

RNS Number : 1201J  
Better Capital PCC Limited  
03 December 2018

3 December 2018

**BETTER CAPITAL PCC LIMITED**  
(the "Company")

**INTERIM RESULTS UPDATE**

Better Capital PCC Limited announces its 2018 interim results for both the 2009 Cell and the 2012 Cell.

**2009 Cell Interim Results**

- NAV at 30 September 2018: £28.3 million, NAV at 31 March 2018: £40.4 million, NAV at 30 September 2017: £40.4 million
- £210.0 million total capital raised
- £203.8 million net proceeds invested in Fund I
- £288.8 million/137.5 per cent. cumulative distributions and redemptions to date
- 54.7 per cent. return from NAV growth and distributions since inception<sup>1</sup>

<b>Key Financials</b>	
NAV	£28.3 m
NAV per share	80.28 pence
NAV total return (including distributions) <sup>1</sup>	54.7 per cent.
Annualised NAV total return (including distributions) <sup>2</sup>	6.5 per cent.
Share price at 30 September 2018	62.04 pence
Market capitalisation at 30 September 2018	£21.9m

- 9 total platform investments
- 10 follow-on investments
- 4 good realisations - Gardner, Santia, ATH Coal, Calyx Managed Services
- 3 poor realisations - Reader's Digest, Fairline, SPOT<sup>3</sup>
- SPOT<sup>3</sup> - Fund I interest disposed to Fund II on 14 November
- 2 remaining assets - m-hance, Omnico
- 7.7 years average holding period of remaining portfolio companies
- £0.2 million<sup>4</sup> net debt across Fund I portfolio companies

<sup>1</sup> Cumulative return over the period of the life of the 2009 Cell since inception based on the weighted average issue price of ordinary shares and net of share issue costs

<sup>2</sup> Internal rate of return since inception, based on the net proceeds of share issues and distributions to shareholders

<sup>3</sup> SPOT, a minority holding in Fund I

<sup>4</sup> SPOT net debt (£40.0m) excluded from net debt figure

**2012 Cell Interim Results**

- NAV at 30 September 2018: £58.0 million, NAV at 31 March 2018: £138.1 million, NAV at 30 September 2017: £144.3 million

- £355.5 million total capital raised
- £347.4 million net proceeds invested in Fund II
- £96.7 million/27.2 per cent. cumulative distributions to date
- 4.2 per cent. Better Capital 2012 Shares held by Fund II
- 51.1 per cent. value decline combined NAV and distributions since inception<sup>1</sup>

<b>Key Financials</b>	
NAV	£58.0 m
NAV per share	19.20 pence
NAV total decline (including distributions) <sup>1</sup>	(51.1) per cent.
Annualised NAV total decline (including distributions) <sup>2</sup>	(12.9) per cent.
Share price at 30 September 2018	11.00 pence
Market capitalisation at 30 September 2018	£33.2 m

- 6 total platform investments
- 1 follow-on investment
- 2 good realisations - iNTERTAIN, Northern Aerospace
- 2 partial losses - City Link, Jaeger
- 2 remaining assets - Everest, SPOT
- 5.4 years average holding period of remaining portfolio companies
- £38.1 million<sup>3</sup> net debt across Fund II portfolio companies

<sup>1</sup> Cumulative return over the period of the life of the 2012 Cell since inception based on the weighted average issue price of ordinary shares and net of share issue costs since inception

<sup>2</sup> Internal rate of return since inception, based on the net proceeds of share issues and distributions to shareholders

<sup>3</sup> Including total net debt of SPOT (£40.0m)

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## Chairman's Statement

Better Capital PCC Limited, including its two cells, the 2009 Cell and the 2012 Cell, today issues its Interim Report for the six month period ended 30 September 2018.

### Better Capital 2009 Cell

The 2009 Cell NAV summary is set out below.

	Value at Mar 2018 £'m	Movem ent at cost £'m	Movem ent in value £'m	Value at Sept 2018 £'m	Fund cost Sept 2018 £'m
m-hance	10.5	-	-	10.5	14.1
Omnico	23.0	1.0	(10.0)	14.0	42.5
SPOT	4.2	-	(1.7)	2.5	10.1
	<b>37.7</b>	<b>1.0</b>	<b>(11.7)</b>	<b>27.0</b>	<b>66.7</b>
Fund cash on deposit	2.7			1.1	
Fund & SPV combined other net assets attributable to 2009 Cell	-			-	
Provision for carried interest	(0.2)			-	
<b>2009 Cell fair value of investment in Fund I</b>	<b>40.2</b>			<b>28.1</b>	
2009 Cell cash on deposit	0.3			0.2	
2009 Cell current assets less liabilities	(0.1)			-	
<b>2009 Cell NAV</b>	<b>40.4</b>			<b>28.3</b>	

The Fund I portfolio value declined by £10.7 million over the review period principally due to the underperformance in Omnico and to a lesser extent, SPOT.

m-hance is expected to close its FY18 financial year ending 31 December with increased profitability from the prior year. The Customer Relationship Management division continues to win new major charity customers and whilst the Enterprise Resource Management sector remains weaker, the business has secured its first orders for the recently launched cloud based Microsoft Business Central product - this is a significant opportunity. The new management team under CEO Alan Moody has succeeded in bringing fresh energy and vigour to the business which is expected to drive benefits in 2019.

Omnico suffered product development delays and cost overruns on that development in the second half of FY18 financial year ended 30 September resulting in lower than budgeted revenue and earnings figures for the full year. This was disappointing as the business was trading ahead of its EBITDA budget at the mid-year. The new product has generated a significant sales pipeline, particularly in the theme parks and leisure sector. Delivery of the order book will ramp up during 2019 when product development completes, which should be substantially achieved shortly.

As referred to in the Company issued RNS on 29 October, SPOT was in the midst of conducting an internal balance sheet reconstruction between existing parties, in which Fund I received an offer for its interest in the company. On 9 November, the Fund I GP on behalf of Fund I accepted the cash offer of £2.5 million, which equalled the NAV at 30 September. The cash was received on 14 November.

No further distributions are currently expected given the cash position and needs in Fund I.

Comprehensive details on Fund I's investment activities, portfolio companies and valuation are set out in the Fund I GP's report below.

### Better Capital 2012 Cell

The 2012 Cell NAV summary is set out below.

	Value at March 2018 £'m	Moveme nt at cost £'m	Movem ent in value £'m	Value at Sept 2018 £'m	Fund cost Sept 2018 £'m
Everest	20.0	2.5	(7.5)	15.0	30.4
SPOT	38.2	-	(15.6)	22.6	91.6
Northern Aerospace	60.0	(66.9)	6.9	- <sup>2</sup>	-
2012 Shares	6.9	(4.7) <sup>3</sup>	(0.8)	1.4 <sup>4</sup>	6.4
	<b>125.1</b>	<b>(69.1)</b>	<b>(17.0)</b>	<b>39.0</b>	<b>128.4</b>
Fund II cash on deposit	6.8			13.6	
Fund II & SPV combined other net assets attributable to 2012 Cell	5.4 <sup>1</sup>			4.8 <sup>1,2</sup>	
<b>2012 Cell fair value of investment in Fund II</b>	<b>137.3</b>			<b>57.4</b>	
2012 Cell cash on deposit	0.1			0.7	
2012 Cell current assets less liabilities	0.7			(0.1)	
<b>2012 Cell NAV</b>	<b>138.1</b>			<b>58.0</b>	

<sup>1</sup> Includes the remaining estimated net receivable from City Link administration and iNTERTAIN proceeds in escrow which will become payable pending the resolution of legacy matters

<sup>2</sup> Northern Aerospace was disposed of in July 2018 with the remainder of the proceeds from the warranty claim of CAV Aerospace Limited recognised as a fund receivable at 30 September 2018. This balance was received in full in October 2018.

<sup>3</sup> Based on the disposal of 15,870,806 2012 Shares at the volume weighted average price on 18 June 2018 of 29.693p

<sup>4</sup> 12,677,471 2012 Shares at the closing price of 11.00p per share on 30 September 2018

The 2012 Cell NAV declined by £80.1 million to £58.0 million, principally due to the sale of Northern Aerospace coupled with write downs in Everest and SPOT and to a lesser extent in the mark-to-market value of the 2012 Shares.

During the period, Fund II disposed of 15,870,806 2012 Shares to the Company's 2012 Cell at 29.693 pence per share, totalling £4.7 million. The shares were immediately cancelled on acquisition reducing the total 2012 Shares in issue from 318,052,242 to 302,181,436. The overall effect of this transaction was to provide a 2.4 per cent. uplift to the 2012 Cell NAV per share.

During the period the 2012 Shareholders received distributions totalling £48.3 million (equivalent to 16.0 pence per share), following the disposal of Northern Aerospace. This distribution has been treated by the Company as a reduction of share capital paid out of monies attributed to the "share capital account".

The operational issues at Everest continued into Q3 FY18. Marketing spend has been reduced pending improvement in installation pace. The unfulfilled order book currently stands at £47 million, which is far too high. Increase in 'installed sales' has not been fast enough as the business pushes to increase its installer headcount. Recent increases in installer pay rates have generated a much needed increase in installer capacity and installation rates are rising. Joanne Holland, who joined the business in June 2018 as CEO, is driving much of the change programme in operations. Joanne has a track record of transforming companies.

Difficult market conditions persist for SPOT and for many of its customers in the traditional office suppliers space causing underlying sales declines particularly in the Spicers division. The programme to reconfigure the delivery network is underway which is reducing costs and increasing efficiency. OfficeTeam is performing in line with budget.

Oyez Professional Services is demonstrating good growth and is on track with the launch of its new digital platform which will drive future sales in its niche, and stronger, market.

On 14 November the group completed a major step towards its complex internal balance sheet restructure. The objective of the exercise was to simplify SPOT's capital structure and to facilitate the design of a new incentive scheme for the management team. Throughout the planning and execution process, the Board were kept abreast with developments. Independent advisers were appointed by both Fund GPs to aid with corporate finance, tax, valuation and legal complexities.

The restructuring exercise saw the Fund II GP on behalf of Fund II making an offer for the interests held by Fund I, in addition to those held by current and ex-employees of the group. Approximately 88 per cent. of loan note holders, including Fund I, accepted the cash offer.

The effect of this restructure is to reduce the loan notes in SPOT to £10.0 million, with Fund II holding approximately 98 per cent. of the loan notes and the equity, pre the impending dilution of a new share class to re-incentivise management.

Further details on Fund II's activities, portfolio companies and valuation are set out in the Fund II GP's report below.

The portfolio remains frustrating in its pace of development. Considerable efforts over the next couple of years are needed to realise the potential that is there.

**Richard Crowder**  
**Chairman**  
30 November 2018

## **Statement of Responsibility and Other Information**

### **Responsibility Statement**

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union; and
- the Interim Financial Report meets the requirements of an interim management report (as defined below), and includes a fair review of the information required by:
  - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first period of the financial year; and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties of the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first period of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the audited financial statements that could do so.

### **Interim management report**

#### ***Important events of the interim period***

The important events that have occurred during the interim period and the key factors influencing the financial statements are all set out in this report, comprising: the Chairman's Statement, Fund I General Partner's Report, Investment Report of Fund I, Fund II General Partner's Report, Investment Report of Fund II and the Financial Statement sections.

#### ***Principal risks***

There are a number of risks that could have a material impact on the performance of the Company over the remaining six months of the financial year, thereby causing actual performance to differ materially from expectations.

The Board considers that the principal risks and uncertainties have not materially altered from those published in the Annual Report for the year ended 31 March 2018. The Company's principal risk relates to the financial and operational performance of the Fund I and Fund II portfolios. The Board has considered the impact of Brexit in light of each portfolio company valuation.

The Company's principal risk factors are fully discussed in the Company's prospectuses, available on the Company's website [www.bettercapital.gg](http://www.bettercapital.gg).

The Directors of the Company are listed below and have been directors throughout the period.

By order of the Board

**Richard Crowder**

**Chairman**

30 November 2018

## **Independent Review Report to Better Capital PCC Limited**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the Company Condensed Statement of Financial Position, Company Condensed Statement of Comprehensive Income, Company Condensed Statement of Changes in Equity, Company Condensed Statement of Cash Flows and Company related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## **Use of our report**

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **BDO Limited**

Chartered Accountants

Place du Pré,

Rue du Pré,

St Peter Port,

Guernsey

30 November 2018



**Condensed Statement of Financial Position**  
**As at 30 September 2018**

	As at 30 September 2018	As at 30 September 2017	As at 31 March 2018
Notes	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>ASSETS:</b>			
<b>Non-current assets</b>			
Investment in Limited Partnerships	4	85,596	183,313
<b>Total non-current assets</b>		<b>85,596</b>	<b>183,313</b>
<b>Current assets</b>			
Trade and other receivables	5	-	800
Cash and cash equivalents		904	713
<b>Total current assets</b>		<b>904</b>	<b>1,513</b>
<b>TOTAL ASSETS</b>		<b>86,500</b>	<b>184,826</b>
<b>Current liabilities</b>			
Trade and other payables		(168)	(177)
<b>Total current liabilities</b>		<b>(168)</b>	<b>(177)</b>
<b>TOTAL LIABILITIES</b>		<b>(168)</b>	<b>(177)</b>
<b>NET ASSETS</b>		<b>86,332</b>	<b>184,649</b>
<b>EQUITY</b>			
Share capital	7	235,889	288,950
Accumulated losses		(149,557)	(104,301)
<b>TOTAL EQUITY</b>		<b>86,332</b>	<b>184,649</b>
<b>Number of 2009 Shares in issue at period/year end</b>	7	35,262,505	35,262,505
<b>Number of 2012 Shares in issue at period/year end</b>	7	302,181,436	318,052,242
<b>Net asset value per 2009 Share (pence)</b>	9	80.28	114.48
<b>Net asset value per 2012 Share (pence)</b>	9	19.20	45.36
			114.62
			43.41

The unaudited condensed interim financial statements of the Company were approved and authorised for issue by the Board of Directors on 30 November 2018 and signed on their behalf by:

**Richard Crowder**  
*Chairman*

**Richard Battey**  
*Director*

The notes below form an integral part of the Company's condensed interim financial statements.



