**BRITISH SMALLER COMPANIES VCT PLC**
**Annual Financial Report Announcement for**
**the Year ended 31 March 2016**

British Smaller Companies VCT plc (the "Company") today announces its audited results for the year to 31 March 2016.

## Financial Highlights

- An increase in total return of 11.2 pence per ordinary share to 208.7 pence per ordinary share, an increase of 11.3 per cent on the opening net asset value ("NAV") per ordinary share.

- NAV per ordinary share increased by 1.2 pence to 100.0 pence per ordinary share, after paying dividends of 10.0 pence per ordinary share.

- Underlying growth in the investment portfolio of £10.3 million. This includes £6.5 million of unrealised value growth and £3.8 million of gain over the opening value from disposals and represents an increase of 18.6 per cent over the year.

- The portfolio generated income of £3.4 million, an increase of 46 per cent over the previous year.

- Total cash proceeds of £12.7 million from the sale of portfolio investments generated realised profit from disposals of £7.9 million over the original cost.

- Total dividends paid during the year ended 31 March 2016 were 10.0 pence per ordinary share. This comprises a final dividend relating to the year to 31 March 2015 of 3.5 pence, special interim dividends of 4.5 pence and an interim dividend for the year to 31 March 2016 of 2.0 pence per ordinary share.

- Total cumulative dividends paid since inception now above £1 at 108.7 pence per share.

- Proposed final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2016.

## Chairman's Statement

The last year has been characterised by political and economic uncertainty, with a General Election and the announcement of the referendum on membership of the European Union. More specifically, the Government enacted new VCT legislation in November 2015 which has created a hiatus in investment in the VCT industry.

Against this backdrop your Company has focussed on improving the returns from its portfolio and adjusting to the new VCT rules. Pleasingly the result for the year has seen total return per ordinary share increase by 11.2 pence per ordinary share (an 11.3 per cent return on the opening net asset value). This has enabled your Company to pay total dividends of 10.0 pence per ordinary share. As at 31 March 2016 total return was 208.7 pence per ordinary share with cumulative dividends paid of 108.7 pence per ordinary share. Your Company is one of the few in the VCT industry which has paid out dividends exceeding 100 pence per ordinary share.

Following the initial changes to the VCT rules in July 2015 the Board decided to complete investments only where HMRC had granted advance assurance. Consequently only one new investment was made which was into KeTech Enterprises Limited. The new legislation finally received Royal Assent on 18 November 2015 and further guidance in draft form has been published by HMRC subsequent to your Company's financial year end. The Board and your Company's Investment Adviser are adapting to the new rules and the investment pipeline contains a number of new opportunities which we are in the process of seeking advanced assurance as to their eligibility from HMRC. Although the time taken to implement these new rules disrupted the flow of investment in the year to March 2016 and the delay in issuing guidance has further disrupted the pattern of new investments, the Board fully expects to make further additions to the portfolio in the coming financial year.

### Financial Results

The movement in net asset value per ordinary share and the dividends paid in the year to 31 March 2016 are summarised in the table below:

| Net Asset Value | | Pence per ordinary share | | £000 |
|---|---|---|---|---|
| NAV at 1 April 2015 | | 98.8 | | 87,720 |
| Net underlying increase in portfolio | 10.8 | | 10,323 | |
| Net income | 0.1 | | 86 | |
| Buy-back of shares | 0.2 | | (316) | |
| Issue of new shares | 0.1 | | 6,998 | |
| | 11.2 | | 17,091 | |
| Dividends paid | (10.0) | | (9,088) | |
| | | 1.2 | | 8,003 |
| **NAV at 31 March 2016** | | 100.0 | | 95,723 |
| Cumulative dividends paid | | 108.7 | | |
| **Total Return** | | **208.7** | | |

In the year to 31 March 2016 your Company's total return after all costs increased by 11.2 pence per ordinary share to 208.7 pence per ordinary share. This return was delivered through improved performances from many of the portfolio companies and the highly successful disposal of the investment in President Engineering Group Limited for £7.6 million in July 2015. The increase in total return equates to an increase of 11.3 per cent on the opening NAV per ordinary share at 31 March 2015.

The charts on page 12 of the annual report show in greater detail the movement in total return, net asset value and dividends paid over time.

These financial results have enabled your Company to continue to hold its ranking as a top-performing VCT, with Citywire reporting it as the fourth best performing VCT over the last ten years. (Source: Citywire data as at 23 May 2016 - based on NAV performance).

## Shareholder Relations

### *Dividends*

The Board remains committed to achieving the objective of maintaining capital value and paying a consistent dividend.  Dividends paid in the year comprise a final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2015, an interim dividend of 2.0 pence per ordinary share and special dividends of 4.5 pence per ordinary share in respect of the financial year just ended, totalling 10.0 pence per ordinary share. This represents 10.1 per cent of the opening net asset value and 11.5 per cent of the opening share price per ordinary share, and brings the cumulative dividends paid to 108.7 pence per ordinary share.

The Board is pleased to propose a final dividend of 3.5 pence per ordinary share for the year ended 31 March 2016. This final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and if approved will then be paid on 5 August 2016 to shareholders on the register at 1 July 2016.  The ex-dividend date is 30 June 2016.

### *Dividend Reinvestment Scheme ("DRIS")*

Your Company operates a DRIS which gives shareholders the opportunity to re-invest any cash dividends and is open to all shareholders, including those who invested under the recent share offers.  For the financial year ended 31 March 2016 dividends totalling £2.1 million were invested in your Company by way of the DRIS.

### *Fundraising*

In April 2015 your Company raised £1.4 million from the final tranche of the 2015/16 Offer alongside British Smaller Companies VCT2 plc and in February 2016 a further £3.6 million was raised after the successful completion of a €5.0 million top up offer.

***Incentive fee***

As a result of the increased level of dividend and maintenance of the net asset value above its target, an incentive fee of £1.0 million (2015: £0.6 million) is payable to YFM Private Equity Limited, in accordance with the terms of the Incentive Agreement (the details of which are set out on page 60 of the annual report), and this has been accounted for in the financial statements.

This payment is linked to achieving both a consistent and increasing dividend (with a target dividend, below which no incentive fee is payable, adjusted for RPI annually) as well as maintaining growth in the net asset value above a hurdle.

***Shareholder communications***

As part of the Board's continuing dialogue with shareholders, the 21st shareholder workshop was held in conjunction with British Smaller Companies VCT2 plc at the British Library on 17 May 2016, with over 200 attendees. There were presentations from the managing directors of our two newest investments, Ness (Holdings) Limited and KeTech Enterprises Limited, David Hall and David Bell from the Investment Adviser, as well as Wyndham North of HM Treasury.

I am delighted to report that your Company was voted the winner of the Best Report and Accounts, VCTs by the Association of Investment Companies (AIC) at their recent Information for Shareholders Awards. This award recognises the importance your Board attaches to investor communications.

The Board has implemented an electronic communications policy, whereby documents such as the annual report are disseminated via the website www.bscfunds.com rather than by post and this has saved on printing costs as well as being more environmentally friendly. I am pleased to report that this policy has been well received and 82 per cent of shareholders have now opted to receive communications in this way.

The website www.bscfunds.com is refreshed on a regular basis, with the emphasis on providing a comprehensive level of information in a user friendly format.

**Regulatory Changes**

The changes to the regulations surrounding VCTs (and EIS) brought in during 2015 arose from an EU review of the use of state aided investment in the UK. The income tax reliefs received by VCT investors are classified as state aid under the EU's guidelines, Risk Capital Finance ("RCF"), and a revised set of these guidelines came into force on 1 January 2015.

The UK legislation that was enacted in November 2015 as part of the Finance (No. 2) Act 2015 includes changes to reflect the requirements of the RCF. VCTs have to comply with both the UK legislation and the RCF and are subject to review by HMRC, HM Treasury and the EU.

The principal changes that have been made are to the definitions of Qualifying Holdings and what VCTs are able to do with non-qualifying money.

In summary, Qualifying Holdings are now restricted to companies

- i that are less than ten years old, if classed as knowledge intensive; or
- ii that are less than seven years old if they are not classed as knowledge intensive; or
- iii that are older than seven or ten years old and have previously received state-aided finance within seven years of first trading; or
- iv where the investment is "substantial in relation to the size of the company" and the monies are to be used to fund the company's growth into new product markets and/or new geographies.

