

## Full Manager Report **Symvan Capital**

### Symvan Technology SEIS Fund & EIS Fund

#### Summary

The funds' strategy is to invest in EIS qualifying companies involved in the development, commercialisation and sale of innovative technologies or services or use them to gain a competitive advantage.

	Positives	Issues
<b>Why Invest?</b>	<b>Strategy:</b> Exposure to a portfolio of early start-up or early stage technology companies.	<b>Portfolio Risk:</b> Early stage companies carry significant risk, though Symvan have had no failures to date.
<b>The Investment Advisor</b>	<b>Team:</b> Symvan bring a broad range of capital markets experience and a focus on a company's funding needs throughout its investment period.	<b>Depth of Staff:</b> The Symvan team is very small, though has very experienced advisors and only a few companies to manage.

#### Nuts & Bolts

- ▶ **Regulation:** The funds either have Symvan as Fund Manager or have Amersham Investment Management as the manager with Symvan as the Investment Advisor.
- ▶ **Diversification:** Exposure to a 'handful' of companies – previous products/closings have had 4-6 investments.
- ▶ **Valuation:** Initially companies will be unquoted. Validation prior to exit mainly through follow on investments.

#### Specific Issues

- ▶ **Fees:** All charged via company except performance fee, though some may be taken in warrants to reduce cash flow strain. Performance fee of 20% of all gains.
- ▶ **Investment Process:** A life-cycle approach to investment, looking at the plan for the next five years. Focus on deeper rather than wider, knowledge of companies and management.

Manager information	Risks
(S)EIS assets            £2.3m	▶ <b>Target returns:</b> The target return is around £1.60 for each £1 invested, which is appropriate for a higher risk product.
Total Funds raised    £5.0m	▶ <b>Risk Mitigation:</b> The Symvan approach is one of 'deeper rather than wider', with a strong focus on management.
Launch date            2014/2015	

#### Analyst

Brian Moretta      020 7929 3399

**Important Note – Prohibition on marketing to retail clients in the UK**

Disclaimer: Attention of readers is drawn to important disclaimers printed at the end of this document

## Table of Contents

<b>Factsheets</b> .....	<b>3</b>
<b>Fund Aims</b> .....	<b>5</b>
Summary of Risk Areas.....	5
Risk Analysis / Commentary.....	6
<b>Investment Process</b> .....	<b>7</b>
Cognisess Case Study (part 1).....	9
Governance and Monitoring .....	9
Cognisess Case Study (part 2).....	10
Track Record.....	11
Fees .....	12
<b>Regulatory and Staffing</b> .....	<b>13</b>
<b>Appendix 1 – Due Diligence Summary</b> .....	<b>14</b>
<b>Appendix 2 – Example Fee Calculations</b> .....	<b>15</b>
<b>Disclaimer</b> .....	<b>17</b>
<b>Hardman Team</b> .....	<b>18</b>

## Factsheets

### Symvan Technology SEIS Fund 2

Product name	Symvan Technology SEIS Fund 2
Product manager	Amersham Investment Management
Product Advisor	Symvan Capital
Tax eligibility	SEIS
Target return	£1.60 for each £1 invested
Target income	None
Type of product	Discretionary portfolio service
Term	Evergreen
Sectors	Technology
<b>Diversification</b>	
Number of companies	4-6
(Expected) Gini coefficient	0.17-0.25

<b>Fees</b>	<b>Amount</b>	<b>Paid by</b>
Initial fees	10%	Investee company
	£4,000 across portfolio (Custodian fee)	Investee company
Annual fees	£3,540 per company 2% (Monitoring fee – discretion exercised if cash flow weak)	Investee company
	Directors fee (variable)	Investee company
	£100 per investor (Custodian fee)	Investee company
Performance fee	20%	Aggregate proceeds over subscription
Exit fee	£1,500 per company	

#### Effect of fees on £100,000 investment

Advisor fee facilitation	Yes
Advisor fee amounts	By arrangement
HMRC Approved?	No
Advance Assurance	For each investment
Reporting	6 monthly (as of 30 June and 31 December)
Minimum investment	£10,000
Current funds raised	£1.1m
Fundraising target	£1.5m
Closing date(s)	As funds are raised
Expected exit method	Mostly trade sale