**Condensed Statement of Comprehensive Income**  
**For the six months ended 30 September 2018**

	Note s	Six months to 30 September 2018  (unaudited)	Six months to 30 September 2017  (unaudited)	Year ended 31 March 2018  (audited)
<b>Income</b>				
Change in fair value of Investments in Limited Partnerships	4	(38,682)	(102,546)	(108,307)
Distributions		-	85,365	85,365
<b>Total income</b>		<b>(38,682)</b>	<b>(17,181)</b>	<b>(22,942)</b>
 <b>Expenses</b>				
Administration fees		110	140	259
Directors' fees and expenses	8	119	165	283
Legal and professional fees		70	68	147
Other fees and expenses		29	42	70
Audit fees		33	32	63
Insurance premiums		-	-	27
Registrar fees		39	31	42
<b>Total expenses</b>		<b>400</b>	<b>478</b>	<b>891</b>
<b>Loss and total comprehensive expense for the period/year</b>		<b>(39,082)</b>	<b>(17,659)</b>	<b>(23,833)</b>
<b>Basic and diluted earnings per 2009 Share (pence)</b>	9	<b>(34.33)</b>	<b>1.75</b>	<b>2.76</b>
<b>Basic and diluted earnings per 2012 Share (pence)</b>	9	<b>(8.73)</b>	<b>(6.21)</b>	<b>(8.17)</b>

All activities derive from continuing operations.

The notes below form an integral part of the Company's condensed interim financial statements.

**Condensed Statement of Changes in Equity**  
**For the six months ended 30 September 2018**

	Share capital £'000	Accumulated losses £'000	Total equity £'000
<b>As at 1 April 2018</b>	<b>288,950</b>	<b>(110,475)</b>	<b>178,475</b>
Loss and total comprehensive expense for the financial period	-	(39,082)	(39,082)
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>(39,082)</b>	<b>(39,082)</b>
 <b>Transactions with owners</b>			
Distributions	(48,348)	-	(48,348)
Share buyback and cancellation	(4,713)	-	(4,713)
<b>Total transactions with owners</b>	<b>(53,061)</b>	<b>-</b>	<b>(53,061)</b>
<b>As at 30 September 2018 (unaudited)</b>	<b>235,889</b>	<b>(149,557)</b>	<b>86,332</b>

	Share capital £'000	Accumulated losses £'000	Total equity £'000
<b>As at 1 April 2017</b>	<b>435,436</b>	<b>(2,879)</b>	<b>432,557</b>
Loss and total comprehensive expense for the financial period	-	(17,659)	(17,659)
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>(17,659)</b>	<b>(17,659)</b>
<b>Transactions with owners</b>			
Distributions	(146,486)	(83,763)	(230,249)
<b>Total transactions with owners</b>	<b>(146,486)</b>	<b>(83,763)</b>	<b>(230,249)</b>
<b>As at 30 September 2017 (unaudited)</b>	<b>288,950</b>	<b>(104,301)</b>	<b>184,649</b>
	Share capital £'000	Accumulated losses £'000	Total equity £'000
<b>As at 1 April 2017</b>	<b>435,436</b>	<b>(2,879)</b>	<b>432,557</b>
Loss and total comprehensive expense for the financial year	-	(23,833)	(23,833)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>(23,833)</b>	<b>(23,833)</b>
<b>Transactions with owners</b>			
Distributions	(146,486)	(83,763)	(230,249)
<b>Total transactions with owners</b>	<b>(146,486)</b>	<b>(83,763)</b>	<b>(230,249)</b>
<b>As at 31 March 2018 (audited)</b>	<b>288,950</b>	<b>(110,475)</b>	<b>178,475</b>

The notes below form an integral part of the Company's condensed interim financial statements.

**Condensed Statement of Cash Flows**  
**For the six months ended 30 September 2018**

	Six months to 30 September 2018 £'000 (unaudited)	Six months to 30 September 2017 £'000 (unaudited)	Year ended 31 March 2018 £'000 (audited)
<b>Cash flows from operating activities</b>			
Loss for the financial period/year	(39,082)	(17,659)	(23,833)
Adjustments for:			
Change in fair value of investments in Limited Partnerships	38,682	102,546	108,307
Movement in trade and other receivables	855	811	793
Movement in trade and other payables	(66)	(30)	(10)
Repayment of loan investment in Limited Partnerships	48,361	144,481	144,681
<b>Net cash generated from operating activities</b>	<b>48,750</b>	<b>230,149</b>	<b>229,938</b>
<b>Cash flow used in financing activities</b>			

Distributions	(48,348)	(230,249)	(230,249)
<b>Net cash used in financing activities</b>	<b>(48,348)</b>	<b>(230,249)</b>	<b>(230,249)</b>
Net movement in cash and cash equivalents during the period/year	402	(100)	(311)
Cash and cash equivalents at the beginning of the period/year	502	813	813
<b>Cash and cash equivalents at the end of the period/year</b>	<b>904</b>	<b>713</b>	<b>502</b>

The notes below form an integral part of the Company's condensed interim financial statements.

**Notes to the Condensed Interim Financial Statements**  
**For the six months ended 30 September 2018**

**1. General information**

Better Capital PCC Limited is a Closed-ended Investment Company incorporated in, and controlled from Guernsey as a Protected Cell Company. It has an unlimited life and is registered with the GFSC as a Registered Closed-ended Collective Investment Scheme pursuant to the POI Law.

The Company maintains a separate cell account for each class of shares, to which the capital proceeds of issue and the income arising from the investment of these proceeds in the respective fund are credited, and against which the expenses allocated are charged. In any final redemption, shareholders are only entitled to their proportion of the net assets held in the cell relating to the particular shares.

The Company has two cells: 2009 Cell and 2012 Cell. The unaudited financial results for each cell can be found below.

**2. Accounting policies**

**Basis of preparation**

The unaudited company condensed financial information included in the interim financial report for the six months ended 30 September 2018 has been prepared in accordance with the DTRs and Listing Rules of the UK's FCA and IAS 34, 'Interim Financial Reporting' as adopted by the EU.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year to 31 March 2018, which are available on the Company's website [www.bettercapital.gg](http://www.bettercapital.gg). The annual financial statements have been prepared in accordance with EU adopted IFRS.

The Company does not operate in an industry where significant or cyclical variations, as a result of seasonal activity, are experienced during the financial period.

The same accounting policies and methods of computation are followed in the interim financial statements as in the annual financial statements for the year to 31 March 2018.

***Standards, interpretations and amendments to published standards adopted in the period***

There were two new standards applied during the period ended 30 September 2018.

IFRS 9: Financial Instruments, replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company adopted IFRS 9 for the accounting period beginning on 1 April 2018.

IFRS 9 specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard changes the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The Company's equity and debt instruments continue to be measured at fair value through profit or loss as it is the Company's business model to convert the debt to equity to sell for a gain. The classification of other financial assets and liabilities has not changed from fair value through profit or loss. The changes to the impairment rules do not

impact the Company as its financial assets and liabilities are all carried at fair value through profit or loss.

IFRS 15: Revenue from Contracts with Customers was adopted for the accounting period beginning on 1 April 2018. IFRS 15 replaces IAS 18: Revenue, and prescribes a model for accounting for revenue arising from contracts with customers. As the Company's only income is interest and distributions received which are part of net fair value under IFRS 9, there was no significant impact from the adoption of IFRS 15.

### New and revised standards

At the date of approval of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were issued but not yet effective (and in some cases had not yet been adopted by the EU) and are relevant to the financial statements of the Company and Cells:

- IFRS 16: Leases comes into effect for accounting periods beginning on or after 1 January 2019. As the Company has no leases, there will be no impact from the adoption of IFRS 16.

The Company has not adopted early any standards, amendments or interpretations to existing standards that have been published and will be mandatory for the Company's accounting periods beginning after 1 April 2019 or later periods.

### Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company, and in turn Funds I and II, have adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For this reason, they continue to adopt the going concern basis in preparing these interim financial statements. As noted below, following two extensions, Fund I will terminate on 17 December 2019 and with Fund I being the 2009 Cell's sole investment, following its termination, the Board will begin the orderly wind-up of the 2009 Cell. For this reason, the accounts of the 2009 Cell are therefore not prepared on a going concern basis, however there is no material difference in reporting between adopting a going concern basis or a non-going concern basis.

### Critical accounting judgement and estimation uncertainty

#### *Use of estimates and judgements*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The critical accounting judgements and estimation uncertainties for the 2009 Cell and 2012 Cell are stated below.

### Taxation

The Company and Cells are exempt from taxation in Guernsey.

### 3. Segmental reporting

For management purposes, the Company is organised into two main operating segments, being the 2009 Cell and the 2012 Cell. Full details of the 2009 Cell's and 2012 Cell's results are shown below.

### 4. Investment in Limited Partnerships

#### Total Investment:

	Loans £'000	Capital £'000	Total £'000
<b>Cost</b>			
Brought forward at 1 April 2018	290,053	37	290,090
Repayment of loan investment in Limited Partnerships	(53,074)	-	(53,074)
Carried forward	236,979	37	237,016

#### Fair value adjustment through profit or loss

Brought forward	(112,738)	-	(112,738)
Fair value movement during period	(38,682)	-	(38,682)
Carried forward	(151,420)	-	(151,420)
<b>Fair value as at 30 September 2018 (unaudited)</b>			
	85,559	37	85,596

Loans	Capital	Total
-------	---------	-------

	£'000	£'000	£'000
<b>Cost</b>			
Brought forward at 1 April 2017	434,734	37	434,771
Repayment of loan investment in Limited Partnerships	(144,481)	-	(144,481)
Carried forward	290,253	37	290,290

#### **Fair value adjustment through profit or loss**

Brought forward	(4,431)	-	(4,431)
Fair value movement during period	(102,546)	-	(102,546)
Carried forward	(106,977)	-	(106,977)
<b>Fair value as at 30 September 2017 (unaudited)</b>	<b>183,276</b>	<b>37</b>	<b>183,313</b>

	Loans £'000	Capital £'000	Total £'000
<b>Cost</b>			
Brought forward at 1 April 2017	434,734	37	434,771
Repayment of loan investment in Limited Partnerships	(144,681)	-	(144,681)
Carried forward	290,053	37	290,090

#### **Fair value adjustment through profit or loss**

Brought forward	(4,431)	-	(4,431)
Fair value movement during year	(108,307)	-	(108,307)
Carried forward	(112,738)	-	(112,738)
<b>Fair value as at 31 March 2018 (audited)</b>	<b>177,315</b>	<b>37</b>	<b>177,352</b>

The movement in fair value is derived from the fair value movements in the underlying investments held by Fund I and Fund II, net of income and expenses of Fund I and Fund II and their related special purpose vehicles.

The outstanding loans do not incur interest. The fair value of the loans is expected to be repaid by way of distributions from the Funds. The Company is not entitled to demand repayment of the outstanding loans, however, the General Partners may, upon request by the Company, repay to the Company any amount of the outstanding loan. During the period £nil was repaid to the Company by Fund I (Six months to 30 September 2017: £137.0 million, Year to 31 March 2018: £137.0 million) and £53.1 million by Fund II (Six months to 30 September 2017: £7.5 million, Year to 31 March 2018: £7.7 million).

No distributions receivable from the Funds in relation to the current or comparative periods have been allocated as income based on discretionary allocation powers of the respective General Partners of the Funds as set out in the respective Limited Partnership Agreements. At the period end an aggregate £nil (Six months to 30 September 2017: £0.8 million, Year to 31 March 2018: £0.8 million) remained outstanding.

In the financial statements of the Company, the fair value of the investments in Limited Partnerships are adjusted to reflect the fair value of the Cells' attributable valuation of net assets within Fund I and Fund II, as seen in more detail in Note 6.

## **5. Trade and other receivables**

Full details of the 2012 Cell's trade and other receivables are shown below.

## **6. Fair value**

The level in the fair value hierarchy within which the financial assets or financial liabilities are categorised is determined on the basis of the lowest level of input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The only financial instruments carried at fair value are the investments in Fund I and Fund II which are fair valued at each reporting date.

The Company's investments in Fund I and Fund II have been classified within Level 3 as they have unobservable inputs and are not traded. Amounts classified as Level 3 for the period are £28.1 million for Fund I (30 September 2017: £40.1 million, 31 March 2018: £40.1 million) and £57.5 million for Fund II (30 September 2017: £143.3 million, 31 March 2018: £137.2 million).