There are also restrictions on the use of funds prior to them being invested in Qualifying Holdings; this is known in the legislation as the liquidity test. This is restricted to shares or securities on a regulated market, cash and certain liquid funds. Notably AIM is excluded, as it is not a regulated market, which means new non-qualifying investments on AIM will not be allowed. Your Company's Investment Policy has been amended to reflect this latter point.

## Impact of the Regulatory Changes

### ***Existing portfolio***

The new rules apply to all investments from the date of Royal Assent, 18 November 2015. The Board and the Investment Adviser have reviewed the existing portfolio. Although in some cases any further investment into the existing portfolio will be restricted, the Board believes that there should be no material impact on the portfolio as a whole.

### ***New investments***

The investment policy and mandate is set out on page 10 of the annual report. The Board believes that the overall pool of potential investments available to the VCT market as a whole is likely to be smaller than in previous years and as earlier stage companies, they may be of higher risk. However, your Company has extensive experience of investing in companies to support their growth plans and will continue to do so under the new legislation.

Although the new rules preclude VCTs from providing replacement capital the Investment Adviser does manage some non- VCT funds that can make such investments and this should allow your Company to participate in investments where an element of replacement capital is required.

The Board has taken a cautious approach, only completing investments for which HMRC advanced assurance is given. It is clear that the practical application of the new rules will need a period of adjustment by the VCT industry and HMRC, as evidenced by the fact that HMRC's detailed guidance was issued in draft form in May 2016, six months after the rules came into force. Nonetheless your Company has built a pipeline of investments for which advanced assurance is now in process.

## Outlook

Given the delays in gaining advance assurances from HMRC the level of investment is likely to continue at a reduced level in the short term. Despite some uncertainty over how HMRC will implement the new VCT rules in practice the Board is confident that there are sufficient opportunities to allow your Company to continue investing in attractive opportunities. However, it is possible that the overall level of investment will be lower than experienced in the past and additionally there may be greater volatility in the income and capital returns from investing in new, earlier stage investments.

Your Company has a strong and well diversified portfolio which continues to perform strongly overall, and remains well positioned to deliver future growth.

Helen Sinclair
Chairman

## Objectives and Key Policies

The Company's objective is to provide investors with an attractive long-term tax free dividend yield while seeking to maintain the capital value of their investment, and maintain the Company's status as a venture capital trust.

### Investment Policy

The investment strategy of the Company is to create a portfolio with a mix of companies operating in traditional industries and those that offer opportunities in the development and application of innovation.

The legislation governing VCTs requires that at least 70 per cent by value of its holdings must be in Qualifying Holdings. The maximum value of any single investment is 15 per cent at the time of investment.

The Company invests in UK businesses across a broad range of sectors including, but not limited to, Software, IT & Telecommunications, Business Services, Manufacturing & Industrial Services, Retail & Brands and Healthcare.

The Company invests in a range of VCT qualifying securities which may include ordinary and preference shares and fixed income securities, such as corporate bonds and gilts. Unquoted investments are structured so as to spread risk and enhance revenue yields, usually as a combination of ordinary shares, preference shares and loan stock.

#### *Borrowing*

The Company funds the investment programmes out of its own resources and has no borrowing facilities for this purpose.

#### *Co-investment*

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (the "VCTs") have in aggregate first choice of all investment opportunities meeting the VCT qualifying criteria that require up to £4.5 million of equity. Amounts above £4.5 million may be allocated one third to YFM Private Equity Limited's institutional co-investment funds and two thirds to the VCTs. Where there are opportunities for the VCTs to co-invest with each other, the basis for allocation is 60 per cent to the Company and 40 per cent to British Smaller Companies VCT2 plc. The Board of the Company has discretion as to whether or not to take up, or in the circumstances where British Smaller Companies VCT2 plc does not take up its allocation, increase its allocation in such co-investment opportunities.

#### *Asset Mix*

Pending investment in VCT-qualifying securities, surplus cash is primarily held in interest bearing instant access, notice and fixed term bank accounts, or in UK Gilts. Subsequent to the Finance (No. 2) Act 2015 investments can no longer be made in non-qualifying quoted investments traded on an unregulated exchange. This change therefore now excludes AIM investments from this category.

### Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom being non- executive directors, can be found on page 43 of the annual report.

### Other Key Policies

Details of the Company's policies on the payment of dividends, the DRIS and the buy-back of shares are given on page 2 of the annual report. In addition to these the Company's anti- bribery and environmental and social responsibilities policies can be found on page 32 of the annual report.

## Processes and Operations

The Investment Adviser is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Once approved, further due diligence is carried out as necessary and HMRC clearance is obtained for approval as a Qualifying Holding.

The Board approves all investment and divestment decisions save in that new investments up to £250,000 in companies whose securities are traded on a regulated stock exchange and where the decision is required urgently, in which case the Chairman of the Board of Directors, if appropriate, may act in consultation with the Investment Adviser, provided papers have first been circulated to the Chairman of the Investment Committee. With regard to the realisation of quoted holdings the Investment Adviser is authorised to implement the Company's exit strategy for the holding in question within parameters previously agreed by the directors.

The Board regularly monitors the performance of the portfolio and the investment requirements set by the relevant VCT legislation. Reports are received from the Investment Adviser regarding the trading and financial position of each investee company and senior members of the Investment Advisory Team regularly attend the Company's Board meetings. Monitoring reports are also received at each Board meeting on compliance with VCT regulations so that the Board can monitor that the Venture Capital Trust status of the Company is being maintained and take corrective action if appropriate.

The Board reviews the terms of YFM Private Equity Limited's appointment as Investment Adviser on a regular basis. YFM Private Equity Limited has performed investment management or advisory, administrative and secretarial services for the Company since its inception on 28 February 1996. The principal terms of the agreement under which these services are performed are set out in note 3 on page 59 of the annual report.

### Performance Incentive

The Investment Adviser will receive an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceed 4.0 pence per ordinary share (increasing in line with RPI) once cumulative dividends of 10.0 pence per ordinary share from 1 April 2009 have been paid. These incentive payments are subject to cumulative shortfalls in any prior accounting periods being made up and the average net asset value per ordinary share in the relevant accounting period being not less than 94.0 pence per ordinary share, as adjusted for the impact of share issues and buy-backs. More detail on the agreement as amended from time to time is given in note 3 on page 59 of the annual report.

No payment can be made in respect of the year to 31 March 2016 under the Incentive Agreement unless the average quarterly adjusted net asset value of the Company is a minimum of 92.7 pence per ordinary share and, in addition, at least 4.9 pence per ordinary share in dividends has been paid to shareholders. The total dividends paid in the year are 10.0 pence per ordinary share and the net asset value per share at 31 March 2016 is 100.0 pence per ordinary share. As a result the Investment Adviser has met the targets for the year under review and a performance fee of £983,025 has accrued to the Investment Adviser (31 March 2015: £564,329). Payment is made five business days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

In the opinion of the directors the continuing appointment of YFM Private Equity Limited as Investment Adviser is in the interests of the shareholders as a whole in view of its experience in managing venture capital trusts and in making, managing and exiting investments of the kind falling within the Company's investment policies.

### Administration of the UK Fixed Income Securities Portfolio

Reporting to the Investment Adviser, this portfolio is managed by Brewin Dolphin Limited on a discretionary basis. The Board receives regular reports on the make-up and market valuation of this portfolio.

## Key Performance Indicators

The commonly used benchmarks of performance for VCTs are total return, calculated as cumulative dividends paid plus net asset value, and dividends paid.

### Total Return

The evaluation of comparative success of the Company's total return is by way of reference to the share price total return for approximately 60 generalist VCTs as published by the Association of Investment Companies. This is the Company's stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 45 of the annual report.

### Dividends Paid

The average dividend paid over the last 5 years (including the 18 pence special dividend paid in 2012) was 10.5 pence per ordinary share equivalent to a 10.5 per cent yield per annum.

