

INVESTMENT PROVIDER DUE DILIGENCE & COMPLIANCE NOTES OCTOBER 2015

The following notes aim to help IFAs and other Professional Advisers with their Due Diligence and Compliance requirements. Further details can be found in the Fund literature and are available on request.

STRUCTURE

Fund Name

The FinTech 2016 SEIS Fund

Is the Fund A UCIS (Unregulated Collective Investment Scheme)?

No, the Fund is not structured as a UCIS.

FCA - Investment Type

The Fund is not a FCA "Non mainstream pooled Investment".

General Structure

Each investor will have their own portfolio.

The underlying shares in each SEIS Qualifying Company will be held in a separate account by Innvotec (Nominees) Ltd, the custodian to the Fund but the beneficial ownership in the shares will reside at all times with individual investors who will receive the SEIS certificates (one per portfolio company) directly to enable them to claim the appropriate tax relief.

Tax Status

An Unapproved SEIS Fund.

Closing Dates

Initial close 31st December 2015
Second close 1st April 2016
Final close 29th July 2016.

INVESTMENT PROVIDER

Provider Name

Innvotec Limited

Date and Country of Incorporation

1986 in England

Registered Number

02030086

Website

www.innvotec.co.uk

Registered Office

Stable Cottage, Castle Hill, Rotherfield, East Sussex, TN6 3RR.

Accounting Reference Date

30th September.

Company History

Innvotec is thought to be the oldest independently owned venture capital company in the United Kingdom.

Initially set up as a majority owned subsidiary of Electra Investment Trust plc, it was bought out by its then 4 directors in 1996 and has remained independently owned by Directors and staff since. Of the 4 directors who bought the business out, 2 have retired, one has "spun out" to manage a "secondaries fund" leaving John Marsden as the sole remaining founder director.

Auditors

Small Company Exempt.

Top 5 Shareholder (in Innvotec)

John Marsden 58% Director
John Whelan 11% Director
Carol Van Kempen 11% Company Secretary
Navy Blue Holdings 10% Strategic Investor
EH Holdings 10% Strategic Investor

Credit Ratings

Good.

Professional Indemnity (PI)

Full PI cover is in place.

Group Structure

Innvotec is a Limited company with wholly-owned subsidiaries providing services such as custodianship, corporate directorships and monitoring.

Authorised by the Financial Conduct Authority?

Yes and as a medium-sized firm.

FCA Number

122365

Compliance Officer

John Marsden (MD)

FCA Permissions

A small authorised AIFM with permissions to hold and control client money.

Firm Type

A small authorised AIFM (Alternative Investment Fund Manager) which is non MIFID.

Anti-Money Laundering procedures?

Yes, for UK investors.

Money Laundering Reporting Officer

John Marsden (MD).

Tax specialist

No internal specialist. Bircham Dyson Bell LLP appointed for legal and tax advice.

Complaints handling processes

Standard procedures in line with best practice.

Privacy Policy

A full privacy policy is in place. Innvotec is registered under the Data protection Act 1998.

Client money

Innvotec can hold client money. All funds for clients are held in separate designated accounts with NatWest Bank.

INVESTMENT MANAGEMENT

Total Funds Currently under Management

Approximately £10,000,000 but poised to grow considerably in the current tax year.

Private Equity / Venture Capital Team

Innvotec's business model is to work with strategic partners (such as FinTech Circle and Startup Funding Club) who identify investment opportunities and post investment, provide the hands on guidance considered necessary to commercially and financially deliver on the founders' vision. This leaves Innvotec to undertake the detailed due diligence, deal completion and legals and investor reporting.

How many support staff does the group employ?

5 people.

Innvotec is fully supported by the Portfolio Advisers / Strategic Partners for areas such as dealflow, maintaining SEIS compliance within portfolio companies and providing the all important, post investment "mentoring".

Personal Investments into the Fund.

Individuals within Innvotec and its Strategic Partners make personal commitments into the Fund.

Employees location

London.

