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Tax Efficient Review

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Enterprise Investment Scheme

EIS Multi-sector Fund
Calculus Capital EIS Fund 10

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RISK WARNINGS

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GENERAL RISK WARNINGS Your attention is drawn to the following risk warnings which identify some of the risks associated with the investments which are mentioned in the Review:

Fluctuations in Value of-Investments The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

Suitability The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.

Past performance Past performance is not a guide to future performance.

Legislation Changes in legislation may adversely affect the value of the investments.

Taxation The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

ADDITIONAL RISK WARNINGS Enterprise Investment Schemes

1. EIS companies are unquoted
2. The value of EIS Shares can fluctuate and Investors may not get back their investment;
3. There is no market for EIS Shares and Shareholders may not be able to realise their shareholding unless the EIS company is sold or floated on a recognised Stock Exchange. Dividends may not be paid.
4. Potential Investors should consider that past performance of the EIS Manager is no indication of future performance and there can be no guarantees that the EIS Company will meet its objectives.
5. Investment in unquoted companies can offer good investment returns, but, by its uncertain nature involves a much higher degree of risk than investment in a quoted portfolio.
6. Whilst it is the intention of the EIS Directors that the EIS company will be managed so as to qualify as an EIS, there can be no guarantee that it will maintain such status. A failure to qualify could result in the Company losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the 20 per cent. income tax relief.
7. Levels and bases of, and relief from, taxation are subject to change. Such changes could be retrospective.
8. Two new conditions as to EIS qualification were introduced by the Finance Act 2007 which apply from 19 July 2007. Firstly, a qualifying company must have no more than 50 full time equivalent employees at the time of the share issue. Secondly, a company can raise no more than £2m in any 12 month period after 19 July 2007 from any or all of the Enterprise Investment Scheme, the Corporate Venturing Scheme and Venture Capital Trusts.
9. Fees charged by the EIS. Usually there is an initial cost of around 5%-10% to cover issuing the prospectus and paying a commission to introducers. This is paid out of the initial investment paid by the investor and the effect is that the EIS company receives around 90%-95%. Thereafter annual running costs of about 3%-3.5% are incurred by the EIS and met out of EIS income. On top of these, the EIS management usually have a performance incentive which pays a proportion of the return made usually after meeting some hurdle. A typical incentive might be that the management receives 20% of any uplift in net asset value over a return of original capital.

Comparison of EIS Fund products						
Product Provider	Axxess	Calculus	Longbow	MMC	Octopus Eureka	Oxford Gateway
Type	Approved & Unapproved Funds	Unapproved Fund	Approved & Unapproved Funds	Discretionary portfolio	Unapproved Fund	Approved & Unapproved Funds
Strategy	Unquoted companies that are considered 12-18 months away from an IPO on AIM or PLUS Markets	Businesses with long-term positive trends, a high degree of predictability and successful, motivated management teams	Early and development stage investor. Founding partners of Boots Centre for Innovation	Growth capital for successful management teams	Early stage, Expansion and Development, MBO, MBI and turnaround investments	Early stage, Expansion and Development, MBO, MBI and turnaround investments
Targeted sectors	Non sector specific	Non sector specific	Life Sciences, health and wellbeing	Generalist investor with focus on secular growth sectors	Focus on the environmental, technology, media, telecoms, consumer lifestyle and wellbeing sectors	Sustainability, healthcare and communications
Administrator	The Share Centre	Calculus	The City Partnership (UK) Limited	Heartwood Wealth Management	Octopus	The Share Centre
Funds under mgmt	£2m	£34m	£26m	£70m		£36m
Year manager set up	2006	2000	2004	2000	2000	1999
Number of investments to date	20	15	12	20	3	42
Number of exits	6	10	No exits to date	4	No exits to date	10
Average exit IRR	300% (32% excl best)	40%		65%		38%
Average time to exit	0.65 year	4.1 years		2 years		4.2 years
Total 5 year costs *	£14,213	£17,994	£16,188	£17,680	£16,202	£16,787
Growth rate required to cover costs *	2.8%	3.32%	2.7%	3.3%	2.8%	3.7%
Tax Efficient Review rating						
Product Provider	Axxess	Calculus	Longbow	MMC	Octopus Eureka	Oxford Gateway
Strategy	26 / 30	28 / 30	28 / 30	28 / 30	25 / 30	28 / 30
Track Record	32 / 40	36 / 40	31 / 40	35 / 40	30 / 40	34 / 40
Mgmt Team/Deal flow/Exit	14 / 20	16 / 20	16 / 20	16 / 20	14 / 20	16 / 20
Costs	8 / 10	7 / 10	8 / 10	7 / 10	7 / 10	7 / 10
TOTAL	80 / 100	87 / 100	83 / 100	86 / 100	76 / 100	85 / 100
* Tax Efficient Review calculation with TER assumptions. No estimate intended or implied						

