# British Smaller Companies VCT2 plc

# Annual Financial Report Announcement for

# the Year ended 31 December 2015

British Smaller Companies VCT2 plc ("the Company") today announces its audited results for the year ended 31 December 2015.

## Financial Highlights

- An increase in total return of 4.2 per cent to 110.9 pence per ordinary share (2014: 106.4 pence per ordinary share).
- An increase in net asset value of 4.5 pence per ordinary share prior to the payment of dividends, representing a 7.2 per cent increase on the opening net asset value.
- 12.6 per cent underlying growth in the investment portfolio.
- Total dividends paid in the year of 4.5 pence per ordinary share (2014: 4.5 pence per ordinary share).
- Total cumulative dividends paid since inception of 48.0 pence per ordinary share (2014: 43.5 pence per ordinary share).
- Proposed final dividend of 2.5 pence per ordinary share in respect of the year ended 31 December 2015.
- Successful joint fundraising with British Smaller Companies VCT plc during the year, raising new funds of £14.7 million.

## Chairman's Statement

Following a significant number of investments in 2014, your Company's portfolio delivered a strong performance during the year to 31 December 2015, producing a return of 12.6 per cent over its opening value, which enabled your Company to maintain its NAV per ordinary share at 62.9 pence whilst paying dividends of 4.5 pence per ordinary share, which represented a yield of 7.2 per cent on the opening NAV per ordinary share.

The changes to the VCT rules, originally announced in the Summer 2015 budget, created a great deal of uncertainty for all venture capital trusts and as a result the Board took the view that they would only complete new investments where they could obtain advanced assurance from HMRC. Consequently, only two new unquoted investments amounting to £3.0 million were completed by your Company in the year, compared to 11 in 2014. These were womenswear retailer Ness (Holdings) Limited, and rail and communications equipment manufacturer KeTech Enterprises Limited.

The new legislation finally received Royal Assent on 18 November 2015. Although HMRC have delayed issuing their final guidance on the new rules it is already clear that the range of companies that your Company can invest in will be more restricted than before and they may have a higher risk profile. The Board and your Company's Investment Adviser have adapted quickly to the new rules and the investment pipeline now contains an encouraging number of new, eligible opportunities. Although the time taken to implement these new rules disrupted the flow of investment in 2015, 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 2016.

### Financial Results

In the year to 31 December 2015 your Company's total return increased by 4.5 pence per ordinary share to 110.9 pence per ordinary share, driven mainly by underlying value growth in the investment portfolio. This equates to an increase of 7.2 per cent on the opening net asset value at 31 December 2014.

During the year your Company has paid total dividends of 4.5 pence per ordinary share, bringing the total cumulative dividends paid since inception to 48.0 pence per ordinary share. The net asset value at 31 December 2015 is 62.9 pence per share as summarised in the table below:

| | | Pence per ordinary share | | £000 |
|---|---|---|---|---|
| NAV at 31 December 2014 | | 62.9 | | 39,333 |
| Net underlying increase in portfolio | 4.0 | | 3,548 | |
| Net income | 0.7 | | 584 | |
| Issue/buy-back of new shares | (0.2) | | 15,272 | |
| | 4.5 | | 19,404 | |
| Dividends paid | (4.5) | | (3,887) | |
| | | - | | 15,517 |
| **NAV at 31 December 2015** | | **62.9** | | **54,850** |

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.

The investments held at 31 December 2014, amounting to £28.22 million, have over the year increased by £3.55 million to £31.77 million at 31 December 2015. This return comprises a gain over the opening value from the realisation of investments and deferred proceeds of £0.23 million, and a gain on the revaluation of portfolios of £3.32 million. Good value gains were seen across the portfolio, as a result of improved trading results and delivery of value growth strategies; these were however partially offset by a decline in the value of two investments.

## Shareholder Relations

### Dividends

The Board remains committed to achieving the objective of a consistent and, where possible, increasing dividend stream over time whilst seeking to maintain capital value. Dividends paid in the year comprise a final dividend of 2.5 pence per ordinary share in respect of the year ended 31 December 2014, and an interim dividend of 2.0 pence per ordinary share in respect of the financial year just ended, totalling 4.5 pence per ordinary share. This brings the cumulative dividends paid to 48.0 pence per ordinary share.

The Board is pleased to propose a final dividend of 2.5 pence per ordinary share for the year ended 31 December 2015. This final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and if approved will then be paid on 9 May 2016 to shareholders on the register at 8 April 2016. The ex-dividend date is 7 April 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 offers. For the financial year ending 31 December 2015 dividends totalling £0.7 million were invested in the Company by way of the DRIS.

### Fundraising

During the first half of the financial year your Company raised a total of £14.7 million, leaving it well funded to take advantage of investment opportunities as they arise. Shortly after the year end a further £3.5 million was raised by way of a €5.0 million top up offer and 5.7 million new shares were allotted. Following this allotment the total number of shares in issue was 92.9 million.

### Shareholder communications

As part of its ongoing review of costs, and in line with current Environmental, Social & Corporate Governance best practice, the Company is committed to promoting electronic communications with shareholders. 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. This will save on printing costs and be more environmentally friendly. I am pleased to report that this policy has been well received by shareholders with 84 per cent opting to receive electronic communications.

In addition, the website www.bscfunds.com has recently been refreshed with the emphasis on providing a comprehensive level of information in a user-friendly format.

The next Investor Workshop will take place on 17 May 2016 and is being held at the Conference Centre, The British Library, near Kings Cross station.

The Annual General Meeting of the Company will be held at 12:00 noon on 6 May 2016 at 33 St James Square, London, SW1Y 4JS. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 76 of the annual report.

## Regulatory Changes

The changes that have been introduced during 2015 to the regulations surrounding VCTs (and EIS) have arisen as a result of an EU review of the use of state aided investment in the UK. The EU's guidelines, Risk Capital Finance ("RCF"), set out the operating framework for investment schemes that receive state aid and the income tax reliefs received by VCT investors are classified as state aid. These guidelines were the subject of some revision with the latest set coming into force on 1 January 2015.

The UK legislation that has now been enacted 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 both HMRC and 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, less than ten years old if classed as knowledge intensive, or seven years old if not, and into older companies where the VCT investment is either not the first state aided investment the company has received (if they received such money within seven years of first trading) or that the VCT investment is "substantial in relation to the size of the company" and the monies are 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, certain liquid funds and cash. 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 will be amended to reflect this.

## 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 further investment into the existing portfolio will be restricted, the Board believes that there will 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. Although the Board believes that the overall pool of potential investments available to the VCT market as a whole will be restricted from previous levels, and may be of higher risk, your Company has always had a policy of investing in small companies to support their growth plans and will be able to continue to follow this policy under the new legislation.

Although the new rules preclude VCTs from providing replacement capital the Investment Adviser manages some non-VCT funds that are free of this restriction, which will allow your Company to participate in investments where an element of replacement capital is needed.

