

Product

**Mercia EIS Fund and  
Mercia Knowledge-Intensive EIS Fund**

Tax Status

**Enterprise Investment Scheme**

Fund Group

**Mercia Asset Management PLC**

**Risk Warning**

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## Editors

Martin Churchill  
Hugh Rogers

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Tax Efficient Review Ltd  
35 The Park  
London  
NW11 7ST  
Tel: +44 (0)20 8458 9003  
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## RISK WARNINGS AND DISCLAIMERS

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## GENERAL RISK WARNINGS

Your attention is drawn to the following risk warnings which identify some of the risks associated with the investments which are mentioned in the Review:

### Fluctuations in value of investments

The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

### Suitability

The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.

### Past performance

Past performance is not a guide to future performance.

### Legislation

Changes in legislation may adversely affect the value of the investments.

### Taxation

The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

## ADDITIONAL RISK WARNINGS

### Enterprise Investment Scheme offerings:

- EIS companies are unquoted
- The value of EIS Shares can fluctuate and Investors may not get back their investment;
- There is no market for EIS Shares and Shareholders may not be able to realise their shareholding unless the EIS company is sold or floated on a recognised Stock Exchange. Dividends may not be paid
- Potential Investors should consider that past performance of the EIS Manager is no indication of future performance and there can be no guarantees that the EIS Company will meet its objectives.
- Investment in unquoted companies can offer good investment returns, but, by its uncertain nature involves a much higher degree of risk than investment in a quoted portfolio
- Whilst it is the intention of the EIS Directors that the EIS company will be managed so as to qualify as an EIS, there can be no guarantee that it will maintain such status. A failure to qualify could result in the Company losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the 30 per cent. income tax relief
- The past performance of investments should not be regarded as an indication of the future performance of an investment
- Levels and bases of, and relief from, taxation are subject to change. Such changes could be retrospective.
- From 6 April 2014 changes to scheme rules:
  - For investments made on or after 30 November 2015, trades which consist substantially in making available reserve energy capacity, or using that capacity to generate electricity, will no longer be qualifying trades
  - For investments made on or after Royal Assent November 2015, new legislation prevents all the following types of acquisitions from being a qualifying use of money:
    - an interest in another company such that that company becomes a 51% subsidiary of the issuing company
    - a further interest in another company which is already a 51% subsidiary of the issuing company
    - a trade
    - intangible assets employed for a trade
    - goodwill employed for the purposes of a trade
- For investments made on or after Royal Assent November 2015, there is an age limit on companies issuing EIS shares of 7 years from the date of first commercial sale, or 10 years in the case of a knowledge-intensive company

## Factsheet

<b>Mercia EIS Fund &amp; Mercia Knowledge-Intensive EIS Fund</b>	
Type	Generalist EIS
Manager	Mercia Asset Management PLC
Custodian	Mainspring Nominees Limited
Focus	Diversified portfolio of early-stage technology companies with a regional focus
Approved Fund Available	Yes
Minimum investment	£25,000 for main fund, and £10,000 for KI fund
Closing dates	28th March 2023 for the KI fund unless the £25m capacity is reached before this date, and 30th June, 30 September and 31 December 2023 for main EIS fund
Issue costs	2.4% (1.8% for advised investors) inc VAT
Annual costs	2.1% inc VAT- charged for 6 years
Existing shareholder priority	Initial fee is reduced to 1.8% for existing investors and advised investors
Initial advisor charges	If charged, these will be facilitated by the EIS on subscription

## Summary

Table 1: **Tax Efficient Review summary of offering Pros and Cons**

<b>PROs</b>	<b>CONs</b>
Significant regional presence with over 120 staff operating across 9 regional offices and a commitment to aim to deploy money within 12 months	No real hurdle rate is in place before the performance fee kicks in. Mercia say they target returns of 3x money invested, yet the performance fee kicks in at any return over subscription amount
The rate of profitable exits for the Mercia EIS, whilst slow initially, has certainly picked up in recent years and they can now point to a significant number of exits from investee companies	There remains a high level of cash to deploy across the funds that Mercia manage of £459m, although half of this is non-EIS debt funds
Mercia now run a range of regional development funds, as well as the three Northern VCTs	There have been some reductions in fees of late, but the Mercia EIS fund still remains one of the highest fee charging EIS funds in the market

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## Classification

Tax Efficient Review classify the Mercia EIS offer as “EIS Growth fund with track record”. Mercia are long established tax efficient fund managers

## Review based upon

This review is based upon the 2022 Information Memorandum, as well as interviews with the

## Sunset Clause

The ‘Sunset Clause’ was introduced by the Treasury for EIS and VCT reliefs to be reviewed and renewed by 6 April 2025. The clause provides that income tax relief will no longer be given to subscriptions made on or after 6 April 2025, unless the legislation is amended to make the scheme permanent, or the “sunset clause” is extended. The government has the power to

who have been running EIS investments since 2014 and they acquired the Northern VCTs in late 2019.

investment manager and data provided by the investment manager.

extend or remove the sunset clause through secondary legislation, which would allow the VCT & EIS schemes to operate in their current form beyond the current expiry date of the scheme. The then Chancellor Kwasi Kwarteng announced during his mini-budget of 23 September 2022 that venture capital schemes will be safeguarded beyond 2025 but no further details were given as to how this will be implemented.

## Review Process

Tax Efficient Review has enhanced the contents of the EIS reviews to focus more on the areas of investment performance and underlying fees.

To increase the comparison of performance, we now include Table 3 which details and amalgamates how many investments the EIS manager has made and their performance across the following categorisations:

1. Exited above cost (EAC - creating a profit for investors)
2. Exited below cost (EBC – creating a loss for investors)
3. Completely written-off (CWO – resulting in no return for investors)
4. Still Held (SH)
5. Partially exited (PART)

We also now compare total five year simulated fees between products (Tables 5 & 6).

## Changes Since Last Review

Since the last review the Mercia EIS has grown its funds under management from £52.3m in June 2020 to £94.8m now (excluding SEIS). Mercia Asset Management has a number of funds which invest alongside the EIS, most notably the Northern VCTs (further details in the Manager section of this review) acquired in December 2019 when Mercia purchased the venture capital trust business of NVM Private Equity LLP. This was partly funded by a £30m fund raising by Mercia Asset Management PLC.

Since then the management team of the Northern VCTs has been incorporated into the Mercia structure. As expected, this has not been without significant departures, including the retirement of Tim Levett.

The acquisition gives Mercia a significant seat at the top table of VCT managers, and there are a number of compatible synergies with the EIS fund with the Northern VCTs now well-integrated within Mercia, with the transitory services agreement ending in March 2022.

## The Offer

Mercia is offering two funds: the Mercia EIS Fund (unapproved) and the Mercia Knowledge-intensive EIS fund (Approved).

As an approved fund, initial income tax relief will be linked to the close date for the fund – which will be 28th March 2023. This will therefore allow investors to claim their tax relief in the 2022/23 tax year, with the potential to carry back to 2021/22 tax year. However, it should be noted that a claim can only be made on receipt of an EIS 5 Certificate and this will only be issued once the fund is 90% invested. This is markedly different from the unapproved fund where tax relief is claimed piecemeal upon receipt of the individual EIS3 certificates issued after each investment is made.

There are two key differences related to the receipt of tax relief:

**Tax carry-back:** in the Approved Fund the total investment made by an investor should be capable of being carried-back to tax year 2021/22 (as the date of investment for HMRC purposes is 28th March 2023, the closing date of the fund ). In an Unapproved fund only

investments made in the tax year 2021/22 are available for carry-back to 2020/21 (if any are made).

**Tax payment timings:** in an Unapproved Fund, tax relief can be claimed as EIS individual 3 certificates are received. This is likely to be earlier than the receipt of the EIS 5 certificate in the Approved Fund

There is no difference between both offerings for CGT and IHT purposes, reliefs for both are linked to the dates when the underlying investments within the fund are made.

Mercia has a special investment focus of targeting EIS qualifying companies in the Midlands, North of England and Scotland, which may subsequently become investments for Mercia Asset Management PLC. The Mercia EIS Fund's investment strategy is to create a diversified portfolio of approximately 12 technology investments, investing across different technology sectors and at two different early stages: Mercia indicate that around 25% of funds raised might be invested in seed funding rounds of about £750,000 each and 75% might be invested in

Table 2: **Funds under management as at 30 September 2022**

Product Name	Net assets	Annual Fee	Still to be invested
<b>EIS FUNDS</b>			
Mercia EIS Fund (EIS)	£89.0m	1.75%	£10.4m
Mercia EIS Fund (SEIS)	£9.4m	1.75%	£0.2m
Mercia Knowledge-intensive Impact EIS Fund	£4.5m	1.75%	£1.6m
Mercia Knowledge-intensive EIS Fund	£0.4m	1.75%	£0.4m
<b>NON EIS FUNDS THAT CAN CO-INVEST WITH EIS FUNDS</b>			
Northern VCTs	£350m	2.09%	c£70m
Mercia Fund 1	£7m		<£1m
Midlands Engine Investment Fund (MEIF)	£28.5m		c£12m
Northern Powerhouse Investment Fund (NPIF)	c£133m		c£20m
North East Venture Fund (NEVF)	£27.5m		c£5m
Mercia Asset Management PLC net asset value	£206m	0.00%	£56m
<b>NON EIS FUNDS THAT CANNOT CO-INVEST WITH EIS FUNDS</b>			
Private Equity funds (EV Growth Fund)	£46m		£14m
Various debt funds	£531m		£211m
<b>TOTAL UNDER MANAGEMENT</b>	<b>c£1,400m</b>		<b>c£459m</b>

Source: Mercia

£1,500,000 amounts in pre-profit situations. These amounts are an increase on previous levels and reflect the increasing AUM of the Mercia EIS Funds. The later stage investments may be follow-on investments or new investments to the portfolio, with significant revenue (£0.5m to £5m revenue) or commercial traction.

Both Mercia's main EIS fund and their Knowledge-intensive (KI) EIS Approved fund are investing on the same investment strategy. This is a variation from Mercia's KI fund in 2022, which was focused on Impact companies, but Mercia has decided not to repeat this strategy.

Mercia expects a very high (over 90%) level of co-investment between their main EIS fund and their KI, with only a few consumer software companies not being featured in the KI fund. Therefore, a joint review is appropriate, and we consider that the track record of Mercia's main EIS is relevant for their KI fund as well.

The important date for advisers interested in the Knowledge Intensive Mercia EIS fund is the closing date of 28th March 2023 for the current tax year. This is an Approved Fund and will appeal to investors requiring certainty that they can carry-back. The Mercia EIS Fund currently has 3 closing dates per annum which are 31st December, 30th June and 30th September. All funds raised within these periods are taken as a single investable cohort such that all investors in that cohort will have exposure to the same portfolio companies in the same proportions.

Mercia commits to try to invest within 12 months, and has invested all previous funds within an average of approximately eleven months, but the current rate is 6-9 months. The default investment in the Mercia EIS Fund is to be exclusively invested in EIS companies. Previously there was an option for investors in the Mercia EIS to allocate 15% of their investment to Seed EIS companies, but this option is no longer available.

