YFM Equity Partners

British Smaller Companies VCT plc

Annual Report

for the year ended 31 March 2018

Winner
Small UK
Deal of the Year
GO Outdoors

Winner
VCT Exit of the Year
President
Engineering Group

Winner
Best Report &
Accounts
VCTs

Transforming small businesses

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ABOUT US

British Smaller Companies VCT plc was formed in 1996 and invests in a combination of businesses operating in traditional industries and emerging businesses offering opportunities in the application and development of innovation.

A diverse existing portfolio of 38 active investments reduces the exposure to particular markets and individual companies. The current investment portfolio has an audited valuation of £61.8 million as at 31 March 2018.

ABOUT US

Investment Adviser	British Smaller Companies VCT plc ("the Company") is advised by YFM Private Equity Limited ("the Investment Adviser") which is a wholly owned subsidiary of YFM Equity Partners LLP and is authorised and regulated by the Financial Conduct Authority.
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 Company invests in UK businesses across a broad range of sectors including software, information technology and telecommunications, retail and brands, business services, manufacturing and industrial services and healthcare and these investments will primarily be in unquoted companies. Investments will be made with regard to the VCT regulations so as to maintain the Company's venture capital trust status. Wherever possible the Company invests in a combination of equities, preference shares and loan stock to enhance the security of the portfolio. Further details of the Company's investment policy can be found in the Strategic Report on page 9.
Dividend Policy	Your Board remains committed to achieving the objective of a consistent dividend but this depends upon the level of investment income and realisations that the Company is able to make or achieve in any one period and cannot be guaranteed. The tax reliefs that are available for an investment in a VCT are of particular benefit for qualifying shareholders as there is no income tax payable on the dividend received, or need to declare them in a tax return.
Share Buy-Backs	Share buy-backs enable shareholders to obtain some liquidity in an otherwise illiquid market when there is a need to dispose of shares. This policy is kept under active review to ensure that any decisions taken are in the interests of shareholders as a whole. The current rate of discount at which ordinary shares will be bought back is targeted to be no more than five per cent of the latest reported net asset value.
Dividend Re-Investment Scheme ("DRIS")	The Company operates a DRIS which gives shareholders the opportunity to re-invest any cash dividends. Currently dividends are re-invested at a 5 per cent discount to the latest reported net asset value as adjusted for the relevant dividend in question if this has not already been recognised. Any dividends that are re-invested by qualifying shareholders are eligible for income tax relief at 30 per cent of the amount invested subject to an annual investment limit of £200,000. The Finance Act 2014 confirmed that shares acquired at any time under dividend re-investment schemes will not impact tax relief on sales of, or subscriptions for, VCT shares, unless in the latter case it results in a breach of the £200,000 investment limit.

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FINANCIAL HIGHLIGHTS

Investment Growth

The underlying growth in the investment portfolio was £3.56 million, which represents an increase of 6.3 per cent.

Return of 3.6 per cent on opening net asset value

Since 31 March 2017 your Company has returned 3.0 pence, which is 3.6 per cent of the opening net asset value.

Investments

Your Company completed four new investments and two follow-on investments during the year. Two further investments totalling £3.1 million have been made since the year end.

3.7x Return

The sale of Selima Holding Company Ltd delivered proceeds of £2.0 million, achieving a multiple of 3.7x original cost, with the potential for further consideration.

Dividends for the Year

An interim dividend for the year ended 31 March 2018 of 5.75 pence per ordinary share was paid in May 2017. This equates to 7.0 per cent of the opening 31 March 2017 net asset value per ordinary share.

FINANCIAL CALENDAR

Results Announced	26 June 2018
Annual General Meeting	5 September 2018

FIVE YEAR SUMMARY

	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014
Income £'000	**2,152**	2,813	3,365	2,310	1,341
Profit before and after taxation £'000	**3,364**	4,529	10,409	4,043	6,525
Profit per ordinary share	**3.10p**	4.65p	11.40p	5.98p	13.14p
Dividends per ordinary share paid in the year	**5.75p**	22.0p	10.0p	8.0p	6.5p
Cumulative dividends paid per ordinary share	**136.4p**	130.7p	108.7p	98.7p	90.7p
Net assets attributable to ordinary shares £'000	**86,137**	88,072	95,723	87,720	62,584
Net asset value per ordinary share	**79.6p**	82.3p	100.0p	98.8p	102.0p
Total return per ordinary share	**216.0p**	213.0p	208.7p	197.5p	192.7p
Increase in total return per ordinary share	**3.0p**	4.3p	11.2p	4.8p	11.5p

STRATEGIC REPORT

The Company is pleased to present its Strategic Report for the year ended 31 March 2018. The purpose of this report is to inform shareholders and help them to assess how the Directors have performed in their duty to promote the success of the Company. This Report has been prepared by the Directors in accordance with section 414 of the Companies Act 2006.

CHAIRMAN'S STATEMENT

I am pleased to report that the Company has made reasonable progress during the year with a total shareholder return of 3.0 pence per ordinary share. This equates to 3.6 per cent of the net asset value at 31 March 2017 and total shareholder return is now 216.0 pence per ordinary share.

Following the payment of a 5.75 pence per ordinary share dividend in the year the total return at 31 March 2018 comprises cumulative dividends of 136.4 pence per ordinary share and a residual net asset value of 79.6 pence per ordinary share.

Your Company's portfolio delivered an overall satisfactory performance over the year, generating a return of 6.3 per cent over its opening value, this compares to a 3.0 per cent return on the FTSE Small Cap index.

New Investment

Whilst there was some disruption to the investment pipeline arising from delays in gaining HMRC's advance assurance their process has subsequently showed a marked improvement. It is pleasing that a number of the investment opportunities reviewed have now converted into new investments. Consequently your Company completed new and follow-on investments totalling £8.16 million comprising four new investments and two follow-on investments. These were:

In July 2017 a £1.8 million investment into **Friska Limited**, a "food-to-go" restaurant concept, which has a roll out strategy to extend to new UK locations building a distinctive 'Feel Good Food' brand.

In September 2017 a £0.9 million investment into **e2E Engineering Limited**, a business utilising new technologies to become a niche managed service communications provider focusing on areas currently under-served by existing solutions.

In March 2018 £1.5 million was invested into **Ncam Technologies Limited**. Ncam develops award-winning augmented reality technology which is utilised globally by broadcast, film and episodic broadcast TV productions. The cash will be used to support the development of new products, invest in the team, and help the business extend its reach into new territories, especially the USA where a new office opening is planned for 2018.

Also in March 2018 the Company invested £3.0 million into **Eikon Holdco Limited**, a cutting edge, end-to-end, digital post-production service provider for the film and broadcast industry based in London. Clients include Paramount Pictures, Twentieth Century Fox, Sony Pictures Entertainment, Warner Bros, Universal Pictures, CBS and Netflix. Eikon will use the funds to build a new state of the art studio in Los Angeles as well as continuing to invest in the development of technology to enhance the service delivery to customers.

Follow-on investments totalling £1.0 million were made into existing portfolio companies. Included in this was an additional investment of £0.5 million into **Matillion Limited** which was part of a large secondary funding round supported by two well-known US investors.

Since the year end a total of £3.1 million has been invested into **Hutchinson Networks Limited** and **Arcus Global Limited**.

