



cutting through complexity

Angel Reporting guidelines and principles

A practical guide for CEOs and executives
of angel-backed businesses

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FOREWORD

“Angel Investors need to have regular updates from their portfolio businesses, offering the opportunity to monitor progress and growth, provide strategic support and plan for further fundraising and exit. Invrep offers a valuable new approach through its platform and reporting tools to support the investment relationship and achieve successful outcomes for angel investors”.

Jenny Tooth, CEO, UK Business Angels Association

BACKGROUND

With the increasing popularity of angel investing, and crowd-based equity funding, now is a pertinent time to provide reporting guidance for smaller companies who've attracted third party investors. Ensuring investors are informed and engaged. And providing entrepreneurs with an appropriate framework to follow.

OVERVIEW

This document sets out Investor Reporting guidelines and principles for privately funded companies.

The guidelines are voluntary; and principles-based rather than rules-based. Encouraging entrepreneurs to “**do their best**” with respect to reporting; rather than be fearful of non-compliance

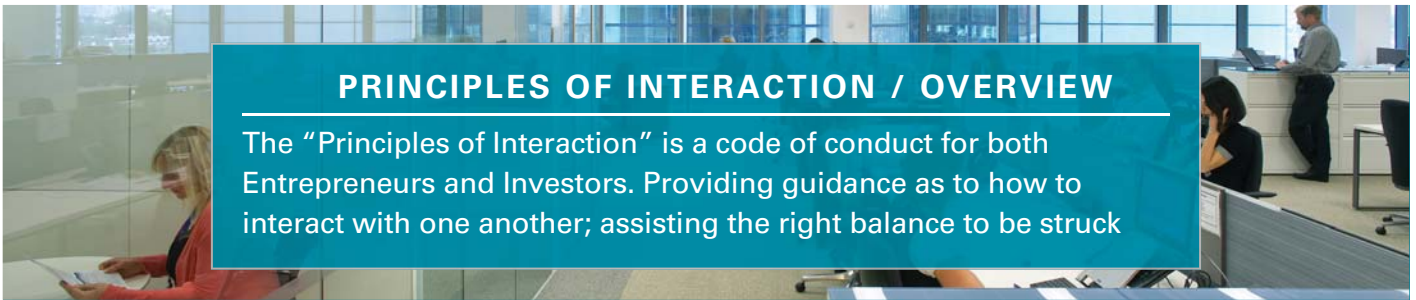
Reporting is set out against three levels:

- **Good:** basic requirements which all angel-backed companies should strive to achieve
- **Better:** more advance reporting; encouraging companies to provide investors with more meaningful insights and analysis
- **Best:** the optimal reporting level. A benchmark of excellence for companies to strive for

The optimum reporting structure will be specific to each individual company. And some behaviours and information may be more important to some companies and their investors than others.

This guide should be used in conjunction with each Company's Articles of Association and Investment Agreement which may include specific reporting requirements; as well as investor level consents.

Reporting Guide		Good	Better	Best
Business Overview	General business activity	Quarterly overview of key areas: - Summary Quarterly narrative where material activity; - Team (see later) - Product; - Market; - Customers & sales; - Opportunities & Risks	Quarterly overview of key areas: - Summary - Team (see later) - Product; - Market; - Customers & sales; - Opportunities & Risks	Monthly overview of key areas: - Summary - Team (see later) - Product; - Market; - Customers & sales; - Opportunities & Risks
	Action plan (plan for next period)	Report Quarterly	Report Quarterly	Report Monthly
KPIs	Key KPIs (1-3 metrics key to management of business)	Report Quarterly	Report Quarterly	Report Monthly
Financial information	Financial accounts (integrated P&L, Cash flow & Balance Sheet)	Prepared annually	Prepared annually	Audited annually
	Management accounts (financial performance)	Key figures shared quarterly	Key figures shared quarterly; including variance to budget	Summary reported monthly; including variance to budget
	Budget	Forecasts (estimates) prepared annually	Budget prepared annually; summary shared within 30 days of year end	Prepared annually; summary shared within 30 days of year end. Reforecast after 6 months if performance materially different
	Cap table	—	Prepared and circulated	Prepared and circulated
Cash	Position in bank	Report Quarterly	Report Monthly	Report Monthly
	Monthly cash burn	Report Quarterly	Report Quarterly	Report Monthly
	Estimate of cash headroom and current fundraising position	Report Quarterly	Report Quarterly	Report Monthly
	Working capital position	By exception if material	Analysed quarterly	Analysed quarterly
	Capital commitments and long term liabilities	Ad hoc	Report Quarterly	Reported quarterly or monthly as committed
Employment matters	New hires	Quarterly headcount summary	Quarterly headcount summary. Material new hires reported by exception	Monthly headcount summary. Material new hires reported by exception
	Material changes to service contracts	Only as applies to senior executive team	Only as applies to senior executive team	Senior team and execs earning above an agreed salary threshold
	Dismissals & resignations	Noted for senior execs	Description for senior execs	Description for material members of the team
Interactions	Distribution	CEO - Investors	CEO - Investors - Board - Senior Team	CEO - Investors - Board - Senior Team - Advisory Board
	Feedback	Facilitate feedback from investors	Encourage feedback from investors	Encourage feedback from investors against quarterly reports
Compliance	Investment agreement and Articles of Association	Comply with key terms	Annual statement of compliance with key terms	Quarterly statement of compliance with key terms



