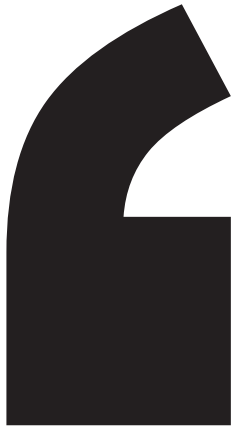
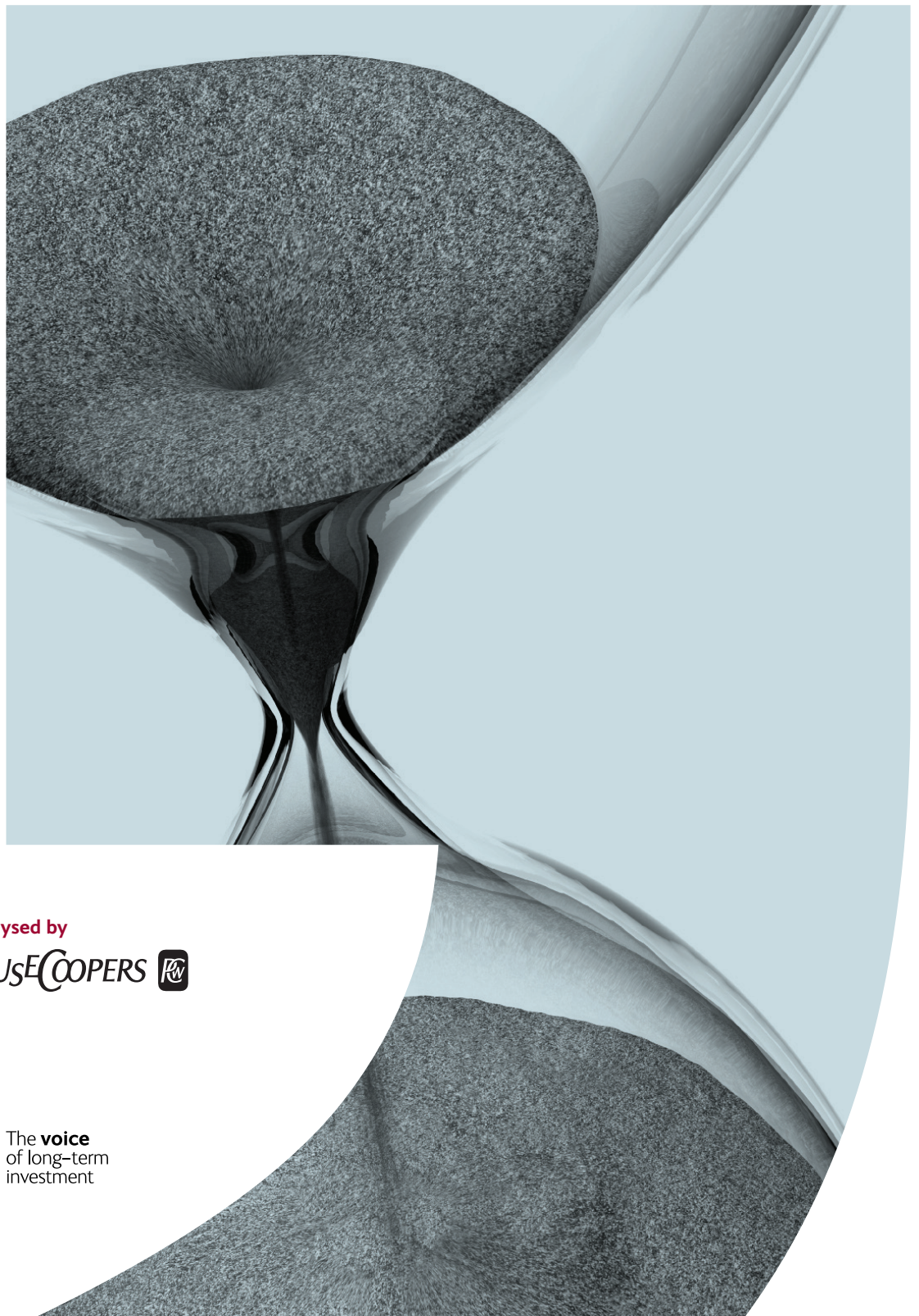


# **BVCA** Private Equity and Venture Capital Report on *Investment Activity 2008*



Data collected and analysed by

PRICEWATERHOUSECOOPERS 

**bvca** The **voice**  
of long-term  
investment





## Contents

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<b>Foreword</b> Simon Walker	4
<b>Introduction</b>	5
<b>Investment Overseas</b>	6
<b>Investment in the UK</b>	6
<b>Fundraising and investments in 2008</b>	7
<b>Appendix 1</b> Underlying data tables	8
<b>Appendix 2</b> Methodology	18
<b>Appendix 3</b> Private equity definitions	20
<b>Appendix 4</b> Industry classifications	21
<b>Appendix 5</b> UK regions	22

## Foreword

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'Private equity and venture capital firms are not immune to the effects of the recession and the decline in investment levels is not unexpected. The stark decline in early-stage investments is particularly worrying. There is a wealth of opportunity in the early-stage sector and we welcome the government's decision to initiate a fund-of-funds, which can invest in the best venture managers in order to take advantage of these opportunities and ensure that Britain does not bear witness to a lost generation of innovation. We are in for a period of uncertainty and continued difficulty, but by investing in ailing companies and saving jobs, backing the businesses of tomorrow and creating jobs, private equity and venture capital will be at the forefront of economic recovery.'

**Simon Walker**

*Chief Executive  
BVCA – The British Private Equity and Venture Capital Association*

**July 2009**



## Introduction

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In 2008 Private Equity and Venture Capital investment by UK-based firms was £20bn, the lowest amount of investment in three years. £20bn was invested in 2008, compared with £31.6bn in 2007 and £21.9bn in 2006. In 2008 1,672 companies received private equity or venture capital backing, in contrast with 1,680 in 2007 and 1,630 in 2006. These figures reflect the worsening of credit conditions through 2008 and the onset of recession.

However, in comparison with the decade as a whole, rather than the exceptional 2006-2007 period, investment in 2008 was robust. The £20bn invested in 2008 almost equaled the total for 2004 and 2005 combined (£21.3bn) and exceeded that of 2001, 2002 and 2003 collectively (£18bn).

The report also shows UK-based private equity and venture capital firms raised £23.1bn in 2008, a decline from the £29.3bn raised in 2007 and well below the record £34.3bn raised in 2006. North America continues to dominate as a source of fund raising, contributing £10.4bn or 45% of the total, while funds raised from UK sources was £5.6bn or 24% of the total (in 2007, North America and the UK contributed 42% and 25%, respectively).

Early-stage financing in the UK fell to £359m, a steep £600m drop from 2006 levels and a significant decline also from the £434m invested in 2007. The number of companies financed fell from 502 in 2007 to 455 in 2008. Total global management buyout/buy-in value by UK firms also fell sharply, from £20.2bn in 2007 to £9.1bn in 2008.

Regionally, London and the South East saw investment levels fall to just £4.9bn, compared to £8.2bn last year. The number of companies receiving private equity or venture capital backing also fell away year-on-year, from 554 to 487.

With the exceptions of Scotland and the West Midlands, all other regions also experienced falling investment levels in comparison to 2007, although the number of companies financed increased in a few regions, including Yorkshire & the Humber, where 119 investments were completed in 2008, compared to 108 in 2007. In the North West, which saw an increase of 17 companies backed from 154 in 2007 to 171 in 2008.

