EIS 30th Anniversary

30 Years of the EIS: Driving Investment into Startups

19
94

20
24

eisa
enterprise investment scheme association

Beauhurst

Contents

Foreword

Christiana Stewart-Lockhart
Director General of the Enterprise Investment Scheme Association (EISA)

This report, marking the 30th anniversary of this remarkable scheme, serves to highlight the significant impact that the EIS (Enterprise Investment Scheme) has had on the UK economy. Not only has it served to provide £30.0b of critical investment to tens of thousands of businesses across the UK, but the data in this report also shows the jobs created, with EIS backed companies responsible for nearly 400k jobs across the UK in 2023 alone.

Since 2014, almost 80k patents have been filed by EIS investee companies underscoring the innovative nature of these businesses, many of which are genuinely addressing some of the greatest challenges we face. From discovering new ways to treat and diagnose cancer, such as Edinburgh-based Carcinotech, to the work that Redcar-based Nova Pangaea Technologies is doing to create sustainable aviation fuel – EIS investee companies are right at the forefront of innovations that will shape the world for years to come.

Many companies that are now household names such as Deliveroo and Zoopla relied on EIS funding at the very earliest stages. As the Chancellor recently shared, the UK has more unicorns than Germany and Sweden combined. The fact that the report shows that nearly 50.0% of UK unicorns received investment through the EIS goes some way to illustrating the fundamental role that the scheme plays in the success of the UK's startup ecosystem, helping to ensure that the UK is one of the best places in the world to start a business. Research by the European Commission found the SEIS (Seed Enterprise Investment Scheme) and EIS to be the most successful schemes of their kind in the world and many other countries are trying to establish their own versions to emulate the impact that the schemes have had, propelling the UK to the forefront of global innovations and entrepreneurship.

There is no doubt that EIS remains a crucial element of London's startup ecosystem with investee companies employing more than 110k people and generating £11.3b in turnover last year. However, the success of the EIS is noticeable across the wider UK and the regional growth analysis is particularly interesting. EIS investment in Scotland has doubled over the last 10 years, and in Yorkshire and the Humber, EIS investee companies are now responsible for more than 17k jobs, a 483% increase compared to 10 years ago, and the largest number outside of London and the South-East.

Whilst a significant gap in equity investment into female-founded businesses remains, it is positive to see that there has been consistent growth in investment into EIS-backed companies with at least one female founder over the years, reaching a notable peak between 2021 (£1.51b) and 2022 (£1.52b). There remains much more to be done in this area but the EIS, alongside the SEIS, is a crucial way to address this.

The importance of the EIS has been widely recognised by consecutive governments over the last three decades and this cross-party support has continued, with the Labour government recently confirming a 10-year extension of the EIS to 2035. As the data within this report highlights, the continuation of the EIS is a key way to boost the growth prospects of UK startups and the wider economy.

For 30 years, this government scheme has driven private investment into tens of thousands of innovative businesses and it has been extremely effective in addressing the gap in funding for very early-stage businesses. Thousands of entrepreneurs across the UK are creating innovative startups and the EIS is critical to helping them secure the investment they need to grow their businesses. The data within this report illustrates the fundamental role that these companies are playing and their contributions to the UK economy in terms of innovation, job creation and economic growth. As we look to the future, the continued support and evolution of the EIS will be vital in maintaining the UK's position as a global leader in entrepreneurship and innovation.

Executive summary

£32.0b
raised in EIS and SEIS funding since 1994

£192b
reported in turnover by EIS-backed companies (2014 – 2023)

£3.03b
grant funding received by EIS-backed companies (2014 – 2023)

1,816
exits by EIS-backed companies (2011 – 2023)

46.5%
of UK-based unicorns backed by EIS between (2011 – 2023)

£7.61b
raised by EIS-backed companies with at least one female founder (2014 – 2023)

Since its introduction in 1994, the Enterprise Investment Scheme (EIS), alongside the Seed Enterprise Investment Scheme (SEIS), has directed over £32.0b into more than 56.0k companies in the UK. Designed to address funding gaps for startups, these schemes have since evolved to align with economic changes and government policy changes, driving innovation, regional economic growth, and job creation across the UK.

The resilience of the schemes is evident, having successfully navigated economic downturns such as the 2008 financial crisis and the COVID-19 pandemic while continuing to support business expansion. This is exemplified by the record-breaking £2.30b raised by EIS-backed companies in 2021. The recent extension of EIS until 2035 further underscores its commitment to nurturing early-stage businesses, positioning EIS and SEIS as essential tools for fostering innovation and long-term economic growth.

The schemes have had a particularly pronounced impact on job creation and regional development. Between 2014 and 2023, EIS-backed companies contributed £192b in turnover, with 2023 alone accounting for £38.3b. In the same year, these firms generated 386k jobs. While London and the South East have historically dominated investment, regions such as Yorkshire have demonstrated notable growth, helping to reduce regional disparities.

Innovation is another area where the schemes shine. From 2014 to 2023, EIS-backed companies filed 79.8k patent applications, highlighting their focus on intellectual property as a source of competitive advantage. Companies with robust patent portfolios are more likely to attract additional investment, as well as go on to win public funding. In 2023, EIS-backed firms secured £644m in grants, a peak year for these companies.

Female founders are playing an increasingly significant role in this landscape. Today, more than 14.0k EIS-backed companies have at least one female founder, marking a steady rise in female entrepreneurship. These companies raised £7.61b in EIS investment between 2014 and 2023, with investment peaking at £1.52b in 2022. In 2023, 25.0% of EIS-backed deals were secured by companies with at least one female founder. Moreover, EIS has played a crucial role in fostering unicorn companies, with 46.5% of the UK's 43 active unicorns benefiting from EIS support.

Looking ahead, EIS and SEIS will remain essential in driving innovation, especially among knowledge-intensive businesses. With the backing of these schemes, the UK's entrepreneurial landscape is well-positioned for future growth and resilience.

Introduction to EIS and SEIS

As the Enterprise Investment Scheme marks its 30th anniversary, it remains a bedrock of the UK's early-stage investment landscape. EIS, alongside the Seed Enterprise Investment Scheme, has reshaped early-stage investment in the country. Launched in 1994, EIS was designed to expand on the offering of the Business Expansion Scheme (BES) and address the critical funding gap that British startups face. The government aimed to accomplish this by offering attractive tax incentives to investors willing to take risks on high-growth potential companies. The launch of EIS was intended not just to fill a funding gap but to foster innovation and catalyse economic growth by mobilising private sector investment into emerging enterprises.

SEIS was introduced in 2012 to encourage further investment in earlier and riskier enterprises that often struggle to secure the necessary capital they need to grow. The scheme aims to address this barrier by offering investors enhanced tax relief. Early-stage companies benefiting from SEIS can raise up to £250k and a gross maximum of £350k, while investors can receive up to 50% income tax relief on their investments at a current limit of £200k.[1] Together, EIS and SEIS have played a pivotal role in shaping the UK's entrepreneurial ecosystem, driving over £32.0b in equity investment into more than 56.0k companies.[2]

Over three decades, EIS and SEIS have not remained static; they have evolved in tandem with changing economic conditions, government policies, and business needs. In 2011, tax relief under EIS increased from 20% to 30%.[3] In 2017, the government introduced a new knowledge-intensive EIS structure in the Autumn Budget. This structure allows knowledge-intensive businesses the opportunity to raise up to £10.0m of investment per year, and investors can allocate up to £1.00m in knowledge-intensive qualifying companies.[4] These additions have allowed further resources to be allocated to companies specialising in research-heavy industries. This is reflected in the significant £1.93b raised in equity investment by EIS-backed companies in 2018.[5]

In addition to financial support, these initiatives have been instrumental in fostering innovation, promoting regional growth, and driving job creation. As the UK navigates future economic uncertainties, these schemes will likely remain pivotal in supporting the nation's entrepreneurial ecosystem. The extension of EIS until 2035 and reduced interest rates may provide a more positive fundraising environment for early-stage businesses. As the high-growth ecosystem evolves, EIS will remain a significant component of the UK's strategy to nurture entrepreneurship and sustain economic dynamism.

"Together, EIS and SEIS have played a pivotal role in shaping the UK's entrepreneurial ecosystem, driving over £32.0b in equity investment into more than 56.0k companies.