The Board has taken a cautious approach to the new legislation with a policy of only completing investments for which HMRC advanced assurance is given, which itself is only granted for investments that meet the Qualifying Holdings test. It is encouraging that advance assurances are now being given and we have seen investment activity resume. HMRC's detailed guidance is planned to be issued shortly which it is hoped will reduce the level of uncertainty and will further increase the level of advanced assurances that can be given.

## Subsequent Events

On 3 March 2016 your Company realised its investment in Callstream Group Limited for proceeds of £0.7 million, in line with the 31 December 2015 carrying value.

## Outlook

While there is still some uncertainty over how HMRC will implement the new VCT rules in practice, the Board is confident that there are sufficient opportunities available to allow your Company to continue investing. However, it is possible that the overall level of investment will be lower than experienced in previous years, and consequently the Board will keep under close review the need for and scale of any future fundraisings. Additionally there may be greater volatility in the income and capital returns from new investments.

Your Company has a strong and well diversified portfolio which continues to deliver a strong performance and remains well positioned to deliver future value growth.

Richard Last
Chairman

# Objectives and Key Policies

The Company's objective is to provide investors with an attractive long-term tax free dividend yield whilst seeking to maintain and build 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, in VCT qualifying and non-qualifying securities.

The Company invests in a range of 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 stocks.

### 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'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 40 per cent to the Company and 60 per cent to British Smaller Companies VCT plc. The Board of the Company has discretion as to whether or not to take up, or in the circumstances where British Smaller Companies VCT plc does not take 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. 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 dividend re-investment scheme 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.

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 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 advisory, administrative and secretarial services for the Company since its inception on 28 November 2000. The principal terms of the agreement under which these services are performed are set out in note 3 to the financial statements.

### Performance Incentive

The Investment Adviser will receive an amount (satisfied by the issue of shares) equivalent to 20 per cent of the amount by which the cumulative dividends per ordinary share paid as at the last business day in December in any year, plus the average of the middle market price per ordinary share on the five dealing days prior to that day, exceeds 120 pence per ordinary share, multiplied by the number of ordinary shares issued and the ordinary shares under option (if any) (the "Hurdle"). Under the terms of the Subscription Rights Agreement, once the Hurdle has been exceeded it is reset at that value going forward, which becomes the new Hurdle. Any subsequent exercise of these rights will only occur once the new Hurdle has been exceeded. The subscription rights are exercisable in the ratio 95:5 between the Investment Adviser and Chord Capital Limited. Further details are given in note 3 to the financial statements.

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 advising venture capital trusts and in making, managing and exiting investments of the kind falling within the Company's investment policies.

## 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. The charts on page 12 of the annual report show the performance history of these benchmarks.

## 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 ("the AIC"). 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.

## 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 as at 31 December 2015** | **Cumulative dividends paid since fundraising** [1] | **Total return since fundraising / date of acquisition** | **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 |
| 2000/01 and 2001/02 | 62.90 | 48.00 | 110.90 | 80.00 | 100.00 | 167.26 |
| 2001/02 and 2002/03 | 62.90 | 48.00 | 110.90 | 80.00 | 100.00 | 167.26 |
| December 2005 issue of shares on acquisition of British Smaller Technology Companies [3] | 43.19 | 32.03 | 75.22 | 80.00 | 100.00 | 150.47 |
| 2009/10 and 2010/11 | 62.90 | 26.00 | 88.90 | 54.08 | 77.25 | 127.97 |
| 2010/11 and 2011/12 | 62.90 | 22.00 | 84.90 | 49.18 | 70.25 | 118.65 |
| 2012 | 62.90 | 18.00 | 80.90 | 49.35 | 70.50 | 111.65 |
| 2012/13 and 2013/14 | 62.90 | 13.50 | 76.40 | 47.60 | 68.00 | 103.46 |
| 2013/14 and 2014/15 | 62.90 | 9.00 | 71.90 | 47.60 | 68.00 | 96.35 |
| 2014/15 and 2015/16 | 62.90 | 4.50 | 67.40 | 45.50 | 65.00 | 88.74 |

Notes

1. This assumes that at the time of investment the tax relief given on the investment was not also 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 that all dividends since inception were invested under terms of current DRIS.
3. Assuming initial offer price and initial tax relief from original subscription in British Smaller Technology Companies VCT plc.

## 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 percentage reduction in net asset value as a result of recurring operational expenses 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.

| | **Year to 31 December 2015 (%)** | Year to 31 December 2014 (%) |
|---|---|---|
| Ongoing Charges figure | **2.28** | 2.56 |

### 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. The Company complied with this test in the period, with 91.62 per cent (2014: 89.68 per cent) of income being derived from such sources.

### Retained Income Test

The Company must not retain more than 15 per cent of its income from shares and securities. The Company complied with this test in the period, with 0 per cent (2014: 0 per cent) of income being retained in the period subject to payment of the final dividend to be approved at the Annual General Meeting on 6 May 2016.

### 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. The Company complied with this test, with 93.07 per cent (2014: 77.54 per cent) of value being in Qualifying Holdings.

### Eligible Shares Test

At least 30 per cent of the Company's Qualifying Holdings must be represented throughout the period by holdings of non-preferential ordinary shares. The Company complied with this test, with 39.14 per cent (2014: 39.95 per cent) of value being in holdings of eligible ordinary shares.

For monies raised from 6 April 2011 onwards the eligible shares test highlighted above increases to at least 70 per cent of Qualifying Holdings that must be represented by eligible shares. The Company complied with this test, with 77.63 per cent (2014: 76.92 per cent) of value being in holdings of eligible ordinary shares.

In addition, monies are not permitted to be used to finance buy-outs or otherwise to acquire existing businesses or shares. 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.

The Board and Investment Adviser are mindful of these additional requirements and of balancing investments to ensure continued compliance.

### Maximum Single Investment Test

The value of any one investment has, at any time in the period, not represented 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 Company has complied with this test with the highest such value being 4.62 per cent (2014: 5.24 per cent).

### Dividends from cancelled share premium

The Finance Act 2014 introduced a restriction with respect to the use of monies in respect of VCT's. 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 this is 1 January 2018.

From the share premium cancellation of £13.55 million on 10 October 2014, £1.34 million remains undistributable until 1 January 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 over one quarter of the portfolio valuation being held for more than three years, whilst 81 per cent is held at cost or above.

64 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 rather than capital.

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

### Investment review

The portfolio delivered a strong performance in the year, with a return of £3.55 million on the opening value and income of £1.95 million that was a 54 per cent increase over the previous year.