## Investment Overseas

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The total amount invested by BVCA members in companies overseas in 2008 was £11.5bn, significantly lower than in the record year of 2007, but comparable with 2006. Investment by country shows a sharp decline in investment in the United States and Continental Europe. Investment in the United States fell from £3.9bn in 2007 to £1.7bn in 2008. Investment in other countries around the world remained relatively stable, decreasing to £1.5bn from £1.8bn in 2007.

In terms of investment by financing stages, investment in MBOs/MBIs fell by approximately 50% in value. The value of investment in Expansion deals also experienced a decline, although to a smaller extent. Investment in Early Stage deals stood at £270m, a slight increase from 2007, but still below the 2006 level of £379m. Whilst the value of investment followed a sharp downward trend across all later stages, the decline in the number of companies was not as pronounced, reflecting a significant fall in deal size.

## Investment in the UK

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UK investment by financing stage shows a 59% decrease in MBO/MBI activity from £7.5bn in 2007 to £3.1bn in 2008. Total expansion investment, on the other hand, experienced substantial growth from £1.1bn in 2007 to £2.1bn in 2008.

Investment by industry sector highlights the weaknesses in the Financial sector and the Consumer Services sector where investment fell markedly. Investments in the Financial sector fell from £1.6bn to £913m year-on-year; in Consumer Services investment fell by over 60% with Media faring particularly badly. The Oil and Gas sector received a much greater level of investment than seen in previous years with Oil Equipment, Services and Distribution enjoying nearly 9 times the capital it did in 2007. Investment into Alternative Energy was £59m in 2008 to £22m in 2007.

The Cleantech industry (Table 10) experienced a marked increase in investment with £1.3bn invested in all stages and £738m (or 55% of total Cleantech investment) in the form of Public to Private.

'Investment by Region' (Table 11) shows a sharp drop in investment by BVCA members in the South East and London where investment dropped from £8.2bn to £4.9bn from 2007 to 2008 reflecting the wider economic conditions. The proportion of investment in the South East and London fell significantly from 69% in 2007 to 57% in 2008. Generally investment experienced a decline with Scotland and the West Midlands bucking the trend on investment levels; £1.1bn was invested in 2008 compared to £393m in 2007 in Scotland. This figure includes one deal of close to half a billion pounds, yet even without this figure Scotland still recorded a healthy £571m of investment.

## Fundraising and Divestments in 2008

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UK-based PE and VC firms raised £23.1bn in 2008, a decline from the £29.3bn raised in 2007 and considerably below the record £34.3bn raised in 2006. These figures do not include the impact of any investor commitments cancelled subsequent to a formal fund close. Clearly investors, as a whole, are trying to hold on to their cash, and PE funds have increasingly been sympathetic to their difficulties. Some large buyout houses have returned uncalled capital to investors.

Although fundraising for new vehicles has fallen, existing private equity firms, particularly at the buyout end, still have capital to invest. According to Preqin, in the buyout sector PE firms have about half a trillion dollars of uninvested, committed capital worldwide. The same cannot be said for venture. As Table 20 shows, BVCA member firms managed to raise just £243m for early stage investment last year, a drop of around £1bn compared to 2006. The recent decision by the government to cornerstone a fund of funds to invest in the best venture managers is therefore welcome news to early stage enterprises in the UK.

Divestment activity has also been subject to market-driven constraints, suffering a fall from £13.6bn in 2007 to £10.9bn in 2008. Only 963 companies were divested in 2008 compared to 1,469 in 2007. Divestments due to repayment of preference shares or loans increased, while sales from one PE firm to another fell heavily. Unsurprisingly a larger proportion of divestments came from write offs, increasing in number and value in 2008 to 226 and £1.7bn, from 185 and £0.9bn in 2007 respectively.

## Appendix 1 Underlying data tables

Table 1. Global investment activity of BVCA members

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of BVCA members	208	214	192	179	168	164	164	155	135	128	117
% of survey respondents	99	100	100	100	100	100	98	97	96	95	94
Total amount invested (£m)	20,025	31,634	21,853	11,676	9,679	6,357	5,466	6,164	8,256	7,847	4,919
Number of companies financed	1,672	1,680	1,630	1,535	1,566	1,493	1,459	1,597	1,523	1,358	1,332

Table 2. Investment by country

Country	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
United Kingdom	1,278	1,330	1,318	76	79	81	8,556	11,972	10,227	43	38	47
United States	150	73	51	9	4	3	1,741	3,910	1,164	9	12	5
Cont. Europe	214	248	214	13	15	13	8,206	13,988	10,032	41	44	46
Other overseas	30	29	47	2	2	3	1,522	1,764	430	8	6	2
<b>Total</b>	<b>1,672</b>	<b>1,680</b>	<b>1,630</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>20,025</b>	<b>31,634</b>	<b>21,853</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table 3. Overseas investment by financing stage

Financing stage	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Seed	21	3	2	5	1	1	19	1	2	0	0	0
Start-up	17	20	42	4	6	13	65	133	239	1	1	2
Other early stage	78	59	32	19	16	10	186	115	138	2	1	1
<b>Total early stage</b>	<b>116</b>	<b>82</b>	<b>76</b>	<b>29</b>	<b>23</b>	<b>24</b>	<b>270</b>	<b>249</b>	<b>379</b>	<b>3</b>	<b>1</b>	<b>3</b>
Expansion	97	91	104	24	25	33	1,270	1,440	2,986	11	7	26
Bridge financing	7	13	14	2	4	4	36	204	10	0	1	0
<b>Total expansion</b>	<b>104</b>	<b>104</b>	<b>118</b>	<b>26</b>	<b>29</b>	<b>37</b>	<b>1,306</b>	<b>1,644</b>	<b>2,996</b>	<b>11</b>	<b>8</b>	<b>26</b>
Replacement capital	24	30	13	6	8	4	0	2,931	603	0	15	5
Secondary buy-out							2,262			20		
PIPE	2	7	5	0	2	2	120	1,640	493	1	8	4
Refinancing bank debt	4	2	0	1	1	0	161	6	0	1	0	0
<b>Total replacement capital</b>	<b>30</b>	<b>39</b>	<b>18</b>	<b>7</b>	<b>11</b>	<b>6</b>	<b>2,543</b>	<b>4,578</b>	<b>1,096</b>	<b>22</b>	<b>23</b>	<b>9</b>
MBO	64	121	89	16	33	28	5,937	12,633	6,503	52	64	56
MBI	3	0	5	1	0	2	36	0	191	0	0	2
<b>Total MBO/MBI</b>	<b>67</b>	<b>121</b>	<b>94</b>	<b>17</b>	<b>33</b>	<b>30</b>	<b>5,973</b>	<b>12,633</b>	<b>6,694</b>	<b>52</b>	<b>64</b>	<b>58</b>
Other late stage	87	17	13	22	5	4	1,377	558	461	12	3	4
<b>Grand total</b>	<b>394</b>	<b>350</b>	<b>312</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>11,469</b>	<b>19,662</b>	<b>11,626</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Eg. if a company receives a round of start-up finance and then further rounds of expansion finance later in the same year, that company will be counted once in each of the start-up and expansion categories (therefore appearing to be counted twice), but only counted as one in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. - indicates a value of greater than 0 but less than 0.5.

3. 'Other late stage' includes to Public to Private deals, rescue/turnaround deals, etc. 'Public to private' is synonymous to 'Venture purchase of quoted shares' which was used in the 07 and 06 survey.

4. 'PIPE' in 2008 is synonymous to 'Other purchase of quoted shares' which was used in the 07 and 06 surveys.