Realisations in Year

It is also pleasing to report that there were two full realisations in the year:

In May 2017 the Company realised its investment in **Selima Holding Company Ltd**. Initial proceeds were £1.95 million, delivering a total return (including income) of £2.23 million, which is a multiple of 3.7x cost. There is the potential for additional contingent consideration of up to a maximum of £1.41 million, over the period to November 2019.

In August 2017 the Company realised its residual interest in **Harvey Jones Holdings Limited** for £0.97 million, bringing the total return from this investment to £3.20 million, which is a multiple of 1.6x cost.

5 Sept 2018

The Annual General Meeting of the Company will be held at 11:00am on 5 September 2018 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 77.

Financial Results

The net asset value at 31 March 2018 is 79.6 pence per ordinary share as summarised in the table below:

Net Asset Value

	Pence per ordinary share		£000	
NAV at 31 March 2017		82.3		88,072
Net underlying increase in portfolio	3.3		3,555	
Net underlying decrease in listed investment funds and fixed income securities	(0.1)		(108)	
Net loss after expenses	(0.1)		(83)	
Issue/buy-back of new shares	(0.1)		851	
		3.0		4,215
NAV before the payment of dividends		85.3		92,287
Dividends paid		(5.7)		(6,150)
NAV at 31 March 2018		**79.6**		**86,137**
Cumulative dividends paid		136.4		
Total return: at 31 March 2018		**216.0**		
at 31 March 2017		213.0		

The charts on page 11 of these financial statements show in greater detail the movement in total return, net asset value and dividends paid over time.

The investments held at 31 March 2017, amounting to £56.52 million, delivered a return over the year of £3.56 million, equivalent to an increase in value for shareholders of 3.3 pence per ordinary share. This return comprises a gain on the revaluation of the portfolio of £3.32 million and a net gain over the opening value from the realisation of investments and deferred proceeds of £0.23 million.

Within the current portfolio there were £7.28 million of unrealised gains offset by £3.96 million of unrealised losses. There were strong performances from Matillion Limited, Deep-Secure Ltd, GTK (Holdco) Limited, Ketech Enterprises Limited, Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office) and Gill Marine Limited, which in part were offset by reductions in valuations for DisplayPlan Holdings Limited, The Heritage Window Company Holdco Limited, RMS Group Holdings Limited, Biz2Mobile Limited and Harris Hill Limited.

The realisation of Selima Holding Company Ltd contributed a profit on the 31 March 2017 carrying value of £0.65 million and this was offset by losses of £0.48 million on the refinancing of The Heritage Window Company Holdco Limited. The latter also had a negative impact on the year's income, with a provision of £0.32 million against loan interest and preference dividends.

Income for the year of £2.15 million was £0.66 million below the previous year mainly as a result of the repayment of loans by portfolio companies. The reduction in loan interest is expected to continue in future as the current portfolio is replaced with new investments which are funded with a larger proportion of equity.

Shareholder Relations

Dividends

On 26 May 2017 the Company paid an interim dividend for the year ended 31 March 2018 of 5.75 pence per ordinary share which brings cumulative dividends paid to date to 136.4 pence per ordinary share.

As highlighted in previous statements the VCT rules introduced and implemented in 2015 have led to more investments in businesses seeking scale-up capital. The unquoted portfolio as at 31 March 2018 comprised £11.82 million (20 per cent) of these type of investments, with £47.75 million (80 per cent) of investments made prior to the rule changes. The older investments in the portfolio should provide an element of more stable returns in the short term, but over a longer timescale returns will become more dependent on realisations from the earlier stage businesses.

Subsequent to the year end on 18 May 2018 the Company paid an interim dividend in respect of the year ending 31 March 2019 of 4.0 pence per ordinary share. The Board is not proposing the payment of a final dividend for the year ended 31 March 2018.

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. 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 per cent; and

3 the investment is made at a 5 per cent discount to the last reported net asset value.

For the financial year ended 31 March 2018 dividends totalling £1.75 million were invested in your Company by way of the DRIS.

The level of DRIS participation in the dividend paid on 18 May 2018 was 29 per cent which is the highest level to date the Company has received.

Incentive Fee

As a result of the performance and in accordance with the terms of the Incentive Agreement no incentive fee is payable in respect of the year ended 31 March 2018 (2017: £3.6 million).

Under the terms of the Incentive Agreement the Investment Adviser will receive £0.5 million following the Annual General Meeting on 5 September 2018, which relates to the unpaid balance of the incentive fee payable and was fully accounted for in the year ended 31 March 2017.

The Board has commenced a review of the Incentive Agreement as set out in note 3 on page 60.

Shareholder Relations

As part of the Board's continuing dialogue with shareholders, the 23rd shareholder workshop was held in conjunction with British Smaller Companies VCT2 plc at the Honourable Artillery Company on 16 May 2018. There was a presentation from one of our newest investments: Ncam Technologies 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.

As shareholders may be aware the General Data Protection Regulations ("GDPR") came into force on 25 May 2018. GDPR provides a greater level of protection over personal information and the Company and the Investment Adviser have taken all necessary steps to comply with its requirements. A revised Privacy Notice has been published and this can be found on the Company's website at www.bscfunds.com.

The electronic communications policy continues to be a great success, with 82 per cent of shareholders now receiving communications in this way. Documents such as the annual report are disseminated via the website www.bscfunds.com rather than by post, saving on printing costs, as well as being more environmentally friendly.

Your Company's website www.bscfunds.com is refreshed on a regular basis, and provides a comprehensive level of information in what I hope is a user-friendly format.

Fundraising

The Board is currently reviewing the Company's funding requirements including the consideration of a fundraising during this tax year.

Share Premium Cancellation

On 21 September 2017 the Company cancelled the balance of its Share Premium, £37.01 million, which was transferred to the Capital Reserve. As set out on page 53 this will become available for distribution at various times over the period to 1 April 2021.

Post Balance Sheet Events

On 18 May 2018 the Company paid an interim dividend for the year ending 31 March 2019 of 4.0 pence per ordinary share with 1,751,747 ordinary shares being issued under the Company's DRIS.

In April 2018 the Company made a new investment of £1.32 million into **Hutchinson Networks Limited** (a leading provider of multi-vendor IT and network solutions to clients globally) with a further £1.80 million invested into **Arcus Global Limited** (a provider of cloud-based software solutions to local and national public sector organisations) during May 2018.

Regulatory Developments

Following the outcome of the Patient Capital Review the November 2017 Budget included a number of changes to the VCT rules, largely designed to target investment activity at younger, smaller businesses seeking scale-up capital. While there is now a restriction on the level of loan finance that can be taken on, and the level of interest chargeable on such loans, the changes are not expected to have a material impact on the Company. A major positive change is the doubling of the annual investment limit for Knowledge Intensive businesses to £10 million from £5 million and an increase in the lifetime investment limit for such investments to £20 million. This is yet to achieve state aid approval, however, your Company hopes to take advantage of these changes at the earliest opportunity.

Until recently HMRC were struggling to process applications for advance assurance but the situation has now improved such that the average time taken to process applications is around eight weeks, a position not seen for quite some time. This is a welcome development and, while not yet meeting HMRC's target of fifteen days, it has been a major factor in the recently increased level of investment.

