The economic impact of Business Property Relief on AIM-listed shares

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Abstract

This paper examines the role of the UK's Business Property Relief (BPR) in creating an incentive to provide capital to businesses listed on the AIM market that need to scale-up. Many countries offer relief from inheritance tax for controlling holdings in family businesses. The key UK innovation was to democratise this inheritance tax relief by making it available to any minority investor in a qualifying unlisted company. We show how, in turn, BPR potentially creates a pool of stable, 'patient' capital that, given the risk preferences of older investors, is well suited to the scale-up of established, high-potential businesses rather than riskier start-up investment. Arguably, BPR comes at little or no exchequer cost because, without BPR, this capital would with high probability be sheltered from inheritance tax in some other way. If that is the case, BPR's effect would be to redirect capital to more productive economic uses, at a low marginal cost to the exchequer.

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1. Summary

This paper examines the role of the UK's Business Property Relief (BPR) in creating an incentive to provide patient, scale-up capital to businesses listed on the AIM market.

The belief that there is a funding gap for smaller, high-potential entrepreneurial businesses is widely held and, in most countries, this funding gap is seen as a market failure that requires government intervention. The UK has been successful in using the tax system to channel start-up capital. The concern is now with 'scale-up' funding and that high-potential companies that have weathered the start-up phase can find their subsequent growth capital-constrained. Those companies may underperform or may end up being acquired and losing their independence through a trade sale, possibly to a foreign acquirer with deeper pockets.

This is part of a broader concern about capital market short-termism and the need for 'patient capital', which is equity capital that allows companies to take a long-term approach to growing a business. In the Patient Capital Review (PCR) published in November 2017, HM Treasury reaffirmed that it was '*committed to protecting the important role that this tax relief [BPR] plays in supporting family-owned businesses, and growth in the Alternative Investment Market and other growth markets*.' However, the economic rationale for BPR – the role of BPR in supporting patient capital – is not currently well-understood.

Part 2 describes the mechanics of BPR and compares it to inheritance tax reliefs available in comparable countries, and to the UK's Venture Capital Schemes (VCS). **Part 3** considers the argument that there is a growth or 'scale-up' funding gap and describes the nature and performance of the UK's AIM market, as a source of scale-up capital. We examine how BPR investors channel patient capital to high growth companies on AIM. **Part 4** assesses the efficiency of BPR as a tax relief, and whether it is economically distortive.

The following is a summary of our conclusions.

Tax incentives for equity investment

A series of highly targeted schemes collectively known as the Venture Capital Schemes, provide relief from paying income tax and capital gains tax on direct investment in early-stage companies. Business Property Relief (BPR) operates in a different way, by giving exemption from UK inheritance tax to equity in qualifying business assets held at the owner's death. Qualifying assets can include include investments in unlisted companies and in companies on the Alternative Investment Market, AIM.

Many countries offer relief from inheritance tax for controlling holdings in family businesses. The key, and apparently unique, UK innovation was to democratise 'family business' relief by making it available to any minority investor in a qualifying unlisted company. Whether or not this was fully anticipated by the creators of BPR, this innovation was transformative.

As an inheritance tax relief, BPR channels end-of-life investment. Because humans are conservative in anticipating the 'end of life', the typical investment period in BPR portfolios is ten years or significantly longer. So BPR creates a pool of stable, 'patient' capital that, given the risk preferences of the investors, is well suited to the scale-up of established, high-potential businesses rather than riskier start-up investment.

Crucially, BPR may come at little or no cost to the exchequer. If, in the absence of BPR, this capital would be sheltered from inheritance tax in some other way then BPR's effect is to redirect capital to more productive economic uses, at a marginal cost to the exchequer that approaches zero.

The scale-up funding gap and the AIM

The UK has been successful at supporting start-up businesses but there is a concern that UK companies face a funding gap at the scale-up stage. A business that needs outside equity capital for growth has limited options – it may be acquired in a trade sale by a deeper-pocketed company, it may seek private equity capital, or seek public equity capital by listing on a junior market such as the Alternative Investment Market (AIM).

AIM is a large and active junior market within the London Stock Exchange. A number of factors have contributed to AIM's success relative to the other 'New Markets' that were created in Europe at the same time. The BPR scheme, which is unique to the UK and has always been available as support for AIM listed companies, is probably one factor in that success. AIM is a diverse place in terms of the types of companies it lists, and this diversity and AIM's 'open-house' philosophy have also helped the market maintain viable scale.

But the consequence of this diversity is that the aggregate share price performance of AIM companies has been famously mixed, and for lengthy periods the FTSE AIM All Share Index has significantly underperformed. When we analyse the fundamental performance of AIM companies, we see that the majority underperform, and some will disappear, while at the other end of the distribution is a significant number of very high growth companies.

This is the nature of a junior market, and it makes AIM the natural habitat for active fund management. BPR capital is typically filtered through specialist asset managers who are selective in the companies they invest in.

It is difficult to quantify BPR's impact in providing patient capital to growth businesses on AIM. For one thing, AIM and BPR have always coexisted. And whilst in the case of VCS the receipt of tax relief depends on investing new equity, for BPR this is not the case. BPR investors receive IHT relief by holding the shares of portfolio companies and participate in new equity issues only to the extent they have uninvested cash.

Hence, to assess the impact of the patient capital provided by BPR investors on the real investment behaviour of companies we use case studies and discussions with key stakeholders, in particular the senior management in AIM-listed companies. GB Group is representative.

GB Group plc is a leader in identity intelligence solutions and an example of a company which has scaled up on the AIM from a market capitalisation of £20 million in 2009 to £1.8 billion today, with 25% of its share register being BPR investors. Dave Wilson, CFO and COO of GBG, said, *'There is a VCT/EIS funding cliff, and our company had outgrown VCT. We naturally looked to BPR investment managers as a source of patient capital for the company's next stage of growth. I am not sure why more companies don't make use of BPR funds to grow and it seems to be underutilised as a source of growth capital.'*

The senior management at BPR-qualifying companies describe consistently how a core of long-term 'patient' capital provided by BPR deepens and stabilises the market in their equity and reduces the likelihood that the company will be capital constrained. The resilience this provides was evidenced by the high levels of AIM equity issuance during 2020, as businesses dealt with the challenges of Brexit and COVID-19.

Is the BPR tax incentive efficient?

Some commentators object on principle to any action by government that might affect markets. But tax incentives are 'distortive' by design. The question is, rather, whether the tax incentive is effective, and whether it is efficient in that the exchequer cost of the incentive is justified by the public benefit it achieves.

We show that the VCS schemes are highly calibrated to the underlying investment risk. Annualised, the nominal tax cost of BPR falls below the lower end of VCS spectrum, which is consistent with the relative risk in BPR and VCS investments. However, we then argue that the marginal cost of BPR to the exchequer is probably close to zero. This is because BPR acts to redirect to economically productive uses, capital that would in all likelihood be sheltered from inheritance tax in some other way.

In terms of cost/benefit, BPR would thus appear to be an extremely efficient tax relief that enables companies to access the pool of inherently stable capital provided by the savings of older investors. The question is how it can be more effective.

BPR was universally described by practitioners as a unique and valuable relief, but one that is underutilised. There may be a perception of 'regulatory risk' making advisors wary of the reputational risk of guiding clients to move wealth into higher risk assets, that might not be appropriate for them absent the relief, under a rule that still needs to be in place potentially many years into the future. Government signals of continuing support for BPR, along the lines of the strong endorsement it gave in the Patient Capital Review, will help give advisers and their clients confidence in it.