Source: Symvan Capital, Hardman & Co research

## Symvan Technology EIS Fund

Product name	Symvan Technology EIS Fund
Product manager	Symvan Capital
Tax eligibility	EIS
Target return	£1.60 for each £1 invested
Target income	None
Type of product	Discretionary portfolio service
Term	Evergreen
Sectors	Technology
<b>Diversification</b>	
Number of companies	4-6
(Expected) Gini coefficient	0.17-0.25

<b>Fees</b>	<b>Amount</b>	<b>Paid by</b>
Initial fees	6%	investee company
Annual fees	2% (Administration & Monitoring fee)	Investee company
Performance fee	20%	Aggregate proceeds over subscription
Exit fee	none	

**Effect of fees on £100,000 investment**

Advisor fee facilitation	Yes
Advisor fee amounts	By arrangement
HMRC Approved?	No
Advance Assurance	For each investment
Reporting	6 monthly (as of 30 June and 31 December)
Minimum investment	£20,000
Current funds raised	£0.5m
Fundraising target	£10m
Closing date(s)	As funds are raised
Expected exit method	Mostly trade sale

Source: Symvan Capital, Hardman & Co research

## Fund Aims

Symvan Capital currently have two open funds: the Symvan Technology SEIS Fund 2, where Symvan are Investment Advisor, and the Symvan Technology EIS Fund, which they are Investment Manager of. Both are discretionary services that invest in a portfolio of early stage or start-up technology companies. Both funds have a target return of around £1.60 for each £1 invested. There is no income target on either fund. The funds have no set exit target, but there is acknowledgement that investors may wish to exit after three years and a variety of potential routes are outlined.

For SEIS Fund 2 the manager is Amersham Investment Management, with Symvan as the Investment Advisor.

## Summary of Risk Areas

*Note that there are generic risks from investing in (S)EIS or unquoted companies in addition to the specific ones commented on below. Comments on relative risk refer to other EIS investments and not to wider investments.*

### Investments

#### *Portfolio Risk*

Each investment will be providing risk capital to an unquoted early stage technology company. Symvan aim to have a 'handful' of companies in each portfolio, which has been 4-6 in practice. Sector diversification is limited and stock specific risk should dominate market risk.

The target return of £1.60 for each £1 invested supports a higher risk strategy, with the individual investments being into early stage technology companies.

#### *Sourcing and External Oversight*

Symvan appear to have a good sourcing network and is also more pro-active about seeking out potential investments than many managers. Sourcing the required number of investments looks very achievable.

Symvan have a very strong and experienced advisory panel, as well as strong support from its Angel network, which, inter alia, helps with technology validation. Amersham are also doing independent due diligence on each investment.

#### *On-going Support and Monitoring*

Support for investee companies comes through a combination of Symvan Capital being appointed to the board, regular ongoing contact and support from Symvan's advisory panel and Angel Network.

#### *Exits*

Limited track record to date, but expect to achieve exit mostly via trade sales. Return profile of individual investments is likely to be skewed, with successful investments probably giving very good returns while those that do not will give little or nothing back.

## Manager

### *Team*

The Symvan team is very small, though the number of investee companies to date is also small, allowing them to pursue their 'deeper not wider' approach. The Directors work closely enough that each could cover the other if need be. While there is some further capacity with current staffing, they are currently recruiting in advance of needs as the company grows.

### *Track Record*

To date they have made 11 investments with no exits. Across the portfolio the average uplift is 18.5%. Hardman & Co see the track record as promising, though it is still at an early stage.

## Regulation

### *Product*

Advance Assurance is sought for each investment.

### *Manager*

The manager of SEIS 2 Fund is Amersham Investment Management, with Symvan as the Investment Advisor. For the EIS Fund Symvan is the Fund Manager. Both companies are FCA registered and both have the appropriate fund management permissions. Submissions to Companies House appear to be up to date.

## Risk Analysis / Commentary

The broad experience of the Symvan team belies its short history. They give the impression of having thought very hard about their investment process and it is articulated as well as anyone in the field. Reassuringly, they come across as pragmatic financiers rather than technology evangelists. The age of the company does mean the track record currently lacks depth, but its returns so far show promise. Their success in attracting follow on investment gives further support to their approach.

Investors do need to be aware they will be investing risk capital into early stage technology companies. Symvan's hands on approach and pool of advisors do give some comfort. There have been no failures in their portfolio to date, but almost every conversation we have had with the Directors has included their expectation that some will occur. The small size of the team does not give concern with the current portfolio size, and we are reassured that plans are in hand to recruit in anticipation of future growth.