[1]HM Revenue & Customs, "Seed Eneterprise Investment Scheme—Income Tax and Capital Gains Tax relief (2022)," Updated 2 May 2024 https://www.gov.uk/government/publications/seed-enterprise-investment-scheme-income-tax-and-capital-gains-tax-reliefs-hs393-self-assessment-helpsheet/hs393-seed-enterprise-investment-scheme-income-tax-and-capital-gains-tax-reliefs-2022
[2]Enterprise Investment Scheme Association, "30th Anniversary of the EIS Celebration,"https://eisa.org.uk/30th-anniversary-of-eis/
[3]HM Revenue & Customs, "Venture Capital Schemes Manual," Updated 7 August 2024 https://www.gov.uk/hmrc-internal-manuals/venture-capital-schemes-manual/vcm10530#:~:text=Except%20where%20it%20is%20restricted,the%20liability%20for%20the%20year%2C
HM Revenue & Customs, "Use a venture capital scheme to raise money for your knowledge intensive company," last updated 5 October 2018 https://
[4]HM Revenue & Customs, "Use a venture capital scheme to raise money for your knowledge intensive company," last updated 5 October 2018 https://www.gov.uk/guidance/use-the-enterprise-investment-scheme-eis-to-raise-money-for-research-development-or-innovation
[5]HM Revenue & Customs, "Enterprise Investment Scheme, Seed Enterprise Investment Scheme, and Social Investment Tax Relief, May 2019 https://assets.publishing.service.gov.uk/media/5ced07bf40f0b64cd467e9a3/May_2019_Commentary_EIS_SEIS_SITR_National_Statistics.pdf

EIS Timeline

Since its inception in 1994, EIS has supported the development of high-growth businesses across the UK. To date, EIS and its sister scheme SEIS have collectively driven £32.0b of investment into over 56.0k companies.[6]

In the last 30 years, EIS has had to evolve to align with shifting government, business, and investor needs. At the same time, the British economy has experienced multiple global and economic hardships, including the financial crash of 2008, Brexit, and, most recently, the cost-of-living crisis.

Despite this, the schemes have continued to play an integral role in facilitating access to capital. A record 4.48k companies raised £2.30b in investment in 2021 via EIS — the highest number and value recorded since its establishment.[7] In 2022, equity investment raised via the scheme declined by 15.0%, dropping from £2.30b to £1.96b[8] This decrease in investment marks a return to pre-COVID levels of investment, which can, in part, be attributed to a market reversion and a challenging economic landscape.

EIS has adapted over the years to continue to meet the needs of government, business, and economic needs. Recent steps, such as broadening investor reliefs under SEIS and extending EIS until 2035, demonstrate a commitment to supporting investment in early-stage businesses. There is no doubt that businesses and investors will face novel and complex challenges in the future, and the continued success of EIS will depend on the government's ability to meet these needs and promote innovation in the high-growth ecosystem.

EIS timeline (1994 - 2024)

1994	Creation of the Enterprise Investment Scheme (EIS) replacing the 1983 Business Expansion Scheme
1995	Venture Capital Trusts (VCT) scheme introduced, providing reliefs for individuals investing in approved companies
1996	
1997	
1998	
1999	Capital gains tax (CGT) exemption introduced to EIS and the individual investment limit increases from £100k to £150k
2000	Updated definition of research and development. The required holding period for income tax relief was reduced from five years to three
2001	
2002	
2003	
2004	EIS income tax relief increased from £150k to £200k
2005	
2006	EIS income tax relief increased from £200k to £400k
2007	
2008	EIS income tax relief increased from £400k to £500k
2009	
2010	
2011	EIS rate of relief was increased from 20% to 30%
2012	Establishment of the Seed Enterprise Investment Scheme (SEIS)
2013	CGT reinvestment relief changed so that 50% of the amount reinvested is exempt
2014	
2015	EIS and VCT rules updated with new age and lifetime investment limits (higher for knowledge-intensive companies) and a growth condition added
2016	
2017	
2018	A new principles-based test, the risk-to-capital condition, was added to EIS, SEIS, and VCT schemes
2019	25th Anniversary of EIS
2020	
2021	Record number of companies and total funds raised through EIS since the scheme's inception
2022	
2023	
2024	30th anniversary of EIS
	EIS and VCT sunset clauses extended to April 2035

[6] Enterprise Investment Scheme Association, "30th Anniversary of the EIS Celebration,"https://eisa.org.uk/30th-anniversary-of-eis/
[7] HM Revenue & Customs, "Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Social Investment Tax Relief Statistics: 2023," 17 May 2023 https://www.gov.uk/government/statistics/enterprise-investment-scheme-seed-enterprise-investment-scheme-and-social-investment-tax-relief-may-2023/enterprise-investment-scheme-seed-enterprise-investment-scheme-and-social-investment-tax-relief-statistics-2023
[8] HM Revenue & Customs, "Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Social Investment Tax Relief Statisitcs: 2023," 23 May 2024 https://www.gov.uk/government/statistics/enterprise-investment-scheme-seed-enterprise-investment-scheme-and-social-investment-tax-relief-may-2024/enterprise-investment-scheme-seed-enterprise-investment-scheme-and-social-investment-tax-relief-statistics-2024

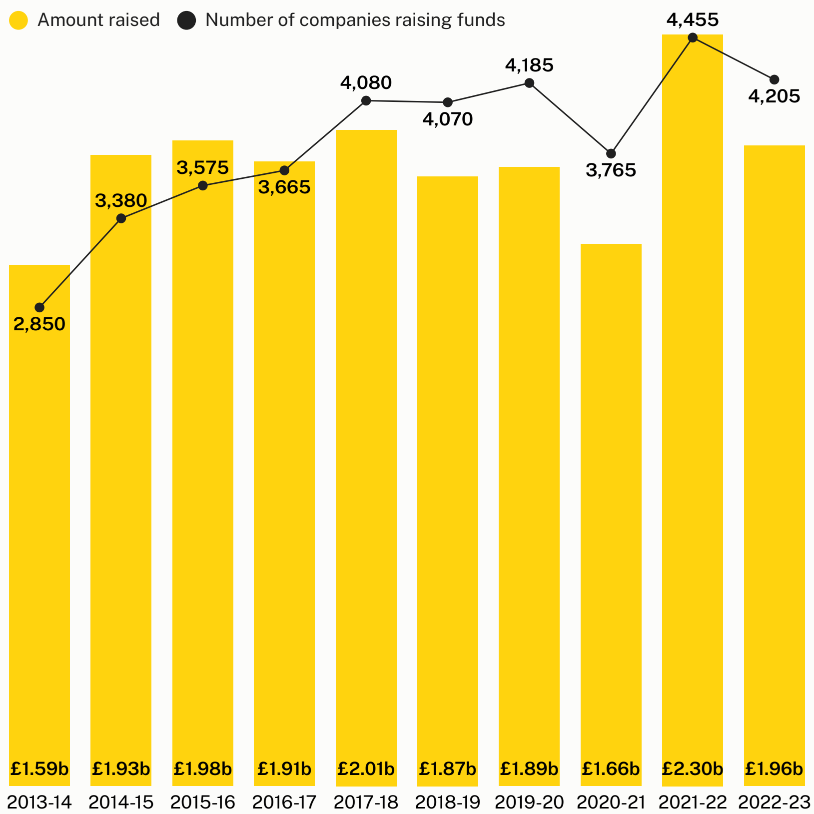
Summary of EIS

£29.9b
raised by EIS companies since 1994

£1.96b
raised by companies under the EIS in 2022-23

£157m
raised by companies under the SEIS in 2022-23

£436m
raised by companies raising funds for the first time in 2022-23



Number and value of EIS funds raised in the UK (2013-14 to 2022-23)

Since its inception in 1994, EIS has been a cornerstone of the UK's efforts to foster entrepreneurial growth. In the past 30 years, EIS and SEIS have facilitated a total of £32.0b in funds to over 56.0k companies in the UK.[10] The scheme offers tax reliefs to individual investors who purchase new shares in qualifying companies, providing a funding channel for small companies who might otherwise struggle to find investment. Companies can raise up to £5.00m each year and a maximum of £12m in their lifetime through the scheme.[11]

To qualify for EIS, a company must meet the following criteria:

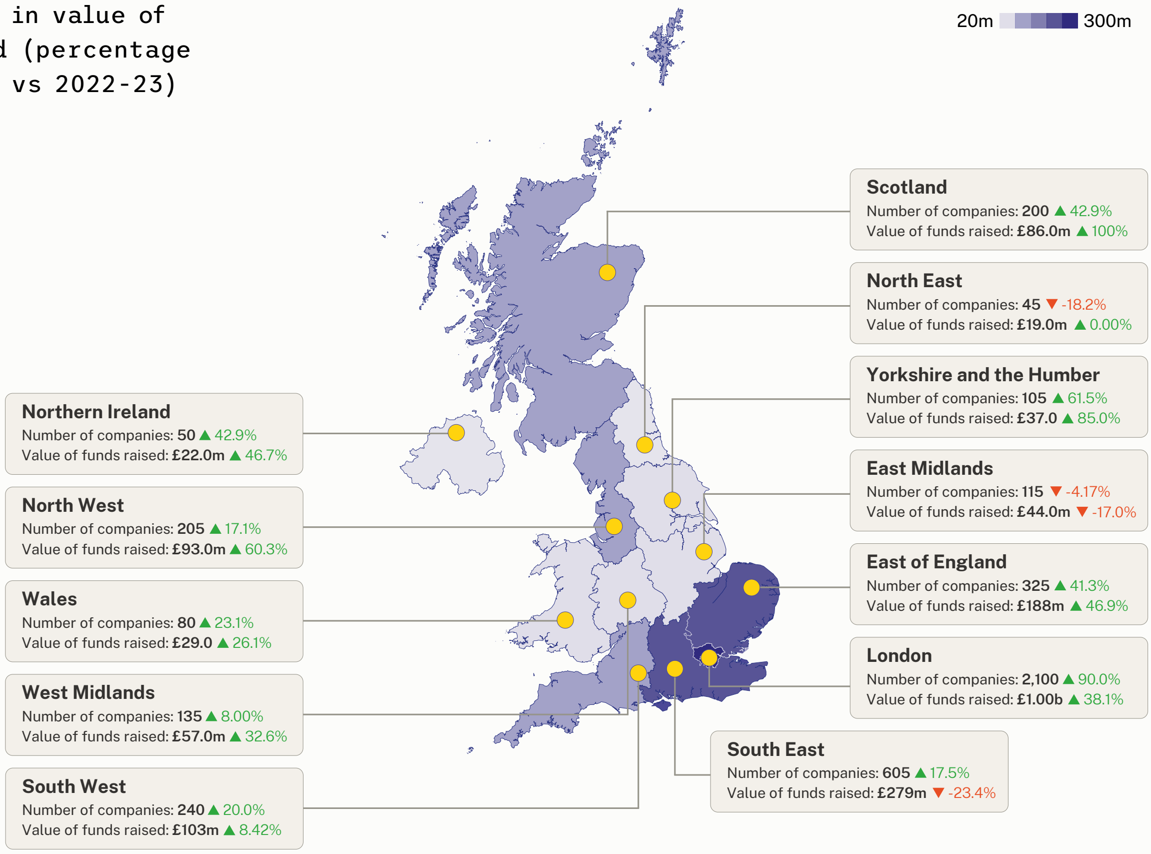
- **Must be permanently established in the UK**
- **Must not be trading on a recognised stock exchange**
- **Must not have been trading for more than seven years or be controlled by another company**
- **Must have fewer than 250 employees**
- **Gross assets must not exceed £15.0m before investment**

The scheme has experienced significant milestones over the last 30 years. Funding has steadily increased since 2010, supported by historically lower interest rates and increased involvement from funds. In 2020-21, the number of companies raising EIS funds declined by 9.84%, largely due to the impact of the COVID-19 pandemic.[12] There was a strong recovery in 2021-22, leading to a record-breaking £2.30b. In 2022-23, the number of companies securing funding fell to £1.96b, representing a decline of 14.8%.

[9] HM Revenue & Customs, "Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Social Investment Tax Relief Statistics." 12 December, 2014 https://www.gov.uk/government/collections/enterprise-investment-scheme-and-seed-enterprise-investment-scheme-statistics
[10] HM Revenue & Customs, "Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Social Investment Tax Relief Statistics." 12 December, 2014 https://www.gov.uk/government/collections/enterprise-investment-scheme-and-seed-enterprise-investment-scheme-statistics
[11] HM Revenue & Customs, "Use the Enterprise Investment Scheme (EIS) to Raise Money for Your Company," January 1, 2016 https://www.gov.uk/guidance/venture-capital-schemes-apply-for-the-enterprise-investment-scheme.
[12] HM Revenue & Customs, "Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Social Investment Tax Relief Statistics," 5 May, 2022 https://www.gov.uk/government/statistics/enterprise-investment-scheme-seed-enterprise-investment-scheme-and-social-investment-tax-relief-may-2022/

Regional growth analysis

Regional growth in value of EIS funds raised (percentage change, 2013-14 vs 2022-23)



Companies in the UK attracted significantly more equity investment in the 2022-23 financial year than in 2013-14. Notably, two regions experienced significant growth in this period. Yorkshire and the Humber saw a staggering 85.0% increase in investment, culminating in a total of £37.0m for 2022-23. Among the investees is AMO Pharma, a Leeds-based biopharmaceutical firm developing drugs to treat debilitating diseases, including rare genetic disorders. Since its inception in 2015, the company has grown in headcount by 75.0%, from four employees to seven in 2022.

On the other hand, only two regions experienced a decline in the value of funding over this period. The South East faced the steepest drop, with EIS funding plummeting by 23.4%, resulting in a total of £279m in 2022-23 — down from £364m in 2013-14. The East Midlands also saw a significant decrease, with investment falling by 17.0%, reducing the EIS funding to £44.0m.

Despite the impressive growth in some regions, London and the South East continued to lead in overall funding raised during 2022-23. London attracted a substantial £1.00b, while the South East secured £279m, outlining their positions as the top destinations for equity investment in the UK. Among EIS-qualifying companies in the region is Moneybox, a mobile app providing easy access to shares and savings ISAs. The London-based firm reported a turnover growth of 183% year-on-year, from £10.2m in 2022 to £28.7m in 2023, while its headcount grew from 267 employees to 321 in the same time period.

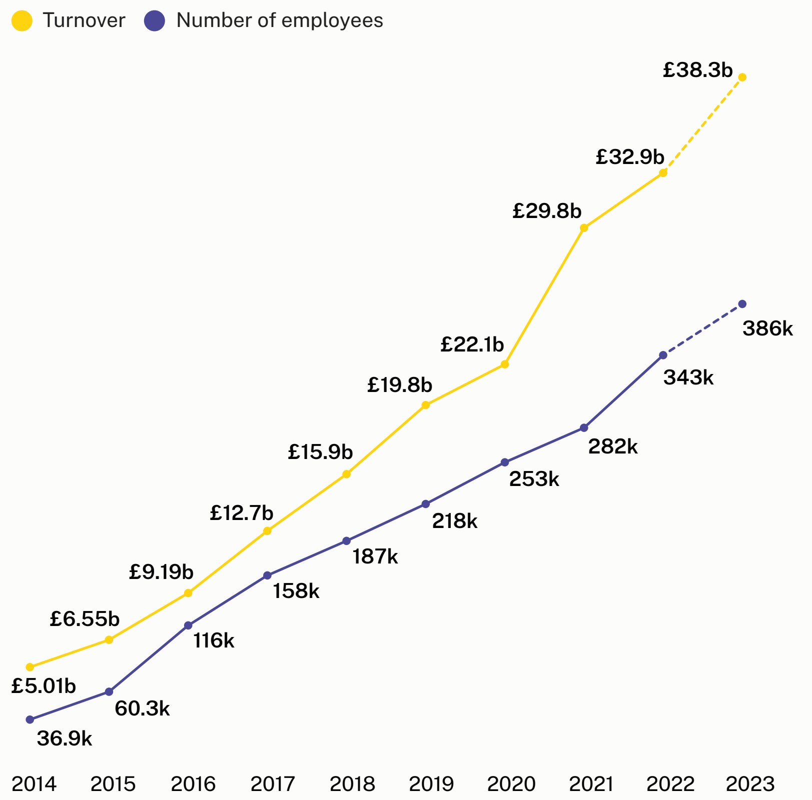
Impact of the scheme

£192b
total turnover of EIS-backed companies (2014 – 2023)

£38.3b
total estimated turnover of EIS-backed companies (2023)

386k
total estimated number of jobs created by EIS-backed companies (2023)

Jobs and turnover generated by EIS companies in the UK (2014 - 2023*)



EIS-backed companies have been pivotal in driving job creation over the last decade, with headcount growth rising from 37.0k in 2014 to a peak of 343k in 2022. This remarkable rise highlights the crucial role EIS-backed companies play in the broader economy. Digital security platform Red Sift is among the companies influencing job creation in the UK. The London-based company grew its team by sixfold over a span of five years, and supplemented its growth via the acquisition of network security firm Hardenize in October 2022. Red Sift received backing from Oxford Capital and Highland Europe to drive job creation domestically while targeting its US expansion.