#### ***Transfers during the period***

There have been no transfers between levels during the period.

#### ***Valuation techniques***

The value of the Cells' investments in the Funds is based on the value of each Cell's limited partner capital and loan accounts within each Fund. This is based on the components within the Funds, principally the value of the underlying investee companies. Any fluctuation in the value of the underlying investee companies will directly impact on the value of the Company's investment in the Funds.

When valuing the underlying investee companies, the GPs of each Fund review information provided by the underlying investee companies and other business partners and apply IPEV methodologies to estimate a fair value that is in adherence to the requirements of IFRS 13 'Fair Value Measurement' as at the reporting date.

Initially acquisitions were valued at price of recent investment. Once maintainable earnings can be identified, or reasonably estimated, the preferred method of valuation is the earnings multiple valuation technique, where a multiple that is an appropriate and reasonable indicator of value (given the size, risk profile and earnings growth prospects of the underlying company) is applied to the maintainable earnings of the company. Occasionally other methods, as deemed suitable by the GPs, may be used, such as revenue multiple, net assets, break-up value or discounted cash flows. The techniques used in determining the fair value of the Cells' investments are selected on an investment by investment basis so as to maximise the use of market based observable inputs.

Fund II's investment in the shares of the 2012 Cell is valued at the quoted price.

The Board reviews and considers the fair value arrived at by the GPs before incorporating into the fair value of the investment adopted by the Company. The variety of valuation bases adopted, quality of management information provided by the underlying investee companies and the lack of liquid markets for the investments mean that there are inherent difficulties in determining the fair value of these investments that cannot be eliminated. Therefore the amounts realised on the disposal of investments may differ from the fair values reflected in these interim financial statements and the differences may be significant.

The significant unobservable inputs in the 2009 Cell and in the 2012 Cell are shown below.

## **7. Share capital**

#### **Core shares**

##### **Period ended 30 September 2018**

£

Core shares as at 1 April 2018 and as at 30 September 2018

100


##### **Period ended 30 September 2017**

£

Core shares as at 1 April 2017 and as at 30 September 2017

100


##### **Year ended 31 March 2018**

£

Core shares as at 1 April 2017 and as at 31 March 2018

100

**Cell shares**

**Authorised:**

The Cells are authorised to issue an unlimited amount of ordinary shares at £1 par value.

**Period ended 30 September 2018**

	2009 Cell	2012 Cell	Total
<b>Issued and fully paid:</b>			
<b>Unlimited shares of £1 par value</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Shares as at 1 April 2018	35,262,505	318,052,242	353,314,747
Movements for the period	-	(15,870,806)	(15,870,806)
<b>Shares as at 30 September 2018</b>	<b>35,262,505</b>	<b>302,181,436</b>	<b>337,443,941</b>
<b>Share capital</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Share capital as at 1 April 2018	-	288,950	288,950
Movements for the period:			
Distributions	-	(48,348)	(48,348)
Buyback and cancellation	-	(4,713)	(4,713)
<b>Share capital as at 30 September 2018</b>	<b>-</b>	<b>235,889</b>	<b>235,889</b>

**Period ended 30 September 2017**

	2009 Cell	2012 Cell	Total
<b>Issued and fully paid:</b>			
<b>Unlimited shares of £1 par value</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Shares as at 1 April 2017	206,780,952	318,052,242	524,833,194
Movements for the period	(171,518,447)	-	(171,518,447)
<b>Shares as at 30 September 2017</b>	<b>35,262,505</b>	<b>318,052,242</b>	<b>353,314,747</b>
<b>Share capital</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Share capital as at 1 April 2017	138,216	297,220	435,436
Movements for the period:			
Distributions	(138,216)	(8,270)	(146,486)
<b>Share capital as at 30 September 2017</b>	<b>-</b>	<b>288,950</b>	<b>288,950</b>

**Year ended 31 March 2018**

	2009 Cell	2012 Cell	Total
<b>Issued and fully paid:</b>			
<b>Unlimited shares of £1 par value</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Shares as at 1 April 2017	206,780,952	318,052,242	524,833,194
Movements for the year	(171,518,447)	-	(171,518,447)
<b>Shares as at 31 March 2018</b>	<b>35,262,505</b>	<b>318,052,242</b>	<b>353,314,747</b>
<b>Share capital</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Share capital as at 1 April 2017	138,216	297,220	435,436
Movements for the year:			
Distributions	(138,216)	(8,270)	(146,486)
<b>Share capital as at 31</b>	<b>-</b>	<b>288,950</b>	<b>288,950</b>

The five cumulative distributions to date for the 2009 Cell total £288.8 million, being 137.5 per cent. of funds raised.

The four cumulative distributions to date for the 2012 Cell total £96.7 million, being 27.2 per cent. of funds raised.

## 8. Related party transactions

The Company has four non-executive Directors. Mr Jon Moulton is a director and the sole shareholder of BECAP GP Limited, the general partner of the Fund I GP and BECAP12 GP Limited, the general partner of the Fund II GP and a substantial shareholder.

Annual remuneration for each Director is as follows: the Chairman receives £70,000, the Chairman of the audit committee receives £62,500, the Chairman of the management engagement, nomination and remuneration committee receives £60,000 and the other non-executive Director receives £45,000.

Directors' fees and expenses for the period to 30 September 2018 amounted to £119,000 (31 March 2018: £283,000, 30 September 2017: £165,000), of which £59,000 (31 March 2018: £59,000, 30 September 2017: £59,000) remained outstanding at the period end.

## 9. Earnings per share and net asset value per share

The earnings per share and net asset value per share for the 2009 Cell and 2012 Cell are shown below.

## 10. Subsequent events

Subsequent events for 2009 Cell and 2012 Cell are detailed below.

### Better Capital 2009 Cell

#### Investment policy summary

Better Capital 2009 Cell has invested in a portfolio of businesses which, when purchased, had significant operating issues and associated financial distress, and which have significant activities within the United Kingdom.

The 2009 Cell Investment policy is set out in the Company's prospectus, available on the Company's website [www.bettercapital.gg](http://www.bettercapital.gg).

### General Partner's Report

#### Portfolio update

Nine months into its FY18 financial year ending 31 December 2018 **m-hance** is tracking to deliver an improvement on its FY17 financial year EBITDA of £0.6 million albeit the business is tracking below its trading budget in the second half of FY18 due to customer driven delays in the rollout of some of the larger charity wins.

The Customer Relationship Management ("CRM") division continues to make good progress with its tailored Microsoft Dynamics CRM product within the Not-for-Profit ("NfP") market. **m-hance** is seen as the market leading Microsoft partner in this segment which is growing significantly due to the need to professionalise the subscriber management process as well as the demands of GDPR compliance. Recent net new wins include Christian Aid, Crohn's & Colitis UK, MIND, Oxfam Ireland and the Motor Neurone Disease Association. The NfP sector offers significant potential for further growth, particularly in the medium sized charities which is being addressed with the development of a CRM "nfp365 core" product and an increased focus within the sales team. The relationship with Microsoft is strong with joint marketing plans in place.

In the Enterprise Resource Management market, **m-hance** has secured its first project win for the newly launched Microsoft Business Central SaaS product, a new flagship product for Microsoft. Whilst the transition to a true SaaS such as Business Central does present some challenges, the product does offer upgrade potential within the sizeable **m-hance** customer base and crucially a much greater opportunity to win new name business. The business has significantly strengthened its product development team which is currently heavily focussed on the development of the Business Central offering.

New CEO Alan Moody has brought energy and critical sales expertise to the business. Initiatives have been introduced to drive improvements in key areas such as product management, sales activities support, plus internal communication and workflows. A range of new Key Performance Indicators has also been introduced to manage these initiatives and drive the right behaviour across the business. m-hance has an excellent track record of cost and cash management but the key challenge remains revenue growth and I am pleased with the pace of change that Alan is driving in the business which I would expect to see reflected in FY19's financial performance.

The valuation for m-hance is unchanged at £10.5 million. This has been derived using an earnings approach on the business's maintainable earnings, supported by a revenue approach. At 30 September 2018, the business had net debt of £0.4 million.

**Omnico** closed its FY18 financial year ended 30 September 2018 with unaudited revenue and EBITDA of £22.6 million and £0.9 million respectively (audited revenue and EBITDA FY17 £26.0 million and £2.3 million respectively). At the half year Omnico was performing ahead of its EBITDA budget. The poor performance in the second half of FY18 resulted from delays and cost overruns delivering the new product architecture which in turn delayed projects with existing customers and sales into new customers. Frustratingly, whilst the sales pipeline is strong, the business has had to delay software deployments until the quality of the product could be assured. This decision is understood by customers who have supported Omnico by agreeing the re-phasing of projects, hence no customers or prospects have been lost.

Omnico has been investing heavily in research and development to modernise legacy solutions. Additional control and management have been applied to the development issues - the problem should be largely overcome by the late spring of 2019. Completion of the new product will provide Omnico with a unique capability providing both Retail and Food & Beverage capability in one platform. From Omnico's customers' perspective, the new product has associated lower operating costs, avoids the costly and time consuming migrations associated with legacy Point of Sale software and provides a modern digital functionality considerably increasing Omni Channel capabilities.

Due to this unique capability, customers and prospects continue to be enthusiastic about the new product which is reflected in the qualified and growing sales pipeline, now standing at £135 million. Conversion of the pipeline will lead to growth and a larger portion of the annual revenue will become recurring based on the SaaS capabilities of the new product.

Since my last report, Omnico has successfully expanded its traditional American 4690 services business with the additional sales of software licences for the OmniEnable product into two major US retailers. This is the first time Omnico has sold product to the US retail market for a long time. OmniEnable software enables the customer to extend the useful life of existing infrastructure by adding modern digital customer journeys to old legacy platforms. This is significant for Omnico as it represents an opening for product in the US market. The business has also recently and successfully installed early versions of the new product into two Merlin UK theme park locations. Contracted professional services work with other theme park customers to start the planning for migration to the new product over the coming years has also commenced.

Fund I injected £1.0 million into the business to fund working capital - the need caused by repayment of an external debt facility and lack of cash flow from operations.

Simon Pilling resigned from the board of Omnico in September 2018. I am now monitoring this investment myself. Significant costs have been eliminated and tighter controls on development implemented. Performance for the first quarter of its current financial year is expected to be considerably ahead of budget.

Due to the financial underperformance in the business against its budget, Omnico has been written down by £9.0 million to £14.0 million. This is supported using an earnings approach to valuation. At 30 September 2018, the business had net cash of £0.2 million.

An update on **SPOT** is provided in the Fund II General Partner's Report below. Fund I's interest in SPOT has been written down by £1.7 million due to current year financial underperformance, with the published value reflecting the cash offer from Fund II for its interest in the group.

### **Sale of SPOT interest in Fund I**

On 30 October 2018, Fund I received an offer from Fund II of £2.5 million for its interest in SPOT. Following due and

careful consideration of the opinion received from independent advisers in corporate finance, tax and legal, not least with regard to Fund I's end of life on 17 December 2019, the Fund I GP accepted the proposal on 9 November and funds were received on 14 November.

### **Portfolio carrying value**

The investment portfolio value declined by £10.7 million between 1 April 2018 and 30 September 2018, largely due to the underperformance in Omnico (net reduction of £9.0 million) and to a lesser extent, SPOT (reduction of £1.7 million). The provision for carry has been eliminated as a direct consequence.

### **Closing remarks**

Net proceeds from the sale of Fund I's interest in SPOT of £2.5 million will improve cash held in Fund I, currently standing at £1.1 million. This should provide sufficient coverage to operate Fund I to the end of its life and to provide ad hoc funding should either of the Fund I portfolio companies require it.

