Andrews

Sector: Science & Technology
Contact: Kevin Grainger
0771 252 6866
eos-tech-investors.com

Recent investees: *Digital Sports Arena, Alfacyte*

Equity Gap
Edinburgh

Investment level: up to £500k
Sector: All sectors except pharmaceuticals
Contact: Jock Millican
07836 355951
equitygap.co.uk

Recent investees: *Shot Scope Technologies, Sunamp, Insignia Technologies, Alphabet Babies, VERT Rotors, Spoonfed, Albagaiaz*

ESM Investments
Stirling

Investment level: up to £750k
Sector: ICT
Contact: Steven Morris
07572 445243
esminvestments.co.uk

Recent investees: *Mobile Acuity, Network90, Recipop, Distrify Media, ShareIn*

Gabriel Investments
Glasgow

Investment level: up to £120k
Sector: Technology pre-starts & start-ups
Contact: Gillian MacAulay
0141 303 8333
gabriel-is.com

Recent investees:
Pick Protection, Biogelx, Cosneta, Cojengo

Grampian BioPartners
Aberdeen

Investment level: up to £200k
Sector: Life Sciences
Contact: Andy Porter
grampianbiopartners.com

Recent investees:
Pharmacells, NovaBiotics

Green Angel Syndicate (GAS)
Edinburgh

Contact: Nick Lyth
07802 150053
gasgat.com

Recent investees:
Global Surface Intelligence (GSI)

Hamilton Portfolio
Glasgow

Investment level: up to £1m
Sector: All except biotechnology
Contact: Stewart Robertson
0141 221 4400
hamiltonportfolio.co.uk

Recent investees:
Gemini Print, NetIDme

Highland Venture Capital
Inverness

Investment level: up to £500k
Region: Preference for Highlands
Contact: Iain Scott
01463 712588
highvc.co.uk

Recent investees:
Design LED Products, Actual Analytics, Advanced Microwave Technologies, Syntropharma

Business angels

Innova Partnerships

St Fillans and Edinburgh

Investment level: up to £250k
(up to £5m with partners)

Sector: Life sciences

Contact: Dr Steve Howell
0131 202 6666
innovapartnerships.com

Recent investees:

Relaymed, Imhanz, Biotangents, Cuillin Medical

Investing Women

Edinburgh

Contact: Jackie Waring
investingwomen.co.uk

Recent investees:

TC BioPharm

Kelvin Capital

Glasgow

Sector: Technology

Contact: John McNicol
0141 255 0850
kelvincapital.com

Recent investees:

*iMetafilm, Sphinx Medical, i2eye
Diagnostics, Opinurate, Flexiworkforce*

Lancaster Capital

Glasgow

Contact: Alison Clarke
lancastercapital.co.uk

Recent investees:

Taragenyx, Epipole, Curapel, i2eye Diagnostics

London & Scottish Investment Partners

Edinburgh

Sector: Technology, engineering,
construction, retail and
professional services

Contact: Scott Carnegie
0131 226 1589
lsip.co.uk

Recent investees:

pureLiFi

London Business Angels

London

Investment level: up to £1m

Contact: Alexander Sleigh
020 7321 5672
lbangels.co.uk

Recent investees:

Trident Energy

Longbow Capital LLP

Norwich

Investment level: up to £2m

Contact: Edward Beckett
01603 757 509
longbow.co.uk

Recent investees:

Ambicare Health

Murray Capital

Edinburgh

Investment level: up to £5m

Contact: Sarah Copland
0131 243 2100
murraycapital.co.uk

Recent investees:

SFX Technologies

New Wave Ventures

Dorset

Contact: Clare Twemlow
020 7520 9432
nwventures.co.uk

Investments in Scotland: miiCard

Par Syndicate

Edinburgh

Investment level: up to £500k

Sector: Technology,
excluding Biotech

Contact: Robert Higginson
0131 556 0044
parequity.com

*Recent investees: Radge Media, Senient
Systems, miiCard, Collectivworks*

Souter Investments LLP

Edinburgh and Perth

Investment level: up to £10m

Contact: Andy MacFie
0131 225 7688
souterinvestments.com

Recent investees: Alexander

Dennis, Argent Energy, Filter Clear

TRI Cap

Melrose

Investment level: up to £250k first round
with syndication up to £1m

Region: Borders & Central Belt

Sector: All except Property, Retail
and Financial Services

Contact: Kathy Kinder
0172 173 0749

*Recent investees: MGB Biopharma, Exterity, Turnbull
& Scott, Blackford Analysis, Gas Sensing Solutions*

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VCs and institutional investors

Institutional investors are those which invest funds on behalf of others, and include Venture Capital (VC) firms, corporate venturers, and others.

Included here are organisations which have invested in Scottish companies (either currently or in the past), and others which have not yet made an investment in Scotland but have indicated an intent to do so, eg by partnering with the Scottish Investment Bank.

Most VCs and corporate venturers have few or no geographical restrictions on where they invest. We have included where possible examples of investees in Scotland, but anyone approaching one of these firms should look at their current portfolio and be aware of the standard of competition for funding.

VC firms are set up in order to attract funds from partners such as pension funds and insurance companies, by offering a different asset class (high growth privately owned companies) and their own expertise in investment.

While VC firms are investing to make a profit for their own funders, corporate venturers are usually looking for companies which have technology or services which could complement or contribute to their own core business activities.

Many VCs do not invest at the start-up stage of a business, and expect companies to have established at least an initial level of revenue before they will invest – we have indicated those known to consider companies at the pre-revenue stage.

VENTURE CAPITAL FIRMS (VCS)

ACT Venture Capital

Dublin, Ireland

Will invest pre-revenue

Investment range: from €200k to 30m

Contact: John Flynn
00353 1 260 0966
actventure.com

Aescap Venture Management BV

Amsterdam, The Netherlands

Sector: Biomedical

Contact: Patrick Krol
0031 20 570 29 40
aescap.com

Albion Ventures LLP

London

Does not invest pre-revenue

Investment range: from £1m to £10m

Sector: All sectors
Contact: Andrew Elder
0207 601 1850
albion-ventures.co.uk

Investments in Scotland:

DySIS Medical, TEG Biogas

Amadeus Capital Partners

London

Will invest pre-revenue

Sector: Technology

Contact: Alex van Someren
020 7024 6900
amadeuscapital.com

Investments in Scotland:

oneDrum

Andromeda Capital

Exeter

Sector: Energy, cleantech,
healthcare, education

Contact: Laurence Oakes-Ash
0139 244 0400
andromedacapital.co.uk

Investments in Scotland:
Cloudsoft Corporation

Aquarius Equity Partners

Manchester

Will invest pre-revenue

Investment range: from £3m to £7m

Sector: Life sciences, technology

Contact: Alex Stevenson
0161 837 6200
aquariusequity.com

Investments in Scotland:
GT Biologics

Balderton Capital

London

Investment range: from \$100k to \$20m

Sector: Technology

Contact: Rob Moffat
020 7016 6800
balderton.com

Investments in Scotland:
WeeWorld

Buckthorn Partners

London

Sector: Mining, oil & gas
and water sectors

Contact: Joe Connolly
020 3023 8050
buckthornpartners.com

Investments in Scotland:
Paradigm Drilling Services

Bullpen Capital

California, US

Contact: James Conlon
bullpen-capital.com

Investments in Scotland:
FanDuel

Calculus Capital

London

Contact: Madeleine Ingram
020 7493 4940
calculuscapital.com

Investments in Scotland:
Money Dashboard, Synpromics

Capricorn Investment Group

New York, US

Contact: Ion Yadigaroglu
001 646 289 3030
capricornllc.com

Investments in Scotland:
Loch Duart

Delta Partners

Dublin, Ireland & London

Will invest pre-revenue

Investment range: €250k (pre-revenue) to
2.5m (established)

Sector: ICT, healthcare

Contact: John Kenny
0044 203 642 9329
deltapartners.com

Investments in Scotland:
AccuNostics

Draper Esprit

London

Will invest pre-revenue

Sector: ICT, medtech, cleantech

Contact: Stephanie Edwards
020 7931 8800
draperesprit.com

Emerald Technology Ventures

Zurich, Switzerland

Will invest pre-revenue

Investment range: from 1m to 6m

Sector: Energy, water,
advanced materials

Contact: Philipp Hasler
0041 44 269 61 00
emerald-ventures.com

VCs and institutional investors

Endeavour Vision

Geneva, Switzerland

Contact: Bernard Vogel
0041 22 544 6000
endeavourvision.com

Investments in Scotland:
Kobojo

Energy Ventures

Aberdeen

Investment range: from \$5m to \$50m
Sector: Energy
Contact: Greg Herrera
01224 628 282
energyventures.no