Table 4. UK investment by financing stage

Financing stage	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Seed	67	69	65	5	5	5	12	16	74	0	0	1
Start-up	103	138	180	8	10	13	160	174	458	2	1	4
Other early stage	285	295	255	21	20	18	187	244	415	2	2	4
<b>Total early stage</b>	<b>455</b>	<b>502</b>	<b>500</b>	<b>34</b>	<b>35</b>	<b>35</b>	<b>359</b>	<b>434</b>	<b>947</b>	<b>4</b>	<b>4</b>	<b>9</b>
Expansion	482	452	464	36	31	32	2,050	947	1,807	24	8	18
Bridge financing	27	22	26	2	2	2	17	190	29	0	2	0
<b>Total expansion</b>	<b>509</b>	<b>474</b>	<b>490</b>	<b>38</b>	<b>33</b>	<b>34</b>	<b>2,068</b>	<b>1,137</b>	<b>1,836</b>	<b>24</b>	<b>10</b>	<b>18</b>
Replacement capital	27	77	33	2	5	2	141	2,549	1,019	2	21	10
Secondary buy-out	42			3	0	0	767			9		
PIPE	2	27	7	0	2	0	4	91	110	0	1	1
Refinancing bank debt	21	7	4	2	0	0	199	29	3	2	0	0
<b>Total replacement capital</b>	<b>92</b>	<b>111</b>	<b>44</b>	<b>7</b>	<b>8</b>	<b>3</b>	<b>1,110</b>	<b>2,669</b>	<b>1,132</b>	<b>13</b>	<b>22</b>	<b>11</b>
MBO	158	227	246	12	16	17	3,048	7,173	5,053	36	60	49
MBI	17	37	27	1	3	2	86	347	217	1	3	2
<b>Total MBO/MBI</b>	<b>175</b>	<b>264</b>	<b>273</b>	<b>13</b>	<b>18</b>	<b>19</b>	<b>3,134</b>	<b>7,520</b>	<b>5,270</b>	<b>37</b>	<b>63</b>	<b>51</b>
Other late stage	111	95	131	8	7	9	1,886	212	1,042	22	2	10
<b>Grand total</b>	<b>1,278</b>	<b>1,330</b>	<b>1,318</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>8,556</b>	<b>11,972</b>	<b>10,227</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. E.g. if a company receives a round of start-up finance and then further rounds of expansion finance later in the same year, that company will be counted once in each of the start-up and expansion categories (therefore appearing to be counted twice), but only counted as one in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. indicates a value of greater than 0 but less than 0.5.

3. 'Other late stage' includes to Public to Private deals, rescue/turnaround deals, etc. 'Public to private' is synonymous to 'Venture purchase of quoted shares' which was used in the 07 and 06 survey.

4. 'PIPE' in 2008 is synonymous to 'Other purchase of quoted shares' which was used in the 07 and 06 surveys.

Table 5a. MBOs by investment size band (UK)

Size (by amount of private equity invested)	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Small (<£10m)	110	240	256	72	77	76	35	707	431	1	10	7
Mid-sized (£10m - £100m)	41	63	71	27	20	21	1,795	2,359	2,418	59	32	40
Large (>£100m)	4	9	12	3	3	4	1,209	4,307	3,221	40	58	53
<b>Total</b>	<b>155</b>	<b>312</b>	<b>339</b>	<b>102</b>	<b>100</b>	<b>100</b>	<b>3,039</b>	<b>7,373</b>	<b>6,070</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. E.g. if a company receives a round of start-up finance and then further rounds of expansion finance later in the same year, that company will be counted once in each of the start-up and expansion categories (therefore appearing to be counted twice), but only counted as one in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. Size-bandings are based on amount of equity invested by BVCA private equity firm members, not the total transaction size

Table 5b. MBIs by investment size band (UK)

Size (by amount of private equity invested)	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Small (<£10m)	14	31	19	82	83	73	15	75	50	18	22	23
Mid-sized (£10m - £100m)	3	6	7	18	17	27	70	167	167	82	48	77
Large (>£100m)	0		0	0		0	0	106	0	0	30	0
<b>Total</b>	<b>17</b>	<b>37</b>	<b>26</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>85</b>	<b>348</b>	<b>217</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. E.g. if a company receives a round of start-up finance and then further rounds of expansion finance later in the same year, that company will be counted once in each of the start-up and expansion categories (therefore appearing to be counted twice), but only counted as one in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. Size-bandings are based on amount of equity invested by BVCA private equity firm members, not the total transaction size

3. Some size-bandings have been amalgamated where there are instances of single deals, in order to preserve confidentiality

Table 6. Average amount invested by stage (UK)

Financing stage	Average amount invested (£000s)		
	2008	2007	2006
Seed	184	265	1,116
Start-up	1,550	1,042	4,231
Other early stage	655	430	1,627
<b>Total early stage</b>	<b>788</b>	<b>865</b>	<b>1,892</b>
Expansion	4,254	1,117	3,894
Bridge financing	637	5,593	1,132
<b>Total expansion</b>	<b>4,062</b>	<b>1,290</b>	<b>3,747</b>
Replacement capital	5,204		
Secondary buy-out	18,250	24,512	30,879
PIPE	2,050	4,187	12,249
Refinancing bank debt	9,457	2,019	653
<b>Total replacement capital</b>	<b>12,062</b>	<b>17,111</b>	<b>24,094</b>
MBO	19,294	11,476	15,242
MBI	5,029	7,722	8,346
<b>Total MBO/MBI</b>	<b>17,908</b>	<b>11,224</b>	<b>14,581</b>
Other late stage	16,991	1,591	8,139
<b>Grand total</b>	<b>6,695</b>	<b>9,002</b>	<b>7,760</b>

Table 7. Investment by industry sector (UK)