Mercia's dealflow is predominantly sourced from the following:

- Supporting the Mercia group's existing portfolio, with follow-on capital in successful companies. Note that this is the whole Mercia group portfolio not just EIS investee companies and potentially could involve a conflict of interest. Mercia say they recognise this and manage it following their internal processes.

- Companies from investment team's personal network.
- Investment opportunities being introduced by Mercia's group of sector expert Non-Executive Directors.
- 19 university partners across the UK within Mercia's areas of expertise (approx. 10% of new investments are expected to be sourced from them).

The Mercia EIS Fund made its first investment in January 2013 (fund raising started in 2012) and has raised £88.7m EIS (plus £9.4m SEIS) as at 17th January 2023 (see Table 2). The Mercia EIS fund operates within the wider Mercia Group which has circa £1.4bn in assets under management across a wide range of private equity, debt and venture capital funds.

As Table 2 highlights, across the group Mercia has £450m to invest currently; £225m of the c£450m is in non-EIS product debt funds, and the rest of which is being invested over a 5 year period by a separate teams (Northern VCT, NPIF, NEVF, MEIF) from that which invests EIS money.

Mercia invested £124m in 2021/2022, and they say that they are on target to invest c£150m in the 2022/2023 tax year.

TER has questioned the size of the task facing the investment team, the effect on investor returns and its potential impact on the speed with which EIS investors can claim tax relief.

In response to this Mercia highlight that being part of the large Mercia group is helpful, and as of 9th February 2023, Mercia says it has deployed 95% more EIS in this tax year vs 12 months ago.

Furthermore, due to the number of investments the Mercia group is doing per year, 150 investments deploying £125m in 2021/2022 (and growing), Mercia believes that it can again double the EIS deployment in 2023/2024 without extending the 12-month target.

In this venture capital era of EIS, deployment speed is one of the industry's biggest challenges, and we are pleased to hear that Mercia's September 2022 EIS fund is expected to be deployed within six months.



Although Mercia has recently moved away from focusing on sectors, they have historically invested in sub-sectors within the “technology” area, and both the main EIS and the KI fund will invest across the following sectors in this approximate ratio

- Life Sciences (c40% in both EIS and KI)
- Deeptech (c20% in EIS and 40% in KI)
- Software (c40% in EIS and 20% in KI)

Some of the Mercia EIS Fund’s most significant investments to date include:

- VoxPopMe, video based customer surveys, £1m and £14.5m syndicated
- Sense Bio detection, virus detection platform, £1.5m and £94.7m syndicated
- Locate biotherapeutics, development of novel orthobiologics, £2.5m and £10m syndicated

- Axis Spine Technologies, next-generation spinal implant, £2.5m and £7.5m syndicated

Mercia EIS Fund says they support their portfolio, and invest alongside other fund managers including Koch Disruptive Technologies, BGF, Nauta Capital, Blackfinch Ventures, Catapult, Calculus, 24 Haymarket, Parkwalk, Solvay Ventures, Earlybird Ventures, Deepbridge, Development Bank of Wales, Cambridge Innovation Capital, IP Group, Par Equity, OSI, Downing and Triple Point Ventures.

In addition, Mercia has a formal co-investment partnership with Scottish Investment Bank (SIB) for investments that it makes in Scotland, which provides additional investment alongside the EIS funds.

**Tax Efficient Review Strategy rating: 29 out of 30**

## Track Record/Performance

Performance measurement in the EIS area is difficult to measure and this is down to a number of factors:

- EIS providers have moved away from raising funds in tranches where all investors received holdings in the same set of investee companies (and where performance of the set of companies could be measured) and have moved to multiple closings. This means that investors have more individual portfolios.
- Some providers are reluctant to provide data on individual portfolio performance claiming that, in some instances, poor performance can be down to pressure from investors to invest quickly and therefore ending up with little diversification which can lead to poor performance.
- With very few exits, performance becomes driven by manager valuation of unquoted holdings.
- There are multiple variations to performance measurement, both in methodology (Internal Rate of Return, multiple of cost) and whether fees and tax breaks are included or excluded from the calculation.

As part of our review process, we compile a performance measure (Table 3) as follows:

- Initially it will be based on investment cash

flows to provide a current valuation compared to initial cost.

- The data will be compiled by tax year of investment (not calendar year).
- Follow-on investments will be shown in the year the follow-on investment is made, whereas in the Holdings table any follow-on investment is included in the initial cost figure.
- Fees and tax breaks will not be accounted for.
- The output will be a table showing, for each year of investment since tax year 2013/14, figures for “Cost”, “Total Value (Realised & Unrealised)” and “Gross Multiple of investments purchased in the tax year” as a multiple of cost.

The data will help to compare performance between providers but suffers from the following restrictions:

- The performance measure will not reflect any individual investor unless they happened to participate in all investments made by the provider in any one tax year and in exactly the same proportions.
- Individual performance will need to reflect fees which will not be included in the measurement and so the TER measure will inflate return number.
- The measure will be heavily dependent upon provider valuations of current holdings.

- It will not differentiate between performance based on realisations and that based on provider valuation of holdings.
- It will not recognise early return of capital in the way that an Internal Rate of Return based calculation does.

Data for Mercia is in Tables 3 to 12

- As an estimate of performance to compare EIS managers, Table 3 compares the growth figures by year for all investments made by a manager in that tax year. Actual investor return data is not available so data for performance for tax years 2013/14 to 2022/23 is compared to some of the other Growth EIS providers.
- Overall, Mercia returns have a mixed bag of results. The Green colour boxes show 1st tercile performance and the earliest tranche of Mercia investments are in this category. The yellow and red boxes show 2nd and 3rd tercile performance respectively, and these are more prevalent in the subsequent years.

The first tranche is now fully exited with 6 investments comprising 2 exits above cost, 1 exit below cost and 3 complete write offs. But investors in this first tranche should be happy with their returns.

The rest of the peer group positions are as follows:

2013/14	3rd out of 9
2014/15	4th out of 9
2015/16	7th out of 10
2016/17	10th out of 13
2017/18	8th out of 15
2018/19	16th out of 17
2019/20	5th out of 18
2020/21	16th out of 19
2021/22	19th out of 19

In order to amalgamate all these positions together, for the main providers with over five years track record, we sum the yearly positions and divide by the number of data points. This gives a single number representing the average yearly position in their peer group and where a lower number is better.

The results are:

MMC	3
Oxford	6
Molten	7
Praetura	7
Guinness	8
Parkwalk	8
Calculus	9
Downing	9
<b>Mercia</b>	<b>9</b>
Par	9
Octopus	10
Edition	13

Table 4 is a new table included in TER EIS reviews and it is designed to show (for providers with at least five years of track record) the average length of time for an exit to be achieved in an investee company. This includes exits above cost, below cost and completely written off. As can be seen in the table, 4 years is the average for Mercia EIS which is broadly in line with the exits achieved by its peer group.

In the last year, there have been exits in nDreams (7.8x), In-Part Publishing (4.4x), Kumulos (3.5x including earn out) and Bioextraction Wales (1.0x). Clear Review (7.9x) was an exit from the 2018 vintage and Refract (2.1x/1.7x) from the 2016 and 2017 vintages, which indicates that sale of companies can happen for Mercia earlier in the holding period. It should be noted that although 7.9x exit of Clear Review was impressive, at 122% IRR, it was within 3 years and would have created some tax-planning issues for advisers and investors.

In addition, there was a partial sale (73% of shares) of Snappy Shopper in July 2021, which returned 8.0x cost in just under 2 years (187% IRR), but it will again cause tax-planning challenges as it was not held for the full qualifying period.

We also asked Mercia to provide details on the independent new investors participating in the funding rounds which resulted in uplifts in valuations in Table 8 (the table showing current holdings).

The top ten valuation uplifts were:

Company	New investor(s)
Snappy Shopper	Kelvin Capital, Scottish Investment Bank
Sense Biodetection	Earlybird, Cambridge Innovation Capital, Koch Industries
Snappy Shopper	Kelvin Capital, Scottish Investment Bank
Sense Biodetection	Earlybird, Cambridge Innovation Capital, Koch Industries
Medherant	None
VoxPopMe	Origin Ventures
MyHealthChecked PLC	Retail Investors
Ton UK	None
Soccer Manager	None
Axis Spine Technologies	Angel Co-Fund, Medtechs

In the appendix of this report, Table 7 provides a breakdown of the investee companies within each tax year. Table 8 is a full breakdown of the investments across the EIS and Table 9 is the table of realisations.

## The Manager

Mercia Fund Management (MFM), is a subsidiary of Mercia Asset Management, and is part of the Mercia Group of companies (Mercia). The EIS fund managed by MFM is fully integrated into the Mercia Group of companies.

In 2010, Mercia was established as a result of a management buyout by the investment team, and in March 2016 acquired Enterprise Ventures, who manage approximately £200m of early-stage investments (equity and debt). Mercia has a special focus in the Midlands, North and Scotland, sourcing early stage investments. Over the last two years, the administrative and investor services functions at Mercia have also been expanded, and the overall team has grown to over 120 individuals operating across nine regional offices.

Mercia Fund Management is FCA and Alternative Investment Fund Managers Directive authorised for managing investments and private investor capital. Mercia has recently varied their FCA permissions to become authorised for retail clients, and has appointed an appropriate custodian.

Table 9 shows the valuation breakdown of the investment portfolio. Table 10 shows the sector split and table 11 shows the stage of investment breakdown.

In summary, Mercia have been established EIS managers for many years, but for quite some time they were held back by a lack of profitable exits from their investee companies. As can be seen from the above, this criticism has been absolved and it's good to see a broad number of exits arising from the portfolio of companies.

The early exits were from investments which were typically quite small in size, often a couple of £100,000 and sometimes even below £100,000, which was symptomatic of the funds under management at that time. In recent years the average size of investment has increased significantly and it will be interesting to see how this impacts on future returns generated.

**Tax Efficient Review Track Record rating: 34 out of 40**

The key team members working on investing the EIS funds are listed in Table 13. Of note is that of the team members with more than two years involved with EIS funds, the team spends only the equivalent of 1.75 man years seeking and transacting new investments. This seems on the low side in our opinion.

