# BRITISH SMALLER COMPANIES VCT PLC
# Annual Financial Report Announcement for the Year to 31 March 2017

British Smaller Companies VCT plc (the "Company") today announces its audited results for the year to 31 March 2017.

## Highlights

- An increase in total return of 4.3 pence per ordinary share to 213.0 pence per ordinary share, an increase of 4.3 per cent on the opening net asset value ("NAV") per ordinary share.

- Disposal of GO Outdoors during the year for £14.3 million delivering a profit of £14.1 million over cost. This brought the total return over the life of the investment to £23.3 million equating to 37 times the original cost.

- Underlying growth in the investment portfolio of £7.8 million. This includes £5.0 million of unrealised value growth and £2.8 million of gain over the opening value from disposals.

- Total dividends paid during the year ended 31 March 2017 were 22.0 pence per ordinary share. This comprises a final dividend relating to the year to 31 March 2016 of 3.5 pence, special interim dividends of 16.5 pence per ordinary share and an interim dividend for the year to 31 March 2017 of 2.0 pence per ordinary share.

- Net Asset Value per ordinary share of 82.3 pence per ordinary share, after paying dividends of 22.0 pence per ordinary share.

- Total cumulative dividends paid since inception of 130.7 pence per ordinary share.

- Interim dividend for the year ending 31 March 2018 of 5.75 pence per ordinary share paid on 26 May 2017, taking cumulative dividends paid to 136.45 pence per ordinary share. The adjusted Net Asset Value is 76.55 pence per ordinary share. The directors are not proposing the payment of a final dividend for the year ended 31 March 2017.

- On 18 May 2017 the Company realised its investment in Selima Holding Company Ltd for initial proceeds of £2.0 million, representing a return of 3.7 times original cost to date.

- The Board announces that Philip Cammerman is to resign from the Board with effect from 1 August 2017, having been a director since the Company's inception in 1996. Rupert Cook will join the Board on 1 August 2017.

# CHAIRMAN'S STATEMENT

I am pleased to record that your Company has continued to make progress in growing its total return, which increased by 4.3 pence per ordinary share in the year, a 4.3 per cent return on opening net asset value.

The portfolio continued to perform strongly, increasing by £7.8 million (7.3 pence per ordinary share). This comprised unrealised gains of £5.0 million and realised gains of £2.8 million.

The most significant event in the year was the realisation of the investment in GO Outdoors, which generated a 37x return on the original investment and funded the payment of a significant dividend in January 2017. This investment was held for more than eighteen years, during which time the business grew from one store to over fifty stores and led the way in developing the market for outdoor clothing and equipment. It is pleasing to report that this realisation was awarded the UK Small Deal of the Year at Real Deals' recent Private Equity Awards.

It is also pleasing to report that the Company was awarded VCT Exit of the Year at the Unquote British Private Equity Awards for the 2015 realisation of its investment in President Engineering.

The impact of the new VCT rules on the investment rate over the past two years has been quite marked. Investments in new unquoted trading companies totalled £6.4 million in 2016/17 and £4.5 million in 2015/16, compared to £16.8 million in 2014/15, the last year under the previous rules.

In light of this it is pleasing that there was an increase in the investment rate following HMRC's issuance of its revised guidance on the new VCT rules in May 2016, with 79 per cent of the year's new investments being completed in the second half of the year. There remains a good pipeline of potential investments which your Board hopes will lead to further additions to the portfolio during the next financial year.

## Financial Results

In the year to 31 March 2017 total return increased by 4.3 pence per ordinary share to 213.0 pence per ordinary share. This principally derived from the underlying value growth in the residual investment portfolio and the net gain from realised investments.

During the year your Company has paid total dividends of 22.0 pence per ordinary share, bringing the cumulative dividends paid since inception to 130.7 pence per ordinary share. The net asset value at 31 March 2017 is 82.3 pence per ordinary share as summarised in the table below:

| | Pence per ordinary share | £000 |
|---|---|---|
| NAV at 31 March 2016 | 100.0 | 95,723 |
| Net underlying increase in portfolio | 7.3 | 7,816 |
| Net income after expenses | 0.3 | 362 |
| Performance incentive fee | (3.4) | (3,649) |
| Issue/buy-back of new shares | 0.1 | 9,046 |
| | 4.3 | 13,575 |
| Dividends paid | (22.0) | (21,226) |
| | (17.7) | (7,651) |
| **NAV at 31 March 2017** | **82.3** | **88,072** |
| Cumulative dividends paid | 130.7 | |
| **Total return: at 31 March 2017** | **213.0** | |
| at 31 March 2016 | 208.7 | |

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 March 2016, amounting to £58.8 million, delivered a return over the year of £7.8 million. This return comprises, a gain on the revaluation of the portfolio of £5.0 million and a gain over the opening value from the realisation of investments and deferred proceeds of £2.8 million.

Within the current portfolio there was £7.6 million of unrealised gains offset by £2.6 million of unrealised losses. Particularly strong performances were seen from ACC Aviation, Deep-Secure Limited, Mangar Health Limited, Business Collaborator Limited, Selima Holding Company Ltd, DisplayPlan Holdings Limited, GTK (Holdco) Limited and Wakefield Acoustics which in part were offset by more difficult years for Intelligent Office, Seven Technologies Holdings Limited and The Heritage Window Company Holdco Limited.

The sale of GO Outdoors Topco Limited contributed a profit on the 31 March 2016 carrying value of £4.93 million; offset by realised losses on the sales of Cambrian Park & Leisure Homes Limited and Ness (Holdings) Limited.

## Shareholder Relations

### Annual General Meeting

The Annual General Meeting of the Company will be held at 12:00 noon on 1 August 2017 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 75 of the annual report.

### Dividends

Dividends paid in the year comprise a final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2016, an interim dividend of 2.0 pence per ordinary share, a special dividend of 2.0 pence per ordinary share and a special dividend of 14.5 pence per ordinary share in respect of the financial year just ended, totalling 22.0 pence per ordinary share. Cumulative dividends paid total 130.7 pence per ordinary share.