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EIS FUND

Calculus Capital EIS Fund Business	EIS Fund investing in mature unquoted companies
10 Size	£10m
Fund Manager	Calculus Capital Limited
Nominee	Calculus Nominees Limited
Minimum investment	£30,000
Closing date	2 April 2010
Commission	2.5% initial, trail 0.5%
Available Tax Years	2009/10 and 2010/11 (under new carry back rules)

Strategy This tenth EIS fund from Calculus Capital is planning to raise £10 million to invest in six to eight mature qualifying companies in the next 12 months. The investment strategy is to seek capital growth whilst managing risk and preserving initial capital. The Fund is unapproved so all tax relief is available from the date the underlying EIS investments are made. Investors will be sent EIS 3 certificates after each qualifying investment has been made which means that investors do not need to wait until the entire fund has been invested in order to claim tax reliefs. Following changes in the 2009 Budget, it is also now possible to carry back income tax relief to the previous tax year to the extent that the investor has an unused EIS allowance relating to that tax year.

The intention is to realise the investments in years 4 and 5. If the fund has not already terminated by realisation of all its investments, any remaining investments must be sold or transferred to investors by year 7.

The strategy of the fund is intended to be lower risk by seeking business investment opportunities according to the following criteria:

- Businesses with long-term positive trends and where there is a high degree of predictability.
- Successful, motivated management teams capable of delivering return to shareholders.
- Companies with significant recurring revenues and adequate cash flow from operations to service their operating requirements
- Companies with a defensible market position
- Businesses which can benefit from not only the capital provided by Calculus Capital, but also from the many years of operating and financial experience of Calculus Capital's team.

A key number for potential investors in an EIS Fund offering is the amount that after costs will be invested in the underlying EIS qualifying companies as this number will drive the initial income tax relief and any amount of deferred CGT. Calculus tell us that they expect dividends to be sufficient to cover management fees of 1.5% and the operating expenses of 0.1% per quarter. As the Fund focuses on more mature companies they believe that they should find that dividends flow earlier than in, say, start up or early stage investment. Our calculation (see Table 1 in the introduction to this

TABLE 1: CALCULUS CAPITAL FUNDS UNDER MANAGEMENT as at 30/11/2009			
Source: John Glencross November 2009			
	Net assets	Annual Management fee	Still to be invested
EIS Funds	£23.6m	£0.45m	£4.3m
Non-EIS Funds than can co-invest with EIS funds (VCTs)	£10.1m	£0.16m	£1.7m
TOTAL UNDER MANAGEMENT	£33.7m	£0.61m	£6m

EIS FUND (CONT)