The range of funds which Mercia currently has under management include:

- Mercia EIS Funds (including Mercia Growth Funds 1 to 8, plus Mercia Digital Fund and University Growth Fund), are a sequence of early-stage venture capital funds, which are now primarily EIS funds providing early stage, development and growth capital to businesses. This series of funds have been branded Mercia EIS Fund, with the specific tranche defined in the title (e.g. Q1 2022).
- Northern VCTs, following the acquisition of the management contract from NVM Private Equity LLP in December 2019, as described below.
- Rising Stars Growth Fund 1 has now finished its investment cycle. This fund was a £19m

Table 3 (1 of 2): Summary of EIS Performance by Tax Year - Gross multiple of investments made in the tax year

	Ascension EIS Fund	Blackfinch	Calculus	Deepbridge Tech	Deepbridge Life Sciences	Downing Healthcare	Edition	Fuel Ventures Scale-Up Fund	Fuel Ventures Follow-On Fund	Guinness
Tax Year	as at 31/12/2022	as at 07/02/2023	as at 05/10/2022	as at 31/12/2022	as at 31/12/2022	as at 31/1/2022	as at 31/12/2022	as at 31/12/2022	as at 31/12/2022	as at 31/01/2023
2013/14			1.38x 8th/9 11 (1 EAC, 1 EBC, 5 CWO, 3 SH, 1 PART)	3.12x 4th/9 3 (1 EAC, 1 SH, 1 PART)		0.00x 9th/9 1 (1 CWO)				
2014/15			1.54x 6th/9 12 (3 EAC, 3 EBC, 4 CWO, 2 SH)	3.04x 3rd/9 4 (1 EAC, 2 SH, 1 PART)		8.27x 1st/9 2 (2 SH)				
2015/16			1.36x 9th/10 14 (3 EAC, 1 EBC, 4 CWO, 6 SH)	2.64x 5th/10 6 (1 EAC, 1 CWO, 3 SH, 1 PART)		3.50x 2nd/10 4 (1 EAC, 1 CWO, 2 SH)		3.10x 3rd/10 4 (1 CWO, 3 SH)		
2016/17			1.12x 11th/13 11 (4 EAC, 2 EBC, 1 CWO, 4 SH)	1.68x 9th/13 11 (1 EAC, 1 CWO, 8 SH, 1 PART)	2.40x 6th/13 2 (2 SH)	2.66x 5th/13 5 (1 EAC, 2 CWO, 2 SH)	1.08x 12th/13 8 (8 SH)	5.28x 1st/13 3 (3 SH)		
2017/18	2.61x 3rd/15 14 (4 EAC, 1 CWO, 8 SH, 1 PART)		0.62x 15th/15 10 (1 EAC, 1 EBC, 3 CWO, 5 SH)	1.21x 10th/15 14 (2 CWO, 12 SH)	1.09x 13th/15 14 (2 CWO, 12 SH)	1.18x 11th/15 5 (1 EAC, 1 CWO, 3 SH)	0.82x 14th/15 7 (7 SH)	4.67x 1st/15 7 (4 CWO, 3 SH)		1.62x 6th/15 15 (3 EAC, 2 CWO, 7 SH, 3 PART)
2018/19	1.58x 8th/17 11 (1 EAC, 1 CWO, 9 SH)	0.66x 17th/17 4 (2 CWO, 2 SH)	1.93x 5th/17 11 (4 EAC, 1 CWO, 6 SH)	1.33x 13th/17 20 (3 CWO, 17 SH)	1.35x 12th/17 20 (20 SH)	1.08x 14th/17 6 (1 EAC, 1 CWO, 4 SH)	1.39x 11th/17 14 (14 SH)	5.73x 1st/17 7 (1 EAC, 6 SH)	2.19x 3rd/17 5 (5 SH)	2.15x 4th/17 15 (1 EAC, 3 CWO, 11 SH)
2019/20	1.03x 15th/18 4 (1 CWO, 3 SH)	0.77x 18th/18 10 (1 EAC, 3 CWO, 6 SH)	0.82x 16th/18 9 (1 EAC, 1 EBC, 2 CWO, 5 SH)	1.39x 9th/18 23 (3 CWO, 20 SH)	1.07x 14th/18 26 (1 CWO, 25 SH)	0.80x 17th/18 6 (1 EAC, 1 CWO, 4 SH)	1.13x 13th/18 15 (15 SH)	4.37x 2nd/18 12 (1 EAC, 1 EBC, 2 CWO, 8 SH)	5.06x 1st/18 5 (1 EAC, 3 SH, 1 PART)	1.21x 12th/18 18 (1 EAC, 4 CWO, 13 SH)
2020/21	1.64x 6th/19 10 (10 SH)	1.10x 12th/19 14 (1 EAC, 2 CWO, 11 SH)	1.31x 10th/19 11 (11 SH)	1.29x 11th/19 20 (1 CWO, 19 SH)	1.06x 14th/19 26 (1 CWO, 25 SH)	0.93x 19th/19 8 (1 EAC, 7 SH)	1.03x 18th/19 16 (16 SH)	3.40x 2nd/19 9 (1 CWO, 8 SH)	1.50x 8th/19 11 (1 EAC, 1 CWO, 8 SH, 1 PART)	1.57x 7th/19 14 (1 EAC, 1 CWO, 12 SH)
2021/22	1.05x 9th/19 10 (10 SH)	0.98x 18th/19 16 (16 SH)	1.17x 4th/19 8 (8 SH)	1.09x 8th/19 22 (22 SH)	0.99x 17th/19 29 (1 CWO, 28 SH)	1.03x 10th/19 10 (10 SH)	1.03x 10th/19 9 (9 SH)	1.36x 1st/19 14 (14 SH)	1.00x 14th/19 7 (7 SH)	1.00x 14th/19 17 (17 SH)
2022/23	1.00x 6th/14 6 (6 SH)	1.01x 4th/14 8 (8 SH)	1.05x 2nd/14 6 (6 SH)	1.00x 6th/14 0	1.02x 3rd/14 28 (28 SH)	1.01x 4th/14 6 (6 SH)		1.00x 6th/14 8 (8 SH)		1.00x 6th/14 4 (4 SH)

Source: Return calculations from providers, analysis by Tax Efficient Review 10/03/2023. Annual numbers of investments include new and follow-on

Table 3 (2 of 2): Summary of EIS Performance by Tax Year - Gross multiple of investments made in the tax year

	Hambro Perks	Mercia	MMC	Molten	Oxford Capital	Octopus Ventures	Par	Parkwalk	Praetura Ventures
Tax Year	as at 28/02/2023	as at 30/09/2022	as at 30/09/2022	as at 31/12/2022	as at 05/10/2022	as at 14/02/2023	as at 31/12/2022	as at 31/01/2023	as at 28/02/2023
2013/14		4.84x 3rd/9 6 (2 EAC, 1 EBC, 3 CWO)	2.48x 6th/9 10 (3 EAC, 1 EBC, 5 CWO, 1 PART)	2.50x 5th/9 7 (4 EAC, 2 EBC, 1 SH)			9.38x 1st/9 3 (2 EAC, 1 CWO)	1.85x 7th/9 17 (5 EAC, 1 EBC, 6 CWO, 5 SH)	8.61x 2nd/9 4 (1 EBC, 1 CWO, 2 SH)
2014/15		2.21x 4th/9 11 (1 EAC, 8 WO, 2 SH)	2.10x 5th/9 11 (3 EAC, 1 EBC, 3 CWO, 3 SH, 1 PART)	1.43x 7th/9 8 (2 EAC, 1 EBC, 2 CWO, 3 SH)			1.02x 9th/9 6 (2 CWO, 4 SH)	1.41x 8th/9 22 (3 EAC, 3 EBC, 7 CWO, 9 SH)	5.33x 2nd/9 9 (2 EAC, 1 EBC, 3 CWO, 3 SH)
2015/16		1.51x 7th/10 22 (3 EAC, 11 CWO, 8 SH)	3.51x 1st/10 13 (3 EAC, 5 CWO, 3 SH, 2 PART)	2.84x 4th/10 10 (4 EAC, 1 EBC, 2 CWO, 3 SH)			0.50x 10th/10 1 (1 SH)	1.39x 8th/10 31 (6 EAC, 4 EBC, 10 CWO, 11 SH)	1.65x 6th/10 9 (2 EAC, 1 EBC, 3 CWO, 3 SH)
2016/17		1.51x 10th/13 19 (2 EAC, 5 CWO, 12 SH)	3.52x 2nd/13 11 (3 EAC, 2 CWO, 4 SH, 2 PART)	2.25x 7th/13 11 (2 EAC, 4 CWO, 5 SH)	2.79x 4th/13 12 (1 EBC, 4 CWO, 7 SH)		0.80x 13th/13 6 (2 EAC, 3 CWO, 1 SH)	1.79x 8th/13 34 (6 EAC, 4 CWO, 24 SH)	3.52x 2nd/13 11 (1 EAC, 1 EBC, 2 CWO, 7 SH)
2017/18		1.42x 8th/15 27 (3 EAC, 1 EBC, 7 CWO, 16 SH)	2.03x 5th/15 12 (3 EAC, 3 CWO, 5 SH, 1 PART)	1.15x 12th/15 6 (2 EAC, 3 CWO, 1 SH)	3.12x 2nd/15 10 (2 EAC, 2 CWO, 5 SH, 1 PART)		2.23x 4th/15 7 (1 EAC, 2 CWO, 4 SH)	1.26x 9th/15 39 (3 EAC, 1 EBC, 10 CWO, 25 SH)	1.50x 7th/15 9 (2 EBC, 2 CWO, 5 SH)
2018/19		0.72x 16th/17 15 (1 EAC, 7 CWO, 7 SH)	2.64x 2nd/17 14 (2 EAC, 1 EBC, 2 CWO, 9 SH)	1.76x 6th/17 14 (2 EAC, 1 EBC, 4 CWO, 7 SH)	1.41x 10th/17 10 (4 CWO, 6 SH)		0.84x 15th/17 9 (2 CWO, 7 SH)	1.55x 9th/17 39 (4 EAC, 3 EBC, 7 CWO, 25 SH)	1.63x 7th/17 7 (1 EAC, 1 CWO, 5 SH)
2019/20	2.49x 4th/18 13 (13 SH)	1.77x 5th/18 18 (1 PART, 3 CWO, 14 SH)	3.19x 3rd/18 16 (1 EAC, 1 EBC, 14 SH)	1.53x 8th/18 15 (1 EAC, 2 CWO, 12 SH)	1.75x 6th/18 6 (1 CWO, 5 SH)		1.39x 9th/18 11 (1 EAC, 2 CWO, 8 SH)	1.74x 7th/18 35 (2 EAC, 1 EBC, 2 CWO, 30 SH)	1.27x 11th/18 2 (2 CWO, 10 SH)
2020/21	2.14x 3rd/19 9 (1 CWO, 8 SH)	1.05x 16th/19 22 (1 CWO, 21 SH)	4.10x 1st/19 12 (1 EAC, 1 CWO, 10 SH)	1.71x 5th/19 10 (1 EAC, 2 CWO, 7 SH)	1.77x 4th/19 5 (1 CWO, 4 SH)	1.05x 16th/19 4 (4 SH)	1.06x 14th/19 13 (2 CWO, 11 SH)	1.47x 9th/19 37 (1 EAC, 2 CWO, 34 SH)	1.08x 13th/19 12 (1 CWO, 11 SH)
2021/22	1.20x 3rd/19 10 (10 SH)	0.93x 19th/19 17 (1 CWO, 16 SH)	1.24x 2nd/19 15 (1 EAC, 14 SH)	1.00x 14th/19 11 (1 CWO, 10 SH)	1.02x 12th/19 6 (6 SH)	1.10x 7th/19 21 (21 SH)	1.15x 5th/19 14 (14 SH)	1.12x 6th/19 43 (1 EAC, 42 SH)	1.02x 12th/19 20 (1 CWO, 19 SH)
2022/23	1.00x 6th/14 5 (5 SH)	1.00x 6th/14 8 (8 SH)		1.22x 1st/14 6 (6 SH)	1.00x 6th/14 5 (5 SH)	1.00x 6th/14 18 (18 SH)			1.00x 6th/14 17 (17 SH)