Diversification is an important consideration for any investor – while the companies that succeed are likely to produce exceedingly good returns, those which do not, may return little. Diversification within each fund is limited, though typical for products in this area. Both funds should be considered in the context of an investor's entire portfolio.

Overall the Symvan approach is very well thought out with a track record that suggests it may deliver in due course.

## Investment Process

### Deeper dig into process

The Symvan Capital approach to investment blends two distinctive strategies. The first is 'life-cycle' investing, considering the capital needs of a company from initial investment to exit. The second they characterise as 'deeper not wider', with the emphasis being much more on company management than the technology.

Symvan list five success factors that they see as being critical:

- ▶ **Company selection:** As mentioned above, the most important part of this is the quality of the management team. Symvan spend a few months getting to know them before considering investing.
- ▶ **Follow on funding:** SEIS funding is limited and usually not sufficient to bring a company to success. Symvan look to map out the future needs and plan for those.
- ▶ **Exit planning:** Looks to incubators to de-risk investments. They mention that accelerators can bring vital support and enhance credibility or provide natural exit options.
- ▶ **Sector and SME experience:** Symvan's own experience together with that of their advisors who are strong in the technology areas. They use this to identify weaknesses early (all companies at this stage have some!) and, if necessary, bolster the management team.
- ▶ **Portfolio size:** With limited capital Symvan can afford to be highly selective, only looking to choose the best opportunities from those that it sees. It also means that the managers are able to spend meaningful time supporting their investments.

The 'life-cycle' approach to their investments is clear in these factors. They do not just consider whether the company is a good investment now, but how their needs will develop over time and how Symvan can support that. We note that most of the investee companies to date have received follow on funding, which is supportive of their approach. The launch of the EIS Fund in 2016 is a useful factor in supporting that, though they do have links to other sources of capital.

Symvan see investing in a company as entering a five-year relationship. The process of getting to know the management is a little like a multi-stage interview. Symvan make sure they meet the management in different environments and for different purposes to get a broad feeling for their capabilities. They are looking to assess competence, honesty and ethic. One particular matter they would like to avoid is an unwillingness to take advice, something the Symvan Directors have learned from past experience.

Technology is assessed through their expert network. Symvan have a very experienced advisory panel, and within their network have good contacts with technology users, who can inform them on the likelihood of successful commercialisation. The advisory panel has expertise in machine learning, mobile & mobile platforms, IT security, media and financial technology. The funds will not invest in biotech.

### *Sourcing Deals*

Symvan is more proactive in sourcing deals than many other (S)EIS managers. It does take measures to identify and approach potential investments, often through their connections to accelerators and visiting the latter's pitch days.

It does also follow the more conventional route of sourcing deals through their network of accountants, lawyers, advisors and Angel investors. Historically the split has been roughly half active and half passive. Given the small number of deals that Symvan requires, we do not envisage any sourcing issues. Currently their conversion rate is roughly one investment for every fifty considered.

There is a slight geographical preference in Symvan's company selection process, with a desire to be close to the company. There is no formal restriction, but this together with a stronger London network has led to about two-thirds of the deals done to date having been based in the capital.

Symvan aim to spread investments across several different technology areas, which they list as: Media & Entertainment (digital media and gaming), Software, Machine Learning and Analytics, Social Media and Digital Media. As noted above they do not invest in biotech. Investors will get exposure to a 'handful' of companies. The first tranche of SEIS Fund 2 was spread across six investments, the previous fund across four, and we would expect future tranches to have a similar spread.

Funds may be released to companies in tranches that are conditional on the achievement of defined milestones.

The funds may be co-invested with other parties. To date they have done this twice, once with an accelerator fund and once with another SEIS/EIS fund. Symvan do not expect this to be common for SEIS, but more likely in their EIS Fund. They emphasise that they do not rely on any co-investing party's due diligence.

### *Decision Making*

All approaches for a potential investment get a quick look from a Director before a more junior member of staff does a brief review with potential Yes/No and summary report. There is a weekly meeting with the Directors to go through these.

Once an investment is to proceed, it enters Symvan's due diligence process. They emphasise that this is an ongoing process rather than a snapshot. Initially it is spread over a period of time to allow the getting to know of the management. Valuation is seen as a key part of this, with agreement required at an early stage.