Investments in Scotland:
Deep Casing Tools, Zilift,
Intelligent Well Controls

Epi v LLP

London

Does not invest pre-revenue
Investment range: from £2m to £20m
Sector: Oil & energy
Contact: Steve Kent
07875 530 151
epi-v.com

Epidarex Capital

Edinburgh

Will invest pre-revenue
Sector: Life sciences
Contact: Sinclair Dunlop
0131 243 3700
epidarex.com

Investments in Scotland:
Clyde Biosciences, Edinburgh
Molecular Imaging, Sirakoss

E-Synergy

Belfast

Will invest pre-revenue
Investment range: from £100k to £1m
Sector: All sectors
Contact: Amy Doherty
020 7583 3503
e-synergy.com

Investments in Scotland:
AquaPharm BioDiscovery

Exomedica

London

Sector: Medical technology
Contact: Mark Fisher
0207 812 7366
exomedica.com

FinTech Global Capital LLC

Tokyo, Japan

Investment range: up to \$7m
Sector: All sectors
Contact: Nobumitsu Tamai
0081 3 5733 2121
fji.co.jp

Foresight Group LLP

London

Does not invest pre-revenue
Investment range: from £1m to £5m
Sector: All except biotechnology
Contact: David Hughes
020 3667 8112
foresightgroup.eu

Investments in Scotland:
Aerospace Tooling, Lab901

Frontier IP

Edinburgh

Investment range: up to £500k
Sector: University spinout
companies
Contact: Neil Crabb
0131 240 1251
frontierip.co.uk

Investments in Scotland:
Aridhia, Intelligent Flow Solutions

Growth Capital Partners

London

Does not invest pre-revenue
Investment range: from £5m to £50m
Contact: James Blake
020 7024 9800
growthcapital.co.uk

Investments in Scotland:
Scopus Engineering

Herald Ventures

London

Investment range: from £250k to £3m
Sector: Technology,
communications &
multi-media
Contact: Taymour Ezzat
020 7553 6300
heralduk.com

Highgate Tech Fund

London

Will invest pre-revenue

Investment range: from £300k to £2m

Sector: Technology

Contact: Andrew Muir
020 8819 9934
highgatetechfund.com

Investments in Scotland:
Ecometrica

Imprimatur Capital

London

Sector: All sectors

Contact: Andrew Bottomley
0203 170 7627
imprimaturcapital.com

Investments in Scotland:
BigDNA, Mobile Acuity

Invesco Perpetual

Henley-on-Thames

Contact: Mark Barnett
0800 028 2121
invescoperpetual.co.uk

Investments in Scotland:
Lamellar Biomedical

IP Group plc

London

Investment range: up to £1.25m

Contact: Mark Warne
020 7444 0050
ipgroupplc.com

Investments in Scotland:
Relitex, MODE Diagnostics, RouteMonkey, Anacail

IQ Capital

Cambridge

Contact: Edward Stacey
0122 334 5616
iqcapital.co.uk

Investments in Scotland:
miiCard

Jenson Seed EIS Fund

London

Contact: Jeffrey Faustin
020 7873 2122
jensonfundingpartners.com

Investments in Scotland:
Peekabu Studios

Leopard Rock Capital

London

Contact: Alastair Kerr
leopardrockcapital.com

Investments in Scotland:
Flexiant

Lime Rock Management LLP

Aberdeen

Does not invest pre-revenue

Investment range: from \$50m to \$150m

Sector: Energy (oil & gas)

Contact: Gary Sernovitz
01224 267010
lpartners.com

Investments in Scotland:
Gas2, Enermech, TWMA

Longwall Venture Partners

Harwell

Contact: David Denny
0123 556 7365
longwallventures.com

Investments in Scotland:
MODE Diagnostics

Low Carbon Innovation Fund

Norwich

Contact: Saffron Myhill-Hunt
01603 597248
lowcarbonfund.co.uk

Investments in Scotland:
Trident Energy

Lundbeckfond Ventures

Copenhagen

Sector: Life sciences

Contact: Casper Breum
0045 3912 8000
lundbeckfondventures.com

Investments in Scotland:
DySIS Medical

Maven Capital Partners UK

Glasgow

Does not invest pre-revenue

Investment range: from £1m to £10m

Sector: All sectors

Contact: Andrew Craig
0141 306 7400
mavencp.com

Investments in Scotland:
Traceall Global, Crawford Scientific, Coretrax, Calnex Solutions, Glacier Energy Services, Paywizard, Fathom Systems

VCs and institutional investors

Mercia Technologies

Henley-in-Arden

Will invest pre-revenue

Investment range: from £150k to £5m

Sector: Technology

Contact: Josh Levy
0330 223 1430
merciatechnologies.com

MMC Ventures

London

Does not invest pre-revenue

Investment range: from £500k to £2m

Sector: All sectors

Contact: Bruce Macfarlane
020 7361 0215
mmcventures.com

Morgan Stanley Capital Group Inc

Glasgow

Contact: John McGrory
0141 245 8000
morganstanley.com

Investments in Scotland:

Spark Energy

Morningside Ventures

Hong Kong, China

Sector: ICT, life sciences,
cleantech

Contact: Lokchung Chan
00852 2894 9800
morningside.com

Investments in Scotland:

NuCan BioMed

Nauta Capital

Barcelona, Spain

Will invest pre-revenue

Investment range: from 500k to €5m

Sector: ICT

Contact: Daniel Sanchez
0034 93503 5900
nautacapital.com

NBGI Ventures

London

Will invest pre-revenue

Investment range: from €1m to €10m

Sector: Medical technology

Contact: Aris Constantinides
020 7661 5678
nbgipe.com

Investments in Scotland:

DySIS Medical

New Enterprise Associates

Maryland, US

Will invest pre-revenue

Investment range: from \$50k to \$50m

Sector: Technology & healthcare

Contact: Peter Behrendt
001 301 272 2300
nea.com

Northstar Ventures

Newcastle upon Tyne

Contact: Alex Buchan
0191 229 2772
northstarventures.co.uk

Investments in Scotland:

Greenmarine Solutions

Octopus Ventures

London

Does not invest pre-revenue

Investment range: from £250k to £5m

Sector: All sectors

Contact: Alex Macpherson
0800 316 2349
octopusinvestments.com

Investments in Scotland:

Elonics

Old College Capital

Edinburgh

Invests in companies associated with the
University of Edinburgh

Contact: Andrea Young
0131 472 4806
oldcollegecapital.co.uk

Investments in Scotland:

Shot Scope Technologies, Sunamp

Oxford Capital

Oxford

Contact: William Orde
0186 586 0760
oxcp.com

Investments in Scotland:

Kobojo, Outplay Entertainment

Panoramic Growth Equity

Glasgow

Does not invest pre-revenue

Investment range: from £500k to £5m

Sector: All sectors

Contact: Stephen Campbell
0141 331 5100
pgequity.com

Investments in Scotland:

Edesix, Dog Digital, Cascade Technologies

Par Equity

Edinburgh

Does not invest pre-revenue

Investment range: from £500k to £1.5m

Sector: Technology,
excluding Biotech

Contact: Robert Higginson
0131 556 0044
parequity.com

Investments in Scotland:

*Delta DNA, My1Login, Mallzee, Symphonic,
QikServe, Senient Systems, Sunamp, Pufferfish and
Red61*

Parkwalk Advisors

London

Contact: Moray Wright
020 7759 2285
parkwalkadvisors.com

Investments in Scotland:

Nandi Proteins, Mode Diagnostics

Pentech Ventures

Edinburgh

Will invest pre-revenue

Investment range: from £500k to £4m

Sector: ICT

Contact: Andrew Duncan
0131 240 8280
pentechvc.com

Investments in Scotland:

Outplay Entertainment, FanDuel

Piton Capital

London

Contact: Andrin Bachmann
020 740 80451
pitoncap.com

Investments in Scotland:

FanDuel

Pond Ventures

Surrey

Will invest pre-revenue

Investment range: from £800k to £5m

Contact: Richard Irving
020 8940 1001
pondventures.com

SEP

Glasgow

Will invest pre-revenue

Investment range: from £5m
(£1m if start-up) to £15m

Contact: Calum Paterson
0141 273 4034
sep.co.uk

Investments in Scotland:

*Elonics, Metaforic, Green Highland Renewables,
Smarter Grid Solutions*

Sequoia Capital

California, US

Contact: Roelof Botha
001 650 854 3927
sequoiacap.com

Investments in Scotland:

Skyscanner

Seraphim Capital

London

Does not invest pre-revenue

Investment range: from £500k to £2m

Sector: Technology

Contact: Mark Boggett
0203 674 2805
seraphimcapital.co.uk

Investments in Scotland:

Pyreos

VCs and institutional investors

SET Venture Partners

Amsterdam, The Netherlands

Will invest pre-revenue

Investment range: from 1m to €m

Sector: Smart energy

Contact: Wouter Jonk
0031 20320 0104
setventures.com

Investments in Scotland:
NGenTec

Simmons Private Equity

Aberdeen

Does not invest pre-revenue

Investment range: up to £10m

Sector: Oil & Gas Services

Contact: Susan Pirie
0122 420 2300
simmonsco-intl.com

Investments in Scotland:
HCS Control Systems, Flexlife,
Glacier Energy Services

Sofinnova Partners

Paris, France

Will invest pre-revenue

Investment range: €100k to 1m (seed), €
5m to 25m (established)

Sector: Life sciences

Contact: Jean-Jacques Garaud
0033 15305 4100
sofinnova.fr

Investments in Scotland:
NuCan BioMed

Sussex Place Ventures

London

Sector: Technology
Contact: Richard Gourlay
020 7000 0022
spventures.com

Investments in Scotland:
Anacail

Technomark Life Sciences

London

Contact: Ms Cate Cebass
020 7097 1546
technomarkls.com

Investments in Scotland:
Glycomar

TomorrowVentures

California, US

Contact: Brad Holden
tomorrowvc.com

Investments in Scotland:
Ciquai

Triple Point Income VCT

London

Contact: Claire Ainsworth
020 7201 8989
triplepoint.co.uk

Investments in Scotland:
Green Highland Renewables

YFM Equity Partners

Manchester

Does not invest pre-revenue

Investment range: from £500k to £10m

Sector: All sectors

Contact: David Hall
0161 832 7603
yfmeop.com

Investments in Scotland:
Ness, Leengate Valves, Intelligent Office

Zouk Capital

London

Sector: Clean economy

Contact: Uwe Kraemer
020 7947 3400
zouk.com

Investments in Scotland:
Urban Wind

CORPORATE VENTURING

ABB Technology Ventures

Zurich, Switzerland

Contact: Girish Nadkarni
001 650 617 3389
abb.co.uk

Investments in Scotland:

Scotrenewables, Aquamarine Power

BP Ventures

Will invest pre-revenue

Investment range: from \$1m to \$10m

Sector: All energy

Contact: Issam Dairanieh
020 7496 4000
bp.com

Investments in Scotland:

Heliex Power

Channel 4 Commercial Growth Fund

London

Sector: Technology,
creative media

Contact: Vinay Solanki
0207 396 4444
channel4.com

Claridge

Montreal, Canada

Contact: Stephen Bronfman
001 514 878 5200
claridgeinc.com

Investments in Scotland:

CelluComp

Comcast Ventures

Pennsylvania, US

Contact: Andrew Cleland
comcastventures.com

Investments in Scotland:

FanDuel

ConocoPhillips

Texas, US

Contact: Ryan Lance
conocophillips.com

Investments in Scotland:

Zilift, Ziebel, Raptor Oil, LUX Assure

DC Thomson

Dundee

Contact: Ben Gray
0138 222 3131
dcthomson.co.uk

Investments in Scotland:

CogBooks

ESB Novusmodus

London

Does not invest pre-revenue

Investment range: from €3m to 20m

Sector: Cleantech

Contact: Bertrand Gautier
020 7832 9427
greencoat-capital.com

Investments in Scotland:

Heliex Power

Fred Olsen

London

Contact: Anette Olsen
020 7931 8888
fredolsen.co.uk

Investments in Scotland:

Scotrenewables

Robert Bosch Venture Capital GmbH

Stuttgart, Germany

Contact: Gudrun Duepjohnn
0049 711 811 47961
rbvc.com

Investments in Scotland:

Pyreos

Saudi Aramco Energy Ventures

Aberdeen

Contact: Nabil Al-Khowaiter
aramcoventures.com

Investments in Scotland:

Paradigm Drilling Services, Zilift

VCs and institutional investors

Siemens Technology Accelerator

Munich, Germany

Will invest pre-revenue

Investment range: from 250k to €m

Sector: Technology

Contact: Christian Wiesinger
0049 089 636 633011
sta.siemens.com

Investments in Scotland:
Pyreos, odos-imaging

SSE Venture Capital

Perth

Will invest pre-revenue

Investment range: up to £12m

Sector: Cleantech

Contact: Nigel Ellis
01738 457363
scottish-southern.co.uk

Investments in Scotland:
*IE-CHP, Aquamarine Power,
Wind Towers Scotland, BiFab*

Statoil Technology Invest

Stavanger, Norway

Will invest pre-revenue

Investment range: from \$1m to \$10m

Contact: Arnfinn Kjosavik
00475 199 0000
innovate.statoil.com

Investments in Scotland:
Lux Assure

STV Group plc

Glasgow

Does not invest pre-revenue

Investment range: up to £1m

Sector: Media and technology

Contact: George Watt
0141 300 3000
stvplc.tv

Investments in Scotland:
GamesAnalytics

Tate & Lyle Ventures LP

London

Will invest pre-revenue

Investment range: from £1m to £2m

Sector: Food science
and technology

Contact: Simon Barnes
0207 977 6363
tateandlyleventures.com

Investments in Scotland:
Biofilm

Total Energy Ventures

Paris, France

Contact: Francois Badoual
0033 0147 444 546
total.com

Investments in Scotland:
Scotrenewables

UKSE Fund Managers

Bellshill

Does not invest pre-revenue

Investment range: from £100k to £750k
- covers Glasgow, North Ayrshire, Lanarkshire

Sector: all sectors

Contact: Anne Clyde
01698 845045
uksteelenterprise.co.uk

Investments in Scotland:
*SST Sensing, Partrac,
NorthPac, Audio Chi*

WH Partnership

Gateshead

Contact: Graham Lawrence
0191 460 9295
wh-partnership.com

Investments in Scotland:
TC BioPharm

ZAG

London

Contact: Anu Shah
020 7453 4577
zaginvention.com

Investments in Scotland:
Money Dashboard

OTHER INSTITUTIONAL INVESTORS

Business Growth Fund

Edinburgh, Aberdeen

Investment range: from £2m to £10m

Contact: Duncan Macrae
0345 266 8863
businessgrowthfund.co.uk

Investments in Scotland:

*ROVOP, AFG Media, M Squared
Lasers, Petrotechnics, STATS Group*

Nesta Impact Investments

London

Sector: Social innovations

Contact: Nathan Elstub
020 7438 2500
nestainvestments.org.uk

Investments in Scotland:

CogBooks

The Genomia Fund

Edinburgh

Will invest pre-revenue

Sector: Life sciences, biosciences

Contact: Richard Mole
0131 445 6202
genomia.org.uk

Investments in Scotland:

Antoxis, GT Biologics, Well Cow

Stock markets

Early stage high growth companies in Scotland, if contemplating a listing on a public market so that their shares can be traded by the general public, are likely to look at the stock exchanges in London and New York. The websites for these are shown below, and any entrepreneur thinking of a flotation should research the copious information and guidance on these sites. There is help in finding the right broker to introduce the company to the market, guides on how the exchanges work, and in particular both AIM and NASDAQ provide facilities to download spreadsheets (CSV files) of recent IPOs (initial public offerings) and of all companies quoted on the exchange, giving details of country of origin, market sector, amounts raised, and much more. NASDAQ also gives a directory of programmes and events for start-ups (which can be filtered to cover just Europe).