IMPORTANT NOTE: The main constituent in the valuation is the manager's view of their investments (as there are few exits) - where an investee company is still held then the manager has provided the valuation. As a result of this element of discretion, valuations can vary materially, so a detailed analysis of the manager's valuation methodology is recommended in order to make meaningful comparisons

HOW TO READ THIS TABLE: This table seeks to provide some performance data related to unquoted investments made by the EIS managers in each tax year. As no investor investing in the tax year will have received holdings in each investee company, it does not reflect individual portfolio performance. In addition, different valuation dates between providers makes comparison a difficult task

Gross Valuation multiple and position in year group → **1.23x 1st of 8** ← Colour of cell indicates tercile position of that year's performance  
 10 (1 EBC, 2 CWO, 7 SH) ← Number of investments (including follow-on) and current status CWO Complete Write-off or where current valuation is less than 5% of cost  
 EAC Exit Above Cost EBC Exit Below Cost PART Partial Exit SH Still Held

Provider fees have not been accounted for nor have any EIS tax breaks such as up-front tax relief or Loss Relief

For each tax year in column 1, the numbers in columns for each provider show the current value of all the investments made by the provider in that tax year followed by the number of holdings. So for example, a figure of 1.4x means that the value of the investments made that tax year are now valued by the manager at 1.4 times cost. A figure below 1 means the current value has declined below cost

Source: Return calculations from providers, analysis by Tax Efficient Review 10/03/2023. Annual numbers of investments include new and follow-on

Table 4: Average time to exit by provider

Providers with data going back at least five years (in alphabetical order)	Exited Above Cost	Exited Below Cost	Partially Exited	Completely Written-Off	All Exits
Ascension EIS Fund as at 31/12/2022	3.11 years (5 Companies)	None	2.23 years (1 Company)	3.02 years (3 Companies)	2.98 years (9 Companies)
Calculus as at 05/10/2022	4.5 years (11 Companies)	5.3 years (5 Companies)	7 years (1 Company)	4.4 years (9 Companies)	5.3 years (28 Companies)
Deepbridge Tech as at 31/12/2022	4 years (1 Company)	None	2 years (1 Company)	3 years (2 Companies)	3 years (4 Companies)
Deepbridge Life Sciences as at 31/12/2022	None	None	None	2 years (1 Company)	2 years (1 Company)
Downing Healthcare as at 31/1/2022	6.54 years (1 Company)	2.95 years (1 Company)	None	6.33 years (2 Companies)	5.54 years (4 Companies)
Edition as at 31/12/2022	None	None	None	None	None
Guinness as at 31/01/2023	3.01 years (5 Companies)	None	2.68 years (3 Companies)	1.99 years (5 Companies)	2.54 years (13 Companies)
Mercia as at 30/09/2022	5.2 years (10 Companies)	2.4 years (3 Companies)	1.8 years (1 Company)	4.1 years (8 Companies)	4.3 years (22 Companies)
MMC as at 30/09/2022	4.7 years (8 Companies)	8 years (1 Company)	6.3 years (2 Companies)	2.9 years (7 Companies)	4.4 years (18 Companies)
Molten as at 31/12/2022	4.4 years (11 Companies)	3 years (3 Companies)	None	3.8 years (6 Companies)	4 years (20 Companies)
Oxford Capital as at 05/10/2022	2.5 years (2 Companies)	1.3 years (1 Company)	5.6 years (1 Company)	4.6 years (7 Companies)	4 years (11 Companies)
Par as at 31/12/2022	5.5 years (5 Companies)	4.2 years (2 Companies)	0 years (0 Companies)	5 years (5 Companies)	5.1 years (12 Companies)
Parkwalk as at 31/01/2023	3.9 years (22 Companies)	4.5 years (7 Companies)	None	5.3 years (26 Companies)	4.6 years (55 Companies)
Praetura Ventures as at 28/02/2023	3.2 years (5 Companies)	4.7 years (1 Company)	None	4.8 years (5 Companies)	4.1 years (11 Companies)

Data from providers for exits where EIS offering has been in existence for at least five years. Where an exited company has received more than one investment then only the time from the first investment to the first exit receipt has been counted  
Report produced 10/03/2023

fund targeting early-stage high-growth technology companies in segments where current technology or solutions were limited, funded by institutional investors and the North West Development Agency. This fund seeded BluePrism which went on to be a valuable company, peaking in September 2018 at £1.8billion (on AIM). All stock from the fund have now been sold, and has returned £105m, which represents a Distributed to Paid-In Capital of 553% with a portfolio annual Internal Rate of Return of 18%.

- The Coalfields Growth Fund has also completed its investment cycle. The £10.0m Coalfields Funds were set up to support the growth of businesses in England’s former coalfields. Although the funds target was not entirely focused on commercial returns (job creation was one of its targets), but it has returned £24.5m, with a fully realised portfolio IRR of 33%.

- Mercia Fund 1 (MF1) is an evergreen early-stage seed fund that invests in technologies emerging from eight West Midlands universities, including the Universities of Warwick and Birmingham.
- Northern Powerhouse Investment Fund (NPIF) which the British Business Bank awarded to Mercia Fund Managers in March 2017. This is a £57.5m equity fund that is investing £100,000 - £2m in innovative and fast-growing businesses which are located in the North of England. It is possible to invest Mercia’s EIS funds alongside NPIF investments. Mercia was awarded a £23.7m extension to NPIF equity fund in April 2020.

In addition, Mercia is actively investing various other funds including:

- Midlands Engine Investment Fund (MEIF) (£23.5m)
- North East Venture Fund (NEVF) (£27.0m)
- Enterprise Ventures Growth Fund II (£45.0m)

Some of the government backed regional funds that Mercia operate will compete with the Mercia EIS Fund, but Mercia say there is a clear allocation strategy and the other funds can provide deal flow opportunities whereby Mercia EIS Funds can provide co-investment (or provide follow on capital) to selected companies in the broader Mercia's portfolio. Only the EIS Fund and Northern VCTs invest into opportunities from Scotland (often alongside SIB), which is one of the regions of interest, but will also invest in appropriately priced opportunities originating across the remainder of the UK. As an approximation, up to half of EIS investments will be alongside Mercia's regional funds with the majority of the remainder made alongside external syndicate partners.

At the end of 2019 it was announced that Mercia would be acquiring the management of the three Northern Venture Capital Trusts; Northern Venture Trust PLC, Northern 2 VCT PLC and Northern 3 VCT PLC, from NVM Private Equity LLP (NVM). This was funded by Mercia raising £30m via a share placing at 25p per share. The purchase creates the largest VCT manager in the North East and increased Mercia's total assets by more than 50%. Once the full integration of the assets and investment teams has been fully completed, this should enable Mercia to offer a full range of private equity investments, from early stage to pre-IPO

Areas of expertise by investment executive are:

- **Julian Dennard, Investment Director (Fund Principal)** – Julian joined Mercia Asset Management in 2016 and is currently a member of the venture Investment Committee, with oversight of all Mercia's early stage activities. Julian has extensive experience in early stage investing, having been a venture capital investor for 17 years, with a particular focus on software and deep tech assets. He currently sits on the board of a number of the EIS investments including VoxPopme, W2 and Mindset.ai. Prior to joining Mercia, Julian was a partner with Technology Venture Partners LLP based in Bristol, which managed the South West Ventures Fund (SWVF). The SWVF primarily invested in early-stage technology-focused businesses and university spinouts in software, electronics, medical diagnostics, telematics and semiconductors. He was an associate director for KPMG Corporate

Finance in London and Sydney between 2000 and 2006

- **Stephen Windsor, Investment Director** - Stephen joined the Group in 2019 as an Investment Director, working on the Midlands Engine Investment Fund (MEIF) and EIS. Graduating from Loughborough University, Stephen has spent the last 10 years supporting Midlands-based businesses in a finance capacity. Prior to joining the Group, Stephen was an investor at the Housing Growth Partnership, investing in small and mid-sized housebuilders across the Midlands. Stephen has also spent time in the Midlands office of Lloyds Bank's leverage finance team, working on acquisition facilities to support private equity buy outs across a multitude of sectors including telecoms, media and technology, manufacturing, leisure, education, and oil and gas.
- **Mark Payton, Lifesciences & Biosciences, CEO of Mercia Asset Management PLC** - Prior to Mercia, Mark was at the Department of Pharmacology, University of Oxford, and then afterwards played leading roles within Oxford University Innovation (OUI, formerly Isis Innovation, the technology transfer operation of the University of Oxford), facilitating the spin out of BioAnalab, Oxford Immunotec, Oxitec and Natural Motion. Three of these companies were sold and one other was listed on NASDAQ. After OUI Mark was vice president corporate development at Oxon Therapeutics Inc prior to its sale to Oxford BioMedica plc. Mark gained his PhD jointly between the University of Oxford (Worcester College) and the University of London (King's College). He also has an MBA from the University of Warwick, has IMC parts I and II, is a Royal Academy of Engineering Sainsbury's Management Fellow (Life Sciences) and is FCA accredited.
- **Julian Viggars, CIO of Mercia Asset Management PLC** - Julian joined the Group in 2003 and was previously Head of Technology Investments at Mercia, before being appointed as Chief Investment Officer in April 2018. Julian has over 20 years' venture capital experience and oversees all of the investment activity of the Group across venture, growth equity and debt, in addition to managing the Investment Team. He is also a Fund Manager for NPIF - Mercia Equity

Finance, the RisingStars Growth Funds, and the Finance Yorkshire Seedcorn Fund, which include successful listed businesses Blue Prism (£1.8billion in September 2018), Xeros (£53m in September 2018), and Optibiotix (£66m in September 2018). Julian has experience across all tech sectors and was previously an investment director and COO of BioProjects International PLC, an AIM-listed early-stage technology fund, which he cofounded with private investor, Jim Slater. Prior to that, he was with accountancy firm Smith & Williamson in London, and spent time with Barclays Ventures working on small PE buyout transactions. In April 2018, Julian Viggars replaced Matt Mead at CIO, who has moved in a Venture Partner role, sitting as the Chairman of MFM's investment panel.

- **Peter Dines, Managing Director of Mercia Asset Management PLC** - Peter is the managing director of Mercia Fund Management, which manages both Mercia EIS and Northern VCT. Peter leads the Northern

VCT investment team, which works closely with Julian Dennard on EIS investments. Peter has been involved with a number of turnarounds and exits within the sector, including the acquisition of Surgicraft's loss-making business where, as managing director, sales quadrupled within three years and the business was subsequently sold to a private equity backed business and Diagnostic World, a fast-growing diagnostic provider to the NHS.