Performance fees

Performance fees are based on a portfolio approach i.e. it is the performance across the entire portfolio that counts in the calculation. The Performance fee is 30% of all profits once a "hurdle" has been reached.

The "hurdle" is defined as Investors receiving at least 110% of their initial commitment - which equates to a 120%, CGT-free return on the net (after income tax relief) sum invested. NB this investment hurdle is not a guaranteed nor minimum return to investors.

The Performance Fee "hurdle" should not be viewed as an initial target return. The intention is to generate a many times multiple.

External Professional Advice

Only service not provided in house is legal and taxation.

Staff Turnover.

None in last 14 years other than retirement.

Connected Parties Investigated / Fined

No.

Collective Experience in Venture Capital

Approaching 60 years combined.

Responsibilities of Sales and Administration Teams

Marketing of the Fund is essentially carried out by the core investment team, plus a firm of marketing consultants (Palladium Solutions).

Distribution partners are used on an ad-hoc basis.

INVESTMENT DUE DILIGENCE

Due Diligence / Investment Process

Innvotec looks to work solely with "strategic business partners" who source opportunities and "work" the investments post completion.

Investment Process / Risk Management Monitoring

Small team constantly monitors the performance of portfolio companies.

Investment Guidelines / Restrictions in place

Only those applicable to SEIS plus the need to assemble a portfolio of at least 10 companies.

Investment Allocation

100% financial technology, 100% UK-registered businesses

Frequency of investment committee meetings

Monthly or as required.

Final Investment Decision

Made by Investment Committee.

Investments Reviews / Monitoring Frequency

Regularly and at least monthly.

Typical Profile of a Portfolio Company

Innovative and disruptive UK-based "startups" and early stage companies (under 2 years trading) operating in the financial technology sector.

Main Circumstances for early exit from a company?

Only if the return far outweighs the loss of tax reliefs.

Screening Committee / Investment Process?

Standard Investment Committee approval.

Process for Monitoring Deals

Quarterly accounts and frequent meetings. Innvotec seeks to monitor underlying portfolio company progress constantly to assist in minimising slippage against plan and ensuring sound cash management.

Gearing

No gearing in the Fund. Little by way of gearing in the underlying portfolio companies.

INVESTMENT VALUATION

Value of Investments

Standard BVCA/EVCA guidelines.

Investments Valuation Frequency

Reviewed every quarter and updated in line with third party transactions in the shares.

Innvotec is also fully supported by the portfolio advisers / strategic

partners for areas such as ensuring on-going SEIS compliance and "mentoring" of the entrepreneurs.

The Fund always invests alongside a number of individual shareholders ("business angels") in the portfolio companies, giving further credibility to the valuations.

Performance Calculation

Based on the "wrap up" of the Fund.
An example is available on request.

INVESTMENT EXIT POLICY

How are exits typically structured?

Trade sale when the companies start to generate meaningful revenues and sales.

Ideal criteria for a typical exit

Target is 10x cost on all investments to compensate for those companies that fail and to reflect the commercial and financial benefits within the underlying technologies and resultant products.

Preferred exit method

Trade sale.

How many companies have you exited and over what time frame?

Over 25 years, some 15 companies.

Particular Industry Connections?

Primarily technology.

Typical Entry / Exit Multiples?

Not applicable as entry values and exit multiples are determined by a host of different markers, including how disruptive to the established order the portfolio companies are. Exit values typically to be 50x operating profits. Some may even be loss-making at time of sale.

THE PORTFOLIO ADVISORS

Innvotec's strategic partners for the Fund are FinTech Circle Ltd and Startup Funding Club Ltd - two well established angel investment clubs with a focus on financial technology companies and early stage opportunities.

The Portfolio Advisors are responsible for identifying SEIS investment opportunities deemed suitable by Innvotec and providing ongoing support to portfolio companies.

OTHER INFORMATION

A full suite of literature is also available covering all aspects of the Fund and is available on request.



Further Information

If any further information relating to the Fund is required please contact the Fund Manager; Innvotec Limited.

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