Similarly, the total turnover recorded by EIS-backed companies has increased year-on-year, reaching an unprecedented peak of £32.9b in 2022. This trend underscores the role of finance in allowing businesses to scale their operations and resource facilities. It also reflects the higher population of EIS-backed businesses in recent years. These businesses experienced landmark success in 2022 — allowing many to bolster their headcount growth and scaling targets. Among these is Cambridge-based Microbiotica, a pharmaceutical firm developing therapies for medical conditions such as inflammatory bowel disease. Another prominent firm was AeroCloud Systems, which develops cloud-based management software for the aviation industry. The Stockport-based firm received significant backing from Haatch and Praetura's EIS funds.

*The 2023 estimate reflects the ongoing positive trend in reported turnover and employment figures for businesses supported by the EIS. It's likely that the full 2023 figures will exceed those of 2022.

Regional impact of the scheme

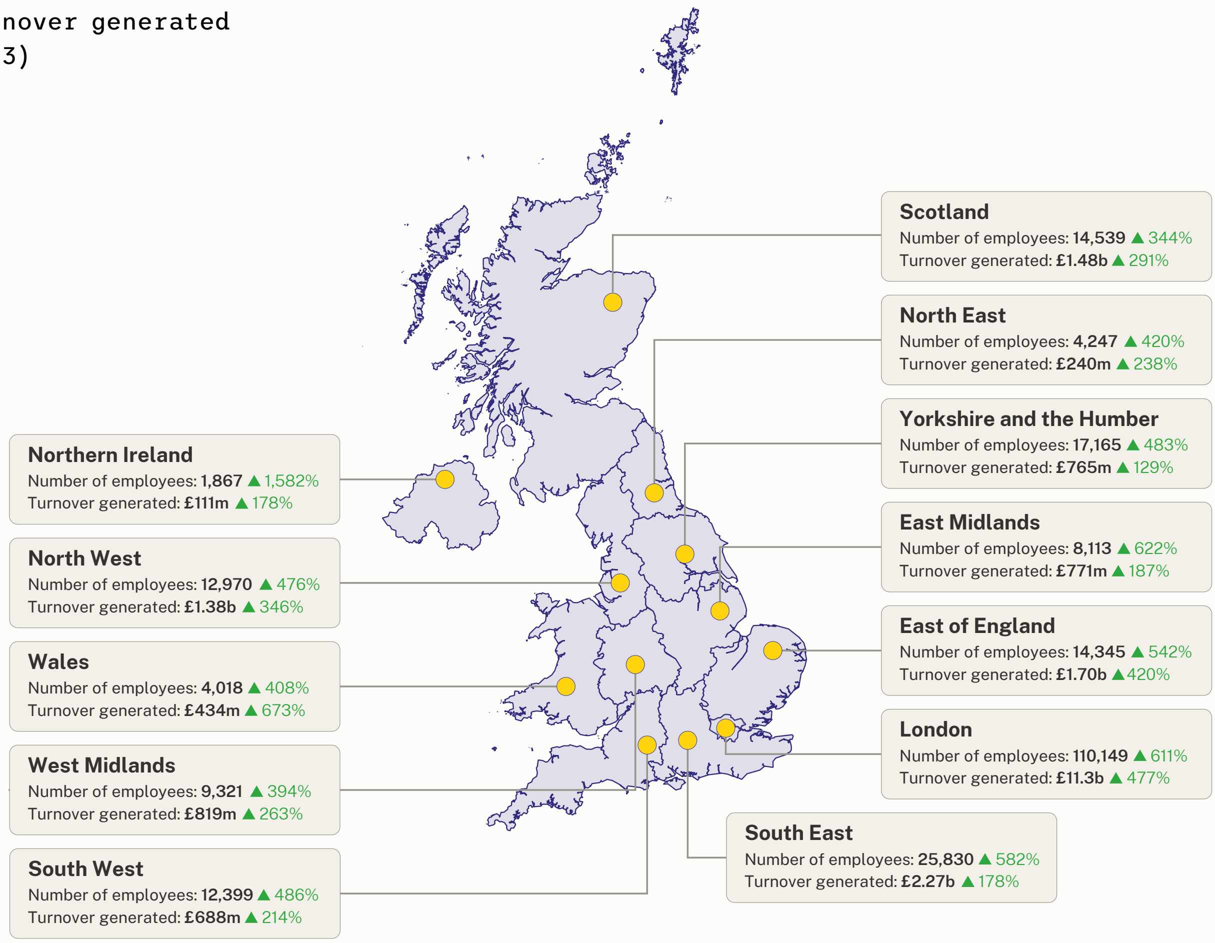
Over the last three decades, EIS has played a crucial role in developing local economies across the UK, driving job creation and wealth generation. Access to funding is vital for a company's growth, and the scheme has been instrumental in attracting investment to small and medium-sized enterprises, therefore fostering innovation.

Notably, Northern Ireland has experienced remarkable growth, with EIS-backed companies expanding their employment from 111 employees in 2014, to 1,867 in 2023. During the same period, turnover for EIS recipients headquartered in this region surged from £39.9m to £111m. This growth highlights how funding supports not just the company's development, but also job creation and turnover generation.

The region reporting the highest turnover was London, with a total of £11.3b reported in the latest financials. A rapidly-growing EIS-backed company in the region is Lucky Saint, which manufactures a range of non-alcoholic beers. To date, Lucky Saint has raised £21.5m in equity via eight rounds of funding, with significant backing from JamJar Investments and Anotherway Ventures. The company's workforce has grown more than sixfold since 2019, underscoring the impact of EIS in fostering job creation and innovation within high-growth companies.

Wales has also seen marked benefits from EIS, with a 673% increase in turnover among EIS-supported companies between 2014 and 2023, and a 40.0% increase in annual turnover. This substantial growth demonstrates EIS' role in driving economic activity and supporting the growth of innovative enterprises across the UK.

Jobs and turnover generated
(2014 vs 2023)



Case study: Deliveroo

Founded in 2013 by childhood friends Will Shu and Greg Orlowski in London, Deliveroo is an online food delivery company that connects customers with restaurants and grocery stores. Through its platform, users can order meals from local restaurants to be delivered by Deliveroo's network of riders directly to their doorstep. Operating across multiple countries, Deliveroo has significantly impacted the global food delivery industry, reshaping how people access meals and groceries in their daily lives. In 2023 alone, the company delivered 290m orders across its 10 markets worldwide.

Deliveroo's growth story underscores the pivotal role EIS can play in supporting early-stage businesses. By leveraging EIS funding, Deliveroo was able to attract investors who were looking for high-growth opportunities in the tech sector, offering them tax incentives that made early-stage investments more attractive. Before its IPO, Deliveroo had attracted significant investment, raising a total of £1.27b through various funding rounds. High-profile investors, including Amazon, contributed to this substantial sum, enabling Deliveroo to enhance its technological capabilities, expand its delivery network, and enter new markets. As of 2023, Deliveroo has grown its headcount to 3,807.

The company's IPO in 2021 valued Deliveroo at approximately £7.60b, marking a significant milestone in its growth journey. For investors, the IPO represented an opportunity to realise considerable returns on their investments. Importantly, those who had invested under EIS were able to benefit from tax reliefs, which allowed for tax-free gains, provided the holding period conditions were met. Deliveroo's success illustrates how early financial support, facilitated by schemes like EIS, can lead to substantial long-term benefits for both companies and investors.