The Investment Committee differs for the two funds. For the SEIS Fund it is joint with Amersham, who also do their own diligence. Any member of the committee can veto an investment, though we understand that these are rare. Amersham's input is more than a rubber-stamping process. They have a similar process in place for other EIS funds that they are managers of.

The Directors of Amersham bring significant experience in the technology area themselves and, as importantly, are well connected with people they can use to give an independent corroboration of most technologies. In other products they reject around one in ten to one in twelve of proposed investments.

For the EIS Fund the Investment Committee consists to of the Symvan Directors plus two members of the Advisory Panel (Rob Bird & Julian Simpson). Any decisions to invest have to be agreed by all the members of the committee.



## Cognisess Case Study (part 1)

### *Cognisess Description*

Cognisess is an online talent management platform. The concept is similar to the personality/aptitude tests that have been part of many companies' recruitment process for some time, but developed much further. Based on developments in cognitive neuroscience, the company uses online games together with some statement based surveys to assess a wide range of attributes. The aim is to provide a deeper insight into job applicants' strengths to allocate them the role best suited to them. A key factor for marketing is pricing – by using a 'software as a service' platform it can price at a fraction of traditional approaches while being more effective.

### *Symvan Capital Investment*

Symvan first encountered Cognisess almost three years ago through the Microsoft Accelerator Programme in London. At this stage the company had finished its initial product development and had its first pilot clients.

The time to the first investment was slower than usual – as well as the lengthy process of getting to know the management, Cognisess spent some time in talks with a recruitment industry player which was seeking to make a significant investment. However, these eventually fell through as Cognisess felt the proposed terms were too onerous. Overall it took a year from first contact to investing.

Some of the key factors that attracted Symvan include:

- ▶ Management that have deep knowledge in the area together with impressive scientific advisors.
- ▶ Very credible existing clients included Havas, Ford and PayPal. Pipeline also strong.
- ▶ Clear ownership of intellectual property, though software itself is not yet patent protected as advice was that it was not cost effective at that time.
- ▶ Technology is scalable and potentially disruptive.

It is worth noting that there are competitors that offer similar products. Interestingly IHG used a competitor, but have started using Cognisess. As well as getting advice from their Angel network, Symvan extensively tested the software themselves, and, incidentally, gained insight into their own abilities while doing so.

The initial investment from the first closing of SEIS Fund 2 was for £150,000 with a pre-investment valuation of £2.25m.

## Governance and Monitoring

All investee companies will have received Advance Assurance from HMRC before any cash is invested.

Investors will receive reports from Symvan every six months. Where there has been a significant subsequent third-party share transaction then the valuation will be based on that, otherwise they will be held at cost.

A condition of Symvan investing in a company is the latter appoint Symvan Capital Limited to the board as a corporate director. This allows both of the Symvan Directors to be actively involved with each company. Further two of their advisors have each been appointed to an executive role in an investee company.

As can be gathered from the investment process, Symvan's relationship with the investee companies is an ongoing one. At its most basic, the Symvan investment agreement gives them veto rights over most capital decisions within the company. They also have meetings with management at least monthly, though communication is typically more frequent. Symvan's primary support is capital markets, though they do provide some business support, mainly through their advisors and network.

Symvan places great emphasis on good corporate governance, which they see as establishing good habits before bad ones can set in. This helps ensure that investors are treated fairly and potential future investors/acquirers are not put-off by poor practice.

The nature of investing in such early stage companies is that they are likely to be unprofitable when the SEIS investment takes place. In most cases they will require follow on investments to get to the point of reaching profitability. Once the SEIS allowance of £150,000 per company is used up, no further investment can be made under the scheme, and as almost all investments will be of that size the SEIS fund is unable to make follow on investments.

Investors will usually get the opportunity to participate in post SEIS follow-ons – even where pre-emption rights have been waived, Symvan will make sure investors are informed of subsequent fundraisings. Investors who do not participate in follow on fundraisings may, depending on terms, have their existing investment diluted. New investors who get EIS benefits may look to hold for a further three years to secure their tax reliefs, possibly delaying any exit. Existing investors who do not follow on their investment need to accept that this may be a price of making their holding more valuable.