London Stock Exchange (LSE)

London

www.londonstockexchange.com

New York Stock Exchange

New York

www.nyse.com

AIM

London

AIM is the London Stock Exchange's international market for smaller growing companies. The monthly AIM Factsheets contain details on UK and international companies on AIM, including money raised, market capitalisation at issue, country of incorporation, FTSE group and further issues.

NASDAQ

New York

www.nasdaq.com

We strive to support investors and companies in the race to bring innovation and new technologies to market.

No matter the size of deal, or stage of your business, we can help you get over the line. Our network and experience of risk capital investment makes us ideal collaborative partners for both investors and businesses.

Our practical support reaches far beyond that of legal adviser.

To discuss how we can help, call Andrew Sloane in Glasgow on 0141 332 5666 andrew.sloane@morisonssl.com or Ross Hood in Edinburgh on 0131 226 6541 ross.hood@morisonssl.com

morisons
solicitors



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www.morisonssl.com

Loans

Although traditional bank loans and overdrafts have become more difficult to obtain for early stage companies which do not have regular revenue streams or assets which can be offered as security, a number of new lenders have appeared recently, some supported by the British Business Bank (which is a good starting point for further information).

Most business banks – newcomers as well as the ‘big five’ – offer a wide range of services, and we simply give here their business websites for further investigation.

There are many small loan funds, not listed here, which have local geographic restrictions and some of these can lend to companies at an early stage. The sources listed in our ‘Further information’ section generally include these, and local offices of Business Gateway (www.bgateway.com) should have lists of such funds.

Besides the lenders listed here, see the peer-to-peer funders listed in the Crowdfunding section of this Guide.

BANKS

British Business Bank

Government owned, but independently managed, the British Business Bank aims to make finance markets work better for small businesses in the UK. It works through partners to provide finance at different stages:

- Start up (see Start Up Loans below)
- Scale up
- Stay ahead

british-business-bank.co.uk

Aldermore

www.aldermore.co.uk/business

Bank of Scotland

www.bankofscotlandbusiness.co.uk

Barclays

www.barclays.co.uk

Clydesdale

www.cbonline.co.uk/business

Green Investment Bank

Invests in sustainable projects.

www.greeninvestmentbank.com

HSBC Bank plc

www.business.hsbc.co.uk

Lloyds TSB

www.lloydstsbbusiness.com

Metrobank

www.metrobankonline.co.uk

RBS

www.business.rbs.co.uk

Santander

www.santanderbreakthrough.co.uk

The Co-operative Bank

www.co-operativebank.co.uk/business

ASSET-BACKED AND CASH FLOW FINANCE

Credit Asset Management

0207 268 5518
www.craml.co.uk

Bibby Financial Services

Graeme Scougall, Associate Director
0141 227 8477
www.bibbyfinancialservices.com

Hitachi Capital Business Finance

www.hitachicapital.co.uk/business-finance

Shawbrook Bank

www.shawbrook.co.uk/business

OTHER LENDERS

Beechbrook Capital

Lends from: € 3m to €5m
Contact: Nick Fenn
020 3551 5965
beechbrookcapital.com

Boost Capital

Lends from: 3k to £500k
Contact: Willem Vanlyden
01245 353 326
/0800 1379080
boostcapital.co.uk

BOOST&Co

Lends from: £1m to £8m
Contact: Lance Mysyrowicz
0207 837 7660
boostandco.com

DSL Business Finance

Lends from: £3k to £50k
Contact: Nicola Cosgrove
0141 425 2930
dsl-businessfinance.co.uk

Haymarket Financial

Lends from: £15m
Restrictions: 3 years' turnover £50m+
Contact: Mark Tognolini
0207 074 2906
hayfin.com

Renewable Energy Investment Fund

Market sector: Renewables
Contact: 0141 242 8364
scottish-enterprise.com/reif

Scottish Loan Fund

Managed by Maven Capital Partners
Lends from: £250k to £5m
Restrictions: Turnover minimum £1m
contact 0141 206 0121
www.mavencp.com

Scottish Recycling Fund

Lends up to £1.9m
Aims to develop or expand materials reprocessing capacity and remanufacturing facilities in Scotland.
01786 433 930
zerowastescotland.org.uk

Start Up Loans

Loans up to £25k, terms from
1 to 5 years
contact startuploans.co.uk

Grants

There is a wide range of grants available, but many of them are restricted to specific geographical areas, or are available to researchers rather than companies. Most grants have a defined aim, for example to support economic development, commercialisation of R&D, or social objectives. The best source of advice on local grant funding is Business Gateway (www.bgateway.com), but we focus here on the funding available across Scotland for early stage companies with high growth potential.

Scottish Enterprise

- **SMART:SCOTLAND**

Aim: To support technical feasibility studies and research and development (R&D) projects.

Funding: - Feasibility studies: max grant £100k, max funding level 70% for small companies and 60% for medium sized companies to produce a technology demonstrator.
- R&D projects: max grant £600k, max funding level 35% to produce technology ready for commercialisation.

Eligibility: Projects must represent a significant technological advance for the sector concerned and involve a significant level of technical uncertainty.
Available to SMEs across Scotland including Highlands & Islands

Scottish Enterprise

- **SE R&D Grant**

Aim: Supports industrial research and experimental development.
For grants >£100k, R&D jobs must be created and/or retained.

Funding: No upper limit for grants

Intervention rate: For grants to SMEs, 35% of eligible project costs with potential for up to 50% funding depending on project fit vs. EU state aid policy

For grants to large companies, 25% of eligible projects costs with potential for up to 40% funding depending on project fit vs. EU state aid policy.

Eligibility: All sizes of company in the Scottish Enterprise region (Lowlands).

- **Collaborative R&D Grant**

Funds multi-party projects using the same intervention rates as SE R&D; however, a collaboration bonus may be available depending on the make-up of the consortium

- **Seek and Solve scheme**

Where a potential customer contributes 20% (cash or in-kind) towards the project, SE will fund SMEs up to 45% of eligible costs, resulting in a cumulative intervention of up to 56%.

Scottish Enterprise

- **Regional Selective Assistance (RSA)**

Aim: To encourage investment that will directly result in the creation or safeguarding of jobs in Scotland.

Funding: Location specific.

Eligibility: Location specific.

www.scottish-enterprise.com/services/attract-investment

Highlands & Islands Enterprise

Companies in the Highlands and Islands have access some grant programmes delivered by Scottish Enterprise (see above):

- **SMART:SCOTLAND**
- **Regional Selective Assistance (RSA)**

In addition, HIE operates grant programmes of its own, including:

- **HIE Research and Development Funding Scheme**

www.hie.co.uk/business-support/funding

Innovate UK

Innovate UK funds, supports and connects innovative businesses to accelerate sustainable economic growth.

Companies can apply for R&D funding in specific priority areas, as well as non-themed 'always open' competitions such as Smart. Funding amounts range from £5,000 to £10 million.

Innovate UK runs funding competitions which are open to all UK based companies; some are also open to research organisations working with business.

There are different funding competitions depending on the size of the company and the type of industry it is in.

www.innovateuk.org

Interface

Interface administers a number of funding schemes to offset the cost of collaborating with Scotland's universities, research institutions and further education colleges enabling them to develop new products and processes through R&D projects.

- **Innovation Vouchers:** funding for business and academic partnerships leading to new products, services or processes. Up to £5,000 for Standard Innovation Vouchers, and up to £20,000 for Follow On Innovation Vouchers (requiring match funding in both cases).

www.interface-online.org.uk

Creative Scotland

Creative Scotland is the public body that supports the arts, screen and creative industries across all parts of Scotland. It distributes funding from the Scottish Government and The National Lottery.

The main source available to entrepreneurial companies is **Open Project Funding**, which supports the arts, screen and creative industries, with projects that help them explore, realise and develop their creative potential. From £1,000 to £100,000 (up to £150,000 considered)

Creative Scotland also offers **Regular Funding** (but the next round of Regular Funding will open in 2017 for the 2018-2021 programme), **Targeted Funding** which addresses specific activities and development needs in a sector, specialism, and/or geographic area, and **Funds Delivered by Partners**, often with very specific purposes.

www.creativescotland.com

The Prince's Trust

- **Enterprise Programme**
The Enterprise programme supports young people aged 18 to 30 years-old to start-up and grow in business, by providing essential funding and professional mentoring support.