Approximately half of the Mercia EIS Fund investments are alongside other funds that they manage, such as VCT, MEIF and NPIF, which provides leverage to any EIS funds that are invested. As a result of the internal cooperation, 17 additional experienced investment managers/directors are representing EIS investors on the boards of portfolio companies.

**Tax Efficient Review Management Team/Deal Flow/Exit rating: 17 out of 20**

## Fees and Costs

The difficulty in trying to compare fees and costs between EIS offers is that they can be charged to both the EIS investor directly or indirectly through the underlying EIS companies. TER consider that any charges made to the EIS companies affects the return to the EIS investor and therefore TER amalgamates both direct and indirect fees to compile a simulated total "five year cost of ownership". In order to compile the comparison table to illustrate the effect of total charges on a £100,000 portfolio invested for five years, TER have had to make a few assumptions which by definition are not "real world". The key ones are:

- Level of charges are based on data provided by the portfolio manager.
- A 20% assumed annual growth rate of investee companies is made by Tax Efficient Review for modelling purposes only. No estimate is either intended nor implied. Investee company values can go down as well as up.
- No investee company is written-off and all companies are sold together after five years.

- Some providers have higher annual costs to reflect the more extensive levels of in-house management and administration of their EIS activities.

From the data, TER has compiled two tables. Table 4 shows the detail of how the fees and charges accrue over five years together with a simulated exit value of the portfolio if sold after five years.

Table 5 then compares the total fees for all the EIS providers and relates total fees to the level of gain driven by the assumed 20% growth rate of the portfolio.

As can be seen from Table 5, Mercia do not show up well being bottom of the table with the highest fees per £ of gain. The reasons for this are very simple: they hold back 9% upfront to cover fees (so have less deployed to grow) and they charge more fees than other EIS offerings. In particular they charge an Annual Management Charge to investors of 2.10%, an Arrangement Fee of 3.6% to each investee company as well as an Annual Monitoring Fee to each investee company of



Table 5: EIS offers estimated five year costs ranked by cost per £1 of profit

Provider	Simulated 5 year return net of fees and charges based on 20% growth per annum	Simulated 5 year fees and charges based on 20% growth per annum	Simulated 5 year cost per £1 of investor profit (column 3 divided by excess of column 2 over £100,000) Lower is better	% of costs charged to investors	% of costs charged to investee companies	Provider treatment of VAT on fees (Note 1)		
						VAT charged on Initial charge?	VAT charged on AMC?	VAT charged on Performance Fee?
FUEL VENTURES	£218,089	£36,772	£0.31	67%	33%	N/A	Yes	Yes
EDITION EIS	£201,885	£34,521	£0.34	59%	41%	N/A	Yes	No
PAR EQUITY	£202,935	£35,996	£0.35	73%	27%	Yes	Yes	Yes
CALCULUS	£199,828	£35,322	£0.35	85%	15%	Yes	Yes	Yes
BLACKFINCH	£202,446	£36,774	£0.36	57%	43%	No	No	No
ASCENSION	£197,378	£36,849	£0.38	87%	13%	N/A	Yes	No
HAMBRO PERKS	£190,565	£35,373	£0.39	100%	0%	N/A	No	No
PARKWALK	£182,545	£34,086	£0.41	100%	0%	No	Yes	No
PRAETURA	£194,997	£42,536	£0.45	91%	9%	Yes	Yes	Yes
GUINNESS	£157,508	£26,474	£0.46	50%	50%	N/A	N/A	Yes
MOLTEN	£178,003	£36,205	£0.46	100%	0%	Yes	Yes	Yes
DOWNING VENTURES	£191,645	£44,349	£0.48	94%	6%	No	Yes	Yes
DOWNING HEALTHCARE	£191,327	£44,666	£0.49	94%	6%	No	Yes	Yes
DEEPBRIDGE TECH	£198,507	£48,592	£0.49	52%	48%	N/A	N/A	Yes
DEEPBRIDGE LIFE SCIENCES	£198,507	£48,592	£0.49	52%	48%	N/A	N/A	Yes
OXFORD CAPITAL	£179,883	£43,741	£0.55	97%	3%	Yes	Yes	Yes
MMC	£172,627	£44,248	£0.61	100%	0%	Yes	Yes	Yes
OCTOPUS	£189,614	£54,797	£0.61	100%	0%	No	Yes	Yes
<b>MERCIA EIS</b>	<b>£178,210</b>	<b>£50,378</b>	<b>£0.64</b>	<b>80%</b>	<b>20%</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

Note 1: The treatment of VAT on fees differs between offers. "Yes" indicates that VAT is charged by the provider. "N/A" indicates that the fee is not charged. "No" indicates that the fee is not subject at present to VAT. This could change in the future. TER does not give VAT advice

This table illustrates the effect of total charges on a £100,000 portfolio invested for five years

Level of charges based on data provided by the portfolio manager

Some providers have higher annual costs to reflect the more extensive levels of in-house management and administration of their EIS activities

Key unrealistic assumptions made by Tax Efficient Review for modelling purposes only: 20% annual growth rate of all investee companies, no investee company is written-off, all companies are sold together after five years

No estimate of return is either intended nor implied. Investee company values can go down as well as up. TER does not give tax advice

Source: Data from Provider, Calculation by Tax Efficient Review. Report produced 13/03/2023

- Frontier Development Capital (£450m)
- Northern Powerhouse debt fund (£81.6m)
- Enterprise Ventures SME loans
- Rosebud Fund

Mercia's EIS fund are regularly deployed alongside MEIF, NPIF and NEVF, which provides further leverage for Mercia's EIS investors.

Mercia also manages the following which have been fully invested; Enterprise Ventures Growth Fund, Northwest Fund Mezzanine, Northwest Fund Venture, Rising Stars Growth Funds II, Finance Yorkshire Business Loans, and Finance Yorkshire Seedcorn Fund.



Table 6: **Tax Efficient Review Estimate of Total Charges over a five year period for MERCIA EIS**

Fee type	Amount	Description
Investor- Initial charge	1.80%	1.5% + VAT (excl IFA commission)
Investor- Annual management charge	2.10%	1.75% +VAT (excl trail commission) based on net subscription into the fund
Investor- Annual operating costs	0.00%	None
Investor- Transaction specific costs	0.00%	Included in Initial fee
Investor- Performance hurdle		None
Investor- Performance Fee	24.00%	20%+VAT based on distributions over initial investments into EIS companies
Investor- Custodian Fees-Admin per annum	0.30%	0.25% +VAT on net subscription into the fund
Investee companies- arrangement fees	3.60%	3%+VAT
Investee companies- annual monitoring fees	1.56%	fees progressively reduced and average 1.3% of amount invested in EIS companies
Investee companies- Exit fees	0.00%	None
Held back upfront to cover fees	9.00%	1.8% initial plus 3*(1.75%+0.25%)*1.2
Predicted number of investee companies	12	
% of fund invested in yr1	100.00%	
% of fund invested in yr2	0.00%	
Assumed annual growth*	20.00%	Tax Efficient Review assumption, no prediction implied

Cell colour indicates fee charged to Investor (Yellow) or Investee Company (Pink)	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL 5 YEAR FEES
Value of portfolio beg year	£100,000	£103,900	£123,312	£146,606	£174,558	
Less Initial charge	£9,000	£0	£0	£0	£0	£9,000
Less Transaction fees	£0	£0	£0	£0	£0	£0
Less Annual Operating Costs	£0	£0	£0	£0	£0	£0
Less Annual management charge	£0	£0	£0	£0	£0	£0
Less Arrangement fee	£3,276	£0	£0	£0	£0	£3,276
plus Assumed growth*	£17,545	£20,780	£24,662	£29,321	£34,912	
Monitoring fees	£1,368	£1,368	£1,368	£1,368	£1,368	£6,842
Exit fees/Deferred fees	£0	£0	£0	£0	£3,720	£3,720
Performance Fee	£0	£0	£0	£0	£27,540	£27,540
Value of portfolio at year end	£103,900	£123,312	£146,606	£174,558	£178,210	£50,378
Total cumulative charges	£13,644	£15,013	£16,381	£17,750	£50,378	

This table illustrates the effect of total charges on a £100,000 portfolio invested for five years.

Level of charges based on data provided by the portfolio manager.

Some providers have higher annual costs to reflect the more extensive levels of in-house management and administration of their EIS activities

\*Assumed annual growth rate of investee companies is made by Tax Efficient Review for modelling purposes only.

No estimate is either intended nor implied. Investee company values can go down as well as up.

Source: Fees data from Providers, Calculation by Tax Efficient Review. Report produced 13/03/2023

1.30%.

The fees and charges are identical for the Mercia EIS fund, and the closely related Mercia Knowledge-Intensive (KI) EIS Fund. In detail the charges are:

- **Initial charge:** 2.4% inc VAT initial fee, reduced to 1.8% inc VAT for existing and advised investors.
- **Annual management charge:** 1.75% (plus VAT) for 6 years of the original investment into the Fund. By default, investors pay three years fees up front upon investment (deploying 91p in the £1), with subsequent years' fees being paid from investee company sale proceeds.
- **Performance fee:** Mercia are entitled to a performance incentive equivalent to 24% inc VAT (20% ex VAT) of the return over £1 invested in EIS-qualifying companies (excluding any tax reliefs). Performance fees will only be taken once investors are returned £1 in cash at the fund level per £1 invested, not per individual company. Whilst TER applaud that these fees are taken on a fund level as opposed to a per deal, it is disappointing not to see any hurdle in place before the performance

fee kicks in.

- **Administration fee:** There is an annual custodian fee of 0.25% (plus VAT) per annum for 6 years.

We asked Mercia to provide the amount that the five largest users of these services were billed by Mercia in the year to 30 September 2021 and were told: Axis Spine £59,750; W2 Global £42,000; Gecko Labs £40,000; Cyan Forensics £37,499; Cyberowl £21,967. Mercia has confirmed that in the future their fees will be capped at £30,000 per annum on all new investments

Whilst it is positive to see the fees Mercia charges coming down (they have reduced their monitoring fee to 1.56% this year as opposed to 2.6% last year), but they are still a high level of charges in this offering.

**Tax Efficient Review Costs rating: 7 out of 10**

## Conclusion

This review is for the Mercia EIS fund and also for the Knowledge Intensive fund version of their EIS fund, which is available until the end of the 2022/23 tax year. The Knowledge-Intensive (KI) version of the Mercia EIS fund will be investing alongside the main fund, with almost exactly the same portfolio construction.

So what can investors expect from the Mercia EIS? They have been running an EIS fund since 2013 and their funds under management have grown each year. They have over 120 staff operating across 9 regional offices, and it is this regional presence which underpins one of the investment aspects of their offer. In 2019 they also acquired the Northern VCTs in addition to their regional start up funds and can offer backing to investee companies from pre-seed all the way up to Growth/Venture capital.