Industry & Sector	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
<b>Oil &amp; Gas</b>	53	28	3	4	2	-	983	277	41	11	2	-
Oil & Gas Producers	5	5	1	0	-	-	6	147	38	0	1	-
Oil Equipment, Services & Distribution	8	7	2	1	1	-	918	108	3	11	1	-
Alternative Energy	40	16	n/a	3	1	n/a	59	22	n/a	1	-	n/a
<b>Basic Materials</b>	27	34	23	2	3	2	76	67	29	1	1	-
Chemicals	22	31	20	2	2	2	63	53	25	1	-	-
Forestry & Paper	0	1	1	0	-	-	0	2	3	0	-	-
Industrial Metals & Mining	5	2	2	0	-	-	13	12	1	0	-	-
Mining	0	0	0	0	0	0	0	0	0	0	0	-
<b>Industrials</b>	246	281	208	19	21	16	2,464	1,980	2,843	29	17	28
Construction & Materials	41	44	26	3	3	2	108	194	1,123	1	2	11
Aerospace & Defence	8	10	2	1	1	-	21	68	22	0	1	-
General Industrials	6	12	25	0	1	2	29	27	51	0	-	-
Electronic & Electrical Equipment	52	57	53	4	4	4	183	155	405	2	1	4
Industrial Engineering	46	40	1	4	3	-	151	113	-	2	1	-
Industrial Transportation	14	18	16	1	1	1	567	349	721	7	3	7
Support Services	79	100	85	6	8	6	1,405	1,074	521	16	9	5
<b>Consumer Goods</b>	66	51	69	5	4	4	336	415	731	4	3	8
Automobiles & Parts	6	4	1	0	-	-	4	11	-	0	-	-
Beverages	5	5	1	0	-	-	3	25	84	0	-	1
Food Producers	16	28	16	1	2	1	72	241	480	1	2	5
Household Goods & Home Construction	13	2	42	1	-	3	161	30	153	2	-	2
Leisure Goods	13	12	6	1	1	-	23	108	13	0	1	-
Personal Goods	13	0	3	1	0	-	73	0	-	1	0	-
Tobacco	0	0	0	0	0	0	0	0	0	0	0	0
<b>Health Care</b>	234	210	230	18	16	17	1,294	899	1,182	15	7	12
Health Care Equipment & Services	142	122	140	11	9	11	1,182	741	973	14	6	10
Pharmaceuticals & Biotechnology	92	88	90	7	7	7	112	158	210	1	1	2
<b>Consumer Services</b>	189	273	261	15	21	20	1,856	6,079	3,310	22	51	33
Food & Drug Retailers	12	18	7	1	1	1	160	88	37	2	1	-
General Retailers	62	123	93	5	9	7	495	1,647	906	6	14	9
Media	38	73	78	3	5	6	265	2,890	485	3	24	5
Travel & Leisure	77	59	83	6	4	6	936	1,454	1,881	11	12	19
<b>Telecommunications</b>	30	25	18	3	2	2	40	71	29	0	1	-
Fixed Line Telecommunications	9	0	8	1	0	1	15	0	9	0	0	-
Mobile Telecommunications	21	25	10	2	2	1	25	71	20	0	1	-
<b>Utilities</b>	5	20	23	0	2	2	77	63	449	1	1	4
Electricity	0	19	1	0	1	-	0	58	53	0	-	-
Gas, Water & Multiutilities	5	1	22	0	-	2	77	5	396	1	-	4
<b>Financials</b>	73	87	95	6	7	7	913	1,596	751	11	13	7
Banks	1	0	0	0	0	0	2	0	0	0	0	0
Non-life Insurance	13	11	2	1	1	-	264	467	16	3	4	0
Life Insurance	1	3	0	0	-	0	10	3	0	0	-	-
Real Estate Investment & Services	6	7	7	0	1	1	12	128	36	0	1	-
Real Estate Investment Trusts	2			0			5			0	0	
Financial Services	43	53	68	3	4	5	610	977	657	7	8	6
Equity Investment Instruments	7	13	13	1	1	1	10	21	37	0	-	-
Non-equity Investment Instruments	0	0	5	0	0	-	0	0	5	0	0	-
<b>Technology</b>	355	321	388	28	24	29	517	525	863	6	5	8
Software & Computer Services	297	250	259	23	19	20	440	342	556	5	3	5
Technology Hardware & Equipment	58	71	129	5	5	10	77	183	307	1	2	3
<b>Grand total</b>	1,278	1,330	1,318	100	100	100	8,556	11,972	10,227	100	100	100

1. As of 30/12/05, the original FTSE Global Classification System (GCS), historically used for this table, has been replaced by the new Industry Classification Benchmark (ICB). The ICB is the new definitive industry classification standard created jointly by FTSE Group and Dow Jones Indexes. It is significantly different from the original FTSE GCS and therefore impossible to compare to data prior to 2005.

2. Some changes were made to the ICB in March 2008. 'General Financials' is now called 'Financial Services', 'Household Goods' is now 'Household Goods & Home Construction' and 'Industrial Metals' is now 'Industrial Metals & Mining'. 'Real Estate' has now been split into two separate categories - 'Real Estate Investment & Services' and 'Real Estate Investment Trusts'. 'Alternative Energy' is an additional category and therefore does not have values for 2005 and 2006 and are denoted as n/a for these years.

3. - indicates a value of greater than 0 but less than 0.5.

Table 8. Technology investment (UK)

Industry sector	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Communications	44	34	36	9	6	7	81	203	243	13	24	26
Computer: hardware	19	17	15	4	3	3	14	40	41	2	5	4
Computer: internet	5	33	15	1	6	3	1	27	23	0	3	3
Computer: semiconductors	9	23	18	2	4	3	10	37	21	2	4	2
Computer: software	237	180	196	47	34	38	310	213	231	50	26	25
Other electronics related	39	45	47	8	9	9	54	35	35	9	4	4
Biotechnology	48	49	43	10	9	8	30	76	122	5	9	13
Medical: instruments	34	59	71	7	11	14	31	47	96	5	6	10
Medical: pharmaceuticals	44	36	24	9	7	5	73	71	50	12	9	5
Medical: healthcare	13	21	14	3	4	3	12	51	29	2	6	3
Other	13	30	38	3	6	7	3	35	27	0	4	3
<b>Total</b>	<b>505</b>	<b>527</b>	<b>517</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>619</b>	<b>835</b>	<b>918</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. - indicates a value of greater than 0 but less than 0.5.

Table 9. Technology investment by financing stage in 2008 (UK)

Industry sector	Number of companies						Amount invested (£m)					
	Early stage	Expansion	Replacement capital	MBO/I	Other late stage	Total	Early stage	Expansion	Replacement capital	MBO/I	Other late stage	Total
Communications	17	23	2	3	0	44	9	9	1	63	0	81
Computer:												
- hardware	7	10	1	0	1	19	4	10	0	0	0	14
- internet	1	4	0	0	0	5	0	1	0	0	0	1
- semiconductors	7	2	0	0	0	9	8	2	0	0	0	10
- software	116	92	12	8	16	237	45	63	17	145	41	310
Other electronics related	25	12	1	1	1	39	7	6	0	36	6	54
Biotechnology	35	12	0	1	1	48	24	6	0	0	0	30
Medical:												
- instruments	22	12	0	0	1	34	5	4	0	0	22	31
- pharmaceuticals	23	16	2	2	3	44	20	32	0	22	1	73
- health care	7	4	1	1	0	13	1	0	0	10	0	12
Other	9	5	0	0	0	13	2	1	0	0	0	3
<b>Total</b>	<b>269</b>	<b>192</b>	<b>19</b>	<b>16</b>	<b>23</b>	<b>505</b>	<b>124</b>	<b>133</b>	<b>18</b>	<b>275</b>	<b>69</b>	<b>619</b>

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. E.g. if a company receives a round of start-up finance and then further rounds of expansion finance later in the same year, that company will be counted once in each of the start-up and expansion categories (therefore appearing to be counted twice), but only counted as one in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. Sectors have been amalgamated where there are instances of single deals, in order to preserve confidentiality.

3. - indicates a value of greater than 0 but less than 0.5.

Table 10. Investment in 'Cleantech' companies by stage (UK)

Stage of investment	Number of companies		% of companies		Amount invested (£m)		% of amount invested	
	2008	2007	2008	2007	2008	2007	2008	2007
Early stage	76	63	171	13				
Expansion	35	29	63	5				
MBO/I	4	3	296	22				
Secondary buy-out	0	0	58	4				
Public to private	2	2	738	55				
PIPE	0	0	0	0				
Other	4	3	12	1				
<b>Total</b>	<b>121</b>	<b>100</b>	<b>1,338</b>	<b>100</b>				

1. We define 'Cleantech' companies as those who use innovative technology to create products and services that compete favourably on price and performance, while reducing mankind's impact on the environment.