**Jon Moulton**

**Chairman**

**BECAP GP Limited**

30 November 2018

## **Investment Report of Fund I**

### **m-hance**

#### **Business description**

Implements, deploys and manages enterprise wide business management software solutions ([www.m-hance.com](http://www.m-hance.com)) ([www.highcloudsolutions.co.uk](http://www.highcloudsolutions.co.uk))

#### **Investment details**

£'m	30 September 2018	31 March 2018	30 September 2017
<b>Total invested</b>	<b>14.1</b>	<b>14.1</b>	<b>14.0</b>
<b>Total committed</b>	<b>14.1</b>	<b>14.1</b>	<b>14.0</b>
<b>Fund I fair value (earnings based)</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>

### **Omnico Group**

#### **Business description**

Provider of omni-channel software solutions and services to the retail, hospitality, entertainment and leisure sectors ([www.omnicogroup.com](http://www.omnicogroup.com))

#### **Investment details**

£'m	30 September 2018	31 March 2018	30 September 2017
<b>Total invested</b>	<b>42.5</b>	<b>41.5</b>	<b>41.5</b>
<b>Total committed</b>	<b>42.5</b>	<b>41.5</b>	<b>41.5</b>
<b>Fund I fair value (earnings based)</b>	<b>14.0</b>	<b>23.0</b>	<b>22.0</b>

# SPOT

## Business description

Spicers is a leading office products and stationery wholesaler ([www.spicers.co.uk](http://www.spicers.co.uk))

OfficeTeam is a leading office products and services supplier ([www.officeteam.co.uk](http://www.officeteam.co.uk))

## Investment details

£'m	30 September 2018	31 March 2018	30 September 2017
<b>Total invested</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>
<b>Total committed</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>
<b>Fund I fair value (earnings and assets basis)</b>	<b>2.5</b>	<b>4.2</b>	<b>4.5</b>

## Portfolio summary

30 September 2018	Sector	Fund project cost <sup>1</sup>	Fund fair value investment in SPVs <sup>2</sup>	Valuation percentage of NAV	Valuation methodology
		£'m	£'m		
m-hance	Information Systems	14.1	10.5	37.1%	Earnings
Omnico Group	Information Systems	42.5	14.0	49.5%	Earnings
SPOT	Office Products	10.1	2.5	8.8%	Earnings and Assets
		66.7	27.0	95.4%	
Fund cash on deposit		1.1		3.9%	
Fund & SPV combined other net assets		-		0.0%	
Provision for carried interest		-		0.0%	
<b>2009 Cell fair value of investment in Fund I</b>		<b>28.1</b>		<b>99.3%</b>	
2009 Cell cash on deposit		0.2		0.7%	
2009 Cell other current assets less liabilities		-		0.0%	
<b>2009 Cell NAV</b>		<b>28.3</b>		<b>100.0%</b>	

## Summary income statement for the Partnership

	1 Apr 2018 to	1 Apr 2017 to	1 Apr 2017 to
	30 Sept 2018	30 Sept 2017	31 March 2018
	£'000	£'000	£'000
Total income	15	231,199	231,214
Net loss on Fund I investment portfolio	(11,700)	(228,060)	(227,510)
Fund I GP's Share	(375)	(494)	(859)
Other operating expenses	(91)	(111)	(274)
Carried interest movement	151	(282)	(151)
Distributions	-	(85,365)	(85,365)
Partnership's operating loss for the period/year	(12,000)	(83,113)	(82,945)
<b>Portion of the operating loss for the period/year for 2009 Cell's investment in the Partnership (Note 4)</b>	<b>(12,000)</b>	<b>(83,113)</b>	<b>(82,945)</b>

<sup>1</sup> Fund I holds its investments at cost less impairment in accordance with the terms of the Limited Partnership Agreement.

<sup>2</sup> 2009 Cell fair values its investment in Fund I in accordance with the accounting policies as set out in Note 2.

## Cash Management

As at 30 September 2018, Fund I had placed a total of £1.1 million (31 March 2018: £2.7 million, 30 September 2017: £3.1 million) of cash on instant access deposit with one bank. Fund I has in place a strict cash management policy that limits counterparty credit risk.

Counterparty	Location	Standard & Poor's Rating	Term	30 September 2018 £'000	31 March 2018 £'000	30 September 2017 £'000
Barclays Bank PLC	Guernsey	A-1	Instant access	1,130	2,666	3,071

## INDEPENDENT REVIEW REPORT TO BETTER CAPITAL PCC LIMITED IN RESPECT OF THE 2009 CELL

### Introduction

We have been engaged by the Company to review the condensed set of financial statements of the 2009 Cell, a cell of Better Capital PCC Limited in the half-yearly financial report for the six months ended 30 September 2018 which comprises the 2009 Cell Condensed Statement of Financial Position, the 2009 Cell Condensed Statement of Comprehensive Income, the 2009 Cell Condensed Statement of Changes in Equity, the 2009 Cell Condensed Statement of Cash Flows and the 2009 Cell related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the 2009 Cell are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The 2009 Cell's condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the 2009 Cell's condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the 2009 Cell's condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## **Emphasis of matter - going concern**

In forming our conclusion of the half year financial report, which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Cell's going concern. As disclosed in note 2 the Cell's investment, Fund I, will cease operations on 17 December 2019 due to its limited life. It is the Fund's intention to realise its residual investments before this date and the Board of the Company consider there to be adequate time to do so. Following the end of life date it is the intention of the Board to place the cell into wind up and as such the Board has concluded that the Cell is not a going concern. This has not had any impact on the carrying value of the assets and liabilities of the Cell and no adjustments have been made to these financial statements as a result of preparing on a basis other than that of going concern.

## **Use of our report**

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **BDO Limited**

Chartered Accountants

Place du Pré,

Rue du Pré,

St Peter Port,

Guernsey

30 November 2018

## **Condensed Statement of Financial Position**

**As at 30 September 2018**

	Note s	As at 30 September 2018	As at 30 September 2017	As at 31 March 2018
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>ASSETS:</b>				
<b>Non-current assets</b>				
Investment in Limited Partnership	4	28,146	39,978	40,146
<b>Total non-current assets</b>		<b>28,146</b>	<b>39,978</b>	<b>40,146</b>
<b>Current assets</b>				
Trade and other receivables		-	-	2
Cash and cash equivalents		213	447	331
<b>Total current assets</b>		<b>213</b>	<b>447</b>	<b>333</b>
<b>TOTAL ASSETS</b>		<b>28,359</b>	<b>40,425</b>	<b>40,479</b>
<b>Current liabilities</b>				
Trade and other payables		(49)	(58)	(62)
<b>Total current liabilities</b>		<b>(49)</b>	<b>(58)</b>	<b>(62)</b>
<b>TOTAL LIABILITIES</b>		<b>(49)</b>	<b>(58)</b>	<b>(62)</b>
<b>NET ASSETS</b>		<b>28,310</b>	<b>40,367</b>	<b>40,417</b>

<b>EQUITY</b>			
Share capital	6	-	-
Retained earnings		28,310	40,367
<b>TOTAL EQUITY</b>		<b>28,310</b>	<b>40,367</b>
<b>Number of 2009 Shares in issue at period/year end</b>	6	<b>35,262,505</b>	<b>35,262,505</b>
<b>Net asset value per 2009 Share (pence)</b>	8	<b>80.28</b>	<b>114.48</b>
			<b>114.62</b>

The unaudited condensed interim financial statements of the 2009 Cell were approved and authorised for issue by the Company's Board of Directors on 30 November 2018 and signed on its behalf by:

**Richard Crowder**  
*Chairman*

**Richard Battey**  
*Director*

The notes below form an integral part of the 2009 Cell condensed interim financial statements.

**Condensed Statement of Comprehensive Income**  
**For the six months ended 30 September 2018**

	Note s	Six months to 30 September 2018 £'000 (unaudited)	Six months to 30 September 2017 £'000 (unaudited)	Year ended 31 March 2018 £'000 (audited)
<b>Income</b>				
Change in fair value of investment in Limited Partnership	4	(12,000)	(83,113)	(82,945)
Distributions		-	85,365	85,365
<b>Total income</b>		<b>(12,000)</b>	<b>2,252</b>	<b>2,420</b>
<b>Expenses</b>				
Administration fees		40	30	87
Directors' fees and expenses	7	27	66	86
Legal and professional fees		16	31	52
Other fees and expenses		5	13	19
Audit fees		6	5	10
Insurance premiums		-	-	5
Registrar fees		13	13	17
<b>Total expenses</b>		<b>107</b>	<b>158</b>	<b>276</b>
<b>(Loss)/profit and total comprehensive (expense)/income for the period/year</b>		<b>(12,107)</b>	<b>2,094</b>	<b>2,144</b>
<b>Basic and diluted earnings per 2009 Share (pence)</b>	8	<b>(34.33)</b>	<b>1.75</b>	<b>2.76</b>

All activities derive from continuing operations.

The notes below form an integral part of the 2009 Cell condensed interim financial statements.

**Condensed Statement of Changes in Equity**  
**For the six months ended 30 September 2018**

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>As at 1 April 2018</b>	-	<b>40,417</b>	<b>40,417</b>
Loss and total comprehensive expense for the financial period	-	(12,107)	(12,107)
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>(12,107)</b>	<b>(12,107)</b>
<b>As at 30 September 2018 (unaudited)</b>	<b>-</b>	<b>28,310</b>	<b>28,310</b>

	Share capital £'000	Retained earnings £'000	Total Equity £'000
<b>As at 1 April 2017</b>	<b>138,216</b>	<b>122,036</b>	<b>260,252</b>
Profit and total comprehensive income for the financial period	-	2,094	2,094
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2,094</b>	<b>2,094</b>
<b>Transactions with owners</b>			
Distributions	(138,216)	(83,763)	(221,979)
<b>Total transactions with owners</b>	<b>(138,216)</b>	<b>(83,763)</b>	<b>(221,979)</b>
<b>As at 30 September 2017 (unaudited)</b>	<b>-</b>	<b>40,367</b>	<b>40,367</b>

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>As at 1 April 2017</b>	<b>138,216</b>	<b>122,036</b>	<b>260,252</b>
Profit and total comprehensive income for the financial year	-	2,144	2,144
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,144</b>	<b>2,144</b>
<b>Transactions with owners</b>			
Distributions	(138,216)	(83,763)	(221,979)
<b>Total transactions with owners</b>	<b>(138,216)</b>	<b>(83,763)</b>	<b>(221,979)</b>
<b>As at 31 March 2018 (audited)</b>	<b>-</b>	<b>40,417</b>	<b>40,417</b>

The notes below form an integral part of the 2009 Cell condensed interim financial statements.

**Condensed Statement of Cash Flows**  
**For the six months ended 30 September 2018**

	Six months to 30 September 2018 £'000 (unaudited)	Six months to 30 September 2017 £'000 (unaudited)	Year ended 31 March 2018 £'000 (audited)
<b>Cash flows used in operating activities</b>			
(Loss)/profit for the financial period/year	(12,107)	2,094	2,144
Adjustments for:			
Change in fair value of investment in	12,000	83,113	82,945

limited partnership

Movement in trade and other receivables	2	5	3
Movement in trade and other payables	(13)	(15)	(11)
Repayment of loan investment in limited partnership	-	137,006	137,006
<b>Net cash (used in)/generated from operating activities</b>	<b>(118)</b>	<b>222,203</b>	<b>222,087</b>
<b>Cash flows used in financing activities</b>			
Distributions	-	(221,979)	(221,979)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(221,979)</b>	<b>(221,979)</b>
Net movement in cash and cash equivalents during the period/year	(118)	224	108
Cash and cash equivalents at the beginning of the period/year	331	223	223
<b>Cash and cash equivalents at the end of the period/year</b>	<b>213</b>	<b>447</b>	<b>331</b>

The notes below form an integral part of the 2009 Cell condensed interim financial statements.

### **Notes to the Condensed Interim Financial Statements For the six months ended 30 September 2018**

#### **1. General information**

The 2009 Cell is a cell of Better Capital PCC Limited and has the investment objective of generating attractive total returns from investing (through Fund I) in a portfolio of businesses which have significant operating issues.

Fund I is managed by its general partner, BECAP GP LP, which is in turn managed by its general partner BECAP GP Limited. Such arrangements are governed under the respective Limited Partnership Agreements, as amended.

The 2009 Cell is listed on the London Stock Exchange Main Market.

#### **2. Accounting policies**

##### **Basis of preparation**

The unaudited 2009 Cell condensed financial information included in the interim financial report for the six months ended 30 September 2018 has been prepared in accordance with the DTRs and Listing Rules of the UK's FCA and IAS 34, 'Interim Financial Reporting' as adopted by the EU.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year to 31 March 2018, which are available on the Company's website [www.bettercapital.gg](http://www.bettercapital.gg). The annual financial statements have been prepared in accordance with EU adopted IFRS.

The principal accounting policies adopted are set out in the Company's accounting policies above.

##### **Going concern**

During the period, the Board has made further progress towards the realisation of the residual assets in the portfolio. Following two extensions, Fund I will terminate on 17 December 2019. The Board is confident, that within the timeframe, the Fund I GP will continue to work towards generating the best possible returns through the realisation of the residual assets in the portfolio. With Fund I being the 2009 Cell's sole investment, following its termination, the Board will begin the orderly wind-up of the 2009 Cell. For this reason, the accounts are therefore not prepared on a going concern basis.

## Critical accounting judgement and estimation uncertainty

### Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a high degree of judgement or complexity or areas where assumptions and estimates are significant to the interim financial statements are disclosed below. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

### Investment in Fund I

The value of the 2009 Cell's investment in Fund I is based on the value of the 2009 Cell's limited partner capital and loan accounts within Fund I. This is based on the components within Fund I, principally the value of the underlying investee companies. Any fluctuation in the value of the underlying investee companies will directly impact on the value of the 2009 Cell's investment in Fund I.

When valuing the underlying investee companies, the General Partner of Fund I reviews information provided by the underlying investee companies and other business partners and applies IPEV methodologies, as noted below, to estimate a fair value as at the date of the statement of financial position. The variety of valuation bases adopted, quality of management information provided by the underlying investee companies and the lack of liquid markets for the investments mean that there are inherent difficulties in determining the fair value of these investments that cannot be eliminated. Therefore the amounts realised on the sale of investments will likely differ from the fair values reflected in these financial statements and the differences may be significant.

Further information in relation to the valuation of the investment in Fund I is disclosed in Notes 4 and 5.

### 3. Segmental reporting

For management purposes, the 2009 Cell is organised into one main operating segment, which invests in one limited partnership.