Finally, there is no reason for the UK exchequer to offer tax relief to equity investment in companies that do not contribute to the UK's economy. We recommend that a qualifying business should have a 'permanent establishment' in the UK, aligned with the requirement for Venture Capital Schemes. BPR would thus be offering long-term access to a valuable source of growth capital to companies that choose to locate and grow in the UK.

2. Tax incentives for equity investment

We examine the operation of Business Property Relief and compare it to a group of UK tax reliefs targeted at early-stage businesses that are collectively known as the Venture Capital Schemes. Though they are quite different in their mode of operation, BPR and the Venture Capital Schemes both use the tax system to incentivise the provision of equity capital to trading businesses with growth potential[2].

The Venture Capital Schemes

A series of schemes – the Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS), and Venture Capital Trusts (VCT) – collectively known as the Venture Capital Schemes, provide relief from paying income tax and capital gains tax on direct investment in early-stage companies.

For the EIS and VCT schemes, the new investment must be received with 7 years of the company's first commercial sale, the company must have fewer than 250 employees and less than £15m in gross assets. A maximum of £12m may be invested in total. The reliefs are more generous under SEIS, but the criteria are more restrictive. The investee company must be less than 2 years old, have fewer than 25 employees and less than £200,000 in assets. A maximum of £150,000 can be raised under the scheme.

The Venture Capital Schemes create an interrelated set of income tax and capital gains tax reliefs for the investor, including the following.

- EIS and SEIS investment reduces an investors' income tax liability at the EIS rate (usually 30%) or the SEIS rate (usually 50%) for the purchase of newly issued shares up to a total of £1 million per year for EIS and £100,000 per year for SEIS, if held for three years. The EIS annual limit is raised to £2 million if half of that is in knowledge-intensive companies. EIS and SEIS investments held at death also qualify for BPR and are therefore exempt from inheritance tax.
- When those shares are disposed, they are exempt from capital gains tax if held for three years after issue.
- If the investor had a capital gain in the 3 years before or 1 year following making an EIS investment, to the extent that the gain is invested into EIS shares, the gain will be deferred until the EIS shares are sold or cease to qualify. On disposal of the EIS shares the gain will become chargeable again unless the investor subscribes for shares in another EIS company. A similar, but more limited, relief applies to SEIS re-investment
- Any losses that arise at the disposal of EIS shares can be deducted from the Investor's net income through the sideways Loss Relief, which also sometimes applies to SEIS shares.
- Investors subscribing to new shares in a VCT get immediate income tax relief of 30% up to a maximum of £200,000 per year, as long as the shares are held for at least five years. They qualify for income tax exemption on dividends, and capital gains are not taxed but VCT capital losses are not allowable against other income. Because a VCT fund makes a lot of small investments in smaller qualifying companies, the fund itself becomes somewhat diversified and able to pay out dividends.

[2] Business Asset Disposal Relief (BADR, formerly Entrepreneurs' Relief) provides a reduced capital gains tax rate to entrepreneurs selling all or part of their business after at least two years of ownership. The lifetime limit on this relief has recently been reduced from £10 million to £1 million. Since this relief targets owner-managers rather than outside investors, we focus only on SEIS, EIS, VCT and BPR in this report.

To qualify under the VCS, shares must be unquoted or AIM-listed, and the company must have permanent establishment in the UK. Following the Patient Capital Review, HMRC introduced a 'risk to capital' condition, effective March 2018, to better target the schemes. The risk to capital condition has two parts:

a) The investee company must have objectives to grow and develop over the long term; and
b) The investment must carry a significant risk that the investor may lose more capital than they gain as a return, including any tax relief.[3]

BPR

Business Property Relief – also called BR in HMRC guidance – provides inheritance tax relief to owners of equity investments in qualifying business assets held at an owner's death. The original aim was to safeguard family-owned enterprises from being broken up or sold when a major shareholder died, in the event that the estate could not afford to pay the inheritance tax. Similar reliefs for family-owned enterprises exist in many developed countries.

BPR dates back to the introduction of the inheritance tax by Chancellor Nigel Lawson in 1986. BPR-qualifying assets included investments in unlisted companies, but also shares listed on the Unlisted Securities Market and from 1996 on its successor market, the Alternative Investment Market (AIM). In 2013 the relief was extended to AIM shares held within an Investment Savings Account or ISA. At its inception, BPR exempted 30% of qualifying assets from inheritance tax, increased to 50% in 1987, and 100% in 1992.

For the holding to be eligible for BPR, shares must have been held for at least two years at the time of death or, if gifted, held by the recipient for at least two years before the death of the donor. Beyond this, the relief is applicable to a broad investor base – there are no minimum shareholding or voting control requirements.

The relief is conditional on meeting the asset eligibility requirements. The investee business must be wholly or mainly engaged in a qualifying business, with the principal exclusions being investment in securities, dealing in land or buildings, and holding investments. The qualification criteria are deliberately broad and are well-understood, at least by tax professionals and advisors.

Because Venture Capital Schemes are targeted in terms of company size, age, and business type, they have constituted 'state aid' under EU law. In consequence the UK, like other EU countries, regularly modified their programmes to remain compliant with state aid rules. Given these regulatory risks, companies can gain 'advance assurance' from HMRC, so that investors know at the point of investment that the investment will qualify, and they can claim relief immediately.

In the case of BPR investments an application is made to HMRC at the time of death to verify the eligibility of the business asset for the relief. The lack of 'advance assurance' for BPR reflects its different modus operandi. Because a company never knows when an individual shareholder might die, it needs to always

[3] *Income Tax: Venture capital schemes - risk to capital condition*, (2017, November 22). https://www.gov.uk/government/publications/income-tax-venture-capital-schemes-risk-to-capital-condition/income-tax-venture-capital-schemes-risk-to-capital-condition

ensure it qualifies for BPR throughout its life and this is one of the reasons that the BPR rules are broadly set.

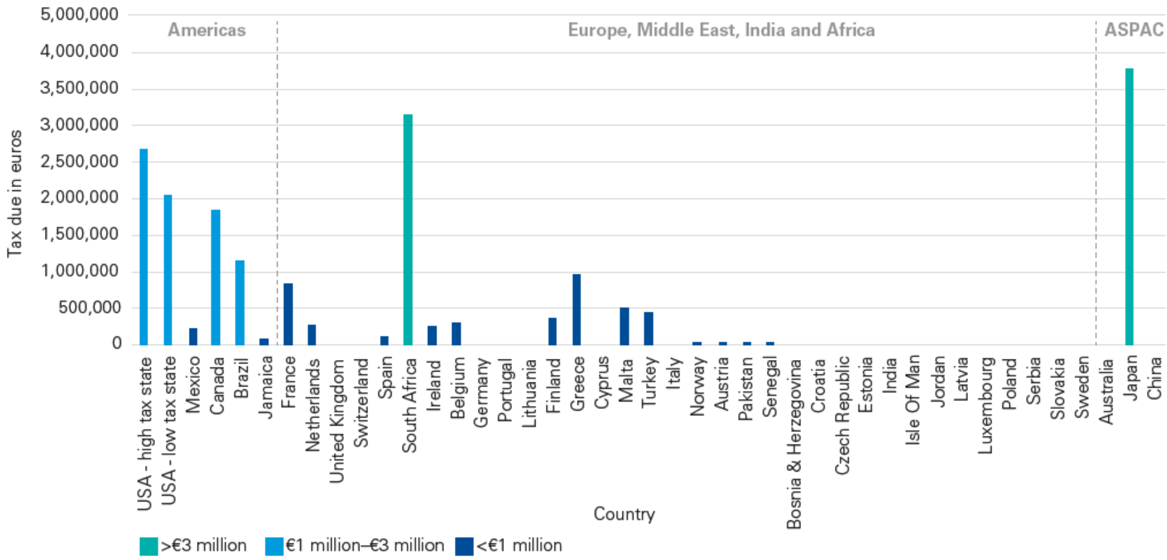
Nonetheless, time lag of potentially a decade or more between the investment and the granting of the relief may be problematic for uptake of BPR if it creates a perception of regulatory risk in the minds of advisers and clients. The issue is not whether the investee companies qualify but, more fundamentally, whether the tax system will have changed, and the relief still exist, when the time comes.