Table 11. Investment by region (UK)

Region	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
South East	190	220	224	15	17	17	1,266	2,493	1,835	15	21	18
London	297	334	330	23	25	25	3,590	5,730	4,297	42	48	42
South East & London	487	554	554	38	42	42	4,856	8,223	6,132	57	69	60
South West	76	82	98	6	6	7	196	198	532	2	2	5
East of England	74	104	95	6	8	7	495	531	639	6	4	6
West Midlands	85	82	90	7	6	7	418	416	276	5	3	3
East Midlands	67	65	59	5	5	4	556	802	401	6	7	4
Yorkshire & The Humber	119	108	83	9	8	6	473	499	1,201	6	4	12
North West	171	154	146	13	12	11	321	600	614	4	5	6
North East	55	51	28	4	4	2	68	156	184	1	1	2
Scotland	75	73	78	6	5	6	1,052	393	174	12	3	2
Wales	44	36	59	3	3	4	112	128	61	1	1	1
Northern Ireland	25	21	28	2	2	2	9	26	13	0	-	-
<b>Total</b>	<b>1,278</b>	<b>1,330</b>	<b>1,318</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>8,556</b>	<b>11,972</b>	<b>10,227</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. - indicates a value of greater than 0 but less than 0.5.

Table 12. Investment activity by region compared with total number of VAT registered businesses

Region	Number of VAT registered businesses			Number of private equity backed companies			Companies invested in per 1,000 of total VAT registered businesses		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
South East	319,900	306,920	300,905	190	220	224	0.59	0.72	0.74
London	321,600	309,225	301,975	297	334	330	0.92	1.08	1.09
South East & London	641,500	616,145	602,880	487	554	554	0.76	0.90	0.92
South West	191,100	183,420	179,770	76	82	98	0.40	0.45	0.55
East of England	204,700	196,480	193,005	74	104	95	0.36	0.53	0.49
West Midlands	167,100	164,810	161,865	85	82	90	0.51	0.50	0.56
East Midlands	139,100	134,195	131,050	67	65	59	0.48	0.48	0.45
Yorkshire & The Humber	145,200	139,970	137,195	119	108	83	0.82	0.77	0.60
North West	194,700	186,045	181,795	171	154	146	0.88	0.83	0.80
North East	52,300	49,435	48,280	55	51	28	1.05	1.03	0.58
Scotland	141,900	136,890	134,295	75	73	78	0.53	0.53	0.58
Wales	87,300	84,995	83,690	44	36	59	0.50	0.42	0.70
Northern Ireland	66,200	64,365	63,790	25	21	28	0.38	0.33	0.44
<b>Total</b>	<b>2,031,100</b>	<b>1,956,750</b>	<b>1,917,615</b>	<b>1,278</b>	<b>1,330</b>	<b>1,318</b>	<b>0.63</b>	<b>0.68</b>	<b>0.69</b>

Source: 'Business Start Ups and Closures: VAT Registrations and De-registrations in 2006', published November 2007, news release <http://stats.berr.gov.uk>.

NOTE: Due to a change in the methodology used by BERR for calculating the number of VAT registered business in the U.K., the figures within this table have been re-stated for 2005 and 2006 and therefore will differ from those published in previous reports.

Table 13. Investment stage analysis by region - by number of companies (UK)

Region	Early Stage						Expansion						Replacement capital						MBO/MBI						Other late stage					
	Number			%			Number			%			Number			%			Number			%			Number			%		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
South East	74	88	90	16	18	18	61	92	81	12	19	20	18	16	7	20	15	16	35	32	40	20	12	15	11	11	22	10	12	17
London	78	110	104	17	22	21	130	115	118	26	24	24	22	26	16	24	23	36	43	70	81	25	27	30	36	33	35	32	35	27
South East & London	152	198	194	33	39	39	191	207	199	38	44	44	40	42	23	43	38	52	78	102	121	45	39	44	47	44	57	42	46	44
South West	25	29	35	5	6	7	35	31	35	7	7	7	6	13	4	7	12	9	10	12	13	6	5	5	4	4	12	4	4	9
East of England	29	50	50	6	10	10	35	39	31	7	8	8	4	9	0	4	8	0	7	18	13	4	7	5	4	4	9	4	4	7
West Midlands	45	32	35	10	6	7	22	27	32	4	6	6	7	8	3	8	7	7	8	19	14	5	7	5	4	2	7	4	2	5
East Midlands	11	18	20	2	4	4	34	22	25	7	5	5	4	10	2	4	9	5	14	18	16	8	7	6	15	5	3	14	5	2
Yorkshire & The Humber	28	19	10	6	4	2	60	51	44	12	11	10	2	6	5	2	5	11	18	29	26	10	11	10	15	5	9	14	5	7
North West	79	77	70	17	15	14	54	34	39	11	7	7	15	11	3	16	10	7	22	33	25	13	13	9	11	17	15	10	18	11
North East	22	19	10	5	4	2	24	16	12	5	3	3	5	3	1	5	3	2	4	12	11	2	5	4	2	6	5	2	6	4
Scotland	33	34	40	7	7	8	27	30	35	5	6	6	6	5	0	7	5	0	6	8	16	3	3	6	7	3	5	6	3	4
Wales	13	17	20	3	3	4	21	8	25	4	2	2	1	1	3	1	1	7	8	12	17	5	5	6	1	4	8	1	4	6
Northern Ireland	18	9	16	4	2	3	6	9	13	1	2	2	2	3	0	2	3	0	0	1	1	0	0	0	1	1	1	1	1	1
<b>Total</b>	<b>455</b>	<b>502</b>	<b>500</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>509</b>	<b>474</b>	<b>490</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>92</b>	<b>111</b>	<b>44</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>175</b>	<b>264</b>	<b>273</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>111</b>	<b>95</b>	<b>131</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Eg. if a company receives a round of start-up finance and then further rounds of expansion finance later in the same year, that company will be counted once in each of the start-up and expansion categories (therefore appearing to be counted twice), but only counted as one in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. - indicates a value of greater than 0 but less than 0.5.

Table 14. Investment stage analysis by region - by amount invested (UK)

Region	Early Stage						Expansion						Replacement capital						MBO/MBI						Other late stage					
	Amount (£m)			%			Amount (£m)			%			Amount (£m)			%			Amount (£m)			%			Amount (£m)			%		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
South East	64	131	142	18	30	15	236	358	170	11	31	9	125	776	533	11	29	47	801	1,226	865	26	15	16	40	3	125	2	2	12
London	172	141	279	48	33	29	1,278	314	1,216	62	28	66	487	1,263	386	44	47	34	1,089	3,973	2,032	35	54	39	565	39	384	30	18	37
South East & London	236	272	421	66	63	44	1,514	672	1,386	73	59	75	612	2,038	919	55	76	81	1,890	5,199	2,897	60	69	55	604	42	509	32	20	49
South West	12	28	90	3	6	10	41	20	48	2	2	3	41	66	29	4	2	3	102	78	348	3	1	7	1	6	17	0	3	2
East of England	20	45	97	6	10	10	61	55	35	3	5	2	78	53	0	7	2	0	56	303	254	2	4	5	280	76	253	15	36	24
West Midlands	12	6	18	3	1	2	46	39	40	2	3	2	230	177	0	21	7	0	77	192	212	2	3	4	53	2	6	3	1	1
East Midlands	9	19	105	3	4	11	72	79	42	3	7	2	16	199	9	1	7	1	217	499	238	7	7	5	242	5	7	13	3	1
Yorkshire & The Humber	5	12	113	1	3	12	226	48	215	11	4	12	0	47	122	0	2	11	220	388	523	7	5	10	22	5	228	1	2	22
North West	23	21	56	6	5	6	70	39	26	3	3	1	76	49	46	7	2	4	140	457	480	4	6	9	12	36	6	1	17	1
North East	10	7	7	3	1	1	16	26	14	1	2	1	1	0	5	0	0	0	41	104	158	1	1	3	0	19	0	0	9	0
Scotland	24	14	20	7	3	2	9	142	14	0	12	1	53	34	0	5	1	0	313	200	138	10	3	3	653	3	2	35	2	0
Wales	2	7	16	1	2	2	10	3	9	0	0	0	0	1	0	1	0	0	79	101	21	3	1	0	20	16	14	1	8	1
Northern Ireland	7	4	4	2	1	0	1	15	7	0	1	0	1	5	0	0	0	0	0	1	1	0	0	0	0	1	0	0	0	0
<b>Total</b>	<b>360</b>	<b>434</b>	<b>947</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>2,066</b>	<b>1,137</b>	<b>1,836</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>1,109</b>	<b>2,669</b>	<b>1,132</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>3,135</b>	<b>7,520</b>	<b>5,270</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>1,886</b>	<b>212</b>	<b>1,042</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages.