Table 2: Calculus Capital realisation events

Source: John Glencross Calculus Capital November 2009

Investee Company name	Egdon Resources Plc	Debt Free Direct Plc	Dunn-Line Plc	XN Checkout Plc	Lindley Catering Ltd
Structure of investment	Equity	Equity	Equity	Equity	Equity
Sector	Oil & Gas Producers	General Financial	Industrial Transportation	Support Services	Support Services
Financing stage when first invested	Later Stage, Pre-profit expansion	Later Stage, Pre-flotation	Later Stage, Pre-flotation	Later Stage, Pre-flotation	Later Stage, Pre-flotation
Board seat	y	n	n	n	y
Amount originally invested	£15,300 15/06/2001	£70,000 25/09/2003 £170,000 25/09/2003	£250,000 22/12/2004	£150,059 11/02/2002	£225,000 26/09/2001
Further investment amounts (if any)	£4,161 20/03/2004				£174,999 04/12/2002
Realisations/Dividends	£53,581 15/05/2005 £57,069 15/07/2008	£550,668 01/11/2006 £3,889 04/01/2006 £1337,332 01/11/2006 £9,444 04/01/2006	£333,333 12/04/2006 £8,333 28/03/2006	£367,039 07/04/2005	£710,325 08/07/2005 £262,360 08/07/2005
Profit/Loss	£91,189	£1,661,333	£91,666	£216,980	£572,686
Annual Internal Rate of Return	45%	95%	27%	33%	31%
Length of investment	7.0 years	2.2 years	1.2 years	3.1 years	3.7 years

Investee Company name	Portland Gas Plc	Quintus Holdings Ltd	Tellings Golden Miller Plc	Straight	EpiStem Holdings plc
Structure of investment	Equity	Equity	Equity	Equity	Equity
Sector	Oil & Gas Producers	Travel & Leisure	Industrial Transportation	Household Goods	Pharmaceuticals & Biotechnology
Financing stage when first invested	Later Stage, Pre-profit expansion	Later Stage, Pre-flotation	Later Stage, Pre-flotation	Later Stage, Pre-profit expansion	Early Stage, Pre-Revenue
Board seat	y	n	n	N	Y
Amount originally invested	£84,590 15/06/2001	£400,000 16/05/2006	£230,000 31/07/2003 £70,000 31/07/2003	£45,696 07/11/03	£133,499 22/09/2000
Further investment amounts (if any)	£41,123 20/03/2004			£36,982 20/01/05	£80,274 27/09/01
Realisations/Dividends	£294,696 15/05/2005 £1278,119 15/07/2008	£568,161 02/04/2007	£147,857 19/05/2004 £222,698 19/05/2004 £45,000 25/01/2008 £67,778 25/01/2008	£88,325 Various	£963,415 Various
Profit/Loss	£1,447,102	£168,161	£183,333	£5,647	£727,820
Annual Internal Rate of Return	59%	49%	43%	1%	19%
Length of investment	7.0 years	0.8 years	4.4 years	5.5 years	8.7 years
IRR over all exits 40%					

EIS FUND (CONT)

issue) indicates that this should be around £97,060 (the figures range from a high of £97,060 for Calculus and a low of £87,300 for Oxford Capital).

We asked Calculus for their view of the time taken from the investment to investor receiving EIS certificates. Their response is that investors can expect to receive the EIS 3 certificates approximately 3 months after investment in the qualifying companies.

Tax Efficient Review Strategy rating: 28 out of 30

Track Record Calculus Capital has invested approximately £30 million in EIS and VCT qualifying investments. Investments are valued on a six monthly basis in line with the International Private Equity and Venture Capital Valuation Guidelines. As at 5th October 2009, mature EIS funds, comprising those funds at least three years old, produced a return on investment of 1.3 times cost excluding all tax benefits, of which approximately 68% is realised. As many of these companies are now quoted on AIM, a number of further realisations are planned. See Table 2 for details on the ten realisations which over the ten transactions have made an Annual Internal Rate of Return of 40%. Write-downs of over 75% include: InferMed, Pharmasmart, FSG and Surface Transforms. This reflects a conservative approach to valuation as Infermed, Pharmasmart and Surface Transforms are trading satisfactorily and could deliver future value.

Overall the track record based on realisations is excellent and is the main reason why we place this offering top of our ranking table.

