

## British Smaller Companies VCT plc (BSC)

# INVESTOR UPDATE Autumn 2017

### Dear Shareholder

Welcome to your tenth BSC Investor Update. We hope that you continue to find the Updates informative.

### Overview

It is encouraging to report that BSC has maintained its total return at 213.0 pence per share. On 26 May 2017 BSC paid an interim dividend of 5.75 pence per share and net asset value at 30 June 2017 is 76.55 pence per share.

### Investments and realisations

The new VCT rules will lead to more investments into earlier stage businesses, and we anticipate that the existing portfolio will provide an element of more stable returns in the short term. During the period BSC made a follow-on investment of £0.4 million into Sipsynergy and has subsequently invested £1.8 million into Friska.

I am delighted to report that BSC has recently exited from two businesses. It invested into Selima in 2012 and exited in the period, generating a total return of £2.2 million, a multiple of 3.7x cost. BSC invested into Harvey Jones in 2007 and sold its final interest in the business in August, for £0.3 million. This takes the total return from this investment to £3.2 million, a multiple of 1.6x cost.

### Board changes

Your Board recently announced Philip Cammerman's retirement at the Company's AGM on 1 August 2017 and Rupert Cook was appointed. The Board and all at YFM would like to thank Phil for his contribution to the Company over the 21 years since it was formed. Rupert brings a wealth of experience in smaller companies, notably in a variety of technology sectors, which will be invaluable as the Company invests in earlier stage businesses.

### Regulatory change - The Patient Capital Review

The Patient Capital Review is a Government consultation about the scale of investment capital available to UK SME's. The consultation completed on 22 September 2017. The key strengths of VCTs in providing patient capital that we have highlighted are:

- **Track record of patient investment.** Over the last 21 years VCTs advised by YFM have made 139 investments and invested £141 million. Increase in revenue of the underlying investments to date has been £501 million (a 268 per cent increase), and the increase in employees over the investment period is 6,168 people (a 151 per cent increase).
- **Evergreen structure of the funds.** Many of our shareholders have remained invested from initial investments, enabling a long term focus.
- **Supporting growth.** VCTs have played an important part in funding the growth of small businesses.

According to research recently undertaken by the Association of Investment Companies (AIC) and the British Private Equity and Venture Capital Association (BVCA):

- **3,200 companies** are currently backed by UK private equity and venture capital. Over 500 of those benefited from £1.4 billion of VCT investment.

- **448,000 people** are employed in the UK by companies backed by private equity and venture capital. 50,000 of those are employed by VCT-backed businesses and since the VCTs invested, these companies have created 27,000 jobs (a 116 per cent increase).
- **Providing follow-on finance** is an important aspect of VCTs' investment approach. More than a third of VCT-backed businesses have received more than three investment rounds.

The results of the consultation will be announced at the time of the budget on 22 November and the expectation is that there will be further changes to the regulations surrounding VCTs and EIS. There is speculation that these changes could range from amendments to tax relief to re-defining qualifying investments. In addition, there is further speculation around the timing of any of these changes, which could range from the date of the budget itself through to the start of the following tax year. We await the announcements in the budget with a keen interest.

### Shareholder survey

There was a good response to the shareholder survey that we sent out in the summer with more than 1,000 responses, and it was interesting to note that 90 per cent of those were posted back rather than completed online. This gives us food for thought regarding our communications, particularly around proxy voting for the AGMs, where the response is still very low.

Once the results of the survey have been fully digested, we will publish a separate document. In the meantime I wanted to provide you with a flavour of the results:

- **28 per cent** more shareholders than in 2012 are investing in VCTs for longer than ten years.
- It is encouraging to see that **one third** of shareholders who responded to the survey are planning to transfer their shares to their children/grandchildren. We have provided some hints and tips as to how you can do this, on page two.
- It is also very positive for the VCT industry as a whole that the number of shareholders **is increasing** and that they are diversifying their holdings across VCTs.
  - The number of BSC shareholders has increased by 19 per cent per annum since 2012
  - The number of investors holding only BSC shares has halved as investors diversify across the asset class

I hope you enjoy this tenth edition and find it useful. As always we value your feedback, so if you would like to see anything included, whether that be the Investor Updates, Investor Workshops or any other communication, please do let Tracey Nice know. Her details are on the back page.

Thank you again for your continued support of BSC.