Knowledge-intensive companies

In the context of EIS, a knowledge-intensive company (or KIC) must meet criteria that reflect its focus on innovation and research. Key requirements include having fewer than 500 full-time employees and fulfilling at least one of the following:[13]

- **Developing intellectual property with the expectation that it will become the primary business within 10 years**
- **Employing a workforce where at least 20% of staff are in research roles requiring advanced degrees for three years from the date of investment**

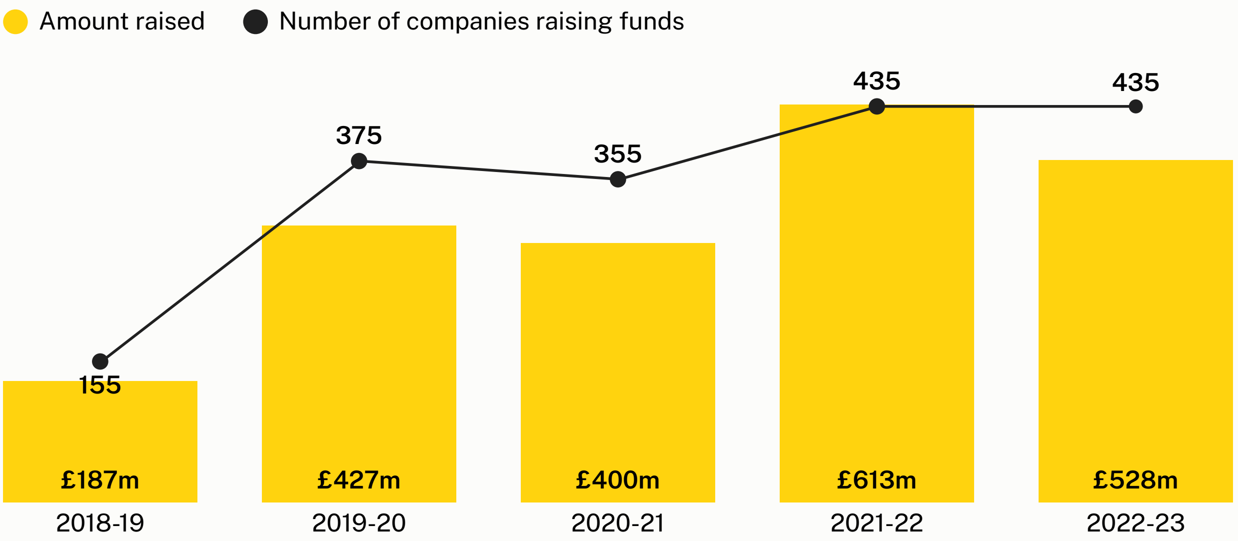
Additionally, KICs must dedicate a significant portion of their annual operating costs (ranging from 10-15% per year) to research and development for up to three years, depending on the age of the company.

KIC status provides enhanced tax benefits designed to attract more investment into high-risk, innovative companies. Investors can claim up to £2.00m in EIS relief if at least £1.00m of the investment is in KICs — doubling the standard £1.00m EIS relief limit.[14] This higher threshold, coupled with the extended eligibility period — KICs can raise EIS funds for up to 10 years from their first commercial sale — is designed to make these companies more attractive to investors.[15]

Moreover, KICs can raise up to £10m per year and £20m in total, surpassing the limits for non-KICs (£5m and £12m, respectively) and reflecting the more significant capital requirements for developing truly innovative products and services.[16]

The KIC designation can profoundly impact the growth and scalability of early-stage companies. The increased funding capacity and extended eligibility period allow these companies to pursue ambitious R&D projects. The requirement to evidence the company's knowledge-intensive nature also helps position KICs as frontrunners in developing proprietary technologies.

Number and value of funds raised by knowledge-intensive companies (2018-19 to 2022-23)



[13] HM Revenue & Customs, "Use a Venture Capital Scheme to Raise Money for Your Knowledge Intensive Company," last modified October 5, 2018, https://www.gov.uk/guidance/use-the-enterprise-investment-scheme-eis-to-raise-money-for-research-development-or-innovation
[14] HM Revenue & Customs, "Tax Relief for Investors Using Venture Capital Schemes," last modified 6 October, 2023, https://www.gov.uk/guidance/venture-capital-schemes-tax-relief-for-investors
[15] HM Revenue & Customs, "Use a Venture Capital Scheme to Raise Money for Your Knowledge Intensive Company," last modified 5 October, 2018 https://www.gov.uk/guidance/use-the-enterprise-investment-scheme-eis-to-raise-money-for-research-development-or-innovation

Case study: OXGENE

OXGENE is a synthetic biology company focused on developing innovative and scalable manufacturing breakthroughs in the gene, cell, and antibody therapeutics markets. Launched in 2011, the University of Oxford spinout secured a total of £20.2m via 12 equity fundraising deals. It received significant backing from Mercia Ventures, which made its initial investment via its EIS fund in July 2013.

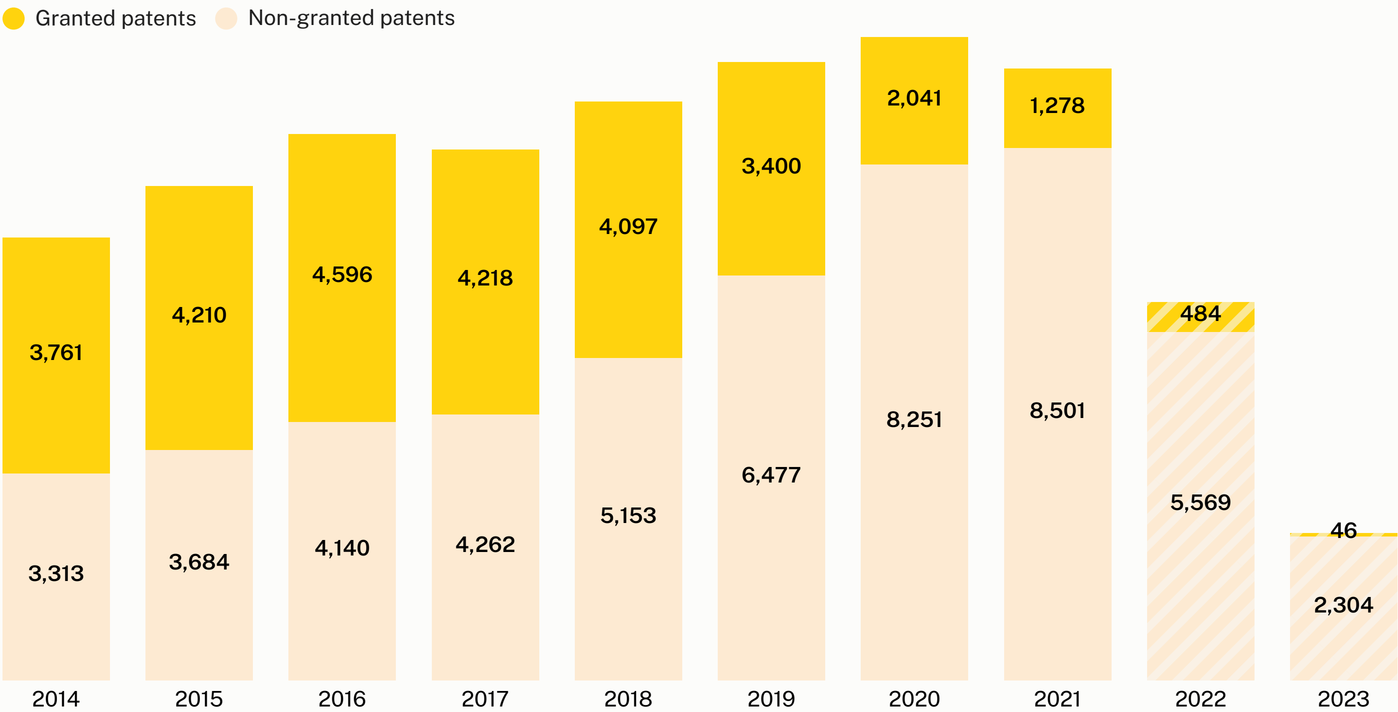
From 2013 to 2020, OXGENE attracted further investments from multiple EIS funds. In addition to equity financing, the firm was awarded 10 innovation grants worth £2.21m, including a notable £971k Innovate UK grant in March 2017.

In March 2021, OXGENE was acquired by WuXi AppTec, a global provider of R&D services in the biotechnology and medical device industries. As part of WuXi AppTec, OXGENE now operates as the innovation arm, driving forward manufacturing technologies for the discovery, development, and production of cell and gene therapies. The acquisition also delivered exceptional returns for OXGENE's investors, with Mercia Ventures realising a return of between 13x and 20x for five of its EIS Funds.[17]

[16] HM Revenue & Customs, "Use a Venture Capital Scheme to Raise Money for Your Knowledge Intensive Company," last modified 5 October, 2018 https://www.gov.uk/guidance/use-the-enterprise-investment-scheme-eis-to-raise-money-for-research-development-or-innovation
[17] ones, Lee, "Sale of OXGENE Delivers Strategic Objective of 'Evergreening' Mercia's Balance Sheet - Mercia" Mercia, March 2021 https://www.mercia.co.uk/sale-of-oxgene-delivers-strategic-objective-of-evergreening-mercias-balance-sheet/

Patents

Number of patents filed by EIS companies (2014 - 2023)



Between 2014 and 2023, companies participating in EIS filed a total of 79.8k patent applications. Of these applications, 28.1k (35.2%) were granted. This substantial number of patent filings underscores the innovative nature of many EIS-supported firms, particularly those that are knowledge-intensive and heavily reliant on intellectual property to develop their products or services. Patents not only protect these companies' technological advancements and unique market offerings but also provide a crucial competitive edge. For investors, a company's patent portfolio offers a window into its innovation pipeline, the prospective market impact of its offering, and its broader strategic direction.

