

## British Smaller Companies VCT plc (BSC)

# INVESTOR UPDATE Summer 2015



Dear Shareholder

I'd like to start by welcoming all of our new investors and thank those existing shareholders who subscribed in the recent offers.

### Overview

I'm delighted to report that following the 3.5 pence dividend paid in August, BSC has now paid over 100 pence of dividends, with a total return above 200 pence, a landmark achieved by only a very few VCTs.

In the three months to June we have seen a General Election, with the quarter also sandwiched between two budgets; one coalition and one Conservative government and the pound 13 per cent stronger against the euro compared to a year ago.

Against this backdrop the portfolio has shown a strong quarter's performance which has seen the NAV increase by 4.4 pence per share (4.5 per cent) to 103.2 pence per share.

### Proposed VCT rule changes

The last two budgets, including the one in July, announced proposed changes to some of the VCT and EIS investment rules. These have been driven principally by the EU. At the time of writing, whilst the principles have been announced, the detailed legislation is still being drafted and negotiated.

The immediate impact of this has been a slowdown in the investment rates across VCTs as a whole, and this looks set to continue until the Finance Bill comes into force later in the year.

It would be wrong at this stage to speculate on the precise impact of the proposed changes until there is more clarity on the detailed legislation. However, in principle the new rules are designed to be more restrictive than those previously in place which means that the overall pool of investments available to VCTs as a whole is likely to be smaller than previously.

With a strong emphasis on providing businesses with growth capital, which remains the core focus of the rules, we are well positioned to continue your Company's investment strategy although, under the new rules, there will likely be a slowing in the rate of increase at which the number of investments in the portfolio continues to grow.

### Communications

We are refreshing the Company's website with the emphasis on providing a comprehensive level of information and a more user-friendly format. The new site is planned to be launched in the next few weeks.

The recent move to electronic communications has been well received, with the vast majority of shareholders electing to receive reports issued by BSC electronically. For those of you who may not have returned your forms, please let Tracey Nice know if you wish to receive documents by email. Tracey's details can be found on the back page.

Thank you again for your continued support for BSC.

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

### HIGHLIGHTS In the Quarter

- Total return increases to 201.9 pence
- Portfolio comprised 40 investments at the end of the quarter
- Top 10 investments comprised 59 per cent of the portfolio
- President Engineering Group moved to single largest investment

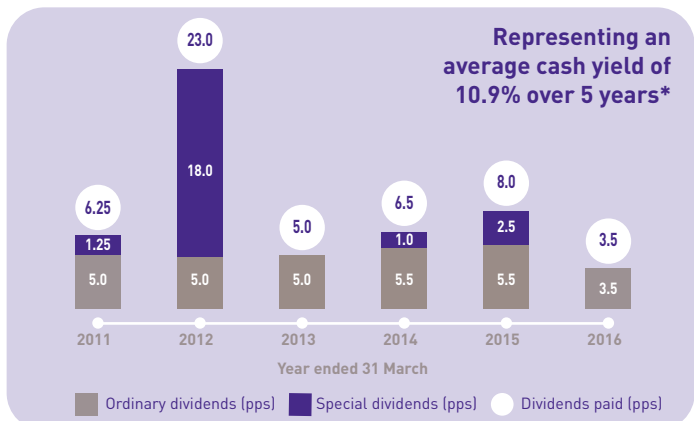
### Just after the Quarter

- On 1 July the investment in President Engineering Group was realised

### Dividends

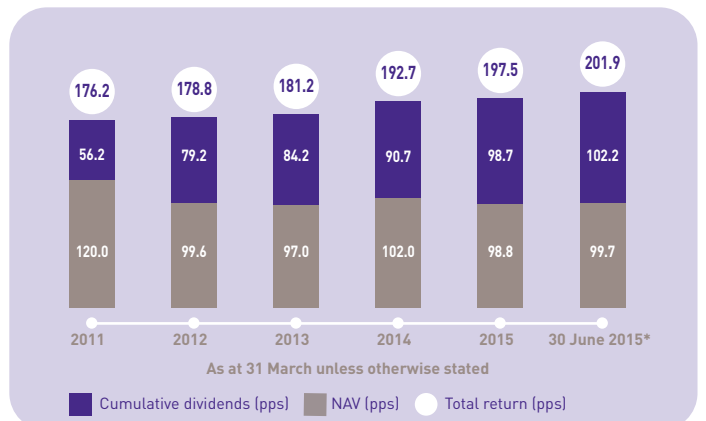
A dividend of 3.5 pence per share in respect of the year ended 31 March 2015 was paid on 4 August 2015 and, following the successful sale of President Engineering Group, a special dividend of 3.5 pence per share will be paid on 7 September 2015. This will take total dividends paid to 105.7 pence per share.