2. - indicates a value of greater than 0 but less than 0.5.

Table 15. Industry sector analysis by region in 2008 - by number of companies (UK)

Region	Oil & gas, basic materials & industrials		Consumer goods		Health care & consumer services		Telecoms, utilities & financials		Technology	
	No.	%	No.	%	No.	%	No.	%	No.	%
South East	39	12	7	10	72	17	14	13	58	16
London	54	17	13	20	114	27	46	43	70	20
South East & London	93	29	20	30	186	44	60	56	128	36
South West	13	4	3	5	30	7	5	5	25	7
East of England	11	3	2	3	31	7	5	5	25	7
West Midlands	20	6	6	9	22	5	5	5	32	9
East Midlands	21	6	7	11	26	6	4	4	9	3
Yorkshire & The Humber	44	13	9	14	25	6	4	4	37	10
North West	56	17	3	5	55	13	15	14	42	12
North East	20	6	7	11	10	2	3	3	15	4
Scotland	28	9	2	3	13	3	6	6	26	7
Wales	16	5	4	6	16	4	1	1	7	2
Northern Ireland	4	1	3	5	9	2	0	0	9	3
<b>Total</b>	<b>326</b>	<b>100</b>	<b>66</b>	<b>99</b>	<b>423</b>	<b>100</b>	<b>108</b>	<b>100</b>	<b>355</b>	<b>100</b>

Table 16. Industry sector analysis by region in 2008 - by amount invested

Region	Oil & gas, basic materials & industrials		Consumer goods		Health care & consumer services		Telecoms, utilities & financials		Technology	
	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%
South East	546	15	165	49	298	9	122	12	135	26
London	1,118	32	68	20	1,766	56	387	38	251	49
South East & London	1,664	47	233	69	2,064	66	509	49	386	75
South West	9	0	6	2	95	3	68	7	18	3
East of England	294	8	19	6	64	2	98	10	20	4
West Midlands	116	3	27	8	224	7	29	3	22	4
East Midlands	263	7	27	8	182	6	79	8	5	1
Yorkshire & The Humber	36	1	8	2	313	10	100	10	16	3
North West	120	3	3	1	152	5	32	3	14	3
North East	38	1	12	4	10	0	3	0	5	1
Scotland	908	26	0	0	18	1	112	11	14	3
Wales	73	2	0	0	26	1	0	0	13	3
Northern Ireland	2	0	1	0	2	0	0	0	4	1
<b>Total</b>	<b>3,523</b>	<b>100</b>	<b>336</b>	<b>100</b>	<b>3,150</b>	<b>100</b>	<b>1,030</b>	<b>100</b>	<b>517</b>	<b>100</b>

1. - indicates a value of greater than 0 but less than 0.5.

Table 17. Investment by type of private equity organisation

Type of private equity organisation	Amount invested (£m)			% of amount invested		
	2008	2007	2006	2008	2007	2006
Organisations which invest own or parent company money (Captives)	872	1,042	1,922	10	9	19
Organisations which manage funds (Independents)	6,225	9,817	6,235	73	82	61
Organisations which do both (Semi-captives)	1,459	1,113	2,070	17	9	20
<b>Total</b>	<b>8,556</b>	<b>11,972</b>	<b>10,227</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table 18. Funds raised by source

Type of source		Amount raised (£m)			% of amount raised		
		2008	2007	2006	2008	2007	2006
<b>Pension funds:</b>	UK	1,456	1,132	2,054	6	4	6
	Overseas	6,958	5,560	7,919	30	19	23
<b>Total</b>		<b>8,414</b>	<b>6,692</b>	<b>9,973</b>	<b>36</b>	<b>23</b>	<b>29</b>
<b>Insurance companies:</b>	UK	148	635	1,080	1	2	3
	Overseas	711	1,777	2,023	3	6	6
<b>Total</b>		<b>859</b>	<b>2,412</b>	<b>3,103</b>	<b>4</b>	<b>8</b>	<b>9</b>
<b>Corporate investors:</b>	UK	169	270	442	1	1	1
	Overseas	1,645	370	847	7	1	2
<b>Total</b>		<b>1,813</b>	<b>640</b>	<b>1,289</b>	<b>8</b>	<b>2</b>	<b>3</b>
<b>Banks:</b>	UK	378	1,188	2,222	2	4	6
	Overseas	598	4,380	1,307	3	15	4
<b>Total</b>		<b>976</b>	<b>5,568</b>	<b>3,529</b>	<b>5</b>	<b>19</b>	<b>10</b>
<b>Funds of funds:</b>	UK	1,105	2,067	1,523	5	7	4
	Overseas	2,843	4,065	3,807	12	14	11
<b>Total</b>		<b>3,948</b>	<b>6,132</b>	<b>5,330</b>	<b>17</b>	<b>21</b>	<b>16</b>
<b>Government agencies:</b>	UK	334	59	470	1	-	2
	Overseas	806	2,988	2,552	3	10	7
<b>Total</b>		<b>1,140</b>	<b>3,047</b>	<b>3,022</b>	<b>4</b>	<b>10</b>	<b>9</b>
<b>Academic institutions:</b>	UK	11	20	130	0	-	-
	Overseas	794	361	1,372	3	1	4
<b>Total</b>		<b>805</b>	<b>381</b>	<b>1,502</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Private individuals:</b>	UK	1,394	985	669	6	3	2
	Overseas	862	1,486	1,352	4	5	4
<b>Total</b>		<b>2,256</b>	<b>2,471</b>	<b>2,021</b>	<b>10</b>	<b>8</b>	<b>6</b>
<b>Other sources:</b>	UK	652	931	1,132	3	3	3
	Overseas	2,276	984	3,395	10	3	10
<b>Total</b>		<b>2,928</b>	<b>1,915</b>	<b>4,527</b>	<b>13</b>	<b>6</b>	<b>13</b>
<b>Total from UK sources</b>		<b>5,646</b>	<b>7,287</b>	<b>9,722</b>	<b>24</b>	<b>25</b>	<b>28</b>
<b>Total from overseas sources</b>		<b>17,493</b>	<b>21,971</b>	<b>24,574</b>	<b>76</b>	<b>75</b>	<b>72</b>
<b>Grand total</b>		<b>23,139</b>	<b>29,258</b>	<b>34,296</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Invested directly for parent through a captive vehicle</b>	Captive	197	962	4,000			
	Semi-captive	1,713	466	1,843			
<b>Capital gains, dividend income and loan interest</b>		<b>304</b>	<b>1,073</b>	<b>5,639</b>			
<b>Amount returned to investors</b>		<b>0</b>	<b>1</b>	<b>51</b>			

1. - indicates a value of greater than 0 but less than 0.5.

