

Davy and B launch first EII fund

By Margaret O'Brien

BES Management Limited, a joint venture between Davy and BDO, has launched the Davy EII Tax Relief Fund. The new Employment and Investment Incentive Scheme (EII) received EU approval only last week, but has been flagged for some time.

The scheme aims to transform the Business Expansion Scheme (BES) by widening the scope of companies that can raise EII funding. In addition, companies can now raise up to €10 million (previously €2 million) under the scheme and the amount that can be raised in a 12-month period has been increased to €2.5 million (previously €1.5 million).

BES Management Limited is well-established as Ireland's longest-running BES Scheme Manager, having successfully raised 19 BES funds over the past 16 years. "We are best placed to launch and manage the first EII Tax Relief Fund," Sinead Heaney, partner with BDO said.

While EII will replace the BES scheme at the end of this year, for the time being both will run in parallel until December 31 of this year.

"The Davy EII Tax Relief Fund will allow investors all of an all-income tax deduction, offering up to 41 per cent tax relief, while also promoting the creation of jobs in Ireland's SME sector. The EII Scheme will take the benefits of BES and widened them to benefit much more Irish businesses, which previously did not qualify, or had reached the €2 million limit."

"It is wider merit and in-

creased investment limits are widely welcomed, at a time when funding from traditional sources is limited. The scheme is seen as a vital source of funding for SMEs, many of which are looking towards EII funding as a means to finance their growth strategies."

He agreed that, because the EII investment was over three years as opposed to five years (as is the case with traditional BES investments), the new scheme would favour later-stage companies.

"A more established, mature company will be able to pay out on investments more readily within a three-year timeframe than would a start-up," she said. "Arguably, the investment will be less risky, and is therefore more attractive from an investor perspective."

"We also need to acknowledge that even mid-sized, well-established businesses are finding it difficult to raise funds



Sinead Heaney, partner, BDO; Brian Davy, Davy Stockbrokers, and Andrew Bourg, director, BDO

from banks and other traditional sources right now, so access to EII funding will be a huge bonus for them, and will go a long way towards creating sustainable jobs."

Heaney believes that investment in a Fund is an attractive proposition for investors.

"Over the last 16 years, BES Management has invested €125 million in over 140 companies," she said. "Our funds are managed and the investments are monitored in a 'hands-on' way by a full-time and experienced management team, an approach that appeals

to both companies and investors alike."

"You reduce your risk exposure by investing in a managed fund, because your investment is spread over a portfolio of strong and performing companies. Our focus is on established, indigenous Irish companies with future growth potential, and we will invest across a range of industries which will reduce exposure to any one sector."

"Over the coming weeks, we will be targeting companies to assess their suitability for funding, and would encourage any

companies meeting the qualifying criteria to consider the benefits that equity funding of this nature could bring to their business."

Richard Kinsella, director at Davy Private Clients, said: "The new scheme offers investors an attractive tax relief of up to 41 per cent. In addition, the Davy EII Tax Relief Fund offers investors the opportunity to invest in a managed and diversified fund."

For further details, contact BDO on tel: 01-4700455, or visit www.bes.ie



Wind energy: an attractive prospect

Wind energy companies seek BES funding

By Margaret O'Brien

Carrowanaculan Energy Limited and Rathmoneagh Energy Limited, two indigenous Irish companies are seeking to raise BES investment by private placing, with the assistance of Hewath Bastow Charleton, Limerick.

Carrowanaculan Energy Limited is seeking to raise a BES investment by private placing to fund the construction of a 4.6 megawatt (MW) wind farm in Carrowanaculan, Co. Clare, located on the Loop Head Peninsula, at a projected cost of €6.72 million.

The windfarm will be developed on the land of one owner and a 25-year lease will put in place with the land owner. The promoter proposes to erect two Enercon E70 2.3 MW wind turbines. The P90 net energy yield is 12,000 MWh per annum.

Rathmoneagh Energy Limited is seeking to raise a BES investment by private placing to fund the construction of a 4.6 MW wind farm in Rathmoneagh, Ballycurrane, Co. Waterford, south-east of Dungarvan, close to the Waterford coast, at a projected cost of €7.9 million.

The windfarm will be developed on the land of one owner, with a 25-year lease put in place with the land owner. The promoter proposes to erect two Enercon E82 2.3 MW wind turbines on the land. The P90 net energy yield equals 13,400,000 kWh per annum.

Gerald Hassan, a leading global renewable energy consultancy, prepared two separate wind energy yield reports confirming separate

For more information, tel: 061-310311

Intelligent idea to help out tech start-ups

By Margaret O'Brien

Seedups is the intelligent crowd-funding service for tech start-ups and investors, which aims to raise €250,000 through BES for expansion into new markets.

Seedups was founded in 2000 by Michael Faulkner as a means of connecting the best tech start-ups with investors. The company has been providing funding throughout its first year of operation, and within that period launched its British and Irish service in February, before launching its US service at the prestigious SXSW festival in Austin, Texas.