On 26 May 2017 the Company paid an interim dividend for the year ending 31 March 2018 of 5.75 pence per ordinary share and the Board is not proposing the payment of a final dividend for the year ended 31 March 2017.

The revised VCT rules have changed the nature of investments that can be made. The focus is now on earlier stage businesses which generally require a higher proportion of equity investment than in the past and this is reflected in the investments made during the year. As the existing portfolio matures it is anticipated that the future dividend stream and net asset value will become more volatile than in the past.

### Dividend Re-investment 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. The three advantages of the DRIS are:

1. the dividends remain tax free;
2. any DRIS investment attracts income tax relief at the rate of 30%; and
3. the investment is made at a 5% discount to the last reported net asset value.

For the financial year ending 31 March 2017 dividends totalling £5.4 million were invested in your Company by way of the DRIS.

### Share Buy-backs and Treasury Shares

During the year your Company purchased 458,334 shares by way of share buy-backs for consideration of £404,000 (2016: 364,332 ordinary shares for consideration of £316,000). Due to increasing demand from the secondary market your Company has included a resolution in the notice of this year's Annual General Meeting that will allow treasury shares to be reissued.

### Fundraising

Your Company launched a further top-up fundraising on 10 February 2017 and it is pleasing that the offer was subscribed in full by existing shareholders. The Company allotted 5,008,836 ordinary shares on 29 March 2017 raising net proceeds of £4.1 million.

### Incentive Fee

As a result of the performance and in accordance with the terms of the Incentive Agreement an incentive fee of £3.6 million (2016: £1.0 million) is payable to the Investment Adviser (the details of which are set out on page 11 of the annual report).

Under the terms of the Incentive Agreement the Investment Adviser will receive £3.1 million following the Annual General Meeting on 1 August 2017, and the balance of £0.5 million will be included in the calculation of the incentive fee payable for the year ending 31 March 2018.

**Shareholder Relations**

As part of the Board's continuing dialogue with shareholders, the 22nd shareholder workshop was held in conjunction with British Smaller Companies VCT2 plc at the Connaught Rooms on 3 May 2017, with approaching 200 attendees. Hosted by myself, there were presentations from senior executives from two of our newest investments: Sipsynergy Limited and Matillion Limited alongside short videos about our other new portfolio companies. The Company's performance, portfolio and outlook were discussed in talks given by the Investment Adviser, followed by a question and answer session.

It was pleasing that the Board's drive to improve shareholder communications was recognised when your Company won the Association of Investment Companies' award for Best Report and Accounts, VCTs during the year.

Your Company's electronic communications policy, whereby documents such as the annual report are disseminated via the website www.bscfunds.com rather than by post, has saved on printing costs as well as being more environmentally friendly. I am pleased to report that this policy continues to be well received, with 82 per cent of shareholders receiving 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.

## Board Composition

I announce with some sadness that Philip Cammerman has decided to retire from the Board with effect from the Annual General Meeting on 1 August 2017. Philip was one of the pioneers of venture capital trusts and in 2005 was awarded the UK Investor All Stars "Lifetime Achievement Award" for services to the venture capital industry. He was instrumental in establishing your Company in 1996 and has been a director of the Company since its inception, playing a major role in its development. His extensive private equity experience has been invaluable to the Board and he will be sorely missed. We wish him well for the future in what will no doubt be a very active retirement.

I am pleased to announce that Rupert Cook agreed to join your Company's Board of directors on 1 August 2017. He brings a wealth of experience in smaller companies, notably in a variety of technology sectors, which will be invaluable as your Company invests in earlier stage businesses. I am delighted to welcome Rupert to the Board and I am sure he will be a great asset. Rupert will be put forward for re-election at the 2018 AGM.

## Stockbrokers

I am pleased to inform you that your Board has appointed Panmure Gordon (UK) Limited as corporate broker with effect from 1 January 2017. The Panmure Gordon team has a wealth of experience as broker to numerous VCTs and we look forward to working with them in the future. The Board would like to thank Nplus1 Singer for the work they have done as the Company's broker over many years.

## Post Balance Sheet Event

On 18 May 2017 your Company sold its investment in Selima Holding Company Ltd for initial proceeds of £2.0 million. To date the total return on this investment is 3.7x original cost.

## Outlook

New investment will inevitably be focussed on earlier stage businesses. Since they are typically less able to finance debt instruments as they invest for growth, most of them will comprise a significantly higher proportion of equity. This is likely to have the impact of reducing the portfolio's income stream, with returns more reliant on equity realisations.

There was an encouraging level of new investment in the second half of the year and we are seeing a good level of new opportunities. Investment continues to focus on high quality businesses with good growth potential and attractive realisation prospects.

**Helen Sinclair**
Chairman

# OBJECTIVES AND KEY POLICIES

The Company's objective is to provide investors with an attractive long-term tax free dividend yield whilst maintaining 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 majority of investments in the current portfolio are in a combination of equities, preference shares and loan stock. The investments made under the new VCT rules consist largely or solely of ordinary equity instruments.

### 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 will 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 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 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, short-notice bank accounts and 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 42 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 31 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 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 February 1996. 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 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 adjusted 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 to the financial statements.

No payment can be made in respect of the year to 31 March 2017 under the Incentive Agreement unless the average quarterly adjusted net asset value of the Company is a minimum of 92.2 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 22.0 pence per ordinary share and the average quarterly adjusted net asset value for the year is 97.3 pence per ordinary share. As a result, the Investment Adviser has met the targets for the year under review and a performance fee of £3,648,873 has accrued to the Investment Adviser (31 March 2016: £983,025). If the annual incentive fee exceeds a certain threshold then the excess is deferred until following the next year's Annual General Meeting. Payment of the remainder is made five business days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders. The current year's payment exceeds the threshold and therefore a portion of the current year fee is delayed until after the 2018 Annual General Meeting. Further details are given on page 60 of the annual report (note 3).

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.

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

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 44 of the annual report.

