FINANCIAL TIMES

ft.com > uk >

July 14, 2013 4:16 pm

EIS tax plan transforms former BP site

By Jonathan Moules, Enterprise Correspondent

An unwanted fuel research plant on the Thames estuary has in just three years been transformed into a profitable exporter with £8m in sales by an angel investor-backed team led by a PhD chemistry graduate from Oxford.

The six-acre fuel blending facility that Craig Goodfellow and his team at Coryton acquired in July 2010 was being offloaded by BP because the work was peripheral to the oil group's main business interests.

Mr Goodfellow, however, saw an opportunity to create a laboratory for blending the specialist fuels needed by car and aircraft manufacturers to test the performance of their vehicles under extreme conditions.

Thanks to the government's Enterprise Investment Scheme (EIS) tax relief, he found a team of wealthy individuals willing to back him.

It was a high margin niche market, but one with few established suppliers. Just months after entering production Coryton had secured contracts to supply various blue-chip manufacturers, including BMW, Volkswagen, Airbus, Daimler and Ford.

"One of the first orders was from Airbus, who told us they thought that BP had closed the facility down," Mr Goodfellow said. "They said we were their last hope."

One of Coryton's main competitive advantages is its production speeds. It can manufacture oil blends in as little as two days compared with the industry average of six to 10 weeks.

Having started with just five of the original BP team, Coryton now employs 23 people at the main plant and its sales office in Mönchengladbach, from where it serves its German customer base.

The success of Coryton is an example of how EIS is designed to work, encouraging wealthy individuals to put in the necessary capital to enable businesses with high growth potential to achieve their ambitions.

"If we hadn't got a good investment behind us, encouraged by EIS, we wouldn't have made it," Mr Goodfellow said.

EIS had a slow start following its introduction in 1993, and its usage has declined in recent years following its peak in the dotcom boom. This is despite attempts by government to increase its attractiveness by lifting restrictions on the size of company that can be invested in.

David Pitman, a partner at Oakfield Capital Partners, the team of private investors that backed Coryton's management buyout, said: "One of the challenges for our industry is where do investors go to find decent EIS investments."

HM Revenue & Customs calculates that over 18,500 companies have benefited from EIS and over £8.6bn of funds have been raised using the scheme.

About half of the money invested under EIS is concentrated in investments above £1m, with nearly a quarter going to investments between £1.75m and £2m for all years between 2008-09 and 2010-11.

Research by Deloitte and the UK Business Angels Association found that such tax reliefs do play a crucial role in attracting investors.

It found that out of 262 deals worth £137m made between April 2012 and the end of March 2013, 86 per cent used EIS or its sister relief, the Seed Enterprise Investment Scheme. Of the 62 angel investors interviewed for the study, 36 said that they would have invested less if such schemes were not available.

Content recommended for you

Related articles

UK car industry to receive £1bn for technology investment

Discounting and the dark arts of car dealing on the rise

Britain needs to return to the Victorian tradition of philanthropy

Solvay and ENPC to merge MBAs and focus on innovation

UK doubles fund to back angel investments

Refinancing beats buyouts in climate of cheap debt

Frame the debate around financial and economic stability

HMRC applies law and does not 'cut deals' with taxpayers

UK car production falls in May as European sales decline

The trade-offs involved in business-friendly tax treatment