

# “STACK THE ODDS OF SEED INVESTMENT”

**AN INTRODUCTION TO THE START-UP SERIES and  
INFORMATION MEMORANDUM & APPLICATION FORM for  
START-UP SERIES SEIS FUND ONE**

**September 2016**



**“The *Start-Up Series* ‘Stacks the Odds’ of finding great candidate companies for seed investment by creating a cross sector, tax efficient portfolio of new UK businesses with the smartest brains, the brightest ideas and the highest potential for commercial returns.”**

**Matthew Cushen, Worth Capital, September 2016**

Starting in October 2016, a series of monthly competitions will select a start-up business to be considered for up to £150,000 of equity funding each month.

Sophisticated distillation and thorough due diligence will give confidence that the most talented teams with the most commercial ideas will win.

Continued coverage from startups.co.uk – the ‘go-to’ platform for start-up businesses - will create publicity and buzz for the winning businesses.

The competition series will be open to entrepreneurs with ‘new products & services to buy and the ways that we buy them’ – i.e. for consumer businesses that have the potential to build significant brand awareness.

The competition series will celebrate entrepreneurialism and startup.co.uk’s editorial will help educate new business owners.

The competition format also produces the opportunity to invest in the best of British start-ups.

Worth Capital and Amersham Investment Management are creating the £2.1 million ***Start-Up Series SEIS Fund One*** to invest principally in the 12 monthly winners of the first year of the ***Start-Up Series*** and to allow for some further discretionary investment.

All the investments made by the ***Start-Up Series SEIS Fund One*** will be Seed Enterprise Investment Scheme (SEIS) compliant, providing all the significant tax advantages of SEIS investing, which can include:

1. 50% income tax relief.
2. 100% capital gains tax (CGT) free gains upon disposal, after 3 years.
3. 50% CGT re-investment relief on capital gains.
4. loss relief, additional income tax relief should a business fail.
5. 100% inheritance tax relief.

*All reliefs are subject to conditions applying to both the Investors and Portfolio Companies as set out in Section 6, Part B of this document.*

This document comprises two parts:

## **PART A**

A description of the ***Start-Up Series***, with the reasons to believe it will uncover attractive start-ups with the potential to grow fast. Brought to you by Worth Capital.



**Paul Soanes & Matthew Cushen**

**Co-founders**

**WORTH CAPITAL**

## **PART B**

An Information Memorandum & Application Form, issued and approved as a financial promotion by Amersham Investment Management Ltd, which is authorised and regulated by the Financial Conduct Authority with firm reference 507460, comprising the offer to invest in qualified winners of the ***Start-Up Series*** through the ***Start-Up Series SEIS Fund One***.



**Paul Barnes & Michael Waller-Bridge**

**Directors**

**AMERSHAM INVESTMENT MANAGEMENT**



**CLAIRE, THE FOUNDER OF SHOE BRAND AIR & GRACE,  
THE WINNER OF WORTH CAPITAL'S RETAIL COMPETITION IN PARTNERSHIP WITH METRO**

## **PART A**

### **THE START-UP SERIES**

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## **PART B**

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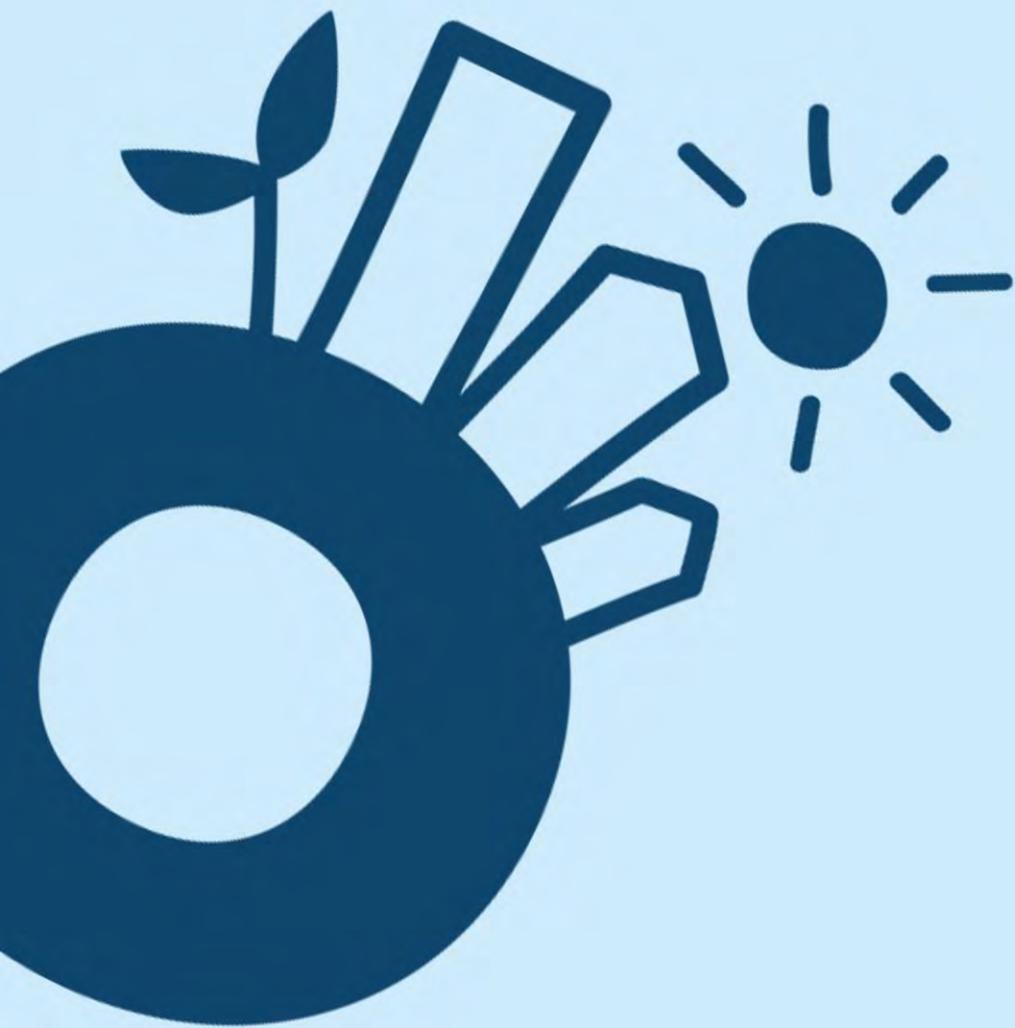
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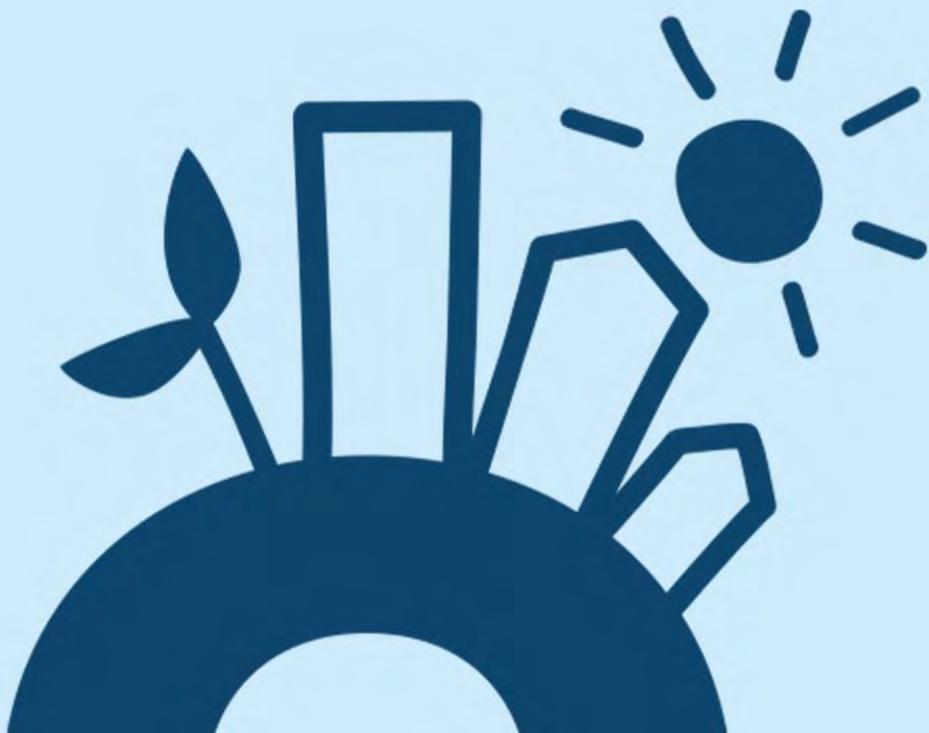
JASON, JOINT FOUNDER OF TART, RUNNER UP IN WORTH CAPITAL'S RETAIL COMPETITION IN PARTNERSHIP WITH METRO, OUTSIDE TART'S FIRST SHOP IN CLAPHAM SOUTH WEST LONDON

## **IMPORTANT INFORMATION**

**THIS DOCUMENT IS IN TWO PARTS. PART A IS INTENDED TO GIVE A DESCRIPTION OF THE START-UP SERIES COMPETITIONS. IT IS NOT INTENDED TO PROVIDE INFORMATION ABOUT THE START-UP SERIES SEIS FUND ONE, DETAILS OF WHICH ARE CONTAINED IN PART B. PART A HAS BEEN PREPARED AND ISSUED BY WORTH CAPITAL LTD, WHO ARE SOLELY RESPONSIBLE FOR ITS CONTENTS. PART A HAS NOT BEEN ISSUED, AND ITS CONTENTS HAVE NOT BEEN APPROVED BY, AMERSHAM INVESTMENT MANAGEMENT LTD. OR ANY OTHER PERSON WHO IS AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY. ANY DECISION WHETHER OR NOT TO INVEST IN THE START-UP SERIES SEIS FUND ONE SHOULD BE BASED SOLELY ON THE MATERIAL SET OUT IN PART B, THE CONTENTS OF WHICH HAVE BEEN APPROVED BY AMERSHAM INVESTMENT MANAGEMENT LTD, A FIRM AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY WITH FIRM REFERENCE NUMBER 507460, AND POTENTIAL INVESTORS SHOULD HAVE PARTICULAR REGARD TO THE NOTICES AND RISK WARNINGS CONTAINED IN THAT PART OF THE DOCUMENT. POTENTIAL INVESTORS ARE IN ANY CASE RECOMMENDED TO SEEK ADVICE FROM A FINANCIAL ADVISER OR OTHER PROFESSIONAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISE IN ADVISING ON INVESTMENTS SUCH AS THE START-UP SERIES SEIS FUND ONE.**



**PART A**  
**THE START-UP SERIES**



# 1 THE SEED INVESTMENT LANDSCAPE

## THE AGE OF THE ENTREPRENEUR

Worth Capital believes that the normal rules of business have changed and it is nimble entrepreneurs that are challenging the old order and being the catalyst for our disruptive age. It's start-ups that are creating new consumer behaviours and leading a recovering economy.

Start-ups are usually unencumbered by the deeply entrenched thinking and bureaucratic shackles that stifle large businesses. And they have recently started to enjoy some of the advantages that used to only come with scale, for example:

- † the cost of entry for a start-up is decreasing rapidly – a retailer can create an online shop window for almost nothing, an app can be built for less than £5,000.
- † social media allows a new entrepreneur to interact with their consumer, grow a brand and make it personal and relevant to a precise audience, all at low cost.
- † entrepreneurs now can think globally from day one – selling in multiple markets and sourcing from multiple markets.

Large businesses now routinely buy start-ups as a preferred route to get hold of new technology, products and services.

## DRIVING GROWTH

The need for fast growing start-ups to contribute to the overall health of our UK economy is heightened by Brexit created uncertainty.

The Octopus High Growth Small Business Report 2015<sup>2</sup> finds that 1 in 3 new jobs and 20% of economic growth are created by 'High Growth Small Businesses' that make up less than 1% of UK businesses, that make up less than 3% of the UK economy.

This growth is not just the preserve of London and the South East. It is creating opportunities across the UK – with nearly 3 in 5 of these growth businesses

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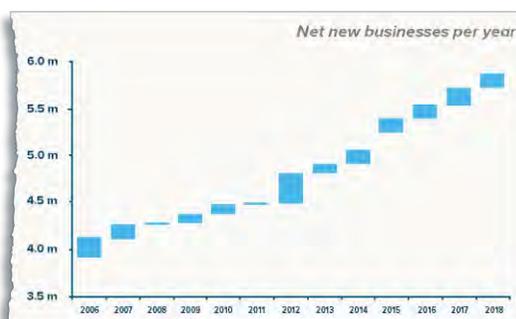
***“Britain has found itself a new identity as the land of the start-up”***

*Huffington Post, February 2014*

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Despite the economic gloom, the number of private businesses has risen every year since 2005. In 2014 a record 581,173 businesses registered with Companies House<sup>1</sup>.

Net growth in new businesses was 7% in 2014 and continues to grow strongly.



based beyond London and the South East, with 70% of turnover being out of London.

These are just some reasons that the UK government has been supportive of small business and start-ups. One of Theresa May's earliest speeches on becoming UK Prime Minister<sup>3</sup> was to emphasise her government's commitment to supporting and listening to smaller businesses.

Part of the Government's support, for the last couple of decades, has been to create tax incentives for investors that support early stage seed investing.

<sup>1</sup> Source: Companies House | 2014

<sup>2</sup> Source: Octopus Investments | High Growth Small Business Report | 21 October 2015

<sup>3</sup>Source: Prime Minister's Office |

<https://www.gov.uk/government/news/pm-an-economy-for-all-means-hearing-the-voice-of-small-business> | 04 August 2016



**“I want to build an economy that works for all, and that means working with, and listening to, smaller firms.”**

**The Rt Hon Theresa May MP**

**PRIME MINISTER**

**August 2016**

## AN ATTRACTIVE TAX REGIME

Whilst some of these businesses will never want or need funding, start-up growth has seen the expansion of seed funding of entrepreneurs that have the vision and ambition to grow a substantial business.

Part of the attraction of funding start-ups continues to be a highly attractive tax regime that encourages investment into seed enterprises with generous tax reliefs.

The Enterprise Investment Scheme (EIS) was set up in 1994 and continued to be supported through Labour governments. It has since been made more attractive by the Conservative government, and has established itself as a part of tax legislation that neither of the main parties would be likely to compromise.

The Seed Enterprise Investment Scheme (SEIS), established in 2012, is an extension of EIS and offers even more generous reliefs. In the 2014/15 tax year, 2,185 companies raised £168 million through SEIS<sup>4</sup>.

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### ***“50% income tax relief on the earliest stage investments reduces the risk”***

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#### **Tax advantages for investors**

Within some criteria, a company can raise £150,000 in funding covered by SEIS reliefs. Once a company receives assurances from HMRC on its qualification, investors benefit from a range of tax reliefs that significantly reduce their risks and increase their returns.

An individual investor can make multiple SEIS investments up to £100,000 per tax year.

Under SEIS, investors qualify for:

- † 50% income tax relief: claimed back through self-assessment in the tax year following the investment or ‘carried back’ and claimed immediately against the previous tax year.
- † 100% capital gains tax (CGT) free gains: upon disposal, after a 3-year qualifying period.
- † 50% CGT re-investment relief: capital gains may be reinvested in SEIS to achieve re-investment relief, restricted to half of the gains realised, and the gain must be realised in the same tax year as the SEIS investment (or the following year if the SEIS investment is ‘carried back’).

- † loss relief: should a company fail the net investment (total minus the income tax relief) is multiplied by your tax rate and reclaimed from the current and or preceding year’s income tax bill.
- † 100% inheritance tax (IHT) relief: provided that investments are held at the time of death and have been held for two years.

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### ***“Together, both income tax and capital gains reliefs amplify the returns of well-chosen SEIS investments”***

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Under UK taxation legislation, the maximum amount on which an investor can obtain SEIS tax reliefs in any tax year is currently limited to £100,000. Each spouse or civil partner has his or her own limit of £100,000 and they are not aggregated.

This limit applies for all SEIS investments made within a given tax year. This limit does not apply to capital gains tax re-investment or IHT relief. SEIS investors are permitted to carry back their investment to the previous tax year, so long as they have not used their individual limit in the previous tax year. Therefore, if investors have not used any of their £100,000 limit for the tax year ended 5 April 2016, then they could carry back up to £100,000 of their investment to that tax year. This could make a £200,000 investment the most tax efficient (or £400,000 across two spouses).

#### **More information on SEIS**

The value of the tax reliefs will depend on personal circumstances, which may change. References to tax are based upon current legislation and HMRC practice, which might be subject to change in the future. In addition, the availability of tax reliefs depends on the Portfolio Companies maintaining their qualifying status. Please refer to the HM Revenue & Customs website for further guidance on the tax reliefs available on SEIS investments or consult your tax adviser.

HMRC publishes comprehensive guides to the rules around SEIS: [www.gov.uk/guidance/seed-enterprise-investment-scheme-background](http://www.gov.uk/guidance/seed-enterprise-investment-scheme-background).

If new to the reliefs available, consulting an accountant is recommended.

<sup>4</sup> Source: HM Revenue & Customs | ‘Enterprise Investment Scheme and Seed Enterprise Investment Scheme, Statistics on Companies Raising Funds’ | April 2016

## NORMAL RETURNS

Regardless of the tax breaks available, seed investing can be a lucrative, although high risk, part of an investment portfolio.

### A Nation of Angels

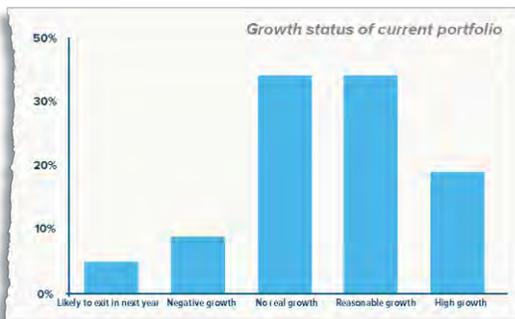
The *Enterprise Research Centre (ERC)*, in conjunction with the *UK Business Angels Association*, published *A Nation of Angels*<sup>5</sup>, in January 2015 - research completed through direct interviews with 403 business angels and 28 angel syndicates representing 8,000 angels. It found:

- 45% of angels reported that their investee businesses showed 'high growth' while 64% had investments showing reasonable growth.
- 60% of angels reported that they have experienced a positive (full or partial) exit since their first investment.
- 79% of the interview respondents reported that they go on to re-invest their gains in further small business investment opportunities – only 7% said they would not.

It found that angels reported a lower rate of low returns and a higher rate of expected higher returns than in previous research – showing confidence in the market and the performance of their seed investments.

When asked about the growth status of their current portfolio angels reported that 19% of their investee businesses showed 'high growth' while 34% of their investments showed 'reasonable growth'. (The authors of the study did not define 'high growth' and 'reasonable growth' but left them subjective.)

When asked about their expectations of their returns from their portfolio of investments made since January 2012, investors expected that 76% of their investments would yield a positive return, of which 19% of their investments would yield a 6 to 10 times return and 13% of their investments would yield more than 10 times return.



<sup>5</sup> Source: The Enterprise Research Centre | 'A Nation of Angels' | published January 2015 |

[www.ukbusinessangelsassociation.org.uk/research-policy/market-research](http://www.ukbusinessangelsassociation.org.uk/research-policy/market-research)

## Siding with the Angels

The innovation charity *Nesta* delved deep into the financial returns from seed investing with its *Siding with the Angels* report<sup>6</sup>. It examined 1,080 investments. The conclusions:

- † 41% of investments failed and returned no capital.
- † 15% of investments returned less than the invested capital.
- † 44% of investments returned capital.
- † 9% returned 80% of the returns.
- † overall the investors enjoyed a return at an average of 2.2 times the original investment over 3.6 years.

Despite the high proportion of investments failing, the average returns from a balanced seed investment portfolio showed a gross IRR of 22% even from unsophisticated selection.

Furthermore, the report found:

- † investments that gave a positive return did so in around 6 years.
- † investments that failed to return capital did so in c. 3 years.
- † even limited due diligence dramatically increases returns.
- † investors who are also entrepreneurs achieve better investment outcomes.

Beyond the hard numbers there is also huge satisfaction, and rich stories, in helping to support new entrepreneurs and the engine room of the UK economy.

## Significant challenges

However, with the explosion in seed funding – the quantity of deals and the different routes in – some challenges have emerged:

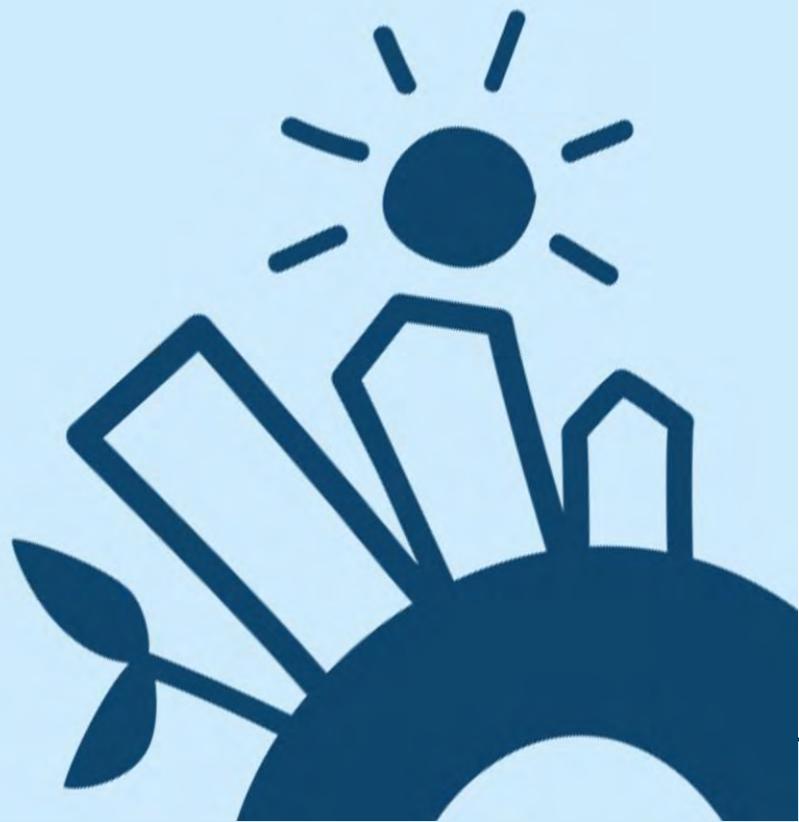
- † there is a flood of choices of where to invest.
- † wading through the options is inefficient.
- † it is hard to spot the stars.
- † valuations are becoming expensive and getting to a good value fair deal is becoming harder.

## DELIBERATE INNOVATION

Given the nature of Seed investing and the results shown in the two reports, the founders of Worth Capital set out to use their seed investing experience to explore and deliver innovative ways of:

- † giving the investor a ready-made diversified portfolio.
- † incorporating comprehensive distillation and due diligence.
- † increasing the proportion of successful businesses and reducing failures.
- † accelerating the growth of the start-ups and the value at exit.