Amount: loans of up to £7,500 and grants of up to £1,000

www.princes-trust.org.uk

Wellcome Trust

- **Health Innovation Challenge Fund:**
A parallel funding partnership between the Wellcome Trust and the Department of Health to stimulate the creation of innovative healthcare products, technologies and interventions and to facilitate their development for the benefit of patients in the NHS and beyond.
- **Seeding Drug Discovery:**
Funding to help applicants with a potential drug target or new chemistry embark on a programme of compound discovery and/or take later stage projects towards clinical trials.

www.wellcome.ac.uk

Competitions, awards and prizes

Especially in the earliest stages of a business, competitions can provide not only some funding, but also business advice and support, and publicity which can help as the business develops.

bioQuarter Innovation Competition

Sector:	Medical
Aim:	To support ideas for medical products or services (human or animal).
Open to:	Researchers and post graduate students from the University of Edinburgh, and employees of NHS Lothian.
Prizes:	£20k cash (first prize £10k) plus business support
Frequency:	Annual competition – closes April, awards ceremony June
Contact:	www.edinburghbioquarter.com/competition

Converge Challenge

Aim:	To provide the commercial skills that will enable participants to bring to market new companies, novel products and services. Works with any idea, at any stage of the development process.
Open to:	Academic or research members of staff, postgraduate and final year students of all Scottish universities and research institutes.
Prizes:	Prize fund £50k, with business support and mentoring
Further categories:	
	<ul style="list-style-type: none">• KickStart Competition for early stage ideas, prize fund £5k• Social Enterprise Award, prize fund £11k• Entrepreneurial Spirit Award, first prize £1k
Frequency:	Annual competition, closing date around end April, final judging September
Contact:	convergechallenge.com

Dare to be Digital

Sector:	Video games
Aim:	To develop a diverse range of original, innovative games for all platforms.
Open to:	Teams of five, must be postgraduate and / or undergraduate students at a Scottish university or art college.
Prizes:	three prizes of £2.5k, and opportunity to compete at BAFTA for the Ones To Watch Award
Frequency:	Annual competition, closes in May - teams have nine weeks during June to August to develop a prototype video game.
Contact:	www.daretobedigital.com

Design Council Spark

	A 20-week accelerator programme for product development and commercialisation.
Prizes:	Initial funding of £15k for successful applicants, and £50k investment for each of three overall winners.
Frequency:	annual
Contact:	www.designcouncil.org.uk

Innovate UK

Innovate UK funds, supports and connects innovative businesses to accelerate sustainable economic growth.

Companies can apply for R&D funding in specific priority areas, as well as non-themed 'always open' competitions such as Smart. Funding amounts range from £5,000 to £10 million.

Innovate UK runs funding competitions which are open to all UK based companies; some are also open to research organisations working with business. There are different funding competitions depending on the size of the company and the type of industry it is in.

Contact: www.innovateuk.org

Longitude Prize

Run by Nesta, and supported by Innovate UK, the Longitude Prize is a challenge with a £10 million prize fund to help solve the problem of global antibiotic resistance.

Contact: longitudeprize.org

Scottish EDGE

Aim: Scottish EDGE is a funding competition aimed at identifying Scotland's top young, early stage and high growth potential entrepreneurs.

Open to: Businesses in operation for no more than 5 years

Prizes: Up to £100k, 50% as repayable loan

Further categories:

- Higgs EDGE, a special technology award aimed at entrepreneurs who have an engineering, science or technology based business and have a product, or product under development, which is scalable and capable of globalisation. Top prize £125k
- Young EDGE, for companies whose directors are all 18-30 years old, up to £10k grant
- Wild Card EDGE, for companies which are pre-trading, up to £10k grant

Frequency: More than one round per year

Contact: www.scotedge.com

Shell Springboard

Aim: To find business ideas that aim to reduce carbon emissions.

Open to: Anyone with a business established for more than three months

Prizes: Nine awards of up to £40k for regional winners, plus entry into national competition with £110k first prize

Frequency: Annual competition, closes December, regional awards in February/March

Contact: www.shellspringboard.org

Competitions, awards and prizes

Shell LiveWIRE

Aim:	To help young entrepreneurs to start businesses
Open to:	age limit 16-30, companies pre-trading or trading for less than 12 months
Prizes:	Smarter Future Awards, £5k; Young Entrepreneur of the Year (£25k award)
Frequency:	Smarter Future Awards monthly; Young Entrepreneur of the Year annual
Contact:	www.shell-livewire.org

Scottish Institute for Enterprise

SIE runs a number of competitions for students in higher education and in national training programmes, to help them take a business idea to reality.

- Young Innovators Challenge, an annual social innovation themed competition for students, top prize £5k.
- Fresh Ideas Competition, monthly competition for pre-startups, top prize £1k
- New Ventures Competition, annual competition for early stage businesses, top prize £10k
- Get Enterprising, entry-level fun competition

Contact: www.sie.ac.uk

Fellowships

Funded fellowships are an excellent way for those who wish to have training in business and entrepreneurial skills before starting a new business.

RSE Enterprise Fellowships

With the support of partner bodies, the Royal Society of Edinburgh awards one-year Enterprise Fellowships which encourage the commercialisation of technology based business ideas from academic institutions into spin out and start-up companies.

The programmes fund a year's salary, business training, business development and access to networks of mentors, business experts and professional advisers.

Contact: Anne Fraser
0131 240 5013

royalsoced.org.uk/564_EnterpriseInnovationFunding.html

- **Scottish Enterprise Fellowship**

The SE Enterprise Fellowships enable researchers, graduates and people with technical skills to play a key role in launching successful growth businesses out of Scotland's science and technology base.

- **BBSRC Enterprise Fellowship**

Biotechnology and Biological Sciences Research Council (BBSRC) Enterprise Fellowships aim to increase exploitation of ideas with commercial potential from BBSRC supported research.

- **STFC Enterprise Fellowship**

The Science and Technology Facilities Council (STFC) Enterprise Fellowships are designed to increase exploitation from the STFC research programme and enable an individual to advance the commercialisation of existing research results or technological developments.

Saltire Fellowship

This annual programme equips the Fellow with the skills and attitude required to take a leadership role within Scottish business. A 13-week entrepreneurship programme at Babson College (Boston, USA) is followed by two executive-level projects in Boston, visits to Silicon Valley and China, and a one week residential course in Edinburgh.

Who is eligible: Early to mid-career entrepreneur or potential business leader.

Application: Candidates can be sponsored by their employers or apply for open enrolment.

Contact: Sandy Kennedy
0141 548 4417
saltirefoundation.com

What an investor looks for

If your pitch is to succeed, you need to understand how investors look at the many opportunities presented to them.

In fact so many opportunities that their first task is to weed out those which do not fit their criteria, so make sure that you have found out what motivates the investors you are approaching.

It is a perennial complaint of investors that entrepreneurs talk too much about their product or technology, and too little about the market opportunity and how it can be seized.

To describe the opportunity, it is necessary to have a deep understanding of the market. This means far more than simply quoting market research reports. It means knowing who are the main customers in the sector, on what basis they compete with each other, and what this means in terms of how they will respond to a 'solution' to a pressing issue. It also means knowing the main suppliers who will be your competitors, and their strengths and weaknesses. It means knowing the margin between the cost of supplying your product or service, and the price at which you can sell it (not necessarily the lowest, but the best value for money).

For companies which have already made inroads into a market, and are looking for later stage funding (eg venture capital investment), investors are often looking for a demonstration of 'traction' which gives some reassurance that the first sales can be replicated and are not just special cases.

To show how the market opportunity can be seized, it is necessary to describe the team which will implement the plan. Not all investors expect a full team to be in place in an early stage business (and many take pride in helping the business to find suitable team members), but all will expect certain roles to be filled by specialists. These specialist roles include sales and marketing, and finance; in both these cases, part time expertise can be brought in (as employees, or non-executive directors, or as an advisory panel) until such time as the business can justify a full time appointment. For example, the market knowledge described above is indispensable, but until the business has real products or services ready to take to market, a full time sales and marketing executive would find life frustrating.

It is salutary for founders of companies to realise that the more successful their business is, the less likely that they will be in control as chief executive. Most later stage investors take the view that the skills required for taking a business through the early stages are different from those required to accelerate its growth into global markets, and will expect the founder to give way to a 'professional manager'.