A strong patent portfolio often signals a company's ability to maintain a competitive advantage, enhancing its prospects for long-term success. EIS-supported companies with a strong patent portfolio are more likely to secure additional funding, with such firms collectively raising £45.1b in equity.

Furthermore, 16.6% of these patent-holding companies successfully exited, including 580 through acquisitions. A notable example is Vertical Aerospace, a Bristol-based aerospace firm specialising in electric aviation for urban air travel. The company raised £158m via two equity fundraisings before it was acquired by Broadstone Acquisition.

Patent filings peaked in 2020, with 10.3k applications submitted. The apparent decline in filings for 2023, currently standing at 2.35k with 46 patents granted, does not necessarily indicate a drop in innovation. The full scope of 2023's filings remains unclear due to the 18-month confidentiality period before patent applications are made public. This decrease may be more reflective of a delay in disclosure rather than an actual drop in innovative activity.

Grants

£3.03b
total received in grant funding between 2014 – 2023

11.1k
total number of grants awarded between 2014 – 2023

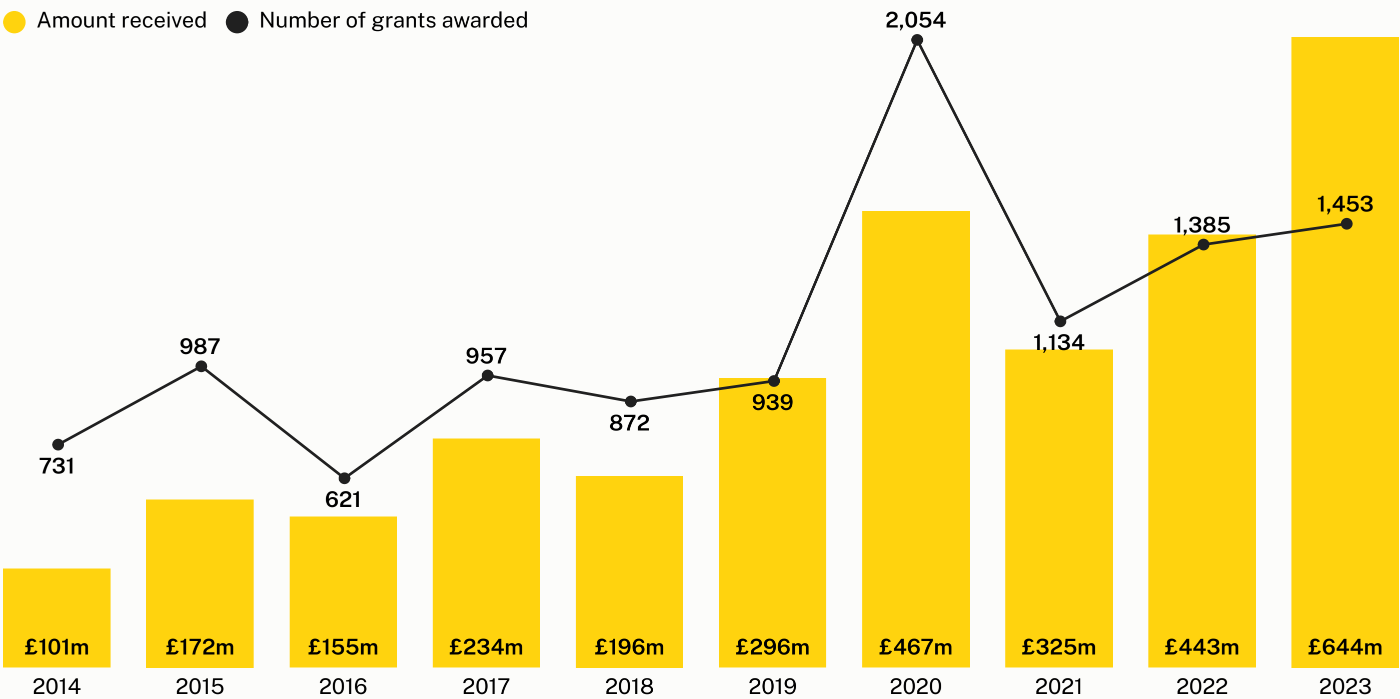
£644m
total received in grant funding in 2023

Public funding plays a vital role in fuelling the growth and development of startup companies. Grants provide early-stage companies with financial support and critical resources that can help facilitate R&D, job creation, and scaling operations.

Between 2014 and 2023 grant funding secured by EIS-backed companies has increased steadily. The value of grant funding awarded to EIS-backed companies peaked in 2023 at £644m. This rise of grant funding in 2023 reflects confidence in EIS-backed companies and their ability to bring innovative products and services to the economy. Belfast-based Artemis Technologies secured the highest number of grants in 2023, with 10 grants totalling £31.7m. The Zero Emission Vessels and Infrastructure (ZEVI) awarded the maritime company a grant to assist its R&D activity in the development of electric passenger vessel services.

The number of grants awarded to EIS-recipient companies peaked at 2,054 in 2020, a 118% increase from the previous year. This surge can be attributed to economic stimulus measures introduced by the government during COVID-19 to support small businesses. However, a significant drop in the number of grants awarded was observed in 2021, with only 1,134 grants, reflecting a decrease of about 45.0% compared to 2020. Despite these fluctuations, the overall trend indicates increased support for innovation, with a consistent rise in grant value and number in recent years.

Number and value of grants awarded to EIS companies (2014 - 2023)



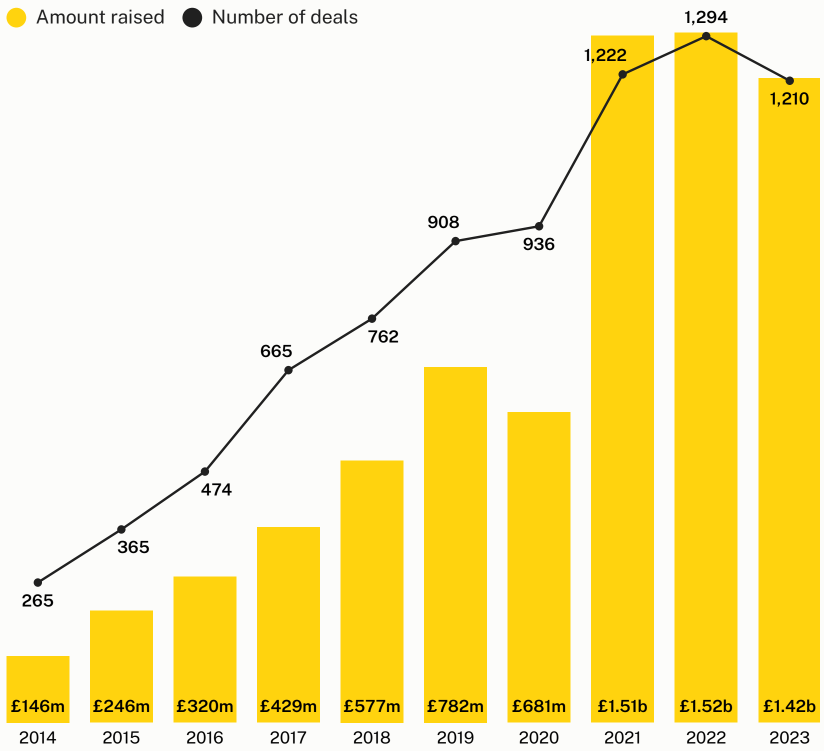
Female founders

3,694
number of active EIS-backed companies with at least one female founder

£7.61b
total equity raised by EIS-backed companies with at least one female founder (2014 – 2023)

£1.42b
total equity raised by EIS-backed companies with at least one female founder in 2023

EIS deals in companies with at least one female founder (2014 - 2023)



Female founders play a crucial role in driving economic growth. Today, more than 14.0k high-growth enterprises are led by women, reflecting a steady rise in female ventures. Investment in EIS-backed companies with at least one female founder has shown consistent growth over the years, reaching a notable peak between 2021 (£1.51b) and 2022 (£1.52b). In 2023, 25.0% of EIS-backed deals were secured by companies with at least one female founder. These findings align with the broader high-growth ecosystem, where 2021 and 2022 were record years for investment in many high-growth industries.

The surge in investment can be largely attributed to the role of government stimulus measures. These measures were designed to incentivise investment during the COVID-19 pandemic and stimulate economic recovery. As a result, investment activity accelerated, leading to a spike in equity investment across high-growth industries.