The improved speed at which advance assurances are now being granted is an encouraging sign that HMRC are able to apply the new rules quickly. HMRC have also recently issued a consultation on new guidance that would allow investments to be made without seeking advance assurance, indicating that HMRC are seeking to have VCTs place greater reliance on their professional advisers when making an investment.

The Investment Adviser is working closely with other Investment Advisers and Managers to ensure that this does not pose additional risk to the Company.

Outlook

The VCT industry continues to adapt to the new regulatory environment and the recent improvement in the advance assurance process has allowed for investments in some exciting businesses. As at the end of May 2018, 28 per cent of the portfolio comprised of investments made since November 2015 and there is a strong pipeline of similar opportunities being reviewed by the Investment Adviser. As has been noted before, these investments are largely in the form of equity instruments, with a lower level of debt instruments than historically while the risks of capital loss have increased by investing in earlier stage companies. The more established portfolio continues to be managed with a view to maximising returns. In some cases this could mean seeking an exit at the right time while in others the Company may retain an investment if there are opportunities for future value growth.

There is no doubt that the number of potential investments has been limited by recent legislative changes and this has, in turn, led to more competitive pricing and investment terms, notably in competitive fundraising processes. The 2017/18 tax year was a record for VCT fundraising and this, combined with new rules that come into effect in the near future, is likely to increase these pressures further. On a more positive note, the changes to the investment levels permitted for Knowledge Intensive businesses noted on page 7 do provide an opportunity to make larger initial investments and to participate in further funding rounds as businesses grow.

With the improved advance assurance process and new investment limits for some businesses the Board believes that your Company is well positioned to continue delivering strong long-term returns from a well-balanced portfolio.

I would once again like to thank shareholders for their continued support.

Helen Sinclair
Chairman

26 June 2018

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 Company's investment policy is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the application and development of innovation. Investing across a range of companies and sectors reduces exposure to particular markets and individual companies. The changes to the VCT legislation in November 2015 and those announced in the November 2017 Budget mean that there is greater emphasis on opportunities focussing on the application and development of innovation.

To this end the Company will invest in UK businesses across a broad range of sectors including but not limited to software, information technology and telecommunications, retail and brands, business services, manufacturing and industrial services and healthcare. These investments will primarily be in unquoted UK companies which meet the definition of a Qualifying Investment, in order to maintain the Company's VCT status. It is anticipated that the majority of these businesses will be re-investing their profits for growth and the investments will, therefore, comprise mainly 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 priority in 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 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, 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, and short-notice bank accounts and investment funds listed on a recognised stock exchange (including FCA authorised and regulated UCITS funds). 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 most AIM investments in 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 41.

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 the inside of the front cover. In addition to these the Company's anti-bribery and environmental and social responsibilities policies can be found on page 30.

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 and HMRC clearance is obtained as the Board deems necessary 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 2018 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 5.1 pence per ordinary share in dividends has been paid to shareholders. The total dividends paid in the year are 5.75 pence per ordinary share and the average quarterly adjusted net asset value for the year is 78.4 pence per ordinary share. As a result, the Investment Adviser has not met the targets for the year under review and a performance fee of £nil has accrued to the Investment Adviser (31 March 2017: £3,648,873). 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 prior year's payment exceeded the threshold and therefore a portion of the prior year fee was delayed until after the 2018 Annual General Meeting. Further details are given on page 60 (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.

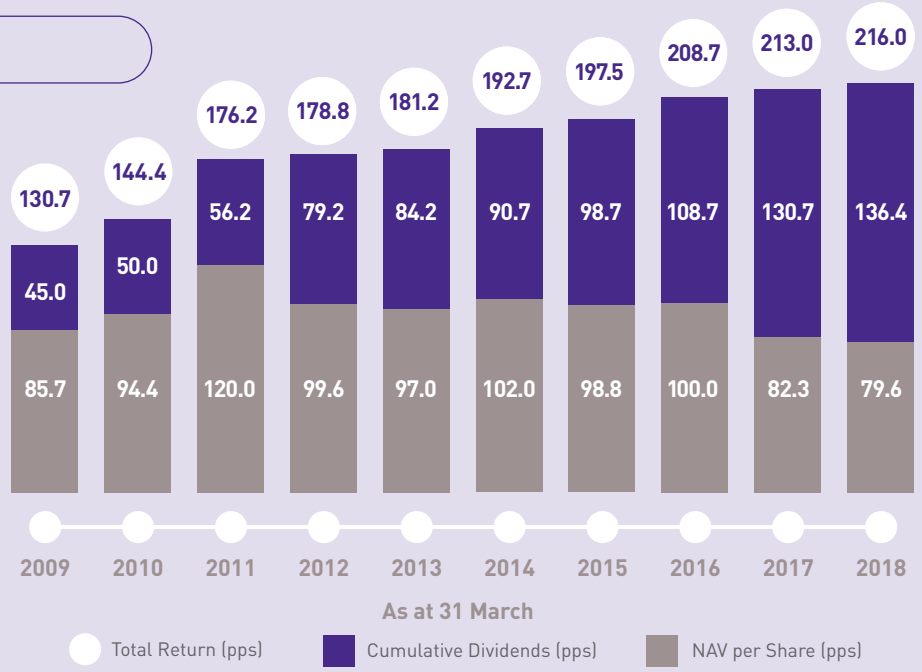
Administration of the Listed Investment Funds and UK Fixed Income Securities Portfolios

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

KEY PERFORMANCE INDICATORS

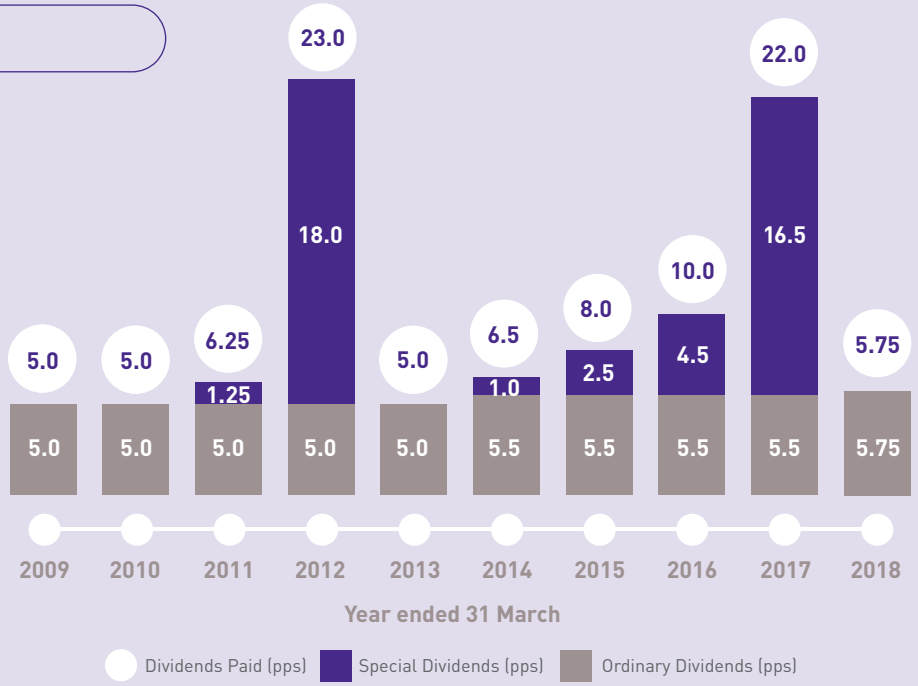
The commonly used benchmarks of performance for VCTs are **total return**, calculated as cumulative dividends paid plus net asset value, and **dividends paid**.