Seedups is the first platform concentrating on equity investments for tech start-ups.

"We know tech companies are the ones with the greatest potential to scale, but many stall in their infancy, and crowd-funding can help this."

"It's impossible to underestimate the importance of entrepreneurial activity: most new jobs are brought about by new or small companies. They really are the lifeblood of the economy."

At the heart of the Seedups' concept is the need to give start-ups a fair valuation and ensure companies can gain access to the funding they need to survive. It also gives investors access to a range of investment opportunities, with tools to

help with diversification.

Seedups uses a "wisdom of crowd" matching engine to give a fair valuation of a start-up's worth. Investors compete with micro-bids to ensure they are part of the equity deal, and tools are in place to ensure that investors can network and conduct collective due diligence on various start-ups and place bids on projects. It is free to register for both parties.

The expansions that Seedups has in mind for 2012 include developing the service for various European markets and increasing activity in the US, Irish and British markets. The crowd-funding market is delicately poised and Seedups is in a position to be a world leader.



Seedups team: Michael Faulkner, chief executive and founder, Gavin Gallagher, chief technical officer, Damien Moore, CRM manager, Connor Doherty, online community manager

Pinnacle gets involved in new scheme

Horwath Bastow Charleton Limerick (Horwath) and Pinnacle Capital Partners Limited are not running a Pinnacle Fund this year due to the delay in the introduction of the EII Scheme that replaces the BES scheme.

However, the firm has been engaged to assist the promoters of two separate windfarm projects, Carrowanaculan Energy and Rathmoneagh Energy Limited, to assist them in raising BES finance. Both projects have sites secured with full planning permission.

"Although we are not running the Pinnacle BES Fund in 2011, Pinnacle will be engaged to monitor and report on the investments by the private BES investors similar to the monitoring and reporting carried out by it under the Pinnacle BES Fund," said Mary McKeogh, tax partner with Horwath.

"This BES investment opportunity may well be one of the most attractive BES opportunities in the market given the scheme in its present form will cease from December 31 to be



Mary McKeogh

replaced by the EII Scheme.

"We decided to focus on a BES private placing in the wind energy sector for a number of reasons. Ireland has a target of generating 40 per cent of electricity consumption from renewable resources by 2020, the majority of which will be generated by onshore wind. There is ongoing state financial support for the sector through the RIEFT programme in Ireland and globally through similar or other mechanisms."

Wind energy generation continues to be well-supported by lending institutions in Ireland. Completed windfarms continue to be sold at strong prices and are expected to do so for the foreseeable future.

"BES is one of the few sources of total income relief still available which means the relief can be offset against any income and is not contingent on having specific classes of income, e.g. rental income," McKeogh said.

"It is also a significantly large tax shelter offering tax relief on investments up to a maximum of €150,000, while most other shelters have much lower total income limits."

"Tax relief at 41 per cent is given for five-year investments of amounts of up to €150,000 in qualifying BES companies or designated funds, subject to the High Income Earners Restriction."

"Also, for investors, expo-

sure is limited to the upfront equity investment; they do not need recurring tax exposure each year and do not need to make subsequent investments in following years."

Commenting on the new EII Scheme, McKeogh said: "Under the new scheme, tax relief of effectively 30 per cent is available upfront with a further 11 per cent available if the company has increased its employee numbers and related payroll expense by year three or has increased its expenditure on research and development."

"As experienced BES fund managers, we also have concerns around the reduced holding period in respect of the shares issued, ie the length of time taxpayers' money is invested in the scheme. The EII requires the shares to be held for a minimum of three years, two years less than the current BES scheme."

"In reality, we feel it will be difficult for companies to build up sufficient funds to exit investors within the three-year time frame. Therefore, the commercial reality would dictate

that longer holding periods will apply, possibly subject to higher capped returns for investors."



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The Davy EII Tax Relief Fund

Want to CUT Your Personal Tax Bill?

Fund Facts:

- Opportunity for eligible investors to avail of tax relief of up to 41% on investments
- Minimum investment: €5,000
- Maximum investment: €150,000
- Fund closes: 31 December 2011

For more information on the Employment and Investment Incentive Scheme ("EII Scheme") or to receive a Prospectus and Application Form, visit www.bes.ie or call 01-614 9000.

BES Management Ltd. is regulated by the Central Bank of Ireland.

This does not constitute an offer to subscribe to the Fund or investment advice. This investment may not be suitable for all investors. You should read the Prospectus carefully and consult your tax advisor about the rules that apply in your individual circumstances prior to any investment. Investors are responsible for filing their own tax returns.

WARNING: This is a medium to long-term investment and there is no early exit mechanism. The value of your investment may go down as well as up. Investors can lose some or all of the amount invested. Other risks and terms and conditions apply.