So in brief, investors are looking for a compelling vision of a product or service which can make a difference in a market, and a team which has the expertise and enthusiasm to make that vision a reality. In the end, it all comes down to the people involved.

Identifying what IP to protect...

...and the importance of maximising the value of your invention.

Technical innovations have a commercial value that can generate significant income. But if you don't protect your intellectual property, you leave yourself vulnerable to a third party stealing your idea.

A strong intellectual property portfolio plays an integral role in the success of innovative companies. However, for a young company, it is important to focus valuable resources on what really matters.

Businesses have different needs but broadly speaking any innovation or brand development should be considered for patent, design or trade mark protection. The key is to seek the right advice and make sure you maximise the value of your intellectual property.

Here are six tips to consider when it comes to developing and protecting your intellectual property (IP):

1. Protect your product/brand

Whatever you protect, it must work for your business. Your IP must at least protect what you sell, the processes you use and/or your principal brand – but the ultimate aim should be to ensure that your IP covers as much as possible, adding value to the business.

2. Prepare and plan

Consulting with staff will help you identify innovations important to your business but most Patent Attorneys will offer a free, no obligation meeting to help clients decide how best to secure protection for their IP. When meeting a Patent Attorney you should prepare a detailed summary of your innovations and be prepared to discuss what distinguishes these developments from those already disclosed in the prior art.

3. Avoid disclosures

In order not to destroy your chances of securing protection for your IP, it is essential that you avoid making any public, non-confidential disclosures. Sometimes discussions with third parties are important and in these cases non-disclosure agreements can

be useful. However, their effect is limited and you should proceed with caution. Our advice is always to avoid any unnecessary disclosures until you have secured protection for your IP.

4. Keep records

Ensuring clarity over issues such as ownership and inventorship is of paramount importance. To this end, keep regular and accurate notes of your internal meetings, discussions and interactions with third parties.

5. Research

Is there a market for your idea? Where and what do you intend to sell? Is there anything relevant already in the public domain? Conducting your own internet searches can help and it is often relatively easy to identify issues for discussion with your Patent Attorney. However this is no substitute for employing the services of a specialist searcher.

6. Seek professional advice

Obtaining proper protection for your intellectual property can be complicated and you should always obtain professional advice before taking action yourself. Most Patent Attorneys will be able to advise what requires immediate protection; but the skilled Attorney will ensure that whatever IP protection you pursue, it protects as much as possible and makes a significant contribution to your business.

Dr Richard Gibbs

Partner and Patent Attorney, Marks & Clerk

Contact: 0141 221 5767
www.marks-clerk.com



Business plans and pitches

Raising investment can be approached from a number of starting points but asking yourself a fundamental question at the outset can help focus the process – “Why raise investment?”

The answer might seem obvious: to fund R&D, develop a sales function, or marketing for expanding market presence etc. Nevertheless, there should be another answer to justify setting down the path for investment – that it will be used to generate **additional value** for founders, existing shareholders and incoming investors alike, with an alignment arising for all the company’s stakeholders from the new funding.

Raising external funding is similar to designing a product or business model for a customer market. The customer here is the investor and what they are interested in is the **capital play** for their money. While absolutely they will need to be convinced of the robustness of the technology, the market size/opportunity, the quality of the team and so on, they will not become a “customer” for your product, nor invest in your business unless you can demonstrate the potential to deliver a significant return on their capital.

Keys elements that planning should cover therefore are:-

- general funding landscape, both public and private sector (akin to the market research you did for your product, or seek a mentor or adviser who can provide this)
- clarity on funding requirement - how much, how met (equity/grant/loan) and when?
- fundraising strategy, identifying target investors whose “sweet spot” you would hit or who have the value-add skills, experience or network you seek on top of cash investment.

As investors receive literally hundreds of propositions each year, yours has to stand out from the crowd. As a start, your plan should clearly articulate what investors are looking for, ie **solutions** to real problems, **innovation** via either technology or business model, and **growth opportunities** in significant and expanding markets.

Addressing the five (or should that be six?) “P”s provides a guide as to what a pitch should contain and how it can be structured:-

- **Pain** – are you tackling a real market “need”, that it will pay for to be addressed?
- **Premise** – what is your business model or how is your product to be sold?
- **Proof** – have you sold it before, to whom, or otherwise can the market be proven?
- **People** – recognise your team’s experience, skills and gaps.
- **Purpose** – what funding is required now and/or in the future, what will it be used for, what value milestones will it allow you to reach?
- **Pitfalls!** – avoid overestimating your opportunity, underestimating your competition, produce a realistic financial model and don’t be a technology seeking a problem!

Ultimately, investors want to realise a return and therefore it is important to demonstrate a considered exit strategy and understanding of the tactics required to achieve it. If you can demonstrate genuine alignment with investors’ aspirations for timing, stage and scale of exit, then you could be well on the way to convincing them to invest.

Andrew Sloane

Partner Morisons LLP

Contact: 0141 204 6747
www.morisonsllp.com



Ten top negotiation tips

- 1.** Be clear about what you need to achieve and why. Write this down to keep you “on message” during the negotiation. By also thinking about why you are aiming for particular points you can properly assess the impact of any counter proposals made by the other party.
- 2.** Analyse your other options if this deal were not to go through. What would the next best option look like? There is always another option even if it means delaying projects or substantial changes to the business plan. Write this down in detail and take it with you to the negotiation as a guide: if the deal on the table becomes less attractive than the next best option it is time to walk away.
- 3.** Take some time to consider what the other party is looking for in the deal. What makes you attractive to them? What are their other options? This helps you develop an appropriate negotiating strategy and decide on the value of any concessions you may want to make ie if a point is very important to the other party you can ask for a lot in return even if it does not seem that valuable to you.
- 4.** Avoid negotiating alone. If there are at least two of you at the meeting one can be listening and watching body language while the other speaks. It is also very difficult to keep on top of everything yourself no matter how good your preparation and notes. This way you avoid forgetting anything and have someone with whom to discuss unexpected developments.
- 5.** Make notes on each point agreed or set aside for later discussion as you go along so that nothing is overlooked.
- 6.** Provide a consistent rationale for each of your requests. Giving a reason allows the other party to come up with potentially attractive alternatives if your initial request does not work for them but you must ensure your arguments are consistent or you lose credibility.
- 7.** Don't be shy about taking breaks to talk through proposals with your colleagues or to obtain further information or authorisation from those who are not present.
- 8.** If you do not feel the other party understands some of your points let another member of the team take over the talking – sometimes another way of putting a point will make the difference.
- 9.** Impasse is normal! There are a number of solutions; for example, you can set aside a point for later, look again at the underlying assumptions, consider how others have addressed this issue, or let other members of the team explore it separately.
- 10.** Always leave the door open whether for this deal or a future relationship. If you do not reach an agreement try to close the meeting on friendly terms. If appropriate reiterate what has been agreed and what is outstanding and agree on the next steps for further discussion.

Patricia Barclay

Founder of Bonaccord
and a former international pharmaceutical GC.

Contact: 0131 202 6527
www.bonaccord.eu



Managing deal costs

Completing a funding round is a time consuming business. It will take up a lot of your time, and also investors' and advisers' time. Time is money, and deal costs are inevitable. But they will also hopefully reflect the value brought by investors and advisers, and they should be manageable if a few guidelines are followed.

Firstly, don't be afraid to ask about costs. Professional advisers who are experienced in funding rounds will want to talk to you about costs at an early stage, as it's best if everyone knows where they stand. They might not be able to quote a fixed cost, at least until a term sheet is in place, but they should be able to agree a sensible budget with you.

Particularly for your first funding round, you may wish to speak to different advisers before you decide who to engage. If you have an established adviser but are not sure if they are experienced in handling funding rounds, it would be sensible to ask them as well as perhaps speaking to others. Take recommendations where you can and remember that engaging the cheapest adviser may cost you money in the long term. Try to engage advisers you can connect with, who have experience in this type of work and who are happy to be flexible and transparent about costs, without necessarily being the cheapest. They may also be able to steer you towards sources of help with meeting their costs.

Many investors also charge a fee to reflect their own costs in the investment process, and are also likely to pass on some or all of their advisers' costs. If you have the luxury of choosing from alternative investors, their approach to costs is one of the factors to take into consideration when deciding on your investment partner. Try to get certainty early on about your responsibility for fees associated with their investment. They should expect to explain this.