Furthermore, over recent years there have been a series of positive exits from investee companies. In the last year, there have been exits in nDreams (7.8x), In-Part Publishing (4.4x), Kumulos (3.5x including earn out) and Bioextraction Wales (1.0x). The lack of exits in previous reviews was always the Achilles Heel of the Mercia EIS and they have now demonstrated sufficient profitable exits to put this to bed.

The fees are still high in comparison to their EIS peer group. There has been a small reduction made by Mercia of late, which is to be encouraged, but the fact remains that they are still expensive and this could have additional ramifications as the "Consumer Duty" regulations come into effect for advisers later on in 2023.

But overall, Mercia are now firmly ensconced at the top table of EIS managers with a depth and breadth of offering for advisers considering them as an EIS manager.

**Tax Efficient Review Total rating: 87 out of 100** (for "EIS Growth fund from an established provider with track record")

**Table 7: Analysis of Mercia EIS Fund EIS unquoted holdings as at 30/09/2022**

Tax Year	Company	Current Status (Exited, Partial Exit, Still held, Complete Write-off)	Total Investment Cost (not per share price)	Total Value (Realised & Unrealised )	Gross Multiple of investments purchased in the year
2013/2014	Abzena PLC	Exit Below Cost	£158,667	£146,931	0.93
2013/2014	LM Technologies Ltd	Complete Write Off	£63,975	£1,639	0.03
2013/2014	Metric IO Limited	Complete Write Off	£100,000	£0	0.00
2013/2014	nDreams Limited	Exit Above Cost	£249,994	£1,905,813	7.62
2013/2014	Oxford Genetics Limited	Exit Above Cost	79,989	1,586,178	19.83
2013/2014	Warwick Acoustics Limited	Complete Write Off	100,000	147	0.00
<b>2013/2014 Total</b>			<b>£752,627</b>	<b>£3,640,710</b>	<b>4.84</b>
2014/2015	Canary Care Limited	Complete Write Off	139,997	£0	0.00
2014/2015	CYP Design Limited	Complete Write Off	£25,000	£121	0.00
2014/2015	Edge Case Games Limited	Complete Write Off	£199,986	£142	0.00
2014/2015	Invincibles Studio (prev Soccer Manager)	Still Held	£424,988	£1,020,073	2.40
2014/2015	Kwanji Limited	Complete Write Off	£150,000	£0	0.00
2014/2015	Love Me Beauty Limited	Complete Write Off	£99,995	£11	0.00
2014/2015	No Yetis Allowed Limited	Complete Write Off	£74,999	£0	0.00
2014/2015	Oxford Genetics Limited	Exit Above Cost	£200,013	£3,019,167	15.09
2014/2015	Ton UK Limited	Still Held	£250,227	£325,095	1.30
2014/2015	VirtTrade Limited	Complete Write Off	£250,017	£38	0.00
2014/2015	Warwick Acoustics Limited	Complete Write Off	£158,520	£580	0.00
<b>2014/2015 Total</b>			<b>£1,973,746</b>	<b>£4,365,230</b>	<b>2.21</b>
2015/2016	BioExtractions Wales Limited	Exit Above Cost	£75,000	£75,000	1.00
2015/2016	Canary Care Limited	Complete Write Off	£249,994	£0	0.00
2015/2016	Customer Clever Limited	Complete Write Off	£299,992	£17	0.00
2015/2016	CYP Design Limited	Complete Write Off	£25,000	£121	0.00
2015/2016	Eyoto Ltd	Still Held	£149,999	£75,148	0.50
2015/2016	Friendly Score UK Limited	Complete Write Off	£94,491	£114	0.00
2015/2016	Glowmade Limited	Still Held	£75,206	39,084	0.52
2015/2016	Inocardia Limited	Complete Write Off	£233,340	£24	0.00
2015/2016	In-part Publishing Limited	Exit Above Cost	£200,048	887,802	4.44
2015/2016	Intelligent Health Limited	Still Held	£300,000	£175,875	0.59
2015/2016	Love Me Beauty Limited	Complete Write Off	£325,026	£22	0.00
2015/2016	Manchester Imaging Ltd	Complete Write Off	49976.5	£6	0.00
2015/2016	Medherant Limited	Still Held	£249,980	£624,900	2.50
2015/2016	MIP Diagnostics Limited	Still Held	£181,940	£443,768	2.44
2015/2016	nanoTherics Limited	Complete Write Off	£249,976	£0	0.00
2015/2016	No Yetis Allowed Limited	Complete Write Off	£35,000	£0	0.00
2015/2016	Nuvision Biotherapies Ltd	Still Held	£229,939	£131,137	0.57
2015/2016	Oxford Genetics Limited	Exit Above Cost	£149,955	£2,018,374	13.46
2015/2016	Pharos Global Limited	Complete Write Off	£99,967	£0	0.00
2015/2016	Sense Biodetection Limited	Still Held	£44,995	£994,734	22.11
2015/2016	Thalia Design Automation Limited	Still Held	£200,000	£79,170	0.40
2015/2016	Wayve Ltd	Complete Write Off	£150,001	£0	0.00
<b>2015/2016 Total</b>			<b>£3,669,833</b>	<b>£5,545,302</b>	<b>1.51</b>
2016/2017	Afternoonify Limited	Still Held	£500,031	£95,836	0.19
2016/2017	Braintrain 2020 Limited	Still Held	£113,996	£168,231	1.48
2016/2017	Canary Care Limited	Complete Write Off	£399,986	£0	0.00
2016/2017	Chromition Limited	Still Held	£200,032	£49,734	0.25
2016/2017	Customer Clever Limited	Complete Write Off	299,916	£14	0.00
2016/2017	CyberOwl Limited	Still Held	299940	£558,638	1.86
2016/2017	Eyoto Ltd	Still Held	£199,998	£77,777	0.39
2016/2017	GENBA Digital Limited	Exit Above Cost	£700,002	£2,866,658	4.10
2016/2017	Intelligent Health Limited	Still Held	£350,005	£175,002	0.50

**Table 7: Analysis of Mercia EIS Fund EIS unquoted holdings as at 30/09/2022**

Tax Year	Company	Current Status (Exited, Partial Exit, Still held, Complete Write-off)	Total Investment Cost (not per share price)	Total Value (Realised & Unrealised )	Gross Multiple of investments purchased in the year
2016/2017	Manchester Imaging Ltd	Complete Write Off	£299,902	£33	0.00
2016/2017	MIP Diagnostics Limited	Still Held	£449,901	£670,615	1.49
2016/2017	Nuvision Biotherapies Ltd	Still Held	£250,014	£116,122	0.46
2016/2017	Pertinax Pharma Limited	Complete Write Off	£336,458	£2	0.00
2016/2017	Refract Software Limited	Exit Above Cost	£149,999	£313,375	2.09
2015/2016	Sense Biodetection Limited	Still Held	£205,286	£4,237,078	20.64
2016/2017	Snapdragon Monitoring Ltd	Still Held	£80,060	£133,906	1.67
2016/2017	Thalia Design Automation Limited	Still Held	£156,000	£58,500	0.38
2016/2017	W2 Global Data Solutions Ltd	Still Held	£800,001	£210,266	0.26
2016/2017	Wayve Ltd	Complete Write Off	£650,002	£0	0.00
<b>2016/2017 Total</b>			<b>£6,441,536</b>	<b>£9,731,793</b>	<b>1.51</b>
2017/2018	Blackcurve Solutions Limited	Complete Write Off	£324,992	£1	0.00
2017/2018	CAM Solutions Ltd	Complete Write Off	£299,739	£39	0.00
2017/2018	Carbon Air Limited	Still Held	£250,053	£424,509	1.70
2017/2018	Chromition Limited	Still Held	£124,997	£31,248	0.25
2017/2018	Clear Review Limited	Exit Above Cost	£499,848	£3,963,788	7.93
2017/2018	Corrosion RADAR Ltd	Still Held	£99,999	£185,833	1.86
2017/2018	Cyacomb (pre Cyan Forensics)	Still Held	£249,992	£466,707	1.87
2017/2018	CyberOwl Limited	Still Held	£249,975	£372,462	1.49
2017/2018	GENBA Digital Limited	Exit Above Cost	£300,000	£1,123,642	3.75
2017/2018	Invizius Limited	Still Held	£349,996	£496,418	1.42
2017/2018	Locate Bio Limited	Still Held	£999,999	£1,012,316	1.01
2017/2018	Luminous Group Limited	Still Held	£249,997	£249,997	1.00
2017/2018	Milkalyser Ltd	Exit Below Cost	£349,949	£264,433	0.76
2017/2018	Minimised Media Ltd	Complete Write Off	£219,147	£0	0.00
2017/2018	Miotify Ltd	Complete Write Off	£199,958	£23	0.00
2017/2018	MIP Diagnostics Limited	Still Held	£549,962	£658,139	1.20
2017/2018	Nuvision Biotherapies Ltd	Still Held	£199,976	£84,435	0.42
2017/2018	Particle Analytics Limited	Complete Write Off	£70,361	£0	0.00
2017/2018	Pertinax Pharma Limited	Complete Write Off	249,999	2	0.00
2017/2018	Pharmaseal International Limited	Still Held	£129,996	£10,833	0.08
2017/2018	Realtime Games Ltd	Complete Write Off	£299,977	£0	0.00
2017/2018	Refract Software Limited	Exit Above Cost	£299,994	£506,521	1.69
2017/2018	Snapdragon Monitoring Ltd	Still Held	£299,993	£322,519	1.08
2017/2018	Thalia Design Automation Limited	Still Held	£289,000	£94,500	0.33
2017/2018	Voxpopme Limited	Still Held	£999,990	£2,119,373	2.12
2017/2018	W2 Global Data Solutions Ltd	Still Held	£599,994	£142,390	0.24
2017/2018	Wallet Services Limited	Still Held	£250,000	£255,000	1.02
<b>2017/2018 Total</b>			<b>£9,007,895</b>	<b>£12,785,139</b>	<b>1.42</b>
2018/2019	Adapttech Limited	Still Held	£350,010	£326,676	0.93
2018/2019	Arc Vehicle Limited	Complete Write Off	£350,000	£0	0.00
2018/2019	Axis Spine Technologies Ltd	Still Held	£499,978	£964,892	1.93
2018/2019	Blackcurve Solutions Limited	Complete Write Off	£270,990	£1	0.00
2018/2019	CAM Solutions Ltd	Complete Write Off	£300,000	£46	0.00
2018/2019	Cyacomb (pre Cyan Forensics)	Still Held	£499,991	£661,264	1.32
2018/2019	DxCover (prev Clinspec Diagnostics)	Still Held	£259,000	£384,903	1.49
2018/2019	Expandly Limited	Complete Write Off	£250,000	£330	0.00
2018/2019	Kumulos Limited	Exit Above Cost	£399,967	£860,781	2.15
2018/2019	Living Map Assests Limited	Still Held	£749,996	204,806	0.27
2018/2019	Manchester Imaging Ltd	Complete Write Off	£116,250	£10	0.00
2018/2019	Pertinax Pharma Limited	Complete Write Off	£199,998	£2	0.00