### Shareholder Returns

The table below shows the cumulative dividends, the total return on each fundraising round per ordinary share and the total return if a shareholder had opted to participate in the Company's DRIS. The cumulative dividend and total return figures in this table exclude the benefits of all tax reliefs whilst the last column includes the benefit of tax reliefs as noted.

| Tax year | Net asset value at 31 March 2016 | Cumulative dividends paid since fundraising | Total return including Fundraising[1] | Offer price net of initial tax relief | Offer price | Overall return including tax relief since fundraising with participation in the DRIS[2] |
|---|---|---|---|---|---|---|
| | Pence | Pence | Pence | Pence | Pence | Pence |
| 1995/96 & 1996/97 | 100.0 | 108.7 | 208.7 | 80.0 | 100.0 | 308.2 |
| 1996/97 & 1997/98 | 100.0 | 105.7 | 205.7 | 80.0 | 100.0 | 307.3 |
| 1997/98 & 1998/99 | 100.0 | 102.0 | 202.0 | 84.0 | 105.0 | 307.2 |
| 2004/05 (C share[3]) | 112.5 | 83.4 | 195.9 | 60.0 | 100.0 | 307.0 |
| 2005/06 | 100.0 | 78.3 | 178.3 | 59.7 | 99.5 | 302.6 |
| 2006/07 & 2007/08 | 100.0 | 73.8 | 173.8 | 71.8 | 102.5 | 279.7 |
| 2007/08 & 2008/09 | 100.0 | 68.8 | 168.8 | 74.4 | 106.3 | 266.8 |
| 2009/10 & 2010/11 | 100.0 | 58.8 | 158.8 | 68.1 | 97.3 | 235.8 |
| 2010/11 & 2011/12 | 100.0 | 52.5 | 152.5 | 89.6 | 128.0 | 229.3 |
| 2011/2012 | 100.0 | 29.5 | 129.5 | 69.8 | 99.8 | 177.3 |
| 2012/13 & 2013/14 | 100.0 | 24.5 | 124.5 | 67.0 | 95.8 | 166.8 |
| 2013/14 & 2014/15 | 100.0 | 18.0 | 118.0 | 70.5 | 100.8 | 157.2 |
| 2014/15 & 2015/16 | 100.0 | 10.0 | 110.0 | 69.7 | 99.5 | 144.2 |

Notes
1. This assumes that at the time of investment the tax relief given on the investment was not invested in shares of the Company.
2. NAV plus tax relief on the initial subscription plus additional tax relief and NAV on DRIS shares purchased. Assuming all dividends since inception were invested under terms of current DRIS.
3. All figures have been adjusted for conversion of C shares into ordinary shares in May 2007.

### Expenses

#### *Ongoing Charges figure*

The Board monitors expenses using the Ongoing Charges figure, as calculated in line with the AIC recommended methodology. This figure shows shareholders the annual operating expenses expressed as a percentage of the net asset value which, whilst based on historical information, provides an indication of the likely level of costs that will be incurred in managing the fund in the future.

| **Expenses** | Year to 31 March 2016 (%) | Year to 31 March 2015 (%) |
|---|---|---|
| Ongoing Charges figure | 2.29 | 2.29 |

***Expenses Cap***

The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and VAT) is capped at 2.9 per cent of the total Net Asset Value as at the relevant year end. The treatment of costs in excess of the cap is described in note 3 on page 59 of the annual report. There was no breach of the expenses cap in the current or prior year.

**Compliance with VCT Legislative Tests**

The main business risk facing the Company is the retention of VCT qualifying status. The Board receives regular reports on compliance with the VCT legislative tests from its Investment Adviser. In addition the Board receives formal reports from its VCT Status Adviser twice a year. The Board can confirm that during the period all of the VCT legislative tests have been met.

Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on a European regulated market throughout the period, there are a further five specific tests that VCTs must meet following the initial three year provisional period:

| | |
|---|---|
| Income Test | The Company's income in the period must be derived wholly or mainly (70 per cent) from shares or securities. |
| Retained Income Test | The Company must not retain more than 15 per cent of its income from shares and securities. |
| Qualifying Holdings Test | At least 70 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in Qualifying Holdings of investee companies. |
| Eligible Shares Tests | At least 30 per cent of the Company's Qualifying Holdings must be represented throughout the period by holdings of non-preferential ordinary shares.<br><br>For monies raised from 6 April 2011 onwards the eligible shares test above increases to at least 70 per cent of Qualifying Holdings that must be represented by eligible shares.<br><br>In addition, monies are not permitted to be used to finance buy-outs or otherwise to acquire existing businesses or shares.<br><br>There is also an annual limit for each investee company which provides that they may not raise more than £5.0 million of state aid investment (including from VCTs) in the 12 months ending on the date of each investment. |
| Maximum Single Investment Test | The value of any one investment, at any time in the period, must not represent more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and further additions and therefore cannot be breached passively. |

The Board can confirm that during the period all of the VCT legislative tests have been met.

Further restrictions placed on VCTs are:

***Dividends from cancelled share premium***

The Finance Act 2014 introduced a restriction with respect to the use of monies in respect of VCTs. In particular, no dividends can be paid out of cancelled share premium arising from shares allotted on or after 6 April 2014 until at least three financial years have elapsed. In the case of the Company the earliest date that such cancelled share premium can be used to pay a dividend is 1 April 2018.

From the share premium cancellation of £26.80 million on 10 October 2014, £24.71 million is available for distribution and £2.09 million will become distributable on 1 April 2018.

***Other***

The Finance (No. 2) Act 2015 imposes further conditions in respect of investments, including those regarded as non-qualifying investments, including:

i) An aggregate limit of £12 million (or £20 million for Knowledge Intensive Companies) on the amount of State Aid Risk Finance investment a business can receive during its lifetime;

ii) No more than seven years can have elapsed since the first commercial sale achieved by the business (ten years in the case of a Knowledge Intensive Company), unless:
   a. the business has previously received an investment from a fund that has received state aid, or
   b. the investment comprises more than 50 per cent of the average of the previous five years' turnover and the funds are to be used in the business to fund growth into new product markets and/or new geographies.

## Investment Performance

Set out on page 15 of the annual report is a profile of the investment portfolio by age, value compared to cost and investment instrument.

This illustrates the broad range of the investment portfolio, with almost 40 per cent of the portfolio valuation being held for more than 3 years, while 89 per cent is held at cost or above.

57 per cent of the portfolio's value is held in income generating financial instruments, enabling a greater proportion of the Company's future returns to derive from income.

Also included on page 15 of the annual report is a profile of the investment portfolio by industry sector.

### Investment Review

The portfolio as a whole delivered an increased value of £10.3 million in the year as shown below, with the improved profitability of many companies in the unquoted portfolio generating an unrealised value gain of £6.0 million and disposals delivering a gain of £3.8 million. This has allowed the Company to maintain its strong investor returns, with the NAV per ordinary share after all costs increased to 100.0 pence from 98.8 pence and the payment of dividends totalling 10.0 pence per ordinary share. The proposed final dividend is 3.5 pence per ordinary share.

| **Investment portfolio** | £m | % |
|---|---|---|
| Unquoted value gain | 6.0 | 58.3 |
| Quoted value gain | 0.5 | 4.8 |
| Gain on disposal over opening value | 3.8 | 36.9 |
| **Total Value Movement** | **10.3** | **100.0** |

At 31 March 2016 the investment portfolio was valued at £58.8 million (£55.5 million at 31 March 2015). Cash and gilt investments at 31 March 2016 were £36.1 million and represent 38 per cent of net assets (37 per cent at 31 March 2015).

***Significant Investment Movements***

**Unquoted**
The £6.0 million unrealised valuation gain from the unquoted portfolio is as a result of improved profitability by a number of businesses. The top five value gains in the period are:

- GO Outdoors Topco Limited — £2.9 million
- Intelligent Office — £1.1 million
- ACC Aviation — £1.0 million
- GTK (Holdco) Limited — £0.6 million
- DisplayPlan Holdings Limited — £0.6 million

These gains were partially offset by two companies which saw profits impacted by difficult trading conditions:

- The Heritage Window Company Holdco Limited — down £0.6 million
- Ness (Holdings) Limited — down £0.8 million

**Quoted**
Overall the quoted portfolio produced a return of £0.5 million. The main contributor was AB Dynamics plc with a gain of £0.5 million.

**Investments**

During the year ended 31 March 2016 the Company completed 8 investments totalling £5.4 million. This comprised new investments of £4.5 million, and follow-on investments of £0.9 million.