<sup>6</sup> Source: Nesta | 'Siding with the Angels' | published 30 September 2009 | [www.nesta.org.uk/publications/siding-angels](http://www.nesta.org.uk/publications/siding-angels)



## 2 THE START-UP SERIES

The **Start-Up Series** will be a high profile search for the best entrepreneurial talent in the UK. It will be a way of finding the brightest entrepreneurs with the most commercial ideas to put forward for equity funding by investors.

Worth Capital has a signed memorandum of understanding with Crimson Startups Ltd (Crimson) for startups.co.uk to be the media partner to Worth Capital. Worth Capital believe this will establish the competition as the 'go to' place for funding and the most prestigious competition for entrepreneurs to win.

### THE MEDIA TO EXCITE ENTREPRENEURS

Established in 2000, Startups.co.uk is the UK's largest independent online resource for anyone starting and building a new business.

Worth Capital believe that startups.co.uk is better placed than any other media partner to reach and engage the entrepreneurial community.

These are some highlights:

- † 83% of readers rate Startups.co.uk as the UK's most useful source for advice on starting, building & growing a business.
- † 1.2 million monthly page impressions<sup>7</sup>
- † 400,000 monthly unique visitors<sup>8</sup>
- † 38,000 newsletter subscribers<sup>9</sup>
- † 62,700 twitter followers<sup>10</sup>

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***“You'd be mad not to look at this site if you want to start a business.”***

*The Times*

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### Successful alumni

During their 16 years, startups.co.uk has run a number of competitions and other initiatives to celebrate and support entrepreneurs.

Their **Startups 100** index to celebrate the UK's most disruptive, innovative and high growth start-ups has included winning entries from:



The **Young Guns** competition, to recognise the outstanding achievements of companies run by entrepreneurs under the age of 35, has included winners such as:

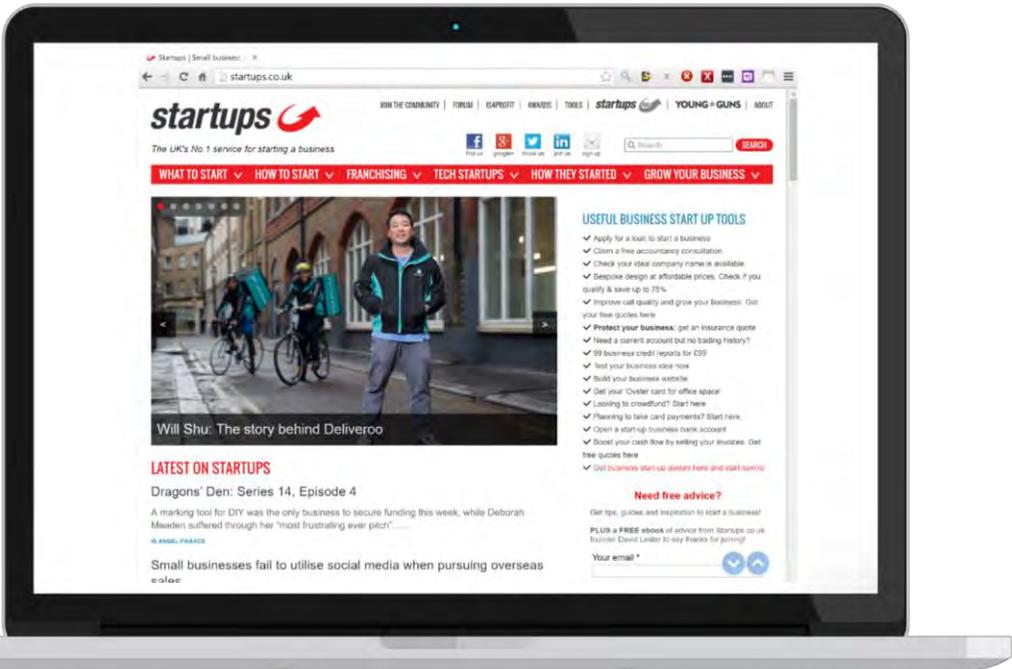


<sup>7</sup> Source: Google Analytics | average | January to June 2016

<sup>8</sup> Source: Google Analytics | average | January to June 2016

<sup>9</sup> Source: Crimson Business | August 2016

<sup>10</sup> Source: Twitter | August 2016



## Crimson & Worth Capital

Crimson is committed to the competition series because:

- † there is rich editorial content generated throughout the process – before and whilst the competition is open, during the distillation process and following the entrepreneurs as they grow.
- † the competition is attractive to a major brand sponsor who can gain cut-through in communicating to entrepreneurs and small businesses. Crimson will own the relationship with and income from the brand partner that will sponsor the series.

## Promotion of the competition

A schedule of promotional activity and the coverage that startups.co.uk will commit to the competition will be finalised as part of the contract between Crimson and its primary sponsor. All parties are similarly incentivised to create cut-through and generate 'talkability'.

This includes pre-publicity, coverage of the entry period to encourage entrants, the distillation process and news coverage of the winners well beyond the end of the competition, generating publicity for the winning businesses.

Editorial content will always be independent from Worth Capital and the sponsors. Whilst Worth Capital will suggest interesting stories and events, all editorial content will be solely at the discretion of the journalist and editors at startups.co.uk.

The competition series will be promoted through:

### Website

- † a microsite on startups.co.uk
- † sticky content that generates click-through and buzz
- † display advertising to 400,000 monthly unique visitors.

### Direct marketing

- † dedicated mailings to 38,000 newsletter subscribers
- † promotion in welcome mail to startups.co.uk's 1,500 new subscribers each month.

### Partner networks

- † general business supports, such as StartUp Britain, National Enterprise Network
- † workspaces, such as Central Working (London), ClubRooms (Leeds) and OpenSpace (Manchester)
- † accelerators, such as:
  - Idea Alive (Manchester/Liverpool),
  - Dotforge (Sheffield/Leeds),
  - Entrepreneurs 4 Future (Birmingham).

### Social media & PR

- † including startups.co.uk's 62,700 twitter followers.



## COMPETITION IDENTITY

Entrepreneurs are attracted to competitions as a way to gain validation of their ideas. There are many well supported competitions in the UK.

The intent is to grow the *Start-Up Series* into the pre-eminent business based competition in the UK.



The *Start-Up Series* will always put business and the investment potential first, but the competition element creates buzz, reach and ongoing publicity for the winning businesses.

### Brand sponsors

There is a frenzy of activity from brands wishing to be associated with entrepreneurship. But few activities generate much cut-through. Large brands have already expressed interest in sponsoring the series as they see it is designed to be the significant 'go-to' franchise for new entrepreneurs. A brand sponsor is expected from among the banks, other financial services and professional services brands or brands that provide business services such as telecoms, IT, energy and property.

Sponsorship provides the commercial return for the strong support and partnership of Crimson, who will take the income generated from brand partners.

Brand partners will strengthen the competition as they will have deep reach into the entrepreneurial community and will supplement their sponsorship spend with other advertising and social media spend to broaden the reach of the competitions.

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***“Entrepreneurs are the new rock stars  
– readers want to be them and brands want to be associated with them”***

***Matthew, Worth Capital***

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## ENTREPRENEURS

As the entrants go through the process they start to already gain some value. Even those that do not qualify for the later rounds will receive some simple feedback.

Any 'semi-finalist' will receive feedback on the strength of their entry. After the half day deep dive, each 'finalist' will have rich feedback that will help them to challenge their proposition and plans.

Each monthly competition will have one winner of:

- † seed funding – to a maximum of £150,000 but may be less depending on the sector and the maturity of the business.
- † expert oversight – an Investor Director to help strengthen the proposition and strategy and to execute the plan.
- † the publicity and kudos that comes with startup.co.uk's coverage of the competition and winners' stories. This kudos helps a business to attract talent, appeal to new customers and raise second-round funding.

### Benchmarks

Examples of the types of businesses that Worth Capital would be delighted to find and support are:



The premium drinks mixer business founded in 2005 and growing to the point of an IPO raising £93.3 million and valuing the company at £154 million for its debut on AIM in 2014. The business now has a £1.1 billion market capitalisation<sup>11</sup>.

<sup>11</sup> Source: London Stock Exchange, Alternative Investments Market | August 2016

### Competition scope

The series will be consumer focused ...

#### Creating new products & services to buy and the ways that we buy them

e.g.

- † food & drink products
- † products for the home
- † shops
- † online & mobile retail
- † hospitality – including hotels, bars & restaurants
- † leisure, sport & gaming.

The focus is on real products and services, in the consumer space where strong brands can be grown. 'Tech' is not being targeted specifically - but technology based disruptions to the target sectors will be expected and encouraged.



**DOLLAR SHAVE CLUB**  
SHAVE TIME. SHAVE MONEY.

The direct-to-consumer subscription razor business founded in 2011. After raising \$160 million in venture funding, a \$1 billion sale has been agreed with Unilever<sup>12</sup>.

<sup>12</sup> Source: Fortune | 19 July 2016

## Accelerator partners

To help attract high quality entrants to the competition series, Worth Capital has a formal partnership with two successful food & beverage ‘accelerators’.



Grocery Accelerator select 6 businesses each half year for an intensive programme of hands on workshops and mentoring.

The programme is led by a team with more than 50 years combined experience in building successful food and drink brands.

They have good connections with UK supermarket buyers and a unique partnership with Ocado to showcase new innovation.



cinnamon bridge

Cinnamon Bridge select several businesses a month through a 5 month, 8 stage development programme. They hold multi-stage short boot camps and events for other businesses outside of their formal programme. ‘Drinkpreneur’ is a particularly strong annual event attracting beverage buyers from Tesco, Waitrose and Ocado.

Cinnamon Bridge are also behind an interesting platform, ‘MERCHANT’, that exists on a tablet screen that is placed in offices across London, from which customers can select from new food and beverage innovations for delivery within an hour to the office. It is designed to help new start-ups to quickly and cheaply test true customer demand for their proposition.

These accelerators are attractive for help finding entrepreneurs most worthy of investment. When they are also part of the agreed programmes the expertise, introductions and network they provide will increase the potential for success.

Whilst food and beverages are particularly vibrant start-up sectors, the portfolio will not be selected from these sectors alone and Worth Capital are close to others in the growing eco-system that is supporting start-ups across consumer sectors.

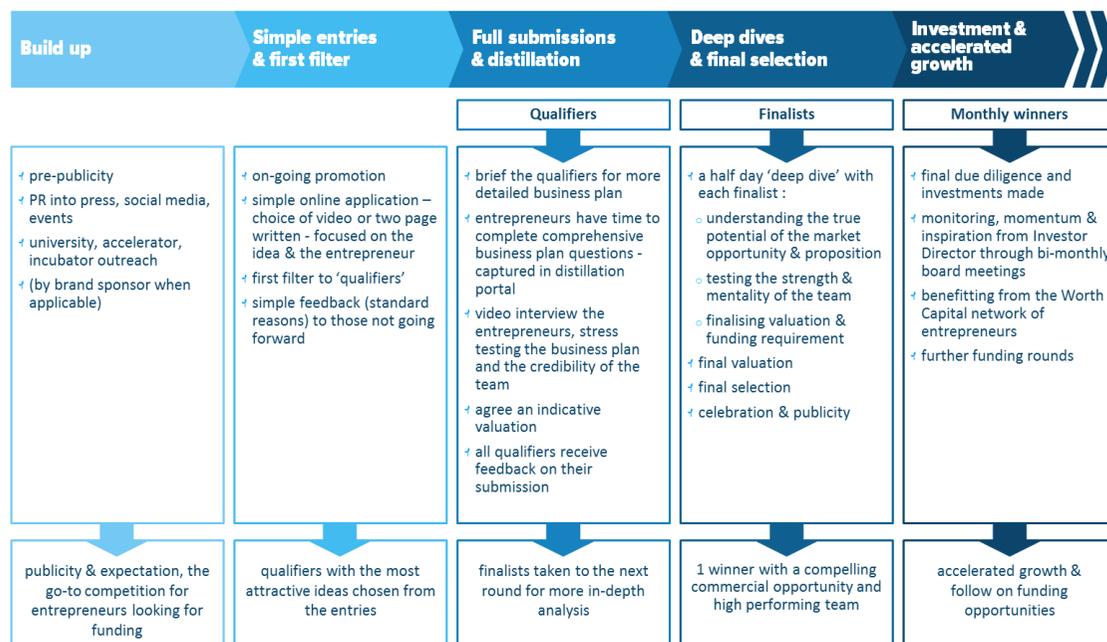
## Entry criteria

It will be clear that the competition is for start-ups (‘seed funding’) with all entrants able to fulfil the SEIS criteria.

The entrepreneurs will also be required to commit to two years of Investor Director oversight should they win. This is a significant filter as it attracts entrepreneurs open to help, ready to listen and pre-disposed to listen to insight and pivot their offer, strategy and plans accordingly.

## DISTILLATION

A comprehensive multi-stage assessment, filtering and judging process has been experimented with and refined. It includes plenty of time face-to-face with the short-listed entrepreneurs to help guarantee the quality of the winners and fair valuations.



### Distillation criteria

The value for investors is from targeting companies that are in the early stages of their development, but which possess a particular innovation, service or product that represents a significant high growth opportunity either in new or established markets.

The expectation is for these companies to accelerate rapidly, generating better than benchmark results within a 3- to 7- year horizon.

SEIS advance assurance is a mandatory condition. Then, in priority order, the criteria used to distil and select the winners are:

1. passionate, full time and experienced management team, ready to listen and learn from consumer insight and experts around them.
2. a market segment that provides sufficient future breadth and scale and has a potential entry point for a new offering.
3. strong differentiated market proposition which has the potential to lead to strong brand awareness and value.
4. early visibility that management have ability to create and execute an operating plan for their business.
5. exit aspirations, realistically achievable in 5 to 7 years.

## Expert opinion

The team from Worth Capital are experienced entrepreneurs, innovators and investors, but will be joined by others at various stages of the process to build additional expertise into the decisions made.

An investment advisory panel will oversee the decision making process and provide input each month.

The team will also call on sector experts for specialist input when needed. For example, in the past Worth Capital engaged, for the Retail competition with Metro:

- † Michael Acton-Smith, Founder & CEO of Mind Candy and creator of Moshi Monsters
- † Roger Wade, Founder & CEO of Boxpark;

and for the Big App competition with Facebook:

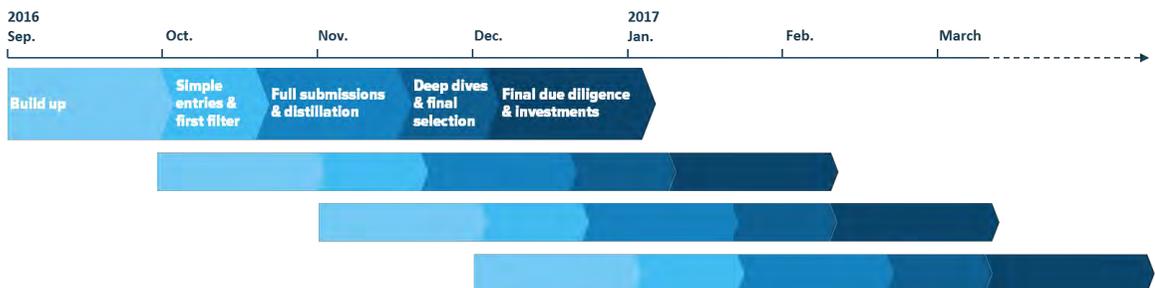
- † George Berkowski, author of 'How to Build a Billion Dollar App', former Head of Product for Hailo and Founder & CEO of IceCream
- † Ted Nash, Founder & CEO of Tapdaq (an app marketing tool now valued at more than £1 billion)
- † Olivier Bernard, Vice President, EMEA for App Annie.

The final decision on whether an investment is made rests with the Fund Manager, Amersham Investment Management.

## Timing

The first competition will open in October 2016. Then the competition will run each month. A winner will be announced and funded each month, subject to final technical due diligence by the Fund Manager.

The first funding is expected to be completed in January 2017.



## Valuation & investment level

The scarcity of available capital for seed start-ups and the publicity and kudos of the competition will enable Worth Capital to discuss fair valuations with entrepreneurs, thus creating conditions for greater upside for investors through the fund management process. Seeking a fair valuation – representing good value for all concerned – starts early in the process.

Once 24 'qualifiers' are selected, initial interviews are completed to delve into the business plan and test the credibility of the team. At this point indicative valuations will be agreed –subject to more comprehensive commercial and technical due diligence.

On this basis there is confidence in having sensible conversations with the 8 'finalists'. At this point half a day is spent with each business – diving deep into their proposition, strategy and plans and getting to know the entrepreneurs. At the same time the funds needed by the business are explored – taking account of their sector, their maturity and their investment plan. The aim is to help ensure that funds available to the qualified winning businesses will therefore be tailored to their requirements – neither too little to make a difference or taking equity unnecessarily.

This will set the investment level sought and commercial valuation that will be included in a heads of terms that is binding on the companies should they win the competition, but that is still subject to technical due diligence and the investment decisions by the Fund Manager to invest in qualified winners.



PITCHING AT THE BIG APP COMPETITION HELD BY WORTH CAPITAL IN PARTNERSHIP WITH FACEBOOK



JUDGES IN DEEP DISCUSSION AT THE BIG APP COMPETITION IN FACEBOOK'S LONDON HEADQUARTERS

## 3 INVESTOR DIRECTOR

Even sure-fire ideas and the brightest minds benefit from fresh eyes and wise counsel. This is particularly so for new entrepreneurs.

A condition of entry into the competition will be a commitment to paying a small sum for two years of Investor Director oversight from one of the Worth Capital directors or a nominated substitute.

Worth Capital believes mandating an Investor Director will help to accelerate the growth of the winning businesses:

- † the winning entrepreneurs are pre-filtered to be those open to help, pre-disposed to listen to insight and pivot their offer, strategy and plans accordingly – avoiding for investors the frustration of having a talented ownership team stuck in one myopic view of their idea.
- † no idea is born fully formed – the Investor Director will stress test and improve the strategy, proposition & plans of the winning businesses.
- † entrepreneurs will be helped to finesse execution plans, spot the critical challenges and risk and a little external influence helps to motivate management teams and give them belief and confidence to remain on track.

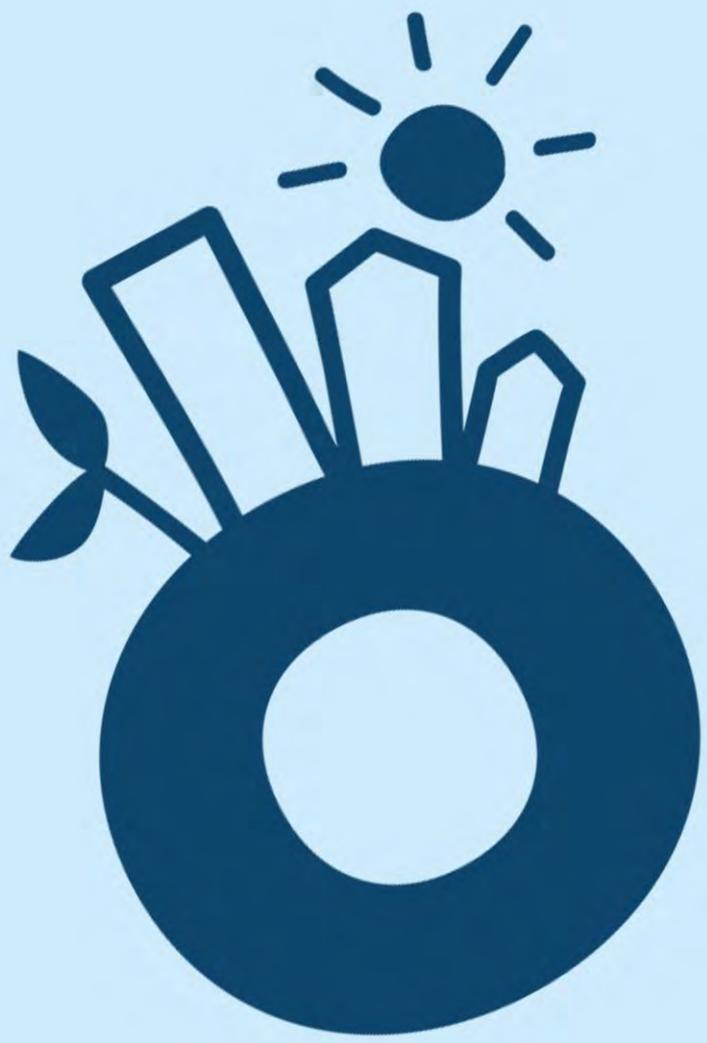
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***“Quite simply, Worth Capital’s investment process has enabled me to fast track everything.”***

***Adam, Tart***

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This does not look like an ‘accelerator’ or ‘incubator’ programme. It is a proper long term relationship – through the ups and downs, helping on strategy, proposition and plans along with nuts and bolts operational advice.



## 4 WORTH CAPITAL

The founders of Worth Capital believe that the commercial tide has shifted and it is start-ups that have the most potential to challenge the normal rules of business and create new consumer behaviours. Therefore, Worth Capital was formed to help new entrepreneurs obtain funds and expertise to turn their ideas into successful sustainable businesses and to deliver excellent returns to the investors that help early stage start-ups.

Whilst others have a similar mission, the Founders of Worth Capital believe theirs is a powerful model based on competitions being a highly effective way to find the most valuable ideas and the most committed, ambitious and talented entrepreneurs. The model has been to run a broad range of media backed competitions with a £300,000 to £350,000 fund for each competition, raised through crowdfunding (through Seedrs). The investment fund being invested in one winner and two runners up.

The first three experiments proved the value of the concept:

- † creating high levels of interest and valuable media coverage.
- † attracting large numbers of entrants and finding excellent winners.

They also provided excellent learning with which to refine and optimise the design of the media partnership, the distillation process and the funding routes. For example:

- † having partnered with Metro (a national newspaper), Facebook (pre-eminent in social media) and Channel 5's Gadget Show on TV, it became clear that a large digital audience of entrepreneurs and supported by rich social media will be the strongest media partnership.
- † the benchmark for entrepreneurial competitions is changing rapidly. This is best illustrated by 'Pitch to Rich', a growing competition for Virgin Media and Richard Branson. Yucoco, a Worth Capital investment, was a Pitch to Rich winner 3 years ago and won a £5,000 grant. This year's competition had prizes worth '£1 million' (mostly in kind, such as £250,000 of media funding being the prize in one category).

The Worth Capital model of monthly SEIS equity funding and partnering with startups.co.uk is now ready to get cut-through and become a high profile and high value search and funding route for new entrepreneurial talent.

## PREVIOUS COMPETITIONS

The formula has been honed with lessons learnt from three competitions.



<b>MEDIA PARTNER</b>	Metro Newspaper	Facebook	The Gadget Show, Channel 5
<b>GEOGRAPHY</b>	UK	Europe	UK
<b>SECTOR</b>	Retail & hospitality	Apps	Technology products
<b>FUND RAISED</b>	£300,000	£320,000	stopped at the entry date and funds returned to investors as too few businesses were meeting the investment criteria
<b>INVESTORS</b>	259	312	
<b>ENTRIES</b>	983	424	
<b>WINNERS</b>	3	3	
		1 subsequently failing due diligence	

The retail & hospitality competition with **Metro** was a huge immediate success, the fund raised through the Seedrs crowdfunding platform filled in four days. It generated strong front page and business page editorial coverage and a high quantity and quality of entrants. The final shortlist of 10 were particularly strong and the fund could have invested in many investment worthy winners.