Total Return



The evaluation of comparative success of the Company's total return is by way of reference to the share price total return for approximately 45 generalist VCTs as published by the Association of Investment Companies ("the AIC"). This is the Company's stated benchmark index. An explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 43.

Dividends Paid



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 2018	Cumulative dividends paid since fundraising	Total return since fundraising	Offer price	Offer price net of initial tax relief	Overall return including tax relief since fundraising with participation in the DRIS [1]
	Pence	Pence	Pence	Pence	Pence	Pence
1995/96 & 1996/97	79.6	136.4	216.0	100.0	80.0	355.2
1996/97 & 1997/98	79.6	133.4	213.0	100.0	80.0	354.3
1997/98 & 1998/99	79.6	129.7	209.3	105.0	84.0	354.1
2004/05 & 2005/06 (C share[2])	89.5	114.6	204.1	100.0	60.0	369.1
2005/06	79.6	106.0	185.6	99.5	59.7	346.9
2006/07 & 2007/08	79.6	101.5	181.1	102.5	71.8	321.9
2007/08 & 2008/09	79.6	96.5	176.1	106.3	74.4	306.7
2009/10 & 2010/11	79.6	86.5	166.1	97.3	68.1	271.5
2010/11 & 2011/12	79.6	80.2	159.8	128.0	89.6	262.6
2011/12	79.6	57.2	136.8	99.8	69.8	203.9
2012/13 & 2013/14	79.6	52.2	131.8	95.8	67.0	192.0
2013/14 & 2014/15	79.6	45.7	125.3	100.8	70.5	180.7
2014/15 & 2015/16	79.6	37.7	117.3	99.5	69.7	165.8
2015/16	79.6	27.7	107.3	102.3	71.6	150.1
2016/17	79.6	5.7	85.3	84.6	59.2	111.9

Notes

1. 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
2. All figures have been adjusted for conversion of C shares into ordinary shares in May 2007

Expenses

Ongoing Charges

The Board monitors expenses using the Ongoing Charges figure, as calculated in line with the AIC recommended methodology. This figure shows 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 2018 (%)	Year to 31 March 2017 (%)
Ongoing Charges figure	**2.48**	2.43

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 60. 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 five VCT legislative tests set out below have been met.

The Budget in November 2017 introduced further changes that come into effect in future years and more detail on these is given on page 18 under the heading "Regulatory Developments".

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 by 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 full financial years have elapsed from the date of allotment.

Of amounts relating to cancelled share premium £16.07 million remains undistributable until on or after 1 April 2019. Further details are given on page 53.

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 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.

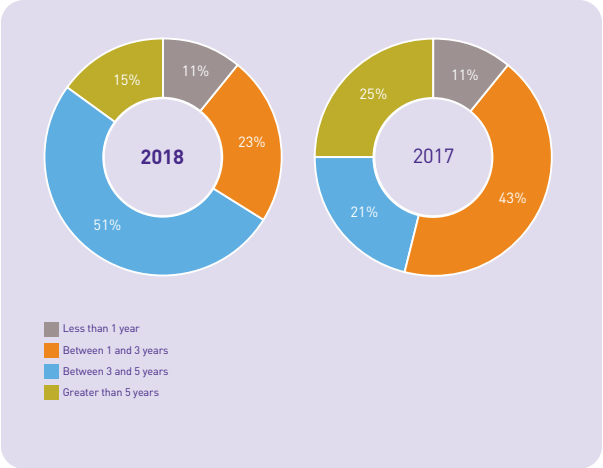
Income Test	The Company's income in the period must be derived wholly or mainly (70 per cent) from shares or securities.
Retained Income Test	The Company must not retain more than 15 per cent of its income from shares and securities.
Qualifying Holdings Test	At least 70 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in Qualifying Holdings of investee companies.
Eligible Shares Tests	At least 30 per cent of the Company's Qualifying Holdings must be represented throughout the period by holdings of non-preferential ordinary shares.
	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 million of state aid investment (including from VCTs) in the 12 months ending on the date of each investment (£10 million for Knowledge Intensive Companies).
Maximum Single Investment Test	The value of any one investment, at any time in the period, must not represent more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and further additions and therefore cannot be breached passively.

INVESTMENT PERFORMANCE

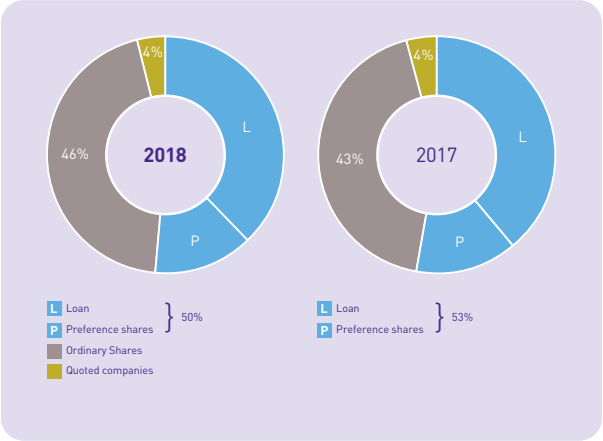
Portfolio Structure

This illustrates the broad range of the investment portfolio with 66 per cent of the portfolio valuation being held for more than 3 years, whilst 91 per cent is held at cost or above. Half of the portfolio's value is held in income generating financial instruments.

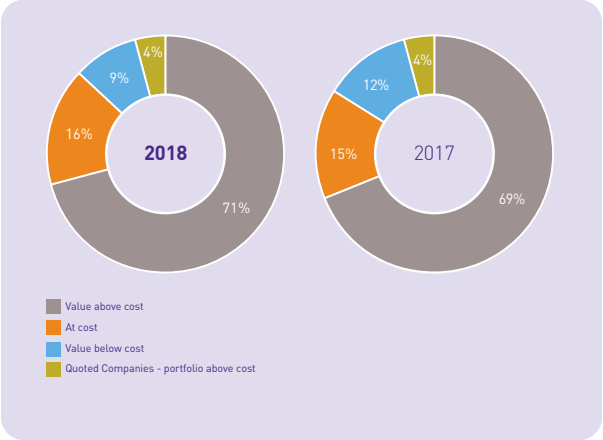
Age of Investments



Investment Instrument



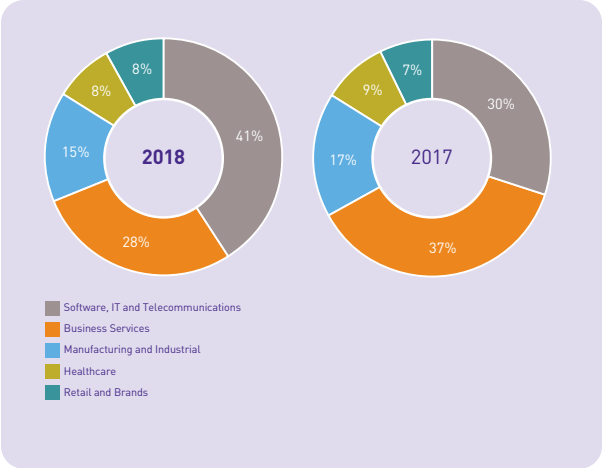
Value Compared to Cost



Portfolio Diversity

Also included below is a profile of the investment portfolio by industry sector.