It should be noted that Symvan Capital collaborates with a corporate finance company, Symvan Securities, which is also owned by the Symvan Directors. This has done several of the follow-on fundraisings for the SEIS investments. There is no obligation for investee companies to use them and any relationship is non-exclusive. Procedures are in place should any conflicts of interest arise. Symvan Capital has also launched an EIS Fund which has already participated in four follow-on investments.

Although not emphasised in their literature, Symvan has a very strong Angel network. This has proved to be a strong source of funds as well as providing some expertise. Their list comprises around 1,200 individuals, with Symvan classifying about 150 of those as active. These are distinct from investors into the funds in that they are generally sophisticated investors who typically do their own due diligence. Since 2014 Symvan has raised almost £3m through the network, more than twice as much as the funds.

As noted below, due to its short history Symvan has not had any exits yet from its funds. The information memorandum cites a list of possible methods, including further fundraisings, use of internally generated cash, company sale or merger or third party sale. Investors should note that if an exit is not achieved within five years then there is the possibility they will be transferred back to the beneficial holder.

## Cognisess Case Study (part 2)

Since the investment SEIS in 2015 the company has made good progress. In particular, it has secured several new clients, including Intercontinental Hotel Group, Volkswagen UK and Uber in Australia. They have also updated their software and expanded the team to seven staff.

Over the course of this time Symvan have been in regular contact with the company, particularly Chris Butt (CEO). This has extended beyond the regular board meetings and Symvan has on occasions, been active in supporting the business development. For example, they gave advice to Cognisess when they were negotiating the IHG contract and have been involved in other new business developments.

Cognisess is still in the early stages of development and continues to require support. As per one of their main objectives, Symvan have continued to make sure that corporate governance is not left behind in the quest to drive the company forward. In particular, they strive to make sure their (electronic) data room is kept up to date, as are Company House filings. This made planning the recent fundraising much easier. For Cognisess all the finance functions are currently outsourced and Symvan have given support here too, striving to make sure this is kept up to date. Symvan note that other companies have required different support.

Recently the company has partially completed a fundraising of £0.5m with a pre-money valuation of £2.5m, having completed £0.3m in 2016. All the funding was sourced by Symvan. Upon completion of the round the company will be funded for the next 8-12 months. The additional money will be used to recruit further. Already the R&D capability has been expanded. When the balance is raised there will be recruitment on the sales side (which to date had fallen mostly on the CEO).

They are also continuing to source research to make the product better and in the second half on 2016 worked hard on v2 of the platform. They have recently added an online video interview facility which can add an interpretative layer of facial analysis, as well as a multi-language option. Early indications are the revamp is being received well.

### *Future Plans*

As would be expected from Symvan's success factors, there is a roadmap for how they see Cognisess's future funding needs. There will likely be another funding round in mid-late 2017. If they are successful in getting US clients then that may involve US venture capital, but regardless they are confident that there will be ongoing growth and funding should be obtainable. HR has become a hot tech sector, suggesting the market as whole will be supportive.

When it comes to exit they anticipate that the most likely form is a trade sale in about three years. While they believe the company would be suitable for an IPO, they feel that it will be a very attractive asset for one of the big recruitment companies.

## Track Record

Symvan is a relatively young company, having only started to raise SEIS funds in 2014. To date they have raised money in two SEIS funds and they also have a relatively new EIS fund. To date none of the companies have exited yet, though most companies have had follow-on funding. This funding has come from within the Symvan network, including its EIS Fund, and third party investors. None have failed.

The first fund, the Seed EIS Opportunities Fund, made four investments, all of which have received follow-on funding. Of these one was at the same valuation as the fund invested with the others getting uplifts of 20%, 38% and 43% for an overall change of 22.7%.

The Technology SEIS Fund 2 has made six investments to date. These are younger than those from the other fund, and only three have had valuation uplifts, of 3%, 8% and 72%, the investment portfolio having moved 11.7% in total.

The EIS Fund has made four investments to date, all into companies that had already received funding from the SEIS funds. None of these have had a valuation change since the EIS fund invested, though three are showing gains on the SEIS entry value.

At the time of writing several of the investments are looking for further funding at higher valuations. Symvan also tell us that one company has been unable to scale as expected and may be under review in early 2017. While it is possible that the business may continue on an ex-growth basis, other options are being considered.

Overall it is very early days with no exits having been achieved yet. Despite that the track record so far does look promising.