## Dividends Paid

The average dividend paid over the last 5 years was 10.3 pence per ordinary share, equivalent to a 12.5 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 as at 31 March 2017 | 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 |
| 1995/96 & 1996/97 | 82.3 | 130.7 | 213.0 | 80.0 | 100.0 | 338.6 |
| 1996/97 & 1997/98 | 82.3 | 127.7 | 210.0 | 80.0 | 100.0 | 337.7 |
| 1997/98 & 1998/99 | 82.3 | 124.0 | 206.3 | 84.0 | 105.0 | 337.6 |
| 2004/05 & 2005/06 (C share[3]) | 92.6 | 108.2 | 200.7 | 60.0 | 100.0 | 352.3 |
| 2005/06 | 82.3 | 100.3 | 182.6 | 59.7 | 99.5 | 331.3 |
| 2006/07 & 2007/08 | 82.3 | 95.8 | 178.1 | 71.8 | 102.5 | 307.0 |
| 2007/08 & 2008/09 | 82.3 | 90.8 | 173.1 | 74.4 | 106.3 | 292.6 |
| 2009/10 & 2010/11 | 82.3 | 80.8 | 163.1 | 68.1 | 97.3 | 258.9 |
| 2010/11 & 2011/12 | 82.3 | 74.5 | 156.8 | 89.6 | 128.0 | 250.9 |
| 2011/12 | 82.3 | 51.5 | 133.8 | 69.8 | 99.8 | 194.5 |
| 2012/13 & 2013/14 | 82.3 | 46.5 | 128.8 | 67.0 | 95.8 | 183.1 |
| 2013/14 & 2014/15 | 82.3 | 40.0 | 122.3 | 70.5 | 100.8 | 172.4 |
| 2014/15 & 2015/16 | 82.3 | 32.0 | 114.3 | 69.7 | 99.5 | 158.2 |
| 2015/16 | 82.3 | 22.0 | 104.3 | 71.6 | 102.3 | 143.3 |

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. 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 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.

| **Expenses** | **Year to 31 March 2017 (%)** | Year to 31 March 2016 (%) |
|---|---|---|
| Ongoing Charges figure | **2.43** | 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.

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

**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 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.

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.

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.

**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.

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.

From the share premium cancellation of £26.80 million on 10 October 2014, £2.09 million remains undistributable until 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; and

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% 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

## Portfolio Structure and Diversity

Set out on page 15 of the annual report is a profile of the investment portfolio by age, value compared to cost, investment instrument and industry sector. This illustrates the broad range of the investment portfolio with almost half of the portfolio valuation being held for more than 3 years, whilst 88 per cent is held at cost or above. 53 per cent of the portfolio's value is held in income generating financial instruments.

## Investment Review

The portfolio delivered a strong performance in the year, with a return of £7.82 million on the opening value and income of £2.81 million.

### Your portfolio

The portfolio as a whole delivered an increased value of £7.82 million in the year, as shown in Table A below. A value gain of £4.30 million has come from the unquoted portfolio with particularly strong performances from ACC Aviation, Deep-Secure Limited, Mangar Health Limited and Business Collaborator Limited; backed up by good growth also from Selima Holding Company Ltd, DisplayPlan Holdings Limited, GTK (Holdco) Limited, Wakefield Acoustics, Macro Art Holdings Limited and Leengate Holdings Limited. These were partly offset by the impact of difficult trading conditions at Seven Technologies Holdings Limited, Heritage Windows and Intelligent Office.

The realised gains of £2.76 million included the successful sale of GO Outdoors Topco Limited offset by realised losses on Cambrian Park & Leisure Homes Limited and Ness (Holdings) Limited.

| **Table A**<br>**Investment Portfolio** | **£million** | **%** |
|---|---|---|
| Unquoted value gain | 4.30 | 55 |
| Gain on disposal over opening value | 2.75 | 35 |
| Quoted value gain | 0.76 | 10 |
| | 7.81 | 100 |
| Gain from deferred proceeds | 0.01 | - |
| **Total value movement** | **7.82** | **100** |

At 31 March 2017 the investment portfolio was valued at £56.52 million, representing 64.2 per cent of net assets (61.4 per cent at 31 March 2016). Cash (including fixed term deposits) and gilt investments at 31 March 2017 were £29.31 million representing 33.3 per cent of net assets (37.7 per cent at 31 March 2016). Your Company continues to hold its cash balances with a number of institutions to spread risk and optimise income. In April 2016 a new VCT rule came into force preventing your Company from holding deposits with more than seven days' notice. While this did not require pre-existing deposit/notice accounts to be closed, over time this will limit the level of income that can be generated from cash awaiting investment. As a result the Board is currently reviewing alternative investments that would generate a higher level of income while minimising the level of risk.

## Other Significant Investment Movements

### Investments

During the year ended 31 March 2017 the Company completed 6 investments totalling £6.49 million. This comprised 4 new investments of £6.42 million and 2 follow-on investments of £0.07 million. These investments are analysed further in Table B:

| **Table B** | | | | |
|---|---|---|---|---|
| **Date** | **Company** | **Investments Made £million** | | |
| | | **New** | **Follow-on** | **Total** |
| June-16 | Sipsynergy (via Hosted Network Services Limited) | 1.35 | - | 1.35 |
| August-16 | Intamac Systems Limited | - | 0.03 | 0.03 |
| October-16 | Biz2Mobile Limited | 1.50 | - | 1.50 |
| October-16 | Traveltek Group Holdings Limited | 1.47 | - | 1.47 |
| November-16 | Matillion Limited | 2.10 | - | 2.10 |
| March-17 | PowerOasis Limited | - | 0.04 | 0.04 |
| | Invested in the year | 6.42 | 0.07 | 6.49 |
| | Capitalised interest and dividends | | | 0.11 |
| | **Total additions in the year** | | | **6.60** |

### Disposal of Investments

During the year to 31 March 2017 the Company recognised proceeds from disposals, repayments of loans and deferred consideration of £16.69 million. This gave an overall value gain on disposal of investments of £2.76 million above the 31 March 2016 valuations as set out in Table C.

| **Table C**<br>**Disposal of Investments** | **Net proceeds from sales of investments**<br>£million | **Opening value 31 March 2016**<br>£million | **Gain on opening value**<br>£million |
|---|---|---|---|
| Sale of portfolio investments | 16.68 | 13.93 | 2.75 |
| Deferred proceeds received | 0.01 | 0.00 | 0.01 |
| **Total investment disposals** | **16.69** | **13.93** | **2.76** |

The sale of GO Outdoors Topco Limited accounts for the majority of the proceeds, totalling £14.31 million, a profit on cost of £14.07 million. This was offset by realised losses on the sales of Cambrian Park & Leisure Homes Limited and Ness (Holdings) Limited.