Portfolio Diversity



The portfolio delivered a solid performance in the year, with a total return of £5.5 million, comprising a £3.5 million uplift on the opening value and income of £2.0 million.

Investment Review

The portfolio as a whole delivered an increased value of £3.56 million in the year, as shown in Table A below. A value gain of £2.92 million has come from the unquoted portfolio with strong performances from Matillion Limited, Deep-Secure Ltd, GTK (Holdco) Limited; backed up by good growth also from Ketech Enterprises Limited, Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office) and Gill Marine Limited. These were partly offset by the impact of difficult trading conditions at DisplayPlan Holdings Limited, The Heritage Window Company Holdco Limited, RMS Group Holdings Limited, Biz2Mobile Limited and Harris Hill Limited.

DisplayPlan suffered from its exposure to the retail sector, with a number of clients cutting back expenditure. We have strengthened our portfolio management team during the year which has allowed us to continue to add value. A good example of this was Heritage Windows, where we have brought in new management who have personally invested behind their turnaround plan.

At 31 March 2018 the investment portfolio was valued at £61.76 million, representing 71.7 per cent of net assets (64.2 per cent at 31 March 2017). Cash (including fixed term deposits) and gilt investments at 31 March 2018 totalled £19.76 million representing 22.9 per cent of net assets (33.3 per cent at 31 March 2017). Subsequent to the year end the Company paid a net dividend of £3.09 million and has completed 2 investments totalling £3.12 million.

In April 2016 a new VCT rule came into force preventing your Company from holding deposits with more than 7 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 and, after a detailed review, the Board decided to invest in a small portfolio of listed investment funds. At 31 March 2018 this portfolio was valued at £2.34 million, or 2.7 per cent of net assets. We continue to seek out opportunities that would generate a higher level of income while minimising the level of risk.

TABLE A
Investment Portfolio

	£million	%
Unquoted value gain	2.92	82
Quoted value gain	0.40	11
Gain on disposal over opening value	0.20	6
	3.52	99
Gain from deferred proceeds	0.04	1
Total portfolio gain	**3.56**	**100**
Reduction in value of other investments	(0.11)	
Total investment gain	**3.45**	

Your Portfolio

Fair value of portfolio

Increase of 9%
(2017: £56.5 million)

Number of portfolio companies with value of £1.0 million or more

(2017: 20)

Income from the portfolio

(2017: £2.5 million)

Level of investment

(2017: £6.5 million)

Other Significant Investment Movements

Investments

During the year ended 31 March 2018 the Company completed 6 investments totalling £8.16 million. This comprised 4 new investments of £7.17 million and 2 follow-on investments of £0.99 million.

It was very pleasing that Sapphire Ventures and Scale Venture Partners, two well-known US venture capital investors, decided to invest in a new round of funding totalling £18.0 million into Matillion Limited, alongside the Company and British Smaller Companies VCT2 plc.

The analysis of these investments is shown in Table B below. The case studies on page 19 give more information on the investments into Eikon Holdco Limited and Matillion Limited.

FRISKA

FEEL GOOD FOOD

" Over the past seven years, we have been honing our menu, the way our stores look and feel, our brand and of course our operating systems. We feel confident that now is the right time to bring our feel good food (and coffee) to cities around the UK and working with YFM and Steve will allow us to do this faster and better, just like our food"

Griff Holland,
Co-founder of Friska

TABLE B

Date	Company	Investments made £million		
		New	Follow-on	Total
June 2017	Sipsynergy (via Hosted Network Services Limited)	-	0.42	0.42
July 2017	Friska Limited	1.80	-	1.80
September 2017	e2E Engineering Limited	0.90	-	0.90
March 2018	Ncam Technologies Limited	1.47	-	1.47
March 2018	Matillion Limited	-	0.57	0.57
March 2018	Eikon Holdco Limited	3.00	-	3.00
	Invested in the year	7.17	0.99	8.16
	Capitalised interest and dividends			0.08
Total additions in the year				**8.24**

Disposal of Investments

During the year to 31 March 2018 the Company generated proceeds totalling £6.56 million from disposals, repayments of loans/preference shares and deferred consideration. Overall this resulted in a value gain on disposal of investments of £0.23 million above the 31 March 2017 valuations as set out in Table C.

The full disposals of Selima Holding Company Ltd, Harvey Jones Holdings Limited and Fairlight Bridge Limited account for £4.03 million of the proceeds contributing a combined profit on cost of £1.70 million. The quoted portfolio delivered proceeds of £0.69 million with a profit on cost of £0.56 million.

The total return of 3.7x cost on the disposal of Selima Holding Company Ltd is a clear example of the Company's ability to optimise returns by patiently supporting the investee company's strategy.

Further analysis of all investments sold in the year can be found in note 7 to the financial statements on page 66.

TABLE C
Disposal of Investments

	Net proceeds from sales of investments £million	Opening value 31 March 2017 £million	Gain on opening value £million
Sale of portfolio investments	6.53	6.33	0.20
Deferred proceeds received	0.03	-	0.03
Total investment disposals	**6.56**	**6.33**	**0.23**

In order to improve the return on its liquid resources the Company has invested in a portfolio of listed investment funds.

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

Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out in note 1 on pages 55 and 56, 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 2018 the value of investments falling into each valuation category is shown in Table D. Now that the focus of new investments is on younger businesses that are investing for growth a higher proportion of valuations are based on a multiple of sales. This is likely to increase as the more mature companies in the portfolio are divested.

Portfolio Composition

As at 31 March 2018 the portfolio had a value of £61.76 million which comprised £59.57 million in unquoted investments (96 per cent) and £2.19 million in quoted investments (4 per cent). An analysis of the movements in the year is shown on page 21.

The portfolio remains well diversified, with 20 investments having a value equal to or greater than £1.0 million (31 March 2017: 20), with the single largest investment representing 5.7 per cent of the net asset value.

The charts on page 14 of these financial statements show the composition of the portfolio as at 31 March 2018 by industry sector, age of investment, investment instrument and the valuation compared to cost. This demonstrates the diversity of the portfolio including its representation across a wide range of industry sectors.

TABLE D
Valuation Policy

	2018		2017
	Valuation £million	% of portfolio by value	% of portfolio by value
Earnings multiple	33.49	53	73
Sales multiple	9.84	16	-
Cost, reviewed for change in fair value	10.81	18	22
Price of recent investment, reviewed for change in fair value	5.43	9	1
Quoted investments at bid price	2.19	4	4
Total	**61.76**	**100**	**100**

Regulatory Developments

The Government published the results of its consultation known as the Patient Capital Review in the November 2017 Budget and it is pleasing that the Government reaffirmed its commitment to the Venture Capital Trust Schemes as a tool for supporting investment in the UK's small businesses. The changes announced seek to focus investment on earlier stage higher risk businesses and away from any capital preservation/asset-backed investments.