Tax Efficient Review Track Record rating: 36 out of 40

Manager The Manager is Calculus Capital Limited. Calculus Capital was formed in 1999 and structured the UK's first Approved EIS Fund in 1999/2000. The management team at Calculus Capital has worked together for eight years, specialises in managing EIS funds and has launched and closed nine EIS funds to date. The team comprises John Glencross (director and co founder of Calculus Capital Limited, formerly with

TABLE 3: Matrix of individual responsibilities - Calculus Capital Limited					
Data source John Glencross November 2009					
NAMES	John Glencross	Susan McDonald	Alexandra Lindsay	Lesley Watkins	Paul Younger
EIS RELATED WORK					
Deal origination %	20%	20%	10%	15%	10%
General enquiries %			10%	10%	10%
New deal doing %	70%	70%	60%	45%	50%
Investee board seats No.	-	-	-	-	-
Sitting on Boards/Monitoring %	-	-	-	-	-
Fund raising %	-	10%	10%	-	-
Internal issues %	-	-	-	10%	10%
Exits %	-	-	-	10%	10%
NON EIS WORK					
Non EIS work	10%	0%	10%	10%	10%
TOTAL	100%	100%	100%	100%	100%
Years in venture capital	13	13	2	7	1
Years involved with EIS funds	13	13	1	7	1
Years with current team	13	13	1	7	1

EIS FUND (CONT)

UBS corporate finance and a chartered accountant), Susan McDonald (director and co founder of Calculus Capital Limited, formerly with Robert Fleming London and anMBA), Lesley Watkins (director of Calculus Capital and formerly with Deutsche Bank corporate finance and a chartered accountant. Lesley is also a non-executive council member of the UK Competition Commission), Diane Seymour-Williams (director of Calculus Capital and formerly with Morgan Grenfell/Deutsche Asset Management), Roger Lander (compliance officer and ex-IMRO), Alexandra Lindsay (investment analyst formerly at the private equity firm Apollo Management International LLP) and Paul Younger (fund finance manager formerly at Rees Pollock).

The team is really built around husband and wife team of Glencross and McDonald who spend around 90% of their time (see Table 4) searching out and completing deals. With around £4.3m still to invest, we do not believe that the team will be overstretched by raising a further £10m in this tax year.

Deal Flow Calculus Capital reviews hundreds of investment opportunities each year, by proactive sourcing. As originators of the original Approved EIS Fund in 1999/2000, Calculus Capital is well known in the industry and company managers often come direct seeking funding. The City based network of investors in Calculus Capital EIS funds has been a valuable source of privileged deal flow. Many of the most successful investee companies came from the knowledgeable Calculus Capital investor base. In addition, the management team has a reputation for fair and straightforward dealing and has worked with other institutions such as J O Hambro, YFM and family offices to invest along side or lead investment deals.

Calculus states that it places considerable emphasis on its investment process including initial assessment of proposals, due diligence, documentation, completion, post-investment management and exit. Their compliance officer is integrally involved in all aspects of Calculus' operations, attends the team's regular early morning meetings and is free to attend any of the firm's meetings. Fund 10 will be independently audited by an outside audit firm. In addition, Calculus holds evening seminars for investors every quarter.

Exits Potential exit strategies are considered in detail as part of the initial investment process. No investment will be made without identifying potential trade buyers as the Manager believes that this is the most effective method of realising value from the portfolio.

Tax Efficient Review Management Team/ Deal Flow/Exit rating: 16 out of 20

Costs Initial charges are 2.5% and the annual management fee is 1.5%. Administration fees are charged annually at 0.4% of net asset value. The transaction costs are 1.0%. The total expense ratio is thus 1.9% plus VAT if trail commission is rebated and 2.4% if it is not. Our calculation of total five year costs is shown in Table 5 (see Table 5 for detail on assumptions) puts Calculus as one of the two most expensive which reduces our rating in this area.