A further analysis of all investments sold in the year can be found in note 7 to the financial statements on page 64 of the annual report.

### Portfolio Composition

As at 31 March 2017 the portfolio had a value of £56.52 million which comprised £54.08 million in unquoted investments (96 per cent) and £2.44 million in quoted investments (4 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 20 investments having a value equal to or greater than £1.0 million, compared to 18 a year earlier, with the single largest investment representing 6.1 per cent of the net asset value.

The charts on page 15 of the annual report show the composition of the portfolio as at 31 March 2017 by industry sector, age of investment, investment instrument and the valuation compared to cost. This demonstrates representation across a wide range of industry sectors.

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

**Valuation Policy**

Unquoted investments are valued in accordance with the valuation policy set out in note 1 on pages 55 and 56 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 2017 the value of investments falling into each valuation category is shown in Table D:

| **Table D**<br>**Valuation Basis** | **Valuation £million** | **% of portfolio by value** |
|---|---|---|
| Earnings multiple | 41.12 | 73 |
| Cost, reviewed for change in fair value | 12.40 | 22 |
| Quoted investments at bid price | 2.44 | 4 |
| Price of recent investment, reviewed for change in fair value | 0.56 | 1 |
| **Total** | **56.52** | **100** |

## Regulatory Developments

The industry and HMRC are still adapting to the new VCT rules and this is reflected in the time taken for HMRC to grant advance assurance for new investments. HMRC have recognised this issue and in December 2016 they began a consultation on streamlining the advance assurance process. The consultation closed in February 2017 and it is hoped that this will reduce the time taken to get new investments approved.

In January 2017 HM Treasury began its Patient Capital Review, with the aim of strengthening the UK as a place for growing innovative firms to obtain long-term ‘patient’ finance that they need to scale up. VCTs have been providing patient capital for many years and it is hoped that this will be reflected in the review’s findings which are to be presented to the Chancellor ahead of this year’s Autumn budget.

## Summary and Outlook

There is a good pipeline of attractive potential investments coming through which should see a higher investment rate over the year. The combination of an improving portfolio performance and a number of attractive exit opportunities should continue to deliver improving total returns.

**David Hall**
YFM Private Equity Limited

## Investment Portfolio Summary at 31 March 2017

| Name of company | Date of initial investment | Location | Industry Sector | Current cost £000 | Valuation at 31 March 2017 £000 | Proceeds to date £000 | Realised & unrealised value to date* £000 |
|---|---|---|---|---|---|---|---|
| **Unquoted Portfolio** | | | | | | | |
| ACC Aviation (via Newacc (2014) Limited) | Nov-14 | Reigate | Business services | 2,068 | 5,337 | - | 5,337 |
| Intelligent Office (via IO Outsourcing Limited) | May-14 | Alloa | Business services | 2,934 | 4,488 | - | 4,488 |
| Mangar Health Limited | Jan-14 | Powys | Healthcare | 2,460 | 3,995 | - | 3,995 |
| DisplayPlan Holdings Limited | Jan-12 | Baldock | Business services | 130 | 3,732 | 1,521 | 5,253 |
| Business Collaborator Limited | Nov-14 | Reading | Software IT & Telecomms | 2,010 | 2,626 | - | 2,626 |
| Springboard Research Holdings Limited | Oct-14 | Milton Keynes | Business services | 2,558 | 2,590 | - | 2,590 |
| GTK (Holdco) Limited | Oct-13 | Basingstoke | Manufacturing & Ind Services | 901 | 2,431 | 1,153 | 3,584 |
| Gill Marine Holdings Limited | Sep-13 | Nottingham | Retail & brands | 2,500 | 2,250 | - | 2,250 |
| Leengate Holdings Limited | Dec-13 | Derbyshire | Manufacturing & Ind Services | 1,401 | 2,160 | - | 2,160 |
| Matillion Limited | Nov-16 | Knutsford | Software IT & Telecomms | 2,100 | 2,100 | - | 2,100 |
| KeTech Enterprises Limited | Nov-15 | Nottingham | Software IT & Telecomms | 2,000 | 2,012 | - | 2,012 |
| Macro Art Holdings Limited | Jun-14 | Cambridgeshire | Business services | 902 | 1,560 | 358 | 1,918 |
| Deep-Secure Limited | Dec-09 | Malvern | Software IT & Telecomms | 1,000 | 1,505 | - | 1,505 |
| Biz2Mobile Limited | Oct-16 | Oxfordshire | Software IT & Telecomms | 1,500 | 1,500 | - | 1,500 |
| Wakefield Acoustics (via Malvar Engineering Limited) | Dec-14 | Heckmondwike | Manufacturing & Ind Services | 1,080 | 1,498 | 75 | 1,573 |
| Traveltek Group Holdings Limited | Oct-16 | East Kilbride | Software IT & Telecomms | 1,470 | 1,470 | - | 1,470 |
| Selima Holding Company Ltd | Mar-12 | Sheffield | Software IT & Telecomms | 600 | 1,417 | - | 1,417 |
| Sipsynergy (via Hosted Network Services Limited) | Jun-16 | Ware | Software IT & Telecomms | 1,350 | 1,215 | - | 1,215 |
| The Heritage Window Company Holdco Limited | Sep-14 | Sevenoaks | Manufacturing & Ind Services | 2,203 | 1,102 | - | 1,102 |
| Fairlight Bridge Limited | Apr-12 | Midlands | Business Services | 1,000 | 1,000 | - | 1,000 |
| Seven Technologies Holdings Limited | Apr-12 | Belfast | Software IT & Telecomms | 1,984 | 992 | 1,524 | 2,516 |
| Harvey Jones Holdings Limited | May-07 | London | Retail & brands | 735 | 975 | 1,948 | 2,923 |
| RMS Group Holdings Limited | Jul-07 | Goole | Manufacturing & Ind Services | 180 | 972 | 897 | 1,869 |
| Bagel Nash Group Limited | Jul-11 | Leeds | Retail & brands / Manufacturing & Ind Services | 944 | 824 | 300 | 1,124 |
| Other investments £0.75 million and below | | | | 4,267 | 4,328 | - | 4,328 |
| **Total unquoted investments** | | | | **40,277** | **54,079** | **7,776** | **61,855** |
| **Quoted portfolio** | | | | | | | |
| Mattioli Woods plc | Nov-05 | Leicester | Business Services | 138 | 813 | 718 | 1,531 |
| AB Dynamics plc | May-13 | Bradford-on-Avon | Manufacturing & Ind Services | 137 | 800 | 900 | 1,700 |
| Other investments £0.75 million and below | | | | 587 | 827 | 476 | 1,303 |
| **Total quoted investments** | | | | **862** | **2,440** | **2,094** | **4,534** |
| | | | | **41,139** | **56,519** | **9,870** | **66,389** |
| Full disposals since 31 March 2002 | | | | 29,147 | - | 64,954 | 64,954 |
| Full disposals prior to 31 March 2002 | | | | 5,748 | - | 1,899 | 1,899 |
| **Total Investment portfolio** | | | | **76,034** | **56,519** | **76,723** | **133,242** |