In summary, to understand BPR it is helpful to benchmark it against the UK's Venture Capital Schemes, that are highly targeted early-stage investment reliefs.

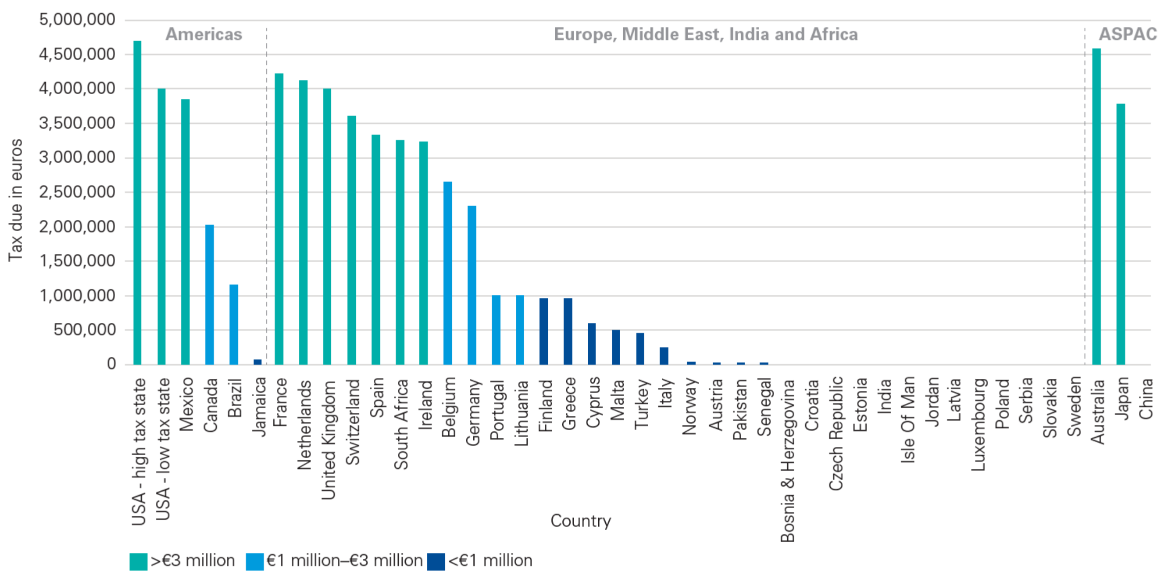
- Under the VCS, there are limits on the amount that an individual can invest and that a company can receive. No such scale limit applies to BPR, which may reflect the fact that the core ambition of BPR is to encourage growth.
- The VCS apply specifically to companies with a permanent UK base. BPR is domicile agnostic, reflecting the fact that BPR is an IHT relief and IHT is charged on worldwide assets and can include a company whose principal operations are overseas.
- Most fundamentally, whereas the VCS provide a tax relief for an investment in new equity, BPR attaches to ownership of existing equity.

Inheritance tax reliefs internationally

Figure 3: Family business transfer inheritance: Tax due after exemptions



Source: Global Family Business Tax Monitor, KPMG, March 2016



Source: Global Family Business Tax Monitor, KPMG, March 2016

The KPMG 2018 Global Family Business Tax Monitor provides an international comparison of inheritance tax relief on business assets. It models a hypothetical situation where a business owner builds a business worth €10 million, dies in 2015 and subsequently faces an inheritance tax liability. The KPMG analysis shows that the rate of UK inheritance tax is roughly in line with other OECD economies such as France and the USA, prior to the application of reliefs but that, after exemptions, business owners in Western European economies such as the UK, Germany and France face a greatly reduced inheritance tax bill. Thus, the level of the UK's BPR is not out of line with incentives in other leading Western European economies. It should be noted that while it is common for advanced economies to offer inheritance tax relief on the transfer of business assets, a number of OECD economies do not apply an inheritance tax at all.

EY[4] note that the German inheritance tax relief on business assets (Verschonungsabschlag) is specifically targeted at preserving the continuity of family businesses. The relief applies to '*substantial shareholdings (direct participation of more than 25% of the registered share capital) in corporations resident in Germany, in the EU or in the EEA…*', and a tapering upper limit was introduced in 2016. In France, the reliefs under the Dutreil scheme also target larger shareholdings and are aimed at preserving the continuity of the business. Inheritance tax reliefs in other developed countries appear to have the same logic.

So, countries such as Germany and France that give inheritance tax reliefs to support the continuation of family businesses restrict them to significant or controlling shareholdings. Indeed, the UK has similar arrangement. Provided that they have a controlling stake, an investor in a company listed on the Main Market of the London Stock Exchange (LSE) or other recognised exchanges is eligible for 50% BPR. It should be said that this is a rare circumstance.

The perceived public benefit of 'family business' inheritance tax reliefs is in ensuring business continuity, and in avoiding potential disruption to output and employment if inheritance taxes drain liquidity or force a change in company ownership. Since this family business relief is usually only available to major or controlling shareholders, the danger is that it may entrench the wealth inequalities that, presumptively, inheritance taxes were meant to reduce.

The key UK innovation that sets the UK apart from its European counterparts was to democratise BPR by extending it to minority shareholders. So BPR evolved into a wider-ranging tax incentive for channelling IHT capital from older investors.

The following data may give an insight into the demographic that BPR addresses. At end-2020, Octopus Investments had £9.1bn of assets under management, with £1.4bn was in their AIM Inheritance Tax Service portfolios, making them, by some margin, the largest BPR asset manager. Octopus told us that the average BPR investor is 76-80 in age, with an investment size of £155,000, and an average holding period well over 10 years. By contrast, though EIS also qualifies for BPR as well as significant other reliefs, the average age of an EIS investor was 55.

[4]World estate and inheritance guide (2020, January): file:///C:/Users/u52637/Downloads/ey-world-estate-and-inheritance-tax-guide.pdf

3. The scale-up funding gap and the AIM

There is a view in many countries that there is a 'funding gap' for smaller firms that government should address. The argument is that smaller firms are systemically important to the economy, but systematically disadvantaged in funding. For example, the British Venture Capital Association (BVCA) talks about a 'market failure in the provision of equity finance within the funding gap.'[5]

Arguably, global investment trends are drawing funds away from small equities. According to the FT, *'Equity markets have been shrinking for a while as costs of oversight of public companies have risen, borrowing rates have fallen, and ample private capital has led young companies to delay IPOs.'*[6] UK-based companies looking for equity investment by asset managers now have to compete globally, across regions and across asset classes for such investment. The growth of index tracking also leads to a reallocation of capital to indexed markets to the detriment of companies that are not included in the larger main market indices.