PRINCIPLES OF INTERACTION / OVERVIEW

The “Principles of Interaction” is a code of conduct for both Entrepreneurs and Investors. Providing guidance as to how to interact with one another; assisting the right balance to be struck

Entrepreneurs		Investors	
Open, Transparent and Discreet	<ol style="list-style-type: none"> 1. Consistent reporting methodologies 2. Have the same threshold to share bad news as well as good news 3. Set realistic targets and track performance 	Open, Transparent and Discreet	<ol style="list-style-type: none"> 1. Clear and upfront feedback 2. Pro-actively share insights and make introductions 3. Keep commercially-sensitive information confidential
Professional and Equitable	<ol style="list-style-type: none"> 1. Treat investors capital as if it was your own (hard-earned!) money 2. Treat all investors fairly (regardless of amounts invested) 3. Act in best interests of current investors as well as potential new investors (as far as possible) 4. Disclose material related party transactions or potential conflicts of interest 	Professional and Equitable	<ol style="list-style-type: none"> 1. Behave consistently: manage your own expectations 2. Responsive: quickly respond to reasonable requests 3. Arms length: (i) Disclose any material conflicts of interest (ii) Don't ask for non-commercial favours from the Company
Governance and Participation	<ol style="list-style-type: none"> 1. Hold 6-8 board meetings each year 2. Invite an investor or non-exec to attend a management or board meeting at least once a quarter (or set up an advisory board - see Resources for explanation) 3. Prepare a budget annually 	Governance and Participation	<ol style="list-style-type: none"> 1. Attend management or board meetings if invited and available... 2. ...don't expect invitations to every board meeting (unless formally appointed as a non-exec director) 3. Review budgets and provide feedback where appropriate
Timely & Regular	<ol style="list-style-type: none"> 1. Set a formal agenda (e.g quarterly reports and annual meetings) 2. ...and stick to it 3. Keep investors up to date: share major news updates on an ad-hoc basis 	Supportive yet fair	<ol style="list-style-type: none"> 1. Provide access to your network where appropriate 2. Recognise smaller businesses don't follow a smooth path - there will be bumps in the road and difficult decisions to be made 3. Praise good performance and key milestones 4. Assist the CEO with identifying and improving upon weaknesses in her or the team



UK REGULATORY FILINGS / AIDE MEMOIR

What	When	Details
Corporation tax		
Corporation tax return	12 months after year end date	
Pay corporation tax liability	9 months and 1 day after year end	Quarterly instalment payments if taxable profits > £1.5m for second year or taxable profits > £10m for one year*
VAT		
VAT quarterly returns	1 month and 7 days after the end of your VAT period	
VAT quarterly returns	1 month and 7 days after the end of your VAT period	
Employment taxes		
P35/14 forms to HMRC	19 May after end of tax year	P35 form summarises the end-of-year payroll totals for all of your employees combined and the P14 forms are the annual totals for each individual. These forms are being phased out with the introduction of Real Time Information payroll reporting.
P60 to employees deadline; Short Term Business Visitors report (where applicable) to HMRC	31 May after end of tax year	The P60 form is provided to employees by their employer which summarises the end-of-year payroll total income. A Short Term Business Visitors report is required where the employer has entered into an agreement with HMRC previously such that PAYE does not have to operated in respect of certain business visitors from countries with which the UK has a double tax agreement.
Form 42, P11D, P11D(b) and PSA agreement to HMRC	6 July after end of tax year	An employer must use a form 42 to report certain 'reportable events' in respect of share schemes to HMRC. An employer uses a P11D to tell HMRC about the value of any benefits in kind they've given their employees during the tax year. An employer uses a P11D(b) form to report the Class 1A National Insurance Contributions payable in respect of the benefits listed on the forms P11D. A PSA agreement is a PAYE Settlement Agreement whereby the employer agrees with HMRC that the employer will pay the tax and NIC liability due on certain benefits provided to employees and this will be done on a 'grossed up' basis.
PSA calculation submission to HMRC	July-August after end of tax year	
Tax/Class 1B NIC payment deadline for PSA	19 October after end of tax year	
Companies House		
Annual Return	1 month after the anniversary of incorporation	
Filing of financial statements	9 months after year end date	
* assumes no associated companies		



Jenny Tooth

Is the CEO of the UK Business Angels Association, the trade body for angel and early stage investing. Providing strategic support and developing policy, and interfacing with Government. Jenny has over 20 years' experience of supporting SMEs access to investment, both in the UK and internationally.

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Stephen Findlay

Founded Invrep.co to improve the relationship between companies and their angel investors. Enabling easier and better reporting and interactions. He has been an angel investor for 5 years, and spent 12 years in Private Equity, investing over £150m in small businesses in the UK.

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Tim Kay

Having spent 13 years at KPMG, Tim now leads the High Growth Technology Group bringing his experience from 'big tech' and across the firm. The High Growth Technology Group is here to help startups, early stage and high potential companies succeed through providing guidance, advice and contacts.

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