The portfolio as a whole delivered an increased value of £3.55 million in the year. The majority of this has come from the unquoted portfolio, where the improved profitability of many companies generated a value gain of £2.96 million. This has enabled the Company to maintain its strong investor returns with the NAV per ordinary share being maintained at 62.9 pence after the payment of dividends totalling 4.5 pence per ordinary share. The proposed final dividend is 2.5 pence per ordinary share. Since the year end one investment of £0.2 million has been completed and the Company realised its investment in Callstream Group Limited for £0.7 million, in line with the 31 December 2015 carrying value.

| **Investment portfolio** | **£million** | **%** |
|---|---:|---:|
| Unquoted value gain | 2.96 | 83.4 |
| Quoted value gain | 0.36 | 10.1 |
| Gain on disposal over opening value | 0.22 | 6.2 |
| | 3.54 | 99.7 |
| Gain from deferred proceeds | 0.01 | 0.3 |
| **Total Value Movement** | **3.55** | **100.0** |

At 31 December 2015 the investment portfolio was valued at £36.7 million, representing 66.8 per cent of net assets (71.7 per cent at 31 December 2014). Cash at 31 December 2015 was £17.4 million representing 31.8 per cent of net assets (27.0 per cent at 31 December 2014).

### Significant Investment Movements

**Unquoted**

The £2.96 million unrealised valuation gain from the unquoted portfolio is as a result of improved profitability by a number of businesses. The top four value gains in the period are:

- Intelligent Office (via IO Outsourcing Limited) (£1.00 million)
- ACC Aviation (via Newacc (2014) Limited) (£0.42 million)
- DisplayPlan Holdings Limited (£0.34 million)

- GTK (Holdco) Limited (£0.30 million)

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

- The Heritage Window Company Holdco Limited (down £0.37 million)
- Ness (Holdings) Limited (down £0.25 million)

**Quoted**

Overall the quoted portfolio produced a return of £0.36 million. The main contributor was AB Dynamics plc with a gain of £0.44 million, which was offset by Brady plc with a fall of £0.23 million.

**Investments**

During the year ended 31 December 2015 the Company completed thirteen investments totalling £7.3 million. This comprised new investments of £5.9 million and follow-on investments of £1.4 million. The analysis of these investments is shown below:

| **Date** | **Company** | **Investments made £million** | | |
|---|---|---|---|---|
| | | **New** | **Follow-on** | **Total** |
| Jan-15 | Gooch & Housego plc* | 0.4 | - | 0.4 |
| Mar-15 | Ness (Holdings) Limited | 1.0 | - | 1.0 |
| Mar-15 | Brady plc * | - | 0.4 | 0.4 |
| 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 |
| Sep-15 | Immunobiology Limited | - | 0.3 | 0.3 |
| Nov-15 | KeTech Enterprises Limited | 2.0 | - | 2.0 |
| Nov-15 | Springboard Research Holdings Limited | - | 0.4 | 0.4 |
| Nov-15 | The Heritage Window Company Holdco Limited | - | 0.2 | 0.2 |
| Dec-15 | Intamac Systems Limited | - | 0.1 | 0.1 |
| | Invested in the year | 5.9 | 1.4 | 7.3 |
| | Capitalised interest and dividends | | | 0.1 |
| | **Total additions in the year** | | | **7.4** |

*Quoted company

**Disposal of Investments**

During the year to 31 December 2015 the Company received proceeds from disposals, repayments of loans and deferred consideration of £2.48 million. Overall this resulted in a value gain on disposal of investments of £0.23 million compared to 31 December 2014 valuations as set out below.

| | **Net proceeds from sales of investments £million** | **Opening value 31 December 2014 £million** | **Gain on opening value £million** |
|---|---|---|---|
| Sale of portfolio investments | 2.46 | 2.24 | 0.22 |
| Deferred proceeds | 0.02 | 0.01 | 0.01 |
| **Total investment disposals** | **2.48** | **2.25** | **0.23** |

The most significant proceeds related to the sale in October 2015 of the Company's investment in software company Insider Technologies (Holdings) Limited for proceeds of £0.77 million.

A further 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 December 2015 the portfolio had a value of £36.7 million which comprised £34.0 million in unquoted investments (92.7 per cent) and £2.7 million in quoted investments (7.3 per cent). An analysis of the movements in the year is shown on page 21 of the annual report.

The portfolio remains well diversified, with 24 investments having a value greater than £0.5 million, compared to 21 a year earlier.

The charts on page 15 of the annual report show the composition of the portfolio as at 31 December 2015 by industry sector, age of investment, investment instrument and the valuation compared to cost. This demonstrates representation across a wide range of industry sectors.

### Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out on in note 1 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 December 2015 the number of investments falling into each valuation category is shown in the table below:

| | Valuation £million | % of portfolio by value |
|---|---|---|
| Earnings multiple | 23.6 | 64% |
| Cost, reviewed for change in fair value | 8.0 | 22% |
| Price of recent investment, reviewed for change in fair value | 2.4 | 7% |
| Quoted investments at bid price | 2.7 | 7% |
| **Total** | **36.7** | **100%** |

## Summary and Outlook

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

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

We believe that 2016 will see an increased level of investment which, combined with several good exit prospects, should allow the Board to achieve its aim of improving the Company's total return.