Despite the bleak prognosis from global investment trends, the investment apparatus in the UK, that includes BPR and the AIM, may have mitigated this trend for UK smaller companies. The Investment Association (IA) noted in 2017: *'The UK asset management industry has long directed investment towards smaller firms via small cap equity markets. While starting from a lower base, since 2008 funds under management in the IAs UK Smaller Companies sector have increased by 270% to £16 billion, compared to an increase of 130% for the UK All Companies sector.'*[7] The IA also notes that, since 2017, funds focusing on UK Smaller Companies have seen lower levels of outflows than the UK All Companies or UK Equity Income sectors.

The growth capital gap

The UK rates highly in international comparisons for the provision of start-up capital. In 2014, in a comparison of European countries, Brazil and the US, the OECD ranked the UK third in terms of start-ups less than three years old as a percentage of all firms.

However*, s*uccessful companies which grow beyond the limits for eligibility for start-up schemes potentially face a growth capital gap. They are at a size where they are not big enough to benefit from a main market listing, but still need capital to scale up. The same OECD study rates the UK 13th for scaling up businesses successfully in terms of net job contribution.[8]

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[5] *From funding gaps to thin markets UK Government support for early-stage venture capital* (2009, September). https://www.bvca.co.uk/Portals/0/library/Files/News/2009/2009_0042_Thin_Markets_report_-_Final.pdf?ver=2013-06-12-152847-957

[6] Burgess, K. (2019, September 15). *London stock market is ailing and it deserves the kiss of life*. Financial Times. https://www.ft.com/content/1e010c50-d578-11e9-a0bd-ab8ec6435630

[7] *Investment management in the UK 2018-2019*. The Investment Association Annual Survey (2019, September). https://www.theia.org/sites/default/files/2019-09/IMS%20full%20report%202019.pdf

[8] United Kingdom, HM Government. (2017, January). Building Our Industrial Strategy. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/611705/building-our-industrial-strategy-green-paper.pdf

In October 2017, in response to an initiative by HM Treasury a panel mainly comprising practitioners and chaired by Damon Buffini, produced a report entitled 'Patient Capital Review (PCR)'.[9] The review examined the funding challenges faced by high potential businesses in scaling up in the UK. It focussed on the role of so-called 'patient capital' that will be a long-term holder of a company's shares and will not withdraw or withhold funding in performance downturns.

The PCR concluded that, *'[the] UK entrepreneurial ecosystem provides significant financial support at the earliest stages of starting a business. However, our scale-up performance is not as strong, and continues to lag behind the US… [there is a] lack of capital availability, particularly at the boundary of the existing EIS and VCT threshold.'*

The Future of Growth Capital Report[10] in August 2020 estimated the growth capital gap at £15 billion per annum, consisting of a structural gap of £3-6 billion and an additional gap of £5-10 billion due to COVID-19. Octopus Investments, in a response to the PCR argued that the '*funding shortage is particularly acute in funding rounds of between £5 million to £25 million and for companies with a market capitalisation of greater than £15 million but less than £100 million'* and that *'institutional investment or market interest typically only kicks in once a firm reaches a £100 million of market capitalisation*.'

The PCR's proposals to address the growth capital gap largely centre on scaling up the venture capital industry and focused on EIS and VCT as '*the most important tax 'levers' to be addressed*'. But this conclusion may reflect the private equity backgrounds of the members of the PCR.

High growth businesses typically have negative operating free cash flow, that is, their reinvestment requirements exceed their retained earnings. A business that needs outside equity capital for growth has a limited set of options – it may be acquired by a deeper-pocketed company in a trade sale, it may seek private equity capital, or seek public equity capital by listing on a junior market such as the AIM.

The AIM[11]

At 30th June 2020, the London Stock Exchange had 1,118 stocks listed on the main market[12] and 838 on AIM. Excluding financial or property investment entities gives a population of 794 on AIM and 554 on the main market, of which 262 are in the FTSE 350 and 292 are smaller companies that we call the 'Sub 350'. So, by number, there are significantly more trading companies on AIM than on the main market.

The table below compares the company size composition of the AIM, the Sub 350 and the FTSE 350 at 30th June 2020, using market capitalisation as the measure of size[12]. AIM has a particularly heavy

[9] Patient Capital Review Industry Panel Response. (2017). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661397/PCR_Industry_panel_response.pdf.

[10]Deloitte, Innovate Finance, The Scale-Up Institute, *The Future of Growth Capital*, August, 2020.

[11] This section is based on research in Chris Higson and Afa Boran, *The Fundamental Performance of the UK's Alternative Investment Market*, 2021. http://faculty.london.edu/chigson/profile/pdfs/FundamentalPerformanceofAIM.pdf

[12] Based on data from LSE, LSPD, and excluding around 45 securities that are on the Professional Services Market or listed as 'admission to trading.'

representation of stocks with below £10m market capitalisation, and around half of AIM-listed stocks are in the £10m-£100m market capitalisation range.

Composition of AIM, sub 350, and FTSE 350 by Market Capitalisation

	AIM		Sub 350		FTSE 350	
companies on the market	794	%	292	%	262	%
under £10m	224	28.2%	37	12.7%	0	0.0%
£10m to £100m	386	48.6%	88	30.1%	0	0.0%
£100m to £500m	152	19.1%	146	50.0%	5	1.9%
£500m to £5,000m	31	3.9%	16	5.5%	178	67.9%
over £5,000m	1	0.1%	5	1.7%	79	30.2%

The table below compares the industry composition of the AIM, Sub 350 and the FTSE 350 as at 30th June 2020, clustering sub-sectors into around a dozen sectors for simplicity. The sectoral ecology of AIM is similar to that of the Sub 350, though with some different weighting. In terms of number of companies, AIM is strong in technology, in which we include software, computer systems and telecoms. AIM is strong in healthcare. AIM is light in retail, industrials, consumer goods and travel. AIM is often depicted as containing a lot of mining companies. By number, the 31 mining companies on AIM are only 4% of the total but that number includes 26 gold miners. Finally, the AIM, Sub 350 and FTSE 350 all contain a significant number of financials. AIM has 101, but within that group is a large number of specialty finance companies.

Composition of AIM, FTSE Sub 350, and FTSE 350 by sector

	AIM		Sub 350		FTSE 350	
companies on the market	794	%	292	%	262	%
Industrials	85	10.7%	40	13.7%	46	17.6%
Consumer Goods	50	6.3%	24	8.2%	29	11.1%
Retail	24	3.0%	18	6.2%	20	7.6%
Health Care	85	10.7%	11	3.8%	11	4.2%
Support Services	65	8.2%	16	5.5%	16	6.1%
Travel & Leisure	29	3.7%	18	6.2%	25	9.5%
Financial	101	12.7%	63	21.6%	55	21.0%
Technology, Software	104	13.1%	22	7.5%	15	5.7%
Media	38	4.8%	14	4.8%	12	4.6%
Oil & Gas	93	11.7%	31	10.6%	7	2.7%
Basic Materials	80	10.1%	29	9.9%	13	5.0%
Mining	31	3.9%	5	1.7%	5	1.9%
Utilities	9	1.1%	1	0.3%	8	3.1%

The BPR/AIM investor channel.

The AIM was established in London in 1995, at around the same time as a number of other junior markets around Europe, inspired by the success of NASDAQ and with the objective to provide access to public markets for smaller, high potential companies whose lack of trading history and lack of scale might preclude them from a senior market. But whereas the European 'New Markets' mostly did not survive[13], AIM appears to be in good health. A number of factors may have contributed to AIM's success.