**David Hall**  
Managing Director, YFM Equity Partners



# SELIMA – 3.7X COST



“The support we have received from YFM Equity Partners since the management buy-in in 2012 has been fantastic and has contributed to Selima’s strong and sustainable growth.”

Wayne Blakemore, Managing Director, Selima

## The business

Selima is a provider of ultra-modern SaaS HR software connected with a managed payroll service

Selima specialises in the hospitality, retail and education markets, although it has customers in a wide range of sectors

Established in 1983, customers include Bristol City Council, Young’s & Co, Decathlon and hundreds of schools

## The strategy

Chairman is a serial entrepreneur whom YFM has backed twice before, working alongside a highly experienced executive team

Improve customer services for new and existing clients and the introduction of new, innovative products

Invest in sales and marketing and source suitable partnerships

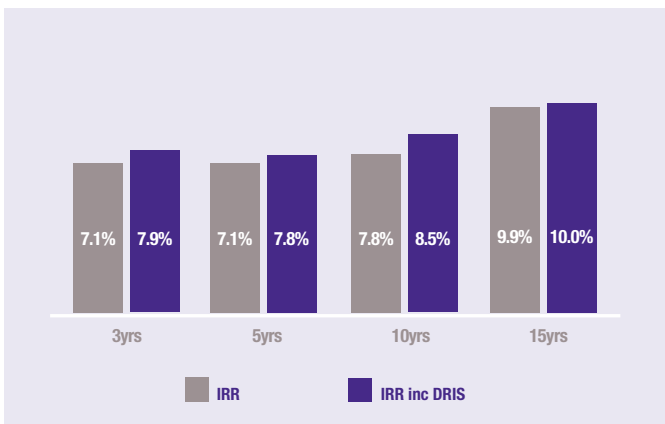
## The developments

Significant redevelopment of product and proposition to support cloud-hosted SaaS solution

Focus on key vertical markets – hospitality, retail and education – to drive sales growth

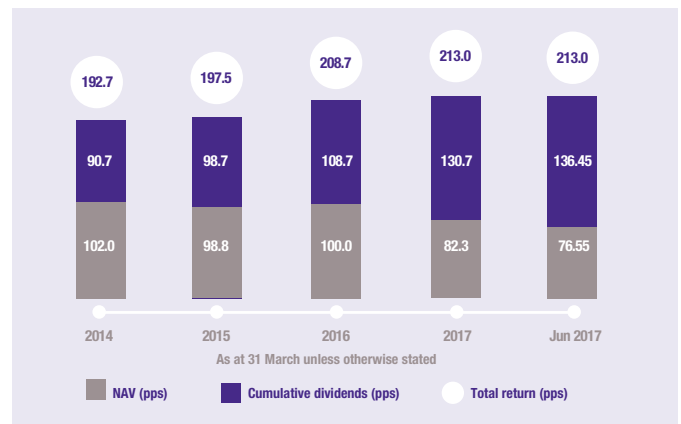
Sold to North Essex based business software company Access Group

## INVESTMENT RATE OF RETURN



Average investment rate of return per annum of the Company over 3, 5, 10 and 15 year periods to 31 March 2017.

## TOTAL RETURN



## TRANSFERRING MY VCT SHARES TO MY CHILDREN AND GRANDCHILDREN

As mentioned in my Welcome, a third of you are planning to transfer your VCTs to your children or grandchildren. Many of you asked additional questions as to how this could be done and the things to consider.

### How do I go about transferring my shares?

- A very simple form needs to be completed and returned to Capita, along with your share certificate.
- Capita will process the transfer and send a new share certificate to the new shareholder.
- You can contact Tracey Nice who will send you the form and a guide.

### Watch out for:

- A transfer to children is a disposal and therefore you do need to consider whether the shares have been held for at least five years. If not, there will be a clawback of the initial VCT income tax relief.
- If the shares were purchased prior to 6 April 2004 and Capital Gains Tax deferral relief was claimed, then that deferred capital gain will become chargeable to capital gains tax.
- Any child/grandchild must be at least 18 years of age when they receive the shares in order to benefit from a CGT free exit and in order to receive dividends from the VCT tax free, provided that they do not acquire more than £200,000 of VCT shares in the tax year; and
- Normal inheritance tax rules apply to share transfers.