**Table 7: Analysis of Mercia EIS Fund EIS unquoted holdings as at 30/09/2022**

Tax Year	Company	Current Status (Exited, Partial Exit, Still held, Complete Write-off)	Total Investment Cost (not per share price)	Total Value (Realised & Unrealised )	Gross Multiple of investments purchased in the year
2018/2019	Pharmaseal International Limited	Still Held	£374,992	£28,408	0.08
2018/2019	Rinicare Limited	Complete Write Off	£250,000	£27	0.00
2018/2019	Snapdragon Monitoring Ltd	Still Held	£349,999	£349,999	1.00
<b>2018/2019 Total</b>			<b>£5,221,176</b>	<b>£3,782,151</b>	<b>0.72</b>
2019/2020	Aceleron Limited	Still Held	£249,998	£427,964	1.71
2019/2020	Adapttech Limited	Still Held	£324,968	£323,568	1.00
2019/2020	Axis Spine Technologies Ltd	Still Held	£1,179,870	£1,989,899	1.69
2019/2020	BidStack PLC	Still Held	£30,846	£2,235	0.07
2019/2020	Corrosion RADAR Ltd	Still Held	£69,999	£62,226	0.89
2019/2020	Covatic Limited	Still Held	£450,000	£281	0.00
2019/2020	Cyacomb (prev Cyan Forensics)	Still Held	£249,994	£305,776	1.22
2019/2020	CyberOwl Limited	Still Held	£375,000	£558,750	1.49
2019/2020	e-bate Limited	Still Held	£299,958	£373,730	1.25
2019/2020	Gecko Labs Limited	Still Held	£799,991	£1,249,482	1.56
2019/2020	Invizius Limited	Still Held	£499,999	£624,851	1.25
2019/2020	Living Map Assests Limited	Still Held	£249,997	£61,677	0.25
2019/2020	Nuvision Biotherapies Ltd	Still Held	£249,985	135,378	0.54
2019/2020	Rinicare Limited	Complete Write Off	£125,000	£13	0.00
2019/2020	Sarissa Biomedical Limited	Complete Write Off	£399,997	£1,114	0.00
2019/2020	Sense Biodetection Limited	Still Held	£1,150,816	£4,209,324	3.66
2019/2020	Snapdragon Monitoring Ltd	Still Held	£74,995	£74,995	1.00
2019/2020	Snappy Shopper Ltd	Partial Exit	£249,934	£2,023,965	8.10
<b>2019/2020 Total</b>			<b>£7,031,355</b>	<b>£12,425,232</b>	<b>1.77</b>
2020/2021	100 Percent IT Limited	Still Held	£834,998	£825,455	0.99
2020/2021	Aceleron Limited	Still Held	£275,000	£325,259	1.18
2020/2021	Adapttech Limited	Still Held	£264,967	£290,262	1.10
2020/2021	Axis Spine Technologies Ltd	Still Held	£707,056	£707,056	1.00
2020/2021	Corrosion RADAR Ltd	Still Held	£499,999	£374,999	0.75
2020/2021	Cyacomb (prev Cyan Forensics)	Still Held	£499,999	£532,275	1.06
2020/2021	DxCover (prev Clinspec Diagnostics)	Still Held	£500,000	£500,000	1.00
2020/2021	e-bate Limited	Still Held	£299,998	£404,253	1.35
2020/2021	Eventum Orthopaedics Ltd	Still Held	£181,278	£353,420	1.95
2020/2021	Humley Holdings Ltd	Still Held	£199,999	£49,999	0.25
2020/2021	Invizius Limited	Still Held	£900,002	£900,002	1.00
2020/2021	Living Map Assests Limited	Still Held	£430,999	£230,893	0.54
2020/2021	Locate Bio Limited	Still Held	£499,999	£499,999	1.00
2020/2021	MIP Diagnostics Limited	Still Held	£360,058	£360,058	1.00
2020/2021	MyHealthChecked PLC (Formerly Concepta)	Still Held	£1,000,000	£1,548,214	1.55
2020/2021	Newcells Biotech Ltd	Still Held	£500,001	£607,790	1.22
2020/2021	Nuvision Biotherapies Ltd	Still Held	£549,960	£360,360	0.66
2020/2021	Rinicare Limited	Complete Write Off	£134,776	£56	0.00
2020/2021	Snapdragon Monitoring Ltd	Still Held	£399,999	£399,999	1.00
2020/2021	Stormburst Studios Limited	Still Held	£299,992	£690,906	2.30
2020/2021	W2 Global Data Solutions Ltd	Still Held	£199,984	£55,181	0.28
<b>2020/2021 Total</b>			<b>£9,539,075</b>	<b>£10,016,444</b>	<b>1.05</b>
2021/2022	Aceleron Limited	Still Held	£624,999	£624,999	1.00
2021/2022	Adapttech Limited	Still Held	499,968	499,968	1.00
2021/2022	Axis Spine Technologies Ltd	Still Held	462,919	462,919	1.00
2021/2022	Big Business Intelligence Limited	Still Held	£399,996	£239,998	0.60
2021/2022	Cloud 8 Limited	Still Held	£749,904	£421,269	0.56
2021/2022	e-bate Limited	Still Held	£523,953	£523,953	1.00

**Table 7: Analysis of Mercia EIS Fund EIS unquoted holdings as at 30/09/2022**

Tax Year	Company	Current Status (Exited, Partial Exit, Still held, Complete Write-off)	Total Investment Cost (not per share price)	Total Value (Realised & Unrealised )	Gross Multiple of investments purchased in the year
2021/2022	Givepenny Technologies Limtied	Still Held	£499,999	£499,999	1.00
2021/2022	Little Journey	Still Held	£699,973	£699,973	1.00
2021/2022	Locate Bio Limited	Still Held	£1,000,001	£1,000,001	1.00
2021/2022	Loopr Ltd	Still Held	£999,999	£999,999	1.00
2021/2022	MIP Discovery Ltd	Still Held	£320,081	£320,081	1.00
2021/2022	Naitive Technologies Ltd	Still Held	£599,996	£599,996	1.00
2021/2022	Rinicare Limited	Complete Write Off	£200,000	£51	0.00
2021/2022	SERG Technologies Limited	Still Held	£750,088	£750,088	1.00
2021/2022	Shine Interview Limited	Still Held	£299,999	£299,999	1.00
2021/2022	Tribosonics Limited	Still Held	£750,000	£750,000	1.00
<b>2021/2022 Total</b>			<b>£9,381,880</b>	<b>£8,693,298</b>	<b>0.93</b>
2022/2023	Cloud 8 Limtied	Still Held	£624,999	£624,999	1.00
2022/2023	e-bate Limited	Still Held	£748,506	£748,506	1.00
2022/2023	Mindset Ai Ltd	Still Held	£1,499,999	£1,499,999	1.00
2022/2023	Optellum Limited	Still Held	£1,249,999	£1,249,999	1.00
2022/2023	Propmedia Limited (t/a Lettingaproperty)	Still Held	£374,745	£374,745	1.00
2022/2023	Role Mapper Technologies	Still Held	£999,998	£999,998	1.00
2022/2023	Smart Recruit Online Limited	Still Held	£499,999	£499,999	1.00
<b>2022/2023 Total</b>			<b>£6,398,648</b>	<b>£6,398,648</b>	<b>1.00</b>

Source: Mercia

**Table 8: Mercia EIS Fund Unquoted portfolio analysis for Tax Efficient Review as at 30/09/2022**

Investee name	Amount invested £m	Current Value £m	Date of first investment	Structure of investment	Industry sector	Financing stage	Valuation method	Multiple of cost	
<b>EXCLUDING SEIS INVESTMENTS, EXCLUDING AIM, EXCLUDING SOLD/LIQUIDATED</b>									
Sense Biodetection Limited	£1.40	£9.44	Mar-16	Equity	Health Care Equipment & Services	Later Stage, Pre-flotation	Uplift in value, manager valuation based on price of recent funding round which included new external investor(s)"	6.74	
Medherant Limited	£0.25	£0.62	Mar-16	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion		2.50	
Soccer Manager Limited	£0.42	£1.02	Jul-14	Equity	Software & Computer Services	Later Stage, Pre-flotation		2.40	
Stormburst Studios Limited	£0.30	£0.69	Mar-21	Equity	Software & Computer Services	Later Stage, Pre-profit expansion		2.30	
Voxpopme Limited	£1.00	£2.12	Oct-17	Equity	Software & Computer Services	Later Stage, Pre-flotation		2.12	
Eventum Orthopaedics Ltd	£0.18	£0.35	Mar-21	Equity	Health Care Equipment & Services	Early Stage, Pre-Revenue		1.95	
CarbonAir Limited	£0.25	£0.42	Nov-17	Equity	Technology Hardware & Equipment	Later Stage, Pre-flotation		1.70	
CyberOwl Limited	£0.92	£1.49	Nov-16	Equity	Software & Computer Services	Later Stage, Pre-profit expansion		1.61	
MIP Diagnostics Limited	£1.54	£2.45	Dec-15	Equity	Health Care Equipment & Services	Later Stage, Pre-flotation		1.59	
Gecko Labs Limited	£0.80	£1.25	Jun-19	Equity	Software & Computer Services	Later Stage, Pre-flotation		1.56	
MyHealthChecked PLC (Formerly Concepta)	£1.00	£1.55	Apr-20	Equity	Health Care Equipment & Services	Later Stage, Pre-flotation		AIM listed, At mid, Marketability discount of 0%	1.55
Axis Spine Technologies Ltd	£2.85	£4.12	Mar-17	Equity	Health Care Equipment & Services	Early Stage, Pre-Revenue		1.45	
Braintrain 2020 Limited	£0.11	£0.16	Sep-19	Equity	Technology Hardware & Equipment	Early Stage, Pre-Revenue		1.44	
Cyacomb (previously Cyan Forensics Limited)	£1.50	£1.97	Sep-17	Equity	Software & Computer Services	Later Stage, Pre-flotation		1.31	
Ton UK Limited	£0.25	£0.33	Mar-15	Equity	Software & Computer Services	Later Stage, Pre-profit expansion		1.30	
Newcells Biotech Ltd	£0.50	£0.61	Jan-21	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Uplift in value, manager valuation based on price of recent funding round which included new external investor(s)"	1.22	
Acleron Limited	£1.15	£1.38	Oct-19	Equity	Technology Hardware & Equipment	Later Stage, Pre-profit expansion		1.20	
DX Cover (Clinspec Diagnostics Limited)	£0.76	£0.88	Feb-19	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion		1.17	
Invizius Limited	£1.75	£2.02	Apr-18	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	1.16		
e-bate Limited	£1.87	£2.05	Aug-19	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	1.10		
Snapdragon Monitoring Ltd	£1.21	£1.28	Apr-17	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	1.06		
Wallet Services Limited	£0.25	£0.26	Mar-18	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	1.02		
Locate Bio Limited	£2.50	£2.51	Apr-18	Equity	Pharmaceuticals & Biotechnology	Later Stage, Pre-flotation	Uplift in value, manager valuation based on price of recent investment with no new external investor	1.00	