The Big App competition with **Facebook** was Europe wide. A relatively narrow scope still led to 424 entrants, many of which were high quality and the final was full of potential winners. The technical and commercial due diligence saw a couple of potential winners drop out at the final stage and one winner was not funded after the close (the legal due diligence for this Portuguese business could not be completed to Seedrs satisfaction).

The Future Gadget competition with **Channel 5** was not successful but provided plenty of learning. It became clear that TV is too constrained by Ofcom and too transitory to get cut through and make a call to action for entrants. The competition failed to attract a sufficiently good quality depth of entries to consider investing a fund – so the funds raised were returned to investors.



04 SEPTEMBER 2014

# Your Chance To Invest In Facebook's Favourite Apps



**David Prosser**  
CONTRIBUTOR

**The allure of Seedrs, the equity crowdfunding platform, has always been a mix of excitement and fear: it offers the chance to buy shares in start-up businesses that may turn out to be stellar growth stocks – or crash and burn.**

The Big App Fund, a Seedrs project launched this week by Worth Capital, is very much in that tradition. The good news is that investors get to back three potentially high-growth businesses in one go, rather than putting all their eggs into a single basket. More hair-raising is the fact that you won't know what those businesses are when you invest.

Instead, the money is being used to fund a prize pool for the three businesses that come up trumps in a competition to design a new mobile app. Worth Capital is looking for £350,000 – the outright winner will get an investment of £150,000, with tworunners-up getting £100,000 each.

Investors in the fund must therefore hope that Worth Capital's competition – The Big App 2014 – attracts a high standard of entry and, in particular, app designers who've worked out how to develop ideas with commercial appeal.

Happily, the competition is pan-European, so there's a large pool of potential entrants. Even better, Worth Capital has signed up Facebook as a partner – it is promising to support the project with a “major targeted online advertising campaign and a big PR push”. It will also host a pitch day next month at its London headquarters for the 100 best entrants – the 10 businesses that make the shortlist will go on to the final judging event at Facebook's head office in mid-November.

Deborah Hale, Facebook's business marketing director in Europe, argues that the competition should excite entrepreneurs and investors alike. “The Big App Fund is a great opportunity for entrants looking for the funding and mentorship they need to get off the ground,” she says. “For the investors, the fund represents a very attractive opportunity as the competition is the ultimate filtering process.”

Jeff Lynn, the boss of Seedrs is also excited. “The Big App Fund offers private investors an ideal way to gain a slice of the action in this hugely expanding market,” he says. “The added value of an expert panel picking the best companies to invest in, the mentoring these companies will get and of course Facebook's support in recruiting entrants and the promotion of the winners makes this a genuinely unique opportunity for investors.”

Nevertheless, there's no denying this fund represents a leap of faith for investors. All equity-based crowdfunding requires imagination – the vision to see the potential of brand new businesses and the patience to wait for returns that may not be generated for years to come. But this fund takes that a step further, with investors asked to bet on the unknown.

On the plus side, the mobile app market is as high-growth as it gets – technology research house Gartner predicts there will have been more than 300 billion downloads by 2016, while Apple AAPL -0.58%'s App Store alone has already racked up 75 billion downloads. The sector is also attracting substantial funding from established businesses – venture capital firms put \$3.5bn into mobile app businesses in 2013. Facebook's involvement too is a reassuring factor.

## BUSINESSES BACKED SO FAR

The competitions so far have started a portfolio of attractive businesses. It is still too early to confidently predict which will be the most successful but so far there are some exciting growth stories.

The following are three examples.

A female fashion footwear brand combining stylish design and innovative **Tender Loving Air®** sole technology - promising **Beautiful Shoes for Busy Feet**.

Air & Grace won a £150,000 investment, for 30% equity (pre-money valuation £350,000) in the first of Worth Capital's competitions, receiving the investment in July 2014.

- † the product has been a hit in the market with many referrals and positive organic social media coverage. The business has been featured in the Times, The Sunday Times, The Guardian and on London Live TV.
- † online direct sales have built steadily and direct selling at consumer events has provided early volume and has been very effective for understanding the customer.
- † already trading with German and Japanese distributors and leveraging other encouraging approaches from China.
- † now focusing on building the UK and international wholesale trade.
- † the second quarter of 2016 saw the best ever sales period, generating c.£60k of revenue, a 206% growth on 2015.
- † Air & Grace are currently investigating options for the next round of funding at approximately a 2.5 times valuation uplift.



# Tart

A bakery & coffee shop specialising in terribly tasty tarts (savoury & sweet), beautiful salads and gourmet coffee.

Tart won a £75,000 investment, for 20% equity (pre-money valuation £300,000) in the first of Worth Capital's competitions, receiving the investment in July 2014.

- † the first shop opened in December 2014. It overlooks Clapham Common, an affluent part of London.
- † in its first year it was proud to be a runner-up in the Time Out Love London Awards.
- † 2015 proved the customer proposition – the product and experience – and that an individual store can be run at an attractive operating profit, beyond which sales continue to consistently increase.
- † the biggest challenge – where and how to recruit excellence into the team has been overcome. The team has grown with some excellent new talent, including a lead chef.
- † in the first half of 2016, a second investment round of £225,000 was raised at a pre-money valuation of £911,000 (a 2.4 times increase on the previous post money valuation of £375,000).
- † after an extensive search a location has been secured for a second branch of Tart in South London.

# SPLENDY

Splendy has developed a unique platform for immersive interactive entertainment – taking what is most loved about gaming and mixing it with the visceral storytelling of films. The audience interact with real world objects and characters.

It is in the very attractive intersection of the \$39.1 billion global movie industry<sup>13</sup> and the \$91.5 billion global gaming industry<sup>14</sup>.

Splendy received a £100,000 investment for 22% equity (pre-money valuation £350,000) from the second Worth Capital competition in Partnership with Facebook, receiving funding in January 2015.

- † building on the success of a low budget iOS app, *The Hunting*, the next consumer product is *The Bunker* (starring Adam Brown from The Hobbit Trilogy & Pirates of The Caribbean Dead Man's Chest).
- † three distribution deals have been signed with games publishers. Release for PC, PS4 & XboxOne was on 20 September 2016, with iOS & Android apps following in January 2017.
- † Splendy's 2017 release, *Camera 6* is in pre-production.
- † in May 2016, a small round of £50,000 (the remainder of the SEIS allowance) was raised at a pre-money valuation of £968,000 (2.15 times previous post money valuation of £450,000).

<sup>13</sup> Source: PwC | Global Entertainment and Media Outlook 2015-2019

<sup>14</sup> Source: Newzoo | 2015 Global Games Market

SHOTS FROM 'THE BUNKER'



## THE WORTH CAPITAL TEAM

A small Worth Capital team runs the engine that sits behind competitions - allowing startups.co.uk & brand partners to be the public faces of the **Start-Up Series**.

The founders have deep experience of brand building, retail, FMCG, entrepreneurialism and innovation – hence are in an ideal position to spot and develop start-ups in the consumer space.

### PAUL SOANES

Co-founder & Director



An entrepreneur since leaving university, Paul founded iD in 1994, growing it into a top ten UK experiential marketing agency. He subsequently founded Brandspace, Europe's largest promotional space media agency and returned initial backers 17 x their original investment within 5 years.

Now a highly experienced seed investor, in over 25 businesses since 2008.

Paul is focused on maximising the return on investment for **investors**, including:

- † selection
- † valuation
- † technical due diligence
- † investor protection
- † reporting & annual valuations
- † further funding.

### MATTHEW CUSHEN

Co-founder & Director



An experienced leader in large businesses – including Kingfisher & John Lewis. Then a retail consultant and subsequently a director of ?What If!, the global innovation consultancy. For 5 years, working across sectors with the leadership teams of business such as IKEA, Tesco, Paddy Power & SABMiller.

An experienced and, so far, successful angel investor in half a dozen businesses.

Matthew aims to release the full potential of **entrepreneurs & ideas**, including:

- † selection
- † commercial due diligence
- † strategy & proposition development
- † entrepreneur development
- † accelerating growth.

### HAYLEY ETHERINGTON

Business Operations Director



Hayley has 12 years' experience in strategic client management and relationship development for brand and media partnerships, most recently at a leading marketing agency. She has worked with the Worth Capital founders for over 10 years.

Hayley looks after the value generated by the competitions for **media & brand partners**, including:

- † media relations
- † PR & publicity
- † editorial
- † events
- † competition operations & output.

## Experienced investors

Both Paul and Matthew have been successful angel investors.

Having built media & marketing businesses, Paul backs mostly media and FMCG, but also increasingly medical. Three examples:

- † **iChild**: a child development website – which gave Paul a 12.5 times return from a £15k investment over 7 years.
- † **PulseFlow**: making PulseBoot, authorised in Europe, the US and the Far East for the treatment of diabetic foot ulcers. Having first invested in July 2012, the latest raise in September 2015, showed an 8.1 times valuation increase.
- † **Communico**: provides an integrated SAAS cloud-based digital publishing platform for libraries, in the UK and growing fast in the USA. First investing in August 2008 the latest estimated valuation at the end of 2015 shows a 4.35 increase in the value of Paul's equity.

Being a retailer by profession and subsequently an innovation consultant, Matthew is biased towards consumer experience and consumer products. Three examples:

- † **BrandSpace**: a business that Paul built into Europe's largest promotional space media owner with over 1,000 venues including malls, airports and rail stations. A £59,760 investment in March 2004 delivered a 6.3 times return when exiting 4 years later in May 2008.
- † **PayasUgym**: an alternative to inflexible monthly gyms memberships and giving customers the option to vary the type and location of the gym they use. Having first invested in October 2010 at pre-money £584k the latest raise in September 2015 was at post money £9.8 million. After some dilution this represents a 2.7 time increase over 5 years.
- † **Nix & Kix**: an adult soft drink. No fizz, no refined sugars and nothing artificial is the 'Nix'. Cayenne pepper provides the 'Kix'. Winner of best new beverage concept at the World Beverage Innovation Awards in November 2015. Matthew took a 3.8% equity in October 2015 and is the Investor Director representing all investors on the board.

## SUPPORTING INVESTMENT OPPORTUNITIES

Worth Capital will continue to innovate in the interests of investors and the entrepreneurs they support.

### Further funds

Worth Capital aims to promote the creation of an EIS focused investment fund to provide additional development capital to the fastest growing of the invested businesses from the *Start-Up Series*.

Worth Capital believe this approach will benefit the companies as they may be able to reduce the time taken to source follow-on capital and get better value access to capital. This approach might also reduce risk to investors as the companies and Worth Capital will know the businesses better than anyone at the point where the companies are ready to raise more capital.

### A secondary market

It is Worth Capital's intention to create a secondary market for individual fund investments. The aim is to start this matched market three years after the first investments (therefore not impacting tax reliefs).

There are emerging platforms that facilitate a secondary market for private shares and these innovations are expected to accelerate rapidly and gain acceptance and some liquidity over the next couple of years.

Worth Capital has already started discussions with two different platforms, both keen to provide a marketplace for individual company investments.

### EIS Association

The team are proud that Worth Capital is an active member of the EIS Association, helping to spread the word about the benefits of SEIS and EIS investing – for investors, start-ups and the wider UK economy.





ALEX, FOUNDER OF BRIEFLY,  
IS CONGRATULATED ON WINNING WORTH CAPITAL'S THE BIG APP COMPETITION



**PART B**

**INFORMATION MEMORANDUM &  
APPLICATION FORM FOR  
START-UP SERIES SEIS FUND ONE**

## **IMPORTANT INFORMATION**

**THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE IN REGARD TO THE CONTENTS OF THIS INFORMATION MEMORANDUM AND APPENDICES (INCLUDING THE APPLICATION FORM), YOU SHOULD CONTACT AN INDEPENDENT FINANCIAL ADVISER OR OTHER PROFESSIONAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FSMA) WHO SPECIALISES IN ADVISING ON INVESTMENTS OF THIS TYPE. RELIANCE ON THIS INFORMATION MEMORANDUM FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE AN INDIVIDUAL TO A SIGNIFICANT RISK OF LOSING ALL OF THE PROPERTY OR OTHER ASSETS INVESTED. YOUR ATTENTION IS DRAWN TO THE RISK FACTORS IN SECTION 8. NOTHING IN THIS DOCUMENT CONSTITUTES INVESTMENT, TAX, FINANCIAL, REGULATORY OR OTHER ADVICE BY AMERSHAM INVESTMENT MANAGEMENT LTD.**

This Information Memorandum constitutes a financial promotion pursuant to section 21 of FSMA, and its contents have been approved by Amersham Investment Management Ltd ('AMIM') which is authorised and regulated by the Financial Conduct Authority in the United Kingdom with FRN number 507460 and whose registered office is 25 Lexington Street (1st Floor) London W1F 9AH.

Worth Capital Ltd is not an FCA authorised firm and will not be providing any investment services or undertaking any regulated activities in connection with the Fund.

The Information Memorandum is issued solely for the purpose of seeking Subscriptions from prospective Investors for investments in the Fund. This Information Memorandum is confidential and must not be copied, reproduced or distributed in whole or in part to any other person at any time without the Manager's prior written consent.

The communication of this Information Memorandum and the contents thereof is made to and directed at persons reasonably believed to be such persons as are referred to below and must not be passed on, directly or indirectly, to any other person in the United Kingdom:

- a. professional clients or eligible counterparties as defined in the Conduct of Business Sourcebook ('COBS') of the FCA's Handbook of Rules and Guidance;
- b. retail clients who confirm that they will receive advice on the investments referred to in this Information Memorandum from a financial adviser authorised and regulated by the FCA;
- c. to the extent that the recipient is a retail client who does not fall within category (b), only clients falling within the following categories and subject to the condition referred to below (the 'Condition'):
  - i. certified high net worth investor in terms of COBS 4.12.6R;
  - ii. certified sophisticated investors in terms of COBS 4.12.7R;
  - iii. self-certified sophisticated investors in terms of COBS 4.12.8R;
  - iv. certified restricted investors in terms of COBS 4.7.10R; and
- d. any person to whom the communication may otherwise lawfully be made.

The transmission of this Information Memorandum or the contents thereof to any other person is prohibited and persons not falling within the description set out above should not act or otherwise rely upon it.

### **Retail investors who will receive advice**

Retail investors who do not fall within any of the categories in paragraph (c) above should confirm, to a financial adviser authorised and regulated by the FCA, that they intend to receive advice on the investments referred to in this Information Memorandum. The financial adviser will receive that confirmation on behalf of the person who has approved the Information Memorandum for the purpose of section 21 of FSMA. The financial adviser will be required to countersign the Application Form.

### **Certified high net worth investors**

The requirements that must be met for a person to qualify as a certified high net worth individual are that such person has signed, within the period of 12 months ending on the day on which the communication is made, a statement in the prescribed terms under COBS 4.12.6R. An application from such a person will only be accepted if the Condition is satisfied.

### **Certified sophisticated investors**

The requirements that must be met for a person to qualify as a certified sophisticated investor are that such a person:

- a. has a current certificate in terms of COBS 4.12.7R being one signed and dated not more than three years before the date on which the promotion is made, in writing or other legible form, signed by an authorised person in terms of FSMA to the effect that the recipient of that promotion is sufficiently knowledgeable to understand the risks associated with investments of the kind set out in this Information Memorandum, and
- b. has signed, within a period of 12 months ending with the day on which the communication is made, a statement in the prescribed terms under COBS 4.12.7R. An application from such a person will only be accepted if the Condition is satisfied.

### **Self-certified sophisticated investors**

The requirements that must be met for a person to qualify as a self-certified sophisticated investor are that such person has signed, within the period of 12 months ending on the day on which the communication is made, a statement in the prescribed

terms under COBS 4.12.8R. An application from such a person will only be accepted if the Condition is satisfied.

Self-certified sophisticated investors are advised to consult an authorised person in terms of FSMA specialising in advising on investments of the kind set out in this Information Memorandum in order to assist in understanding and evaluating the risks involved.

### **Certified restricted investors**

The requirements that must be met for a person to qualify as a certified restricted investor are that such person has signed, within the period of 12 months ending on the day on which the communication is made, a statement in the prescribed terms under COBS 4.7.10R. An application from such a person will only be accepted if the Condition is satisfied.

### **The Condition**

The Condition referred to above is that either:

- c. the person who will arrange or deal in relation to the investments which are the subject of this Information Memorandum will comply with the FCA's rules on appropriateness set out in COBS 10, or equivalent requirements, for any application or order made in response to this Information Memorandum; or
- d. the recipient has confirmed that they are a retail client of a firm authorised in terms of FSMA that will comply with the FCA's rules on suitability set out in COBS 9 in relation to the investments set out in this Information Memorandum.
- e. To confirm compliance, the relevant financial adviser should complete and sign page 89 of the Application Form. Reliance on this promotion for the purpose of engaging in investment activity may expose an individual to a significant risk of losing all of the property invested.

The tax treatment referred to in this document depends on the individual circumstances of each Investor and may be subject to change in the future. In addition, the availability of any tax reliefs depends on the companies in which the Fund invests maintaining their qualifying status. Past performance is not a guide to future performance and may not be repeated. The value of an Investment may go down as well as up and an Investor may not get back the full amount invested.

Investment in the Fund carries substantial risk. Any investment in the Fund should be regarded as being medium to long term in nature. Investors' money subscribed to the Fund will be committed to

investments which may be of a long term and illiquid nature. The companies in which the Fund invests will not be quoted on any regulated market and, accordingly, there will not be an established or ready market for any such shares. It may be difficult to obtain information regarding how much an investment is worth or how risky it is at any given time and the Manager may experience difficulty in realising the investments (for value or at all).

An investment in the Fund may only be made on the basis of this Information Memorandum and the Investment Management Agreement. Prospective Investors should not regard the contents of this Information Memorandum as constituting a recommendation or advice relating to any legal, taxation, regulatory or investment matters and are advised to consult their own professional advisers before contemplating any investment. The Manager, its directors, officers, employees and agents do not accept any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any information or opinions contained herein or in any other communication in connection with an investment in the Fund except where such liability arises under FSMA, regulations made under FSMA or the FCA Rules and may not be excluded. The Manager has taken all reasonable care to ensure that the factual content hereof is accurate and that statements of opinion herein are reasonably held.

Subject to the Manager's overriding duty under the FCA Rules to ensure the content of this Information Memorandum is presented in a manner which is fair, clear and not misleading with respect to the persons to whom the Fund is promoted by it, the Manager accepts no responsibility to any recipient of this Information Memorandum for inaccuracies in factual representation or for any consequences to such persons as placing reliance upon statements of the Manager's opinion except to the extent required by law. Additionally, some material included in this Information Memorandum is derived from public or third party sources and the Manager disclaims all liability for any errors or misrepresentations which any such inclusions may contain.

The Information Memorandum contains certain information that constitutes 'forward-looking statements' which can be recognised by use of terminology such as 'may', 'will', 'would', 'should', 'anticipate', 'estimate', 'intend', 'continue', or 'believe' or their respective negatives or other comparable terminology. Forward-looking statements are provided for illustrative purposes only. Due to various risks and uncertainties, actual events, results or performance may differ materially from those reflected or contemplated in such forward-looking statements. No person has been authorised to give any information, or to make any representation concerning the Fund other than the information set out in this Information Memorandum and if given or made, such information or representation must not be relied on. This Information Memorandum is only intended for release in the United Kingdom and does not constitute an offer, or the solicitation of an offer, in any jurisdiction in which such offer or solicitation is unlawful. It is the responsibility of any person outside the United Kingdom wishing to make an application to invest in the Fund to satisfy himself as to full observance of the laws of any relevant territory in connection therewith. Prospective Investors should be aware that the arrangements described in this Information Memorandum represent a discretionary management service subject to the terms of the Investment Management Agreement. Investors appoint the Manager to invest their subscription monies on a discretionary basis into the Portfolio Companies. All investments made will be held in the name of the Nominee in a way that enables each Investor's entitlement to be separately identified. The Fund is not treated as an unregulated collective investment scheme (as defined in section 235 of FSMA) but is an alternative investment fund as defined in the Alternative Investment Managers Directive 2011. The Fund has not been approved by HMRC under section 251 of the Income Tax Act 2007. The Manager reserves the right to update this Information Memorandum from time to time.

This Information Memorandum is dated 29 September 2016.



## THE FUND STRUCTURE

To invest in the winning businesses from the **Start-Up Series** competitions, Worth Capital is promoting a £2.1 million Fund which will be managed by Amersham Investment Management Ltd. The **Start-Up Series SEIS Fund One** is designed to invest £1.8 million in the winners of the first year of the **Start-Up Series** and £0.3 million in other companies, with investments made across the 2016/17 and 2017/18 tax years.

In order to provide additional funds for investment into other candidate companies other than competition winners, sourced either through the competition or via Worth Capital, the Fund will seek an additional £0.3 million above the monies required for the total competition-related investment of £1.8 million. These putative investments will be subject to the same investment process and Manager approval prior to investment, and will only be considered when the Manager is satisfied that the £1.8 million investment planned for competition winners has been secured.

### Prospective timetable

There are various key target dates that are related to the competition structure:

#### 2016

July	Finance Act 2016 passed into legislation, confirming reliefs for 2016-2017.
29 September	Launch of the Start-Up Series SEIS Fund One. Competition pre-publicity.
03 October	First monthly competition opens for entries.

#### 2017

January	1 <sup>st</sup> of initial 4 competition winners announced and, following final due diligence, investment will be made into this Company
January	2 <sup>nd</sup> of initial 4 competition winners announced and, following final due diligence, investment will be made into this Company

February	2 <sup>nd</sup> series of reviews of Consumer competition entries starts.  3 <sup>rd</sup> of initial 4 competition winners announced and, following final due diligence, investment will be made into this Company.
March	Final of the initial 4 competition winners announced and, following final due diligence, investment will be made into this Company.
from April	Continued competitions and investments through 2017/18 fiscal year
November	Last of the competition winners announced and, following final due diligence, investment will be made into this Company.

SEIS 3 certificates which have been processed for relief will be available to individual Investors, following an initial 4-month period from the commencement of trading by each company where the Fund has made an investment or earlier, should the Portfolio Company already have a trading date approved and agreed with HMRC.

Investments made prior to 05 April 2017 will be eligible for 2016-2017 relief and other provisions.

Investments made prior to 05 April 2018 will be eligible for 2017-2018 relief and other provisions, subject to SEIS relief rules (as set out on section 6 of this Information Memorandum).

### Investment amounts

The minimum individual investment in the Fund is £10,000 and in units of £2,500 thereafter, subject to the Manager's discretion.

There is no restriction on the maximum subscription by an individual.

Under current UK taxation legislation, the maximum amount on which an investor can obtain SEIS income tax reliefs in any tax year is limited to £100,000. Each spouse or civil partner has his or her own limit of £100,000 and they are not aggregated.