In addition, significant fundraisings by EIS-backed companies contributed massively to the spike in investment. The top 10 deals by enterprises with a female founder in 2022 all exceeded £17.0m. Among these, battery technology developer Nyobolt secured the largest investment, raising a £50.0m funding round in July 2022. IQ Capital Fund and German-based H.C. Stark backed this fundraising round. Although the cleantech company raised the largest individual fundraising within this cohort, it only accounted for 3.29% of total investment in EIS-backed companies with a female founder.

The broader impact of female founders is reflected by the significant increase in fundraising deals completed over the decade. EIS-backed companies with a female founder participated in over 1,200 fundraising deals in 2022, up from just 265 deals in 2014. This rise is representative of the impact and influence of female-founded companies in the UK's startup ecosystem.

Success statistics

£61.8b
raised by EIS-qualifying companies between 2011 – 2023

1,816
company exits by EIS-qualifying companies between 2011 – 2023

46.5%
UK-based unicorns backed by EIS between 2011 – 2023

Between 2011 and 2023, companies qualifying under the Enterprise Investment Scheme secured £61.8b in equity funding, a combination of EIS contributions and additional capital. This substantial inflow of funds enabled numerous startups to innovate, expand their operations, and enter new markets, significantly boosting the UK's economic landscape.

> **Of the 43 active unicorns in the UK, 46.5% have benefitted from EIS-backed funding, underscoring the critical role of early-stage investment in driving rapid growth and achieving high valuations.**

Among the various sectors, companies developing application software received the highest amount of EIS-backed funding during this time period, raising a total of £32.0b. This robust performance highlights the concentration of businesses within the information technology and data services industries. Notable companies in this sector include London-based Onfido, a digital identity verification software designed to verify a customer's identity by assessing the legitimacy of their government ID and facial recognition technology. Onfido raised a total of £176m through 13 funding rounds prior to being acquired by US-based Entrust in April 2024.

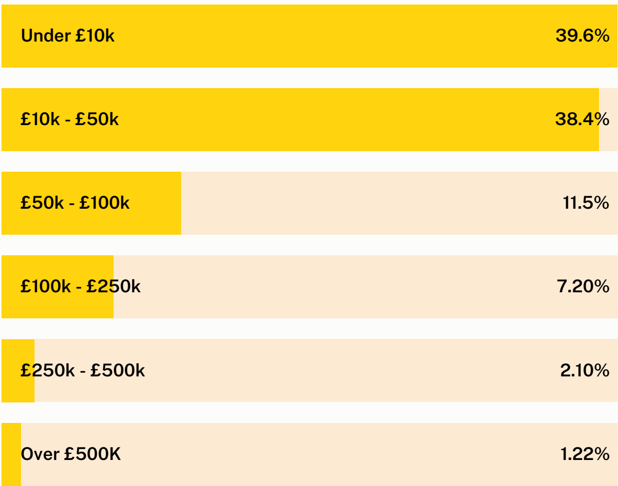
The effectiveness of EIS is further demonstrated by the 1,816 successful company exits recorded during this period, consisting of 1,763 acquisitions and 53 initial public offerings. These exits highlight the scheme's success in supporting companies that deliver strong returns to investors while contributing to the broader economic landscape.

Significantly, EIS has backed 20 unicorns — private companies valued at over $1.00b (approximately £780m). Of the 43 active unicorns in the UK, 46.5% have benefitted from EIS-backed funding, underscoring the critical role of early-stage investment in driving rapid growth and achieving high valuations. Unicorns have the unique potential to scale quickly, disrupt or redefine markets, and ultimately exit through strategic acquisitions, mergers, or IPOs.

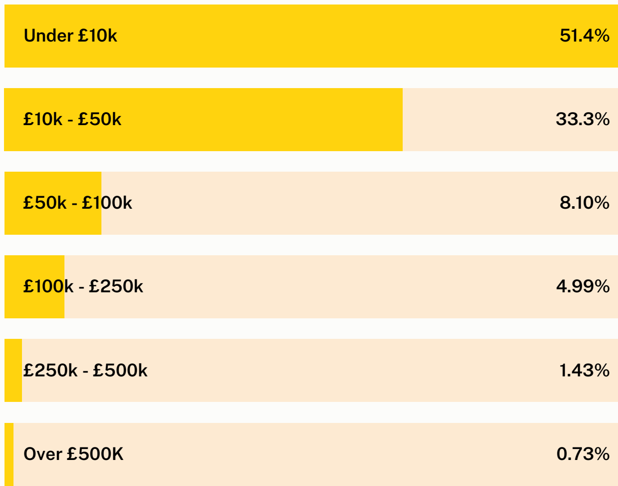
A notable example of an EIS-backed unicorn is Thought Machine, a cloud-based banking platform that enables banks to centrally manage their financial systems and products. Founded in 2014, Thought Machine's mission was to develop core banking technology to help banks improve their cloud infrastructure. To date, the firm has raised £398m in equity via seven funding rounds, with substantial backing from Molten Ventures, IQ Capital Fund, and banks including Lloyds Banking Group, ING Ventures, and JPMorgan. In November 2021, Thought Machine's largest fundraising round, totalling £152m, propelled the company to unicorn status, following a period of accelerated growth.

Investors in EIS

EIS investors claiming income tax relief via self-assessment by size of investment (2013-14)



EIS investors claiming income tax relief via self-assessment by size of investment (2022-23)



The number of individuals claiming tax relief via EIS has increased significantly over the years. Between 2011-12, the number of claims increased by 68.1%, rising from 11,330 to 19,044. By 2017-18, this figure had surged to 33,605—a 76.4% increase from 2011-12.[18] The peak came in 2021-22, with 44,810 investors claiming EIS tax relief, before a slight dip to 40,485 in 2022-23.[19] Despite this recent decline, investor numbers remain well above pre-pandemic levels, indicating sustained confidence in the scheme.

Investors are drawn to EIS for various reasons, including the potential for high returns and the tax returns and the tax relief that mitigates the risks of investing in early-stage companies. The scheme is designed to encourage investment in smaller, high-growth businesses, which can often offer substantial returns but also come with a higher level of risk. The appeal of EIS lies in its ability to attract a broad spectrum of participants, from individual retail investors looking to diversify their portfolios, to wealthier, more experienced investors who are willing to commit larger sums.

Crowdfunding has enabled more people to participate in EIS, allowing those with smaller capital to access opportunities traditionally reserved for wealthier individuals. This shift demonstrates that while the average investment size may have decreased, the overall number of participants has grown, showing continued confidence in the scheme.

This growing diversity among investors is also reflected in the range of investments made through EIS. A significant portion of investors contribute smaller amounts, with many investing less than £50k. In 2013-14, 39.6% of investors made investments under £10k, while 38.4% invested between £10k and £50k. By 2022-23, the share of smaller investments (under £10.0k) had increased to 51.4%, with those investing between £10k and £50k decreasing to 33.3%. This trend could be attributed to the growing number of angel investors making smaller investments, as well as certain funds, such as Haatch and Jenson, lowering their minimum investment thresholds to as little as £2.00k.

[18] HM Revenue & Customs. "Enterprise Investment Scheme (EIS): Commentary on Data for 2011-12." December 2013. https://assets.publishing.service.gov.uk/media/5a75a67140f0b67f59fce885/140213_EIS_commentary.pdf.
[19] EISA. "Facts and Figures." May 2024. https://eisa.org.uk/about-eis/facts-and-figures/

Case study: Carcinotech

CARCINOTECH
Reinventing Cancer Research

Carcinotech, a Scotland-based biotechnology company, specialises in 3D bioprinting. Its technology creates micro-tumors for cancer research and drug development. This process involves using patient-derived cells, such as those from biopsies and blood samples, to construct these micro-tumors. The technology builds on advancements in tissue engineering and 3D printing — creating complex, three-dimensional structures that closely mimic the characteristics of actual tumours.

Carcinotech has gained recognition within the UK's EIS framework. The company was named the Best EIS Investee Company at the 2024 EISA Awards, reflecting its progress and potential within the MedTech sector. Additionally, Dr. Ishani Malhotra, the founder and CEO of Carcinotech, received the Entrepreneur of the Year award at the same event.

Investment has played a crucial role in Carcinotech's growth, raising a total of £5.98m via four funding rounds since its establishment in 2019. The company secured £4.29m in January 2024 to support its ongoing research efforts and expansion to the United States. The biotechnology company received backing from various investors, such as Maven Capital Partners, SIS Ventures, Eos Advisory, and Scottish Enterprise.

