

Welcome to British Smaller Companies EIS Investor Update - September 2015

Dear Investor

I hope that you found the additional reporting that we added in the last quarter helpful in monitoring the performance of your investment.

Portfolio Valuation Tracker

This chart shows a quarterly comparison of the portfolio value versus cost. This quarter remains steady with the portfolio valuation increasing in the period by 1.4%.

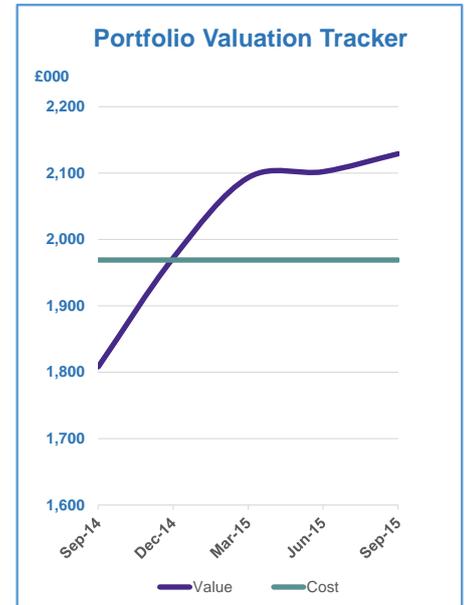
Portfolio Performance

Overall the five investments have a current combined value of £2.13 million (30 June £2.10 million); which compares to a cost of £1.97 million. We are also planning to track economic data specifically turnover and employment growth over the life of the investments and will report this to you in addition to the financial performance. As an example the portfolio businesses have a current combined turnover of £48 million.

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@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*	£682,569	Adjusted for deal related costs and to reflect the ongoing cost structure due to recently completed transaction			
Basis of valuation	Earnings multiple				
Date of investment	January 2014				
Quarterly commentary: Mangar continues to see strong sales growth from its core UK customers; while developing its sales channels into European and North American markets. Next quarter we anticipate being able to include the audited figures for 2015 year end.	£m	2014	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	6.91	32%	1% ↓	37% ↑
	EBITA	1.66			

Gill Marine Holdings Limited: Manufacturer and retailer of branded clothing for sailing enthusiasts					
Cost	£600,000	Audited accounts: year ended 30 September			
Valuation*	£673,953	Adjusted for deal related costs			
Basis of valuation	Earnings multiple				
Date of investment	September 2013				
Quarterly commentary: Good progress continues to be made with key strategic areas, including direct sales and expansion of its product range into new markets.	£m	2014	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	12.26	32%	1% ↑	12% ↑
	EBITA	1.50			

* 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*	£398,911				
Basis of valuation	Earnings multiple				
Date of investment	October 2013				
Quarterly commentary: GTK continues to perform well and is benefiting from the ongoing investment in new sales resource and new product lines. Having recently won AS9100 they can now provide products to the Aerospace and Defence industry.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	10.610			
	EBITA	0.812	19%	2% ↑	60% ↑

Seven Technologies Holdings Limited: Specialist technical surveillance and cyber security solutions					
Cost	£370,000	Audited accounts : Year ended 30 September			
Valuation*	£337,740				
Basis of valuation	Earnings multiple				
Date of investment	June 2013	* Before exceptional re-organisation costs			
Quarterly commentary: Seven Technologies is now seeing a return to defence spending in the US and UK and expects 2016 to show a continuing growth in profits. Next quarter we anticipate being able to include the audited figures for 2015 year end.	£m	2015	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	15.38			
	EBITA	(1.80)*	16%	7% ↑	9% ↓

Dryden Human Capital Limited: International recruitment in the insurance and actuarial sector					
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				
Quarterly commentary: Progress continues to be made in rebuilding the company to historic performance levels under its new executive chairman.	£m	2014	Percentage of portfolio value	Quarterly valuation movement	Valuation versus cost
	Sales	3.91			
	EBITA	(1.43)	1%	0%	86% ↓

* 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.



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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