## Investment Portfolio Summary at 31 December 2015

| Name of company | Date of initial investment | Location | Industry Sector | Current cost £000 | Proceeds to date £000 | Valuation at 31 December 2015 £000 | Realised & unrealised return to date £000 |
|---|---|---|---|---|---|---|---|
| **Unquoted Portfolio** | | | | | | | |
| Intelligent Office (via IO Outsourcing Limited) | May-14 | Alloa | Business services | 1,956 | - | 3,350 | **3,350** |
| Mangar Health Limited | Jan-14 | Powys | Healthcare | 1,640 | - | 2,201 | **2,201** |
| KeTech Enterprises Limited | Nov-15 | Nottingham | Software, IT & Telecoms | 2,000 | - | 2,000 | **2,000** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ACC Aviation (via Newacc (2014) Limited) | Nov-14 | Reigate | Business services | 1,379 | - | 1,801 | **1,801** |
| Gill Marine Holdings Limited | Sep-13 | Nottingham | Retail & brands | 1,870 | - | 1,778 | **1,778** |
| DisplayPlan Holdings Limited | Jan-12 | Baldock | Business services | 70 | 820 | 1,753 | **2,573** |
| Springboard Research Holdings Limited | Oct-14 | Bedfordshire | Business services | 1,646 | - | 1,646 | **1,646** |
| GTK (Holdco) Limited | Oct-13 | Basingstoke | Manufacturing & Ind Services | 813 | 337 | 1,560 | **1,897** |
| Business Collaborator Limited | Nov-14 | Reading | Software, IT & Telecoms | 1,340 | - | 1,384 | **1,384** |
| Immunobiology Limited | Jun-03 | Cambridge | Healthcare | 2,232 | - | 1,311 | **1,311** |
| Cambrian Park & Leisure Homes Limited (via Cambrian Lodges Holdings Limited) | Oct-14 | Gwynedd | Manufacturing & Ind Services | 1,133 | 67 | 1,243 | **1,310** |
| Seven Technologies Holdings Limited | Apr-12 | Belfast | Software, IT & Telecoms | 1,238 | 762 | 1,208 | **1,970** |
| Leengate Holdings Limited | Dec-13 | Derbyshire | Manufacturing & Ind Services | 934 | - | 1,143 | **1,143** |
| The Heritage Window Company Holdco Limited | Sep-14 | Sevenoaks | Manufacturing & Ind Services | 1,468 | - | 1,101 | **1,101** |
| Harvey Jones Holdings Limited | May-07 | London | Retail & brands | 911 | 282 | 1,099 | **1,381** |
| Macro Art Holdings Limited | Jun-14 | Cambridgeshire | Business services | 731 | 108 | 984 | **1,092** |
| Intamac Systems Limited | Jun-14 | Northampton | Software, IT & Telecoms | 828 | - | 828 | **828** |
| Wakefield Acoustics (via Malvar Engineering Limited) | Dec-14 | Heckmondwike | Manufacturing & Ind Services | 761 | - | 761 | **761** |
| Ness (Holdings) Limited | Mar-15 | Edinburgh | Retail & brands | 1,012 | - | 759 | **759** |
| Callstream Group Limited | Sep-10 | Henley-in Arden | Software, IT & Telecoms | 329 | 265 | 679 | **944** |
| PowerOasis Limited | Nov-11 | Swindon | Software, IT & Telecoms | 594 | - | 594 | **594** |
| Bagel Nash Group Limited | Jul-11 | Leeds | Retail & brands / Manufacturing & Ind Services | 655 | 173 | 583 | **756** |
| Other investments £0.5 million and below | | | | 3,792 | 349 | 4,202 | **4,551** |
| **Total unquoted investments** | | | | **29,332** | **3,163** | **33,968** | **37,131** |
| **Quoted Portfolio** | | | | | | | |
| AB Dynamics plc | May-13 | Bradford-on-Avon | Manufacturing & Ind Services | 253 | - | 809 | **809** |
| Gooch & Housego plc | Jan-15 | Ilminster | Manufacturing & Ind Services | 397 | - | 502 | **502** |
| Other investments £0.5 million and below | | | | 1,573 | 372 | 1,373 | **1,745** |
| **Total quoted investments** | | | | **2,223** | **372** | **2,684** | **3,056** |
| | | | | **31,555** | **3,535** | **36,652** | **40,187** |
| Full disposals to date | | | | 17,707 | 24,091 | - | **24,091** |
| **Total investment portfolio** | | | | **49,262** | **27,626** | **36,652** | **64,278** |

## Disposal History to 31 December 2015

| **Name of Company** | **Date of initial investment** | **Date of disposal** | **Industry sector** | **Cost** | **Proceeds to date** | **Capital return multiple** | **Gains (losses) on disposal** |
|---|---|---|---|---|---|---|---|
| | | | | **£000** | **£000** | **x** | **£000** |
| Cozart plc | Jul-04 | Oct-07 | Healthcare | 1,566 | 2,978 | 1.90 | 1,412 |
| Sarian Systems Limited* | Dec-05 | Apr-08 | Telecoms | 928 | 2,605 | 2.81 | 1,677 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| DxS Limited | Apr-04 | Sep-09 | Healthcare | 163 | 2,515 | 15.43 | 2,352 |
| Vibration Technology Limited** | Mar-02 | Sep-06 | Industrial | 1,061 | 2,328 | 2.19 | 1,267 |
| Primal Pictures Limited* | Dec-05 | Sep-12 | Medical instruments | 961 | 2,268 | 2.36 | 1,307 |
| Sirigen Group Limited | Jun-10 | Sep-12 | Medical technology | 517 | 1,884 | 3.64 | 1,367 |
| Amino Technologies plc** | Sep-01 | Nov-04 | Electronics | 415 | 1,872 | 4.51 | 1,457 |
| Waterfall Services Limited | Feb-07 | Dec-14 | Business services | 483 | 1,422 | 2.94 | 939 |
| Digital Healthcare Limited | Jun-05 | Aug-13 | Medical instruments | 3,072 | 1,285 | 0.42 | (1,787) |
| Insider Technologies (Holdings) Limited | Aug-12 | Oct-15 | Software | 780 | 773 | 0.99 | (7) |
| Pressure Technologies plc | Jun-07 | Jul-15 | Industrial | 302 | 657 | 2.18 | 355 |
| The ART Technology Group Inc.** | Apr-03 | Oct-09 | Software | 275 | 638 | 2.32 | 363 |
| Tamesis Limited** | Jul-01 | Sep-07 | Software | 150 | 317 | 2.11 | 167 |
| Optos plc* | Dec-05 | Jan-14 | Healthcare | 152 | 316 | 2.08 | 164 |
| Tekton Group Limited | Dec-05 | Dec-06 | Software | 103 | 296 | 2.87 | 193 |
| Tikit Group plc | May-11 | Jan-13 | Software | 198 | 283 | 1.43 | 85 |
| Oxonica plc** | May-02 | Sep-09 | Chemical | 241 | 258 | 1.07 | 17 |
| Group NBT plc | May-11 | Nov-11 | IT support | 197 | 256 | 1.30 | 59 |
| Vianet Group plc | Oct-06 | Sep-14 | Business services | 243 | 176 | 0.72 | (67) |
| Patsystems plc | Sep-07 | Jan-12 | Software | 317 | 164 | 0.52 | (153) |
| Hargreaves Services plc | Aug-12 | Jun-15 | Transport | 325 | 160 | 0.49 | (165) |
| Cambridge Cognition Holdings plc | May-02 | Jun-15 | Healthcare | 240 | 157 | 0.65 | (83) |
| May Gurney Integrated Services plc | May-11 | Mar-13 | Construction | 211 | 141 | 0.67 | (70) |
| Arakis Limited | Mar-04 | Aug-05 | Healthcare | 14 | 108 | 7.71 | 94 |
| SoseiCo Limited | Aug-05 | Feb-06 | Healthcare | 158 | 94 | 0.59 | (64) |
| Voxar Limited* | Dec-05 | Nov-06 | Software | - | 91 | - | 91 |
| Sirus Pharmaceuticals Limited** | Sep-01 | Mar-04 | Healthcare | 270 | 18 | 0.07 | (252) |
| Broadreach Networks Limited** | Feb-03 | Dec-05 | Telecoms | 550 | 17 | 0.03 | (533) |
| Focus Solutions Group plc* | Dec-05 | Feb-06 | Software | 7 | 7 | 1.00 | - |
| Oxis Energy Limited* | Dec-05 | Dec-12 | Electronics | 5 | 4 | 0.80 | (1) |
| 2ergo Group plc | May-11 | Jun-13 | Software | 197 | 3 | 0.02 | (194) |
| Ellfin Home Care Limited | Dec-07 | Dec-13 | Healthcare | 317 | - | - | (317) |
| Infinite Data Storage Limited** | Mar-02 | Dec-10 | Software | 425 | - | - | (425) |
| Purely Proteins Limited** | Nov-03 | Dec-05 | Software | 438 | - | - | (438) |
| ExpressOn Biosystems Limited** | Oct-02 | Dec-05 | Healthcare | 450 | - | - | (450) |
| Comvurgent Limited* | Dec-05 | Dec-12 | Software | 611 | - | - | (611) |
| Silistix Limited** | Dec-03 | Dec-10 | Electronics | 1,365 | - | - | (1,365) |
| **Total** | | | | **17,707** | **24,091** | | **6,384** |

