

Welcome to British Smaller Companies EIS Fund Investor Update – September 2016

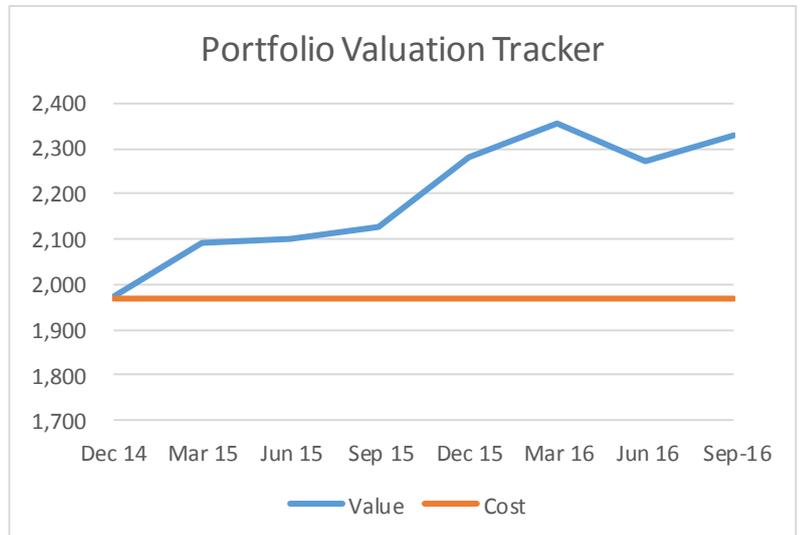
Dear Investor

Portfolio Value: £2.33 million: Cost £1.97 million

This quarter has seen a 2% increase in the portfolio value driven by further positive progress from the investments in Mangar Health and GTK. The total value of the portfolio at 30 September 2016 was £2.33m, 18% above original cost.

We have included for the first time this quarter company valuation trackers showing the historical performance of your investments. Note that this doesn't include Dryden which was fully provided last quarter.

We report on the aggregated performance of the investments in the companies as if BSC EIS is a fund, although in reality the investments are and will be realised separately in line with EIS requirements. The tax-free proceeds will be distributed to you as each investment is realised.



I hope you find this update useful but, as always, we welcome any comments and suggestions you may have. Please contact **Tracey Nice** with your feedback by calling **0113 261 6478** or emailing tracey.nice@yfmeop.com

David Hall, Managing Director, YFM Equity Partners LLP

Portfolio Performance

Mangar Health Limited: Manufacturer of specialist lifting devices for elderly patients					
Cost	£500,000	Audited accounts: year ended 31 July			
Valuation*	£867,000				
Basis of valuation	Earnings multiple				
Date of investment	January 2014				
Quarterly commentary: Mangar has continued to see sales growth from its core local authority customers in the UK. The recently appointed CEO is also projecting significant growth from sales channels into North America and Germany.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	7.39			
	EBITA	1.41	37%	10% ↑	73% ↑

Gill Marine Holdings Limited: Manufacturer and retailer of branded clothing for sailing enthusiasts					
Cost	£600,000	Audited accounts: year ended 30 September			
Valuation*	£649,000				
Basis of valuation	Earnings multiple				
Date of investment	September 2013				
Quarterly commentary: Good progress continues to be made in key strategic areas, with a re-launch of the direct sales website and expansion of the range into adjacent markets. Orders in the US have been disappointing due to the distributor de-stocking, resulting in a reduction in the valuation this quarter.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	12.34			
	EBITA	1.52	28%	-7% ↓	8% ↑

* These investments have been valued on the same basis as for British Smaller Companies VCT plc and British Smaller Companies VCT2 plc, which co-invested with BSC EIS and report quarterly to the London Stock Exchange.

GTK (Holdco) Limited: Manufacturer and distributor of specialist electronic components					
Cost	£250,000	Audited accounts: year ended 31 July			
Valuation*	£508,000				
Basis of valuation	Earnings multiple				
Date of investment	October 2013				
Quarterly commentary: GTK has maintained significant revenue and profit growth through the year, benefiting from the ongoing investment in new sales resource and new products. They recently opened a new manufacturing facility in Romania to broaden the range of services offered.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	10.61			
	EBITA	0.78	22%	6% ↑	103% ↑

Seven Technologies Holdings Limited: Specialist technical surveillance and cyber security solutions					
Cost	£370,000	Audited accounts : year ended 30 September			
Valuation*	£305,000				
Basis of valuation	Earnings multiple				
Date of investment	June 2013				
Quarterly commentary: Seven Technologies has struggled to forecast defence spending in the US and UK with 2016 again seeing a disappointing close to the year. The cost base has been cut and we hope that some of the orders delayed from 2016 will be delivered in 2017.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	15.38			
	EBITA	1.41	13%	0%	-18% ↓

* These investments have been valued on the same basis as for British Smaller Companies VCT plc and British Smaller Companies VCT2 plc, which co-invested with BSC EIS and report quarterly to the London Stock Exchange.

Company Valuation Tracker



Important Notice: Past performance is no guide to future performance and may not be repeated. The value of an investment in British Smaller Companies EIS Fund ("the Fund") may go down as well as up and you may not get back the full amount invested. The Fund will include investments in unquoted companies or Non-Readily Realisable Investments for which there is a restricted market and it may therefore be difficult to deal in the investments or to obtain reliable information about their value. You should be aware that there may be difficulty in selling such investments at a reasonable price and, in some circumstances it may be difficult to sell them at any price. Subscription to the Fund should not be viewed as a short-term investment. Any withdrawals within three years of investments into Investee Companies will result in the loss of EIS Relief. Furthermore, due to the relative lack of liquidity – particularly during the early years of the investments – the shortfall versus the original investment could be large. The value of tax reliefs available depends on personal circumstances and is subject to shareholders retaining their shares for a three-year period. In addition, the availability of tax reliefs depends on the companies invested in maintaining their qualifying status. Please refer to the HM Revenue and Customs website for further guidance on the tax reliefs available on EIS investments. Tax reliefs and concessions under the EIS tax regime are not guaranteed to remain unchanged for the life of the Fund, as the regime for taxation of Investors in funds such as the Fund is liable to change from year to year. For further information on these and other risk factors, please refer to page 14 of the Information Memorandum.

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