Tax Efficient Review Costs rating: 7 out of 10

Conclusion An EIS Fund offering from Calculus Capital which is unapproved to give investors maximum flexibility about when they can claim income tax relief. Calculus is seeking a maximum of £10m before closing on 2 April 2010. The investment strategy follows that of its previous EIS offerings and focuses on more mature businesses with long-term positive trends, a high degree of predictability and successful, motivated management teams. No sectors in particular are targeted. The team has a successful track record across a range of sectors and looks to build a balanced portfolio of

EIS FUND (CONT)

investments.

The investment team comprises four people and its core is husband and wife team of Glencross and McDonald who also run one Venture Capital Trusts following the merger of the Ordinary Shares and C Shares earlier this year.

Realisations so far across ten companies are extremely good with a pooled Annual Internal Rate of Return of 40%.

The offering is slightly let down by high costs but overall we rank this first in its category of EIS funds raising money this tax year.

Tax Efficient Review Total rating: 87 out of 100

Table 4: Estimate of Total Charges over a five year period for Calculus Capital EIS Fund 10					
Fund - Initial charge	2.5% plus VAT initial fee (excl commission assumed rebated to investor)				2.88%
Fund - Annual management charge	1.5% plus VAT annual management fee based on net asset value				1.73%
Fund - Annual operating costs	0.4% plus VAT admin fee based on net asset value				0.46%
Fund - Trail fees	0.5% plus VAT three year trail based on original subscription (assumed rebated)				0.00%
Fund - Transaction specific costs	1.0% plus VAT dealing commission based on original subscription less initial fee and based on end net asset value				1.15%
Fund - EIS fee					0.00%
Fund - Performance fee	20.0% performance fee based on distributions over original subscription				20.00%
Custodian Fees - Admin per annum					None
Investee companies - arrangement fees					
Investee companies - annual monitoring fees					
Investee companies - exit fees					
Number of investee companies					6
% of fund invested in year 1					100%
Assumed growth*	Tax Efficient Review assumption				5.00%
	Year 1	Year 2	Year 3	Year 4	Year 5
Value of portfolio at beginning of year	£100,000	£98,580	£101,248	£103,987	£106,801
Less initial charge	£2,875	£0	£0	£0	£0
Less transaction fees	£1,117	£0	£0	£0	£1,228
Less annual operating charges	£447	£453	£466	£478	£491
Less trail fees	£0	£0	£0	£0	£0
Less annual management charge	£1,675	£1,701	£1,747	£1,794	£1,842
plus assumed growth	£4,694	£4,821	£4,952	£5,086	£5,162
Value of portfolio prior to performance fee being taken	£98,580	£101,248	£103,987	£106,801	£108,401
Performance fee	£0	£0	£0	£0	£1,680
Value of portfolio at year end	£98,580	£101,248	£103,987	£106,801	£106,721
Total cumulative charges	£6,114	£8,268	£10,480	£12,752	£17,994
Arrangement fees	£0	£0	£0	£0	£0
Monitoring fees (offset against AMC)	£0	£0	£0	£0	£0
Exit fees	£0	£0	£0	£0	£0
Total cumulative investee company fees	£0	£0	£0	£0	£0
Total cumulative EIS and investee fees	£6,114	£8,268	£10,480	£12,752	£17,994
Annual compound growth required to cover costs					3.32%
This table is to illustrate the effect of total charges on a £100,000 portfolio invested for five years. Level of charges and number of investee companies based on data provided by the portfolio manager. *Assumed annual growth rate of investee companies is made by Calculus Capital for modelling purposes only. No estimate is either intended nor implied. Investee company values can go down as well as up.					