The analysis of the key investments is shown below.

| Date | Company | Investment made | | |
|---|---|---|---|---|
| | | New | Follow-on | Total |
| | | £m | £m | £m |
| Apr-15 | EL Support Services Limited | 0.5 | - | 0.5 |
| Apr-15 | NB Technology Services Limited | 0.5 | - | 0.5 |
| Apr-15 | OC Engineering Services Limited | 0.5 | - | 0.5 |
| Apr-15 | SH Healthcare Services Limited | 0.5 | - | 0.5 |
| Apr-15 | SP Manufacturing Services Limited | 0.5 | - | 0.5 |
| Nov-15 | The Heritage Windows Company Holdco Limited | - | 0.3 | 0.3 |
| Nov-15 | KeTech Enterprises Limited | 2.0 | - | 2.0 |
| Nov-15 | Springboard Research Holdings Limited | - | 0.6 | 0.6 |
| | **Total additions in the year** | **4.5** | **0.9** | **5.4** |

***Disposal of Investments***

During the year to 31 March 2016 the Company received proceeds from disposals, repayments of loans and deferred consideration from the investment portfolio of £12.7 million, excluding the sale of fixed income securities. This resulted in a value gain on disposal of investments of £3.8 million compared to 31 March 2015 valuations. This is analysed below.

| Disposal of Investments | Net proceeds from sales of investments | Opening value 1 April 2015 | Gain on opening value |
|---|---|---|---|
| | £m | £m | £m |
| Sale of portfolio investments | 12.7 | 8.9 | 3.8 |
| Fixed income securities disposals | 1.0 | 1.0 | - |
| **Total investment and fixed income securities disposals** | **13.7** | **9.9** | **3.8** |

The majority of the proceeds and gain on the sale of shares arose from the sale of the Company's investment in President Engineering Group Limited. Proceeds from the sale including loan repayments were £7.6 million, a profit on the 31 March 2015 carrying value of £3.1 million, and a profit on cost of £7.1 million.

A detailed analysis of all investments sold in the year can be found in note 7 to the financial statements on page 65 of the annual report.

***Portfolio Composition***

As at 31 March 2016 the portfolio of quoted and unquoted investments had a value of £58.8 million of which unquoted investments constituted 96 per cent and the quoted investments 4 per cent. An analysis of the movements in the year is shown on page 21 of the annual report.

The objective of increasing diversification within the portfolio continues to be successful, with the largest single investment representing less than 10 per cent of the net asset value. Five years ago the largest investment represented 32.8 per cent.

The charts on page 15 of the annual report show the composition of the portfolio as at 31 March 2016 by industry sector, age of investment, investment instrument and the value compared to cost and shows diversity across a wide range of industry sectors.

The Company has continued to hold a small proportion of its cash in fixed income UK Government Gilts.

***Valuation Policy***

Unquoted investments are valued in accordance with the valuation policy set out on page 55 of the annual report, which takes account of current industry guidelines for the valuation of venture capital portfolios. Adjustments to fair value are made where an investment is significantly under-performing. As at 31 March 2016 the number of investments falling into each valuation category is shown below.

| **Valuation basis** | Valuation £m | % of portfolio by value |
|---|---|---|
| Earnings multiple | 43.9 | 74.7 |
| Cost, reviewed for change in fair value | 12.1 | 20.6 |
| Price of recent investment, reviewed for change in fair value | 0.5 | 0.9 |
| Quoted investments at bid price | 2.3 | 3.8 |
| **Total** | **58.8** | **100.0** |

**Summary and Outlook**

Your Company is well positioned to take advantage of the opportunities to invest in younger companies seeking development capital with the current portfolio delivering good growth.

Whilst the introduction of the most recent legislation will reduce the overall pool of investments for the industry as a whole, there is an emerging pipeline of opportunities and YFM Private Equity Limited has a strong record in making development capital investments.

There are several good exit prospects in the portfolio and further profit improvements from investee companies would allow the Board to achieve its aim of improving the Company's total return.

## Investment Portfolio Summary and Disposal History to 31 March 2016

| **Name of company** | **Date of initial investment** | Location | Industry sector | Current cost £000 | Valuation at 31 March 2016 £000 | Proceeds to date £000 | Realised & unrealised return to date £000 |
|---|---|---|---|---|---|---|---|
| **Unquoted portfolio** | | | | | | | |
| GO Outdoors Topco Limited | May-98 | Sheffield | Retail & Brands | 245 | 9,387 | 7,792 | 17,179 |
| Intelligent Office (via IO Outsourcing Limited) | May-14 | Alloa | Business Services | 2,934 | 4,990 | - | 4,990 |
| DisplayPlan Holdings Limited | Feb-10 | Baldock | Business Services | 130 | 3,317 | 1,521 | 4,838 |
| Mangar Health Limited | Jan-14 | Powys | Healthcare | 2,460 | 3,285 | - | 3,285 |
| ACC Aviation (via Newacc (2014) Limited) | Nov-14 | Reigate | Business Services | 2,068 | 3,019 | - | 3,019 |
| GTK (Holdco) Limited | Oct-13 | Basingstoke | Manufacturing & Industrial Services | 1,237 | 2,663 | 513 | 3,176 |
| Springboard Research Holdings Limited | Oct-14 | Milton Keynes | Business Services | 2,469 | 2,469 | - | 2,469 |
| Gill Marine Holdings Limited | Sep-13 | Nottingham | Retail & Brands | 2,500 | 2,338 | - | 2,338 |
| Seven Technologies Holdings Limited | Apr-12 | Belfast | Software, IT & Telecoms | 1,984 | 2,033 | 1,524 | 3,557 |
| Business Collaborator Limited | Nov-14 | Reading | Software, IT & Telecoms | 2,010 | 2,029 | - | 2,029 |
| KeTech Enterprises Limited | Nov-15 | Nottingham | Software, IT & Telecoms | 2,000 | 2,000 | - | 2,000 |
| Leengate Holdings Limited | Dec-13 | Derbyshire | Manufacturing & Industrial Services | 1,401 | 1,944 | - | 1,944 |
| Cambrian Park & Leisure Homes Limited (via Cambrian Lodges Holdings Limited) | Oct-14 | Gwynedd | Manufacturing & Industrial Services | 1,675 | 1,876 | 125 | 2,001 |
| The Heritage Window Company Holdco Limited | Sep-14 | London | Manufacturing & Industrial Services | 2,203 | 1,652 | - | 1,652 |
| Harvey Jones Holdings Limited | May-07 | London | Retail & Brands | 1,203 | 1,603 | 1,479 | 3,082 |
| Macro Art Holdings Limited | Jun-14 | Cambridgeshire | Business Services | 1,058 | 1,428 | 202 | 1,630 |
| Wakefield Acoustics (via Malvar Engineering Limited) | Dec-14 | Heckmondwike | Manufacturing & Industrial Services | 1,140 | 1,140 | 15 | 1,155 |
| Fairlight Bridge Limited | Apr-12 | Midlands | Business Services | 1,000 | 1,000 | - | 1,000 |
| RMS Group Holdings Limited | Jul-07 | Goole | Manufacturing & Industrial Services | 180 | 932 | 897 | 1,829 |
| Selima Holding Company Ltd | Mar-12 | Sheffield | Software, IT & Telecoms | 600 | 923 | - | 923 |
| Bagel Nash Group Limited | Jul-11 | Leeds | Retail & Brands / Manufacturing & Industrial Services | 953 | 805 | 290 | 1,095 |
| Ness (Holdings) Limited | Mar-15 | Edinburgh | Retail & Brands | 1,528 | 764 | - | 764 |
| Other Investments £0.75 million and below | | | | 5,956 | 4,936 | - | 4,936 |
| **Total unquoted investments** | | | | **38,934** | **56,533** | **14,358** | **70,891** |
| **Quoted portfolio** | | | | | | | |
| Mattioli Woods plc | Nov-05 | Leicester | Business Services | 202 | 862 | 393 | 1,255 |
| AB Dynamics plc | May-13 | Wiltshire | Manufacturing & Industrial Services | 215 | 845 | 529 | 1,374 |
| Other Investments £0.75 million and below | | | | 587 | 550 | 476 | 1,026 |
| **Total quoted investments** | | | | **1,004** | **2,257** | **1,398** | **3,655** |
| | | | | **39,938** | **58,790** | **15,756** | **74,546** |
| Full disposals since 31 March 2002 | | | | 24,534 | - | 42,375 | 42,375 |
| Full disposals prior to 31 March 2002 | | | | 5,748 | - | 1,899 | 1,899 |
| **Total investment portfolio** | | | | **70,220** | **58,790** | **60,030** | **118,820** |