* Investment acquired solely from the merger with British Smaller Technology Companies VCT plc in December 2005

** Investment made prior to 31 December 2003

## Summary of investment portfolio movement since 31 December 2014

| Name of Company | Investment Valuation at 31 December 2014 | Disposal Proceeds | Additions including capitalised interest and dividends | Valuation gains including profits / (losses) on disposal | Investment Valuation at 31 December 2015 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Intelligent Office (via IO Outsourcing Limited) | 2,355 | - | - | 995 | 3,350 |
| Mangar Health Limited | 2,081 | - | - | 120 | 2,201 |
| KeTech Enterprises Limited | - | - | 2,000 | - | 2,000 |

| | | | | | |
|---|---|---|---|---|---|
| ACC Aviation (via Newacc (2014) Limited) | 1,379 | - | - | 422 | 1,801 |
| Gill Marine Holdings Limited | 1,732 | - | - | 46 | 1,778 |
| DisplayPlan Holdings Limited | 2,008 | (592) | - | 337 | 1,753 |
| Springboard Research Holdings Limited | 1,186 | - | 460 | - | 1,646 |
| GTK (Holdco) Limited | 1,365 | (103) | - | 298 | 1,560 |
| Business Collaborator Limited | 1,340 | - | - | 44 | 1,384 |
| Immunobiology Limited | 987 | - | 300 | 24 | 1,311 |
| Cambrian Park & Leisure Homes Limited (via Cambrian Lodges Holdings Limited) | 1,200 | (67) | - | 110 | 1,243 |
| Seven Technologies Holdings Limited | 924 | - | - | 284 | 1,208 |
| Leengate Holdings Limited | 1,080 | - | - | 63 | 1,143 |
| The Heritage Window Company Holdco Limited | 1,268 | - | 200 | (367) | 1,101 |
| Harvey Jones Holdings Limited | 1,194 | (282) | - | 187 | 1,099 |
| Macro Art Holdings Limited | 847 | (87) | - | 224 | 984 |
| Intamac Systems Limited | 750 | - | 78 | - | 828 |
| Wakefield Acoustics (via Malvar Engineering Limited) | 720 | - | 41 | - | 761 |
| Ness (Holdings) Limited | - | - | 1,013 | (254) | 759 |
| Callstream Group Limited | 773 | - | - | (94) | 679 |
| PowerOasis Limited | 594 | - | - | - | 594 |
| Bagel Nash Group Limited | 590 | (80) | 2 | 71 | 583 |
| Insider Technologies (Holdings) Limited | 522 | (773) | - | 251 | - |
| Other investments £0.5 million and below | 1,193 | - | 2,500 | 509 | 4,202 |
| Quoted companies | 2,128 | (474) | 761 | 269 | 2,684 |
| **Total** | **28,216** | **(2,458)** | **7,355** | **3,539** | **36,652** |

# 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 page 41 of the annual report and further information on exposure to risks including those associated with financial instruments is given in note 17 of the annual report.

## 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 a non-executive director will be appointed to the board of the investee.

## 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 recurring 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 page 41 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 advised 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 disaster recovery plan.

## 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 page 41 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 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 investments in cash and fixed income securities are maintained to pay expenses as they fall due.

## Other Matters

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. 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 minimise 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 male non-executive directors. For a review of the policies used when appointing directors to the Board of the Company please refer to the Directors' Remuneration Report in 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 the 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 its 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 24 March 2016.

Richard Last
Chairman

# Financial Statements

## Statement of Comprehensive Income for the year ended 31 December 2015

| | | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Revenue £000** | **Capital £000** | **Total £000** | **Revenue £000** | **Capital £000** | **Total £000** |
| Gains on investments held at fair value | 7 | **-** | **3,316** | **3,316** | - | 111 | 111 |
| Income | 2 | **1,953** | **-** | **1,953** | 1,272 | - | 1,272 |
| Gain on disposal of investments | 7 | **-** | **232** | **232** | - | 870 | 870 |
| Total income | | **1,953** | **3,548** | **5,501** | 1,272 | 981 | 2,253 |
| Administrative expenses: | | | | | | | |
| Investment Adviser's fee | | **(234)** | **(701)** | **(935)** | (173) | (521) | (694) |
| Other expenses | | **(434)** | **-** | **(434)** | (402) | - | (402) |
| | 3 | **(668)** | **(701)** | **(1,369)** | (575) | (521) | (1,096) |
| Profit before taxation | | **1,285** | **2,847** | **4,132** | 697 | 460 | 1,157 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Taxation | 4 | **(152)** | **152** | **-** | (7) | 7 | - |
| Profit for the year | | **1,133** | **2,999** | **4,132** | 690 | 467 | 1,157 |
| Total comprehensive income for the year | | **1,133** | **2,999** | **4,132** | 690 | 467 | 1,157 |
| Basic and diluted earnings per ordinary share | 6 | **1.36p** | **3.60p** | **4.96p** | 1.19p | 0.81p | 2.00p |

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ('IFRSs') 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 December 2015

| | Notes | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Financial assets at fair value through profit or loss | 7 | **36,652** | 28,216 |
| Trade and other receivables | | **678** | 417 |
| | | **37,330** | 28,633 |
| **Current assets** | | | |
| Trade and other receivables | | **368** | 314 |
| Cash on fixed term deposit | | **1,992** | - |
| Cash and cash equivalents | | **15,444** | 10,633 |
| | | **17,804** | 10,947 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **(284)** | (247) |
| **Net current assets** | | **17,520** | 10,700 |
| **Net assets** | | **54,850** | 39,333 |
| **Shareholders' equity** | | | |
| Share capital | | **8,939** | 6,447 |
| Share premium account | | **13,337** | 342 |
| Capital redemption reserve | | **88** | 88 |
| Other reserve | | **2** | 2 |
| Merger reserve | | **5,525** | 5,525 |
| Capital reserve | | **20,781** | 24,822 |
| Investment holding gains and losses | | **5,127** | 1,507 |
| Revenue reserve | | **1,051** | 600 |
| **Total shareholders' equity** | | **54,850** | 39,333 |