There are two new qualifying investment tests; the first is that for the Company as a whole 80 per cent of its investments will have to be held in Qualifying Investments as opposed to the current test of 70 per cent; for the Company this comes into force from 1 April 2020. The second test applies to financial years commencing on or after 6 April 2019 where 30 per cent of any funds raised have to be invested in Qualifying Investments within 12 months. This will apply for the year ending 31 March 2021. It is not believed that either of these changes will significantly impact the Company.

There are also proposed changes to the investment instruments that VCTs can use. In particular there are new conditions applying to the use of loans, including a requirement for them to be unsecured and a restriction on the return that they can deliver to a maximum of 10 per cent on average over a 5 year period. Whilst this will have some limited impact on the Company, the majority of investments made since the new rules were introduced have not included significant levels of loan stock.

Full details of the Government's response to the Patient Capital Review can be found at:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/661398/Patient_Capital_Review_Consultation_response_web.pdf

HMRC have also issued a consultation on the advance assurance process. This is seeking to place greater reliance on the Company and, by extension, the Company's professional advisers and on the Investment Adviser, in deciding if an investment meets the criteria as a Qualifying Investment. Further clarification is needed on how this would work in practice, as an investment in a non-qualifying investment would currently lead to the Company losing its status as a VCT.

Summary and Outlook

While HMRC has now granted advance assurance in respect of a number of investments, we continue to lobby them and HM Treasury to improve the speed at which these are being granted.

Currently investments are being approved in around eight weeks but meeting HMRC's stated target of fifteen days may take some time. We continue to see a good pipeline of opportunities for new investment and we remain selective in deciding which of these to take forward.

We continue to actively manage the portfolio, seeking to add to, enhance and support the management teams that operate the businesses in which the Company is investing as well as setting agendas for realisations, re-investment and further fundraisings. As the older investments in the portfolio are realised the balance of the portfolio will change, with a greater proportion consisting of younger businesses that are likely to require further funding as they grow.

David Hall
YFM Private Equity Limited

26 June 2018

Case Studies

" YFM was unique amongst the private equity firms we met in understanding the immense opportunities that stem from delivering cutting-edge structured data integration capabilities for the growing number of businesses, large and small, that are exploiting cloud-based database technology. We are delighted to have YFM's backing and are looking forward to working together with the team and our Non-Executives... to become the leader in next-generation Data Integration."

Matthew Scullion,
Managing Director, Matillion

Amount invested by the Company

£2.7 million

The business at investment

- Disruptive software which helps companies to create powerful data transformation in the cloud
- Cloud-based integration technologies running on Amazon Redshift

The investment

- Supporting the continued growth of the business

Rationale for the deal

- Accelerate the development of the company's product for new cloud platforms
- Develop new sales channels and geographies

Since investment

- Products now available for Google BigQuery and Snowflake
- US presence established
- Attracted series B investment from US venture investors to further accelerate growth

" We are very excited about the future and growing the business with YFM as our partner. We chose YFM because of their history of helping businesses grow, particularly in the US, and because of their honest and straightforward approach."

Peter Wright,
Co-founder and CEO, Eikon

Amount invested by the Company

£3.0 million

The business at investment

- Specialists in digital mastering and localisation to the film, broadcast and online media industry
- Leading end-to-end digital post-production services provider for the film and broadcast industry
- Working with major global film studios

The investment

- Backing a strong management team to expand into new markets, services and geographies

Rationale for the deal

- A well-established customer base seeking additional services
- Opportunities with new production houses such as Netflix and Amazon

Since investment

- Occupation of new Los Angeles office planned for mid-summer 2018
- New KDM product finalised to improve the global film distribution process, with live trials commencing

Investment Portfolio Summary at 31 March 2018

Page No	Name of company	Date of initial investment	Location	Industry Sector	Current cost £000	Valuation at 31 March 2018 £000	Proceeds to date £000	Realised & unrealised value to date* £000
Unquoted portfolio								
22	Matillion Limited	Nov-16	Manchester	Software, IT & Telecommunications	2,666	4,938	-	4,938
23	Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	2,934	4,868	-	4,868
23	ACC Aviation (via NewAcc (2014) Limited)	Nov-14	Reigate	Business Services	1,142	4,673	926	5,599
23	Mangar Health Limited	Jan-14	Powys	Healthcare	2,460	4,156	-	4,156
24	Eikon Holdco Limited	Mar-18	London	Software, IT & Telecommunications	3,000	3,000	-	3,000
24	GTK (Holdco) Limited	Oct-13	Basingstoke	Manufacturing & Industrial	222	2,937	1,832	4,769
24	Deep-Secure Ltd	Dec-09	Malvern	Software, IT & Telecommunications	1,000	2,861	-	2,861
25	Business Collaborator Limited	Nov-14	Reading	Software, IT & Telecommunications	2,010	2,798	-	2,798
25	Springboard Research Holdings Limited	Oct-14	Milton Keynes	Business Services	2,647	2,765	-	2,765
25	Gill Marine Holdings Limited	Sep-13	Nottingham	Retail & Brands	2,500	2,608	-	2,608
26	KeTech Enterprises Limited	Nov-15	Nottingham	Software, IT & Telecommunications	2,000	2,488	-	2,488
26	Leengate Holdings Limited	Dec-13	Derbyshire	Manufacturing & Industrial	1,401	2,226	-	2,226
27	DisplayPlan Holdings Limited	Jan-12	Baldock	Business Services	130	1,863	1,521	3,384
27	Friska Limited	Jul-17	Bristol	Retail & Brands	1,800	1,800	-	1,800
	Traveltek Group Holdings Limited	Oct-16	East Kilbride	Software, IT & Telecommunications	1,470	1,538	-	1,538
	Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Software, IT & Telecommunications	1,770	1,475	-	1,475
	Ncam Technologies Limited	Mar-18	London	Software, IT & Telecommunications	1,466	1,466	-	1,466
	Wakefield Acoustics (via Malvar Engineering Limited)	Dec-14	Heckmondwike	Manufacturing & Industrial	1,080	1,389	75	1,464
	Macro Art Holdings Limited	Jun-14	Cambridgeshire	Business Services	746	1,313	514	1,827
	Biz2Mobile Limited	Oct-16	Oxfordshire	Software, IT & Telecommunications	1,500	1,166	-	1,166
	Seven Technologies Holdings Limited	Apr-12	Belfast	Software, IT & Telecommunications	1,984	992	1,524	2,516
	e2E Engineering Limited	Sep-17	Welwyn Garden City	Software, IT & Telecommunications	900	900	-	900
	Other investments £0.75 million and below				5,965	5,345	1,242	6,587
	Total unquoted investments				**42,793**	**59,565**	**7,634**	**67,199**
	Quoted portfolio investments £0.75 million and below				**732**	**2,191**	**2,783**	**4,974**
					43,525	**61,756**	**10,417**	**72,173**
	Full disposals since 31 March 2002				32,731	-	70,269	70,269
	Full disposals prior to 31 March 2002				5,748	-	1,899	1,899
	Total investment portfolio				**82,004**	**61,756**	**82,585**	**144,341**

* represents proceeds received to date plus the unrealised valuation at 31 March 2018.