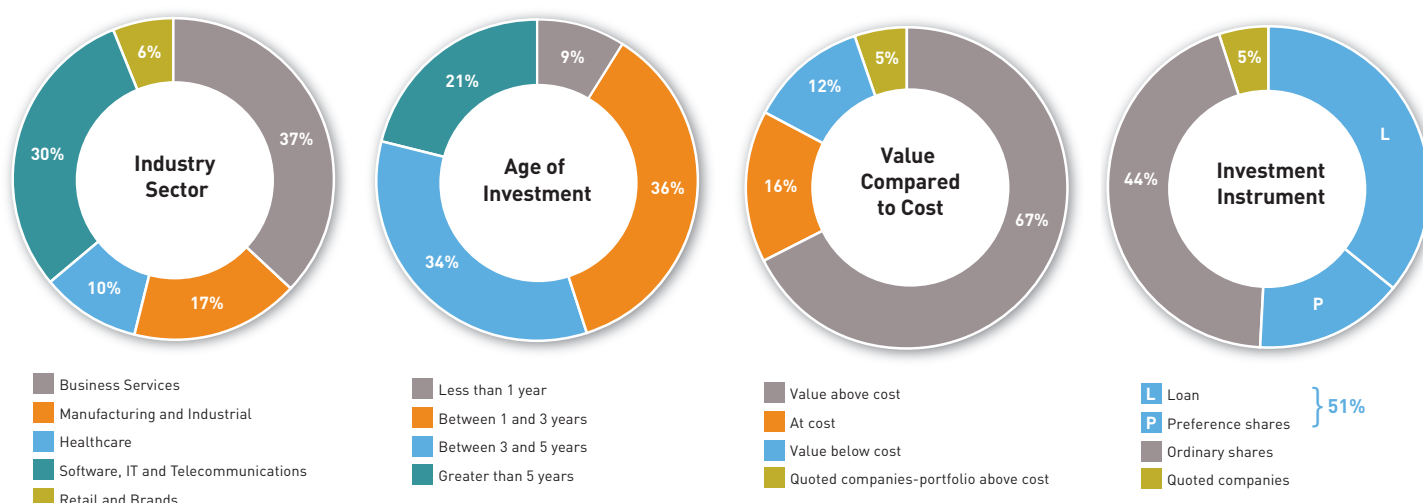
## PORTFOLIO UPDATE

In the three months to 30 June 2017 the investment portfolio (after netting off additions and proceeds) was unchanged in the quarter.

**The unquoted portfolio**, which comprised 95 per cent of the total portfolio, decreased by £2.32 million, with a small value fall of £0.06 million after netting off additional investment of £0.42 million offset by loan repayments and realisations of £2.69 million. The Top 10 investments saw a value gain in the quarter of £0.02 million. **The quoted portfolio** saw a value gain of £0.06 million in the quarter.

Company	Website	Unaudited investment valuation at 31 March 2017 £000	Proceeds £000	Additions £000	Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 30 June 2017 £000	% of net asset value of £83.7m
ACC Aviation (via NewAcc (2014) Limited)	flyacc.com	5,337	-	-	↑ 3	5,340	6.4%
Intelligent Office (via IO Outsourcing Limited)	intelligentofficeuk.com	4,488	-	-	↑ 146	4,634	5.5%
Mangar Health Limited	mangar.co.uk	3,995	-	-	↑ 192	4,187	5.0%
DisplayPlan Holdings Limited	displayplan.com	3,732	-	-	↓ (839)	2,893	3.5%
Springboard Research Holdings Limited	spring-board.info	2,590	-	-	↑ 245	2,835	3.4%
Business Collaborator Limited	groupbc.com	2,626	-	-	↑ 90	2,716	3.2%
GTK (Holdco) Limited	gtk.co.uk	2,431	-	-	↑ 99	2,530	3.0%
Gill Marine Holdings Limited	gillmarine.com	2,250	-	-	↑ 3	2,253	2.7%
Leengate Holdings Limited	leengatevalves.co.uk	2,160	-	-	↑ 78	2,238	2.7%
Matillion Limited	matillion.com	2,100	-	-	↔ -	2,100	2.5%
<b>Top 10 total</b>		<b>31,709</b>	-	-	<b>17</b>	<b>31,726</b>	<b>37.9%</b>
Remainder of unquoted portfolio		22,370	(2,689)	423	(74)	20,030	23.9%
<b>Total unquoted portfolio</b>		<b>54,079</b>	<b>(2,689)</b>	<b>423</b>	<b>(57)</b>	<b>51,756</b>	<b>61.8%</b>
<b>Quoted portfolio</b>		<b>2,440</b>	-	-	<b>58</b>	<b>2,498</b>	<b>3.0%</b>
<b>Total portfolio</b>		<b>56,519</b>	<b>(2,689)</b>	<b>423</b>	<b>1</b>	<b>54,254</b>	<b>64.8%</b>