| Net asset value per ordinary share | 8 | **62.9p** | 62.9p |
|---|---|---|---|

## Statement of Changes in Equity for the year ended 31 December 2015

| | Share capital £000 | Share premium account £000 | Other reserves* £000 | Merger reserve £000 | Capital reserve £000 | Investment holding gains (losses) £000 | Revenue reserve £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2013** | **4,822** | **4,926** | **90** | **5,525** | **14,568** | **448** | **79** | **30,458** |
| *Revenue return for the year* | - | - | - | - | - | - | *697* | *697* |
| *Capital expenses* | - | - | - | - | *(521)* | - | - | *(521)* |
| *Investment holding gain on investments held at fair value* | - | - | - | - | - | *111* | - | *111* |
| *Realisation of investments in the year* | - | - | - | - | *870* | - | - | *870* |
| *Taxation* | - | - | - | - | *7* | - | *(7)* | - |
| Total comprehensive income for the year | - | - | - | - | 356 | 111 | 690 | 1,157 |
| *Issue of share capital* | *1,551* | *9,200* | - | - | - | - | - | *10,751* |
| *Issue costs *** | - | *(591)* | - | - | - | - | - | *(591)* |
| *Purchase of own shares* | - | - | - | - | *(75)* | - | - | *(75)* |
| *Issue of shares – DRIS* | *74* | *362* | - | - | - | - | - | *436* |
| *Dividends* | - | - | - | - | *(2,625)* | - | *(169)* | *(2,794)* |
| *Cancellation of share premium account – net of costs* | - | *(13,555)* | - | - | *13,546* | - | - | *(9)* |
| Total transactions with owners | 1,625 | (4,584) | - | - | 10,846 | - | (169) | 7,718 |
| Realisation of negative goodwill | - | - | - | - | 13 | (13) | - | - |
| Realisation of prior year investment holding losses | - | - | - | - | (961) | 961 | - | - |
| **Balance at 31 December 2014** | **6,447** | **342** | **90** | **5,525** | **24,822** | **1,507** | **600** | **39,333** |
| *Revenue return for the year* | - | - | - | - | - | - | *1,285* | *1,285* |
| *Capital expenses* | - | - | - | - | *(701)* | - | - | *(701)* |
| *Investment holding gain on investments held at fair value* | - | - | - | - | - | *3,316* | - | *3,316* |
| *Realisation of investments in the year* | - | - | - | - | *232* | - | - | *232* |
| *Taxation* | - | - | - | - | *152* | - | *(152)* | - |
| Total comprehensive income for the year | - | - | - | - | (317) | 3,316 | 1,133 | 4,132 |
| *Issue of share capital* | *2,366* | *13,056* | - | - | - | - | - | *15,422* |
| *Issue costs *** | - | *(667)* | - | - | *(92)* | - | - | *(759)* |
| *Purchase of own shares* | - | - | - | - | *(123)* | - | - | *(123)* |
| *Issue of shares – DRIS* | *126* | *606* | - | - | - | - | - | *732* |
| *Dividends* | - | - | - | - | *(3,205)* | - | *(682)* | *(3,887)* |
| Total transactions with owners | 2,492 | 12,995 | - | - | (3,420) | - | (682) | 11,385 |
| Realisation of prior year investment holding losses | - | - | - | - | (304) | 304 | - | - |
| **Balance at 31 December 2015** | **8,939** | **13,337** | **90** | **5,525** | **20,781** | **5,127** | **1,051** | **54,850** |

### Reserves available for distribution

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

| | Capital reserve | Revenue reserve | Total equity |
|---|---|---|---|

| | £000 | £000 | £000 |
|---|---|---|---|
| **Distributable reserves as above** | **20,781** | **1,051** | **21,832** |
| *Less : Interest and dividends not yet distributable* | - | (774) | (774) |
| *: Deferred proceeds* | (93) | - | (93) |
| *: Cancelled share premium not yet distributable* | (1,343) | - | (1,343) |
| **Reserves available for distribution*** | **19,345** | **277** | **19,622** |

* Other reserves include the capital redemption reserve and other reserve, which are non-distributable. The other reserve was created upon the exercise of warrants and the capital redemption reserve was created for the purchase and cancellation of own shares.

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

*** Subject to filing these financial statements at Companies House.

The merger reserve was created to account for the difference between the nominal and fair value of shares issued as consideration for the acquisition of the assets and liabilities of British Smaller Technology Companies VCT plc. The reserve was created after meeting the criteria under section 131 of the Companies Act 1985 and the provisions of the Companies Act 2006 for merger relief. The merger reserve is a non-distributable reserve.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £21,832,000 (2014: £25,422,000) representing a decrease of £3,590,000 (2014: £10,775,000 increase) 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 £21,832,000 shown above, £774,000 (2014: £332,000) relates to interest and dividends receivable from 2018 onwards, £93,000 (2014: £85,000) of deferred proceeds and £1,343,000 (2014: £1,343,000) of share premium which becomes distributable from 1 January 2018.

On filing the financial statements at Companies House the reserves available for distribution will be £19,622,000.

## Statement of Cash Flows for the year ended 31 December 2015

| | Notes | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Net cash inflow (outflow) from operating activities** | | **147** | (293) |
| **Cash flows (used in) investing activities** | | | |
| Purchase of financial assets at fair value through profit or loss | 7 | **(7,239)** | (14,071) |
| Proceeds from sale of financial assets at fair value through profit or loss | 7 | **2,458** | 3,679 |
| Deferred consideration | | **13** | 345 |
| Cash placed on fixed term deposit | | **(1,992)** | - |
| Cash maturing from fixed term deposits | | **-** | 4,500 |
| **Net cash (outflow) from investing activities** | | **(6,760)** | (5,547) |
| **Cash flows from (used in) financing activities** | | | |
| Issue of ordinary shares | | **15,422** | 10,510 |
| Costs of ordinary share issues* | | **(733)** | (350) |
| Purchase of own ordinary shares | | **(123)** | (75) |
| Dividends paid | | **(3,874)** | (2,719) |
| Shares issued under DRIS | | **732** | 436 |
| Share premium cancellation cost | | **-** | (9) |
| **Net cash inflow from financing activities** | | **11,424** | 7,793 |
| **Net increase in cash and cash equivalents** | | **4,811** | 1,953 |

| | | |
|---|---|---|
| **Cash and cash equivalents at the beginning of the year** | **10,633** | 8,680 |
| **Cash and cash equivalents at the end of the year** | **15,444** | 10,633 |

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

**Reconciliation of Profit before Taxation to Net Cash Inflow (Outflow) from Operating Activities**

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Profit before taxation | **4,132** | 1,157 |
| Increase in trade and other payables | **24** | 50 |
| Increase in trade and other receivables | **(345)** | (511) |
| Gains on disposal of investments in the year | **(232)** | (870) |
| Profit on investments held at fair value | **(3,316)** | (111) |
| Capitalised interest and dividends | **(116)** | (8) |
| Net cash inflow (outflow) from operating activities | **147** | (293) |

## Notes to the Financial Statements for the year ended 31 December 2015

### 1 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 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 Association of Investment Companies 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.

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

### 2. Income

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Dividends from unquoted companies | **490** | 160 |
| Dividends from AIM quoted companies | **35** | 43 |
| Interest on loans to unquoted companies | **1,264** | 926 |
| Fixed income Government securities | **-** | 7 |
| Income from investments held at fair value through profit or loss | **1,789** | 1,136 |
| Interest on bank deposits | **164** | 136 |
| | **1,953** | 1,272 |

The above is stated net of £nil (2014: £46,000) of income in relation to loan interest, which has been fully provided for.