Since the Fund invests across two years an individual investor may be able to take advantage of £200,000 of SEIS income tax reliefs (or £400,000 across two spouses), but are encouraged to seek professional advice on the availability of relief as individual circumstances differ.

SEIS investors are permitted to carry back their investment to the previous tax year, so long as they have not used their individual limit in the previous tax year. Therefore, if investors have not used any of their £100,000 limit for the tax year ended 5 April 2016, then they could carry back up to £100,000 of their investment in 2016-2017 to that tax year.

These limits do not apply to capital gains tax re-investment or inheritance tax relief – so there may be additional tax advantages for higher investments.

### Apportioning investments

The Close of a first tranche of investment into four of the competition winners will proceed after £0.6 million of the projected amount of £1.8 million for investment in competition winners has been subscribed for in the Fund. This will underwrite the first element of the competition funding. To proceed with the full twelve anticipated investments into winners of the competition, the Fund requires an additional £1.2 million which could be met in further tranches of £0.6 million and £0.9 million, which will enable the competition to go ahead with the timetable described in this Information Memorandum and provide funds for additional discretionary investments.

The Fund will continue to raise Subscriptions until it reaches the full £2.1 million at which point the Manager will conduct a final Close. This is planned to be before the end of August 2017.

An individual's investment will be made, subject to the Manager's discretion, pro-rata with the total Fund. For example:

- Mary Jones invests £100,000 on 25 October
- Anish Patel invests £50,000 on 28 November
- John Smith invests £75,000 on 24 January

Scenario A      On 20 December the total Fund is £0.6 million

Mary has £100,000 invested in tranche 1 and none in tranche 2

Anish has £50,000 invested in tranche 1 and none in tranche 2

John has none invested in tranche 1 and has £75,000 available to invest in tranche 2

Scenario B      On 20 December the total Fund is £0.9 million

Mary has £66,666 invested in tranche 1 and has £33,334 available to invest in tranche 2

Anish has £33,333 invested in tranche 1 and has £16,667 available to invest in tranche 2

John has none invested in tranche 1 and has £75,000 available to invest in tranche 2

Scenario C      On 20 December the total Fund is £2.1 million

Mary has £33,334 invested in tranche 1 and has £66,666 available to invest in tranches 2 and 3.

Anish has £16,666 invested in tranche 1 and has £33,334 available to invest in tranches 2 and 3.

John has not been able to invest as the Fund closed at £2.1 million

The Manager will notify each Investor to which tranche or tranches the Investor's investment will be referenced. Investors should also refer to the Portfolio Management Policy in Schedule 1 on page 114 of this Information Memorandum.

Due to the timing of investment tranches, certain Investors may not hold shares in all of the Portfolio Companies in which the Fund invests or, due to the amount of Subscriptions made by each Investor, in equal amounts to other Investors.

### Funding & investment

Subscriptions are to be remitted upon application. Subscription monies will be held by the Receiving Agent. Investments will be made from each tranche of the Fund following completion of due diligence after the results of each competition are announced, and after the Fund Manager has completed its own review processes.

Any small amount of interest that might be earned on monies held on deposit will be set towards Fund administration costs rather than the Receiving Agent going to the expense of dispersing to individual Investors.

All Investors will receive ordinary shares in each Portfolio Company ranking pari passu with

management. Investment provisions within an investment agreement with a Portfolio Company will include certain investor protections the Manager regards appropriate for the size of investment.

There is no option for Investors to pick and choose individual investments. The Manager intends to implement a diversified approach to investments:

Investors' SEIS tax reliefs arise, subject to the subsequent provision of SEIS Certificates, at the date of the Fund's investment into each one of the competition winning Portfolio Companies being completed and not at the date of application to subscribe to the Fund. While the Fund Manager is aiming to make an initial number of investments in winners of the competition during the 2016/17 tax year and subsequently the remainder during the 2017/18 tax year this timetable cannot be guaranteed as each investment is dependent on completing legal and commercial due diligence processes.

### Beneficial ownership

Upon investment into the qualifying winning businesses, the Investors will be the beneficial owners of the shares which will all be held in one nominee account at the direction of the Custodian. The Fund Manager will be responsible for discretionary decisions in relation to the selection of, and (subject to limitations) the exercise of rights in relation to, investments made, but the Investor retains beneficial ownership of the underlying shares.

The Fund Manager may, at its absolute discretion, have regard to any requests made to it to terminate any individual Subscription in the Fund and/or, assuming shares had been issued, to realise shares for the Investor's account; such termination may result in a loss of SEIS tax reliefs and possible crystallisation of any deferred gain, should the qualifying criteria for such relief be broken. However, no assurance can be given as to the Fund Manager's success in realising shares for the Investors account, such realisations may only be achieved at a loss when compared to the original and initial investment.

### Right of cancellation

Each Investor may exercise a right to cancel by notification to Woodside Corporate Services Ltd (the Receiving Agent) within 14 days of acceptance of an Investor's completed Application Form. This should be done by a letter sent to the Receiving Agent's registered office as set out in this Information Memorandum.

On exercise of the Investor's right to cancel, the Manager shall refund any monies paid to the Receiving Agent by the Investor, less any charges already

incurred for any services undertaken in accordance with the Application Form (but not any initial fees paid to the Manager).

The Receiving Agent is obliged to hold investment monies until satisfactory completion of checks under the Money Laundering Regulations 2007 undertaken by the Investor's Registered Intermediary.

The Investor will not be entitled to interest on monies refunded following cancellation.

The right to cancel under the FCA Rules does not give the Investor the right to cancel or terminate or to reverse any particular investment transaction executed for the account of the Investor before their cancellation takes effect. The Fund Manager reserves the right to treat as valid and binding any application not complying fully with the terms and conditions set out in this Information Memorandum. In particular, but without limitation, the Manager may accept applications made otherwise than by completion of an Application Form where the Investor has agreed in some other manner acceptable to the Manager to apply in accordance with the conditions of application.

### Fund status

The FCA has indicated that, while funds such as the **Start-Up Series SEIS Fund One** are not unregulated collective investment schemes, they may, in their view, fall into the scope of the Alternative Investment Fund Managers Directive (AIFMD). The Fund Manager is regulated and authorised by the FCA to act as an alternative investment fund manager.

The Manager will treat the Fund as its client for the purpose of determining which provisions of the Conduct of Business Sourcebook (COBS) forming part of the FCA's Handbook of Rules and Guidance will regulate the obligations owed by the Manager to Investors in common.

### Fund management

The **Start-Up Series SEIS Fund One** will be managed by Amersham Investment Management Ltd (AMIM). AMIM is a specialist investment management firm and fund manager. Founded by two former principals of the Tradepoint Stock Exchange (which as a UK Recognised Investment Exchange in 2001 became, as Virt-x, part of the Swiss Stock Exchange), the firm is authorised and regulated by the Financial Conduct Authority as an investment manager, fund manager and as an Alternative Investment Fund Manager (AIFM) with FRN 507460.

The Fund Manager has an internal investment committee to consider all potential Portfolio Companies sourced and commercially recommended

by Worth Capital and to make the discretionary investment decision for each proposed investment. The Fund Manager's team includes Paul Barnes and Michael Waller-Bridge who will make the investment management decisions.

The Fund Manager will instruct the Receiving Agent to open and arrange for the Custodian to operate a bank account for the Fund with an authorised banking institution.

## Reporting

Investors will be kept up to date with news during the competition cycle and the distillation process, e.g. the number of entries received, descriptions of the finalists, and will receive notification of the winners.

Following a Close, Investors will each receive six monthly periodic reports including a summary of the highlights on progress and challenges from each business. This bi-annual fund reporting will provide details on the following:

- Portfolio Companies
- invested capital & equity holding
- SEIS status
- valuation.

## Other features

The Fund's features provide for:

- commercial & technical due diligence and legal administration concerning potential Portfolio Companies being completed by Worth Capital and reviewed by the Manager.
- potential, subject to Worth Capital's application processes, for individual Investors with a relevant skill set, to become an Investor Director for a Portfolio Company and therefore having the satisfaction of helping guide the growth of a start-up business.

## Pre-emption rights

Investors may or may not have the benefit of pre-emption rights in any additional equity raises for each individual investment, depending on provisions in the constitution and shareholder agreement arrangements of the Portfolio Company. Investors should note that any follow-on investment in a Portfolio Company would be unlikely to attract SEIS relief although may possibly be eligible for other HM Government equity related tax reliefs. Investors should not assume that such pre-emption rights will apply.

## LIQUIDITY & EXIT

**Important notice: The Fund's investments will be in Non-Readily Realisable Securities and as such will be highly illiquid, may not even be realisable, and thus not suitable for all Investors. Investors considering making a Subscription to the Fund are strongly advised to take prior advice from a qualified adviser.**

Investors should be prepared to retain an SEIS investment for at least three years from the date of investment or the initial qualifying period of investment should the date of trading be later than the date of investment or under current SEIS relief rules and regulations they will lose any initial tax reliefs they have claimed.

The Fund has a target life of 5 years, but there can be no guarantee that this will be achieved. It would be prudent to view an investment in the Fund as medium to long term. A person should only invest in the Fund with a view to leaving the investment intact for at least 5 years from the Final Closing Date.

## Right of withdrawal

The SEIS rules do not permit investments to be withdrawn during the Three Year Period, as to do so would invalidate any claim for tax relief and would lead to relief needing to be repaid.

Where an Investor wishes to withdraw their investment, under exceptional circumstances, such as the death of the Investor or proven severe financial hardship or proven health difficulties of the Investor and without any guarantee of success, the Manager will try to match withdrawals with other shareholders and interested parties. However, no guarantee can be given that any proposed matching will be successful or at what price a match might be achieved. If a sale is made within a Three Year Period, from the date of the SEIS 3 certificates stated inception date an Investor will lose their tax relief and could incur a loss on an investment.

## Exits

The Fund will take a long-term view on the Portfolio Companies and will aim to only look at the possibility of facilitating an exit from an investment after it has been held for at least a three-year period, thereby ensuring, wherever possible, that the investment has met one of the key qualifying conditions necessary for Investors to obtain the relevant tax reliefs. However, there may be occasions where an earlier sale is a commercially sensible decision.

The Fund anticipates that the options for Investors to exit a Portfolio Company may include the following:

- a sale to a third party, at arms-length, of a Portfolio Company
- the purchase by a Portfolio Company of shares held by the Fund's Investors, subject to taxation rules
- the introduction of new investors (not SEIS investors, who must buy new shares) to a Portfolio Company
- the reduction of a Portfolio Company's share capital
- the voluntary liquidation of a Portfolio Company or the sale of a Portfolio Company's assets and subsequent distribution of proceeds to shareholders.

### **Winding up in year 5**

The Fund Manager anticipates that the Fund will be substantially invested by November 2017. The Fund will start to be wound up during year 5, i.e. during 2022.

Part of the terms of investment into the Portfolio Companies will be provision to liquidate the Investors' holdings after five years (where exits have not already been achieved) based on an independent valuation.

Given it may not be in the Investors' interests to liquidate a particular company's holding – i.e. if it was still in high growth or had line of sight to a lucrative exit in the next couple of years - the Fund may be liquidated as a combination of cash and shares in some companies transferred from Nominee to Investors' own control.

## **THE INVESTORS**

This opportunity may be suitable for UK resident individuals and trusts who are looking to:

- take advantage of income tax relief
- benefit from capital gains tax relief
- shelter investments from inheritance tax
- harness the potential for tax free capital growth
- diversify their existing investment portfolio.

### **Minimum investment**

The minimum investment is £10,000, subject to the discretion of the Manager.

## FEES

### Investor fees

So that as close to 100% of an Investor's Subscription is invested into Portfolio Companies to assist the Investor maximising SEIS tax reliefs for which he or she may be eligible, no initial transaction, entry or other fees (excepting permitted facilitated fees in respect to Investors' financial advisers) are directly charged to Investors against their Subscription monies.

An annual commercial advisory, reporting and accounting fee amounting to 1.5% of the value of Subscriptions to the Fund will subsequently be paid to the Promoter, Worth Capital, from returns due to the Investor. This fee is:

- based on the initial Subscription by the Investor, and
- accrued until covered by liquidity generated through exits or the availability of dividends.

### Portfolio Company fees: investment stage

Due diligence, documentation and legal arrangements: a fee payable by the Portfolio Company of up to 3.5% of the value of funding provided to each Portfolio Company will be collected and administered by the Manager, upon completion of the investment into the Portfolio Company.

Disbursements & transaction: a fee payable by the Portfolio Company of up to 1.4% of the value of funding provided to each Portfolio Company will be collected and administered by the Fund Manager, upon completion of the investment into the Portfolio Company.

### Portfolio Company fees: annual & other fees

Administration & Custodian/Nominee Fee payable by the Portfolio Company: £2,950 per annum per Portfolio Company, the first year payable upon the initial investment, subsequently payable quarterly in advance, paid to the Manager and payable for each year the Fund is invested in the Portfolio Company.

Investor Director Fees payable by the Portfolio Company: £5,000 per annum for two years, the first year is payable on the initial Investment, then payable quarterly in advance, paid to the Promoter, Worth Capital.

Termination Fees: costs incurred by the Manager on the winding up of an Investment in a Portfolio Company, which is a regulated activity: a fee of 1% of the value of the Investors' holding, paid to the Manager.

Other Fees: the Manager considers there may be additional extraordinary costs such as abort fees or any other reasonable costs of managing the Fund; these will be charged on a case by case basis to Portfolio Companies. Such fees shall be payable to the Manager. Where possible these costs will be agreed in advance with the Portfolio Company.

### Portfolio Company fees: performance

Designed to align the interests of the Promoter and Fund Manager to those of the Investors.

An option over up to 7% of the equity in each Portfolio Company, granted to Worth Capital - of which up to 0.5% is assigned to Crimson Startups Ltd, the owner of startups.co.uk which is the competition's partner, and up to 0.92% assigned to the Manager.

### VAT

The fees and charges described above are exclusive of VAT, which will be charged as applicable.

### Intermediaries

Following the introduction of the Retail Distribution Review (RDR), commission is not permitted to be paid to Intermediaries who provide a personal recommendation to UK retail clients in respect of the Fund. Instead of commission being paid, a fee will usually be agreed between the intermediary and the Investor for advice and related services (the 'intermediary charge').

The intermediary charge can either be paid directly by the Investor to the intermediary or, if it is an initial one-off fee, the Manager can, out of the Investor's Subscription and with the Investor's agreement facilitate the payment of such fee. The Manager will not facilitate on-going fees.

If the intermediary charge is to be facilitated by the Manager then the Investor is required to specify the amount (inclusive of VAT, if applicable) of the intermediary charge on the Application Form.

The intermediary charge will be deducted from the Subscription and the amount net of the intermediary charge will be invested in portfolio companies and be subject to income tax relief of 50%. Therefore, by way of an example, if £50,000 were invested into the Fund with a 2% intermediary Charge, £49,000 would be subscribed to the portfolio companies and any available income tax relief would be £24,500 (being 50% of £49,000).





# 6 SEED ENTERPRISE INVESTMENT SCHEME TAX RELIEFS

**PLEASE NOTE THIS SECTION IS A CONDENSED SUMMARY OF THE TAXATION LEGISLATION AND SHOULD NOT BE CONSTRUED AS CONSTITUTING ADVICE, WHICH A POTENTIAL INVESTOR SHOULD OBTAIN FROM HIS OR HER OWN INVESTMENT OR TAXATION ADVISER BEFORE APPLYING UNDER THE OFFER.**

**TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH INVESTOR AND MAY BE SUBJECT TO CHANGE IN THE FUTURE.**

## **Tax relief for Investors**

Each Portfolio Company will undertake to operate within the restrictions laid down by the SEIS legislation so that the SEIS taxation reliefs should be potentially available to subscribers.

Each Portfolio Company will, unless otherwise agreed with the Manager, submit an application for provisional approval to HM Revenue & Customs that its activities will qualify under SEIS legislation. There is no guarantee that formal clearance will be achieved for the Portfolio Company or that it will not be subsequently withdrawn. To obtain the tax reliefs described below it is necessary to subscribe in cash for fully paid up ordinary shares (except for those shares which are bonus shares) in a qualifying Portfolio Company and claim the relief. Please note that the value of any relief depends on your individual circumstances.

The summary below is based on current law and only gives a brief outline of how the tax reliefs are given. It does not set out all the rules which must be met by the Investor and the Portfolio Company. The summary is intended only as a general guide and is not a substitute for the Investor obtaining professional tax advice before applying for shares.

SEIS relief as it currently stands has six elements:

### **1. Income tax relief**

Investors may obtain income tax relief in the tax year in which the shares are issued on the amount (or aggregate amount) of shares subscribed for, subject to a maximum investment of £100,000 (for the tax year 2016/2017) for all SEIS investment in one or more qualifying companies. Investors cannot obtain the tax relief if they are 'connected' with the issuing company. Relief may not be available if an Investor has or takes out a loan which is linked to the investment. The rate of SEIS income tax relief is 50% for the year ended 05 April 2017. Husbands, wives and civil partners can each receive SEIS relief on subscriptions as detailed above.

The relief is given against (but cannot exceed) the Investor's individual income tax liability for the tax year in which the shares are issued. It is also possible to carry back an SEIS subscription to the preceding tax year providing the limit for relief was not exceeded in that earlier year.

### **2. Exemption from capital gains tax**

Any capital gains on disposal of shares in an SEIS Qualifying Company realised more than three years after the date of issue of the shares or the date the Portfolio Company started trading (if later) on which SEIS income tax relief has been given and not withdrawn, are tax free.

### **3. Loss relief against income or gains**

Tax relief is available where there is a loss on a disposal at any time of shares on which SEIS income tax relief (see 1 above) or CGT re-investment relief (see 4 below) has been given and not withdrawn, provided the relevant requirements of the legislation are satisfied.

The amount of the loss (after deducting any amount of any income tax relief which remains attributable to the shares sold) can be set against the individual's gains or taxable income in the tax year in which the disposal occurs, any excess can be carried forward as a capital loss to be set off against future capital gains. Alternatively, on making a claim, the loss net of income tax relief may be set off against the Investor's taxable income in either the tax year in which the disposal occurs or the previous tax year.

#### **4. Capital gains tax re-investment relief**

SEIS re-investment relief allows an individual to claim an exemption of up to half of capital gains reinvested in qualifying SEIS investments, saving up to 14% in capital gains tax. This exemption is only available where the Investor has also claimed income tax relief. The Investor must generally be chargeable to capital gains tax at the time the gain is made and at the time the shares are issued.

#### **5. Inheritance tax and business property relief**

An investment in an SEIS Qualifying Company will usually qualify for business property relief. Provided a shareholder has owned the SEIS shares for at least two years at the time of death (and the SEIS Qualifying Company is also a qualifying unquoted trading company), 100% business property relief from inheritance tax is available under current legislation. There is no upper limit on the amount of inheritance tax relief that can be claimed in this way.

#### **6. Trusts**

Reliefs are available to UK resident investors as trustees of discretionary trusts or life interest trusts.

Apart from being attractive to individual investors who are UK resident for tax purposes, investing in SEIS funds offers beneficial tax planning opportunities to trustees of certain trusts.

#### **Dividends**

Any dividends paid by qualifying companies are taxable.

## Qualifying company requirements

To qualify for SEIS relief, the Portfolio Company must not be, under normal circumstances, more than two years old, along with its 51% subsidiaries, have more than £200,000 in gross assets at the time of the share issue, be listed on a recognised stock exchange and there must be no 'arrangements' in place for it to become so listed.

In addition, throughout the relevant period (the period from the issue of the shares in the Portfolio Company to the date three years from the date of issue of the shares or from the commencement of trade, if later), the Portfolio Company must not be a 51% subsidiary of, or be controlled by, another company, and there must be no 'arrangements' in existence for the Portfolio Company to become a subsidiary of or be controlled by, another company. If, for genuine commercial reasons, a holding company needs to be inserted above the SEIS Portfolio Company, this should not result in the Portfolio Company losing its SEIS status provided certain conditions are met. The Portfolio Company must either exist to carry on a Qualifying Trade or else be the parent company of a trading group. A trading group is a group in which directly or indirectly more than 50% of the shares of each subsidiary are held by another member of the group, but any subsidiary employing any of the money raised by the issue must be a qualifying 90% subsidiary. Non-qualifying business activities (broadly, investment activities and non-qualifying trades) must not comprise a substantial part of the business of the group as a whole. The qualifying business activity for which the money is raised by the share subscription must be a trade carried on by the Portfolio Company or a 90% subsidiary of the Portfolio Company, the Portfolio Company must have a permanent establishment in the UK and the trade must be conducted on a commercial basis with a view to the realisation of profits. To qualify as an SEIS company, the value of the gross assets of the Portfolio Company and any subsidiaries must not exceed £200,000 immediately before the issue of the shares.

For shares to be eligible for SEIS relief the issuing company must not have raised more than £150,000 in total through SEIS and including any de minimis State Aid received in the Three Year Period prior to share issue. As an SEIS company, the Portfolio Company must have fewer than 25 full time employees (or part time equivalent) and be of a Qualifying Trade. Most types of trades are Qualifying Trades but certain activities, including dealing in land and property development, are excluded. SEIS qualification is only available within two years from the start of trading activities.

## Qualification & certification

Subject to the above, please note that the taxation levels, bases and reliefs described in this document are based on existing law and what is understood to be current HM Revenue & Customs practice, but these may be subject to change.

An application ('Advanced Assurance') will be submitted to HM Revenue & Customs for approval that each proposed Portfolio Company and its activities will qualify under the SEIS, based on information disclosed.

Following the issue of SEIS shares by a Qualifying Company, and after a Portfolio Company has spent at least 70% of the funds raised from the issue on the Portfolio Company's business, or has traded for four months, if earlier, the Portfolio Company can apply to HM Revenue & Customs for authorisation to issue a compliance certificate to Investors. Although the time taken by HM Revenue & Customs to grant authorisation cannot be controlled by the Portfolio Company, every effort will be made by the Manager to expedite matters and as soon as authorisation is given compliance certificates will be distributed to Investors. Investors should then submit the certificate to the Inspector of Taxes dealing with their own affairs if they wish to claim their relief.

Where the Investor wishes to make a claim to carry back an SEIS subscription to the preceding tax year (as referred to above), it would be necessary to make a separate claim using the compliance certificate. This would amend the tax return for that earlier year.



# 7 ILLUSTRATIVE RETURNS

PLEASE NOTE THAT THE CALCULATIONS AND TABLES IN THIS SECTION ARE FOR ILLUSTRATION ONLY. THEY SHOULD NOT BE CONSTRUED AS A FORECAST OR PREDICTION. THEY DO NOT CONSTITUTE ADVICE, WHICH A POTENTIAL INVESTOR SHOULD OBTAIN FROM HIS OR HER OWN INVESTMENT OR TAXATION ADVISER BEFORE APPLYING UNDER THE OFFER.

## IMPORTANT NOTICE

INVESTMENT IN THE FUND IS AN INVESTMENT IN NON-READILY REALISABLE SECURITIES AND RETAIL INVESTORS MUST BE ASSESSED BY A QUALIFIED FINANCIAL ADVISER OR INTERMEDIARY AS TO THE SUITABILITY OR APPROPRIATENESS OF MAKING AN INVESTMENT IN THE FUND.