AIM benefits from the cluster economics of one of the world's most sophisticated financial centres and its less demanding listing, reporting, and regulatory requirements offer an attractive environment for companies wanting exposure to public markets.

AIM shares have been exempt from stamp duty since 2014. Companies on AIM may qualify for SEIS, EIS, VCT. AIM stocks may qualify for BPR. BPR is unique to the UK and has existed as long as the AIM itself, so it is hard to conduct a natural experiment to assess the degree to which BPR has been responsible for AIM's success.

Finally, whereas the original 'New Market' focus was on technology companies, the AIM is a diverse place containing, inter alia, technology, resource stocks, long-established family businesses, and overseas stocks wanting a London listing. This open-house approach has helped the AIM maintain a viable scale, but a consequence may be act as a drag on the overall performance of the AIM market.

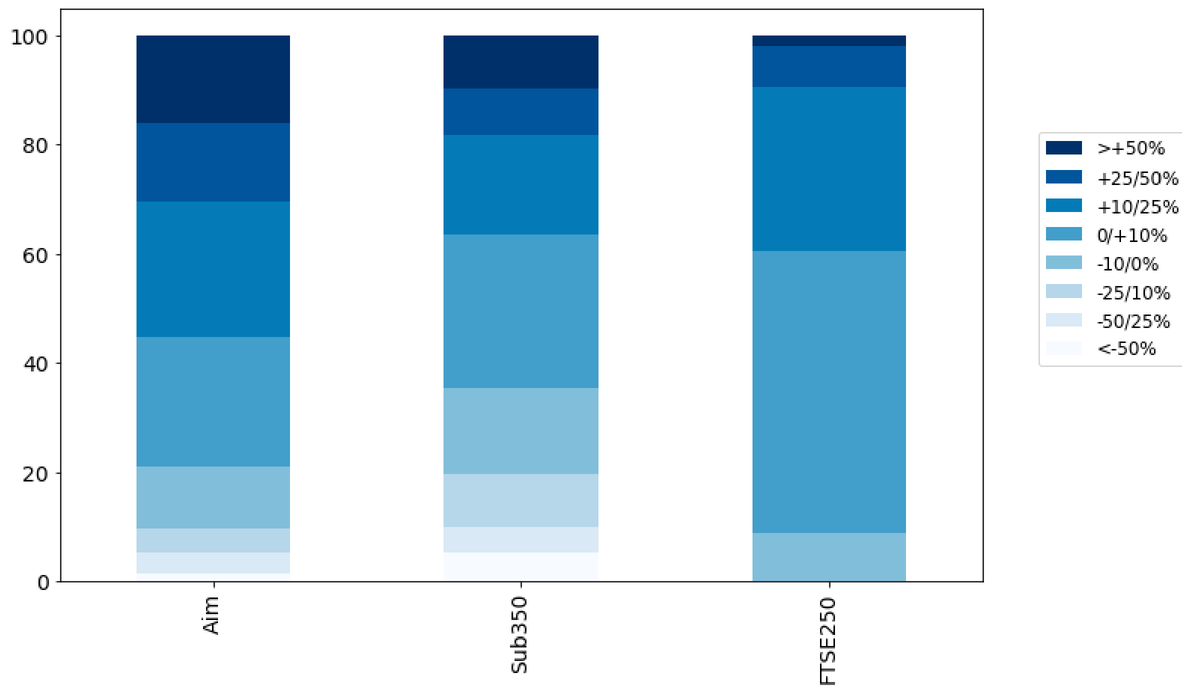
Since its inception, the FTSE AIM All Share Index has famously underperformed, both absolutely and relative to benchmark indices. Clearly, if an AIM index-tracker existed it should have little investor appeal and some commentators have concluded that the tax system should not be encouraging investment in AIM. That completely fails to understand the nature of a junior market such as AIM, which is characterised by a wide dispersion in performance and with limited analyst coverage. Such markets are the natural habitat for active fund management.

Analysis in Higson and Boran (2020) shows that over the decade 2011 to 2020, 1,585 trading companies were listed on AIM at some point. 959 of those companies, which is 60%, delivered a negative annualised shareholder return of -5% or worse, and for 44% that was below -20%. There were also many value destroying companies in the Sub 350 – that is, the smaller end of the main market – but they were a minority, albeit quite a large minority. Of the 584 companies who were constituents of the Sub 350 at some point during the 2011 to 2020 decade, 43% delivered an annualised shareholder return worse than -5% and 25% had an annualised return below -20%. But at the other end of the distribution is a significant number of high-return companies in both populations. 73 Sub 350 companies sustained an annualised shareholder return of greater than +20% per annum during the decade, and 186 AIM companies did so.

This diversity of stock performance reflects diversity of fundamental performance. The following graphic ranks AIM stocks, Sub 350 stocks, and FTSE 350 stocks, with the same exclusions as before, by annual rate of revenue growth since 2010. The distributions are telling. AIM has a small but material number of companies at the bottom of the ranking that experience a complete wipe out. But at the top end of the distribution AIM has far higher proportion of ultra-high growth companies than the Sub 350 and, naturally, than the FTSE 350. Over 37% of AIM companies reported annual revenue growth above 20% per annum since 2010, and 16% had revenue growth in excess of 50% per annum. These are scale-up companies needing scale-up capital.

[13] Mendoza, J.M. (2011). *Securities Regulation in Low-Tier Listing Venues: The Rise of the Alternative Investment Market*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1004548

Breakdown of average revenue growth across AIM, FTSE Sub 350, and FTSE 350



According to data from the Tax Efficient Review, the cumulative level of gross funds raised by BPR-tax planning services (listed and unlisted) for the four tax years to 2019/2020 totalled £5.8 billion, of which, £2.2 billion was related to AIM-listed companies.

BPR investors in AIM are not 'buying the index'. BPR capital is typically filtered through specialist asset managers who are highly selective. In mid-2020 the investible population of AIM companies was slightly over 800 in number. An Equity Development report in July 2020 found that the 16 asset managers offering AIM IHT products analysed by Micap held 71 different stocks in total. No company was owned by 4 funds; only 6 shares were present in 3 funds; and 21 others were held by 2 funds; more than 60% appeared solely on 1 list'[14]. Octopus Investments, who are by far the largest AIM IHT portfolio manager, hold 39 AIM stocks in their AIM IHT portfolios.

How does BPR provide patient capital?

Schemes such as VCS give tax relief for the provision of new equity to early-stage companies. BPR's modus operandi is quite different. BPR investors gain inheritance tax relief by holding the shares of a qualifying company and may or may not provide new equity capital to the company while they hold it.

[14]https://research.equitydevelopment.co.uk/hubfs/IHT%20relief%20%26%20AIM%20%20%202%20July%202020.pdf See also, Intelligent Partnership *Business Relief Industry Report* 2019. https://intelligent-partnership.com/br-industry-report-2019/

As an inheritance tax relief, BPR channels end-of-life investment and thus creates a stable pool of capital with a risk preference that makes it suited to investment in established businesses. BPR pushes that capital towards the smaller companies that inhabit the junior market, and the data in the previous section showed that there is a significant number of high growth companies needing scale-up capital within than population.

To determine the impact of BPR, and the precise linkage to the real investment behaviour of companies we focussed on discussions with key stakeholders, in particular, BPR portfolio managers, and the senior management at BPR-qualifying companies. They report consistently how the core of long-term 'patient' capital provided by BPR deepens and stabilises the market and reduces the likelihood that the company will be capital constrained. The resilience this provides was evidenced by the high levels of AIM equity issuance during 2020, as businesses dealt with the challenges of Brexit and COVID-19.