Summary of Investment Portfolio Movement since 31 March 2017

Name of Company	Investment Valuation at 31 March 2017 £000	Disposal proceeds £000	Additions including capitalised interest and dividends £000	Valuation gains including profits / (losses) on disposal £000	Investment valuation at 31 March 2018 £000
Unquoted portfolio					
Matillion Limited	2,100	-	566	2,272	4,938
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	4,488	-	-	380	4,868
ACC Aviation (via NewAcc (2014) Limited) [1]	5,337	(926)	-	262	4,673
Mangar Health Limited	3,995	-	-	161	4,156
Eikon Holdco Limited	-	-	3,000	-	3,000
GTK (Holdco) Limited[1]	2,431	(679)	-	1,185	2,937
Deep-Secure Ltd	1,505	-	-	1,356	2,861
Business Collaborator Limited	2,626	-	-	172	2,798
Springboard Research Holdings Limited	2,590	-	89	86	2,765
Gill Marine Holdings Limited	2,250	-	-	358	2,608
KeTech Enterprises Limited	2,012	-	-	476	2,488
Leengate Holdings Limited	2,160	-	-	66	2,226
DisplayPlan Holdings Limited	3,732	-	-	(1,869)	1,863
Friska Limited	-	-	1,800	-	1,800
Traveltek Group Holdings Limited	1,470	-	-	68	1,538
Sipsynergy (via Hosted Network Services Limited)	1,215	-	420	(160)	1,475
Ncam Technologies Limited	-	-	1,466	-	1,466
Wakefield Acoustics (via Malvar Engineering Limited)	1,498	-	-	(109)	1,389
Macro Art Holdings Limited[1]	1,560	(156)	-	(91)	1,313
Biz2Mobile Limited	1,500	-	-	(334)	1,166
Seven Technologies Holdings Limited	992	-	-	-	992
e2E Engineering Limited	-	-	900	-	900
Bagel Nash Group Limited	824	-	-	(94)	730
RMS Group Holdings Limited	972	-	-	(431)	541
The Heritage Window Company Holdco Limited	1,102	-	-	(625)	477
Selima Holding Company Ltd[1+2]	1,417	(2,064)	-	647	-
Fairlight Bridge Limited[1+2]	1,000	(1,000)	-	-	-
Harvey Jones Holdings Limited[1+2]	975	(970)	-	(5)	-
Other investments £0.75 million and below[1]	4,328	(45)	3	(689)	3,597
Total unquoted investments	**54,079**	**(5,840)**	**8,244**	**3,082**	**59,565**
Quoted portfolio					
Mattioli Woods [2]	813	(177)	-	(23)	613
AB Dynamics plc [2]	800	(392)	-	195	603
Other investments £0.75 million and below [2]	827	(120)	-	268	975
Total quoted investments	**2,440**	**(689)**	**-**	**440**	**2,191**
Total movement	**56,519**	**(6,529)**	**8,244**	**3,522**	**61,756**

1 Loan repayments / preference share redemption

2 Equity disposals

INVESTEE COMPANY INFORMATION

Software, IT and Telecommunications	Business Services	Manufacturing and Industrial Services	Healthcare	Retail and Brands
Fair Value	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**
£25.2m	£17.0m	£9.5m	£5.3m	£4.8m
2017: £16.8m	2017: £20.8m	2017: £9.8m	2017: £5.0m	2017: £4.1m
Number of companies	**Number of companies**	**Number of companies**	**Number of companies**	**Number of companies**
16	8	8.5*	3	2.5*
2017: 14	2017: 9	2017: 7.5	2017: 3	2017: 3.5

* one company is represented in two industry sectors.

Investment Portfolio

This section describes the business of the active companies in the portfolio with a value greater than £1.75 million in order of valuation at 31 March 2018. The Company's voting rights in an investee company are the same as the percentage of equity held for each investment detailed below.

Matillion Limited

www.matillion.com
Manchester

MATILLION

Matillion develops cloud-native data transformation products for platforms including Amazon Web Services, Google BigQuery and Snowflake. The products allow customers to harness the power of these platforms to rapidly transform and interrogate large quantities of data.

Cost:	£2,666,000
Valuation:	£4,938,000
Date of initial investment:	November 2016
Equity held:	10.79%
Valuation basis:	Price of recent investment, reviewed for change in fair value

Year ended 31 December	**2017 £million**	2016* £million
Sales	**3.04**	1.29
LBITA	**(1.70)**	(0.86)
Loss before tax	**(1.65)**	(0.87)
Retained losses	**(3.27)**	(1.65)
Net assets	**0.45**	2.07

* Adjusted to reflect underlying performance as the company did not trade for a full year.

Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)

www.intelligentofficeuk.com
Alloa

IntelligentOffice UK

Intelligent Office is a leading provider of process outsourcing solutions to UK legal practices and has recently won a number of significant new customers. The Managed Services division works within firms' own premises to help them transform and manage key administrative functions and secretarial services.

Cost:	£2,934,000
Valuation:	£4,868,000
Date of initial investment:	May 2014
Equity held:	26.65%
Valuation basis:	Earnings multiple
Interest:	£58,973 (2017 £58,973)
Dividends:	£126,890 (2017 £126,543)

Year ended 30 September	**2017 £million**	2016 £million
Sales	**26.24**	29.12
EBITA	**1.30**	1.67
(Loss) profit before tax	**(0.69)**	0.06
Retained losses	**(1.78)**	(0.87)
Net assets	**7.03**	7.16

ACC Aviation (via Newacc (2014) Limited)

www.flyacc.com
Reigate

ACC

With annual sales of over £90 million, **ACC Aviation** has built an excellent reputation for providing services to clients globally in all aspects of aircraft leasing, charter and flight management. The airline industry continues to change at a fast pace and ACC has evolved its model to become a valued partner.

Cost:	£1,142,000
Valuation:	£4,673,000
Date of initial investment:	November 2014
Equity held:	19.80%
Valuation basis:	Earnings multiple
Interest:	£55,296 (2017 £55,296)
Dividends:	£73,363 (2017 £113,947)

Year ended 31 December	**2017 £million**	2016 £million
Sales	**93.05**	60.89
EBITA	**3.63**	3.30
Profit before tax	**2.14**	2.19
Retained profits	**0.17**	0.91
Net assets	**3.21**	1.58

Mangar Health Limited

www.mangar.co.uk
Powys

Mangar HEALTH

Mangar is a world leader in inflatable lifting and handling and bathing equipment for the elderly, disabled and emergency services markets. It distributes its products to care providers, local authorities, ambulance services and care homes. Products facilitate extended independence for elderly users.

Cost:	£2,460,000
Valuation:	£4,156,000
Date of initial investment:	January 2014
Equity held:	25.65%
Valuation basis:	Earnings multiple
Interest:	£196,800 (2017 £196,800)
Dividends:	£22,140 (2017 £22,079)

Year ended 31 July	**2017 £million**	2016 £million
Sales	**8.78**	7.74
EBITA	**1.26**	1.34
Profit before tax	**0.01**	0.06
Retained losses	**(0.52)**	(0.33)
Net assets	**0.46**	0.66

Eikon Holdco Limited

www.eikongroup.co.uk
London

Eikon provides digital mastering and localisation services to the film, broadcast and online media industry from its cutting edge facilities in London and Los Angeles. Clients include Paramount Pictures, Twentieth Century Fox, Sony Pictures Entertainment, Warner Bros, Universal Pictures, CBS and Netflix.