### DIVIDENDS PAID



\* Based on the average dividend paid over 5 years to 31 August 2015 expressed as a percentage of the last reported NAV (30 June 2015) as adjusted for subsequent dividends paid and excluding special dividend being paid 7 September 2015.

### TOTAL RETURN



\* NAV per share and cumulative dividends adjusted for the final 3.5 pence dividend paid on 4 August 2015 and excluding special dividend being paid 7 September 2015.

INVESTEE COMPANY FOCUS

CAMBRIAN PARK & LEISURE HOMES



“Cambrian has a strong product offering and a well-established UK brand for quality holiday lodges. With more people choosing to holiday in the UK and the increased popularity of staycations, it is the right time to expand the business into new parks and regions across the UK. With the support and backing of YFM Equity Partners we look forward to expanding the sales team and rolling out new locations over the next 12-18 months.”

Martin Leppard,  
Chairman of Cambrian

The business

An established manufacturer of high quality holiday lodges

Selling to holiday park operators

The strategy

To increase market share by widening geographic focus from the North to operating nationally

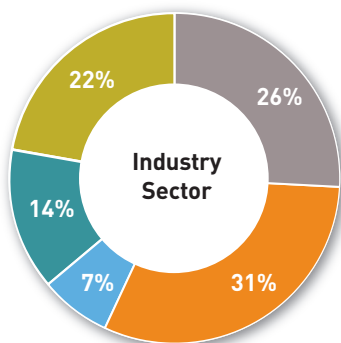
Position business as a manufacturer of bespoke holiday lodges for the leisure sector, with potential to expand into adjacent markets

Progress to date

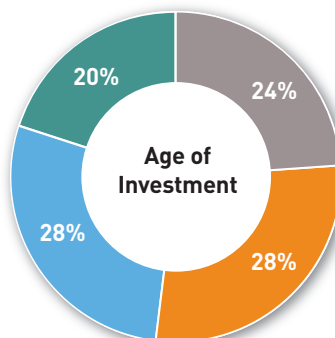
Strong levels of demand on the back of an improving economy has resulted in the business expanding from two to four sites and employee numbers growing by 50 since October 2014

An additional operating location to service the Midlands and South of England is currently being considered to capture excess demand

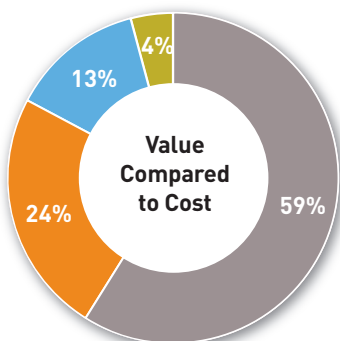
PORTFOLIO AT A GLANCE



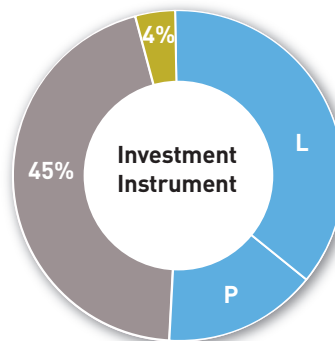
- Business Services
- Manufacturing and Industrial
- Healthcare
- Software, IT and Telecommunications
- Retail and Brands



- Less than 1 year
- Between 1 and 3 years
- Between 3 and 5 years
- Greater than 5 years



- Value above cost
- Value below cost
- At cost
- Quoted companies - portfolio above cost



- Loan (L)
- Preference shares (P)
- Ordinary shares
- Quoted companies

## PORTFOLIO UPDATE

In the three months to 30 June 2015 the investment portfolio (before netting off additions and proceeds) grew in value by £3.76 million, representing an increase of 6.8 per cent over the opening portfolio value.

The unquoted portfolio, which comprises 96 per cent of the total portfolio saw a value gain of £3.66 million, with no significant realisations but loan repayments of £0.2 million. There were several businesses making good progress and seeing value gains with the top 10 up £3.90 million, led by a £3.08 million unrealised gain on President Engineering Group Limited which made significant progress towards a profitable realisation in July. The quoted portfolio saw a small value gain of £0.10 million before netting off £0.35 million of realisations.