**Table 8: Mercia EIS Fund Unquoted portfolio analysis for Tax Efficient Review as at 30/09/2022**

Investee name	Amount invested £m	Current Value £m	Date of first investment	Structure of investment	Industry sector	Financing stage	Valuation method	Multiple of cost
Adapttech Limited	£1.44	£1.44	Sep-18	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Cost	1.00
Little Journey	£0.70	£0.70	Dec-21	Equity	Software & Computer Services	Early Stage, Pre-Revenue		1.00
Luminous Group Limited	£0.25	£0.25	Dec-17	Equity	Software & Computer Services	Later Stage, Pre-profit expansion		1.00
Naitive Technologies Ltd	£0.75	£0.75	May-21	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion		1.00
100 Percent IT Limited	£0.83	£0.83	Apr-21	Equity	Software & Computer Services	Later Stage, Pre-profit expansion		0.99
Corrosion RADAR Ltd	£0.67	£0.62	Apr-18	Equity	Oil Equipment, Services & Distribution	Later Stage, Pre-profit expansion	Write-down up to 15%	0.93
Big Business Intelligence Limited	£0.40	£0.24	Nov-17	Equity	Technology Hardware & Equipment	Later Stage, Pre-flotation	Write-down 26%-50%	0.60
Nuvison Biotherapies Ltd	£1.48	£0.83	Mar-16	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Write-down 26%-50%	0.56
Intelligent Health Limited	£0.65	£0.35	Oct-15	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Write-down 26%-50%	0.54
Chromition Limited	£0.33	£0.16	Dec-16	Equity	Technology Hardware & Equipment	Early Stage, Pre-Revenue	Write-down 51%-75%	0.50
Eyoto Ltd	£0.35	£0.15	Sep-15	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Write-down 51%-75%	0.44
Thalia Design Automation Limited	£0.65	£0.23	Jun-16	Equity	Construction & Materials	Later Stage, Pre-profit expansion	Write-down 51%-75%	0.36
Living Map Assests Limited	£1.43	£0.50	Apr-18	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 51%-75%	0.35
W2 Global Data Solutions Ltd	£1.60	£0.41	Apr-17	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 51%-75%	0.25
Humley Holdings Ltd	£0.20	£0.05	Jun-20	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 51%-75%	0.25
Afternoonify Limited	£0.50	£0.10	Jul-16	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.19
Pharmaseal International Limited	£0.50	£0.04	Nov-17	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.08
Bidstack Group PLC	£0.03	£0.00	Nov-17	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.07
Sarissa Biomedical Limited	£0.40	£0.00	Dec-19	Equity	Health Care Equipment & Services	Early Stage, Pre-Revenue	Write-down 76%-100%	0.00
Warwick Acoustics Limited	£0.41	£0.00	Mar-14	Equity	Electronic & Electrical Equipment	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Expandly Limited	£0.25	£0.00	Aug-18	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Friendly Score UK Limited	£0.09	£0.00	Nov-15	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00

**Table 8: Mercia EIS Fund Unquoted portfolio analysis for Tax Efficient Review as at 30/09/2022**

Investee name	Amount invested £m	Current Value £m	Date of first invest- ment	Structure of investment	Industry sector	Financing stage	Valuation method	Multiple of cost
Covatic Limited	£0.45	£0.00	Sep-19	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Rinicare Limited	£0.51	£0.00	Feb-19	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
VirtTrade Limited	£0.25	£0.00	Jul-14	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
CAM Solutions Ltd	£0.60	£0.00	Sep-17	Equity	Software & Computer Services	Early Stage, Pre-Revenue	Write-down 76%-100%	0.00
Miotify Ltd	£0.20	£0.00	Oct-17	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Manchester Imaging Ltd	£0.47	£0.00	Mar-16	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Ventive Limited	£0.03	£0.00	Apr-13	Equity	Construction & Materials	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Customer Clever Limited	£0.60	£0.00	Oct-16	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Pertinax Pharma Limited	£0.79	£0.00	Jul-16	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Particle Analytics Limited	£0.07	£0.00	Jul-17	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
Blackcurve Solutions Limited	£0.60	£0.00	Apr-18	Equity	Software & Computer Services	Early Stage, Pre-Revenue	Write-down 76%-100%	0.00
Kwanji Limited	£0.15	£0.00	Nov-14	Equity	Software & Computer Services	Early Stage, Pre-Revenue	Write-down 76%-100%	0.00
<b>TOTALS</b>	<b>£41.39</b>	<b>£46.64</b>						<b>1.15</b>

Source: Mercia

Table 9 (1 of 2): Realisation analysis including write-offs - last three years to Sept 2022

Investee Company Name	nDreams	In-Part	Kumulos	Bioextractions Wales	C7 Health (SEIS)	Native Antigen Company	Clear Review
Structure of investment (Equity/Debt)	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Sector	Software & Computer Services	Software & Computer Services	Software & Computer Services	Industrial Engineering	Health Care Equipment & Services	Pharmaceuticals & Biotechnology	Software & Computer Services
Financing stage when first invested	Early Stage, Pre-Revenue	Early Stage, Seed	Early Stage, Pre-Revenue	Early Stage, Seed	Early Stage, Seed	Seed	Pre-Series A
Board Seat (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Syndicated (Yes/No)	Yes	No	Yes	Yes	No	Yes	Yes
Amount EIS originally invested	249,944.71	200,048.94	399,967.47	75,000.00	149,982.30	£92,208	£499,848
Date	27/03/2014	13/01/2016	16/10/2018	17/02/2016	04/04/2018	28/03/2013	27/03/2018
Further investment amounts (if any)							
Realisations/Dividends	Partial exit on 28/03/2019 for £29,284.56. Full exit on 29/33/2022 for £1,905813.24	£887,802.19 on 17/12/2021	£860,781.42 on 03/03/2022	£75,000 on 20/12/2021	£2,111,692 on 30/06/2022	£3,032 March 2018 £4,343 May 2019 £719,135 July 2020 £75,243 Feb 2021	£3,963,788 on 20/10/2020
Annual internal rate of return (%)	29%	29%	27%	0%	89%	34%	124%
Length of investment (years)	8 years for full exit	5 years 11 months	3 years 3 months	5 years 10 months	4 years 2 months	7 years 4 months	2 years 7 months

Table 9 (2 of 2) Realisation analysis including write-offs - last three years to 30 Sept 2022

Investee Company Name	Milkalyser	Canary care	Refract	OxGene	Genba	Snappy Shopper
Structure of investment (Equity/Debt)	Equity	Equity	Equity	Equity	Equity	Equity
Sector	Pharmaceuticals & Biotechnology	Health Care Equipment & Services	Software & Computer Services	Pharmaceuticals & Biotechnology	Software & Computer Services	Software & Computer Services
Financing stage when first invested	Seed	Seed	Seed	Seed	Seed	Pre-Series A
Board Seat (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes
Syndicated (Yes/No)	No	No	No	Yes	No	Yes
Amount EIS originally invested (£000)	349,950	139,997	£150,000	£79,990	£300,000	£183,743 value shares sold (of £250,000 total investment)
Date	17/10/2017	04/09/2014	14/11/2016	21/03/2014		20/09/2019
Further investment amounts (if any) (£000 & dates)		£149,997 on 19/6/2015 £99,998 on 3/11/2015 £99,990 on 16/8/2016 £149,998 on 23/1/2017 £149,998 on 23/1/2017	£299,995 on 1/11/2017	£96,330 on 24/12/2014 £100,035 on 24/12/2014 £149,995 on 9/6/2015	£400,002 £300,001	
Realisations/Dividends (£000 & dates)	£264,434 on 27/01/2020	£0 on 26/01/2021	£819,897 on 8/12/2020	£6,618,554 on 1/3/2021	£2,442,892 on 22/6/2021 Significant additional earn outs over the next 36 months	£1,463,216 on 7/9/2021 £560,749 current unrealised value
Annual internal rate of return (%)	LOSS	LOSS	19%	55%	24%	187%
Length of investment (years)	2 years, 3 months	6 years 4 months down to 4 years	3 years 1 month and 4 years 1 month	6 year 10 months and 5 years 9 months	3 years 2 months, 4 years 1 month, 4 years 10 months	2 years

Source: Mercia

Table 10: Mercia EIS Fund EIS unquoted portfolio analysis of valuation methodology (% of original cost) as at 30/09/2022

Cost	9%
Write-down up to 15%	2%
Write-down 26%-50%	5%
Write-down 51%-75%	11%
Write-down 76%-100%	33%
Uplift in value, manager valuation based on price of recent investment with no new external investor	2%
Uplift in value, manager valuation based on price of recent funding round which included new external investor(s)"	37%
AIM listed, At mid, Marketability discount of 0%	1%
<b>TOTAL</b>	<b>100%</b>

Source: Mercia

Table 11: Mercia EIS Fund EIS unquoted analysis of sector (% of original cost) as at 30/09/2022

Software & Computer Services	47%
Health Care Equipment & Services	35%
Technology Hardware & Equipment	9%
Construction & Materials	4%
Oil Equipment, Services & Distribution	2%
Electronic & Electrical Equipment	2%
Pharmaceuticals & Biotechnology	1%
<b>TOTAL</b>	<b>100%</b>

Source: Mercia

Table 12: Mercia EIS Fund EIS unquoted portfolio analysis of investment stage (% of original cost) as at 30/09/2022

Early Stage, Pre-Revenue	16%
Later Stage, Pre-profit expansion	67%
Later Stage, Pre-flotation	17%
<b>TOTAL</b>	<b>100%</b>

Source: Mercia

**Table 13: Matrix of individual responsibilities - Mercia EIS Fund as at 30 Sept 2022**

<b>NAMES</b>	Peter Dines	Paul Mattick	Mark Payton	Julian Viggars	Julian Dennard	Srikar Kari	Ruth Coleman	Rob Hornby	Other 25 investment team doing EIS deals
<b>EIS RELATED WORK</b>									
Deal origination	5%	5%	5%	5%	10%	25%	25%	25%	5%
General enquiries	5%	25%	0%	0%	5%	0%	0%	0%	0%
New deal doing	0%	0%	0%	0%	5%	25%	35%	55%	5%
Investee board director seats No.	5	0	3	2	8	5	5	3	37
Sitting on Boards/Monitoring	20%	0%	5%	5%	45%	40%	30%	20%	10%
Fund raising	5%	50%	0%	0%	5%	0%	0%	0%	0%
Internal issues	0%	5%	0%	0%	25%	0%	0%	0%	0%
Exits	5%	10%	5%	5%	0%	10%	10%	0%	5%
<b>NON EIS WORK</b>									
Non EIS work	60%	5%	85%	85%	5%	0%	0%	0%	75%
<b>TOTAL</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%
Years in venture capital	6	9	15	25	7	3	15	2	
Years involved with EIS Funds	6	9	8	5	5	3	1	2	
Years with current team	6	5	8	5	5	3	1	2	

Source: Mercia