### 3. Administrative Expenses

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Investment Adviser's fee | **935** | 694 |
| Administration fee | **61** | 60 |
| Total payable to YFM Private Equity Limited | **996** | 754 |
| Other expenses: | | |
| Trail commission | **134** | 100 |
| Directors' remuneration | **76** | 75 |
| Listing and registrar fees | **57** | 43 |
| General expenses | **43** | 39 |
| Printing | **24** | 47 |
| Irrecoverable VAT | **20** | 20 |
| Auditor's remuneration - audit fees (excluding irrecoverable VAT) | **19** | 18 |
| | **1,369** | 1,096 |
| Ongoing Charges figure | **2.28%** | 2.56% |

Directors' remuneration comprises only short term benefits including social security contributions.

No fees are payable to the auditor in respect of other services supplied pursuant to legislation (2014: £nil).

YFM Private Equity Limited has acted as Investment Adviser and performed administrative and secretarial duties for the Company under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by agreements dated 8 December 2010, 26 October 2011, 16 November 2012, 17 October 2014 and 7 August 2015 (the "IAA"). The agreement may be terminated by not less than twelve months' notice given by either party at any time. Following the Financial Conduct Authority's registration of the Company as a Small Registered Alternative Investment Fund Manager, the Company has retained responsibility for the custody of its investments.

The key features of the agreement are:

- YFM Private Equity Limited receives an Investment Adviser fee, payable quarterly in advance, calculated at half-yearly intervals as at 30 June and 31 December. The fee is allocated between capital and revenue as described in note 1 to the financial statements;
- The annual advisory fee payable to the Investment Adviser is 2.50 per cent of Net Assets up to £16.0 million, 1.25 per cent of Net Assets in excess of £16.0 million and up to £26.667 million, and 2.00 per cent of Net Assets in excess of £26.667 million. Based on the Company's Net Assets at 31 December 2015 of £54.850 million, this equates to 2.0 per cent of Net Assets, or £1,097,000 per annum.

YFM Private Equity Limited shall bear the annual operating costs of the Company (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) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company; and

Under the IAA YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £46,000 per annum plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue, and totalled £61,000 for the year ended 31 December 2015 (2014: £60,000).

When the Company makes investments into its unquoted portfolio the Investment Adviser charges that investee an advisory fee. With effect from 1 October 2013 if the average of relevant fees exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on investments over the Company's financial year, this excess will be rebated to the Company. As at 31 December 2015, the Company was due a rebate from the Investment Adviser of £nil (2014: £4,000).

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.

The total remuneration payable to YFM Private Equity Limited in the period was £996,000 (2014: £754,000).

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 December 2015 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £340,000 (2014: £583,000).

Under the Subscription Rights Agreement dated 23 November 2001 between the Company, YFM Private Equity Limited and Chord Capital Limited ("Chord" formerly Generics Asset Management Limited), as amended by an agreement between those parties dated 31 October 2005, YFM Private Equity Limited and Chord have a performance-related incentive, structured so as to entitle them to an amount (satisfied by the issue by the Company of ordinary shares) equivalent to 20 per cent of the amount by which the cumulative dividends per ordinary share paid as at the last business day in December in any year, plus the average of the middle market price per ordinary share on the five dealing days prior to that day, exceeds 120 pence per ordinary share, multiplied by the number of ordinary shares issued and the ordinary shares under option (if any) (the "Hurdle"). Under the terms of the Subscription Rights Agreement, once the Hurdle has been exceeded it is reset at that value going forward, which becomes the new Hurdle. Any subsequent exercise of these rights will only occur once the new Hurdle has been exceeded. The subscription rights are exercisable in the ratio 95:5 between the Investment Adviser and Chord Capital Limited.

By a Deed of Assignment dated 19 December 2003 (together with a supplemental agreement dated 5 October 2005), the benefit of the YFM Private Equity Limited subscription right was assigned to YFM Private Equity Limited Carried Interest Trust (the "Trust"), an employee benefit trust formed for the benefit of certain employees of YFM Private Equity Limited and associated companies. Pursuant to a deed of variation dated 16 November 2012 between the Company, the trustees of the Trust and Chord, the Subscription Rights Agreement was varied so that the subscription rights will be exercisable in the ratio of 95:5 between the trustees of the Trust and Chord. Pursuant to a deed of variation dated 5 August 2014 the Subscription Rights Agreement was varied so that the recipient was changed from the Trust to YFM Private Equity Limited.

As at 31 December 2015 the total of cumulative cash dividends paid and mid-market price was 104.00 pence per ordinary share. No shares have been issued under this agreement.

Under the terms of the offer with British Smaller Companies VCT plc, launched on 20 October 2014, 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 paid to YFM Private Equity Limited under this offer amounted to £344,604.

Under the terms of the offer launched on 8 December 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 re-investment of intermediary commission. The net amount paid to YFM Private Equity Limited under this offer amounted to £108,200.

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

The details of 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 December 2015 (audited)".

**4. Taxation**

| | **2015** | 2014 |
|---|---|---|

| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
|---|---|---|---|---|---|---|
| Profit before taxation | **1,285** | **2,847** | **4,132** | 697 | 460 | 1,157 |
| Profit before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2014: 20%) | **257** | **569** | **826** | 139 | 92 | 231 |
| **Effect of:** | | | | | | |
| UK dividends received | **(105)** | **-** | **(105)** | (41) | - | (41) |
| Non-taxable profits on investments | **-** | **(709)** | **(709)** | - | (196) | (196) |
| Excess advisory expenses | **-** | **(12)** | **(12)** | (91) | 97 | 6 |
| Tax charge (credit) | **152** | **(152)** | **-** | 7 | (7) | - |

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

Deferred tax assets of £497,000 calculated at 18% (2014: £560,000 at 20%) in respect of unrelieved management expenses (£2.761 million as at 31 December 2015 and £2.799 million as at 31 December 2014) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

Due to the Company's status as a venture capital trust and the continued intention to meet with the conditions required to comply with Section 274 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 period to 31 December:

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Revenue £000** | **Capital £000** | **Total £000** | Revenue £000 | Capital £000 | Total £000 |
| Final dividend for the year ended 31 December 2014 of 2.5p (2013: 2.5p) per ordinary share | **268** | **1,885** | **2,153** | 7 | 1,542 | 1,549 |
| Interim dividend for the year ended 31 December 2015 of 2.0p (2014: 2.0p) per ordinary share | **414** | **1,320** | **1,734** | 162 | 1,083 | 1,245 |
| | **682** | **3,205** | **3,887** | 169 | 2,625 | 2,794 |
| Unclaimed dividends | | | **(13)** | | | (75) |
| Dividends paid in Statement of Cash Flows | | | **3,874** | | | 2,719 |

The final year-end dividend of 2.5 pence per ordinary share in respect of the year to 31 December 2014 was paid on 8 June 2015 to shareholders on the register at 8 May 2015.