## Summary of Investment Portfolio Movement since 31 March 2015

| Name of company | Investment Valuation at 1 April 2015 | Disposal proceeds | Additions including capitalised interest and dividends | Valuation gains (losses) including profits (losses) on disposal | Investment Valuation at 31 March 2016 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| GO Outdoors Topco Limited | 6,488 | - | - | 2,899 | 9,387 |
| Intelligent Office (via IO Outsourcing Limited) | 3,899 | - | - | 1,091 | 4,990 |
| DisplayPlan Holdings Limited [1] | 3,286 | (535) | - | 566 | 3,317 |
| Mangar Health Limited | 3,279 | - | - | 6 | 3,285 |
| ACC Aviation (via Newacc (2014) Limited) | 2,068 | - | - | 951 | 3,019 |
| GTK (Holdco) Limited | 2,084 | - | - | 579 | 2,663 |
| Springboard Research Holdings Limited | 1,778 | - | 691 | - | 2,469 |
| Gill Marine Holdings Limited | 2,382 | - | - | (44) | 2,338 |
| Seven Technologies Holdings Limited | 1,606 | - | - | 427 | 2,033 |
| Business Collaborator Limited | 2,010 | - | - | 19 | 2,029 |
| KeTech Enterprises Limited | - | - | 2,000 | - | 2,000 |
| Leengate Holdings Limited | 1,776 | - | - | 168 | 1,944 |
| Cambrian Park & Leisure Homes Limited (via Cambrian Lodges Holdings Limited) [1] | 1,775 | (100) | - | 201 | 1,876 |
| The Heritage Window Company Holdco Limited | 1,903 | - | 300 | (551) | 1,652 |
| Harvey Jones Holdings Limited [1] | 2,010 | (780) | - | 373 | 1,603 |
| Macro Art Holdings Limited [1] | 1,441 | (146) | - | 133 | 1,428 |
| Wakefield Acoustics (via Malvar Engineering Limited) [1] | 1,080 | (15) | 76 | (1) | 1,140 |
| Fairlight Bridge Limited | 1,000 | - | - | - | 1,000 |
| RMS Group Holdings Limited | 1,034 | - | - | (102) | 932 |
| Selima Holding Company Ltd | 602 | - | - | 321 | 923 |
| Bagel Nash Group Limited [1] | 862 | (120) | 3 | 60 | 805 |
| Ness (Holdings) Limited | 1,500 | - | 28 | (764) | 764 |
| Callstream Group Limited [2] | 750 | (742) | - | (8) | - |
| President Engineering Group Limited [1+2] | 4,559 | (7,634) | - | 3,075 | - |
| Insider Technologies (Holdings) Limited [1+2] | 755 | (1,159) | - | 404 | - |
| Other Investments £0.75 million and below [2] | 2,733 | (90) | 2,525 | (232) | 4,936 |
| Quoted Investments [2] | 2,869 | (1,369) | 1 | 756 | 2,257 |
| **Total investment portfolio** | **55,529** | **(12,690)** | **5,624** | **10,327** | **58,790** |

1 – Loan repayments
2 – Equity disposals

**RISK FACTORS**

The Board carries out a regular review of the risk environment in which the Company operates. The principal risks and uncertainties identified by the Board and techniques used to mitigate these risks are set out in this section.

The Board seeks to mitigate its principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in section C.2: "Risk Management & Internal Control" of The UK Corporate Governance Code issued by the Financial Reporting Council in September 2014. Details of the Company's internal controls are contained in the Corporate Governance and Internal Control sections on pages 41 and 42 of the annual report and further information on exposure to risks including those associated with financial instruments is given in note 17 of the financial statements.

**Loss of Approval as a VCT**

Risk - The Company must comply with Chapter 3 Part 6 of the Income Tax Act 2007 which allows it to be exempted from corporation tax on capital gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.

Mitigation - One of the Key Performance Indicators monitored by the Company is the compliance with legislative tests. Details of how the Company manages these requirements can be found under the heading "Compliance with VCT Legislative Tests" on page 14 of the annual report.

**Economic**

Risk - Events such as recession and interest rate fluctuations could affect investee companies' performance and valuations.

Mitigation - As well as the response to 'Investment and Strategic' risk below the Company has a clear investment policy (summarised on page 10 of the annual report) and a diversified portfolio operating in a range of sectors. The Investment Adviser actively monitors investee performance which provides quality information for monthly reviews of the portfolio.

**Investment and Strategic**

Risk – Inappropriate strategy, poor asset allocation or consistently weak stock allocation may lead to under performance and poor returns to shareholders. The quality of enquiries, investments, investee company management teams and monitoring, and the risk of not identifying investee under performance might also lead to under performance and poor returns to shareholders.

Mitigation - The Board reviews strategy annually. At each of the Board meetings the directors review the appropriateness of the Company's objectives and stated strategy in response to changes in the operating environment and peer group activity. The Investment Adviser carries out due diligence on potential investee companies and their management teams and utilises external reports where appropriate to assess the viability of investee businesses before investing. Wherever possible an external non-executive director will be appointed to the board of the investee on behalf of the Company.

**Regulatory**

Risk – The Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority, the Prospectus Rules made by the Financial Conduct Authority and International Financial Reporting Standards as adopted by the European Union and is subject to the EU's Alternative Investment Fund Manager's Directive. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Mitigation - The Investment Adviser and the Company Secretary have procedures in place to ensure ongoing Listing Rules requirements are met and actively consult with brokers, solicitors and external compliance advisers as appropriate. The key controls around regulatory compliance are explained on pages 41 and 42 of the annual report.

**Reputational**

Risk– Inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.

Mitigation - The Board is comprised of directors with suitable experience and qualifications who report annually to the shareholders on their independence. The Investment Adviser is well-respected with a proven track record and has a formal recruitment process to employ experienced investment staff. Allocation rules relating to co-investments with other funds managed by the Investment Adviser, have been agreed between the Investment Adviser and the Company. Advice is sought from external advisors where required. Both the Company and the Investment Adviser maintain appropriate insurances.

**Operational**

Risk **-** Failure of the Investment Adviser's and administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

Mitigation - The Investment Adviser has a documented business continuity plan, which provides for back-up services in the event of system breakdowns.

**Financial**

Risk – Inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

Mitigation - The key controls around financial reporting are described on pages 41 and 42 of the annual report.

**Market/Liquidity**

Risk **–** Lack of liquidity in both the venture capital and public markets. Investment in unquoted and AIM quoted companies, by their nature, involve a higher degree of risk than investment in companies trading on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. The fact that a share is traded on AIM or on the main market does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock**.**

Mitigation - Overall liquidity risks are monitored on an ongoing basis by the Investment Adviser and on a quarterly basis by the Board. Sufficient liquid resources are maintained to pay expenses as they fall due in the event that investments prove difficult to realise.

## Other Matters

**Environment**

The Board recognises the requirement under Section 414C of the Companies Act 2006 to detail information about environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues, including information about any policies it has in relation to these matters and effectiveness of these policies.

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment, and has introduced an electronic communications policy during the year. This policy has led to a significant increase in the number of such communications with a commensurate reduction in the distribution of hard copy documents. The management and administration of the Company is undertaken by the Investment Adviser. YFM Private Equity Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that might be caused by its activities. Initiatives of the Investment Adviser designed to minimize its and the Company's impact on the environment include recycling and reducing energy consumption. Given the size and nature of the Company's activities and the fact that it has no employees, the Board considers there is limited scope to develop and implement social and community policies.

**Anti-Bribery and Corruption Policy**

The Company has a zero tolerance approach to bribery. The following is a summary of its policy:

- It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;

- the directors of the Company, the Investment Adviser and any other service providers must not promise, offer, give, request, agree to receive or accept financial or other advantage in return for favourable treatment, to influence a business outcome or gain any business advantage on behalf of the Company or encourage others to do so; and
- the Company has communicated its anti-bribery policy to the Investment Adviser and its other service providers.

The Company had no employees during the year. The Board is composed of three non- executive directors, one female and two male. For a review of the policies used when appointing directors to the Board of the Company please refer to the Directors' Remuneration Report on pages 43 to 45 of the annual report.

## Directors' Responsibilities Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements and have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare a Strategic Report, Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website at www.bscfunds.com in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Directors' Responsibilities Pursuant to DTR4

The directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Board considers the annual report and accounts, taken as a whole, are fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The names and functions of all the directors are stated on page 33 of the annual report.