EIS FUND (CONT)

TABLE 5: Unquoted portfolio analysis for Tax Efficient Review as at 31/10/09 - Calculus Capital Limited

Investee name	Amount invested £000	Current Value* £000	Percentage of equity held	Date of first investment	Syndicated Y/N	Lead investor Y/N	Structure of investment	Industry sector	Financing stage	Valuation method
Waterfall	500	929	10%	Dec-06	Y	N	Equity & Loans	Health Care Equipment & Services	Mature stage, MBI	Uplift in value, manager valuation based on price of recent investments
FDS	600	300	18%	Dec-07	N	Y	Equity	Support Services	Later Stage, Pre-profit expansion	Write-down 26%-50%
Heritage House Media	861	881	20%	Sep-07	Y	N	Equity & Loans	Media	Mature stage, MBI	Uplift in value, manager valuation based on industry valuation benchmarks
InferMed	529	93	5%	Sep-00	N	Y	Equity	Software & Computer Services	Later Stage, Pre-flotation	Write-down 76%-100%
Mechadyne	660	470	10%	Apr-00	Y	N	Equity	Automobiles & Parts	Later Stage, Pre-profit expansion	Write-down 26%-50%
PharmaSmart	850	226	5%	Jul-05	N	Y	Equity	Support Services	Later Stage, Pre-flotation	Write-down 76%-100%
RMS Europe	500	1023	5%	Jul-07	Y	N	Equity & Loans	Industrial Transportation	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Triage Holdings	480	957	10%	Mar-07	Y	N	Equity & Loans	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Egdon Resources	153	591	4%	Jun-01	Y	N	Equity	Oil & Gas Producers	Later Stage, Pre-profit expansion	AIM listed, At mid, Marketability discount of 0%
Portland Gas	748	2921	4%	Jun-01	Y	Y	Equity	Oil & Gas Producers	Later Stage, Pre-profit expansion	AIM listed, At mid, Marketability discount of 0%
Lindley Catering	400	973	10%	Sep-01	Y	N	Equity	Travel & Leisure	Mature stage, MBI	Uplift in value, manager valuation based on net assets
XN Checkout	150	367	3%	Feb-02	Y	N	Equity	Support Services	Later Stage, Pre-flotation	Uplift in value, manager valuation based on net assets
Quintus Holdings	400	564	10%	May-06	Y	N	Equity	Travel & Leisure	Later Stage, Pre-flotation	Uplift in value, manager valuation based on net assets
Corac	1030	4150	6%	Sep-98	N	Y	Equity	Oil Equipment, Services & Distribution	Later Stage, Pre-flotation	AIM listed, At mid, Marketability discount of 0%

EIS FUND (CONT)

TABLE 5: Unquoted portfolio analysis for Tax Efficient Review as at 31/10/09 - Calculus Capital Limited

Investee name	Amount invested £000	Current Value* £000	Percentage of equity held	Date of first investment	Syndicated Y/N	Lead investor Y/N	Structure of investment	Industry sector	Financing stage	Valuation method
BiPs	72	226	15%	May-97	N	Y	Equity	Oil Equipment, Services & Distribution	Early Stage, Pre-Revenue	Uplift in value, manager valuation based on net assets
EpiStem Holdings	1501	4000	13%	Sep-00	N	Y	Equity	Pharmaceuticals & Biotechnology	Later Stage, Pre-flotation	AIM listed, At mid, Marketability discount of 0%
Terrain Energy	1620	1620		Oct-09	N	Y	Equity	Oil & Gas Producers	Later Stage, Pre-flotation	Cost
Scancell Holdings	250	219	6%	Sep-08	Y	N	Equity	Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	PLUS listed, at mid
FSG Security	725	145	10%	Oct-06	Y	N	Equity	Support Services	Later Stage, Pre-flotation	Write-down 76%- 100%
Surface Transforms	336	33	2%	Mar-02	Y	N	Equity	General Industrials	Later Stage, Pre-profit expansion	Write-down 76%- 100%
Laminate Flooring	425	0	1%	Apr-04	Y	N	Equity	General Retailers	Later Stage, Pre-profit expansion	Write-down 76%- 100%
Total	£12.79m	£20.69m								

Source: Calculus Capital