## Fees

The fees are listed in full in the Factsheets on pages 3 and 4. They are largely paid through the companies. In late 2016 Symvan became the fund manager of the EIS Fund, reducing the number of parties, and, we are pleased to note, also reducing the fees payable.

As is usual for SEIS products, the small scale of the investments means the fees in the SEIS Fund are somewhat higher than other products.

## Fundraising targets

The SEIS Fund 2 has a fund raising target of £1.5m and to date has raised £1.1m. Future closings will be subject to a minimum of £250,000. The fund has a target life of between three and six years, and we would suggest that the upper end of that seems most likely in practice.

The minimum investment is £10,000. The staggered closings mean that individual investors may not own shares in all investee companies.

The EIS Fund has a fund raising target of £10m and to date has raised £0.5m. The first closing was 4 April 2016. The fund has a target life of seven years. The minimum investment is £20,000.

## Regulatory and Staffing

### People

#### *Kealan Doyle – CEO and co-founder, Symvan Capital*

Has had wide ranging experience having worked in structured equity products at HSBC, derivatives at Deutsche Bank and was an economist at UBS. More recently has advised SME clients on IPOs, and co-founded Symvan Securities in 2010.

#### *Nicholas Nicolaides – Director and co-founder, Symvan Capital*

Started his career in Equity Capital Markets at BNP Paribas, latterly focussing on TMT. Spent years at Lehman's, before having senior roles at smaller corporate finance houses. Co-founded Symvan Securities in 2010.

#### *Rob Bird – Advisory Panel and EIS Fund Investment Committee*

An expert on big data and machine learning, he is the author of 10 patents in the area and is on the Editorial Board of the Journal of Big Data. Following ten years at the University of Florida, he has led Akamai Technologies machine learning Center of Excellence since 2014.

#### *Julian Sampson – Advisory Panel and EIS Fund Investment Committee*

After 15 years in compliance roles, he founded Fulcrum Compliance in 2008. Since then he has supplied consulting services to FCA regulated firms. He spent six years as Chairman of the CISI Compliance Forum and was a member of the British Standards Institute Steering Committee.

### Firm

In addition to the Directors, Symvan has three other staff plus contracted consultants for sales and compliance. It is currently recruiting another member of staff to support the investment management process. The advisory team has four other members who are not on a fund Investment Committee and, as referred to earlier, includes industry experts and an executive coach.

The Symvan Capital team is very small, though they have a very strong, experienced group of advisors. As the number of investee companies grows the company will have to recruit further. They estimate that they could cope with 15 investments with their current team size, with the additional member of staff likely to increase that.

The Amersham Directors also have experience in many technological areas, but also possess a broad range of contacts who they will use in their validation of suggested investments.

## Appendix 1 – Due Diligence Summary

Summary of core due diligence questions		
Symvan Capital		Validated by
Founded	2013	Hardman & Co
Type	Limited Company	Hardman & Co
Ownership	Equally by Directors	Hardman & Co
FCA Registration	Yes – 685262	Hardman & Co
Solvency	Confirmed	Hardman & Co
EISA member	Yes	Hardman & Co
PI arrangements	Yes	Hardman & Co
<b>Administrator</b>		
Company	Woodside Corporate Services	Information Memorandum
FCA Registration	Yes – 467652	Hardman & Co
<b>Fund Custodian</b>		
Company	Woodside Corporate Services	
FCA Registration	Yes – 467652	Hardman & Co

Source: Hardman & Co Research

Symvan Capital Limited is a limited company incorporated in 2013. In 2015 Symvan Capital become FCA Registered and in 2016 obtained permissions for managing an unauthorised Alternative Investment Fund. The latest published accounts are as of 31 December 2015 and, as it is a small company, are abbreviated. Hardman & Co has been supplied with the full audited accounts. Symvan Capital is an “IFPRU €50k” company. Hardman can confirm capital is in excess of its requirement.

The ownership of Symvan Capital is split equally between Nicholas Nicolaidis and Kealan Doyle. The same people own the related Symvan Securities.

### *Amersham Investment Management*

Amersham Investment Management Limited is a limited company incorporated in 2009 as Beach Street Financial Solutions, changing its name in 2012. It is FCA Registered (number 507460) with appropriate permissions for a fund manager. The latest accounts are as of 31 October 2015 and are abbreviated under the small company provisions. Shareholders’ funds at that date were £136,000. The company is a “BiPru 50” firm and exceeds its capital requirement comfortably.