The interim dividend of 2.0 pence per ordinary share was paid on 28 September 2015 to shareholders on the register as at 28 August 2015.

A final dividend of 2.5 pence per ordinary share in respect of the year to 31 December 2015 is proposed. This dividend has not been recognised in the year ended 31 December 2015 as the obligation did not exist at the balance sheet date.

During the year the Company has received an additional £16,000 (2014: £78,000) from the Registrars in respect of unclaimed dividends. The Company has made efforts to contact the relevant shareholders, with the result that £3,000 (2014: £3,000) 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 £4,132,000 (2014: £1,157,000 profit) and 83,224,240 (2014: 57,825,246) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the profit for the year attributable to shareholders of £1,133,000 (2014: £690,000) and 83,224,240 (2014: 57,825,246) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings per ordinary share is based on the capital profit for the year attributable to shareholders of £2,999,000 (2014: £467,000) and 83,224,240 (2014: 57,825,246) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 1,258,531 new ordinary shares in respect of its DRIS, and 23,665,149 new ordinary shares under the offer for subscription with British Smaller Companies VCT plc.

The Company has also repurchased 217,981 of its own shares in the year, and these shares are held in treasury within the capital reserve. The total of 2,128,003 treasury shares has been excluded in calculating the weighted average number of ordinary shares for the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per share are the same.

The only potentially dilutive shares are those shares which, subject to certain criteria being achieved in the future, may be issued by the Company to meet its obligations under the investment advisory agreement as set out in Note 3. No such shares have been issued or are currently expected to be issued. There are, therefore, considered to be no potentially dilutive shares in issue at 31 December 2015 or 31 December 2014.

## 7. Financial Assets at Fair Value Through Profit or Loss

Movements in investments at fair value through profit or loss during the year to 31 December 2015 are summarised as follows:

| **IFRS13 measurement classification** | **Level 3** | **Level 1** | |
|---|---|---|---|
| | **Unquoted Investments** | **Quoted Equity Investments** | **Total Investments** |
| | **£000** | **£000** | **£000** |
| Opening cost | 24,593 | 2,146 | **26,739** |
| Opening investment holding gain (loss) | 1,495 | (18) | **1,477** |
| **Opening fair value at 1 January 2015** | **26,088** | **2,128** | **28,216** |
| Additions at cost | 6,478 | 761 | **7,239** |
| Capitalised interest and dividends | 116 | - | **116** |
| Disposal proceeds | (1,984) | (474) | **(2,458)** |
| Net profit (loss) on disposal* | 312 | (89) | **223** |
| Change in fair value | 2,958 | 358 | **3,316** |
| **Closing fair value at 31 December 2015** | **33,968** | **2,684** | **36,652** |
| Closing cost | 29,332 | 2,223 | **31,555** |
| Closing investment holding gain** | 4,636 | 461 | **5,097** |
| **Closing fair value at 31 December 2015** | **33,968** | **2,684** | **36,652** |

* The net profit on disposal in the table above is £223,000 whereas that shown in the Statement of Comprehensive Income is £232,000. The difference comprises deferred proceeds of £9,000 in respect of assets which have been disposed of and are not included within the investment portfolio at the year-end.

** Following the merger between the Company and British Smaller Technologies Company VCT plc a total of £975,000 of negative goodwill was recognised in the investment holding gains and losses reserve in respect of the investments acquired. The relevant amount per investment is realised, at the point of disposal to the capital reserve. At 31 December 2015 a total of £30,000 (2014: £30,000) was held on investments yet to be realised in the investment holdings gains and losses reserve.

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2014: none).

## 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 £54,850,000 (2014: £39,333,000) and 87,262,575 (2014: 62,556,876) ordinary shares in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 December 2015.

The only potentially dilutive shares are those shares which, subject to certain criteria being achieved in the future, may be issued by the Company to meet its obligations under the IAA as set out in note 3. No such shares have been issued or are currently expected to be issued. There are therefore considered to be no potentially dilutive shares in issue at 31 December 2015 or 31 December 2014. Consequently, basic and diluted net asset values per ordinary share are equivalent in both the year ended 31 December 2015 and 31 December 2014.

## 9. Total Return per Ordinary Share

The total return per ordinary share is calculated on cumulative dividends paid of 48.0 pence per ordinary share (2014: 43.5 pence per ordinary share) plus the net asset value as calculated per note 8.

## 10. Related Party Transactions

Mr R Last is chairman and non-executive director of Gamma Communications plc, in which he has a 0.06 per cent equity stake. During the year to 31 December 2015 he received remuneration of £75,000 from Gamma in respect of his services.

## 11. Events after the Balance Sheet Date

On 3 March 2016 the Company realised its investment in Callstream Group Limited for £0.7 million, in line with the 31 December 2015 carrying value.

Subsequent to the year end the Company allotted a total of 5,683,709 ordinary shares on 14 January 2016 pursuant to the offer detailed under "Fundraising" on page 8 of the annual report, raising net proceeds of £3.5 million.

## 12. Financial Information

The financial information set out in this announcement for the year ended 31 December 2015 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006 but has been extracted from the Company's statutory accounts for that period. Statutory accounts for the year ended 31 December 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 6 May 2016. Those accounts have been reported upon without qualification by the Company's independent auditor and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

## 13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 December 2015 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 Company's website at www.bscfunds.com. Hard copies of the statutory accounts for the year ended 31 December 2015 will be distributed by post to shareholders who have elected to receive accounts in this format, and will be available thereafter to members of the public from the Company's registered office.

## 14. Directors

The directors of the Company are Mr R Last, Mr R Pettigrew, and Mr P Waller.

## 15. Annual General Meeting

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS on 6 May 2016 at 12.00 noon.

## 16. Final Dividend for the year ended 31 December 2015

Further to the announcement of its final results for the year ended 31 December 2015, the Company confirms that, subject to its approval by shareholders at the forthcoming Annual General Meeting to be held on 6 May 2016, the final dividend of 2.5 pence per ordinary share ("Final Dividend") will be paid on 9 May 2016 to those shareholders on the Company's register at the close of business on 8 April 2016. The ex-dividend date is 7 April 2016.

## 17. Dividend re-investment scheme ("DRIS")

The Company operates a dividend reinvestment 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 22 April 2016.

## 18. Purchase of Own Securities

Under the authority granted by shareholders at general meetings, the Company may buy back shares to enable shareholders to obtain some liquidity. The policy is kept under active review to ensure that any decisions taken are in the interest of shareholders as a whole.

The Company announces that from today the rate of discount at which ordinary shares will be bought back will be targeted to be no more than five per cent of the latest reported net asset value. The policy is at the discretion of the Board and is kept under active review.

For further information, please contact:


| | | |
|---|---|---|
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