### 4. Investment in Limited Partnership

	Loans £'000	Capital £'000	Total £'000
<b>Cost</b>			
Brought forward at 1 April 2018	-	20	20
Carried forward	-	20	20

	Loans £'000	Capital £'000	Total £'000
<b>Fair value adjustment through profit or loss</b>			
Brought forward	40,126	-	40,126
Fair value movement during period	(12,000)	-	(12,000)
Carried forward	28,126	-	28,126
<b>Fair value as at 30 September 2018 (unaudited)</b>	<b>28,126</b>	<b>20</b>	<b>28,146</b>

	Loans £'000	Capital £'000	Total £'000
<b>Cost</b>			
Brought forward at 1 April 2017	137,006	20	137,026
Repayment of loan investment in Limited Partnership	(137,006)	-	(137,006)
Carried forward	-	20	20

	Loans £'000	Capital £'000	Total £'000
<b>Fair value adjustment through profit or loss</b>			
Brought forward	123,071	-	123,071
Fair value movement during period	(83,113)	-	(83,113)
Carried forward	39,958	-	39,958
<b>Fair value as at 30 September 2017 (unaudited)</b>	<b>39,958</b>	<b>20</b>	<b>39,978</b>

**Cost**

Brought forward at 1 April 2017  
 Repayment of loan investment in Limited Partnership  
 Carried forward

	Loans £'000	Capital £'000	Total £'000
	137,006	20	137,026
	(137,006)	-	(137,006)
	-	20	20

**Fair value adjustment through profit or loss**

Brought forward  
 Unrealised fair value movement during the year  
 Carried forward

	123,071	-	123,071
	(82,945)	-	(82,945)
	40,126	-	40,126

**Fair value as at 31 March 2018 (audited)**

	40,126	20	40,146
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The movement in fair value of the Fund I investment is derived from the fair value decrease in Omnico and SPOT, net of expenses of Fund I and its related special purpose vehicles.

The outstanding loans do not incur interest. The fair value of the loans is expected to be repaid by way of distributions from Fund I. The 2009 Cell is not entitled to demand repayment of the outstanding loans, however the General Partner may, upon request by the Company, repay to the 2009 Cell any amount of the Cell's outstanding loan. During the period £nil was repaid to the 2009 Cell by Fund I (Six months to 30 September 2017: £137.0 million, Year to 31 March 2018: £137.0 million).

In the financial statements of the 2009 Cell the fair value of the investment in the Limited Partnership is adjusted to reflect the fair value of the 2009 Cell's attributable valuation of net assets within Fund I, as seen in more detail in Note 5.

**5. Fair value**

The level in the fair value hierarchy within which the financial assets or financial liabilities are categorised is determined on the basis of the lowest level of input that is significant to the fair value measurement. The fair value hierarchy and further information on valuation techniques can be found in Note 6 in the Company financial statements.

The following table summarises the valuation methodologies and inputs used for the 2009 Cell's Level 3 investments as at the period end:

Valua tion Meth odolo gy	Description	Input	Adj ust men ts	Disco unt Rate Applie d to Multipl es	Disco unted Multipl es	Value of portfolio valued on this basis (£'m)		
						30 Sept emb er 2018	30 Septe mber 2017	31 Marc h 2018
Multi ple	Most commonly used Private Equity valuation methodology. Used for investments which are profitable	Multiples are applied to the earnings of the investee company to determine the enterprise value. Where there is evidence that a division of an	Rel eva nt prov isio ns may be ded ucte	A discou nt is applie d to earnin gs multipl es derive	EBITD A multipl es rangin g from 9 times to 10.2 times	24.5	37.0	33.5

<p>30 September 2018</p> <p>m-hance</p> <p>Omnico</p>	<p>and for which a set of listed companies and precedent transactions with similar characteristics can be determined</p>	<p>investee could be sold as an independent business, the multiple applied to that division's earnings may be different to that applied to the earnings of the rest of the group (m-hance).</p>	<p>d from market transaction multiples at 48 per cent. (30 September 2017: 20 per cent., 31 March 2018: 48 per cent.)</p>	<p>d from the multiple valuation</p>	<p>at the investee level (30 September 2017: 6.6 times to 9.6 times, 31 March 2018: 9.5 times to 9.7 times).</p>		
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		Multiples					
30 Septe mber 2017	m- hance Omni co SPOT	Discounts to the valuation generated by applying multiples to reflect the time and costs of reaching sustainable profitability and the inevitable accompanying uncertainties	The earnings multiple is derived from market transaction multiples (Omnico) or recent offers for the investee (mhance). Where market transactions are used, the Fund I GP typically selects businesses in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus and adjust for changes in the relative performance in the set of comparables.				
31 Marc h 2018	m- hance Omni co						
Other	Values of separate elements prepared under other methods, as deemed suitable by	Earnings and assets (SPOT)	As determined on a case by case basis	For elements valued using earnings	For elements valued based on their	2.5	4.2
30 Septe mber						-	

2018 SPOT					earnings, EBITDA multiples range from 6.3 times to 8.0 times (30 September 2017: N/A, 31 March 2018: 6.6 times to 8.0 times).		
30 September 2017 None	the Fund I GP, such as net realisable value and earnings and assets basis		cas e basi s				
31 March 2018 SPOT							

#### Level 3 Portfolio valuation

27.0      37.0      37.7

#### Other net assets/(liabilities)

Provision for Better Capital SLP interest in Fund I	1.1 0.0	3.4 (0.3)	2.6 (0.2)
2009 Cell fair value of investments in Fund I	28.1	40.1	40.1

This approach requires the use of assumptions about certain unobservable inputs. Significant unobservable inputs as at 30 September 2018 are:

- Multiples used to derive enterprise value
- Discount factors

A reasonably possible change in the multiples used +/- 10.0 per cent. would result in:

- An increase in carrying value of £2.8 million or 10.4 per cent. (+10.0 per cent.)
- A decrease in the carrying value of £2.8 million or 10.4 per cent. (-10.0 per cent.)

A reasonably possible change in the discount factors used would be to completely remove the discount factor or to double the discount factor. This would result in:

- A decrease in carrying value of £9.0 million or 33.5 per cent. (+100.0 per cent.)
- An increase in the carrying value of £12.8 million or 47.3 per cent. (-100.0 per cent.)

The Fund I GP approves the valuations performed with input from any external consultant as appointed by the GPs and monitors the range of reasonably possible changes in significant observable inputs on a regular basis.

## 6. Share capital

Share capital for the 2009 Cell is detailed in the relevant column in Note 7 of the Company's financial statements above.

The five cumulative distributions to date for the 2009 Cell total £288.8 million, being 137.5 per cent. of funds raised.

## 7. Related party transactions

Further information on related party transactions can be found in Note 8 of the Company financial statements above.

Directors' fees and expenses, incurred by the 2009 Cell, for the period to 30 September 2018 amounted to £27,000 (year to 31 March 2018: £86,000, period to 30 September 2017: £66,000) apportioned on a NAV basis between the cells. At the period end, £13,000 (31 March 2018: £10,000, 30 September 2017: £10,000) remained outstanding.

## 8. Earnings per share and net asset value per share

### Earnings per share

2009 Cell	Six months to 30 September 2018 (unaudited)	Six months to 30 September 2017 (unaudited)	Year ended 31 March 2018 (audited)
(Loss)/profit for the period/year	£(12,106,814)	£2,093,879	£2,143,085
Weighted average number of 2009 Shares in issue	35,262,505	119,615,839	77,554,725
<b>EPS (pence)</b>	<b>(34.33)</b>	<b>1.75</b>	<b>2.76</b>

The earnings per share is based on the profit or loss of the 2009 Cell for the period/year and on the weighted average number of shares of the 2009 Cell in issue for the period/year.

The 2009 Cell does not have any instruments which could potentially dilute basic earnings per share in the future.

### Net asset value per share

	As at 30 September 2018 (unaudited)	As at 30 September 2017 (unaudited)	As at 31 March 2018 (audited)
Net assets attributable to 2009 Cell shareholders	£28,309,375	£40,366,983	£40,416,189
2009 Shares in issue	35,262,505	35,262,505	35,262,505
<b>NAV per share (IFRS) (pence)</b>	<b>80.28</b>	<b>114.48</b>	<b>114.62</b>

The net asset value per share for the 2009 Cell is arrived at by dividing the total net assets of the 2009 Cell at the period/year end by the number of shares in issue at the period/year end.

## 9. Subsequent events

On 30 October 2018, Fund I received an offer from Fund II of £2.5 million for its interest in SPOT. Following due and careful consideration of the opinion received from independent advisers in corporate finance, tax and legal, not least with regard to Fund I's end of life on 17 December 2019, the Fund I GP accepted the proposal on 9 November and funds were received on 14 November.

Other than the above, there were no significant events occurring after 30 September 2018.

## **Better Capital 2012 Cell**

### **Investment policy summary**

Better Capital 2012 Cell has invested in a portfolio of businesses which, when purchased, had significant operating issues and associated financial distress, and which have significant activities within the United Kingdom.

The 2012 Cell Investment policy is set out in the Company's prospectus, available on the Company's website [www.bettercapital.gg](http://www.bettercapital.gg).

### **General Partner's Report**

The sale of Northern Aerospace to Gardner in July 2018 following the extraordinary turn of events has been a relief and a good outcome for the 2012 Shareholders. The company under Better Capital's ownership had been transformed from being operationally challenged to a well-run facility that was both profitable and cash generative. The increasing demands to heavily invest in scaling up the business for future growth at a time when Fund II had limited resources made the offer from Gardner compelling. The disposal together with the proceeds from the CAV Aerospace Limited warranty claim was materially in line with NAV of £60.0 million at 31 March 2018. I am also delighted to share that the warranty claim process ended in October 2018 with the remaining £2.1 million fully received.

### **Portfolio update**

The continued operational challenges at Everest have been frustrating, not least because in a weak market place the sales and marketing functions have performed particularly well generating £91million of orders in the first nine months of FY18. This compares to installed sales of £77 million for the same nine-month period growing the already oversized order book by an additional £14 million to £47 million.

Installed sales have been constrained by installations capacity, in both installer headcount and their effective deployment. Everest has struggled during 2018 to maintain more than 310 installers with a target of 360. There appears to be an industrywide shortage of skilled installers. Recent initiatives to address this problem include the introduction of a new simplified and increased fee structure. The use of social media as a recruitment platform combined with the introduction of higher installer recruitment incentives has created greater enquiry. In addition, Everest has stepped up the training of installers together with the introduction of an apprenticeship programme which is designed to assist installer and management performance and retention.

Very recently the headcount of installers has been increased to the target of 360 and revenues are rising accordingly.

Year-to-date EBITDA has been affected by £4 million of 'cost of failure' driven by replacement product, contracts not being delivered to branches complete and on time leading to installers having to make unnecessary visits back to customers to complete jobs. There has been a focus at the factories on consolidating orders and new reporting that identifies shortages in advance of shipment. A new capacity planning module has been built within the Enterprise Resource Management ("ERP") system to optimise manufacturing batches based on production line capacity, mix and manufacturing time. These issues reflect management failures and this year has seen changes in senior management at CEO level, in finance, marketing and manufacturing. Recent results are showing improvements. Since Simon Pilling's departure I have been monitoring this investment personally.

Everest will report an EBITDA loss for the FY18 financial year ending 31 December as a result of the shortfall in installed sales and cost of failure. Steps have been taken in the second half of the year to reduce marketing spend by £3 million, capitalising on the over-full order book and with little impact on lead generation as spending is now well focussed. However profit returned in October and a good outcome is expected in November.

The weak financials have had an impact on operating cash. During October, Everest drew down a further £2.5 million of loan notes from its existing facility from Fund II to assist with working capital. This is in addition to the £2.5 million drawn down in the six month period to 30 September 2018.

The primary focus for Everest in Q4 FY18 is to increase its installer headcount with high quality recruits, and ensure that the product is being delivered 100 per cent. complete and on time to the installation centres.

Applying an earnings approach supported by an assets basis approach, Everest has been written down by £5.0 million to £15.0 million reflecting weaker than expected current year EBITDA performance. Everest has no external debt and at 30 September 2018, it held cash of £1.9 million.

SPOT has continued to operate within a weak market, which combined with poor cost control in distribution has driven a significantly weaker performance, primarily in its Spicers wholesale division. The OfficeTeam group is trading broadly in line with budget, offsetting declines in the traditional office supplies market with new business acquisition and development in adjacent product areas. As a result the SPOT group is trading well below its FY18 financial year to 31 December budget EBITDA, with direct consequences on the group's valuation at 30 September 2018.

In respect of Spicers, the division has achieved sales growth in the year (circa. 13 per cent. year to date) through gaining new contracts at the start of FY18. This new business has proved more complicated and costly to assimilate than planned, leading to a decline in productivity at a time when labour inflation has also been high and the scarcity of experienced labour in some distribution centres is increasing. There has been management failure in distribution. As a result, costs have been above budget in Spicers throughout the year, albeit now returning to more sustainable levels. Similarly margin has been under pressure as pricing in a soft market has been extremely competitive whilst customers endeavour to manage their own operating costs. Initiatives to restore margin have improved the current position, but the sales position remains very sensitive.

In response to these market conditions, the strategic focus within Spicers is to reshape the delivery network. This will significantly reduce fixed costs and drive efficiency in order to maintain a flexible and cost-effective service for customers at sustainable sales volumes. This programme is already underway and will continue throughout 2019. Once completed, Spicers will be positioned to deliver a profitable but competitive delivery solution for customers who will continue to look for supply chain efficiencies but still require access to the wide range of products and high daily availability Spicers provide.