Table 19. Funds raised by country

Country	Amount raised (£m)			% of amount raised		
	2008	2007	2006	2008	2007	2006
UK	5,646	7,288	9,722	24	25	28
Netherlands	582	873	1,372	3	3	4
France	762	536	862	3	2	3
Germany	136	1,040	919	1	4	3
Rest of Europe	2,409	3,600	4,390	10	12	13
North America	10,360	12,176	12,621	45	42	37
Asia	1,297	1,136	1,437	6	4	4
Other	1,947	2,609	2,973	8	9	9
<b>Total</b>	<b>23,139</b>	<b>29,258</b>	<b>34,296</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table 20. Funds raised by expected stage of investment in 2008

Stages	Amount raised (£m)			% of amount raised		
	2008	2007	2006	2008	2007	2006
Early stage	243	830	1,235	1	3	4
Technology	109	658	549	0	2	2
Other	135	172	686	1	1	2
Expansion	1,458	614	775	6	2	2
Technology	911	224	254	4	1	1
Other	546	390	521	2	1	1
Replacement Capital	18	n/a	n/a	0	n/a	n/a
MBO/MBI	20,781	26,263	28,994	90	90	85
Technology	3	5	1	0	-	-
Other	20,778	26,258	28,993	90	90	85
Up to £10m (total deal value)	103	569	305	0	2	1
£10m - £50m	691	1,876	960	3	6	3
£50m - £100m	1,156	3,196	2,578	5	11	8
Over £100m	18,828	20,617	25,150	81	70	73
Rescue/Turnaround	32	n/a	n/a	0	n/a	n/a
Other	607	1,551	3,292	3	5	10
Unknown	n/a	0	0	n/a	0	0
<b>Total</b>	<b>23,139</b>	<b>29,258</b>	<b>34,296</b>	<b>100</b>	<b>100</b>	<b>100</b>

1. - indicates a value of greater than 0 but less than 0.5.

Table 21. Divestments in 2008

Type of divestment	Amount divested		Number of divestments		Number of companies	
	£m	%	No	%	No	%
Divestment on flotation	274	3	4	0	4	0
Sale of quoted equity	208	2	106	7	57	6
Trade sale	3,403	31	267	18	177	18
Sale to another private equity firm	1,204	11	163	11	94	10
Sale to financial institutions	107	1	99	7	44	5
Sale to management (buy-back)	202	2	100	7	51	5
Divestment by other means (not including loan repayments)	357	3	269	18	172	18
Repayment of preference shares/loans	3,428	31	261	17	156	16
Write-off	1,701	16	226	15	208	22
<b>Total</b>	<b>10,884</b>	<b>100</b>	<b>1,495</b>	<b>100</b>	<b>963</b>	<b>100</b>

## Appendix 2 Methodology

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In early 2009, PricewaterhouseCoopers collected data on investments made by full members of the BVCA during the calendar year 2008. A 99% response rate was achieved, which included virtually every major private equity firm in the UK. In order to ensure only qualifying investments were included in the analysis, certain criteria were applied to the data received and are outlined below and in the following appendices.

The European Private Equity and Venture Capital Association (EVCA) also produces statistics on investment activity in the UK. However, for those readers who wish to compare the BVCA and EVCA figures please consider the following points.

1. The aggregate data produced for the BVCA report is derived from BVCA full members (UK private equity firms) only, which constitute the vast majority of private equity and venture capital in the UK. In the EVCA report, non-BVCA member data is also included.
2. From 2006, EVCA data includes investment by mezzanine players – the BVCA data does not.
3. Investments led by overseas offices of BVCA members (and which have not been advised on by the UK office) are excluded in the BVCA report (as it is only the UK office which is the BVCA member). This is the case even if they invest back into the UK, unless the private equity executives from the UK office played a key role in the decision making processes of the deal. Under the EVCA methodology, such investments made by UK private equity firms' overseas offices back into the UK are included in their market statistics.
4. BVCA does not include UK deals made by non-UK-based private equity firms, whereas EVCA includes these deals in their market statistics.
5. The BVCA report is based on data provided directly by BVCA member firms whereas EVCA uses both data provided by private equity firms and information collected from public sources, for example, private equity websites.
6. The BVCA funds raised total does not include amounts raised by captives and realised capital gains available for reinvestment, although they are in the EVCA totals. Therefore, the EVCA's 'independent funds raised' figure is closest to the BVCA's total funds raised.
7. Further differences will be the result of the impact of exchange rates, with BVCA's data reported in Sterling and EVCA's in Euros.

### Other amendments in methodology

#### Overseas investments

The wording in the 2006 BVCA questionnaire was enhanced to include investments 'made' or 'advised by' the office of the BVCA full member firm, 'regardless of whether the investing fund is UK or overseas-based'. This means that the 2006 figures relate not only to those investments undertaken by BVCA full member firms, but also to those undertaken through an overseas office, where the UK office was the lead adviser and regardless of where the investment fund was domiciled. As a result, more cross-border investments have been included in the BVCA data and therefore reflects more accurately the activity of BVCA full members, particularly those that invest out of pan-European or global funds.

#### Industry sectors

As of 30 December 2005, the FTSE Global Classification System (GCS) has been replaced by the new Industry Classification Benchmark (ICB). The ICB is the new definitive industry classification standard created jointly by FTSE Group and Dow Jones Indices. It is significantly different from the original FTSE GCS and therefore not possible to compare to previous years' data in this report. Please see Appendix 3 for more information.

### **Financing stages**

From 2005 the number of companies in some financing stage categories and their subtotals, add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. For example, if a company receives a round of start-up finance and then further rounds of expansion finance later in the same year, that company will be counted once in each of the start-up and expansion categories (therefore appearing to be counted twice), but only counted as one investment in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only. This is in line with EVCA methodology.

From 2008, 'PIPE' deals are synonymous to 'other purchase of quoted shares' which were used in the 2007 and 2006 surveys. Also starting in this year's survey, 'other late stage' includes 'public to privates deals', 'rescue/turnaround deals' etc. Public to private is synonymous with 'venture purchase of quoted shares' which was used in the 2007 and 2006 surveys.

### **Technology classification: methodology**

There is as yet no widely accepted definition of a 'technology' firm. For the purposes of this report, PricewaterhouseCoopers used both the ICB and EVCA classification systems as a basis to establish a more comprehensive grouping of companies that are strongly classified under the ICB sector codes 9530 (software and computer services) and 9570 (technology hardware & equipment) and the EVCA sectors of 'biotechnology', 'computers', 'medical' and 'electronics related'. Companies falling into EVCA sub-sectors such as 'publishing and media' under 'communications' and 'computer retailers' under 'computers' were included from other sectors dependent on new technologies where they were involved in the development side of these technologies. Thus industrial companies which merely utilized an innovative technique to produce traditional goods were excluded, while those which specialized in producing cutting edge materials were included.

### **Funds raised**

Included in funds raised in this report are:

1. UK private equity firms with funds managed principally from the UK, for both UK and overseas investment.
2. Funds managed by the overseas headquarters of international private equity firms (which have UK-based offices that are BVCA members) are excluded as they are not managed from the UK.

### **Foreign currency conversion**

Where PricewaterhouseCoopers was provided with investment information in foreign currencies, the amounts were converted into Sterling using the daily average exchange rates for 2008, calculated from figures supplied by the European Central Bank.