Modelling the potential returns that may be achieved by an investment in the **Start-Up Series SEIS Fund One** shows the possibility of an attractive return especially when compared to current savings rates, however this is a **high risk investment**.

The following summary table illustrates the potential returns based on an investment of £25,000. An investor that qualifies for full income tax reliefs and full capital gains tax re-investment relief may, based on assumptions described later, enjoy a post-tax internal rate of return (IRR) of 41% and a calculated post-tax return on investment (ROI) of 287% after seven years.

Although the tax reliefs associated with SEIS investments are highly attractive, an investor who didn't qualify for any reliefs might, depending on the outcome of the investment and based on the assumptions set out below also enjoy significant potential returns of 24% IRR and 219% ROI.

INVESTMENT	£25,000	£25,000
<b>TAX RELIEFS</b>	Full SEIS income tax & CGT reliefs	No SEIS reliefs
	£15,000	
<b>PERFORMANCE ASSUMPTIONS</b>		
failures	36%	36%
exits	48%	48%
exit multiple	7.8 times	7.8 times
<b>EXITS</b>		
pre-tax; cumulative end year 7	£81,799	£81,799
<b>RETURNS AT YEAR 5</b>		
<b>Net returns</b>		
pre-tax	£7,299	£7,299
post-tax	£24,071	£7,299
<b>Internal rate of return (IRR)</b>		
pre-tax	(7)%	(7)%
post-tax	14%	(7)%
<b>Return on investment (ROI)</b>		
pre-tax	29%	29%
post-tax	96%	29%
<b>RETURNS AT YEAR 7</b>		
<b>Net returns</b>		
pre-tax	£54,830	£54,830
post-tax	£71,855	£54,830
<b>Internal rate of return (IRR)</b>		
pre-tax	24%	24%
post-tax	41%	24%
<b>Return on investment (ROI)</b>		
pre-tax	219%	219%
post-tax	287%	219%

The Manager’s intention is to be able to start winding up the Fund during year 5. It may not be in the investors’ interests to liquidate a particular company’s holding in certain circumstances, for example if it was still in high growth or had ‘line of sight’ to a lucrative exit in the following couple of years – so the Fund may be liquidated as a combination of cash and shares in some companies transferred from the Nominee to Investors’ own control. Hence the continued illustration from exits in years 6 and 7. Even so, the returns realised at year 5 may also be attractive. For the investor enjoying full reliefs, a post-tax IRR of 14% and post-tax ROI of 96%. For the investor not qualifying for reliefs, the IRR could be negative and the ROI 29%.

In this section are explanations of the model used for these illustrated returns and the assumptions within it, illustrations for different levels of investment, tax situations and some sensitivity analysis.

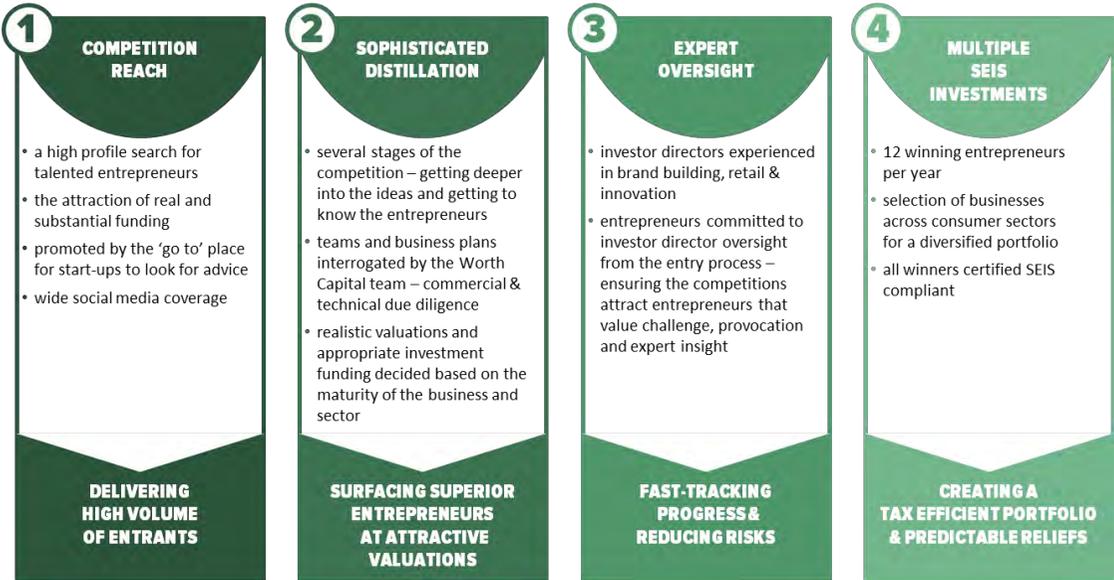
The model is based on investments made in the winning business, i.e. £1.8 million of Fund investments, it does not extend to the discretionary investments made in other companies, i.e. £0.3 million of Fund investments. This is because the timing of those investments is less clear. Discretionary investments will be made only when the Fund Manager believes them to be as attractive or more attractive as investments in winning businesses.

The comprehensive model from which these illustrations are taken is available from Worth Capital for any investor to stress test and to explore different assumptions and scenarios.

### WORTH CAPITAL’S COMPETITION PROCESS

Worth Capital have set out to design the **Start-Up Series** to deliberately help enhance the possibility of increased returns and to reduce the risks of smaller company investment.

Whilst no claim that all seed investments in a portfolio will be successful can credibly be made, Worth Capital consider there are 4 ways that investing in the **Start-Up Series** may improve long term returns across a portfolio of investments.



## RETURNS ILLUSTRATIONS

The nature of seed investing suggests that modelling the expected returns of investing in early stage start-ups will be subject to higher fluctuations than more mature businesses.

Worth Capital have constructed a model to illustrate potential returns:

- taking baseline data from two extensive reports into angel investing:
  - A Nation of Angels, January 2015, published by The Enterprise Research Centre (ERC) and the UK Business Angels Association,
  - Siding with the Angels, September 2009, published by Nesta.
- adding in their experience of raising and investing two funds for two smaller competitions.
- overlaying assumptions about the performance that could be expected from a fund benefiting from the four advantages above.

### Inputs, assumptions & rationale

There are some underlying assumptions in the model, each with clear rationale as explained in the following table of assumptions.

	INPUT or ASSUMPTION	RATIONALE
<b>Subscription</b>	The model assumes a Fund Subscription is apportioned equally between all competition entrants and across 2016/17 fiscal year and 2017/18 fiscal year in line with the competition timetable.	
<b>Company valuations &amp; investments</b>	<p>The modelled average investment in a winning business by the Fund is £150,000.</p> <p>The modelled average pre-money valuation is £500,000.</p> <p>Giving an average equity share of 23.08% following investment.</p>	<p>The Fund's target size will be £2,100,000 being £1,800,000 be invested between 12 winning businesses and £300,000 for other discretionary business investments.</p> <p>Some business may receive an investment of less than £150,000. For example, if a small amount of SEIS funding has already been received by the Portfolio Company. The investment by business will be based on the capital expenditure and the runway needed to further prove the concept before next funding.</p> <p>The valuations will be negotiated for each business. The average is based on experience from competitions run by Worth Capital so far.</p>
<b>Failures</b>	<p>36% of the businesses fail with a total loss.</p> <p>They do so in years 1 to 4 after the investment.</p>	<p>Baselined with the Nesta 'Siding with the Angels' report finding 41% of businesses exited at a total loss (it should be noted this report was in 2009, just following the initial impact of the global financial crisis).</p> <p>This has been reduced to 36% based on the value of the distillation process to weed out poor ideas and entrepreneurs.</p>

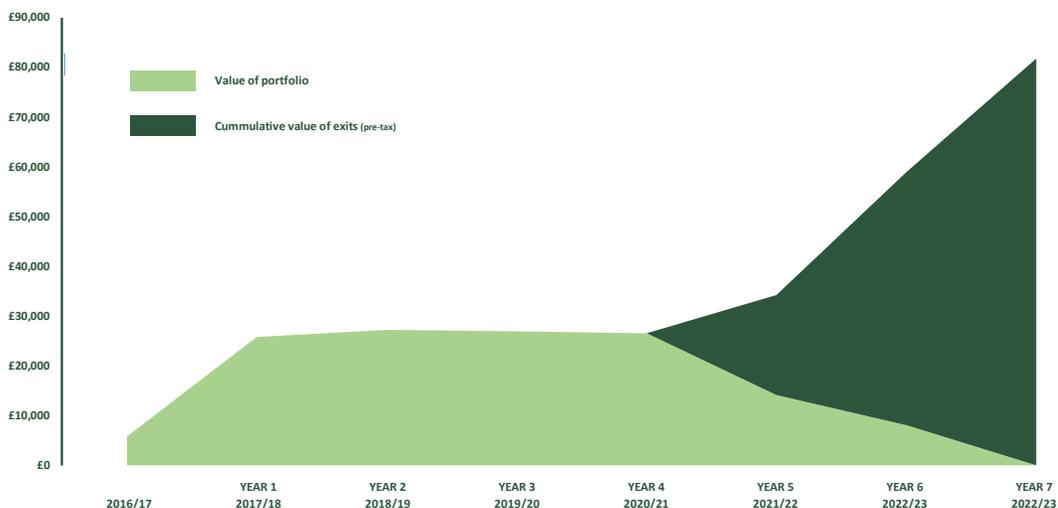
	<b>INPUT or ASSUMPTION</b>	<b>RATIONALE</b>
<b>Exits</b>	<p>48% of companies achieve an exit.</p> <p>Spread across years 5 to 7 of their maturity.</p> <p>Achieving an average exit multiple of 7.8 times (based on a weighted spread from 1 times to 25 times).</p>	<p>Baselined with the Nesta ‘Siding with the Angels’ report finding 44% of businesses exited at ‘substantial’ gains.</p> <p>Corroborated with the ERC ‘Nation of Angels’ report finding investors expected that 76% of their investments would yield a positive return, of which 19% of their investments would yield a 6 to 10 times return and 13% of their investments would yield more than 10 times return.</p> <p>Therefore 48% seems conservative for achieving exit and at very realistic timescales – 5 to 7 years.</p> <p>Extrapolating the ERC report has investors predicting exits at a multiple of 7 times – based on normalising the percentage of respondents and taking the mid-point multiple in the ranges reported.</p> <p>The Fund predicts a slightly more bullish 7.8 times multiple – an increase based on the value of the distillation process, the publicity and the potential to attract ‘big ideas’ into the competition.</p> <p>The underlying figures are shown in appendix C: modelling assumptions &amp; rationale.</p>
<b>Steady growth</b>	<p>16% of the companies grow steadily but do not plan an exit.</p> <p>Growing on average at 14% per annum (based on a weighted spread from 2.5 to 100% growth).</p> <p>These businesses are bound by the terms of their shareholders’ agreement to buy-out investors at year 5.</p>	<p>The number of businesses neither failing or exiting is directly derived from the assumptions above.</p> <p>Growth rate is based on experience and observation. Data in both the Siding with Angels and Nation of Angels reports is ambiguous on growth rates.</p> <p>This number has a very marginal impact on overall returns.</p>

<b>Dividends</b>	No dividends are assumed.	To be prudent the assumption is for businesses to be re-investing cash into growth.
<b>Dilution</b>	No impact of dilution is explicit in the model. Growth and the received value of exits are both modelled both based on uplifts on original valuation which implicitly embrace dilution.	Investors may or may not have pre-emption rights built in which would enable them to maintain their equity percentage in each individual Portfolio Company.
<b>Fees</b>	The model incorporates fees to Investors and Portfolio Companies (see page 52) into the calculations so all returns are post-fees.	
<b>Tax</b>	The model can be run for investors able or not to take advantage of income tax reliefs or CGT re-investment relief.  When income tax is accounted for this is at the highest tax payers' rate charged in the tax year 2016/2017, 45%.  When capital gains tax is accounted for it is at the higher tax payers' non-property rate charged in the tax year 2016/2017, 20%.	Keep the model prudent and conservative.

## Potential flow of returns over 7 years

Based on the assumptions above and to show more detail on the way the numbers in the initial summary table are derived, the following shows the potential movement in the Fund over 7 years for a £25,000 investment where an investor qualifies for full income tax relief and capital gains tax re-investment relief.

TAX YEAR : APRIL TO MARCH	2016/17	YEAR 1 2017/18	YEAR 2 2018/19	YEAR 3 2019/20	YEAR 4 2020/21	YEAR 5 2021/22	YEAR 6 2022/23	YEAR 7 2022/23	TOTAL
<b>INVESTMENT</b>	£6,250	£18,750							<b>£25,000</b>
<b>TAX RELIEFS</b>									
Income tax relief		£3,125	£9,375						<b>£12,500</b>
Capital gains tax re-investment relief	£625	£1,875							<b>£2,500</b>
<b>COMPANIES INVESTED</b>	3 companies	9 companies							<b>12 companies</b>
<b>PORTFOLIO VALUE</b>									
Total companies	3.0 companies	11.8 companies	10.9 companies	9.5 companies	8.2 companies	3.8 companies	1.9 companies		
Equity value	£5,747	£25,812	£27,185	£26,905	£26,595	£14,163	£8,073		
Average equity value in each company	£1,916	£2,184	£2,490	£2,838	£3,235	£3,688	£4,205		
<b>EXITS</b>									
Total companies						0.5 companies	1.9 companies	1.9 companies	<b>4.3 companies</b>
Equity value at disposal						£20,105	£30,847	£30,847	<b>£81,799</b>
Capital gains tax									
Post-tax returns						£20,105	£30,847	£30,847	<b>£81,799</b>
<b>FAILURES</b>									
Loss relief on net investment		0.2 companies	0.9 companies	1.4 companies	1.3 companies	0.5 companies			<b>4.3 companies</b>
		£84	£422	£675	£591	£253			<b>£2,025</b>
<b>VALUE GENERATED</b>									
Portfolio & exits	£5,747	£25,812	£27,185	£26,905	£26,595	£34,268	£59,025		<b>£81,799</b>
Portfolio & exits; net of fees	£5,747	£25,812	£27,185	£26,905	£26,595	£32,299	£57,056		<b>£79,830</b>
Portfolio & exits; net of investment & fees : pre tax	(£503)	£812	£2,185	£1,905	£1,595	£7,299	£32,056		<b>£54,830</b>
Portfolio & exits; net of investment & fees : post tax	£122	£6,437	£17,270	£17,411	£17,776	£24,071	£49,081		<b>£71,855</b>
<b>CASH FLOW : investment &amp; exits</b>									
Investment & exit	(£6,250)	(£18,750)				£20,105	£30,847	£30,847	<b>£56,799</b>
Management fees applied						£1,969			<b>£1,969</b>
Investment & exit net management fees	(£6,250)	(£18,750)				£18,136	£30,847	£30,847	<b>£54,830</b>
Post-tax	(£5,625)	(£13,750)	£9,459	£422	£675	£18,726	£31,100	£30,847	<b>£71,855</b>
<b>INTERNAL RATE OF RETURN ON CASH FLOWS</b>									
Pre-tax						(7.3%)	14.8%		<b>24.2%</b>
Post-tax			(44.0%)	(40.5%)	(33.5%)	14.0%	32.8%		<b>40.6%</b>
<b>RETURN ON INVESTMENT</b>									
Pre-tax	(8.1%)	3.2%	8.7%	7.6%	6.4%	29.2%	128.2%		<b>219.3%</b>
Post-tax	1.9%	25.7%	69.1%	69.6%	71.1%	96.3%	196.3%		<b>287.4%</b>



## Illustration of different investment amounts

Post-tax returns vary based on the cash level of the investment as the tax reliefs available are impacted by qualifying limits.

The following table illustrates potential performance using the same assumptions but with different levels of investment and tax relief qualification.

<b>INVESTMENT</b>	<b>£100,000</b>	<b>£25,000</b>	<b>£10,000</b>
<b>TAX RELIEFS income &amp; capital gains</b>	£60,000	£15,000	£6,000
<b>EXITS pre-tax; cumulative end year 7</b>	£327,196	£81,799	£32,720
<b>RETURNS AT YEAR 5</b>			
<b>Net returns</b>			
pre-tax	£29,195	£7,299	£2,920
post-tax	£96,283	£24,071	£9,628
<b>Internal rate of return (IRR)</b>			
pre-tax	(7)%	(7)%	(7)%
post-tax	14%	14%	14%
<b>Return on investment (ROI)</b>			
pre-tax	29%	29%	29%
post-tax	96%	96%	96%
<b>RETURNS AT YEAR 7</b>			
<b>Net returns</b>			
pre-tax	£219,321	£54,830	£21,932
post-tax	£287,421	£71,855	£28,742
<b>Internal rate of return (IRR)</b>			
pre-tax	24%	24%	24%
post-tax	41%	41%	41%
<b>Return on investment (ROI)</b>			
pre-tax	219%	219%	219%
post-tax	287%	287%	287%

## SENSITIVITY

The assumptions and rationale explained above can be considered realistic. The following are comparisons with more pessimistic and optimistic scenarios; please note that both the pessimistic and optimistic scenarios given below are purely illustrative.

The main drivers of changes in overall returns are the numbers of failing businesses, the number of exits, and the value of the exits. So these have been modelled whilst leaving the other assumptions constant.

<b>INVESTMENT</b>	<b>£25,000</b>		
<b>TAX RELIEFS</b> income & capital gains	£15,000		
<b>PERFORMANCE SCENARIO</b>	<b>PESSIMISTIC</b>	<b>REALISTIC</b>	<b>OPTIMISTIC</b>
<b>PERFORMANCE ASSUMPTIONS</b>			
failures	45%	36%	30%
exits	36%	48%	50%
exit multiple	5.9 times	7.8 times	9.4 times
<hr/>			
<b>EXITS</b> pre-tax; cumulative end year 7	£51,500	£81,799	£103,864
<b>RETURNS AT YEAR 5</b>			
<b>Net returns</b>			
pre-tax	£392	£7,299	£20,470
post-tax	£17,923	£24,071	£36,736
<b>Internal rate of return (IRR)</b>			
pre-tax	(12)%	(7)%	6%
post-tax	11%	14%	26%
<b>Return on investment (ROI)</b>			
pre-tax	2%	29%	82%
post-tax	72%	96%	147%
<b>RETURNS AT YEAR 7</b>			
<b>Net returns</b>			
pre-tax	£24,532	£54,830	£76,895
post-tax	£42,063	£71,855	£93,583
<b>Internal rate of return (IRR)</b>			
pre-tax	14%	24%	31%
post-tax	31%	41%	48%
<b>Return on investment (ROI)</b>			
pre-tax	98%	219%	308%
post-tax	168%	287%	374%

A pessimistic illustration could still produce a positive investment return at year 7:

- IRR post-tax 31% or pre-tax, for an investor not qualifying for reliefs, of 14%,
- ROI post-tax 168% or pre-tax of 98%.

An optimistic illustration may see returns being made earlier as well as being larger than the pessimistic illustration.

- IRR post-tax 48% or pre-tax, for an investor not qualifying for reliefs, of 31%,
- ROI post-tax 374% or pre-tax of 308%.

**These figures above are purely illustrative and are not a forecast.**



# 8 RISKS

Potential investors are recommended to seek independent financial and tax advice before investing.

Seed investment is inherently of a higher risk than other equity and most non-equity investing. Whilst potential returns may be attractive, an investment in the **Start-Up Series SEIS Fund One** is subject to a number of risks and investors should consider carefully whether seed investment is suitable for them.

The risks below have been considered and have had actions put in place to minimise the probability and the impact.

RISK	ACTION TO REDUCE PROBABILITY & IMPACT
<b>Failure</b>	
The Fund invests in very early stage companies. A number of those companies are likely to fail during the life of the Fund, or lose a great deal of their inherent value.	<p>The comprehensive distillation process, including time face to face with the entrepreneurs, is designed to spot these businesses with the best chance of survival and growth.</p> <p>Following the competition, Investor Directors that have the experience of formulating, finessing and executing plans will help the entrepreneurs to set realistic plans and contingencies, and help them to execute against them.</p>
<b>Economic</b>	
Changes in economic conditions including interest rate increases; rapid deflation or inflation, industry conditions and trends are all factors, which can substantially affect the performance of any equity investment. This is particularly so for early stage businesses without the battle scars and experience of trading through volatile economic conditions.	Experienced Investor Directors will help new entrepreneurs to anticipate, plan for and respond to changes in macro-economic conditions.
Investments from the Fund following Closes are likely to be made during a period of financial and economic uncertainty while the UK Government negotiates the UK's exit from the European Union ('Brexit').	There can be no assurance that Brexit-related risks to potential Portfolio Companies can be either quantified or mitigated, before, during or after a 'Brexit'.
<b>Business underperformance</b>	
Investments will only be made on the basis of assessed business plans and forecasts. However, by the very nature of early stage businesses, forecasts can be missed, which could affect the returns expected from and even the viability of a Portfolio Company.	Investor Directors that have the experience of formulating, finessing and executing plans will help the entrepreneurs to set realistic plans and contingencies, and help them to execute against them.
<b>Competition</b>	
Portfolio Companies prepare forecasts based on visibility of their marketplace at a point in time. However, in dynamic fast-paced markets, new competitors can appear quickly and greatly impact on a Portfolio Company's business plan and potentially their viability.	Experienced Investor Directors will help new entrepreneurs to anticipate, plan for and respond to changes in market conditions.

**Liquidity**

The market for shares in a seed company is likely to remain illiquid until the business can achieve a full or partial exit.

No guarantees can be made on the timing or probability of exits.

Whilst the growing popularity of seed investments may create an innovation that creates liquidity across seed investing, this cannot be expected.

SEIS rules require minimum holding periods (currently three years) to achieve the tax reliefs.

There will not be a liquid market for shares in Portfolio Companies in the ***Start-Up Series SEIS Fund One***.

An investor must regard an investment in the ***Start-Up Series SEIS Fund One*** as a long term (5 to 7 years) investment.

The selection of winning companies will take account of exit potential – the entrepreneurs' inclination to exit, the probability of an attractive, sustainable, valuable business being created and the potential purchasers.

Having a portfolio of winning businesses creates a spread of sectors and companies from which some exits are likely to be achieved.

The returns model assumes exits – of a proportion of businesses – across several years. It does not assume early exit or all businesses exiting.

**Information**

Information for determining the value of seed investments and the risks to which they are exposed may not always be as available or as reliable as that for more mature businesses.

Worth Capital will promote good governance and effective reporting.

**Dilution**

Portfolio Companies may from time-to-time require more capital to grow than anticipated. In the case of a capital fund-raising, investors may be diluted unless they take up their pre-emption rights.

All agreements with Portfolio Companies will include pre-emption rights for existing shareholders.

**Tax: SEIS relief legislation**

Future changes in SEIS tax relief could also adversely affect the net performance of investments for individual investors.

Worth Capital are not able to mitigate this risk, but the indications are that SEIS reliefs are set to be in place for at least the period of the current government and very likely beyond – based on the reliefs being introduced in 1994, extended since and regularly being the subject of glowing reviews of the help they give new businesses in raising funds.