The BPR fund managers position themselves as cornerstone investors for companies, providing perhaps 10-15% of capital and taking a very long-term view. For example, Octopus Investments told us that of the 39 AIM listed companies that currently form part of client portfolios, 33 had been part of the portfolios for more than 5 years, and 16 for more than 10 years.

This has several stabilising effects. Generally, knowing that the company has access to equity when needed and that its current capital providers are less likely to sell during economic downturns enables executives to focus more attention on the medium-term management of their business and executing growth plans rather than hitting quarterly targets at all costs.

A list of the companies we spoke to is included at the end of this report. A number of them provided powerful testimony on how having BPR asset managers as long-term shareholders was crucial for reducing share price volatility and raising capital.

- RWS Holdings, an AIM-listed technology company, has a large BPR investor base. Acquisitions have been a key part of their growth strategy and Andrew Brode, Executive Chairman, explained that, *'Having BPR investment managers who understand the long-term story of the company has been fundamental to keeping the share price strong. This, in turn, is critical for funding deals. For example, a strong share price was critical for our recent takeover bid of a rival.'* RWS Holdings announced an all-share deal valued at approximately £854 million for the acquisition of SDL plc, a translation software company, on 27th August 2020. Brode noted that this process was much faster and easier than if it were listed on the LSE Main Market due to the lower threshold for shareholder deal approval on the AIM.

- GB Group plc is a leader in identity intelligence solutions and an example of a company which has scaled up on the AIM from a market capitalisation of £20 million in 2009 to £1.8 billion today, with 25% of its share register being BPR investors. Dave Wilson, CFO and COO of GBG, said, *'There is a VCT/EIS funding cliff, and our company had outgrown VCT. We naturally looked to BPR investment managers as a source of patient capital for the company's next stage of growth. I am not sure why more companies don't make use of BPR funds to grow and it seems to be underutilised as a source of growth capital.'*

- Heejae Chae, CEO of Scapa Group plc, said that the BPR investors form the base of their shareholder register and explained that there are two important ways in which patient capital from BPR investment managers have supported their business: *'The benefits of having patient capital from BPR investment managers are two-fold. Firstly, it helps reduce share price volatility and keep valuations steady – very important for raising capital. Secondly, the presence of respected BPR investment managers helps to attract large institutional investors who are able to deploy capital at short notice. It is more efficient for a business to raise capital from a handful of large institutional investors, particularly when looking to make an acquisition.'*

Heejae asserted that Scapa Group's most recent £32.6m equity capital issuance, made during the pandemic, was done efficiently because they were able to raise capital from large institutional shareholders which the BPR investor base had helped to attract.

Business resilience during the crisis

The long-term support of BPR asset managers builds the resilience of a business by attracting the right sort of patient capital from large institutional investors. BPR investment managers understand the company's equity story well and act as a focal point for information with the wider investor community. There is striking evidence for this in levels of new equity raised on AIM during the financial crisis.

From March-August 2020, the AIM has facilitated 895 further equity issues, raising £3.2 billion.[15] This is higher than the same period in 2019 (802 further issues, £1.7 billion) and 2018 (849 further issues, £2.3 billion). While the LSE Main Market raised more by value, the AIM facilitated more than double the number of further issues during this period.

- Young & Co's Brewery plc, a business with a strong family shareholding, has a large BPR investor base. It had to shut all managed houses and pubs on 20th March 2020 as a result of Covid-19[16]. Given the sector's high exposure to the impacts of lockdown, the company raised £88.4 million in equity capital on 25th June 2020 to strengthen its balance sheet and restart its investment programme.

  The manner and speed at which the equity capital raising was conducted was explained by Mike Owen, Young's CFO, *'When lockdown began it was imperative that we took measures to improve the resilience of the balance sheet. BPR investment managers are not usually able to directly help with capital raises at short notice, but their support comes in other ways. Their long-term support of the business attracted large institutional investors who we were able to raise capital from, particularly in this crisis. Having BPR investment managers who understand our equity story builds long-term confidence from the wider investment community.'*

Having long-term investors such as BPR investment managers was crucial for conveying their equity story to the market and keeping the wider investment community focused on the company's fundamentals. The AIM is a market driven by institutional investors and the role played by BPR asset managers is crucial for enabling good companies to weather moments of crisis.

[15] AIM Secondary Markets Factsheet (2020, August) https://www.londonstockexchange.com/reports?tab=aim
[16] Youngs preliminary results. https://www.youngs.co.uk/youngs/uploads/sites/2/2020/06/Analyst-Presentation-FINAL.pdf.

- Nichols plc is a family owned business and producer of beverage products such as Vimto. It was founded in 1908 so has been through many business cycles. Marnie Millard, CEO, explained *‘We have come through previous downturns and our share price didn’t wobble after our most recent results announcement despite the impact of the pandemic. BPR funds make up 30% of our shareholder register and having long standing relationships with our BPR investment managers means that they are very familiar with our equity story. This allows them to take a long-term view and helps our business build resilience in the stock market.’*

- Renew Holdings plc provides important engineering services that support the long-term development of infrastructure in the UK. Paul Scott, CEO, explained, *‘It would be inappropriate to add the instability of curtailing BPR to the current scenario where businesses are already contending with the disruption from Brexit and COVID-19. Uncertainty regarding the future of BPR has the potential to erode our, and similar businesses’, ability to make the long-term investments to continue to grow in the way that we have’.*

4. Is the BPR tax incentive efficient?

In this part of the paper we discuss the fundamental question of whether BPR is an efficient tax incentive. Some commentators object on principle to any action by government that might affect, 'distort', market behaviour. But in every country, the tax system, and fiscal policy more broadly, is replete with incentives designed to encourage some economic behaviours and discourage other behaviours. The purpose of tax incentives is to correct market failures, that is, to generate positive externalities or socially valuable outcomes that markets would not otherwise deliver.

So tax incentives are, by intention, distortive. The question is, rather, whether they are efficient and effective. The provision of a tax incentive or tax relief is costly to the exchequer in terms of foregone tax revenue. There is a risk that if a relief is poorly targeted, resource allocation could be distorted by the tax rule in ways that were not anticipated. More generally the question is whether the exchequer cost of a tax incentive is justified by the public benefit it achieves.

The tax incentives we examine in this paper are designed to encourage equity investment in start-up and scale-up businesses. A vigorous small firm economy is believed to be vital to the health of the broader economy, in creating jobs and channelling technological innovation.

But, without government intervention, financial markets may underinvest in such firms. Start-up businesses have a very high failure risk, that investors may be unable to fully diversify. Monitoring and due diligence has a fixed cost element that small ventures may be unable to support. Private investors may be unable to monetise or 'internalise' some of the externalities that successful small enterprises create – these include greater economic growth, environmental benefits, high wage employment and the creation of transferable intangible capital such as skills and knowledge capital.[17]

Start-up and scale-up tax reliefs seek to remove capital constraints on these companies and, loosely speaking, reduce their cost of capital. In the words of the European Commission, smaller company investment incentives function by '*reduc[ing] the effective marginal cost of investing in smaller companies. As a result, in theory, investors, should be willing to supply more capital to smaller companies…'*[18]*.*

A set of public benefits that is particularly relevant to the 'family business' recipients of BPR are the avoidance of economic disruption caused by the forced transfer of business ownership.

Many of these externalities are substantial, but they are hard to quantify, and may ultimately require political judgement about the net public benefit. The exchequer cost of these reliefs is easier to describe, and that is the focus of the analysis in this part of the paper.