For and on behalf of the Board

This statement was approved by the Board and signed on its behalf on 16 June 2016

Helen Sinclair
Chairman

## Statement of Comprehensive Income for the year ended 31 March 2016

| | Notes | 2016 Revenue £000 | 2016 Capital £000 | 2016 Total £000 | 2015 Revenue £000 | 2015 Capital £000 | 2015 Total £000 |
|---|---|---|---|---|---|---|---|
| Gains on investments held at fair value | 7 | **-** | **6,488** | **6,488** | - | 2,468 | 2,468 |
| Gain on disposal of investments | 7 | **-** | **3,835** | **3,835** | - | 1,567 | 1,567 |
| Income | 2 | **3,365** | **-** | **3,365** | 2,310 | - | 2,310 |
| Total income | | **3,365** | **10,323** | **13,688** | 2,310 | 4,035 | 6,345 |
| Administrative expenses: | | | | | | | |
| Investment Adviser's fee | | **(444)** | **(1,332)** | **(1,776)** | (318) | (954) | (1,272) |
| Incentive fee | | **-** | **(983)** | **(983)** | - | (564) | (564) |
| Other expenses | | **(520)** | **-** | **(520)** | (466) | - | (466) |
| | 3 | **(964)** | **(2,315)** | **(3,279)** | (784) | (1,518) | (2,302) |
| **Profit before taxation** | | **2,401** | **8,008** | **10,409** | 1,526 | 2,517 | 4,043 |
| Taxation | 4 | **(278)** | **278** | **-** | (103) | 103 | - |
| **Profit for the year** | | **2,123** | **8,286** | **10,409** | 1,423 | 2,620 | 4,043 |
| **Total comprehensive income for the year** | | **2,123** | **8,286** | **10,409** | 1,423 | 2,620 | 4,043 |
| **Basic and diluted earnings per ordinary share (p)** | 6 | **2.33p** | **9.07p** | **11.40p** | 2.10p | 3.88p | 5.98p |

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') 2014 published by The AIC.

## Balance Sheet at 31 March 2016

| | Notes | 2016 £000 | 2015 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | | **58,790** | 55,529 |
| Fixed income government securities | | **1,450** | 2,438 |
| Financial assets at fair value through profit or loss | 7 | **60,240** | 57,967 |
| Trade and other receivables | | **955** | 603 |
| | | **61,195** | 58,570 |
| **Current assets** | | | |
| Trade and other receivables | | **1,117** | 497 |
| Cash on fixed term deposit | | **16,051** | - |
| Cash and cash equivalents | | **18,619** | 29,775 |
| | | **35,787** | 30,272 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **(1,259)** | (1,122) |
| **Net current assets** | | **34,528** | 29,150 |
| **Net assets** | | **95,723** | 87,720 |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | | **9,935** | 9,205 |
| Share premium account | | **27,231** | 20,936 |
| Capital redemption reserve | | **221** | 221 |
| Capital reserve | | **37,418** | 40,334 |
| Investment holding gains | | **18,878** | 15,735 |
| Revenue reserve | | **2,040** | 1,289 |
| **Total shareholders' equity** | | **95,723** | 87,720 |
| **Basic and diluted net asset value per ordinary share (p)** | 8 | **100.0p** | 98.8p |

## Statement of Changes in Equity for the year ended 31 March 2016

| | Share capital | Share premium account | Capital redemption reserve | Capital reserve | Investment holding gains (losses) | Revenue reserve | Total equity |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2014** | **6,386** | **23,165** | **221** | **16,535** | **15,879** | **398** | **62,584** |
| Revenue return for the year before tax | - | - | - | - | - | 1,526 | 1,526 |
| Capital expenses | - | - | - | (1,518) | - | - | (1,518) |
| Gain on investments held at fair value | - | - | - | - | 2,468 | - | 2,468 |
| Gain on disposal of investments in the year | - | - | - | 1,567 | - | - | 1,567 |
| Taxation | - | - | - | 103 | - | (103) | - |
| Total comprehensive income for the year | - | - | - | 152 | 2,468 | 1,423 | 4,043 |
| Issue of share capital | 2,693 | 24,768 | - | - | - | - | 27,461 |
| Issue costs | - | (1,189) | - | (146) | - | - | (1,335) |
| Issue of shares – DRIS | 126 | 1,040 | - | - | - | - | 1,166 |
| Issue costs - DRIS | - | (37) | - | - | - | - | (37) |
| Purchase of own shares | - | - | - | (678) | - | - | (678) |
| Dividends | - | - | - | (4,943) | - | (532) | (5,475) |
| Share premium cancellation | - | (26,811) | - | 26,802 | - | - | (9) |
| Total transactions with owners | 2,819 | (2,229) | - | 21,035 | - | (532) | 21,093 |
| Realisation of prior year investment holding gains | - | - | - | 2,612 | (2,612) | - | - |
| **Balance at 31 March 2015** | **9,205** | **20,936** | **221** | **40,334** | **15,735** | **1,289** | **87,720** |
| Revenue return for the year before tax | - | - | - | - | - | 2,401 | 2,401 |
| Capital expenses | - | - | - | (2,315) | - | - | (2,315) |
| Gain on investments held at fair value | - | - | - | - | 6,488 | - | 6,488 |
| Gain on disposal of investments in the year | - | - | - | 3,835 | - | - | 3,835 |
| Taxation | - | - | - | 278 | - | (278) | - |
| Total comprehensive income for the year | - | - | - | 1,798 | 6,488 | 2,123 | 10,409 |
| Issue of share capital | 507 | 4,696 | - | - | - | - | 5,203 |
| Issue costs | - | (197) | - | (27) | - | - | (224) |
| Issue of shares – DRIS | 223 | 1,850 | - | - | - | - | 2,073 |
| Issue costs - DRIS | - | (54) | - | - | - | - | (54) |
| Purchase of own shares | - | - | - | (316) | - | - | (316) |
| Dividends | - | - | - | (7,716) | - | (1,372) | (9,088) |
| Total transactions with owners | 730 | 6,295 | - | (8,059) | - | (1,372) | (2,406) |
| Realisation of prior year investment holding gains | - | - | - | 3,345 | (3,345) | - | - |
| **Balance at 31 March 2016** | **9,935** | **27,231** | **221** | **37,418** | **18,878** | **2,040** | **95,723** |

**Reserves available for distribution**

Under the Companies Act 2006 the capital reserve and revenue reserve are distributable reserves. The table below shows the amounts that are available for distribution.

| | Capital reserve | Revenue reserve | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Distributable reserves as above | 37,418 | 2,040 | 39,458 |
| Less cancelled share premium not yet distributable | (2,093) | - | (2,093) |
| Less interest and dividends not yet distributable | - | (1,196) | (1,196) |
| **Reserves available for distribution** | **35,325** | **844** | **36,169** |

The capital reserve and revenue reserve are both distributable reserves. These reserves total £39,458,000 representing a decrease of £2,165,000 during the year. The directors also take into account the level of the investment holding gains (losses) reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £39,458,000 shown above, £1,196,000 relates to interest and dividends receivable from 2018 onwards, and £2,093,000 of cancelled share premium which will become distributable on 1 April 2018.

Upon filing the financial statements at Companies House, the reserves available for distribution will be £36,169,000.

## Statement of Cash Flows for the year ended 31 March 2016

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | **£000** | **£000** |
| **Net cash outflow from operating activities** | | **(70)** | (401) |
| **Cash flows from investing activities** | | | |
| Cash (placed on) / maturing from fixed term deposit | | **(16,051)** | 2,000 |
| Purchase of financial assets at fair value through profit or loss | | **(5,427)** | (19,981) |
| Proceeds from sale of financial assets at fair value through profit or loss | | **13,088** | 8,326 |
| **Net cash outflow from investing activities** | | **(8,390)** | (9,655) |
| **Cash flows from (used in) in financing activities** | | | |
| Issue of ordinary shares | | **5,203** | 26,953 |
| Costs of ordinary share issues* | | **(572)** | (868) |
| Purchase of own ordinary shares | | **(316)** | (956) |
| Share premium reduction costs | | **-** | (9) |
| Dividends paid | 5 | **(9,084)** | (5,417) |
| Shares issued under DRIS | | **2,073** | 1,166 |
| **Net cash (used in) from financing activities** | | **(2,696)** | 20,869 |
| **Net (decrease) increase in cash and cash equivalents** | | **(11,156)** | 10,813 |
| **Cash and cash equivalents at the beginning of the year** | | **29,775** | 18,962 |
| **Cash and cash equivalents at the end of the year** | | **18,619** | 29,775 |

*Issue costs include both fundraising costs and expenses incurred from the Company's DRIS.

## Reconciliation of Profit before Taxation to Net Cash Outflow from Operating Activities

| | 2016 | 2015 |
|---|---|---|
| | **£000** | £000 |
| Profit before taxation | **10,409** | 4,043 |
| Increase in trade and other receivables | **(386)** | (712) |
| Increase in trade and other payables | **427** | 311 |
| Gain on disposal of investments | **(3,835)** | (1,567) |
| Gains on investments held at fair value | **(6,488)** | (2,468) |
| Capitalised interest and dividends | **(197)** | (8) |
| Net cash outflow from operating activities | **(70)** | (401) |

## 1. Principal Accounting Policies

### *Basis of Preparation*

The accounts have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost basis as modified by the measurement of investments (including quoted Government securities) at fair value through profit or loss.