**Tax: SEIS relief qualification**

The circumstances of a business may change resulting in the withdrawal of qualification for SEIS reliefs.

To qualify for investment a winning business will have to have SEIS assurance in place and any business that is at the margins of qualification or whose business plan could put it at the margins of qualification will not be selected.

SEIS capital gains tax relief will not be allowed if the business exits within three years.

Worth Capital and the Investor Director that would be appointed in these circumstances, will seek to give existing shareholders the right to remain in any business, even if the entrepreneur exits. However, this will not be to the detriment of a great exit to save the 18% CGT relief.

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**Tax: SEIS relief qualification**

The investment timetable of the Manager may not be achieved, and this may result in the loss of SEIS tax reliefs in a given tax year or, when limits are reached in a given year, reliefs may be lost.

In some circumstances, a delay could cause certain Investors to lose the opportunity to defer gains that occurred more than 3 years before the qualifying investment.

The winners of the first monthly competition will be announced by January 2017 and each month thereafter. It is expected that investments will be made in the first four monthly winners by 05 April 2017 for reliefs to be included in the 2016/17 tax year. This is believed to be an achievable timetable, but should there be a significant due diligence issue an individual company investment may be delayed beyond the end of the tax year.

Investments in the remaining winners will be completed by 05 April 2018 for reliefs to be included in the 2017/18 tax year.



# 9 THE PROMOTER: WORTH CAPITAL

The competition format, and the ‘engine’ of attracting entrants, distilling the entrants and providing oversight of the companies to achieve accelerated growth is operated by Worth Capital Ltd (‘Worth Capital’), a private company co-founded by Paul Soanes and Matthew Cushen and including Paul Soanes and Matthew Cushen as Directors.

Worth Capital have a signed memorandum of understanding with Crimson Startups Ltd (‘Crimson’) for startups.co.uk to be the media partner to Worth Capital. Crimson have committed to extensive editorial coverage and promotional activity to deliver high awareness and to raise the prestige of the series.

A small Worth Capital team will run the ‘engine’ that sits behind competitions - allowing the media & brand partners to be the public faces of the **Start-Up Series** competition. The Promoter of **Start-up Series SEIS Fund One** is Worth Capital Ltd; the Fund Manager is Amersham Investment Management Ltd.

## PAUL SOANES

### Co-founder & Director

An entrepreneur since leaving university, Paul founded iD in 1994, growing it into a top ten UK experiential marketing agency. He subsequently founded Brandspace, Europe’s largest promotional space media agency and returned initial backers 17 x their original investment within 5 years.

He is now a highly experienced seed investor and has invested in over 25 businesses since 2008.

Paul is focused on maximizing the return on investment for **investors**, including:

- selection
- valuation
- technical due diligence
- investor protection
- reporting & annual valuations
- further round funding.

## MATTHEW CUSHEN

### Co-founder & Director

An experienced leader in large businesses – including Kingfisher & John Lewis. Then a retail consultant and subsequently a director of ?What If!, the global innovation consultancy. For 5 years, working across sectors with the leadership teams of business such as IKEA, Tesco, Paddy Power & SABMiller.

An experienced and, so far, successful angel investor in half a dozen businesses.

Matthew’s priority is to release the full potential of **entrepreneurs**, including:

- selection
- commercial due diligence
- strategy & proposition development
- entrepreneur development
- accelerating growth.

## HAYLEY ETHERINGTON

### Business Operations Director

Hayley has 12 years’ experience in strategic client management and relationship development for brand and media partnerships, most recently at a leading marketing agency. She has worked with the Worth Capital founders for over 10 years.

Hayley looks after the value generated by the competitions for **media & brand partners**, including:

- media relations
- PR & publicity
- editorial
- events
- competition operations & output.



# 10 THE FUND MANAGER: AMIM

The Fund Manager is Amersham Investment Management Ltd (AMIM), a specialist investment management firm and fund manager. Founded by two former principals of the Tradepoint Stock Exchange (which as a UK Recognised Investment Exchange in 2001 became, as Virt-x, part of the Swiss Stock Exchange), the firm is authorised and regulated in the UK by the Financial Conduct Authority as an investment manager and fund manager and as an Alternative Investment Fund Manager (AIFM) with FRN 507460.

## PAUL BARNES

### FCCA MCSI, Director

Paul Barnes is a Fellow of the Association of Chartered Certified Accountants. He is also a Member of the Chartered Institute for Securities & Investment.

Paul has wide experience in venture development, financial management and corporate finance and M&A disciplines.

He has been a key member of the teams in the development and admission to the AIM market of both Tristel PLC and Oxford Catalysts PLC, raising substantial funds for both companies, where he served as the Executive Financial Director and in the establishment of Beach Street Ltd, a corporate advisory firm authorised and regulated by the FSA (being the predecessor body to the FCA). He maintains close links with business as a director of a pharmaceuticals company and as a non-executive director of bio-mass/renewables companies, an AIM-listed healthcare business and an internationally based wireless software engineering company listed on the Australian Stock Exchange.

## MICHAEL WALLER-BRIDGE

### Chartered FCSI, MInstP, Director

Michael Waller-Bridge is a Chartered Fellow of the Chartered Institute for Securities & Investment.

Michael worked at the Advanced Systems Group and the Strategic Engineering Unit of the London Stock Exchange between 1986 and 1991 prior to co-founding Tradepoint, Europe's first official electronic equities Stock Exchange where he also served as CEO between 1994 and 1997. Tradepoint was admitted to the AIM market in 1996 and in 2001 became, as Virt-x, part of the Swiss Stock Exchange.

He has worked as an adviser with various ventures including Interactive Investor PLC, an online stockbroker, Sturgeon Ventures LLP, a business incubator and regulatory consultancy, and Pre-X Capital Management, a fund management firm. Michael has a BSc degree in Theoretical Physics (University of Kent) and a Masters in History of Science (Imperial College, London University), followed by an academic year as a Scientific Associate at CERN, the particle physics research organisation. He is a Member of the Institute of Physics, a Founding Member of the World Technology Network and a Member of the Association of Photographers.

## Potential conflicts

The Manager recognise a number of potential conflicts arising from the operation and management of the Fund. This section summarises some of these conflicts.

Essentially, the Manager considers that potential conflicts of interest are most likely to arise under one or more of the headings below:

- Were the Fund to provide additional capital for such an existing investment, the interests of existing investors into such companies and those of this Fund's Investors may differ, for example, with regard to valuation and speed of exit.

Conflicts arising from the Fund's fee structure:

- The interest of the Investors and the Manager may diverge with regard to the desired timing of exits or create an incentive for the Manager to make speculative investments on behalf of the Fund.

Conflicts between the Fund and third party co-investors:

- If there are third party investors in a company other than Investors who have subscribed through this Fund, there may be differing objectives of the Fund and the third party or parties. This would also apply if there were providers of debt capital alongside equity provided through the Fund.

## Allocation policy

Allocation in the Fund is designed to raise and close Subscriptions in tranches over a period of time in order to avoid the Receiving Agent holding Investors' Subscriptions un-invested pending the Fund possibly reaching its total target size. Investments will therefore be made in Portfolio Companies through a 'tranche' approach to Closes. The Manager has adopted the following policy to help ensure that all Investors in the Fund are treated fairly and to manage potential conflicts of interest in respect of investment allocations:

- Investors will have their Subscription monies invested in Portfolio Companies that have met the pre-conditions for investment, as outlined in the Information Memorandum, as soon as practicable in the investment cycle following a Close. This is to help ensure that SEIS reliefs will also be available to the Investors as soon as practicable.
- Where an Investor's Subscription is not invested in its entirety in any tranche resulting in a Close, any surplus shall be retained (unless either requested or offered to be returned to the Investor) for investment in a subsequent tranche of investment.
- Where it deems appropriate, the Manager will exercise discretion under the Investment Management Agreement as to the allocation in any Portfolio Company for any Investor. This means that Investors in the Fund overall may be invested in different companies and not all Investors in the Fund will be invested in all Portfolio Companies nor necessarily, where their investment has been spread over various investment tranches, have the same holdings as other Investors in the Fund.
- In the Event that the Fund is required to consider and where there, subsequently, is a follow-on investment made in a Portfolio Company then any pre-existing Investors with as yet un-invested funds will, where possible, be able to participate in such follow-on investment and any un-invested funds may be allocated, subject to the Manager's discretion, pro rata to Investors who have agreed to invest.
- The Manager has a policy to manage potential conflicts of interest and is committed to allocating investments fairly in tranches in any Fund. However, the Manager retains the right to make allocation decisions at its discretion, which may result in a lower or higher proportional allocation of investments to Investors' portfolios.
- The Manager may also use Investors' funds to make follow-on investments in companies already invested in by earlier portfolios invested by the Manager. Individual Investors' returns from such an investment may differ from those received by earlier Investors, since follow-on investments may be completed on different terms.
- Periodic reports sent to Investors will detail individual Investors' beneficial holdings in Portfolio Companies.

## **Investment conflicts committee**

The Manager proposes to deal with these or any other unanticipated conflicts by tabling any such conflicts or potential conflicts at duly convened meetings of an Investment Conflicts Committee, to be resolved in accordance with the Manager's conflicts policy in relation to the Fund with the Manager's (as the case may be) own proposals as to how such conflicts should be addressed or mitigated. Ultimately, the Manager will exercise its judgment so as to balance the interests of all its clients.

Reference to the Investment Conflicts Committee will be made in the form of a written Information Memorandum from the Manager, which explains the background to the matter, the nature of the conflict or potential conflict and the Manager's provisional proposals for conflict resolution.

The Investment Conflicts Committee will comprise of board members of the Manager and professional advisors where necessary. The Committee may be adjusted to ensure that two of its members will at all times be able to deliberate without being required to excuse themselves on grounds of taint by the conflict in question. Where this is not possible the Manager, at its sole discretion, will be able to appoint other members to the Investment Conflicts Committee, solely to consider a particular matter brought before it.

## **CUSTODIAN & RECEIVING AGENT**

The Fund's Custodian is Woodside Corporate Services Ltd, which is authorised and regulated to hold client money and client assets by the Financial Conduct Authority with firm reference number 467652. Woodside's associate company WCS Nominees Ltd will act as Nominee for the Investors and shares issued by the Portfolio Companies will be held in the name of the Nominee. Between them, the Custodian and its associated companies have been involved with EIS and subsequently SEIS fund administration since 2008 and corporate administration since 1989. It currently administers over 50 EIS or SEIS funds. The Custodian is registered on the Data Protection Public Register with registered number Z2944806.



# 11 APPLICATION

Application Forms for written application are below.

A joint application is not possible but a Spouse may apply separately.

'Know your client (KYC)' and money laundering requirements will need to be satisfied.

The Fund will close to new subscribers upon the Fund reaching £2.1 million. There is no provision for it to oversubscribe.

## Contacts

Please contact the Receiving Agent or, on a policy consideration, the Fund Manager if you have any questions regarding the completion of the Application Form:

<b>Woodside Corporate Services Ltd</b>	<b>Amersham Investment Management Ltd</b>	
Rachel Rudofsky	Paul Barnes	Michael Waller-Bridge
rachel@woodsideseecretaries.co.uk	paul.barnes@amim.co.uk	michael.waller-bridge@amim.co.uk

## Procedure

An Application Form for an individual Investor is below. Joint applications are not permitted. Applicants must complete the Application Form and send it, together with their payment and money laundering verification, to:

Woodside Corporate Services Ltd  
4th Floor 50 Mark Lane London EC3R 7QR

## Method of payment

Payment should be made by:

### 1. Electronic bank transfer to:

Bank name	Metro Bank plc
Account name	WCSL START-UP SEIS 1 CLIENT ACCOUNT
Sort code	23-05-80
Account number	21037435
IBAN	GB29MYMB23058021037435
Payment reference	Investor surname and initials

OR

### 2. Cheque, made payable to: 'WCSL START-UP SEIS 1 CLIENT ACCOUNT'

Payments by cheque should be drawn on an account in the name of the Investor. If this is not practicable and a cheque is drawn by a third party or is a building society cheque or bankers' draft, the Investor's name, address and date of birth should be written on the back of the cheque or bankers' draft and:

- if a building society cheque or bankers' draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
- if a cheque is drawn by a third party, the Investor must ensure that either (1) an Adviser Certificate is provided; or (2) original/certified documentation is provided: one item from each of List A and List B (see below) is enclosed with the Application Form.

## Money laundering verification

It is a condition that applications comply with the Money Laundering Regulations 2007. The Custodian requires verification of identity from each Investor. Pending the provision of evidence satisfactory to the Custodian as to the identity of the Investor and/or any person on whose behalf the Investor appears to be acting, the Custodian may, in its absolute discretion, retain an Application Form lodged by an Investor and/ or the cheque or other remittance relating thereto until verification of identity is received, which may result in delay in dealing with an application and in rejection of the application. The Custodian reserves the right, in its absolute discretion, to reject any application in respect of which it considers that, it has not received evidence of such identity satisfactory to it within a reasonable period. In the event of an application being rejected in any such circumstances, the Custodian reserves the right, in its absolute discretion, but shall have no obligation, to terminate any contract relating to or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited). The submission of an Application Form will constitute an undertaking by the Investor to provide promptly to the Custodian such information as may be specified by it as being required for the purpose of the Money Laundering Regulations 2007.

Each Application Form must be accompanied by either:

### 1. Adviser Certificate

Verification of the Applicant's identity may be provided by means of a 'Confirmation of Verification of Identity' from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or appropriate financial adviser) who is required to comply with the Money Laundering Regulations 2007.

The relevant financial institution or regulated person will be familiar with the requirements and the relevant form. A suitable form is contained in the Adviser Confirmation and Certificate on page 89.

OR

### 2. Original/certified documentation in the form of one item from List A AND one item from List B

#### LIST A: VERIFICATION OF IDENTITY

- Current signed passport
- Current UK Photo Driving Licence
- HM Revenue and Customs Tax Notification
- Firearms Certificate

#### LIST B: VERIFICATION OF ADDRESS

- Recent\* utility bill (but not a mobile telephone bill)
- Recent\* local authority tax bill
- Recent\* bank or building society statement
- Recent\* mortgage statement from a recognised lender

Please send original (not passport or driving licence) or certified copies of the documents.

Copies must be certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. financial adviser or an FCA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy.

\*Recent means dated within the last three months.

## **Minimum Subscription**

The minimum individual Subscription is £10,000, subject to the discretion of the Manager.

There is no maximum Subscription, subject to the overall maximum Fund size being reached. However, Investors should note that there are limits to the amount in respect of which the Investor may claim SEIS Reliefs, further details of which are set out in section 6 of this Information Memorandum.

## **Allocation of applications**

Applications will be dealt with on a first come first served basis and the Manager reserves the right to accept or reject any application at its sole discretion.

## **Data protection**

By signing the Application Form, the Investor hereby confirms that the Investor consents to the use of their personal information as follows. Except as stated in section 21 of the Investment Management Agreement (Appendix D of the Information Memorandum) neither the Custodian nor the Manager will make the personal information provided by the Investor as part of the application to become an Investor in the Fund available to any person or entity outside either the Custodian, Manager or Promoter without the Investor's consent. This personal information will be stored on the Custodian's, Manager's and Promoter's databases. This personal information may be used by the Manager or Promoter to send the Applicant details of new and existing products (including by email) unless the Investor notifies the Manager in writing that it may not be used in this way. The Custodian, Manager and Promoter are registered under the data protection laws of the United Kingdom.



**APPLICATION FORM**

**Personal details**

Title

Forenames

Surname

Date of birth

Telephone

E-mail

Address

Dates at current address

Previous address   
*Required if at current address for less than 3 years*

**Nationality & tax**

Town & country of birth

Nationality UK  Other   
*Please specify country or countries and supply tax reference numbers*

Tax residency

Tax district

Unique tax reference / taxpayer identification number (TIN)

National insurance number





## Country of residence for tax purposes and related Taxpayer Identification Number or functional equivalent ('TIN')

*Note: The term 'TIN' (including 'functional equivalent') means Taxpayer Identification Number or a functional equivalent. In the absence of a TIN, a TIN is a unique combination of letters or numbers assigned by a jurisdiction to an individual or an Entity and used to identify the individual or Entity for the purposes of administering the tax laws of such jurisdiction.*

Further details of acceptable TINs can be found at the following link: <http://www.oecd.org/tax/transparency/automaticexchangeofinformation.htm>

Please complete the following table indicating:

- (i) where the Account Holder is a tax resident;
- (ii) the Account Holder's TIN for each country indicated.

If the Account Holder is tax resident in more than three countries, please use a separate sheet.

If a TIN is unavailable please provide the appropriate reason A, B or C:

- Reason A The country where the Account Holder is liable to pay tax does not issue TINs to its residents.
- Reason B The Account Holder is otherwise unable to obtain a TIN or equivalent number. (Please explain why you are unable to obtain a TIN in the below table if you have selected this reason.)
- Reason C No TIN is required. (Note. Only select this reason if the authorities of the country of tax residence entered below do not require the TIN to be disclosed).

	Country of tax residence	TIN	If no TIN available enter Reason A, B or C
1			
2			
3			

If selecting reason B above, please explain in the following boxes why you are unable to obtain a TIN.

1	
2	
3	

Applications from US Persons or Citizens will be processed only given prior approval by the Fund Manager. If you intend to answer 'yes' to the next question, please contact the Manager prior to proceed with the Application.

If a US tax payer,  
tax identification number

Names of any relative(s) also  
applying to the Fund

*include Spouse, parents,  
grandparents, children and grandchildren*





## Correspondence

Please tick for where you would like the original SEIS certificates sent to:

Yourself

Advisor

Accountant

If nominating your accountant, please provide details:

Firm name

Telephone

Email

Address

## Investor categorisation

I fall into the following category of eligible investor, as set out in the FCA's Conduct of Business Sourcebook (tick as applicable):

Eligible counterparty

Professional client

Retail investor who has received advice

*If applicable, the financial adviser should complete and sign below*

Or, as a person for whom suitability or appropriateness has been assessed *the financial adviser should complete and sign below*

Certified high net worth investor

Certified sophisticated investor

Self-certified sophisticated investor

Certified restricted investor





## Adviser details & anti-money laundering certificate

Contact	<input type="text"/>
Firm name	<input type="text"/>
Telephone	<input type="text"/>
E-mail	<input type="text"/>
Address	<input type="text"/>
Firm FCA number	<input type="text"/>

## Adviser confirmation & certificate

We confirm that the Investor is a customer of our firm.

We certify that we have confirmed the identity of the Investor and verified the details given above on the basis of documents, data and information obtained from a reliable and independent source. The evidence that we hold meets the standard required by The Money Laundering Regulations 2007 and set out within the guidance for the UK financial sector issued by the Joint Money Laundering Steering Group. We certify that we have obtained information on the purpose and intended nature of the Investor's proposed investment in the Start-Up Series SEIS Fund One and we are satisfied that this investment is being made for bona fide legitimate purposes and not to conceal the proceeds of crime.

We confirm that *tick as applicable*

We have advised the Investor named above on their proposed investment in Start-Up Series SEIS Fund One and that we have satisfied the criteria in COBS 9 of the FCA Handbook.

Or

We have reviewed the appropriateness of the proposed investment in Start-Up Series SEIS Fund One for the Investor named above and have complied with the rules in COBS 10 of the FCA Handbook or equivalent requirements.

We consent to Amersham Investment Management Ltd and Woodside Corporate Services Ltd relying on this Certificate.

Signature  
of Adviser

Name  
*printed*

Date





## Identification

If an adviser has not provided a Confirmation of Verification of Identity, please enclose a certified copy of 2 pieces of identity - one from List A and one from List B below.

Copies must be certified as a true copy of the original document with confirmation that the photograph is a likeness. Documents may be certified by a professional authorised to sign such documents e.g. solicitor with a current UK practicing certificate, a qualified accountant or an FCA authorised individual.

### LIST A: VERIFICATION OF IDENTITY

- Current signed passport
- Current UK Photo Driving Licence
- HM Revenue and Customs Tax Notification
- Firearms Certificate

### LIST B: VERIFICATION OF ADDRESS

- Recent\* utility bill (but not a mobile telephone bill)
- Recent\* local authority tax bill
- Recent\* bank or building society statement
- Recent\* mortgage statement from a recognised lender

Please send original (not passport or driving licence) or certified copies of the documents.

\*Recent means dated within the last three months.

*We reserve the right to request additional documentary evidence.*

## Subscription to the Fund

Subscription

£

*minimum £10,000  
unless otherwise agreed  
by the Manager*

Payment method *tick one*

by transfer

by cheque

Transfers are payable to:

Bank name	Metro Bank plc
Account name	WCSL START-UP SEIS 1 CLIENT ACCOUNT
Sort code	23-05-80
Account number	21037435
IBAN	GB29MYMB23058021037435
Payment reference	Investor surname and initials

Cheques are payable to:

WCSL START-UP SEIS 1 CLIENT ACCOUNT





## Distributions

Please provide details of the personal bank account to which you would like any distributions credited.

Account name

Bank name

Sort code

Account number

## Cancellation rights

There is a limited period during which you have the right to cancel your investment. If you wish to exercise this right to cancel, you must notify the Receiving Agent (Woodside Corporate Services Ltd, 4th Floor, 50 Mark Lane, London, EC3R 7QR) in writing within 14 days of their written acknowledgment of your application.

## Investment reporting

The Manager will provide you with a periodic statement every 6 months, as detailed in the Information Memorandum.

## Data protection

By providing personal information as part of your application and by signing this Application Form, you hereby confirm that you consent to the use of your personal information.

Please note the Custodian, Manager and Promoter are registered under the Data Protection Act 1998. All data which you provide to the Receiving Agent and Custodian, the Manager, the Promoter and your authorised finance adviser (as appropriate) will be held by the relevant party subject to the Data Protection Act 1998.

The relevant parties will pass your personal data to each other and to other parties insofar as is necessary in order for them to provide their services as set out in this agreement and to the FCA and any regulatory authority which regulates them and in accordance with all other applicable laws.

Please indicate if your personal information may be used by the Manager or Promoter to send you details of new and existing products (including by email). Your permission may be withdrawn at any time by notifying the relevant organisation in writing that it may no longer be used in this way.