We show that the VCS schemes are well calibrated to the underlying investment risk. Annualised, the expected tax cost of BPR is below the low end of VCS spectrum, consistent with the relative risk in BPR and VCS investments. We then go on to argue that the effective cost of BPR to the exchequer is close to

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[17] *Policy lessons from financing young innovative firms* (2015, June 26). http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/IND(2014)5/FINAL&docLanguage=En

[18] *Effectiveness of tax incentives for venture capital and business angels to foster the investment of SMEs and start-ups*, (2017, June). https://ec.europa.eu/taxation_customs/sites/taxation/files/final_report_2017_taxud_venture-capital_business-angels.pdf

zero because BPR is redirecting to economically productive uses capital that would in all likelihood have been sheltered from inheritance tax anyway.

The risk/tax reward hierarchy

The risk in early stage businesses is evidenced by low start-up survival rates. According to the ONS at June 21, 2020, the expected five-year survival rate is 42% for companies with 0-9 employees, 52% for companies with 10-100 employees, and 69% for companies with over 100 employees.[19]

The UK's Venture Capital Schemes are targeted at companies at different points along the entrepreneurial growth trajectory, as measured by number of employees, value of assets, and length of time since the qualifying trade commenced. There is a corresponding hierarchy of risk/tax reward for investors within the Venture Capital Schemes – SEIS has the highest risk/reward, then EIS, then VCT. Generally, the younger and riskier the investment, the higher the rate of tax relief but the tighter the limits on that relief.

The table below reports the quantum of VCS funding delivered to companies, and the direct tax cost of that funding, as reported by HMRC for the four years to 2019. These figures suggest that HMRC provides approximately 36p of income tax and capital gains tax relief through VCT and EIS schemes and 56p for SEIS schemes, for every pound raised by recipient companies.

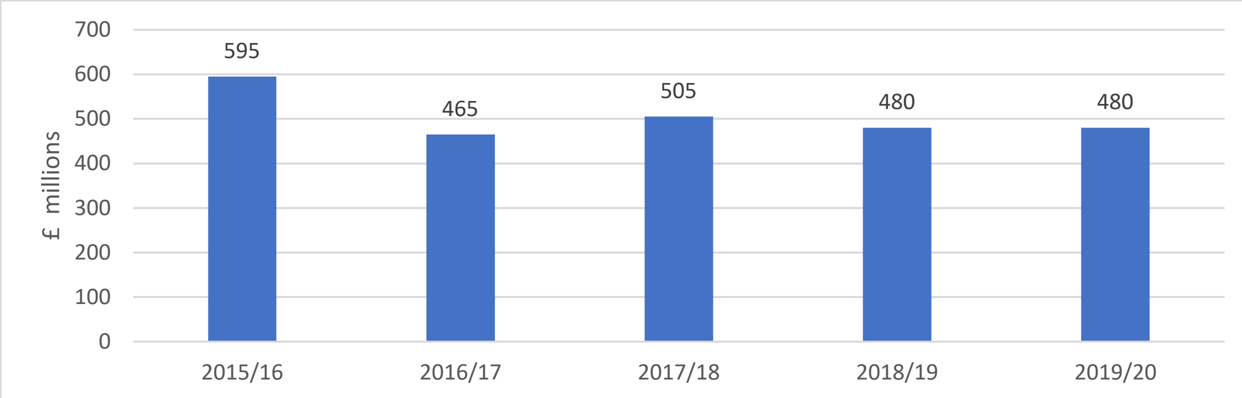
These comparisons of the relative costs of the VCS schemes have to be caveated. For example, they do not take into account indirect tax effects such as capital gains rollovers between investments, or that EIS investors also receive BPR if the investment is held at death. They cannot not be read as indicators of the expected net of tax cost of VCS investment to the investor because the risk in these investments can be substantial and investors regularly face a partial, and in some cases complete, loss of their investment.

Tax Reliefs for Venture Capital Schemes per Funds Raised

	HMRC Tax Reliefs Provided			**Funds Raised by Companies**			**Tax Relief Cost per Funds Raised**		
	2017/18	**2018/19**	**4-Yr Annual Average 2015-19**	**2017/18**	**2018/19**	**4-Yr Annual Average 2015-19**	**2017/18**	**2018/19**	**4-Yr Annual Average 2015-19**
in GBP millions									
VCT									
Income Tax	£210.00	£160.00	£159.00						
Dividend Income Tax	£35.00	£60.00	£48.00						
Capital Gains Tax	£15.00	£15.00	£14.00						
Total	**£260.00**	**£235.00**	**£221.00**	**£705.00**	**£716.00**	**£611.25**	**£0.37**	**£0.33**	**£0.36**
EIS									
Income Tax	£650.00	£600.00	£574.00						
Capital Gains Tax	£145.00	£120.00	£125.00						
Total	**£795.00**	**£720.00**	**£699.00**	**£2,001.00**	**£1,824.00**	**£1,927.25**	**£0.40**	**£0.39**	**£0.36**
SEIS									
Income Tax	£100.00	£100.00	£95.00						
Capital Gains Tax	£10.00	£10.00	£7.00						
Total	**£110.00**	**£110.00**	**£102.00**	**£195.00**	**£163.00**	**£182.75**	**£0.56**	**£0.67**	**£0.56**

[19]https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/businessbirthsdeathsandsurvivalrates/adhocs/11885survivalsandgrowthbysize

Total business relief on the transfer of qualifying business property



Source: HMRC Estimated Cost of Non-Structural Tax Reliefs. The values in the table are nominal. Data prior to 2015/16 were not comparable due to changes in data collection methodology.

HMRC publishes the amount of tax relief claimed under BPR, which is shown in the Figure above[20]. The average annual quantum of Business Property Relief granted over the years 2015/16 to 2019/20 is £505m and the marginal rate of inheritance tax on these assets was 40%. Note that these numbers include BPR both on AIM and unlisted company investment.

The costs of VCS and BPR tax reliefs cannot be compared without adjusting for the different holding periods that are required or observed in each scheme.

- A £1 VCT investment receives a 36p tax relief for a 5-year investment, of which 30% is claimed on day 1, which is 7.5p per annum.
- For EIS this is [36p, 3 years] 12p per annum.
- £1 SEIS investment receives a 56p tax relief for a 3-year investment, which is roughly 19p per annum.

If, hypothetically, an investor's holding period in a BPR portfolio is 10 years, a £1 BPR investment receives a 40p tax relief for a 10-year investment, which is roughly 4p per annum held. But that 40p is received at the end - on current assumptions 10 years in the future - whereas for the VCS the recovery is at the beginning. Deferral reduces the present value of the 40p/4p, depending on the assumed rate of time preference. But deferral increases the present value of the tax relief if the expected rate of return on the investment exceeds the investor's discount rate.

This annualisation exercise is crude and probably requires further caveats on top of the ones we already made. For example, the data ignore the fact that EIS and SEIS investments also qualify for BPR. But the exercise is directionally useful in showing that that the VCS schemes are rationally structured. Riskier investments attract higher, and in the case of SEIS very substantial, tax reliefs. Annualised, the expected tax cost of BPR is below the lower end of the VCS tax cost spectrum, consistent with the relative risk in BPR and VCS investments.

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[20] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885954/200512__Bulletin__Non-structural_tax_reliefs_-_additional_cost_estimates.pdf

The opportunity cost of BPR

More fundamentally, it is arguable that the opportunity cost of BPR to the exchequer as close to zero. That is, if BPR were not available, HMRC would receive no more tax revenue.