* represents proceeds received to date plus the unrealised valuation at 31 March 2017.

## Summary of Investment Portfolio Movement since 31 March 2016

| Name of Company | Investment Valuation at 31 March 2016 | Disposal Proceeds | Additions including capitalised interest and dividends | Valuation gains including profits / (losses) on disposal | Investment Valuation at 31 March 2017 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Unquoted portfolio** | | | | | |
| GO Outdoors TopCo Limited[2] | 9,387 | (14,314) | - | 4,927 | - |
| ACC Aviation (via Newacc (2014) Limited) | 3,019 | - | - | 2,318 | 5,337 |
| Intelligent Office (via IO Outsourcing Limited) | 4,990 | - | - | (502) | 4,488 |
| Mangar Health Limited | 3,285 | - | - | 710 | 3,995 |
| DisplayPlan Holdings Limited | 3,317 | - | - | 415 | 3,732 |
| Business Collaborator Limited | 2,029 | - | - | 597 | 2,626 |
| Springboard Research Holdings Ltd | 2,469 | - | 89 | 32 | 2,590 |
| GTK (Holdco) Limited[1] | 2,663 | (640) | - | 408 | 2,431 |
| Gill Marine Holdings Limited | 2,338 | - | - | (88) | 2,250 |
| Leengate Holdings Limited | 1,944 | - | - | 216 | 2,160 |
| Matillion Limited | - | - | 2,100 | - | 2,100 |
| KeTech Enterprises Limited | 2,000 | - | - | 12 | 2,012 |
| Macro Art Holdings Limited[2] | 1,428 | (156) | - | 288 | 1,560 |
| Deep-Secure Limited | 668 | - | - | 837 | 1,505 |
| Biz2Mobile Limited | - | - | 1,500 | - | 1,500 |
| Wakefield Acoustics (via Malvar Engineering Limited) [2] | 1,140 | (60) | - | 418 | 1,498 |
| Traveltek Group Holdings Limited | - | - | 1,470 | - | 1,470 |
| Selima Holding Company Ltd | 923 | - | - | 494 | 1,417 |
| Sipsynergy (via Hosted Network Services Limited) | - | - | 1,350 | (135) | 1,215 |
| The Heritage Window Company Holdco Limited | 1,652 | - | - | (550) | 1,102 |
| Fairlight Bridge Limited | 1,000 | - | - | - | 1,000 |
| Seven Technologies Holdings Limited | 2,033 | - | - | (1,041) | 992 |
| Harvey Jones Holdings Limited[2] | 1,603 | (469) | - | (159) | 975 |
| RMS Group Holdings Limited | 932 | - | - | 40 | 972 |
| Bagel Nash Group Limited[2] | 805 | (10) | 2 | 27 | 824 |
| Other investments £0.75 million and below[1+2] | 6,908 | (337) | 89 | (2,332) | 4,328 |
| Total unquoted investments | 56,533 | (15,986) | 6,600 | 6,932 | 54,079 |
| **Quoted portfolio** | | | | | |
| Mattioli Woods plc[2] | 862 | (325) | - | 276 | 813 |
| AB Dynamics plc[2] | 845 | (371) | - | 326 | 800 |
| Other investments £0.75 million and below | 550 | - | - | 277 | 827 |
| Total quoted investments | 2,257 | (696) | - | 879 | 2,440 |
| **Total movement** | **58,790** | **(16,682)** | **6,600** | **7,811** | **56,519** |

1- Loan repayments
2- Equity disposals

# RISK FACTORS

The Board carries out a regular and robust 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 Internal Control section on pages 40 and 41 of the annual report and further information on exposure to risks including those associated with financial instruments is given in note 17a 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 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 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 pages 40 and 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 managed/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 business continuity plan, which provides for back-up services in the event of a system breakdown.

**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 40 and 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 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. It has introduced an electronic communications policy; 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 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 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 42 to 44 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 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 32 of the annual report.

This statement was approved by the Board and signed on its behalf on 16 June 2017.

# STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 March 2017**

| | | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Revenue £000** | **Capital £000** | **Total £000** | **Revenue £000** | **Capital £000** | **Total £000** |
| Gains on investments held at fair value | 7 | **-** | **5,053** | **5,053** | - | 6,488 | 6,488 |
| Income | 2 | **2,813** | **-** | **2,813** | 3,365 | - | 3,365 |
| Gain on disposal of investments | 7 | **-** | **2,763** | **2,763** | - | 3,835 | 3,835 |
| Total income | | **2,813** | **7,816** | **10,629** | 3,365 | 10,323 | 13,688 |
| Administrative expenses: | | | | | | | |
| Investment Adviser's fee | | **(477)** | **(1,431)** | **(1,908)** | (444) | (1,332) | (1,776) |
| Incentive fee | | **-** | **(3,649)** | **(3,649)** | - | (983) | (983) |
| Other expenses | | **(543)** | **-** | **(543)** | (520) | - | (520) |
| | 3 | **(1,020)** | **(5,080)** | **(6,100)** | (964) | (2,315) | (3,279) |
| **Profit before taxation** | | **1,793** | **2,736** | **4,529** | 2,401 | 8,008 | 10,409 |
| Taxation | 4 | **(201)** | **201** | **-** | (278) | 278 | - |
| **Profit for the year** | | **1,592** | **2,937** | **4,529** | 2,123 | 8,286 | 10,409 |
| **Total comprehensive income for the year** | | **1,592** | **2,937** | **4,529** | 2,123 | 8,286 | 10,409 |
| **Basic and diluted earnings per ordinary share** | 6 | **1.64p** | **3.01p** | **4.65p** | 2.33p | 9.07p | 11.40p |

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 March 2017**

| | Notes | 2017 £000 | 2016 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | | **56,519** | 58,790 |
| Fixed income Government securities | | **1,444** | 1,450 |
| Financial assets at fair value through profit or loss | 7 | **57,963** | 60,240 |
| Trade and other receivables | | **1,160** | 955 |
| | | **59,123** | 61,195 |
| **Current assets** | | | |
| Trade and other receivables | | **5,068** | 1,117 |
| Cash on fixed term deposit | | **13,023** | 16,051 |
| Cash and cash equivalents | | **14,847** | 18,619 |
| | | **32,938** | 35,787 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **(3,989)** | (1,259) |
| **Net current assets** | | **28,949** | 34,528 |
| **Net assets** | | **88,072** | 95,723 |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | | **11,101** | 9,935 |
| Share premium account | | **35,519** | 27,231 |
| Capital redemption reserve | | **221** | 221 |
| Capital reserve | | **23,686** | 37,418 |
| Investment holding gains and losses | | **15,400** | 18,878 |
| Revenue reserve | | **2,145** | 2,040 |
| **Total shareholders' equity** | | **88,072** | 95,723 |
| Net asset value per ordinary share | 8 | **82.3p** | 100.0p |

The financial statements were approved and authorised for issue by the Board of directors and were signed on its behalf on 16 June 2017.

# STATEMENT OF CHANGES IN EQUITY

## For the year ended 31 March 2017

| | 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 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** |
| *Revenue return for the year before tax* | - | - | - | - | - | *1,793* | *1,793* |
| *Capital expenses* | - | - | - | *(5,080)* | - | - | *(5,080)* |
| *Gain on investments held at fair value* | - | - | - | - | *5,053* | - | *5,053* |
| *Gain on disposal of investments in the year* | - | - | - | *2,763* | - | - | *2,763* |
| *Taxation* | - | - | - | *201* | - | *(201)* | - |
| Total comprehensive (expense) income for the year | - | - | - | *(2,116)* | *5,053* | *1,592* | *4,529* |
| *Issue of share capital* | *501* | *3,748* | - | - | - | - | *4,249* |
| *Issue costs* | - | *(133)* | - | *(4)* | - | - | *(137)* |
| *Issue of shares – DRIS* | *665* | *4,702* | - | - | - | - | *5,367* |
| *Issue costs – DRIS* | - | *(29)* | - | - | - | - | *(29)* |
| *Purchase of own shares* | - | - | - | *(404)* | - | - | *(404)* |
| *Dividends* | - | - | - | *(19,786)* | - | *(1,440)* | *(21,226)* |
| Total transactions with owners | 1,166 | 8,288 | - | (20,194) | - | (1,440) | (12,180) |
| Transfer between reserves | - | - | - | 47 | - | *(47)* | - |
| Realisation of prior year investment holding gains | - | - | - | 8,531 | (8,531) | - | - |
| **Balance at 31 March 2017** | **11,101** | **35,519** | **221** | **23,686** | **15,400** | **2,145** | **88,072** |

### 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 |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **Distributable reserves as above** | **23,686** | **2,145** | **25,831** |
| *Less : Interest and dividends not yet distributable* | - | (1,598) | (1,598) |
| *: Cancelled share premium not yet distributable* | (2,093) | - | (2,093) |
| **Reserves available for distribution[1]** | **21,593** | **547** | **22,140** |

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

The capital reserve and revenue reserve are both distributable reserves. The reserves total £25,831,000 representing a decrease of £13,627,000 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. On 26 May 2017 an interim dividend for the year ending 31 March 2018 was paid (5.75 pence per ordinary share) which has reduced these reserves by a further £6,150,000.

Of the potentially distributable reserves of £25,831,000 shown above, £1,598,000 relates to interest and dividends not yet distributable and £2,093,000 relates to share premium which becomes distributable from 1 April 2018.

On filing these financial statements at Companies House the reserves available for distribution will be £22,140,000, less £6,150,000 utilised by the interim dividend paid on 26 May 2017.

The Company intends, subject to the sanction of the High Court, to cancel the amount standing to the credit of the share premium account at the date that the court order granting the application is made, as detailed on page 35 of the annual report.

The total amount of share premium to be cancelled will include £20,936,000 relating to share premium which, if cancelled prior to 30 September 2017, will become distributable from 1 April 2018.