The sales focus in Spicers is to continue to build on the Alliance model which delivers a partnership approach for larger dealers looking to deliver a dynamic delivery service for their customers. In current market conditions, there are relationship opportunities, but being selective in approach to drive profitable growth for both parties is key without the disruption to core operations as evidenced earlier this year. Similarly servicing existing customers with an extended range of products in growth markets such as facilities supplies will support them in driving sales with their end customers.

OfficeTeam has shown better resilience. The opportunity for new business generation remains good, and the delivery in FY18 has been near forecasts due to its attractive proposition of width of available product, strong sales support and the personalised delivery service provided to customers. New business progress should continue into 2019. Sales of new product areas remain a significant opportunity for future growth both within existing customers and for new business generation. The acquisition of Zen Office Limited earlier in the year delivers an improved infrastructure, strong management and a proven track record in the high growth managed print services ('MPS') area, where OfficeTeam has previously had very little penetration. This acquisition has gone to plan. The integration of the MPS business is progressing with a good future pipeline.

Within OfficeTeam, the key focus is on maintaining sales momentum in new customer acquisition, investing in deeper sales expertise in adjacent markets and increasing retention in small and medium sized customers through a combination of direct sales and e-commerce. Substantial changes are being applied to the sales process. The roll out of the new Smartpad technology platform is underway, although well behind timetable, and therefore it has had to be supplemented by a simpler platform for smaller accounts which can be implemented more easily. These digital initiatives will significantly enhance the customer experience whilst reducing the OfficeTeam administration costs. The delivery of these and further projects to drive customer-centric self-service will be improved through the investment in a Digital Director who has joined SPOT. Progress here is overdue.

SPOT's subsidiary Oyez Professional Services Limited, the legal subscription services business has continued to perform well, with year to date EBITDA growth of 6 per cent. This has been driven by good underlying sales in existing accounts underpinned by some price increases, coupled with low account churn. This will be supplemented going forward by renewed new contract sales focus with a new Sales Director appointed in the final quarter. In addition, a new technology platform has been launched to selective clients with positive initial feedback. This product is a cloud-based, digital solution to automate legal forms production and submission to provide a significantly enhanced client experience and will command a price premium to the traditional forms package. This business has good prospects.

Cash generation has been a key management focus during the year. Progress has been made in more efficient management of stock and an improvement in OfficeTeam debtors. This has, however, been offset by trading terms

with key partners coming under pressure through the year. This will be significantly improved through the financial restructure now in implementation.

As previously reported, a complex internal balance sheet restructure between existing parties is in train to simplify SPOT's capital structure and to provide suitable incentives for the management team. Independent advisers were appointed by both Fund GPs to aid with corporate finance, tax, valuation and legal complexities.

On 30 October 2018, Fund II's SPOT SPV made an offer to all of the loan note holders (being Fund I, current and previous SPOT employees) to buy their loan notes for either cash consideration, or for a proportionate amount of a new class of loan note and shares. On 9 November, the Fund I GP accepted the offer to sell Fund I's loan note for £2.5 million. There was a mixture of those individuals that accepted the cash and those that chose to remain with the investment, and within its structure. To facilitate this, Fund II extended a short term loan of £2.6 million to the group.

The effect of this restructure is to reduce the loan notes in SPOT to £10.0 million, with Fund II holding approximately 98 per cent. of the loan notes and the equity, pre the impending dilution of a new share class to re-incentivise management.

Consequently, the carrying value in SPOT declined by £15.6 million to £22.6 million, reflecting the current transaction. Net debt as at 30 September 2018 was £40.0 million.

Octavia Morley is an increasingly active chair for this investment - which clearly has considerable scope for improvement.

### **Portfolio carrying value**

The investment portfolio value declined by £86.1 million in the six month period to 30 September 2018. Excluding Northern Aerospace and on a like-for-like basis, this was a decline of £26.1 million from £65.1 million to £39.0 million and this is summarised as follows:

	£'m
Portfolio value at 1 April 2018	125.1
Northern Aerospace disposal <sup>1</sup>	(60.0)
<b>Portfolio value at 1 April 2018 on a like-for-like basis</b>	<b>65.1</b>
Increase funding in Everest	2.5
NAV movement in Everest and SPOT	(23.1)
2012 Share repurchase and cancellation (June 2018)	(4.7)
2012 Shares - NAV movement	(0.8)
<b>Portfolio value at 30 September 2018</b>	<b>39.0</b>

<sup>1</sup> Undistributed residual value from the Northern Aerospace disposal and the CAV Aerospace Limited warranty claim have been recognised as fund cash and fund receivables

### **Distribution in the six month to 30 September 2018**

Taking into account of Fund II's future requirements, the Fund II GP approved the distribution of £48.9 million to the 2012 Cell in July 2018, following the disposal of Northern Aerospace and the receipt of the majority of the CAV Aerospace Limited warranty claim.

Having considered the working capital requirements of the 2012 Cell, the Company authorised a fourth distribution of capital to the 2012 Shareholders of £48.3 million.

### **Closing remarks**

Cash in Fund II at the time of writing stands at £8.3 million. In addition, the residual receivable on the CAV Aerospace Limited warranty claim of £2.1 million was received in full in October 2018 and will be distributed to Fund II in the intervening weeks. The current view remains that this level of cash is appropriate, taking into account of the short to medium term funding requirements in Everest and the acquisition of Fund I's minority holding in SPOT. Consequently, no further distributions are currently planned.

We are pushing hard to realise the potential in the two remaining investments. The last few months provide

reassurance that the portfolio performance can be improved over the next years.

**Jon Moulton**

**Chairman**

**BECAP12 GP Limited**

30 November 2018

## Investment Report of Fund II

### Everest

#### Business description

A leading consumer brand in the manufacture, installation and supply of uPVC and aluminium windows and doors, conservatories, roofline products, garage doors, security systems, driveways and other home improvement products ([www.everest.co.uk](http://www.everest.co.uk)).

#### Investment details

£'m	30 September 2018	31 March 2018	30 September 2017
<b>Total invested</b>	<b>30.4</b>	<b>27.9</b>	<b>25.4</b>
<b>Total committed</b>	<b>30.4</b>	<b>27.9</b>	<b>25.4</b>
<b>Fund II fair value (earnings based)</b>	<b>15.0</b>	<b>20.0</b>	<b>20.0</b>

### SPOT

#### Business description

Spicers is a leading office products and stationery wholesaler ([www.spicers.co.uk](http://www.spicers.co.uk))

OfficeTeam is a leading office products and services supplier ([www.officeteam.co.uk](http://www.officeteam.co.uk))

#### Investment details

£'m	30 September 2018	31 March 2018	30 September 2017
<b>Total invested</b>	<b>91.6</b>	<b>91.6</b>	<b>91.6</b>
<b>Total committed</b>	<b>91.6</b>	<b>91.6</b>	<b>91.6</b>
<b>Fund II fair value (earnings and assets basis)</b>	<b>22.6</b>	<b>38.2</b>	<b>40.7</b>

### Portfolio summary

30 September 2018	Sector	Fund project cost <sup>1</sup>	Fund fair value investment in SPVs <sup>2</sup>		Valuation percentage of NAV	Valuation methodology
			£'m	£'m		
Everest	Home Improvement Products	30.4	15.0	25.9%	Earnings	
SPOT	Office Products	91.6	22.6	39.0%	Earnings and Assets	
Better Capital 2012 Cell	Private Equity Investment Vehicle	6.4	1.4	2.4%	Market value	
		128.4	39.0	67.3%		
Fund cash on deposit			13.6	23.4%		

Fund & SPV combined other net assets	4.8	8.3%	
<b>2012 Cell fair value of investment in Fund II</b>	<b>57.4</b>	<b>99.0%</b>	
2012 Cell cash on deposit	0.7	1.2%	
2012 Cell other current assets less liabilities	(0.1)	(0.2)%	
<b>2012 Cell NAV</b>	<b>58.0</b>	<b>100.0%</b>	

## Summary Income Statement for the Partnership

		1 Apr 2018 to	1 Apr 2017 to	1 Apr 2017 to	
		30 Sept 2018	30 Sept 2017	31 March 2018	
		£'000	£'000	£'000	
Total income		31	108	95	
Net loss on Fund II investment portfolio	(24,825)	(18,990)	(24,279)		
Fund II GP's Share	(964)	(444)	(951)		
Other operating expenses	(924)	(107)	(227)		
Partnership's operating loss for the period/year	(26,682)	(19,433)	(25,362)		
<b>Portion of the operating loss for the period/year for 2012 Cell's investment in the Partnership (Note 4)</b>	<b>(26,682)</b>	<b>(19,433)</b>	<b>(25,362)</b>		

<sup>1</sup> Fund II holds its investments at cost less impairment in accordance with the terms of the Limited Partnership Agreement.

<sup>2</sup> 2012 Cell fair values its investment in Fund II in accordance with the accounting policies as set out in Note 2

## Cash Management

As at 30 September 2018, Fund II had placed a total of £13.6 million (31 March 2018: £6.8 million, 30 September 2017: £10.2 million) of cash on instant access deposit with one bank. Fund II has in place a strict cash management policy that limits counterparty risks whilst simultaneously seeking to maximise returns.

Counterparty	Location	Standard & Poor's Rating	Term	30	31 March	30
				September 2018	2018	September 2017
				£'000	£'000	£'000
Barclays Bank PLC	Guernsey	A-1	Instant access	13,617	6,794	10,208
				13,617	6,794	10,208

## INDEPENDENT REVIEW REPORT TO BETTER CAPITAL PCC LIMITED IN RESPECT OF 2012 CELL

### Introduction

We have been engaged by the Company to review the condensed set of financial statements of the 2012 Cell, a cell of Better Capital PCC Limited in the half-yearly financial report for the six months ended 30 September 2018 which comprises the 2012 Cell Condensed Statement of Financial Position, the 2012 Cell Condensed Statement of Comprehensive Income, the 2012 Cell Condensed Statement of Changes in Equity, the 2012 Cell Condensed Statement of Cash Flows and the 2012 Cell related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the 2012 Cell are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The 2012 Cell's condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the 2012 Cell's condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the 2012 Cell's condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Use of our report**

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**BDO Limited**  
Chartered Accountants  
Place du Pré,  
Rue du Pré,  
St Peter Port,  
Guernsey  
30 November 2018

### **Condensed Statement of Financial Position**

**As at 30 September 2018**

<b>As at</b>	<b>As at</b>	<b>As at</b>
--------------	--------------	--------------

	Notes	30 September 2018 £'000 (unaudited)	30 September 2017 £'000 (unaudited)	31 March 2018 £'000 (audited)
<b>ASSETS:</b>				
<b>Non-current assets</b>				
Investment in Limited Partnership	4	57,450	143,335	137,206
<b>Total non-current assets</b>		<b>57,450</b>	<b>143,335</b>	<b>137,206</b>
<b>Current assets</b>				
Trade and other receivables	5	-	822	853
Cash and cash equivalents		691	266	112
<b>Total current assets</b>		<b>691</b>	<b>1,088</b>	<b>965</b>
<b>TOTAL ASSETS</b>		<b>58,141</b>	<b>144,423</b>	<b>138,171</b>
<b>Current liabilities</b>				
Trade and other payables		(119)	(141)	(113)
<b>Total current liabilities</b>		<b>(119)</b>	<b>(141)</b>	<b>(113)</b>
<b>TOTAL LIABILITIES</b>		<b>(119)</b>	<b>(141)</b>	<b>(113)</b>
<b>NET ASSETS</b>		<b>58,022</b>	<b>144,282</b>	<b>138,058</b>
<b>EQUITY</b>				
Share capital	7	235,889	288,950	288,950
Accumulated losses		(177,867)	(144,668)	(150,892)
<b>TOTAL EQUITY</b>		<b>58,022</b>	<b>144,282</b>	<b>138,058</b>
<b>Number of 2012 Shares in issue at period/year end</b>	7	<b>302,181,436</b>	<b>318,052,242</b>	<b>318,052,242</b>
<b>Net asset value per 2012 Share (pence)</b>	9	<b>19.20</b>	<b>45.36</b>	<b>43.41</b>

The unaudited condensed interim financial statements of the 2012 Cell were approved and authorised for issue by the Company's Board of Directors on 30 November 2018 and signed on its behalf by:

**Richard Crowder**  
Chairman

**Richard Battey**  
Director

The notes below form an integral part of the 2012 Cell condensed interim financial statements.

**Condensed Statement of Comprehensive Income  
For the six months ended 30 September 2018**

	Note s	Six months to 30 September 2018 £'000 (unaudited)	Six months to 30 September 2017 £'000 (unaudited)	Year ended 31 March 2018 £'000 (audited)
<b>Income</b>				
Change in fair value of investment in Limited Partnership	4	(26,682)	(19,433)	(25,362)
<b>Total income</b>		<b>(26,682)</b>	<b>(19,433)</b>	<b>(25,362)</b>

<b>Expenses</b>			
Administration fees	70	110	172
Directors' fees and expenses	8	92	197
Legal and professional fees		54	95
Other fees and expenses		24	51
Audit fees		27	53
Insurance premiums	-	-	22
Registrar fees	26	18	25
<b>Total expenses</b>	<b>293</b>	<b>320</b>	<b>615</b>
<b>Loss and total comprehensive expense for the financial period/year</b>	<b>(26,975)</b>	<b>(19,753)</b>	<b>(25,977)</b>
<b>Basic and diluted earnings per 2012 Share (pence)</b>	<b>9</b>	<b>(8.73)</b>	<b>(6.21)</b>
			<b>(8.17)</b>

All activities derive from continuing operations.

