

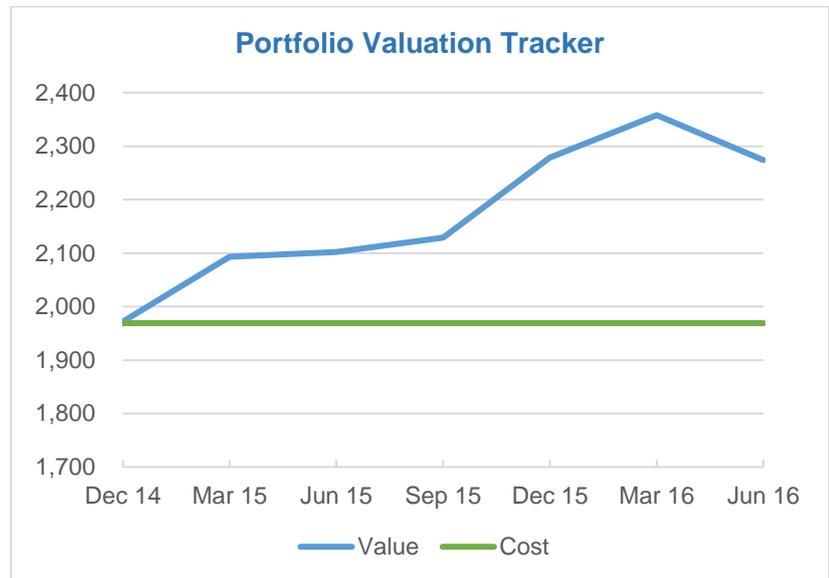
## Welcome to British Smaller Companies EIS Fund Investor Update – June 2016

Dear Investor

**Portfolio Value: £2.27 million: Cost £1.97 million**

This quarter has seen continued positive progress from the investments in Mangar Health; Gill Marine and GTK. Seven Technologies has seen large projects deferred and whilst there has been some operational improvement at Dryden's this hasn't yet reflected as hoped in the financial performance. With the reductions in value from Seven and Dryden slightly outweighing the increases from the other three the overall portfolio value has slipped back a little in the quarter. Nonetheless the total value of the portfolio at 30 June 2016 of £2.27m is 15% above original cost.

We report on the five companies as if BSC EIS is a fund, although in reality the investments will be realised separately in order to maximise your returns. 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@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					
<b>Cost</b>	£500,000	Audited accounts: year ended 31 July			
<b>Valuation*</b>	£789,540				
<b>Basis of valuation</b>	Earnings multiple				
<b>Date of investment</b>	January 2014				
<b>Quarterly commentary:</b> 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.	<b>£m</b>	<b>2015</b>	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	7.39			
	EBITA	1.41	<b>35%</b>	<b>5% ↑</b>	<b>58% ↑</b>

Gill Marine Holdings Limited: Manufacturer and retailer of branded clothing for sailing enthusiasts					
<b>Cost</b>	£600,000	Audited accounts: year ended 30 September			
<b>Valuation*</b>	£699,986				
<b>Basis of valuation</b>	Earnings multiple				
<b>Date of investment</b>	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 the product range into adjacent markets. Several key senior appointments were recently announced to lead these growth plans.	<b>£m</b>	<b>2015</b>	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	12.34			
	EBITA	1.52	<b>31%</b>	<b>1% ↑</b>	<b>17% ↑</b>

\* 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>					
<b>Cost</b>	£250,000	Audited accounts: year ended 31 July			
<b>Valuation*</b>	£478,100				
<b>Basis of valuation</b>	Earnings multiple				
<b>Date of investment</b>	October 2013				
<b>Quarterly commentary:</b> GTK has seen significant revenue and profit growth this year, benefiting from the ongoing investment in new sales resource and new products. The new AS9100 accreditation enables them to also supply products to the Aerospace and Defence industry, a key focus.	<b>£m</b>	<b>2015</b>	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	10.61			
	EBITA	0.78	<b>21%</b>	<b>4% ↑</b>	<b>91% ↑</b>

<b>Seven Technologies Holdings Limited: Specialist technical surveillance and cyber security solutions</b>					
<b>Cost</b>	£370,000	Audited accounts : year ended 30 September			
<b>Valuation*</b>	£306,467				
<b>Basis of valuation</b>	Earnings multiple				
<b>Date of investment</b>	June 2013				
<b>Quarterly commentary:</b> Seven Technologies saw a return to defence spending in the US and UK last year which resulted in a recovery of profits in 2015. However several material contracts expected in 2016 were delayed resulting in a 26% downgrade to the valuation this quarter.	<b>£m</b>	<b>2015</b>	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	15.38			
	EBITA	1.41	<b>14%</b>	<b>-26% ↓</b>	<b>-17% ↓</b>

<b>Dryden Human Capital Limited: International recruitment in the insurance and actuarial sector</b>					
<b>Cost</b>	£250,000	Audited accounts: year ended 31 March			
<b>Valuation*</b>	£nil				
<b>Basis of valuation</b>	Fully provided				
<b>Date of investments</b>	February, March, June, August, October 2013				
<b>Quarterly commentary:</b> Some progress has been made in rebuilding the company under its new executive chairman. Net fee income has grown but as the business remains loss-making we have chosen to fully provide for the valuation this quarter.	<b>£m</b>	<b>2015</b>	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	4.03			
	EBITA	(1.02)	<b>0%</b>	<b>-100%</b>	<b>-100% ↓</b>

\* 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



**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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