## STATEMENT OF CASH FLOWS

**For the year ended 31 March 2017**

| | Notes | 2017 £000 | 2016 £000 |
|---|---|---|---|
| **Net cash outflow from operating activities** | | **(951)** | (70) |
| **Cash flows from (used in) investing activities** | | | |
| Cash maturing from (placed on) fixed term deposit | | **3,028** | (16,051) |
| Purchase of financial assets at fair value through profit or loss | 7 | **(6,491)** | (5,427) |
| Proceeds from sale of financial assets at fair value through profit or loss | | **16,968** | 13,088 |
| Deferred consideration | 7 | **11** | - |
| **Net cash outflow from (used in) investing activities** | | **13,516** | (8,390) |
| **Cash flows from (used in) financing activities** | | | |
| Issue of ordinary shares | | **-** | 5,203 |
| Costs of ordinary share issues* | | **(72)** | (572) |
| Purchase of own ordinary shares | | **(404)** | (316) |
| Dividends paid | 5 | **(15,861)** | (7,011) |
| **Net cash outflow used in financing activities** | | **(16,337)** | (2,696) |
| **Net decrease  in cash and cash equivalents** | | **(3,772)** | (11,156) |
| **Cash and cash equivalents at the beginning of the year** | | **18,619** | 29,775 |
| **Cash and cash equivalents at the end of the year** | | **14,847** | 18,619 |

*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**

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Profit before taxation | **4,529** | 10,409 |
| Increase (decrease) in trade and other payables | **2,642** | (386) |
| (Decrease) increase in trade and other receivables | **(197)** | 427 |
| Gains on disposal of investments in the year | **(2,763)** | (3,835) |
| Gains on investments held at fair value | **(5,053)** | (6,488) |
| Capitalised interest and dividends | **(109)** | (197) |
| **Net cash outflow from operating activities** | **(951)** | (70) |

# NOTES TO THE FINANCIAL STATEMENTS

### 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 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. New standards coming into force during the year have not had a material impact on these financial statements.

Standards, amendments to 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 IFRS 9, IFRS 15, IFRS 16, IFRIC 22 and amendments to IFRS 1, IFRS 2, IFRS 4, IFRS 12, IAS 7, IAS 12, IAS 28 and IAS 40. Following an initial assessment, the Company does not expect that these standards, amendments and interpretations, issued but not yet effective, will have a material impact on its results or net assets.

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

### 2. Income

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Dividends from unquoted companies | **763** | 979 |
| Dividends from AIM quoted companies | **28** | 34 |
| Interest on loans to unquoted companies | **1,728** | 2,061 |
| Fixed interest Government securities | **16** | 20 |
| Income from investments held at fair value through profit or loss | **2,535** | 3,094 |
| Interest on bank deposits | **278** | 271 |
| | **2,813** | 3,365 |

The above is stated net of £353,000 (2016: credit of £70,000) of income in relation to loan interest and preference dividends which have not been recognised.

## 3. Administrative Expenses

| | 2017 | 2016 |
|---|---|---|
| | **£000** | £000 |
| Investment Adviser's fee | **1,908** | 1,776 |
| Incentive fee | **3,649** | 983 |
| Administration fee | **61** | 60 |
| Total payable to YFM Private Equity Limited | **5,618** | 2,819 |
| Other expenses: | | |
| Trail commission paid to financial intermediaries | **168** | 163 |
| Directors' remuneration | **101** | 100 |
| General expenses | **83** | 53 |
| Listing and registrar fees | **49** | 70 |
| Auditor's remuneration (excluding irrecoverable VAT): | | |
| - audit of the statutory financial statements | **26** | 27 |
| - audit related assurance services | **8** | - |
| Irrecoverable VAT | **24** | 24 |
| Printing | **23** | 23 |
| | **6,100** | 3,279 |
| Ongoing charges figure | **2.43%** | 2.29% |

Directors' remuneration comprises only short term benefits including social security contributions of £9,000 (2016: £9,000).

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

No fees are payable to the auditor in respect of non-audit services supplied pursuant to legislation (2016: £nil).

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 the annual report.

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 IAA are:

- YFM Private Equity Limited receives an Investment Adviser 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 of the annual report. The fee is payable quarterly in advance. The increase in the value of the assets resulted in the fee totalling £1,908,000 for the year ended 31 March 2017 (2016: £1,776,000), net of the rebate set out below;

- Under the IAA YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £35,000 per annum (at 28 February 1996) 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 March 2017 (2016: £60,000); and

- 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 payable to financial intermediaries) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company. The excess expenses during the year payable to the Company from YFM Private Equity Limited amounted to £nil (2016: £nil).

When the Company makes investments into its unquoted portfolio the Investment Adviser charges that investee an advisory 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 2017, the Company was due a rebate from the Investment Adviser of £nil (2016: £nil).

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 adjusted 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. The terms and operations of the Incentive Agreement are due to be reviewed with effect from 7 July 2019.

No payment can be made in respect of the year to 31 March 2017 under the Incentive Agreement unless the average quarterly adjusted net asset value of the Company is a minimum of 92.2 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 £3,648,873 (2016: £983,025) has been accrued within trade and other payables, of which £3,125,568 is payable following the Annual General Meeting on 1 August 2017. The remaining unpaid incentive amount of £523,305 will be included in the calculation of the amount to be paid following the Annual General Meeting in 2018.

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 under the IAA and the Incentive Agreement in the period was £5,618,000 (2016: £2,819,000).

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.

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 2017 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £627,000 (2016: £467,000).

Under the terms of the offer launched on 10 February 2017, 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 £133,287.

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 payment or re-investment of initial intermediary commissions.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 43 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2017 (audited)".