Yes

No





## Declaration / Terms & Conditions

1. I wish to invest the amount entered in the Total Subscription box in the Application Form in the Start-up Series SEIS Fund One (the 'Fund') subject to the terms set out in the Investment Management Agreement in Appendix Two of the Application Form and Anti-Money Laundering Certificate section of the Information Memorandum. In relation to my investment in the Fund, I appoint Amersham Investment Management Ltd to be the Manager on the terms set out in the Investment Management Agreement.
2. I wish to seek SEIS tax reliefs for my investment.
3. I am applying on my own behalf.
4. I agree to notify the Manager if any investment is made in a Company with which I am connected, as defined in Sections 166, 167, 170 and 171 of the Income and Taxes Act 2007 (ITA 2007).
5. I agree to notify the Manager if I become connected with a Portfolio Company or receive any monetary value from such Portfolio Company.
6. I have read the Information Memorandum and the Investment Management Agreement. I have understood and agree to be bound as a party to the terms of the Investment Management Agreement and authorise the Manager to enter into a Custodian Agreement on my behalf.
7. I acknowledge and accept that the Manager has discretion to apportion my Subscriptions between Portfolio Companies, which are Qualifying Companies for SEIS purposes.
8. I have read this Application Form and I confirm that I have provided information on my personal and financial circumstances, which is true and accurate at the date of this Application Form.
9. I confirm that such information will be true and accurate at the date upon which this Application Form is accepted by the Manager. I understand that the Manager may decline to act on my behalf in the event that the information provided is incomplete.
10. I confirm that I as the underlying Investor and/or my independent financial adviser, have read the risks described in the Information Memorandum and I am aware that this is a high risk investment as the underlying investments are illiquid and that I may not get all of my initial investment back.
11. I will notify the Manager if the information on my personal and financial circumstances as provided in this Application Form changes to an extent that it may impact upon the appropriateness for me of investing in the Fund.
12. I have advised the Receiving Agent/Custodian and Manager if I am a person who is subject to professional rules preventing me from making investments in particular Qualifying Companies.
13. I consent to the Manager's dealing and best execution arrangements and provide my express consent that, on occasions when the Manager passes an order to another party for execution, the counterparty may execute the trade outside a regulated market or exchange or multi-lateral trading facility and may not publish any unexecuted client limit orders.
14. I agree and acknowledge that where the Manager is required by the FCA Rules to provide information to me, such information may be provided by means of the Manager's website should the Manager so decide.
15. I acknowledge that my personal information will be used as set out in the Information Memorandum and Investment Management Agreement.
16. I acknowledge that the Manager cannot control the timing of the issue of SEIS certificates and, depending on the timing also of the applications made to HMRC by the Portfolio Companies after investment by the Fund, any such certificates may not be available for distribution before the end of the relevant tax year.
17. I confirm and warrant that I am not a 'US Person' as defined in the United States Securities Act of 1933, as amended, nor a resident of Canada, Australia or Japan and that I am not making this application with a view to the offer, sale or delivery of any security to or for the benefit of any US person or a resident of Canada, Australia or Japan.
18. I confirm that I am not a US citizen and do not possess a US 'Green Card', I was not born in the USA, I do not have a US residence or use a US correspondence address or telephone number, I do not have instructions to transfer funds into a US bank account or directions regularly received from a US address, I do not have an 'in care of' or 'hold mail' address in the USA that is my sole address and I have not granted a power of attorney or signatory authority to a person with a US address or telephone number.





## Authorised Financial Adviser charges

I hereby instruct the Fund Manager to set aside the amount as indicated below from my investment Subscription and to facilitate the payment to my authorised financial adviser on my behalf at the relevant time. Please insert the amount in details below.

figures

words

Please insert amount, which must be in pounds sterling and inclusive of VAT if any.  
If there is no adviser charge, please state 'nil' on both lines above.

By signing this Application Form, you also confirm that you understand that:

- the amount set aside from my Subscription in connection with the fees (if any) stated above will not be invested in the Fund and will not benefit from SEIS Relief;
- if your adviser's fee includes VAT, you will remain liable for the VAT element, even where arrangements have been made to make and pay the deduction mentioned above; and
- any indication of illustrative possible returns stated and included in the Information Memorandum are based on amounts invested in the Fund after the setting aside of any such fees.

## Authorised Financial Adviser's bank details

Account name

Bank

Account number

Sort code

## Agreement

Signature of  
Investor

Date

Please send this completed Application Form and the identity documentation described above to:

Woodside Corporate Services Ltd  
4th Floor  
50 Mark Lane  
London  
EC3R 7QR





## **APPENDICES**



# A PARTIES

## Promoter

Worth Capital Ltd  
503 Highgate Studios  
53–79 Highgate Road  
London  
NW5 1TL

## Fund Manager

Amersham Investment Management Ltd  
25 Lexington Street  
London  
W1F 9AH

## Custodian & Receiving Agent

Woodside Corporate Services Ltd  
4th Floor  
50 Mark Lane  
London  
EC3R 7QR

## Solicitors

Maclay Murray & Spens LLP  
One London Wall  
London  
EC2Y 5AB

## Taxation Adviser

Haslers Chartered Accountants  
Old Station Road  
Loughton  
Essex  
IG10 4PL

## **B** DEFINITIONS

Unless the context otherwise requires, words and expressions used in this Information Memorandum shall have the following meanings:

<b>AMIM</b>	The Fund Manager, Amersham Investment Management Ltd, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority with firm reference number 507460
<b>Application Form</b>	the application to become an Investor in the Fund, and so be bound by the Investment Management Agreement
<b>CGT</b>	capital gains tax
<b>Close</b>	the closing by the Manager of a round of Subscriptions in the Fund and the release of those Subscriptions for investment in Qualifying Companies as set out in the Information Memorandum or as otherwise determined by the Manager
<b>Closing Date</b>	in respect of a Fund means an Interim Closing Date or the Final Closing Date as the context may require
<b>Crimson</b>	Crimson Startups Ltd, a specialised digital and events publisher producing information and content for entrepreneurs across their platforms which include startups.co.uk and others. Crimson have entered into a memorandum of understanding with Worth Capital to promote the competition across their platforms and may sell sponsorship to the Start-Up Series competition
<b>Custodian</b>	such person as the Manager may appoint to provide, and with whom it has agreed terms for, safe custody and custodian and nominee services in respect of the Fund being at the date of this Information Memorandum, Woodside Corporate Services Limited which is authorised and regulated by the Financial Conduct Authority with firm reference number 467652
<b>FCA</b>	the Financial Conduct Authority or any successor body or bodies thereto
<b>FCA Rules</b>	the FCA Handbook of Rules and Guidance
<b>Final Closing Date</b>	the final date upon which the Manager will undertake a Close. The Final Closing Date may be extended or brought forward at the discretion of the Manager
<b>FSMA</b>	Financial Services and Markets Act 2000 (as amended)
<b>Fund</b>	Start-Up Series SEIS Fund One
<b>Fund Manager, Manager</b>	Amersham Investment Management Ltd, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority with firm reference number 507460
<b>HMRC</b>	Her Majesty's Revenue & Customs
<b>IHT</b>	inheritance tax
<b>IHT Relief</b>	100% business property relief which reduces the IHT liability on the transfer to nil
<b>IHTA 1984</b>	Inheritance Tax Act 1984
<b>Information Memorandum or Memorandum</b>	this document dated 29 September 2016
<b>Interim Closing Date</b>	a date on which the Manager will undertake a Close before the Final Closing Date. An Interim Closing Date may be extended or brought forward at the discretion of the Manager

<b>Investment Management Agreement</b>	the agreement to be entered into between each Investor and the Manager
<b>Investor</b>	an individual (and certain trustees or corporates) who completes an Application Form which is accepted by the Custodian and so enters into the investment management agreement and invests into the Fund
<b>Investor Director</b>	a director appointed to the board of a Portfolio Company, either Paul Soanes, Matthew Cushen or an alternatively qualified individual agreed by the Fund Manager and the Portfolio Company
<b>ITA 2007</b>	Income Tax Act 2007
<b>Non-Readily Realisable Investment or Non-Readily Realisable Security</b>	an investment in non-readily realisable securities, in which the market is limited or could become so; they can be difficult to deal in and it can be difficult to assess what would be a proper market price for them
<b>Nominee</b>	such nominee as the Custodian may appoint to act as the Investor's nominee in respect of investments held in the Portfolio Companies from time to time
<b>Offer</b>	the offer for Subscriptions in the Fund set out in this Information Memorandum
<b>Portfolio Company</b>	a competition winner in the Start-Up Series Competition and a company in which the Fund invests
<b>Promoter</b>	Worth Capital Limited
<b>Qualifying Company</b>	a company meeting the requirements for SEIS relief
<b>Qualifying Trade</b>	a trade which qualifies for SEIS tax relief
<b>Readily Realisable Investment</b>	a government or public security denominated in the currency of the country of its issuer or any other security which is admitted to Official Listing on an Exchange in an EEA State; regularly traded on or under the rules of such an Exchange; or regularly traded on or under the rules of a recognised investment exchange or (except in relation to unsolicited real time financial promotions) designated investment exchange, or a newly issued security which can reasonably be expected to fall within the above categories when it begins to be traded. Note that this term does not include AIM, ISDX (formerly PLUS and OFEX), or Sharemark trades investments, nor does it include unlisted securities
<b>Receiving Agent</b>	such person as the Manager may appoint to receive applications, at the date of this Information Memorandum Woodside Corporate Services Limited which is authorised and regulated by the Financial Conduct Authority with firm reference number 467652.
<b>Registered Intermediary</b>	an Independent Financial Adviser or other suitably qualified professional, regulated by the FCA for the conduct of business, who is responsible for advising an Investor
<b>SEIS</b>	Seed Enterprise Investment Scheme
<b>Spouse</b>	husband or wife or civil partner
<b>Subscription</b>	the amount subscribed to the Fund, as set out in the Application Form
<b>Three Year Period</b>	the period beginning on the date the relevant shares in the Portfolio Companies are issued and ending three years after that date, or three years after the commencement of each Portfolio Company's trade, whichever is later
<b>Worth Capital</b>	Worth Capital Limited, a private company registered in England Wales with company number 09157995 whose address is 503 Highgate Studios, 53-79 Highgate Road, London NW5 1TL and whose registered office is at New Derwent House, 69-73 Theobalds Road, London WC1X 8TA

Words used in this Information Memorandum denoting any gender should be read as including all genders, all words denoting persons shall include individuals, trusts and limited companies and all words denoting the single shall include the plural and vice versa.

# C

## MODELLING ASSUMPTIONS & RATIONALE

The 'realistic' scenario used in most of the illustrations in this document uses the following assumptions.

### COMPANIES FAILING

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
6%	12%	12%	6%				36%

### COMPANIES EXITING

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
				16%	16%	16%	48%

### VALUE OF A COMPANY AT EXIT (MULTIPLE OF INVESTMENT)

	Exits	Multiple
very high value generation	5%	25 times
high value generation	15%	15 times
solid business	30%	10 times
exit gracefully	37%	3 times
exit poorly	10%	1 times
weighted average		7.8 times

### AVERAGE GROWTH IN VALUE OF COMPANIES INVESTED

	Comp- anies	Annual growth
very high value generation	3%	100%
high value generation	17%	30%
solid business	50%	10%
market growth	30%	3%
weighted average		14.0%

# D INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (the 'Agreement') sets out the agreement between the Manager and the Investor in respect of the discretionary portfolio service in which that Investor makes an investment (the 'Fund'). This Agreement applies separately to each investment made by the Manager under the terms of this Agreement, which will constitute a 'Portfolio'. Upon acceptance of a signed Application Form, this Agreement will constitute a binding agreement between the Manager and you the Investor.

## 1. Definition construction & interpretation

### 1.1 The following terms shall have the following meanings in this Agreement:

'Applicable Laws': All relevant UK laws, regulations and rules, including those of any Government or of the FCA;

'Application Form': An application form to invest in a Fund completed by the Investor in the form provided by the Manager;

'Close': The closing by the Manager of a round of Subscriptions in the Fund and the release of those Subscriptions for investment in Qualifying Companies as set out in the Information Memorandum or as otherwise determined by the Manager;

'Closing Date': In respect of a Fund means an Interim Closing Date or the Final Closing Date as the context may require;

'Custodian': Such person as the Manager may appoint to provide, and with whom it has agreed terms for, safe custody and custodian and nominee services in respect of the Fund being at the date of this Information Memorandum, Woodside Corporate Services Ltd. which is authorised and regulated by the Financial Conduct Authority with firm reference number 467652;

'FCA Rules': The rules contained in the FCA's Handbook of Rules and Guidance;

'Final Closing Date': The final date upon which the Manager will undertake a Close. The Final Closing Date may be extended or brought forward at the discretion of the Manager;

'Initial Period': In respect of a Fund, the period of twelve months commencing on the relevant Closing Date;

'Interim Closing Date': A date on which the Manager will undertake a Close before the Final Closing Date. An Interim Closing Date

may be extended or brought forward at the discretion of the Manager;

'Investment': An investment acquired for a Fund.

'Investment Objective': The investment objective for a Fund as set out in the Information Memorandum;

'Investment Restrictions': The investment restrictions for a Fund as set out in the Information Memorandum;

'Investor': A person who is accepted by the Manager and so enters into an Investment Management Agreement and invests through the Fund;

'Manager' or "Fund Manager": Amersham Investment Management Ltd, a firm authorised and regulated by the Financial Conduct Authority under firm reference number 507460;

'Non-Readily Realisable Investment': An investment in non-readily realisable securities (as defined by the FCA) in which the market is limited or could become so; they can be difficult to deal in and it can be difficult to assess what would be a proper market price for them;

'Qualifying Company': A company which meets the requirements for SEIS relief;

'Readily Realisable Investment' : A government or public security denominated in the currency of the country of its issuer or any other security which is: admitted to Official Listing on an Exchange in an EEA State; regularly traded on or under the rules of such an Exchange; or regularly traded on or under the rules of a recognised investment exchange or (except in relation to unsolicited real time financial promotions) designated investment exchange, or a newly issued security which can reasonably be expected to fall within the above categories when it begins to be traded. Note that this term does not

include AIM, ISDX (formerly PLUS and OFEX), or Sharemark trades investments, nor does it include unlisted securities;

‘Registered Intermediary’: The Independent Financial Adviser or other suitably qualified professional, regulated by the FCA for the conduct of business. The IFA is responsible for the client;

‘SEIS’: The Seed Enterprise Investment Scheme;

‘SEIS Relief’: Relief from various UK personal taxes under the SEIS;

‘Services’: The services provided under Clause 4 of this Agreement;

‘Tax Advantages’: The various tax advantages, including SEIS Relief, arising from subscriptions for shares in SEIS Qualifying Companies.

1.2 Words and expressions defined in either the Information Memorandum or the FCA Rules which are not otherwise defined in this Agreement shall, unless the context otherwise requires, have the same meaning in this Agreement.

1.3 Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules and regulations as from time to time amended, re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.

1.4 References to the singular only shall include the plural and vice versa.

1.5 Unless otherwise indicated, references to Clauses shall be to Clauses in this Agreement.

1.6 Headings to Clauses are for convenience only and shall not affect the interpretation of this Agreement.

## 2. Investing in the Fund

2.1 This Agreement comes into force on the date that the Custodian accepts the Investor’s Application Form and monies are subscribed to the Fund.

2.2 This Agreement enables the Investor to invest in a Fund.

2.3 Where the Investor submits an Application Form which is accepted, and then the Investor makes a Subscription, the Investor thereby appoints the Manager, once the target

minimum subscription size of £2,100,000 has been received in aggregate (or such other amount as determined in the Manager’s discretion in accordance with the Information Memorandum), to fulfil its role in managing the portfolio of investments (the ‘Portfolio’) for the Investor on the terms set out in this Agreement. The Manager agrees to accept its appointment and obligations on the terms set out in this Agreement.

2.4 The Manager is authorised and regulated by the Financial Conduct Authority. The Manager is a company registered in England and Wales under company number 06974140 and with a registered address at 25 Lexington Street, London W1F 9AH. The FCA’s registered address is 25 The North Colonnade, London E14 5HS. This Agreement is supplied to you in English and the Manager and Custodian will continue to communicate with you in English for the duration of this Agreement.

2.5 If the Investor has been categorised as a Retail Client by their Registered Intermediary, then the Investor has the right to request a different client categorisation. However, if the Investor does so and if the Registered Intermediary agrees to such categorisation the Investor will lose protections afforded by certain FCA Rules.

This may include, but may not be limited to:

2.5.1 the Investor will not be given any of the additional disclosures required to be provided to Retail Clients (for example on costs, commissions, fees and charges, foreign exchange conversion rates and information on managing investments);

2.5.2 where the Manager provides the Investor with investment advice, the Manager is entitled to assume that the Investor has the requisite knowledge and experience to understand the risks involved and that they are able financially to bear any investment risk consistent with their investment objectives;

2.5.3 the Manager is entitled to assume that the Investor has the necessary level of experience and knowledge to understand the risks involved in relation to any investment, service, product or transaction contemplated by the Information Memorandum;

2.5.4 the FCA Rules impose detailed requirements on financial promotions directed at Retail Clients. Promotions directed at Professional Clients are simply subject to the high level requirement that they are fair, clear and not misleading;

- 2.5.5 if the Manager was to hold money on behalf of a Retail Client the Manager would have to notify the client of whether interest is payable (which is not required for Professional Clients); and the Manager would not be able to transfer the money to a third party without notifying a Retail Client and without explaining who is responsible for that third party's actions or omissions, and the consequences where that third party becomes insolvent;
- 2.5.6 if the Manager was to manage client assets, the Manager would be obliged to provide Retail Clients with more detailed information periodically. A Retail Client has a right to a periodic statement every three months, rather than every six months for a Professional Client;
- 2.5.7 where the Manager places Investor's orders with third parties for execution, the factors taken into account in obtaining the best possible execution result for a Professional Client will differ to those for a Retail Client. It should be noted that Professional Clients can no longer opt out of best execution; and
- 2.5.8 only Retail Clients are entitled to claim compensation under the Financial Services Compensation Scheme.
- 2.6 The Investor confirms that he/she is suitably knowledgeable of the risks associated with Non-Readily Realisable Investments and/or has been suitably advised of these risks.
- 2.7 The Investor confirms that he/she is not seeking advice from the Manager on the merits of any investment into a Fund.
- 2.8 The Investor agrees that the Manager may hold information about them and their affairs in order to verify their identity and financial standing (among other things the Manager may consult a credit or mutual reference agency, which may retain a record of the enquiry).
- 2.9 Anti-money laundering regulations aim to prevent criminal property being used or disguised as legitimate wealth. To satisfy these regulations the Investor may have to produce satisfactory evidence of their identity before their Application Form can be accepted, and from time to time thereafter. This identification process is designed to assist in the prevention of crime within the financial services industry. If the Investor does not provide the information when requested, the Custodian and the Manager may be unable to accept any instructions from them or provide them with any services.
- 2.10 Following receipt of an Application Form, the Custodian will write to the Investor acknowledging the application. If the Investor wishes to exercise his or her right to cancel, the Investor must notify the Custodian in writing within 14 days of receipt of that form, by writing to the Custodian at its address.
- 2.11 If the Investor exercises his or her cancellation rights, the Custodian shall refund any monies paid by the Investor less any charges the Manager has already incurred for any service undertaken in accordance with the terms of the Agreement. The Custodian is obliged to hold the Investor's investment monies until its money checks have been completed to its satisfaction.
- 2.12 The Manager shall procure that the Custodian endeavours to arrange the return of any such monies as described at Clause 2.11 as soon as possible (but in any event, not more than 30 days following cancellation). The Investor will not be entitled to interest on such monies.
- 2.13 If the Investor does not exercise this right to cancel within the requisite time period, the Investor will still be entitled to exercise his or her right under Clause 14 below to terminate this Agreement, which is a separate right.
- 2.14 The right to cancel under the FCA Rules does not give the Investor the right to cancel/terminate/reverse any particular investment transaction executed for the account of the Investor before cancellation takes effect.
- ### 3. Subscriptions
- 3.1 In respect of the Investor's Subscription:
- 3.1.1 the Investor shall make a Subscription of not less than £10,000 (unless otherwise agreed by the Manager in its sole discretion) to the Fund at the same time as submitting his/her Application Form to invest;
- 3.1.2 the Investor may make further Subscriptions to a Fund up to and including the Final Closing Date
- 3.1.3 The total Subscriptions made to a Fund by the Investor shall be the initial value of the Investor's Portfolio in that Fund; and
- 3.1.4 The Investor may not make any Subscription after the Final Closing Date.
- 3.2 The Investor may make a withdrawal of his/her Portfolio, or terminate the Agreement, pursuant to Clause 14 below. In the case of

there being excess Subscriptions to a Fund which are not, in the Manager's view, capable of being invested appropriately in accordance with the Investment Objective and the Investment Restrictions within the Initial Period, the Investor shall be deemed to have instructed the Manager to make a partial withdrawal from that Fund immediately prior to the end of the Initial Period, such that the Fund thereafter has at least 100% of the Subscriptions to the Fund invested as at the end of the Initial Period and (unless the Manager, at its discretion, determines to return such excess Subscriptions) to have instructed the Manager to treat such sums withdrawn as new Subscriptions to a subsequent fund as determined by the Manager and notified by the Manager to the Investor (such instructions shall be subject to any such further instructions as are set out in the Investor's Application Form or as agreed with the Investor). The Investor's Application Form to subscribe to a Fund shall be deemed to be an Application Form, repeated in similar terms, for any subsequent fund to which excess Subscriptions are diverted pursuant to the terms of this clause.

- 3.3 Subscriptions received shall be deposited in a client account operated by the Custodian pending investment. Any interest that may be paid on such deposits will be retained by the Custodian.

#### **4. Services**

- 4.1 The Manager will manage the Fund as from the receipt of each Application Form, and minimum aggregate total Subscriptions of £600,000 being invested in the Fund (or such other amount as determined in the Manager's discretion in accordance with the Information Memorandum) on the terms set out in this Agreement. The Manager will exercise all discretionary powers in relation to the selection of, or exercising rights relating to, Investments of a Fund on the terms set out in this Agreement. The Manager will also arrange for the Custodian to provide safe custody services in relation to Portfolio Investments and cash.
- 4.2 The Manager shall not, however, except as expressly provided in this Agreement or unless otherwise authorised, have any authority to act on behalf of, or in respect of, the Investor or to act as the agent of the Investor.

#### **5. Investment objectives & restrictions**

- 5.1 In performing its Services, the Manager shall have regard to, and shall comply with, the Investment Objective and the Investment Restrictions.
- 5.2 In performing its Services, the Manager shall at all times have regard to:
- 5.2.1 the need for the Fund to attract the Tax Advantages; and
- 5.2.2 all applicable laws.
- 5.3 The Manager reserves the right to return a small surplus of cash if it concludes that it cannot be properly invested for the Investor and it considers this to be in the best interests of the Investor having regard to availability of SEIS Relief for the Investor.
- 5.4 In the event of a gradual realisation of Investments prior to termination of the Fund under Clause 14.1, the cash proceeds of realised SEIS Investments may be placed on deposit (in an interest bearing client account) or invested in government securities or in other investments of a similar risk profile. Any interest paid on such deposits will be payable to the Investor.