The notes below form an integral part of the 2012 Cell condensed interim financial statements.

**Condensed Statement of Changes in Equity**  
**For the six months ended 30 September 2018**

	Share capital £'000	Accumulated losses £'000	Total equity £'000
<b>As at 1 April 2018</b>	<b>288,950</b>	<b>(150,892)</b>	<b>138,058</b>
Loss and total comprehensive expense for the financial period	-	(26,975)	(26,975)
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>(26,975)</b>	<b>(26,975)</b>
<b>Transactions with owners</b>			
Distributions	(48,348)	-	(48,348)
Share buyback and cancellation	(4,713)	-	(4,713)
<b>Total transactions with owners</b>	<b>(53,061)</b>	<b>-</b>	<b>(53,061)</b>
<b>As at 30 September 2018 (unaudited)</b>	<b>235,889</b>	<b>(177,867)</b>	<b>58,022</b>

	Share capital £'000	Accumulated losses £'000	Total equity £'000
<b>As at 1 April 2017</b>	<b>297,220</b>	<b>(124,915)</b>	<b>172,305</b>
Loss and total comprehensive expense for the financial period	-	(19,753)	(19,753)
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>(19,753)</b>	<b>(19,753)</b>
<b>Transactions with owners</b>			
Distributions	(8,270)	-	(8,270)

		0)	
<b>Total transactions with owners</b>	<b>(8,270)</b>	<b>-</b>	<b>(8,270)</b>
<b>As at 30 September 2017 (unaudited)</b>	<b>288,950</b>	<b>(144,668)</b>	<b>144,282</b>

	Share capital £'000	Accumulated losses £'000	Total equity £'000
<b>As at 1 April 2017</b>	<b>297,220</b>	<b>(124,915)</b>	<b>172,305</b>
Loss and total comprehensive expense for the financial year	-	(25,977)	(25,977)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>(25,977)</b>	<b>(25,977)</b>
<b>Transactions with owners</b>			
Distributions	(8,270)	-	(8,270)
<b>Total transactions with owners</b>	<b>(8,270)</b>	<b>-</b>	<b>(8,270)</b>
<b>As at 31 March 2018 (audited)</b>	<b>288,950</b>	<b>(150,892)</b>	<b>138,058</b>

The notes below form an integral part of the 2012 Cell condensed interim financial statements.

### Condensed Statement of Cash Flows

#### For the six months ended 30 September 2018

	Six months to 30 September 2018 £'000 (unaudited)	Six months to 30 September 2017 £'000 (unaudited)	Year ended 31 March 2018 £'000 (audited)
<b>Cash flows from operating activities</b>			
Loss for the financial period/year	(26,975)	(19,753)	(25,977)
Adjustments for:			
Change in fair value of investment in limited partnership	26,682	19,433	25,362
Movement in trade and other receivables	853	783	753
Movement in trade and other payables	6	65	38
Repayment of loan investment in limited partnership	48,361	7,477	7,675
<b>Net cash generated from operating activities</b>	<b>48,927</b>	<b>8,005</b>	<b>7,851</b>
<b>Cash flows used in financing activities</b>			
Distributions	(48,348)	(8,270)	(8,270)
<b>Net cash used in financing activities</b>	<b>(48,348)</b>	<b>(8,270)</b>	<b>(8,270)</b>
Net movement in cash and cash equivalents during the period/year	579	(265)	(419)
Cash and cash equivalents at the beginning of the period/year	112	531	531
<b>Cash and cash equivalents at the end of the period/year</b>	<b>691</b>	<b>266</b>	<b>112</b>

The notes below form an integral part of the 2012 Cell condensed interim financial statements.

## **Notes to the Condensed Interim Financial Statements For the six months ended 30 September 2018**

### **1. General information**

The 2012 Cell is a cell of Better Capital PCC Limited and has the investment objective of generating attractive total returns from investing (through Fund II) in a portfolio of businesses which have significant operating issues and may have associated financial distress, with a primary focus on businesses which have significant activities within the United Kingdom. Such returns are expected to be largely derived from capital growth.

Fund II is managed by its general partner, BECAP12 GP LP, which is in turn managed by its general partner BECAP12 GP Limited. Such arrangements are governed under the respective Limited Partnership Agreements, as amended.

The 2012 Cell is listed on the London Stock Exchange Main Market.

### **2. Accounting policies**

#### **Basis of preparation**

The unaudited 2012 Cell condensed financial information included in the interim financial report for the six months ended 30 September 2018 has been prepared in accordance with the DTRs and Listing Rules of the UK's FCA and IAS 34, 'Interim Financial Reporting' as adopted by the EU.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year to 31 March 2018, which are available on the Company's website [www.bettercapital.gg](http://www.bettercapital.gg). The annual financial statements have been prepared in accordance with EU adopted IFRS.

The principal accounting policies adopted are set out in the Company's accounting policies above.

#### **Going concern**

After making appropriate enquiries, the Company's Directors have a reasonable expectation that the 2012 Cell, and in turn Fund II, have adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the 2012 Cell. For this reason, they continue to adopt the going concern basis in preparing these interim financial statements.

#### **Critical accounting judgement and estimation uncertainty**

##### *Use of estimates and judgements*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a high degree of judgement or complexity or areas where assumptions and estimates are significant to the interim financial statements are disclosed below. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

#### **Investment in Fund II**

The value of the 2012 Cell's investment in Fund II is based on the value of the 2012 Cell's limited partner capital and loan accounts within Fund II. This is based on the components within Fund II, principally the value of the underlying investee companies. Any fluctuation in the value of the underlying investee companies will directly impact on the value of the 2012 Cell's investment in Fund II.

When valuing the underlying investee companies, the General Partner of Fund II reviews information provided by the underlying investee companies and other business partners and applies IPEV methodologies, as noted below, to estimate a fair value as at the date of the statement of financial position. The variety of valuation bases adopted, quality of management information provided by the underlying investee companies and the lack of liquid markets for the investments mean that there are inherent difficulties in determining the fair value of these investments that cannot

be eliminated. Therefore the amounts realised on the sale of investments will likely differ from the fair values reflected in these financial statements and the differences may be significant.

Further information in relation to the valuation of the investment in Fund II is disclosed in Notes 4 and 6.

### 3. Segmental reporting

For management purposes, the 2012 Cell is organised into one main operating segment, which invests in one limited partnership.

### 4. Investment in Limited Partnership

	Loans £'000	Capital £'000	Total £'000
<b>Cost</b>			
Brought forward at 1 April 2018	290,053	17	290,070
Repayment of loan investment in Limited Partnership	(53,074)	-	(53,074)
Carried forward	236,979	17	236,996

	Loans £'000	Capital £'000	Total £'000
<b>Fair value adjustment through profit or loss</b>			
Brought forward	(152,864)	-	(152,864)
Fair value movement during period	(26,682)	-	(26,682)
Carried forward	(179,546)	-	(179,546)
<b>Fair value as at 30 September 2018 (unaudited)</b>	<b>57,433</b>	<b>17</b>	<b>57,450</b>

	Loans £'000	Capital £'000	Total £'000
<b>Cost</b>			
Brought forward at 1 April 2017	297,728	17	297,745
Repayment of loan investment in Limited Partnership	(7,475)	-	(7,475)
Carried forward	290,253	17	290,270

	Loans £'000	Capital £'000	Total £'000
<b>Fair value adjustment through profit or loss</b>			
Brought forward	(127,502)	-	(127,502)
Fair value movement during period	(19,433)	-	(19,433)
Carried forward	(146,935)	-	(146,935)
<b>Fair value as at 30 September 2017 (unaudited)</b>	<b>143,318</b>	<b>17</b>	<b>143,335</b>

	Loans £'000	Capital £'000	Total £'000
<b>Cost</b>			
Brought forward at 1 April 2017	297,728	17	297,745
Repayment of loan investment in limited partnership	(7,675)	-	(7,675)
Carried forward	290,053	17	290,070

	Loans £'000	Capital £'000	Total £'000
<b>Fair value adjustment through profit or loss</b>			
Brought forward	(127,502)	-	(127,502)
Fair value movement during the year	(25,362)	-	(25,362)
Carried forward	(152,864)	-	(152,864)
<b>Fair value as at 31 March 2018 (audited)</b>	<b>137,189</b>	<b>17</b>	<b>137,206</b>

The movement in fair value of the Fund II investment is derived from the write downs in the 2012 Cell Shares, Everest

and SPOT and the sale of Northern Aerospace, net of income and expenses of Fund II and its related special purpose vehicles.

The outstanding loans do not incur interest. The fair value of the loans is expected to be repaid by way of distributions from Fund II. The 2012 Cell is not entitled to demand repayment of the outstanding loans, however, the General Partner may, upon request by the Company, repay to the 2012 Cell any amount of the outstanding loan. During the period £53.1 million (Year to 31 March 2018: £7.7 million, Six months to 30 September 2017: £7.5 million) was repaid to the 2012 Cell by Fund II.

No distributions receivable from Fund II in the current or comparative periods have been allocated as income based on the discretionary allocation powers of the General Partner of Fund II as set out in the Limited Partnership Agreement. At the period end an aggregate £nil (Year to 31 March 2018: £0.8 million, Six months to 30 September 2017: £0.8 million) remained outstanding.

In the interim financial statements of the 2012 Cell the fair value of the investment in the Limited Partnership is adjusted to reflect the fair value of the 2012 Cell's attributable valuation of net assets within Fund II, as seen in more detail in Note 6.

## 5. Trade and other receivables

	As at 30 September 2018 £'000 (unaudited)	As at 30 September 2017 £'000 (unaudited)	As at 31 March 2018 £'000 (audited)
Debtors	-	822	837
Prepayments	-	-	16
	-	822	853

There are no past due or impaired receivable balances outstanding at the period end. The Directors consider that the carrying value of debtors and prepayments approximates their fair value.

## 6. Fair value

The level in the fair value hierarchy within which the financial assets or financial liabilities are categorised is determined on the basis of the lowest level of input that is significant to the fair value measurement. The fair value hierarchy and further information on valuation techniques can be found in Note 6 in the Company financial statements.

Fund II's Level 1 investment consists of 12.7 million (Year to 31 March 2018: 28.5 million, Six months to 30 September 2017: 28.5 million) shares in the 2012 Cell, which are valued at £1.4 million based on their 30 September 2018 (Year to 31 March 2018: £6.9 million, Six months to 30 September 2017: £9.7 million) quoted price.

The following table summarises the valuation methodologies and inputs used for the 2012 Cell's Level 3 investments as at the period end:

Valuation Methodology	Description	Input	Adjustments	Discount Rate Applied to Multiples	Discounted Multiples	Value of portfolio valued on this basis (£'m)		
						30 Septemb er 2018	30 Septemb er 2017	31 Marc h 2018
Multiple	Most commonly used Private Equity valuation methodology. Used for	Multiples are applied to the earnings of the investee company to determine the enterprise value	Relevant provisions may	A discount is applied to earnings	EBITDA Multiplies 2.8 times EBITDA (30)	15.0	60.7	80.0

30 Septem ber 2018 Everes t	investments which are profitable and for which a set of listed companies and precedent transactions with similar characteristics can be determined.	<b>Earnings</b> Reported earnings adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings. Most common measure is EBITDA (Everest). Other earnings such as revenue may also be used where relevant. Further information in relation to the application of earnings can be found in the Fund II GP report above	be ded ucte d fro m the mult iple valua tio n	multipl es at 61 per cent. (30 Septem ber 2017: 20 per cent., 31 March 2018: 20 per cent. to 36 per cent.)	Septem ber 2017: 6.2 times to 6.6 times EBITD A, 31 March 2018: 6.3 times to 6.5 times EBITD A)		
31 Septem ber 2017 Everes t SPOT	Discounts to the valuation generated by applying multiples to reflect the time and costs of reaching	<b>Multiples</b>					

		The earnings multiple is derived from comparable listed companies (Everest). The Fund II GP typically selects businesses in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus and adjust for changes in the relative performance in the set of comparables						
<b>31 March 2018</b> Everest Northern Aerospace	sustainable profitability and the inevitable accompanying uncertainties							
<b>30 Septem ber 2018</b> SPOT	Values of separate elements prepared under other methods, as deemed suitable by the Fund II GP, such as net realisable value and earnings and assets basis	Earnings and assets (SPOT)	As dete rmin ed on a cas e by cas e basi s	For eleme nts valued using earnin gs multipl es derive d from market transa ctions, no discou nt is applie d (30 Septem ber 2017: N/A, 31	For eleme nts valued based on their earnin gs, EBITD A multipl es range from 6.3 times to 8.0 times (30 Septem ber 2017: N/A, 31	22.6	60.0	38.2
<b>31 March 2018</b> SPOT								

				March 2018: 20 per cent.).	31 March 2018: 6.6 times to 8.0 times).			
				Level 3 Portfolio valuation	37.6	120.7	118.2	
				Level 1 Portfolio valuation	1.4	9.7	6.9	
				Other net assets	18.4	12.9	12.1	
				2012 Cell fair value of investments in Fund II	57.4	143.3	137.2	

This approach requires the use of assumptions about certain unobservable inputs. Significant unobservable inputs as at 30 September 2018 are:

- Multiples used to derive enterprise value
- Discount factors

A reasonably possible change in the multiples used +/- 10.0 per cent. would result in:

- An increase in carrying value of £6.4 million or 16.4 per cent. (+10.0 per cent.)
- A decrease in the carrying value of £6.4 million or 16.4 per cent. (-10.0 per cent.)