## Appendix 3 Private equity definitions

The term 'private equity' is the term generally used in Europe to cover the industry as a whole including both buyouts and venture capital. 'Venture capital' is a subcategory covering the start-up to expansion stages of investment. Private equity describes equity investments in unquoted companies, often accompanied by the provision of loans and other capital bearing an equity-type risk. Below are descriptions of the different stages of private equity investment that are used in this report, along with the different types of private equity firms.

### Types of private equity firms

The definitions below need to be interpreted with caution. In recent years, several larger private equity firms that historically invested funds from a single in-house source have begun to raise and manage external sources.

**Independents:** These can either be firms, funds or investment trusts, either publicly listed or private, which raise their capital from external sources.

**Captives:** These organisations invest their own money, and/or manage or invest funds on behalf of a parent organisation. In the latter case, the private equity firm would be a wholly owned subsidiary or division of the parent, usually a financial institution.

**Semi-captives:** These organisations invest funds on behalf of a parent company, or their own funds, in addition to investing funds raised within the last five years from external sources.

### Stages of investment

**Start-up:** Financing provided to companies for use in product development and initial marketing. Companies may be in the process of being set-up or may have been in business for a short time, but have not yet sold their product commercially.

**Other early stage:** Financing provided to companies that have completed the product development stage and require further funds to initiate commercial manufacturing and sales. They may not yet be generating profits.

**Expansion:** Sometimes known as 'development' or 'growth' capital, provided for the growth and expansion of an operating company which is trading profitably. Capital may be used to finance increased production capacity, market or product development, and/or to provide additional working capital.

**Bridge financing:** Financing made available to a company in the period of transition from being privately owned to being publicly quoted.

**Replacement capital:** Minority stake purchase from another private equity investment organisation or from another shareholder or shareholders.

**Refinancing bank debt:** Funds provided to enable a company to repay existing bank debt.

**PIPE:** Private investment in public companies (minority stake only).

**Rescue/Turnaround:** Financing made available to existing businesses which have experienced trading difficulties, with a view to re-establishing prosperity.

**Management buyout (MBO):** Funds provided to enable current operating management and investors to acquire an existing product line or business. Institutional buyouts (IBOs), leveraged buyouts (LBOs) and other types of similar financing are included under MBOs for the purposes of this report.

**Management buy-in (MBI):** Funds provided to enable an external manager or group of managers to buy into a company.

**Public to private:** Purchase of quoted shares with the purpose of de-listing the company.

**Secondary buyout:** Purchase of a company from another private equity investment organisation.

## Appendix 4 Industry classifications

Economic Group	Sectors	Subsectors
<b>Oil and Gas</b>	Oil and gas, Oil and gas producers Oil equipment, services and distribution Alternative energy	Exploration and production, integrated oil and gas. Oil equipment, and services pipelines. Renewable energy equipment, alternative fuels.
<b>Basic Materials</b>	Chemicals Forestry and paper Industrial metals and mining Mining	Commodity and speciality chemicals. Forestry, paper. Aluminium, non-ferrous metals, iron and steel. Coal, diamonds and gemstones, general mining, gold mining, platinum and precious metals.
<b>Industrials</b>	Construction and materials Aerospace and defence General industrials Electronic and electrical equipment Industrial engineering Industrial transportation Support services	Building materials and fixtures, heavy construction. Aerospace, defence. Containers and packaging, diversified industrials. Electrical components and equipment, electronic equipment. Commercial vehicles and trucks, industrial machinery. Delivery services, marine transportation, railroads, transportation services, trucking. Business support services, business training and employment agencies, financial administration, industrial suppliers, waste and disposal services.
Economic Group	Sectors	Subsectors
<b>Consumer goods</b>	Automobiles and parts Beverages Food producers Household goods Leisure goods Personal goods Tobacco	Automobiles, auto parts, tyres. Brewers, distillers and vintners, soft drinks. Farming and fishing, food products. Durable household products, non-durable household products, furnishings, home construction. Consumer electronics, recreational products, toys. Clothing and accessories, footwear, personal products. Tobacco.
<b>Basic materials</b>	Chemicals Forestry and paper Industrial metals Mining	Commodity and speciality chemicals. Forestry, paper. Aluminium, non-ferrous metals, steel. Coal, diamonds and gemstones, general mining, gold mining, platinum and precious metals.
<b>Healthcare</b>	Healthcare equipment and services Pharmaceuticals and biotechnology	Health care providers, medical equipment, medical supplies. Biotechnology, pharmaceuticals.
<b>Consumer Services</b>	Food and drug retailers General retailers  Media  Travel and leisure	Drug retailers, food retailers and wholesalers. Apparel retailers, broadline retailers, home improvement retailers, specialised consumer services, specialty retailers. Broadcasting and entertainment, media agencies, publishing. Airlines, gambling, hotels, recreational services, restaurants and bars, travel and tourism.
Economic Group	Sectors	Subsectors
<b>Telecommunications</b>	Fixed-line telecommunications Mobile telecommunications	Fixed-line telecommunications. Mobile telecommunications.
<b>Utilities</b>	Electricity Gas, water and multi-utilities	Electricity. Gas distribution, multiutilities, water.
<b>Financials</b>	Banks Non-life insurance Life insurance Real estate General financial Equity investment instruments Non-equity investment instruments	Banks. Full line insurance, insurance brokers, property and casualty insurance, reinsurance. Life insurance. Real estate holding and development, real estate investment trusts. Asset managers, consumer finance, specialty finance, investment services, mortgage finance. Equity investment instruments. Non-equity investment instruments.
<b>Technology</b>	Software and computer services Technology hardware and equipment	Computer services, internet, software. Computer hardware, electronic office equipment, semiconductors, telecommunications equipment.

## Appendix 5 UK regions

The 'Standard Statistical Regions', provided by the Office for National Statistics, used in this report in previous years were replaced by 'Government Office Regions' (GORs) in 1996/7. This resulted in some changes in the regional boundaries in England. Tables (li-ii in Appendix 1) use the old Standard Statistical Regions for data from 1984 to 1998. The new GORs have been used since 1998. Scotland, Wales and Northern Ireland are not subdivided into GORs, but are listed with them as regions in UK-wide statistical comparisons.

### North East

Cleveland  
Durham  
Northumberland  
Tyne and Wear

### East Midlands

Derbyshire  
Leicestershire  
Lincolnshire  
Northamptonshire  
Nottinghamshire

### South East

Berkshire  
Buckinghamshire  
East Sussex  
Hampshire  
Isle of Wight  
Kent  
Oxfordshire  
Surrey  
West Sussex

### North West

Cumbria  
Cheshire  
Greater Manchester  
Lancashire  
Merseyside

### West Midlands

Hereford and Worcester  
Shropshire  
Staffordshire  
Warwickshire  
West Midlands

### London

### Yorkshire and The Humber

Humberside  
North Yorkshire  
South Yorkshire  
West Yorkshire

### East of England

Cambridgeshire  
Norfolk  
Suffolk  
Bedfordshire  
Essex  
Hertfordshire

### South West

Avon  
Cornwall  
Devon  
Dorset  
Gloucestershire  
Somerset  
Wiltshire

### Disclaimer

The data provided has been collected from different sources. BVCA has taken steps to ensure the reliability of the information presented. However, BVCA cannot guarantee the ultimate accuracy of the data and therefore BVCA does not accept responsibility for any decision made or action taken based on the information provided.



For further information  
contact the BVCA

1st Floor North, Brettenham House  
Lancaster Place, London WC2E 7EN

T: +44 (0)20 7420 1800

F: +44 (0)20 7420 1801

E: [bvca@bvca.co.uk](mailto:bvca@bvca.co.uk)

[bvca.co.uk](http://bvca.co.uk)