Paul Barnes owns 81% of the ordinary shares of Amersham, with the balance owned by Michael Waller-Bridge.

## Appendix 2 – Example Fee Calculations

This calculates the estimated amount payable to the manager under certain assumptions. We only add in the income tax relief and do not allow for other tax benefits, such as loss relief, which will also be valuable to some investors.

### Basic Assumptions

Term	5 years
Investor amount	£100,000
Company investment	£150,000
Fund Size	£1.5m

Source: Hardman & Co Research

### Estimated fees payable to manager/advisor – SEIS Fund 2

		Hardman Standard			Target
Gross Return		-50%	0%	50%	60%
Amount (pre tax relief)		£100,000	£100,000	£100,000	£100,000
<b>Initial Fees</b>	<b>Rate</b>				
Manager	10.00%	£10,000	£10,000	£10,000	£10,000
Fund Setup fee	1.2% (equivalent)	£1,200	£1,200	£1,200	£1,200
Custodian	£4,000 share of, included in Setup Fee	£0	£0	£0	£0
<b>Total</b>		<b>£11,200</b>	<b>£11,200</b>	<b>£11,200</b>	<b>£11,200</b>
<b>Annual Fees</b>	<b>Rate</b>				
	£3,540 pro forma	£2,360	£2,360	£2,360	£2,360
Monitoring	2.00%	£2,000	£2,000	£2,000	£2,000
Custodian	£100	£100	£100	£100	£100
Total (5 years)		£22,300	£22,300	£22,300	£22,300
<b>Net investment</b>		<b>£100,000</b>	<b>£100,000</b>	<b>£100,000</b>	<b>£100,000</b>
<b>Gross fund after investment return</b>		<b>£50,000</b>	<b>£100,000</b>	<b>£150,000</b>	<b>£160,000</b>
<b>Exit fees</b>	<b>Rate</b>				
Paid by company	£1,500	£1,500	£1,500	£1,500	£1,500
Performance	20%	£0	£0	£10,000	£12,000
Net amount to investor		£50,000	£100,000	£140,000	£148,000
Gain (pre tax relief)		-£50,000	£0	£40,000	£48,000
Gain (post tax relief)		£0	£50,000	£90,000	£98,000
Total fees to manager		<b>£35,000</b>	<b>£35,000</b>	<b>£45,000</b>	<b>£47,000</b>

Source Hardman & Co Research

**Basic Assumptions**

Term	5 years
Investor amount	£100,000
Company investment	£100,000

Source: Hardman &amp; Co Research

**Estimated fees payable to manager/advisor – EIS Fund**

		Hardman Standard			Target
Gross Return		-50%	0%	50%	60%
Amount (pre tax relief)		£100,000	£100,000	£100,000	£100,000
<b>Initial Fees</b>	<b>Rate</b>				
Administrator		£0	£0	£0	£0
Company	6.00%	£6,000	£6,000	£6,000	£6,000
<b>Total</b>		£6,000	£6,000	£6,000	£6,000
<b>Annual Fees</b>					
Administration & Monitoring	2.00%	£2,000	£2,000	£2,000	£2,000
Total payable		£10,000	£10,000	£10,000	£10,000
<b>Net investment</b>		£100,000	£100,000	£100,000	£100,000
Net investment		£100,000	£100,000	£100,000	£100,000
Gross fund after investment return		£50,000	£100,000	£150,000	£160,000
<b>Exit fees</b>					
Performance	20%	£0.00	£0.00	£10,000	£12,000
Net amount to investor		£50,000	£100,000	£140,000	£148,000
Gain (pre tax relief)		-£50,000	-£0.00	£40,000	£48,000
Gain (post tax relief)		-£20,000	£30,000	£70,000	£78,000
Total fees to manager		£16,000	£16,000	£26,000	£28,000

Source: Hardman &amp; Co Research



## Disclaimer

*Hardman & Co provides professional independent research services. Whilst every reasonable effort has been made to ensure that the information in the research is correct, this cannot be guaranteed.*

*The research reflects the objective views of the analysts named on the front page. However, the companies or funds covered in this research may pay us a fee, commission or other remuneration in order for this research to be made available. A full list of companies or funds that have paid us for coverage within the past 12 months can be viewed at <http://www.hardmanandco.com/>*