The accounts have been prepared in compliance with the recommendations set out in the Statement of Recommended Practice ‘Financial Statements of Investment Trust Companies and Venture Capital Trusts’ issued by The AIC in November 2014 (SORP) to the extent that they do not conflict with IFRSs as adopted by the European Union.

The financial statements are prepared in accordance with IFRSs and interpretations in force at the reporting date. New standards coming into force during the year have not had a material impact on the financial statements.

Standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted early in the financial statements. These include amendments to IFRS 9, 10, 11 and 15 and amendments to IAS 27 and 28. A full assessment of the impact of the new accounting standards and amendments applicable to the Company has not been performed, but is not expected to be material to the financial statements.

The financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), except where stated.

## 2. Income

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| Dividends from unquoted companies | **979** | 458 |
| Dividends from quoted companies | **34** | 66 |
| Interest on loans to unquoted companies | **2,061** | 1,612 |
| Fixed interest Government securities | **20** | 35 |
| Income from investments held at fair value through profit or loss | **3,094** | 2,171 |
| Interest on bank deposits | **271** | 139 |
| | **3,365** | 2,310 |

In addition, an amount of £44,000 (2015: £44,000) of income in relation to loan interest has not been recognised due to uncertainty over its future receipt.

## 3. Administrative Expenses

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| Investment Adviser’s fee (net of rebate) | **1,776** | 1,272 |
| Incentive fee | **983** | 564 |
| Administration fee | **60** | 59 |
| Total payable to YFM Private Equity Limited | **2,819** | 1,895 |
| Other expenses: | | |
| Trail commission paid to financial intermediaries | **163** | 108 |

| | | |
|---|---|---|
| Directors' remuneration (comprises only short term benefits including social security contributions of £9,000 (2015: £9,000)) | **100** | 101 |
| Listing and registrar fees | **70** | 51 |
| General expenses | **53** | 50 |
| Auditor's remuneration – audit of the statutory financial statements (excluding irrecoverable VAT) | **27** | 22 |
| – audit related assurance services | **-** | 8 |
| Irrecoverable VAT | **24** | 29 |
| Printing | **23** | 38 |
| | **3,279** | 2,302 |
| | | |
| Ongoing charges figure | **2.29%** | 2.29% |

No fees are payable to the auditor in respect of other services (2015: £8,000).

The directors are the Company's only key management personnel.

***Fund Administration***

YFM Private Equity Limited provides Investment Advisory services to the Company under an Administrative and Investment Advisory agreement (IAA) dated 28 February 1996 as varied by agreements dated 16 November 2012, 17 October 2014 and 24 August 2015. The agreement may be terminated by not less than 12 months' notice given by either party at any time. No notice has been issued to or by YFM Private Equity Limited terminating the contract as at the date of this Report.

The key features of the agreement are:

- YFM Private Equity Limited receives an Investment Advisory fee, calculated at half-yearly intervals as at 31 March and 30 September, at the rate of 2 per cent of gross assets less current liabilities. The Investment Advisory fee is allocated between capital and revenue as described in note 1. The fee is payable quarterly in advance. The increase in the value of the assets resulted in the fee totalling £1,776,000 for the year ended 31 March 2016 (2015: £1,272,000), net of the rebate set out below;
- Under this same agreement YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee based on £35,000 (at 28 February 1996) per annum plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue and totalled £60,000 for the year to 31 March 2016 (2015: £59,000); and
- Under a deed of variation dated 17 October 2014 YFM Private Equity Limited shall bear the annual operating costs (including the advisory fee set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions payable to financial intermediaries) of the Company to the extent that those costs exceed 2.9 per cent of the net asset value of the Company, a reduction from the previous level of 3.25 per cent. The excess expenses during the year payable to the Company from YFM Private Equity Limited amounted to £nil (2015: £nil).

When the Company makes investments into its unquoted portfolio the Investment Adviser charges that investee an arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Investment Adviser have agreed that, if the average of the relevant fees during the Company's financial year exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on holdings this excess will be rebated to the Company. As at 31 March 2016, the Company was due a rebate from the Investment Adviser of £nil (2015: £2,570).

Monitoring and directors fees the Investment Adviser receives from the investee companies are limited to a maximum of £40,000 (excluding VAT) per annum per company.

Following approval of the relevant resolution at the Annual General Meeting of the Company held in August 2009, the incentive scheme set out in the Subscription Rights Agreement was replaced by a revised incentive agreement dated 7 July 2009, as varied by agreements dated 15 August 2014 and 13 October 2014 ("the Incentive Agreement"). Under the Incentive Agreement the Investment Adviser will receive an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceed 4 pence per ordinary share (increasing in line with RPI) once cumulative dividends of 10 pence per ordinary share from 1 April 2009 have been paid. These incentive payments are also subject to cumulative shortfalls in any prior accounting periods being made up and the average net asset value per ordinary share in the relevant accounting period being not less than 94.0 pence per ordinary share, as adjusted for the impact of share issues and buy-backs.

No payment can be made in respect of the year to 31 March 2016 under the Incentive Agreement unless the average quarterly adjusted net asset value of the Company is a minimum of 92.7 pence per ordinary share and in addition at least 4.9 pence per ordinary share in dividends has been paid to shareholders. Payment is made five business days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

The amount of the incentive payment paid to the Investment Adviser for any one year shall, when taken with all other relevant costs, ensure that the Total Expenses Ratio is no greater than 5 per cent of the net asset value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio.

Both in the current and prior year, the Investment Adviser had achieved its targets and £983,025 (2015: £564,329) has been accrued within trade and other payables. The incentive fee is payable following the Annual General Meeting on 27 July 2016.

There are also provisions for a compensatory fee in circumstances where the Company is taken over or the Incentive Agreement is terminated, which is calculated as a percentage of the fee that would otherwise be payable under the Incentive Agreement by reference to the accounting period following its termination. In this instance 80 per cent is payable in the first accounting period after such an event, 55 per cent in the second, 35 per cent in the third and nothing is payable thereafter. The maximum fee payable in any 12 month period cannot exceed an amount which would represent 25 per cent or more of the net asset value or market capitalisation of the Company.

The total remuneration payable to YFM Private Equity Limited in the period was £2,819,000 (2015: £1,895,000)

Under the IAA, YFM Private Equity Limited is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. YFM Private Equity Limited is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 31 March 2016 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £467,000 (2015: £865,000).

Under the terms of the offers with British Smaller Companies VCT2 plc launched on 20 October 2014 (which closed on 22 April 2015) YFM Private Equity Limited was entitled to 5.0 per cent of gross subscriptions from execution brokers and 3.0 per cent of gross subscriptions for applications through intermediaries offering financial advice or directly from applicants, less the cost of incentive shares and re-investment of intermediary commission. The net amount payable to YFM Private Equity amounted to £552,014, with £29,885 payable in the year to 31 March 2016.

Under the terms of the offer launched on 2 February 2016, YFM Private Equity Limited was entitled to 5.0 per cent of gross subscriptions from execution brokers and 3.0 per cent of gross subscriptions for applications through intermediaries offering financial advice or directly from applicants. The net amount paid to YFM Private Equity Limited under this offer amounted to £129,482.

The Investment Adviser met all costs and expenses arising from these offers out of these fees, including any early investment incentive and any payment or re-investment of initial intermediary commission (excluding permissible trail commission, which will continue to be met by the Company).

The details of the directors' remuneration are set out in the Directors' Remuneration Report on page 44 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2016 (audited)".

### 4. Taxation

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Profit before taxation | **2,401** | **8,008** | **10,409** | 1,526 | 2,517 | 4,043 |
| Profit before taxation multiplied by standard small company rate of corporation tax in the UK of 20% | **480** | **1,602** | **2,082** | 305 | 504 | 809 |
| Effect of: | | | | | | |
| UK dividends received | **(202)** | **-** | **(202)** | (105) | - | (105) |
| Non-taxable profits on investments | **-** | **(2,065)** | **(2,065)** | - | (807) | (807) |
| Excess expenses | **-** | **185** | **185** | (97) | 200 | 103 |
| **Tax charge (credit)** | **278** | **(278)** | **-** | 103 | (103) | - |

The Company has no provided or unprovided deferred tax liability in either year.