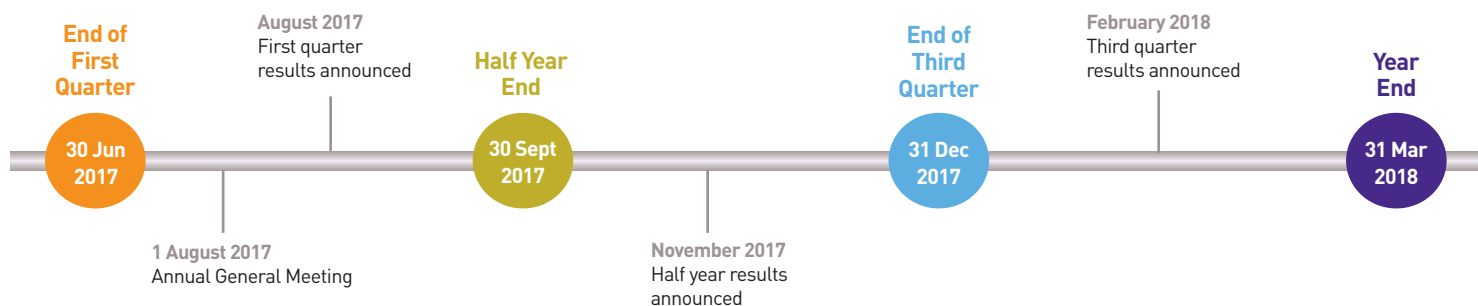
## PORTFOLIO AT A GLANCE



Data source: Based on BSC Valuations at 30 June 2017

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT plc may go down as well as up and you may not get back the full amount invested.

## KEY DATES



## FOR YOUR RECORDS - DIVIDENDS PAID AND DATE

The table below displays the dates when BSC dividends have been paid and we hope you find it useful in keeping and checking your records.

Date paid	Pence per share	Date paid	Pence per share	Date paid	Pence per share
<b>Cumulative to 31 March 2012</b>	<b>79.20</b>	7 January 2015	2.00	5 August 2016	2.00
17 August 2012	3.00	2 March 2015	2.50	5 August 2016	3.50
14 January 2013	2.00	4 August 2015	3.50	18 January 2017	16.50
13 August 2013	4.50	7 September 2015	3.50	26 May 2017	5.75
21 March 2014	2.00	15 January 2016	2.00	<b>Cumulative to 30 June 2017</b>	<b>136.45</b>
1 August 2014	3.50	11 March 2016	1.00		

## IMPORTANT NOTICE

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT plc ("the Company") may go down as well as up and you may not get back the full amount invested. An investment in a VCT is higher risk than investing in other securities listed on the London Stock Exchange official list. You should regard an investment in the Company as a higher risk, long term investment. The Company invests in mostly unquoted companies which are small and which by their nature carry a heightened level of risk.

In the past there has been limited liquidity in VCT shares listed on the London Stock Exchange. It may therefore be difficult to realise shares in the Company in the future and the share price may not reflect the underlying net asset value.

Tax rules and regulations can change over time and the tax reliefs available are dependent on the Company maintaining HM Revenue & Customs approval, on individual circumstances and on investors retaining their shares for a five year period. We recommend that you seek independent financial advice from an appropriately authorised

independent financial adviser as to whether an investment in the Company is suitable for you, as well as your personal entitlement to tax reliefs associated with any share offer by the Company.

**This Investor Update is not an offer to invest in the Company. It is an advertisement and is not a prospectus.**

This Investor Update has been issued and approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by YFM Private Equity Limited ("YFM"), which is authorised and regulated by the Financial Conduct Authority

(FRN: 122120). YFM is the Investment Adviser to the Company.

YFM Private Equity Limited is ultimately owned by YFM Equity Partners LLP which is registered in England and Wales No: OC384467. Registered Office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS.

## CONTACT US

For further information, including how to register for email communications, please call or email.

**Tracey Nice**  
Investment Services Manager

T: 0113 261 6478  
E: tracey.nice@yfmep.com  
W: bscfunds.com