#### **6. Terms applicable to dealing**

- 6.1 The Investor should be aware that the Fund will be invested in a range of unlisted securities and that, although some may be traded on AIM or ISDX, there is generally no relevant market or exchange, and consequent rules and customs and there will be varying practices for different securities. Transactions in shares of such securities will be effected on the best commercial terms which can be secured.
- 6.2 Where deals are aggregated with other SEIS Investors in the Fund, the number of shares in a Portfolio Company held as an Investment allocated to the Investor shall be usually calculated with reference to the proportion which the Investor's Subscription of a Fund applied to such share purchase bears to the total Subscriptions by all Investors in that tranche of the Fund at that time, provided that Investors shall not have fractions of shares. Variations may be allowed by the Manager, including variations to prevent Investors having fractions of shares but only in circumstances in which there are minor variations. If one or more of the Investors in a Fund is an accountant, lawyer or other

- professional person who is subject to professional rules preventing him from making an investment in a particular Portfolio Company, then the number of shares so allocated to that Investor or Investors shall not be taken up for the Fund and the cash value of such shares shall be returned to such Investor, such that the number of shares so allocated to other Investors in that Fund shall not be increased. Investments may be made by the Fund prior to a Closing Date.
- 6.3 Subject to both the FCA Rules and the Manager's conflicts of interest policy (a summary of which is included at Schedule 2 of this Agreement) the Manager may make use of dealing commission arrangements in respect of deals undertaken for the Fund as may be disclosed to the Investor from time to time.
- 6.4 Subject to both the FCA Rules and the Manager's Portfolio Management Policy (at Schedule 1 of this Agreement) the Manager will act in good faith and with due diligence in its choice and use of counterparties but, subject to this obligation, shall have no responsibility for the performance by any counterparty of its obligations in respect of transactions effected under this Agreement.
- 6.5 The Manager may aggregate your transactions with those of other customers and of its employees in accordance with the FCA Rules. It is likely that the effect of such an allocation will not work to the Investor's disadvantage; however, occasionally this may not be the case. The Manager will allocate aggregated transactions promptly on a fair basis in accordance with the requirements of the FCA Rules.
- 6.6 Any option which the Manager has to subscribe for shares in any Portfolio Company in which the Fund has invested shall not be capable of assignment except to an employee of the Manager within three years from the date on which the Investment is made.
- 6.7 As an FCA authorised firm, the Manager is required to take all reasonable steps to obtain the best possible result on behalf of clients when placing orders for execution that result from decisions by the Manager. Set out in Schedule 3 is the Manager's summary of its policy in respect of this requirement. Where applicable, the Manager's decisions will normally be executed by the Custodian in accordance with its Execution Policy.
- 7. Reports & information**
- 7.1 The Manager shall supply such further information which is in its possession or under its control as the Investor may reasonably request as soon as reasonably practicable after receipt of such request.
- 7.2 The Manager shall provide the Investor with a periodic statement once every six months in respect of each Fund. The Investor may request in writing that the Manager provide a periodic statement every three months.
- 7.3 Reports will include a measure of performance in the later stages of each Fund once valuations are available. Any statements, reports or information so provided by the Manager will state the basis of any valuations of investments provided.
- 8. Fees & expenses**
- The Manager shall receive fees for its Services, and reimbursements of their costs and expenses, as set out in the Information Memorandum.
- 9. Management & Custodian obligations**
- 9.1 The Manager shall devote such time and attention and have all necessary competent personnel and equipment as may be required to enable it to provide the Services properly and efficiently, and in compliance with the FCA Rules.
- 9.2 Except as disclosed in any Information Memorandum issued in relation to a Fund and as otherwise provided in this Agreement (for example on early termination), the Manager shall not take any action which may prejudice the tax position of the Investor insofar as it is aware of the relevant circumstances, and in particular which may prejudice obtaining the Tax Advantages for the Fund Investments.
- 9.3 The Custodian will deal with Investors' money and shares in accordance with the client money and client asset regulations set out in the FCA Handbook. The Manager may instruct the Custodian to hold Investors' un-invested cash in a client bank account pending investment. The Custodian will not pay interest on money held in its client bank account unless it notifies Investors (through the Manager) otherwise.
- 9.4 The Manager will also appoint the Custodian to provide safe custody services in respect of Investors' shares.

- 9.5 Under the Custodian Agreement, the Custodian shall treat the Manager, acting as agent for the Fund, as its client for the purposes of FCA Rules.
- 9.6 Assets held on behalf of the Fund, including investment certificates, will be registered in the name of the Custodian's nominee company.
- 9.7 The Manager and the Custodian will, in accordance with legislation and regulations, keep records to show that each Investor is the beneficial owner of the relevant assets.
- 9.8 The Investors or the Manager shall pay or reimburse the Custodian from time to time on demand for any transfer taxes payable upon transfers, exchanges or deliveries of securities made under the custodian agreement in accordance with the Information Memorandum.
- 9.9 The Investor authorises the Custodian to deduct from any cash received or credited to the Investor's account, any amount of taxes or levies required by any revenue or governmental authority for whatever reason in respect of the Investor's accounts.
- 9.10 The Manager shall have discretion to instruct the Custodian to exercise the voting and other rights attaching to the Investments comprising each Fund provided that the voting and other rights exercisable by the Manager and the Custodian shall not exceed 50% of the aggregate rights relating to any investment.
- 10. Obligations of the Investor**
- 10.1 The Fund established by this Agreement is set up on the basis of the declaration made by the Investor which includes the following statements by the Investor:
- 10.1.1 the fact as to whether or not the Investor wishes to seek SEIS Relief for the Investments;
- 10.1.2 the Investor agrees to notify the Manager if any Investment by a Fund in any company is in a company with which the Investor is connected within sections 166, 167, 170 and 171 ITA 2007;
- 10.1.3 the Investor agrees to notify the Manager if, within three years of the date of issue of shares, the Investor becomes connected with, or receives value from, a Portfolio Company which is an Investment;
- 10.1.4 the Investor agrees to provide the Custodian with his/her tax district, tax reference number and National Insurance number; and
- 10.1.5 the Investor confirms to the Custodian that the information stated in the Application Form in relation to him/her is true and accurate as at the date of this Agreement.
- 10.2 The Investor must immediately inform the Manager in writing of any change of tax status, other material change in circumstance and any change in the information provided in the Application Form to which Clause 10.1 above refers.
- 10.3 The Investor must provide each of the Custodian and the Manager with any information which it reasonably requests for the purposes of managing a Fund pursuant to the terms of this Agreement.
- 11. Delegation & assignment**
- 11.1 The Manager may employ agents, including associates, to perform any administrative, custodial or ancillary services to assist the Manager in performing its Services, in which case it will act in good faith and with due diligence in the selection, use and monitoring of agents but otherwise shall have no liability in respect of such agents.
- 11.2 The Manager may from time to time change or amend the terms of the relationship with the Custodian, including replacement thereof and negotiate such terms on an arm's length basis in good faith.
- 11.3 The Manager may assign this Agreement to any appropriately authorised and regulated person, such assignment being effective upon written notice to the Investor. This Agreement is personal to the Investor and the Investor may not assign it.
- 12. Potential conflicts of interest & disclosure**
- 12.1 The Manager may provide similar services or any other services whatsoever to any other customer and the Manager shall not in any circumstance be required to account to the Investor for any profits earned in connection therewith. So far as is deemed practicable by the Manager, the Manager will use all reasonable endeavours to ensure fair treatment as between the Investor and other customers in compliance with the FCA Rules.

- 12.2 The Manager has in place a conflicts of interest policy (the 'Conflicts Policy') pursuant to the FCA Rules which sets out how it identifies and manages conflicts of interest. Set out in Schedule 2 is a summary of this policy.

### **13. Liability**

- 13.1 The Manager will at all times act in good faith and with reasonable care and due diligence. Nothing in this Clause 13 shall exclude any duty or liability owed to the Investor under the FCA Rules.
- 13.2 The Manager shall not be liable for any loss to the Investor arising from any investment decision made in accordance with the Investment Objective and the Investment Restrictions or for other action in accordance with this Agreement, except to the extent that such loss is directly due to the negligence or wilful default or fraud of the Manager or any of its employees.
- 13.3 The Custodian shall not be liable in the event of the insolvency of any bank with which any funds of the Custodian have been deposited on behalf of the Investor, nor in the event of any restriction on the ability of the Custodian to withdraw funds from such bank for reasons which are beyond its reasonable control.
- 13.4 The Investor agrees to indemnify the Manager from and against any and all direct liabilities, obligations, losses, damages, penalties, actions against the Manager, judgments, lawsuits against the Manager, proper costs and expenses or disbursements which may be imposed on, incurred by or asserted against the Manager.
- 13.5 The Manager may be separately engaged by some of the unquoted companies that the Fund will invest in to assist those companies to raise finance. The Manager will receive a fee from each such unquoted company for its services. Part of the Manager's fee from such unquoted companies may therefore be calculated by reference to the amount that the Fund invests.
- 13.6 The Manager gives no representations or warranty as to the performance of the Portfolio. SEIS Investments are high risk Investments, being Non-Readily Realisable Investments. There is a restricted market for such Investments and it may therefore be difficult to sell the Investments or to obtain reliable information about their value. Investors should consider the suitability of investment in SEIS Investments carefully and

note the risk warnings set out in the Information Memorandum.

- 13.7 If the Custodian should fail to deliver any necessary documents or to account for any Investments, the Manager will take all reasonable steps on the Investor's behalf to recover such documents or Investments or any sums due or compensation in lieu thereof but subject thereto to the Manager's general duty of good faith, shall not be liable for such failure.
- 13.8 In the event of any failure, interruption or delay in the performance of the Manager's obligations resulting from acts, events or circumstances not reasonably within the Manager's control (including, but not limited to: acts or regulations of any governmental or supranational bodies or authorities; breakdown, failure or malfunction of any telecommunications or computer service or services; and acts of war, terrorism or civil unrest) the Manager shall not be liable to the Investor for consequential loss in the value of, or failure to perform investment transactions for the account of, a Fund.

### **14. Termination**

- 14.1 The Manager shall set a date, which it shall notify to the Investor, on which a Fund will terminate. This is expected to be up to six years after the Final Closing Date of that Fund. On termination of the Fund, all shares for the Investor's Portfolio in the Fund may be transferred into the Investor's name or as the Investor may otherwise direct.
- 14.2 An Investor may withdraw monies from a Fund (and so, by terminating the Agreement in respect of that Fund, partially terminate this Agreement) prior to termination of a Fund in which case all his Investments from that Fund shall be sold and cash transferred but the Investor should note:
- 14.2.1. that he/she may lose SEIS Relief in respect of them;
- 14.2.2 that it may not be practicable for the shares to be sold, in which case there may be a delay in completing the withdrawal. If it is practicable to effect, and the Investor decides to proceed with an early withdrawal, the Manager will, unless the Investor otherwise requests, effect the withdrawal on the last business day of the month following that in which such decision is made; and

14.2.3 the Manager has a lien over the Investor's Investment in respect of damages or accrued but unpaid fees and shall be entitled to dispose of all or any such investments in order to discharge the Investor's liability and to pay any balance to the Investor.

14.3 This Agreement shall automatically terminate following the withdrawal of the Investor's Investment in the Fund pursuant to clause 14.2.

14.4 If:

14.4.1 the Manager gives to the Investor not less than three months' written notice of its intention to terminate its role as Manager under this Agreement;

14.4.2 the Manager ceases to be appropriately authorised by the FCA or becomes insolvent; or

14.4.3 the Manager is required to terminate this Agreement or cease providing the Services under the applicable law, the Manager shall endeavour to make arrangements to transfer the Fund to another fund manager in which case that manager shall assume the role of the Manager under this Agreement, failing which the Agreement shall terminate forthwith and, subject to Clause 15, the Investments in the Investor's Portfolio shall be transferred into the Investor's name or as the Investor may otherwise direct.

## 15. Consequences of termination

15.1 On termination of this Agreement pursuant to Clause 14, the Manager will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this Agreement.

15.2 Termination will not affect accrued rights, existing commitments or any contractual provision intended to survive termination and will be without penalty or other additional payments save that the Investor will pay fees, expenses and costs properly incurred by the Manager and the Custodian up to and including the date of termination and payable under the terms of this Agreement.

15.3 On termination, the Manager may retain and/or realise such Investments as may be required to settle transactions already initiated and to pay the Investor's outstanding liabilities, including fees, costs and expenses payable under Clause 8 of this Agreement.

## 16. Risk warnings & further disclosures

16.1 Your attention is drawn to the risk warnings set out in the Information Memorandum.

16.2 The Manager will not borrow money on behalf of Investors, nor lend securities or enter into stock lending or similar transactions. For the avoidance of doubt, the Qualifying Companies may borrow money or enter into similar transactions, subject to the Investment Objectives and Investment Restrictions of the Fund.

16.3 The Manager cannot require Investors to add further monies to the Fund following the Subscription.

16.4 The Manager will not use the Subscriptions to invest in warrants, units in collective investment schemes or derivatives of any sort.

## 17. Confidential information

17.1 Neither the Manager nor the Investor shall disclose to third parties or take into consideration information either:

17.1.1 the disclosure of which by it would be or might be a breach of duty or confidence to any other person; or

17.1.2 which comes to the notice of an employee, officer or agent of the Manager but properly does not come to the actual notice of that party providing services under this Agreement.

17.2 The Manager will at all times keep confidential all information acquired in consequence of the services, except for information which:

17.2.1 is in the public knowledge;

17.2.2 the Manager may be entitled or bound to disclose under compulsion of law;

17.2.3 is requested by regulatory agencies;

17.2.4 is given to their professional advisers where reasonably necessary for the performance of their professional services; or

17.2.5 is authorised to be disclosed by the other party. Parties shall use all reasonable endeavours to prevent any breach of this sub clause.

## 18. Complaints & compensation

18.1 The Manager will establish procedures in accordance with the FCA Rules for consideration of complaints. Details of these

procedures are available from the Manager on request. Should an Investor have a complaint, they should contact the Manager. If the Manager cannot resolve the complaint to the satisfaction of the Investor, the Investor may be entitled to refer the complaint to the Financial Ombudsman Service.

- 18.2 The Manager participates in the Financial Services Compensation Scheme, established under the Financial Services and Markets Act 2000, which provide compensation to eligible investors in the event of a firm being unable to meet its customer liabilities. Payments under the protected investment business scheme are limited to a maximum of £50,000. Further information is available from the Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St. Botolph Street, London EC3 7QU.

## **19. Notices, instructions & communications**

- 19.1 Notices of instructions to the Manager should be in writing and signed by the Investor, except as otherwise specifically indicated.
- 19.2 The Manager may rely and act on any instruction or communication which purports to have been given by persons authorised to give instructions by the Investor under the Application Form or subsequently notified by the Investor from time to time and, unless that relevant party receives written notice to the contrary, whether or not the authority of such person shall have been terminated.
- 19.3 All communications to the Investor shall be sent (whether postal or electronic) to the latest address notified by the Investor to the Manager and shall be deemed to be received by the Investor on the second day after posting or on the day after dispatch in the case of electronic communication.
- 19.4 All communications by the Investor shall be made in writing in English to Amersham Investment Management Ltd, 25 Lexington Street, London W1F 9AH.
- 19.5 Communications sent by the Investor will be deemed received only if actually received by the Manager. The Manager will not be liable for any delay or failure of delivery (for whatever reason) of any communication sent to the Investor.

## **20. Amendments**

The Manager may amend these terms and conditions in this Agreement by giving the Investor not less than ten business days' written notice. The Manager may also amend these terms by giving the Investor written notice with immediate effect if such is necessary in order to comply with HMRC requirements in order to maintain the SEIS Relief or in order to comply with the FCA Rules.

## **21. Data protection**

All data which the Investor provides to the Manager is held by the Manager subject to the Data Protection Act 1998. The Investor agrees that the Manager, the Custodian and the Promoter may pass personal data to each other and to other parties insofar as is necessary in order for them to provide their services as set in this Agreement and to the FCA and any regulatory authority which regulates them and in accordance with all other applicable laws.

## **22. Entire agreement**

This Agreement, together with the Application Form, comprise the entire agreement of the Manager and the Investor relating to the provision of the Services.

## **23. Rights of third parties**

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of such third party which exists or is available apart from that Act.

## **24. Severability**

If any term, condition or provision of this Agreement shall be held to be invalid, unlawful or unenforceable to any extent, such term, condition or provision shall not affect the validity, legality or enforceability of the remainder of this Agreement.

## **25. Governing law**

This Agreement and all matters relating thereto shall be governed by and construed in accordance with English Law and the parties submit to the exclusive jurisdiction of the English Courts.

## Schedule 1: Portfolio Management Policy

1. The Manager will authorise investment in Portfolio Companies on the basis of the Investment Objectives and Investment Restrictions of the Fund.
2. The Manager is aware that new shares in Portfolio Companies should be held for the SEIS Three Year Period to obtain the benefits of the SEIS.
3. The Manager may look to exit an investment prior to the end of the SEIS Three Year Period if the growth of the investment has outperformed the market and covers any loss of tax benefit. It may also exit an investment in the event of a trade sale of the investment.
4. Once the SEIS Three Year Period has expired, the Manager will use reasonable endeavours to liquidate the holdings with a view to becoming fully liquid within four to six years of the Final Closing Date.
5. Investments in Portfolio Companies that remain unquoted will be evaluated and valued by the Manager.
6. The Fund is designed to raise and close Subscriptions in tranches over a period of time in order to avoid the Receiving Agent holding Investors' Subscriptions un-invested pending the Fund possibly reaching its total target size. Investments will therefore be made in Portfolio Companies through a 'tranche' approach to Closes. The Manager has adopted the following policy to help ensure that all Investors in the Fund are treated fairly and to manage potential conflicts of interest in respect of investment allocations:
  - Investors will have their Subscription monies invested in Portfolio Companies that have met the pre-conditions for investment, as outlined in the Information Memorandum, as soon as practicable in the investment cycle following a Close. This is to help ensure that SEIS reliefs will also be available to the Investors as soon as practicable.
  - Where an Investor's Subscription is not invested in its entirety in any tranche resulting in a Close, any surplus shall be retained (unless either requested or offered to be returned to the Investor) for investment in a subsequent tranche of investment.
  - Where it deems appropriate, the Manager will exercise discretion under the Investment Management Agreement as to the allocation in any Portfolio Company for any Investor. This means that investors in the Fund overall may be invested in different companies and not all Investors in the Fund will be invested in all Portfolio Companies nor necessarily, where their investment has been spread over various investment tranches, have the same holdings as other Investors in the Fund.
  - Where there is a follow-on investment made in a Portfolio Company then any pre-existing Investors with as yet un-invested funds will where possible be able to participate in such follow-on investment and any un-invested funds may be allocated, subject to the Manager's discretion, pro rata to Investors who have agreed to invest.
  - The Manager has a policy to manage potential conflicts of interest and is committed to allocating investments fairly in tranches in any Fund. However, the Manager retains the right to make allocation decisions at its discretion, which may result in a lower or higher proportional allocation of investments to Investors' portfolios.
  - The Manager may also use Investors' funds to make follow-on SEIS investments in companies already invested in by earlier portfolios invested by the Manager. Individual Investors' returns from such an investment may differ from those received by earlier Investors, since follow-on investments may be completed on different terms.
  - Periodic reports sent to Investors will detail individual Investors' beneficial holdings in Portfolio Companies.

## **Schedule 2: Policies to govern conflicts of interest**

The Manager has produced a policy to manage effectively the conflicts of interest that may arise from its business as required by the rules and guidance contained in chapter 10 of the Senior Management Arrangements, Systems and Controls rules issued by the FCA ('SYSC'). The policy has been reviewed and approved by the Manager and is subject to monitoring by the Manager. Under SYSC, the Manager is required to take all reasonable steps to identify conflicts of interest between: The Manager, including its employees and contracted consultants, or any person directly or indirectly linked to them by control, and a client of the Manager; or one client of the Manager and another client.

The Manager further believes that it should identify any conflicts that may arise in other situations including between the Manager and any of its shareholders. Where the Manager owes a duty to such clients, it must maintain and operate arrangements to prevent any conflict from giving rise to a material risk of damage to the interests of Investors. A copy of the Manager's 'conflict of interests' policy is available upon request.

## **Schedule 3: Execution policy**

Execution factors and execution criteria:

The Manager has an obligation when executing orders on behalf of Investors to obtain the best possible outcome. The FCA requires various execution factors to be taken into account including price; cost; speed; market impact; likelihood of execution and settlement; size; or any other consideration relevant to the execution of the order. Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, the Manager may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result.

The Manager will determine the relative importance of the execution factors by using its commercial judgment and experience in light of market information available and taking into account the execution criteria. The execution criteria are defined as the characteristics of the client, order (orders placed in the market will indicate a price range that is suitable for the investment decision), type of financial instrument (some shares are more liquid than others, and illiquid shares will be less easily tradable in volume) and the execution venue.

The scope of activities undertaken by the Manager does not currently include placing orders with brokers or dealers. Should the Manager place orders with brokers or dealers for execution it will satisfy itself that the broker or dealer has arrangements in place to enable the Manager to comply with its best execution obligations to its clients. Specific arrangements will be put in place such that brokers will confirm that they will treat the Manager as a professional client and will therefore be obliged to provide best execution.

# E THE CUSTODIAN

By completing the Application Form, prospective Investors will, inter alia, be deemed to have irrevocably agreed to a custodian being appointed to exercise certain powers and to carry out duties, on behalf of the Investors, which include inter alia, the following:

## Function

The function of the Custodian will be to hold the investments made on behalf of Investors and to exercise the powers and duties which are conferred upon it by the terms of this Information Memorandum (including this paragraph).

### 1. Restrictions on transfer

1. The Custodian shall not be obliged to recognise the title of any person in whom an interest in shares in any Qualifying Company shall have become vested unless a properly validated notice or evidence of that person's entitlement shall have been produced to the Custodian.
2. The Custodian shall not be obliged to recognise any transfer or assignment of an interest in the shares to any person unless such person shall have first agreed to enter into a transfer or assignment in a form approved by the Manager which shall incorporate an undertaking that such person will be bound by the terms of this paragraph.

Prospective Investors should note the information regarding the potential loss of SEIS tax relief on the transfer of shares set out under the heading 'right of withdrawal' in section 5 of this Information Memorandum.

### 2. Custodian's obligations and powers: The Custodian will:

- Hold the shares on behalf of Investors;
- Be authorised to buy, sell, retain, convert, exchange or otherwise deal in the shares as and when the Manager gives such instructions;
- Be authorised to, on the instruction of the Manager, exercise voting, pre-emption or similar rights in relation to the shares in accordance with the articles of association of the Portfolio Companies or any agreement entered into in connection with the subscription for the shares, and to deal with any rights relating to any share issue made or proposed by the Portfolio Companies;
- Ensure that any dividends shall be paid to the Investors. In the event that any money in relation to the shares is received by the Custodian it shall pay such money or money's worth to the Investors subject to any legal obligations on the Custodian to make retentions for payment of tax and/or fees and expenses payable to the Manager; and be entitled to carry out such other acts and deeds which are in its reasonable opinion necessary or reasonably incidental to its appointment as a custodian.

### 3. Appointment of a new Custodian

The Manager may at any time accept the resignation of, or remove, a custodian (and any subsequent custodian) and appoint a new custodian in its place.

### 4. Investment

The Custodian may place any monies for the time being held by it on deposit with any bank or building society.

### 5. Indemnity

By completing the Application Form, each Investor indemnifies the Custodian (in proportion to their respective interests in the Portfolio Companies at the date of the claim to indemnify) against any claim made against it arising out of the fulfilment of its duties as Custodian and any costs, charges or expenses incurred by it in contesting the same, save where it is established that the subject matter of the claim was the result of a conscious and deliberate breach by the Custodian as custodian of each of its obligations.





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