Deferred tax assets of £828,000 calculated at 17 per cent (2015: £791,000 at 20 per cent) in respect of unrelieved expenses of £4,873,000 as at 31 March 2016 (31 March 2015: £3,956,000) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

Due to the Company's status as a Venture Capital Trust, and the continued intention to meet the conditions required to comply with Chapter 3 Part 6 of the Income Tax Act 2007, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

### 5. Dividends

Amounts recognised as distributions to equity holders in the year to 31 March:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Revenue £000** | **Capital £000** | **Total £000** | Revenue £000 | Capital £000 | Total £000 |
| Final dividend for 2015 of 3.5p per ordinary share (2015: final dividend of 3.5p per ordinary share) | **686** | **2,471** | **3,157** | 188 | 2,098 | 2,286 |
| Special interim dividend for the year ended 31 March 2016 of 3.5p per ordinary share | **-** | **3,184** | **3,184** | - | - | - |
| Special interim dividend for the year ended 31 March 2016 of 1.0p per ordinary share | **-** | **919** | **919** | - | - | - |
| Interim dividend for 2016 of 2.0p per ordinary share (2015: interim dividend of 2.0p per ordinary share and a special dividend of 2.5p per ordinary share) | **686** | **1,142** | **1,828** | 344 | 2,845 | 3,189 |
| | **1,372** | **7,716** | **9,088** | 532 | 4,943 | 5,475 |
| Unclaimed dividends | | | **(4)** | | | (58) |
| **Dividends paid in the Statement of Cash Flows** | | | **9,084** | | | 5,417 |

The final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2015 was paid on 4 August 2015 to shareholders on the register at 3 July 2015.

A special interim dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2016 was paid on 7 September 2015 to shareholders on the register at 7 August 2015.

The interim dividend of 2.0 pence per ordinary share in respect of the year ended 31 March 2016 was paid on 15 January 2016 to shareholders on the register at 11 December 2015.

A second special interim dividend of 1.0 pence per ordinary share in respect of the year ended 31 March 2016 was paid on 11 March 2016 to shareholders on the register at 12 February 2016.

A final dividend of 3.5 pence per ordinary share in respect of the year to 31 March 2016 has been proposed, amounting to approximately £3.35 million. This dividend has not been recognised in the year ended 31 March 2016 as the obligation will not exist until the dividend is approved by shareholders at the Annual General Meeting on 27 July 2016.

During the year the Company has received £11,000 (2015: £92,000) from the Registrars in respect of unclaimed dividends. The Company has made efforts to contact the relevant shareholders, with the result that £7,000 (2015: £34,000) has been paid to shareholders in the year. The unclaimed balance is held in a separate bank account until contact can be made with the shareholders affected.

**6. Basic and Diluted Earnings per Ordinary Share**

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to shareholders of £10,409,000 (2015: £4,043,000) and 91,323,915 (2015: 67,574,139) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue return per ordinary share is based on the revenue profit for the year attributable to shareholders after tax of £2,123,000 (2015: £1,423,000) and 91,323,915 (2015: 67,574,139) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital return per ordinary share is based on the capital profit for the year after tax attributable to shareholders of £8,286,000 (2015: £2,620,000) and 91,323,915 (2015: 67,574,139) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company issued 7,291,938 new ordinary shares. The Company also repurchased 364,332 of its own ordinary shares, which are held in treasury within the capital reserve. The treasury shares have been excluded in calculating the weighted average number of ordinary shares during the year.

The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted earnings per ordinary share are the same.

**7. Financial Assets at Fair Value through Profit or Loss**

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level within the following fair value measurement hierarchy:

- **Level 1**: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1 and comprise AIM quoted investments or government securities and other fixed income securities classified as held at fair value through profit or loss.

- **Level 2**: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Company held no such instruments in the current or prior year.

- **Level 3**: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The majority of the Company’s investments fall into this category.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it was included at the beginning of each accounting period. There have been no transfers between these classifications in the period. During the year to 31 March 2015 Woodspeen Training plc was delisted from the ISDX and became Woodspeen Training Limited.

All items held at fair value through profit or loss were designated as such upon initial recognition.

***Valuation of Investments***

Full details of the methods used by the Company are set out in note 1 of the financial statements. Where investments are held in quoted stocks, fair value is set at the market bid price.

Movements in investments at fair value through profit or loss during the year to 31 March 2016 are summarised as follows:

| IFRS 13 measurement classification | Level 3 Unquoted Investments | Level 1 Quoted Equity Investments | Total Quoted and Unquoted | Level 1 Fixed Income Securities | Total Investments |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Opening cost | 37,663 | 2,167 | **39,830** | 2,402 | **42,232** |
| Opening investment holding gain | 14,997 | 702 | **15,699** | 36 | **15,735** |
| **Opening fair value at 1 April 2015** | **52,660** | **2,869** | **55,529** | **2,438** | **57,967** |
| Additions at cost | 5,426 | 1 | **5,427** | - | **5,427** |
| Capitalised interest and dividends | 197 | - | **197** | - | **197** |
| Disposal proceeds | (11,321) | (1,369) | **(12,690)** | (984) | **(13,674)** |
| Net profit on disposal | 3,562 | 278 | **3,840** | (5) | **3,835** |
| Change in fair value | 6,009 | 478 | **6,487** | 1 | **6,488** |
| **Closing fair value at 31 March 2016** | **56,533** | **2,257** | **58,790** | **1,450** | **60,240** |
| Closing cost | 38,934 | 1,004 | **39,938** | 1,424 | **41,362** |
| Closing investment holding gain | 17,599 | 1,253 | **18,852** | 26 | **18,878** |
| **Closing fair value at 31 March 2016** | **56,533** | **2,257** | **58,790** | **1,450** | **60,240** |

There have been no individual fair value adjustments during the year that exceeded five per cent of the total assets of the Company (2015: none).

All of the changes in fair value during the year to 31 March 2016 related to assets held at the year end.

### 8. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £95,732,000 (2015: £87,720,000) and 95,755,670 (2015: 88,828,064) ordinary shares with voting rights in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 March 2016.

The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted net asset values per ordinary share are the same.

### 9. Total Return per Ordinary Share

The total return per ordinary share is calculated on cumulative dividends paid of 108.7 pence per ordinary share (2015: 98.7 pence per ordinary share) plus the net asset value as calculated in note 8.

### 10. Financial Commitments

At 31 March 2016 the Board had committed a total of £0.03 million into existing portfolio companies subject to satisfactory due diligence and legal completion.

### 11. Related Party Transactions

During the year the Company’s investment in Pressure Technologies plc was sold, as shown in note 7 of the annual report.

Mr P S Cammerman, a director of the Company, is a non-executive director of Pressure Technologies plc. During the year to 31 March 2016 he received £32,500 (2015: £30,000) from Pressure Technologies plc in respect of his services. He also holds a 0.23 per cent equity stake in Pressure Technologies plc.

**12. Events after the Balance Sheet Date**

There are no events after the balance sheet date to report.

**13. Annual Report and Accounts**

Copies of the statutory accounts for the year ended 31 March 2016 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at www.hemscott.com/msn/do. They can also shortly be viewed on the Investment Advisor's website at www.yfmep.com. Hard copies of the statutory accounts for the year to 31 March 2016 will be distributed by post to shareholders and will thereafter be available to members of the public from the Company's registered office.

**14. Directors**

The directors of the Company are: Ms H Sinclair, Mr P S Cammerman and Mr C W E R Buchan.

**15. Annual General Meeting**

The Annual General Meeting of the Company will be held at 12.00 noon on 27 July 2016 at 33 St James Square, London, SW1Y 4JS.

**16. Final Dividend for the year ended 31 March 2016**

Further to the announcement of its final results for the year ended 31 March 2016, the Company confirms that, subject to its approval by shareholders at the forthcoming Annual General Meeting to be held on 27 July 2016, the final dividend of 3.5 pence per ordinary share ("Final Dividend") will be paid on 5 August 2016 to those shareholders on the Company's register at the close of business on 1 July 2016. The ex-dividend date will be 30 June 2016.

**17. Dividend Re-investment Scheme**

The Company operates a dividend re-investment scheme ("DRIS"). The latest date for receipt of DRIS elections so as to participate in the DRIS in respect of the Final Dividend is the close of business on 21 July 2016.

For further information, please contact:


| | | |
|---|---|---|
| David Hall | YFM Equity Partners Limited | Tel: 0113 244 1000 |
| Gillian Martin | Nplus 1 Singer Advisory LLP | Tel: 0207 496 3000 |