Malhotra has shared insights into the company's mission and her motivations. She emphasised that the vision behind Carcinotech is to be a leader in cancer drug testing and to provide personalised medicine testing. "Our vision is to be at the forefront of cancer drug testing and provide personalised medicine testing,"[20] she explained. Malhotra also underscored the company's broader mission, which includes developing models for a wide range of cancers rather than focusing on just a few. She stated, "Our vision is to be at the forefront of cancer drug testing and provide personalised medicine testing to every individual suffering from cancer to improve their treatment and chance of survival."[21]

Carcinotech's achievements and recognition via the EISA Awards highlight its contributions to advancing cancer research within the MedTech sector.

[20] British Business Bank, Success Stories "Carcinotech," 6 August 2024 https://www.british-business-bank.co.uk/business-guidance/success-stories/carcinotech
[21] Pharmaceutical Technology, "Scottish company secures £4.2m to advance 3D-printed micro-tumour technology," February 2, 2024 https://www.pharmaceutical-technology.com/sponsored/scottish-company-secures-4-2m-to-develop-3d-printed-micro-tumours/

Case study: Nova Pangaea Technologies

Nova Pangaea Technologies, a cleantech company based in Redcar, North Yorkshire, was founded with the mission to convert agricultural and wood waste into sustainable products. The company has developed a proprietary process known as REFNOVA, which is a patented technology designed to efficiently transform woody and agricultural plant residues into high-value products, such as biocarbons, biopolymers, biochemicals, and advanced biofuels. This process does not rely on enzymes or bacteria and can convert materials in minutes, making it both reliable and adaptable to various industrial applications.

Nova Pangaea's patented REFNOVA process produces two key products: NOVASUGARS, a biofuel used in aviation, and NOVACHAR, a biochar used to enhance soil. These products help reduce carbon emissions in aviation, agriculture, and the steel industry. The company utilised EIS to attract early-stage investors and secure the capital necessary for its growth. Par Equity, an investment firm focused on emerging technologies, has recognised Nova Pangaea as a model EIS portfolio company, highlighting the company's potential for delivering both financial returns and environmental benefits.

Nova Pangaea has also formed significant partnerships to further its objectives. Notably, the company is involved in Project Speedbird, a collaboration with British Airways and LanzaJet aimed at developing and delivering 102 million litres of sustainable aviation fuel per year. This partnership aligns with global efforts to decarbonise the aviation industry, and Nova Pangaea's technology is positioned to play a key role in this transition.

The company has also received funding from the UK Department for Transport's Green Fuels Green Skies project, which will accelerate its contribution to the development of sustainable fuels. With strong investor support and strategic partnerships, Nova Pangaea is well-positioned to make a significant impact on the global push for decarbonisation.

Case study: Paddle

London-based fintech company Paddle was founded in 2012 by Christian Owens. It provides integrated payment processing, tax compliance, and subscription management services to software-as-a-service (SaaS) businesses.

Paddle is designed to serve SaaS businesses of various sizes. Its platform's ability to navigate international regulations and compliance has been a significant factor in its success — helping software companies manage the complexities of selling across multiple jurisdictions.

EIS has played a crucial role in enabling Paddle to attract early-stage investors, providing the company with the necessary capital to expand its operations and enhance its technology. This scheme has particularly benefited innovative tech companies like Paddle, which require substantial funding to bring their solutions to market and achieve scale.

Paddle's growth has been further supported by its ability to secure additional venture capital investments. This is a common feature of EIS: early investment under the scheme leverages in additional private capital. It has attracted funding from prominent investors such as Notion Capital, 83North, and Kindred Capital. These investments have been instrumental in expanding the company's product offerings and accelerating its entry into new markets. In May 2022, Paddle reached a significant milestone by achieving unicorn status, following a Series D funding round that raised $200m, bringing the company's valuation to $1.40b.

While Paddle's success highlights the potential of EIS in supporting high-growth tech companies, it has also faced challenges associated with rapid expansion, the need for continuous innovation, and the complexities of scaling operations globally. Nonetheless, funding secured via EIS has been critical in navigating these challenges, enabling the company to remain agile and competitive.

Paddle's journey illustrates the importance of EIS in supporting the UK's tech ecosystem. By providing a platform that addresses the complex needs of SaaS businesses, Paddle has demonstrated how EIS-backed companies can scale effectively and contribute to the broader economy. As Paddle grows, it will likely serve as a model for how early-stage investment through schemes like EIS can drive innovation and commercial success in the technology sector.

Conclusion

EIS and its sister initiative, SEIS, have played a fundamental role in shaping the UK's early-stage investment landscape into what it is today. Over the past 30 years, these schemes have channelled more than £32.0b into private companies, including global success stories such as Deliveroo. By offering compelling tax incentives, EIS and SEIS have attracted significant private sector investment to help bridge the funding gaps faced by emerging high-growth companies.

These government tax initiatives have evolved in tandem with shifting societal, government, and business needs. Although this has not been without challenge, over the past three decades, there have been notable adjustments. In 2011, investor tax relief increased from 20% to 30%. The development of knowledge-intensive structures reinforced the scheme's role in supporting advancements in technology and science — and contributed to a significant £1.93b of investment secured by EIS-backed companies in 2018. By 2021, a record 4.48k companies raised EIS-backed funding, further supporting innovation and job creation in the high-growth landscape.

Looking ahead, the extension of EIS until 2035 and the expansion of SEIS reliefs demonstrate a continued commitment to fostering innovation and entrepreneurship in the UK. For investors, entrepreneurs, and policymakers alike, the success of EIS will depend on the government's ability to ensure the scheme adapts to future challenges, including economic volatility and evolving market dynamics. As businesses, investors, and government needs change, the efficient administration and accessibility of the scheme will be vital to the UK's strategy for nurturing entrepreneurship, driving innovation, and sustaining economic dynamism across all regions.

Over the past 30 years, these schemes have channelled more than £32.0b into private companies, including global success stories such as Deliveroo.

Methodological note

EIS-Qualifying Companies

We have identified EIS-qualifying companies from a subset of Beauhurst's broader equity data, selecting companies that align with the official government criteria for the scheme. However, it's important to note that this dataset may include some non-EIS deals and may have excluded certain EIS-eligible deals due to the limitations of available data.

For more details, please visit:

EIS qualifying-requirements

SEIS-Qualifying Companies

SEIS-qualifying companies have been defined following government guidelines. These companies adhere to the rules laid out for the Seed Enterprise Investment Scheme.

For more information, please visit:

SEIS Requirements

Equity investment

To be included in our analysis, any investment must be:

- Deals with an equity component completed by UK businesses from 1 January 2011 to 30 June 2024 (including deals where there is equity and debt)

Where:

- The transaction was completed by a private limited company with share capital
- The company's date of incorporation was no more than eight years prior to the fundraising (as a proxy for a first commercial sale seven years prior)
- Companies with any of 114 SIC codes were excluded (to exclude non-qualifying trades)
- Companies must have less than £15m in assets in accounts prior to investment (including companies where assets/accounts are missing or blank)
- Companies must have fewer than 250 employees in accounts prior to investment
- 'Megadeals' excluded (investments greater than £50m)

Beneficiary data (company dataset)

- Any UK private limited company with share capital that received investment under the criteria listed above

Note on impact statistics

The impact statistics presented in this report are based on what likely EIS-qualifying companies have achieved. This does not imply that these companies wouldn't have succeeded without EIS funding. However, given the capital-at-risk requirements of the EIS, it is reasonable to consider the scheme as integral to these outcomes.

About us

Beauhurst

Contact

4th Floor, Brixton House
385 Coldharbour Lane
London
SW9 8GL

www.beauhurst.com
+44 (0)20 7062 0060
consultancy@beauhurst.com

Beauhurst is the ultimate source of UK private company data.

Through our data platform, we provide data on every UK private company — from investments and hiring status, to patents and trade data — identifying hidden growth, innovation, risk, and ESG signals across UK companies.

Our Research and Consultancy team can provide powerful insights, thought leadership, and data-led reports. Please get in touch if you would like to talk about a project.

eisa enterprise investment scheme association

Contact

6 Snow Hill
London
EC1A 2AY

www.eisa.org.uk
+44 (0)20 8132 6199

EISA is a highly effective not for profit organisation which exists to aid the provision of capital to UK small and medium-sized enterprises (SMEs) through the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS).

EISA works closely with HM Treasury, HM Revenue and Customs, Government Ministers, MPs and the FCA to enhance the EIS and promote the benefits of the scheme to investors and companies using EIS/SEIS and their respective advisers.

Editor Henry Whorwood
Production Dan Robinson, Advone Katsande, Blanca Valencia, Bila Turay, Harry Walker, Justin Tsui, Miraj Mistry
Design Hannah Nicholls, Evangeline Luckhurst