Company	Website	Investment valuation at 31 Mar 2015 (£000)	Proceeds (£000)	Additions (£000)	Valuation gains (losses) including profits on disposal (£000)	Investment valuation at 30 Jun 2015 (£000)	% of Net asset value of £93.1 m
President Engineering Group Limited	conflow.com/bestobellvalves.com	4,559	(100)	-	3,075	7,534	8.1%
GO Outdoors TopCo Limited	gooutdoors.co.uk	6,488	-	-	287	6,775	7.2%
Intelligent Office (via IO Outsourcing Limited)	intelligentofficeuk.com	3,899	-	-	477	4,376	4.7%
DisplayPlan Holdings Limited	displayplan.com	3,286	-	-	98	3,384	3.6%
Mangar Health Limited	mangar.co.uk	3,279	-	-	(156)	3,123	3.3%
Gill Marine Holdings Limited	gillmarine.com	2,382	-	-	1	2,383	2.6%
GTK (Holdco) Limited	gtk.co.uk	2,084	-	-	115	2,199	2.4%
ACC Aviation (via New Acc (2014) Limited)	flyacc.com	2,068	-	-	-	2,068	2.2%
Harvey Jones Holdings Limited	harveyjones.com	2,010	-	-	10	2,020	2.2%
Business Collaborator Limited	groupbc.com	2,010	-	-	-	2,010	2.2%
<b>Top 10 total</b>		<b>32,065</b>	<b>(100)</b>	<b>0</b>	<b>3,907</b>	<b>35,872</b>	<b>38.5%</b>
Remainder of unquoted portfolio		20,595	(153)	2,500	(243)	22,699	24.4%
<b>Total unquoted portfolio</b>		<b>52,660</b>	<b>(253)</b>	<b>2,500</b>	<b>3,664</b>	<b>58,571</b>	<b>62.9%</b>
<b>Quoted portfolio</b>		<b>2,869</b>	<b>(349)</b>	<b>-</b>	<b>100</b>	<b>2,620</b>	<b>2.8%</b>
<b>Total portfolio</b>		<b>55,529</b>	<b>(602)</b>	<b>2,500</b>	<b>3,764</b>	<b>61,191</b>	<b>65.7%</b>

## INVESTEE COMPANY FOCUS

## INTELLIGENT OFFICE



"I am delighted to be working with YFM again. The combination of Intelligent Office's excellent customer service and YFM's supportive style of working in partnership with management teams will be the key ingredients of success."

James Greenbury,  
Chair, Intelligent Office

## The business

Business process outsourcing, specialising in the legal sector

Established in 2001 and now a significant niche player with a wide range of clients and £18 million turnover

Clients are mainly top 150 UK legal firms

## The strategy

Develop existing customer relationships and add new ones as outsourcing market grows

Widen service offering and consider move into adjacent markets

Develop relationships with international BPO businesses to service their UK clients

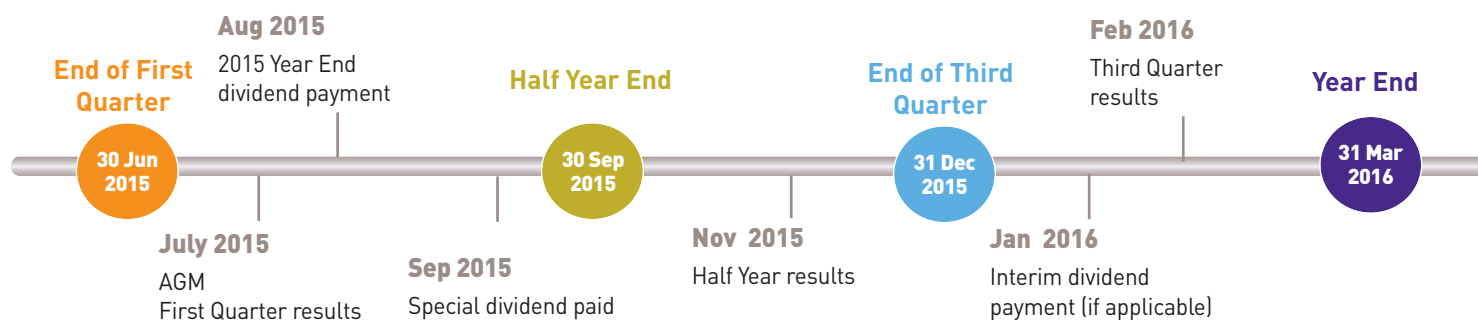
## Progress to date

Continued growth from existing clients since our investment plus the recent addition of the company's largest new client win to date

Additionally a new office has been opened to facilitate more work in transcription services

Strong pipeline of potential new clients as a result of investment in the Business Development Team since our investment and a buoyant market

## 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 2005</b>	<b>26.75</b>	11 February 2009	2.0	17 August 2012	3.0
5 August 2005	2.2	13 August 2009	3.0	14 January 2013	2.0
10 January 2006	1.5	7 January 2010	2.0	13 August 2013	4.5
11 August 2006	3.0	28 September 2010	4.25	21 March 2014	2.0
6 November 2006	1.5	7 January 2011	2.0	1 August 2014	3.5
8 August 2007	3.0	22 August 2011	3.0	7 January 2015	2.0
16 November 2007	2.0	22 August 2011	18.0	3 March 2015	2.5
8 August 2008	3.0	20 January 2012	2.0	<b>Cumulative at 30 June 2015</b>	<b>98.7</b>
				4 August 2015	3.5
				7 September 2015 (proposed)	3.5

## 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 and may not be relied upon in connection therewith. It does not constitute an investment memorandum, prospectus or agreement.**

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.

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