

## Welcome to British Smaller Companies EIS Investor Update - December 2015

Dear Investor

### Portfolio Value: £2.28 million: Cost £1.97 million

Underlying performance has shown steady improvements, with particularly Seven Technologies and GTK delivering improved results. This has resulted in a 7% increase in the quarter.

This has continued the strong performance in the year which has seen the overall portfolio value rise to £2.28 million, an increase of 16% for the year as a whole.

This results from improving performances that have also seen aggregate turnover increase from £45 million to £50 million.

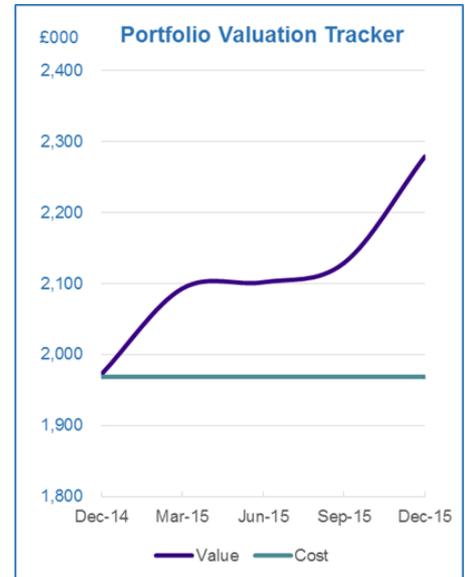
It is also encouraging that this has been accompanied by underlying employment growth of 10% in the portfolio since the initial investment, standing at 333 at 31 December 2015, compared to 303 when the EIS fund first invested.

We have also added a note to your personal statements that allows you to compare the investment return versus cost and also the gross return including the tax relief.

BSC EIS is reported as a fund but is in fact made up of five individual unquoted investments, each of which will be realised separately with a view to maximising value. As each investment is individually realised, the proceeds will be distributed tax free to investors.

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@yfmep.com](mailto:tracey.nice@yfmep.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*	£746,502				
Basis of valuation	Earnings multiple				
Date of investment	January 2014				
<b>Quarterly commentary:</b> Mangar has continued to see sales growth from its core UK customers. Good progress has also been made in developing its sales channels into North America which will hopefully lead to a step up in export sales.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	7.39	33%	9% ↑	49% ↑
	EBITA	1.41			

Gill Marine Holdings Limited: Manufacturer and retailer of branded clothing for sailing enthusiasts					
Cost	£600,000	Audited accounts: year ended 30 September			
Valuation*	£692,466				
Basis of valuation	Earnings multiple				
Date of investment	September 2013				
<b>Quarterly commentary:</b> Good progress continues to be made in key strategic areas, with a re-launch of the direct sales website and expansion of its product range into the complementary sports fishing sector.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	12.34	30%	3% ↑	15% ↑
	EBITA	1.52			

\* 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.

<b>GTK (Holdco) Limited: Manufacturer and distributor of specialist electronic components</b>					
Cost	£250,000	Audited accounts: year ended 31 July			
Valuation*	£418,545				
Basis of valuation	Earnings multiple				
Date of investment	October 2013				
<b>Quarterly commentary:</b> GTK has seen further revenue and profit growth, benefiting from the ongoing investment in new sales resource and new product lines. The new AS9100 accreditation enables them to also supply products to the Aerospace and Defence industry.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	10.61			
	EBITA	0.78	18%	5% ↑	67% ↑

<b>Seven Technologies Holdings Limited: Specialist technical surveillance and cyber security solutions</b>					
Cost	£370,000	Audited accounts : year ended 30 September			
Valuation*	£385,725				
Basis of valuation	Earnings multiple				
Date of investment	June 2013				
<b>Quarterly commentary:</b> Seven Technologies has seen a welcome return to defence spending in the US and UK which resulted in a recovery of profits in 2015. 2016 is expected to show a further growth in profit levels	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	15.38			
	EBITA	1.41	17%	14% ↑	4% ↑

<b>Dryden Human Capital Limited: International recruitment in the insurance and actuarial sector</b>					
Cost	£250,000	Audited accounts: year ended 31 March			
Valuation*	£35,365				
Basis of valuation	2015 Rights Issue				
Date of investments	February, March, June, August, October 2013				
<b>Quarterly commentary:</b> Further progress has been made in rebuilding the company under its new executive chairman. Levels of consultants in London and Hong Kong have increased with a corresponding growth in net fee income.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	4.03			
	EBITA	(1.02)	2%	0%	86% ↓

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**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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