Bear in mind when you are deciding on how much funding to seek that deal costs will likely have to be met from the investment funds you raise. Your financials should include a budget for deal costs that will leave your company with the funds it needs after the deal costs are met.

What happens if your deal falls through? Most funding rounds that make it to term sheet stage do proceed to completion. But in case your deal falls through, you should anticipate how any abortive costs are to be met.

Many advisers will share some of this risk, particularly with the earliest stage companies. They may be prepared to undertake some early work on the basis that no charge will be made if the deal falls through. They may also be prepared to discount costs incurred if the deal is aborted. The important thing is to have the discussion early on so that you do not find yourself being pursued for a bill that you cannot afford to pay.

Campbell Clark

Partner, Blackadders LLP

Contact: 01382 342247
or Kirk Dailly 01382 342453
www.blackadders.co.uk





where entrepreneurs solve
healthcare challenges

**BioCity, the
Bioscience
incubation
specialist located
in Newhouse,
Scotland, has
revealed that life
science
companies based
on a BioCity site
are more likely to
succeed.**

BioCity specialises in the creation and development of life science businesses. BioCity Scotland has recently completed the Develop programme. A 12 week intensive programme that challenges and supports entrepreneurs with early stage ideas for new products and services.

200 plus companies are based in a BioCity business incubator making the BioCity



**Over 12 years,
91% of BioCity companies
have survived and grown**

“We try to support the entrepreneurs on each step of their journey. The Develop programme helps those at the earliest stage understand and validate the commercial viability of their idea”.

Dr Diane Harbison,
Managing Director of BioCity Scotland

“”

network one of the largest concentrations of life science businesses in the UK and the survival rate of companies at BioCity in Nottingham over the last 12 years is 91% so.... success isn't guaranteed but it is pretty close!

In addition to its business creation work, it provides lab and office space, training, business support and access to investment for new and growing bioscience businesses.

“The whole environment at BioCity is designed and maintained with the primary objective of making the companies based here more likely to be successful.”

BIOCITY.CO.UK

BioCity is located on the M8 just 13 miles from Glasgow,
35 miles from Edinburgh and 25 minutes from Edinburgh airport.



ENQUIRIES.SCOTLAND@BIOCITY.CO.UK +44 (0) 1698 539 600

Supported by the European
Regional Development Fund

Professional advisers

The following firms have all worked with young companies and/or their investors in the recent past.

LEGAL

Blackadders Solicitors

Aberdeen, Dundee, Edinburgh and Perth

Blackadders is a law firm that supports clients in achieving their business objectives. Our corporate & commercial team has a wealth of experience supporting new and growing companies through funding from early stage seed funding to follow-on rounds of several £million.

Contact: Campbell Clark
0138 234 2247
blackadders.co.uk



Bonaccord

Edinburgh

Winner of multiple awards as UK Life Science Law Firm of the Year, Bonaccord works with an international multi disciplinary network to support life science companies of all types through investment and R&D collaborations to licensing, manufacture and distribution. We offer realistic pricing and a pragmatic business focused approach.

Contact: Patricia Barclay
0131 202 6527
bonaccord.eu



Burness Paull LLP

Edinburgh, Glasgow and Aberdeen

Burness Paull is one of Scotland's leading law firms working regularly with investors and high-growth companies across all sectors. We have advised on over 100 equity investments and have the expertise to work with companies in all aspect of their growth from their inception through to their exit.

Contact: Chris Gotts
0131 473 6020
burnesspaull.com



Harper Macleod LLP

Glasgow

Harper Macleod is a leading independent Scottish law firm. Our lawyers work closely with businesses at every stage of their life-cycle, from inception right through to a successful exit. We have extensive experience of helping young, innovative companies secure the necessary investment to fuel their growth into strong, successful businesses.

Contact: Paula Skinner
0141 221 8888
harpermacleod.co.uk



Lindsays

Edinburgh

Lindsays are highly experienced and have a strong track record in providing high quality, specialist, cost effective corporate advice to start ups and high growth companies through seed and early funding rounds to exit. We collaborate with angel networks, investors and businesses to raise finance and commercialise IPRs.

Contact: David Wood
0131 656 5682
lindsays.co.uk



Macdonald Henderson

Glasgow

Contact: David Beveridge
0141 248 4957
macdonaldhenderson.co.uk

Maclay Murray & Spens

Edinburgh

Contact: Michael Hughes
0330 222 0050
mms.co.uk

MBM Commercial LLP

Edinburgh and London

Contact: Kenny Mumford
0131 226 8200/0845 345 5004
mbmcommercial.co.uk

Professional advisers

Morisons Solicitors

Glasgow

Morisons' High Growth Company & Investment team are experienced specialists in equity investment for young businesses, supporting companies and investors with practical advice guiding them through initial investments to later stage funding. Morisons Solicitors is a multi-service commercial legal firm with offices in Glasgow and Edinburgh.

Contact: Andrew Sloane
0141 332 5666
morisonsslpc.com



Morton Fraser

Edinburgh

is an award-winning full-service law firm with a strong presence in Glasgow and Edinburgh, Morton Fraser prides itself on its price guarantee and its quality of client service. We regularly advise companies and investors in equity and debt funding from angel syndicates, high net-worth individuals, offshore trusts and VC funds.

Contact: Austin Flynn
0131 247 1000
morton-fraser.com



Thorntons Law

Dundee

Thorntons' Technology and Investment team specialise in advising high growth and spin out companies, investors and entrepreneurs. The team's wealth of experience allows us to provide practical and straightforward advice and solutions at all stages of the funding cycle.

Contact: Chris Byrne
0138 221 4914
thorntons-law.co.uk



CORPORATE FINANCE

Vialex

Edinburgh

Vialex's legal advisers have significant experience of advising founders, companies and investors on financing and other general legal matters affecting young companies across a range of sectors. Like our clients, we are young, entrepreneurial and dynamic. Billing is based on value, not time spent, and certainty of cost is assured.

Contact: Paul Jarman-Williams
0333 240 0127
vialexco.uk



VIALEX®

DC Consulting (Scotland) Ltd

Dundee

DC Consulting is a corporate finance, taxation and advisory resource for businesses which need professional support and advice to grow, acquire, merge or attract funding. Our team specializes in deals in the £0.5 million to £30 million range, structuring corporate transactions, arranging finance and leading Management Buy Outs & Buy Ins (MBO/MBI's) and leveraged transaction.

Contact: John P Craig
0138 233 9290
dcconsult.co.uk



DC CONSULTING

Douglas Home & Co

Kelso & Melrose

The DH&Co Team brings extensive knowledge and experience in start up, business growth and planning including Tax and R&D. Andy Purves CA has unique experience as a multiple business owner, leader and advisor while also being a business angel through his pro-active membership of the Tricapital syndicate.

Contact: Andy Purves
0189 682 3506
dhco.co.uk



Professional advisers

Accountech

Edinburgh

Providing a financial controller/finance director service to high growth technology companies.

Contact: Stephen Gibbens
0131 220 8233

accountechsolutions.co.uk

EY LLP

Edinburgh

Contact: Mike Timmins
0131 777 2000
ey.com

HW Corporate Finance

Glasgow and Edinburgh

Contact: Ian Durie
07860 910397
hwca.com

Johnston Carmichael LLP

Edinburgh

Contact: Shaun Millican
0131 220 2203
jcca.co.uk

Numbersmiths

Edinburgh

Rob has worked as an outsourced finance director and CFO for the last 15 years, providing advice to his clients throughout their lifecycle from cradle to exit. This has included fundraising, financial planning, reporting and forecasting, investor liaison, share option schemes, R & D tax credits, setting up branches or subsidiaries overseas and company secretarial services. Rob is an experienced NXD who is used to mentoring and guiding young companies from a financial perspective.

Contact: Rob MacKean
07802 635167
numbersmiths.co.uk

Quest Corporate

Edinburgh

Quest Corporate takes a unique approach to corporate transactions, offering a results focused service that balances our experience and market knowledge with your business requirements. Whether you are planning to expand, acquire or sell or simply want to know what your options are Quest will take an innovative approach and will work with you to find the right way forward.

Contact: Marcus Noble
0131 225 6488
questcorporate.com



IP, PATENTS AND TRADEMARKS

Scott Moncrieff

Edinburgh

Scott-Moncrieff is one of Scotland's leading independent firms of chartered accountants and business advisers, with a real focus and commitment to young company, high growth and the angel investment sectors.