BPR investors are relatively wealthy individuals allocating liquid financial assets as part of an inheritance tax planning process. We heard from Octopus Investments that 96% of investors in BPR-qualifying portfolios do so after taking financial advice and, given the demographic of those investors, that advice is presumptively estate planning advice.

In the case of EIS and VCT, investors do not have obvious alternative stratagems to mitigate income tax and capital gains tax. But making a BPR-qualifying investment is rarely the only piece of estate planning that relatively wealthy older investors undertake, and in the absence of BPR this component of wealth would, with high probability, be sheltered from inheritance tax in some other way. It would be put into trust, or it would be gifted directly to beneficiaries who, anecdotally but plausibly, might then invest it in real estate. If so, BPR's effect is to redirect this capital to more productive economic uses.

Wealthy individuals typically seek advice on inheritance tax planning from an independent financial advisor (IFA). Intelligent Partnership (IP) is a research service which is specifically aimed at financial advisers and covers the tax efficient investments sector. According to the IP Business Property Relief Industry Report, 31% of IFAs recommend investments that qualify for BPR 'frequently' and 64% 'sometimes'.

For this report, we interviewed a number of financial advisors[21]. It was clear from these discussions that only a small proportion of IFA clients, ranging between 3-10%, were actually invested in BPR qualifying companies and that inheritance tax was just one of many factors considered when advising these clients on how to plan their estate.

This suggests that BPR may be underutilised as relief. Graham Ponting of Clearwater Wealth Management LLP said that, *'Given that clients can afford to take greater risk with BPR-qualifying investments given the tax relief, I am surprised that more people don't go for BPR-qualifying investments as part of their estate planning process.'*

These discussions with IFAs also suggested that if shares in AIM-listed companies were no longer eligible for BPR, individuals planning their estate would be advised to shift to other methods of minimising their inheritance tax bill, the obvious alternatives being increased use of trusts and gifting. Gifting tends to be used to help close family 'strengthen their household balance sheets', by the repayment of debt or the purchase of real estate[22].

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[21] They were from different regions of the UK, with teams of ten or less, with 20-35 years' experience, and with longstanding relationships with their client base.

[22] Individuals in the UK can gift up to £3,000 per tax year through the annual exemption, and/or through small gifts under £250, up to £325,000 in the seven years preceding death. If the gift is completed seven or more years before death, there is no inheritance tax liability. If gifted between seven years and three years before death, there is a tapered inheritance tax rate starting at 34% and decreasing to 8%. If the gift is completed within three years of death, the gifted assets would still be considered part of the deceased's estate and the full inheritance tax rate of 40% would be due. HMRC provided £40 million in taper relief in 2018/19 and £35 million the year prior. Reference

When weighing the relative benefits of trusts and gifting, trusts were viewed as easily becoming overly complicated. Also, IFAs suggested that their clients were concerned about giving up control of their assets when placed in trust. BPR as a portfolio service allows investors to keep assets outside of trusts, run by trustees, and thus retain some investment decision making power.

The public benefit from BPR

BPR was originally introduced to prevent IHT leading to the unnecessary break up of family businesses and the consequent economic disruption. That case remains and is certainly influential in competitor nations to the UK. During our discussion with Fiona Graham of the Institute for Family Business (IFB) she argued that BPR is the number one issue for their member base. Fiona Graham noted that BPR has since become essential to give family businesses the confidence to make long-term investments and to grow. The importance of BPR was heightened by COVID-19, and the same report estimates that the output of family firms fell 30.0 per cent between February and May 2020.

The report *'The State of the Nation, the UK Family Business Sector 2019-2020'*, prepared by Oxford Economics for the Institute for Family Business Research Foundation (IFBRF), estimates that there were 5.1 million family-owned businesses in the UK as of 2018, which represents 87.6% of all private sector firms. Family businesses employed 14.2 million people in 2018 (51.6% of private sector employment) and contributed £657 billion in gross value added (GVA), which was 43.3% of the private sector's total GVA in 2018.

The key innovation that sets the UK apart from its European counterparts was to democratise BPR so that it evolved into a wider-ranging tax incentive, channelling IHT capital from older investors toward owning the shares of unlisted and AIM companies. We described earlier the benefits that investee companies perceive in this underpinning by BPR investors.

Does AIM need BPR? AIM is probably the most successful junior stock market in the world, thriving when many other New Markets that were created elsewhere at the same time, have struggled. It is likely that BPR has been a factor in AIM's success, but since AIM and BPR have always coexisted, we cannot test that null hypothesis.

Almost certainly, though, the particular cohort of investors – older investors with stable capital – that BPR brings to AIM could not invest there without BPR. An adviser can only recommend an investment if it meets their client's risk appetite and, as a junior market, AIM is inherently risky. It has relatively little analyst coverage and a significant failure rate. The risk of AIM investment is mitigated by stock selection, and by close and continuous monitoring. Effectively, BPR covers the cost of that monitoring.

Does BPR need AIM? There is increasing concern about regional inequalities in income and opportunity, and about the need for rebalancing and levelling up. Research is still at an early stage on the linkages between equity capital provision – start-up and scale-up – and regionally inequality. But some emerging evidence suggests that junior markets such as AIM may have a role in this.

Estimated cost of minor tax reliefs (2019). https://www.gov.uk/government/statistics/minor-tax-expenditures-and-structural-reliefs.

Recent reports from BEIS and EISA[23] flag the large and growing proportion of EIS eligible companies and of early-stage capital that is located in London, the South East, and East of England while the northern regions have the biggest early-stage equity gaps. By contrast, Grant Thornton[24] argue that AIM-listed businesses are playing an important role in helping rebalance regional disparities, particularly where there are clusters of AIM companies in certain regions where productivity is lower, such as the Midlands, Yorkshire and the North East.

[23] Meuleman M, Wilson N, Wright M, Neckebrouck J, *Variations in the Supply and Demand of Equity and Growth Finance for Business* BEIS Research Paper 2019/012. Wilson N, Kacer M*, Equity Finance Provision in the UK and the Impact of the Global Pandemic* EISA, 2020.

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Appendix: Companies interviewed

Company	Interviewee	Activity	Founding Year	Market capitalisation (£m) as of August 2020	Listed on AIM
GB Group	Dave Wilson, CFO/COO	Identity intelligence solutions	1989	1,423.68	2010
Imimobile	Jay Patel, CEO	Cloud communications software and solutions	2000	337.76	2014
Joules Group plc	Nick Jones, CEO & Marc Dench, CFO	Retail clothing, accessories, homeware	1989	120.03	2016
Johnson Service Group	Yvonne Monaghan, CFO	Supplier of work wear and protective wear for the hospitality industry	1780	473.28	2018
Nichols plc	Marnie Millard, CEO	Beverage products	1908	460.59	2004
Renew Holdings	Paul Scott, CEO	Engineering services to energy, environment, infrastructure, and specialist building sectors	1786	332.29	2001
RWS Holdings	Andrew Brode, Executive Chairman	Intellectual property translation and search	1982	1,670.39	2003
Scapa Group	Heejae Chae, CEO	Manufactures and supplies bonding solutions and adhesives for the healthcare and industrial sectors	1927	214.94	2006
Watkin Jones	Richard Simpson, CEO	Develops and constructs multi-occupancy property assets, focused on student accommodation	1791	378.10	2016
Young & Co's Brewery	Mike Owen, CFO	Manages a chain of pubs	1831	524.69	2005

Source: Factset, London Stock Exchange, individual company websites