*Hardman & Co has a personal dealing policy which debars staff and consultants from dealing in shares, bonds or other related instruments of companies which pay Hardman for any services, including research. They may be allowed to hold such securities if they were owned prior to joining Hardman or if they were held before the company appointed Hardman. In such cases sales will only be allowed in limited circumstances, generally in the two weeks following publication of figures.*

*Hardman & Co does not buy or sell shares, either for its own account or for other parties and neither does it undertake investment business. We may provide investment banking services to corporate clients.*

*Hardman & Co does not make recommendations. Accordingly, we do not publish records of our past recommendations. Where a Fair Value price is given in a research note this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities/companies but has no scheduled commitment and may cease to follow these securities/companies without notice.*

*Nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell securities by us.*

*This information is not tailored to your individual situation and the investment(s) covered may not be suitable for you. You should not make any investment decision without consulting a fully qualified financial adviser.*

*This report may not be reproduced in whole or in part without prior permission from Hardman & Co.*

*Hardman Research Ltd, trading as Hardman & Co, is an appointed representative of Capital Markets Strategy Ltd and is authorised and regulated by the Financial Conduct Authority (FCA) under registration number 600843. Hardman Research Ltd is registered at Companies House with number 8256259. However, the information in this research report is not FCA regulated because it does not constitute investment advice (as defined in the Financial Services and Markets Act 2000) and is provided for general information only.*

*Hardman & Co Research Limited (trading as Hardman & Co)  
11/12 Tokenhouse Yard  
London  
EC2R 7AS  
T +44 (0) 207 929 3399*

*Follow us on Twitter @HardmanandCo*

*(Disclaimer Version 2 – Effective from August 2015)*

## Hardman Team

### Management Team

+44 (0)20 7929 3399

John Holmes	jh@hardmanandco.com	+44 (0)207 148 0543	Chairman
Keith Hiscock	kh@hardmanandco.com	+44 (0)207 148 0544	CEO

### Marketing / Investor Engagement

+44 (0)20 7929 3399

Richard Angus	ra@hardmanandco.com	+44 (0)207 148 0548
Max Davey	md@hardmanandco.com	+44 (0)207 148 0540
Antony Gifford	ag@hardmanandco.com	+44 (0)7539 947 917
Vilma Pabilionyte	vp@hardmanandco.com	+44 (0)207 148 0546

### Analysts

+44 (0)20 7929 3399

#### Agriculture

Doug Hawkins	dh@hardmanandco.com
Yingheng Chen	yc@hardmanandco.com
Thomas Wigglesworth	tcw@hardmanandco.com

#### Bonds

Brian Moretta	bm@hardmanandco.com
Mark Thomas	mt@hardmanandco.com
Chris Magennis	cm@hardmanandco.com

#### Building & Construction

Tony Williams	tw@hardmanandco.com
Mike Foster	mf@hardmanandco.com

#### Consumer & Leisure

Mike Foster	mf@hardmanandco.com
Steve Clapham	sc@hardmanandco.com
Jason Streets	js@hardmanandco.com

#### Financials

Brian Moretta	bm@hardmanandco.com
Mark Thomas	mt@hardmanandco.com

#### Life Sciences

Martin Hall	mh@hardmanandco.com
Gregoire Pave	gp@hardmanandco.com
Dorothea Hill	dmh@hardmanandco.com

#### Media

Derek Terrington	dt@hardmanandco.com
------------------	---------------------

#### Mining

Ian Falconer	if@hardmanandco.com
--------------	---------------------

#### Oil & Gas

Stephen Thomas	st@hardmanandco.com
Mark Parfitt	mp@hardmanandco.com
Angus McPhail	am@hardmanandco.com

#### Property

Mike Foster	mf@hardmanandco.com
-------------	---------------------

#### Services

Mike Foster	mf@hardmanandco.com
-------------	---------------------

#### Special Situations

Steve Clapham	sc@hardmanandco.com
Paul Singer	ps@hardmanandco.com

#### Utilities

Nigel Hawkins	nh@hardmanandco.com
---------------	---------------------

#### Hardman & Co

11/12 Tokenhouse Yard  
London  
EC2R 7AS  
United Kingdom

Tel: +44(0)20 7929 3399  
Fax: +44(0)20 7929 3377

[www.hardmanandco.com](http://www.hardmanandco.com)