## 4. Taxation

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Profit before taxation | **1,793** | **2,736** | **4,529** | 2,401 | 8,008 | 10,409 |
| Profit before taxation multiplied by standard rate of corporation tax in UK of 20% (2016: 20%) | **359** | **547** | **906** | 480 | 1,602 | 2,082 |
| **Effect of:** | | | | | | |
| UK dividends received | **(158)** | **-** | **(158)** | (202) | - | (202) |
| Non-taxable profits on investments | **-** | **(1,563)** | **(1,563)** | - | (2,065) | (2,065) |
| Excess advisory expenses | **-** | **815** | **815** | - | 185 | 185 |
| Tax charge (credit) | **201** | **(201)** | **-** | 278 | (278) | - |

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

Deferred tax assets of £1,521,000 (2016: £828,000) calculated at 17% in respect of unrelieved management expenses (£8.95 million as at 31 March 2017 (2016: £4.87 million)) 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 March:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Final dividend for the year ended 31 March 2016 of 3.5p (2015: 3.5p) per ordinary share | **844** | **2,503** | **3,347** | 686 | 2,471 | 3,157 |
| Special interim dividend for the year ended 31 March 2017 of 2.0p (2016: 3.5p) per ordinary share | **-** | **1,913** | **1,913** | - | 3,184 | 3,184 |
| Interim dividend for the year ended 31 March 2017 of 16.5p (2016: 2.0p) per ordinary share* | **596** | **15,370** | **15,966** | 686 | 1,142 | 1,828 |
| Special interim dividend for the year ended 31 March 2016 of 1.0p per ordinary share | **-** | **-** | **-** | - | 919 | 919 |
| | **1,440** | **19,786** | **21,226** | 1,372 | 7,716 | 9,088 |
| Shares allotted under DRIS | | | **(5,367)** | | | (2,073) |
| Unclaimed dividends | | | **2** | | | (4) |
| Dividends paid in Statement of Cash Flows | | | **15,861** | | | 7,011 |

The final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2016 and the special interim dividend for the year ended 31 March 2017 of 2.0 pence per ordinary share were paid on 5 August 2016 to shareholders on the register at 1 July 2016.

*The interim dividend of 16.5 pence per ordinary share was paid on 18 January 2017 to shareholders on the register as at 16 December 2016. This included a special interim dividend of 14.5 pence per ordinary share arising from the realisation of GO Outdoors Topco Limited.

During the year the Company has received £28,000 (2016: £11,000) from the Registrars in respect of unclaimed dividends. The Company has made efforts to contact the relevant shareholders, with the result that £30,000 (2016: £7,000) 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 £4,529,000 (2016: £10,409,000 ) and 97,454,019 (2016: 91,323,915) 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 £1,592,000 (2016: £2,123,000) and 97,454,019 (2016: 91,323,915) 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 £2,937,000 (2016: £8,286,000) and 97,454,019 (2016: 91,323,915) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 5,008,836 new ordinary shares from a top up offer, and 6,653,325 new ordinary shares in respect of its DRIS.

The Company has also repurchased 458,334 of its own shares in the year, and these shares are held in the capital reserve. The total of 4,047,999 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 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

Movements in investments at fair value through profit or loss during the year to 31 March 2017 are summarised as follows:

| IFRS 13 measurement classification | Level 3 | Level 1 | | Level 1 | |
|---|---|---|---|---|---|
| | Unquoted Investments | Quoted Equity Investments | **Total Quoted and Unquoted** | Fixed Income Securities | **Total Investments** |
| | £000 | £000 | **£000** | £000 | **£000** |
| Opening cost | 38,934 | 1,004 | **39,938** | 1,424 | **41,362** |
| Opening investment holding gain | 17,599 | 1,253 | **18,852** | 26 | **18,878** |
| **Opening fair value at 1 April 2016** | **56,533** | **2,257** | **58,790** | **1,450** | **60,240** |
| Additions at cost | 6,491 | - | **6,491** | - | **6,491** |
| Capitalised interest and dividends | 109 | - | **109** | - | **109** |
| Disposal proceeds | (15,986) | (696) | **(16,682)** | - | **(16,682)** |
| Net profit on disposal* | 2,634 | 118 | **2,752** | - | **2,752** |
| Change in fair value | 4,298 | 761 | **5,059** | (6) | **5,053** |
| **Closing fair value at 31 March 2017** | **54,079** | **2,440** | **56,519** | **1,444** | **57,963** |
| Closing cost | 40,277 | 862 | **41,139** | 1,424 | **42,563** |
| Closing investment holding gain | 13,802 | 1,578 | **15,380** | 20 | **15,400** |
| **Closing fair value at 31 March 2017** | **54,079** | **2,440** | **56,519** | **1,444** | **57,963** |

*The net profit on disposal in the table above is £2,752,000 whereas that shown in the Statement of Comprehensive Income is £2,763,000. The difference comprises deferred proceeds of £11,000 in respect of assets which have been disposed of and are not included within the investment portfolio at the year-end (see page 64 of the annual report).

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2016: £nil).

## 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 £88,072,000 (2016: £95,723,000) and 106,959,497 (2016: 95,755,670) 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 March 2017.

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 130.7 pence per ordinary share (2016: 108.7 pence per ordinary share) plus the net asset value as calculated per note 8.

## 10. Financial Commitments

There are no financial commitments at 31 March 2017.

## 11. Related Party Transactions

There are no related party transactions.

## 12. Events after the Balance Sheet Date

On 26 May 2017 the Company paid an interim dividend for the year ending 31 March 2018 of 5.75 pence per ordinary share with 2,407,686 ordinary shares being issued under the Company's DRIS.

In May 2017 the Company realised its investment in Selima Holding Company Ltd, generating initial proceeds of £2.0 million. This takes the total return from this investment to £2.2 million, a multiple of 3.7x original cost. There is the prospect of further returns with the potential for additional consideration subject to the achievement of milestones over the next thirty months.

## 13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2017 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 to 31 March 2017 will be distributed by post or electronically 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. Mr P S Cammerman is to resign from the Board with effect from 1 August 2017, having been a director since the Company's inception in 1996. Rupert Cook will join the Board on 1 August 2017.

## 15. Annual General Meeting

The Annual General Meeting of the Company will be held at 12.00 noon on 1 August 2017 at 33 St James Square, London, SW1Y 4JS.

## 16. Final Dividend for the Year ended 31 March 2017

An interim dividend for the year ending 31 March 2018 of 5.75 pence per ordinary share was paid on 26 May 2017. The directors are not proposing the payment of a final dividend for the year ended 31 March 2017.

## 17. Inside Information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

For further information, please contact:


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