Contact: Gareth Magee
0131 473 3500
scott-moncrieff.com



Alistair Hindle Associates

Edinburgh

Alistair Hindle Associates is a firm of European patent and trade mark attorneys based in Edinburgh. We specialize in helping our clients establish, maintain and enforce intellectual property rights, including patents and trade marks, in Europe and around the world.

Contact: Alistair Hindle
0131 243 0660
ahpatent.com



K.W. Peter & Co.

Edinburgh

Contact: Ken Peter
0131 445 8608
kwpeter.co.uk

Marks & Clerk LLP

Glasgow, Edinburgh & Aberdeen

Marks & Clerk is the UK's largest firm. of patent and trade mark attorneys and advises companies on their intellectual property across a full range of sectors.

Contact: Richard Gibbs
0141 221 5767
marks-clerk.com



BUSINESS DEVELOPMENT CONSULTANCY

K K I Associates

Edinburgh

KKI is the UK's longest established provider of training in commercial and financial skills for scientists and technologists. It offers consultancy, training, mentoring, and technical market research for technology based start-ups, particularly those involved in energy, chemical, and industrial biotechnology projects. Scottish Enterprise can provide support for our initial involvement through its Innovation Framework.

Contact: Kevin Parker
0131 667 9620
kkitech.com



RECRUITMENT

Eden Scott

Edinburgh

Eden Scott is a Scottish professional, technical and executive recruitment business with offices in Edinburgh, Glasgow and Aberdeen. The business is passionate and committed to the startup and early stage community in Scotland, providing specific services via its TalentSpark offering.

Contact: Guy Martin
0131 550 1102
edenscott.com/talentspark





Scott-Moncrieff
business advisers and accountants



Helping young companies at every stage to achieve their growth ambitions.

scott-moncrieff.com

Incubators & accelerators

It is often much easier (and potentially cheaper) for a start-up or early stage high growth business to establish itself in a place where there is not only a cluster of other companies with similar technological and business issues, but also a range of advice and support.

Accelerators are a little different – business development programmes offering seed investment and intensive coaching for a strictly limited period, usually with a highly competitive application process. All the organisations listed below can provide help with finding and approaching suitable investors, in some cases with a sector-specific focus.

ALBA INNOVATION CENTRE

Livingston

Contact: Peter Andrew
01506 592103
innovationcentre.org/alba

BIOCITY SCOTLAND

Lanarkshire

BioCity specialises in the creation and development of life science businesses; providing homes and access to high-end equipment, training, business support and access to investment. In close proximity to Edinburgh and Glasgow, with enterprise area status, BioCity Scotland has more than 130,000 sq ft of state-of-the-art laboratories and shared services.

Contact: Diane Harbison
01698 905 120
biocity.co.uk



CODEBASE

Edinburgh

Contact: Jamie Coleman
0131 560 2003
thisiscodebase.com

CREATIVE CLYDE

Glasgow

creativeclyde.com

ELEVATOR

Aberdeen

Contact: Gary McEwan
01224 289700
elevatoruk.com

ELVINGSTON SCIENCE CENTRE

East Lothian

Contact: Janice Simpson
01875 408 000
elvingston.com

ENTREPRENEURIAL-SPARK

Ayrshire, Edinburgh, Glasgow

Contact: Jim Duffy
0141 418 9120
entrepreneurial-spark.com

HILLINGTON PARK INNOVATION CENTRE

Hillington

Contact: Anna-Marie Taylor
0141 585 6300
innovationcentre.org/hillington

HORIZON SCOTLAND

Moray

Horizon Scotland is the perfect location to grow your business. It is unrivalled in the north of Scotland with its unique architecture designed to facilitate collaboration and inspire innovation. Whether you're a start-up, technology, knowledge based or professional service business we think you're sure to benefit from its unique energy.

Contact: Scott McKnockiter
0130 969 6019
enterpriseparkforres.co.uk



IDEA SCOTLAND

Dundee

Contact: Claire MacDonald
idea-scotland.co.uk

INFORMATICS VENTURES

Edinburgh

Informatics Ventures supports globally ambitious technology companies head quartered in Scotland. We connect with a whole range of like-minded organisations. Engage Invest Exploit (EIE), our flagship technology investor showcase, connects up to 60 Scottish technology companies with over 200 international investors and is the largest event of its kind in the UK.

Contact: Gordon Stuart
0131 650 9915
informatics-ventures.com

informatics
ventures

PATHFINDER ACCELERATOR

Highlands & Islands

Contact: Anna Miller
01463 234171
hie.co.uk/pathfinder

ROSLIN BIOCENTRE

Edinburgh

Roslin BioCentre is a world-leading 'centre of excellence' for life sciences and the location of choice for a wide range of successful companies. As part of its growth Roslin BioCentre will migrate its staff and tenants into the new Roslin Innovation Centre at Easter Bush from spring 2017.

Contact: John Mackenzie
0131 200 6400
roslinbiocentre.com

Roslin.
BIOCENTRE

STIRLING UNIVERSITY INNOVATION PARK

Stirling

Contact: Lynn Blaikie
01786 448333
suip.co.uk

STRATHCLYDE UNIVERSITY INCUBATOR

Glasgow

Contact: Gill Macaulay
0141 552 7287
suilimited.com

TECHCUBE

Edinburgh

0131 560 2003
techcu.be

UP ACCELERATOR

Edinburgh

Contact: Danny Meaney
upaccelerator.com

Membership organisations and networks

Trade associations often have sector-specific information about investors and other sources of funding, and other membership organisations can help companies which are looking to commercialise a technology, build their business, or raise finance.

Entrepreneurial Scotland

Scotland's leading organisation for ambitious growth oriented entrepreneurs

Contact: Sandy Kennedy
01698 285 650
entrepreneurialscotland.com

GlobalScot

A network of leading Scottish business people and expats helping Scottish companies develop, expand and thrive.

0131 313 6275
globalscot.com

Oil & Gas UK

The leading representative body for the UK offshore oil and gas industry

oilandgasuk.co.uk

Scottish Health Innovations Ltd (SHIL)

SHIL works in partnership with NHS Scotland to identify, protect and develop new ideas that come from healthcare professionals, and offers commercial opportunities to businesses interested in developing NHS innovations.

Contact: Keith McKellar
0141 951 5506
shil.co.uk

Scotland Food & Drink

A not-for-profit organisation created to guide food and drink companies of all sizes towards increased profitability

foodanddrink.scot

ScotlandIS

The trade body for the digital technologies industry, the authoritative voice championing a thriving community which brings together the ambition, the talent and the experience abundant in Scotland

Contact: Karen Meechan
01506 472200
scotlandis.com

Scottish LifeSciences Association (SLA)

The voice of Scottish Life Sciences to Government and wider community

Contact: Scott Johnstone
0131 225 4628
sla.scot

Scottish Renewables

Dedicated to strengthening business relationships and committed to securing the best possible environment for the growth of renewable energy in Scotland

Contact: Niall Stuart
0141 353 4980
scottishrenewables.com

Scottish Tourism Alliance

Voice of the tourism industry in Scotland

Contact: Marc Crothall
01786 459 235
scottishtourismalliance.co.uk

Sporting Chance Initiative

Hub for business innovation in the sports industry

Contact: Wendy Inglis Humphrey
01786 458104
sportingchanceinitiative.co.uk

For information about other networks in Scotland, download the YCF Guide to Networking for Entrepreneurs from the website ycfscotland.co.uk

About YCF

Young Company Finance (YCF) is a monthly publication which has been reporting since 1998 on all aspects of the financing of early stage high growth companies in Scotland, from start-up to maturity, flotation, or sale.

As the only publication devoted exclusively to this sector, YCF gives reports of all significant investment deals, and news and comment on the young company market generally.

In February 2011 the activities of YCF in Scotland were licensed to LS Ventures Ltd, a subsidiary of LINC Scotland. LS Ventures gives LINC the vehicle to extend its commercial activities to meet future opportunities in the wider early stage investment context, and the partnership between YCF and LINC enables both organisations to develop their plans for future growth.

Jonathan Harris

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For further information visit our website
or to request a copy of the monthly
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www.ycfscotland.co.uk

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