A reasonably possible change in the discount factors used would be to completely remove the discount factor or to double the discount factor. This would result in:

- A decrease in carrying value of £5.7 million or 14.7 per cent. (+100.0 per cent.)
- An increase in the carrying value of £7.4 million or 18.9 per cent. (-100.0 per cent.)

The Fund II GP approves the valuations performed with input from any external consultant as appointed by the GPs and monitors the range of reasonably possible changes in significant observable inputs on a regular basis.

## 7. Share capital

Share capital for the 2012 Cell is detailed in the relevant column in Note 7 of the Company's financial statements above.

The four cumulative distributions to date for the 2012 Cell total £96.7 million, being 27.2 per cent. of funds raised.

## 8. Related party transactions

Further information on related party transactions can be found in Note 8 of the Company financial statements.

Directors' fees and expenses, incurred by the 2012 Cell, for the period to 30 September 2018 amounted to £92,000 (year to 31 March 2018: £197,000, period to 30 September 2017: £99,000) apportioned on a NAV basis between the Cells. At the period end, £46,000 (31 March 2018: £49,000, 30 September 2017: £49,000) remained outstanding.

## 9. Earnings per share and net asset value per share

### Earnings per share

2012 Cell	Six months to 30 September 2018 (unaudited)	Six months to 30 September 2017 (unaudited)	Year ended 31 March 2018 (audited)
Loss for the period/year	£(26,974,919)	£(19,752,711)	£(25,976,828)
Weighted average number of 2012 Shares in issue	309,119,493	318,052,242	318,052,242
<b>EPS (pence)</b>	<b>(8.73)</b>	<b>(6.21)</b>	<b>(8.17)</b>

The earnings per share is based on the profit or loss of the 2012 Cell for the period/year and on the weighted average number of shares of the 2012 Cell in issue for the period/year.

The 2012 Cell does not have any instruments which could potentially dilute basic earnings per share in the future.

#### Net asset value per share

	As at 30 September 2018 (unaudited)	As at 30 September 2017 (unaudited)	As at 31 March 2018 (audited)
Net assets attributable to 2012 Cell shareholders	£58,021,400	£144,281,984	£138,057,867
2012 Shares in issue	302,181,436	318,052,242	318,052,242
<b>NAV per share (IFRS) (pence)</b>	<b>19.20</b>	<b>45.36</b>	<b>43.41</b>

The net asset value per share for the 2012 Cell is arrived at by dividing the total net assets of the 2012 Cell at the period/year end by the number of shares in issue at the period/year end.

#### 10. Subsequent events

Fund II invested a further £2.5 million in Everest during October 2018 to fund short term working capital.

On 30 October 2018, Fund II's SPOT SPV made an offer to all of the loan note holders (being Fund I, current and previous SPOT employees) to buy their loan notes for either cash consideration, or for a proportionate amount of a new class of loan note and shares. On 9 November, the Fund I GP accepted the offer to sell Fund I's loan note for £2.5 million. There was a mixture of those individuals that accepted the cash and those that chose to remain with the investment, and within its structure. To facilitate this, Fund II extended a short term loan of £2.6 million to the group.

The effect of this restructure is to reduce the loan notes in SPOT to £10.0 million, with Fund II holding approximately 98 per cent. of the loan notes and the equity, pre the impending dilution of a new share class to re-incentivise management.

Other than the above, there were no significant events occurring after 30 September 2018.

#### Defined Terms

**"2009 Cell" or "Better Capital 2009  
Cell"** the Cell in the Company established following the Conversion which holds partnership interests in Fund I, and is interpreted as the Company acting in its capacity as a protected cell company transacting its business in the name of the 2009 Cell;

**"2009 Shares"** the ordinary shares of £1 par value in the 2009 Cell;

**"2012 Cell" or "Better Capital 2012  
Cell"** the Cell in the Company established following the Conversion which holds partnership interests in Fund II, and is interpreted as the Company acting in its capacity as a protected cell company transacting its business in the name of the 2012 Cell;

**"2012 Shares"** the ordinary shares of £1 par value in the 2012 Cell issued by the Company pursuant to the Firm Placing and Placing and Open Offer;

**"Administrator" or "Estera" or  
"EIFG"** means Estera International Fund Managers (Guernsey) Limited (formerly known as Heritage International Fund Managers Limited);

<b>"AIM"</b>	Alternative Investment Market;
<b>"Carried Interest"</b>	the Special Limited Partner's entitlement to participate in the gains and profits of Fund I or Fund II, as set out in the relevant partnership agreement;
<b>"Cells"</b>	the 2009 Cell and 2012 Cell together;
<b>"Cell Shares"</b>	the 2009 Shares and 2012 Shares together;
<b>"City Link"</b>	means City Link Limited;
<b>"Companies Law"</b>	the Companies (Guernsey) Law, 2008 as amended;
<b>"Company" or "Better Capital PCC Limited"</b>	Better Capital Limited, being prior to the Conversion, a non-cellular company limited by shares and being upon and after the Conversion a protected cell company, in each case incorporated in Guernsey with registered number 51194 whose registered office is at Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey GY1 4HY;
<b>"Conversion"</b>	the conversion of the Company from a non-cellular company into a protected cell company pursuant to the Resolutions in accordance with section 46 of the Companies Law;
<b>"Core"</b>	the Company excluding its Cells;
<b>"Core Shares"</b>	the shares in the Core;
<b>"Directors" or "Board"</b>	the directors of the Company as at the date of this document and "Director" means any one of them;
<b>"DTR"</b>	Disclosure Guidance and Transparency Rules of the UK's FCA;
<b>"EBITDA"</b>	being earnings before interest, tax, depreciation and amortisation;
<b>"EU" or "European Union"</b>	the European Union first established by the treaty made at Maastricht on 7 February 1992;
<b>"EU Adopted IFRS"</b>	International Financial Reporting Standards as adopted in the EU;
<b>"Everest"</b>	means the Everest group of companies;
<b>"Fairline"</b>	means the Fairline group of companies;
<b>"FCA"</b>	the Financial Conduct Authority;
<b>"FCA Rules"</b>	the rules or regulations issued or promulgated by the FCA from time to time and for the time being in force (as varied by any waiver or modification granted, or guidance given, by the FCA);
<b>"Funds"</b>	both Fund I and Fund II together;

<b>"Fund GPs"</b>	being both Fund I GP and Fund II GP;
<b>"Fund I"</b>	BECAP Fund LP, a Guernsey limited partnership established on 23 November 2009 and registered in Guernsey as a limited partnership on 25 November 2009 (registration number 1242);
<b>"Fund I GP"</b>	means BECAP GP LP acting as general partner of Fund I and by its general partner, BECAP GP Limited;
<b>"Fund II"</b>	BECAP12 Fund LP, a Guernsey limited partnership established and registered in Guernsey as a limited partnership on 17 November 2011 (registration number 1558);
<b>"Fund II GP"</b>	means BECAP12 GP LP acting as general partner of Fund II and by its general partner, BECAP12 GP Limited;
<b>"Gardner"</b>	means Gardner Group Limited;
<b>"GDPR"</b>	means the General Data Protection Regulations;
<b>"General Partners" or "GPs"</b>	both Fund I GP and Fund II GP together;
<b>"General Partner's Share"</b>	the priority profit share payable to the General Partner pursuant to the Partnership Agreement;
<b>"GFSC"</b>	the Guernsey Financial Services Commission;
<b>"IFRS"</b>	International Financial Reporting Standards;
<b>"iNTERTAIN"</b>	means the iNTERTAIN group of companies;
<b>"IPEV"</b>	International Private Equity and Venture Capital Valuation Guidelines;
<b>"Listing Rules"</b>	the listing rules made under section 73A of the Financial Services and Markets Act 2000 (as set out in the FCA Handbook), as amended;
<b>"London Stock Exchange"</b>	London Stock Exchange plc;
<b>"Main Market"</b>	the main market of the London Stock Exchange;
<b>"Net Asset Value" or "NAV"</b>	the value of the assets of the Company less its liabilities, calculated in accordance with the valuation guidelines laid down by the Board;
<b>"Northern Aerospace"</b>	means Northern Aerospace Limited;
<b>"OfficeTeam"</b>	means Project Oliver Topco Limited and its subsidiaries, which together trade as OfficeTeam;
<b>"Omnico"</b>	means the Omnic Group of companies;

<b>"PCC"</b>	Protected Cell Company;
<b>"POI Law"</b>	The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended;
<b>"Prospectus"</b>	The prospectus of the Company, most recently updated on 29 July 2013 and available on the Company's website ( <a href="http://www.bettercapital.gg">www.bettercapital.gg</a> );
<b>"Redemption"</b>	means a compulsory pro rata redemption of the 2009 Shares;
<b>"Registrar"</b>	Link Market Services (Guernsey) Limited;
<b>"Spicers"</b>	means the Spicers group of companies;
<b>"SPOT"</b>	means the Spicers OfficeTeam group of companies;
<b>"UK"</b>	United Kingdom;
<b>General Information</b>	
<b>Board of Directors</b>	<b>Guernsey advocates to the Company</b>
Richard Crowder (Chairman)	Carey Olsen
Richard Battey	PO Box 98
Philip Bowman	Carey House
Jon Moulton	Les Banques
	St Peter Port
	Guernsey
	GY1 4BZ
<b>Company secretary</b>	<b>English solicitors to the Company</b>
Estera International Fund Managers (Guernsey) Limited	DLA Piper UK LLP
Heritage Hall	3 Noble Street
PO Box 225	London
Le Marchant Street	EC2V 7EE
St Peter Port	
Guernsey	
GY1 4HY	
<b>Registered office</b>	<b>Corporate broker and financial adviser</b>
Heritage Hall	Numis Securities Limited
PO Box 225	10 Paternoster Square
Le Marchant Street	London
St Peter Port	EC4M 7LT
Guernsey	
GY1 4HY	
<b>Guernsey administrator</b>	<b>Independent auditor</b>
Estera International Fund Managers (Guernsey) Limited	BDO Limited
Heritage Hall	PO Box 180
PO Box 225	Place du Pré
Le Marchant Street	Rue du Pré
St Peter Port	St Peter Port
Guernsey	Guernsey
GY1 4HY	GY1 3LL
<b>Registrar</b>	<b>Public relations adviser</b>
Link Market Services (Guernsey) Limited	Powerscourt
Longue Hougue House	1 Tudor Street
	London
	EC4Y 0AH
	<b>Website</b>

St Sampson  
Guernsey  
GY2 4JN

[www.bettercapital.gg](http://www.bettercapital.gg)

**Tickers**

2009 Cell: BCAP.L  
2012 Cell: BC12.L

Better Capital PCC Limited, is a company incorporated in and controlled from Guernsey as a Protected Cell Company. There are currently two cells, being the 2009 Cell and the 2012 Cell. The ordinary shares of each cell are admitted to the Main Market operated by the London Stock Exchange plc.

The principal activity of the Company is to act as a feeder fund, through each cell, and pursue an investment objective which aims to generate attractive total returns by investing (2009 Cell through Fund I and 2012 Cell through Fund II) in a portfolio of distressed businesses, such returns being expected to accrue largely through capital growth.

Following the investment by the Cells into the Funds, the Funds invest in distressed businesses, through special purpose vehicles. The Fund GPs are the investment managers in each respective Fund and have overall responsibility for the management and administration of the businesses and affairs of the Funds, including the management of its investments and as such the Cells have no control over the investments made by the Funds.

Following two extensions, Fund I will terminate on 17 December 2019. The Board is confident, that within the timeframe, the Fund 1 GP will continue to work towards generating the best possible returns through the realisation of the residual assets in the portfolio. With Fund I being the 2009 Cell's sole investment, following its termination, the Board will begin the orderly wind-up of the 2009 Cell. For this reason, the accounts of the 2009 Cell are therefore not prepared on a going concern basis.

Fund II is scheduled to terminate on 30 June 2021, unless the General Partner of Fund II exercises its discretion to extend Fund II's term for up to two additional one year periods, subject to the consent of the Company. For this reason, the Board continue to adopt the going concern basis in preparing the accounts of the 2012 Cell.

The Company is a limited liability, Closed-ended Investment Company, which was incorporated on 24 November 2009 in Guernsey and which, by special resolution of its members, converted to a protected cell company on 12 January 2012 and on that same day changed its name from Better Capital Limited to Better Capital PCC Limited. The Company has an unlimited life and is registered with the GFSC as a Registered Closed-ended Collective Investment Scheme.

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