Cost:	£3,000,000
Valuation:	£3,000,000
Date of initial investment:	March 2018
Equity held:	8.75%
Valuation basis:	Cost, reviewed for change in fair value
Interest:	£1,479

Year ended 31 October	**2017 £million**	2016 £million
Sales	**6.51**	4.05
EBITA	**1.52**	0.87
Profit before tax	**1.22**	0.73
Retained profits	**1.64**	0.34
Net assets	**2.50**	1.20

Accounts for the trading company Eikon Group Limited are shown, as Eikon Holdco Limited has not yet published a full year's accounts

GTK (Holdco) Limited

www.gtk.co.uk
Basingstoke

GTK is a manufacturer of cable assemblies, connectors, optoelectronics and manufacturing solutions for high technology customers. With a small sourcing team in Taiwan and facilities in the UK and Romania it provides design, procurement and manufacturing services to a wide range of customers.

Cost:	£222,000
Valuation:	£2,937,000
Date of initial investment:	October 2013
Equity held:	26.90%
Valuation basis:	Earnings multiple
Interest:	£25,357 (2017 £63,574)

Year ended 31 July	**2017 £million**	2016 £million
Sales	**14.32**	12.19
EBITA	**1.38**	1.08
Profit before tax	**1.21**	0.62
Retained profits	**2.07**	0.97
Net assets	**2.71**	1.61

Deep-Secure Ltd

www.deep-secure.com
Malvern

DeepSecure specialises in high security network gateway products, known as Content Threat Removal and has developed a market leading approach in a strong growth sector. A proven CEO has been appointed and the sales and marketing resource has been bolstered resulting in significant new customers.

Cost:	£1,000,000
Valuation:	£2,861,000
Date of initial investment:	December 2009
Equity held:	15.88%
Valuation basis:	Sales multiple
Interest:	£108,000 (2017 £108,000)

Year ended 31 December	**2017 £million**	2016 £million
Sales	4.85	3.87
EBITA	0.99	0.64
Loss before tax	(0.30)	(0.50)
Retained losses	(4.29)	(4.21)
Net liabilities	(3.88)	(3.81)

Business Collaborator Limited

www.groupbc.com
Reading

Business Collaborator is an established provider of collaboration software hosted on the cloud to the construction sector and a leader in the Building Information Modelling ("BIM") software market. Sales growth is driven by the products' ability to deliver cost savings and supported by government regulations.

Cost:	£2,010,000
Valuation:	£2,798,000
Date of initial investment:	November 2014
Equity held:	29.08%
Valuation basis:	Sales multiple
Interest:	£176,100 (2017 £176,988)

Year ended 30 November	**2017 £million**	2016 £million
Sales	**3.68**	3.80
(LBITA) EBITA	**(0.54)**	0.29
(Loss) profit before tax	**(0.87)**	0.05
Retained losses	**(0.80)**	(0.25)
Net (liabilities) assets	**(0.33)**	0.23

Springboard Research Holdings Limited

www.spring-board.info
Milton Keynes

Springboard Research is a leading provider of retail performance monitoring; providing footfall, dwell time and analysis of consumer behaviour. A continually shifting retail environment means that retailers and landlords are seeking new ways of improving their competitive advantage. The company has seen a significant increase in sales to North America.

Cost:	£2,647,000
Valuation:	£2,765,000
Date of initial investment:	October 2014
Equity held:	19.43%
Valuation basis:	Earnings multiple
Interest:	£125,352 (2017 £151,193)
Dividends:	£88,704 (2017 £88,704)

Year ended 31 December	**2017 £million**	2016 £million
Sales	**5.09**	4.47
EBITA	**0.38**	0.19
Loss before tax	**(0.42)**	(0.90)
Retained losses	**(2.12)**	(1.61)
Net assets	**1.01**	1.52

Gill Marine Holdings Limited

www.gillmarine.com
Nottingham

Gill Marine is a manufacturer of technical sailing equipment and clothing. Exports account for over 70 per cent of turnover with Gill recently taking over direct supply to its key North American market. The strategy is to develop the brand further and increase its share in existing and new markets, including direct online sales.

Cost:	£2,500,000
Valuation:	£2,608,000
Date of initial investment:	September 2013
Equity held:	18.47%
Valuation basis:	Earnings multiple
Interest:	£225,000 (2017 £225,000)

Year ended 30 September	**2017 £million**	2016 £million
Sales	14.19	12.23
EBITA	1.35	1.45
Loss before tax	(0.72)	(0.87)
Retained losses	(1.22)	(0.51)
Net assets	0.35	1.06

KeTech Enterprises Limited

www.ketech.com
Nottingham

KeTech has refined its product range to become a specialist manufacturer and distributor of the rail communications systems. Its core products provide real-time information via on-train and on-platform solutions, and are increasingly being specified on some high profile new projects and upgrades.

Cost:	£2,000,000
Valuation:	£2,488,000
Date of initial investment:	November 2015
Equity held:	15.22%
Valuation basis:	Earnings multiple
Interest:	£104,885 (2017 £92,326)
Dividends:	£48,300 (2017 £48,168)

Year ended 31 August	**2017 £million**	2016* £million
Sales	4.77	7.13
EBITA	0.47	0.44

* Adjusted to reflect underlying performance as the company did not trade for a full year.

Leengate Holdings Limited

www.leengatevalves.co.uk
Derbyshire

Leengate Valves is a wholesaler, stockist and distributor, supplying one of the largest ranges of industrial valves in the UK to leading re-sellers in the gas, water and industrial sectors. In addition it supplies engineering actuation and automation packages, offering a next day service and high quality technical advice.

Cost:	£1,401,000
Valuation:	£2,226,000
Date of initial investment:	December 2013
Equity held:	10.50%
Valuation basis:	Earnings multiple
Interest:	£107,184 (2017 £110,694)
Dividends:	£33,624 (2017 £33,630)

Year ended 31 December	**2017 £million**	2016 £million
Sales	9.57	8.23
EBITA	1.39	1.42
Profit before tax	0.52	0.55
Retained profits	1.11	0.79
Net assets	1.69	1.37

DisplayPlan Holdings Limited

www.displayplan.com
Baldock

displayplan

DisplayPlan provides retail display solutions from design to finished product delivery to branded product manufacturers and UK retailers. Strong profits have been achieved since investment before 2017 saw a cyclical decline in performance. Actions have been taken to stabilise profitability and we expect to see an improvement in 2018.

Cost:	£130,000
Valuation:	£1,863,000
Date of initial investment:	January 2012
Equity held:	22.75%
Valuation basis:	Earnings multiple
Dividends:	£56,875 (2017 £nil)

Year ended 31 December	**2017 £million**	2016 £million
Sales	**11.90**	20.38
(LBITA) EBITA	**(0.21)**	1.93
(Loss) profit before tax	**(0.37)**	1.77
Retained profits	**5.87**	6.00
Net assets	**6.27**	6.40

Friska Limited

www.friskafood.com
Bristol

FRISKA
FEEL GOOD FOOD

Friska is a Bristol based chain of food-to-go restaurants offering food throughout the day based on a founding principle of delivering 'feel good food' made from fresh, quality, and responsibly sourced ingredients, alongside high service standards. At investment it operated from a total of nine outlets in Bristol, Birmingham and Luton Airport. The strategy is to expand into other UK regional cities, with the initial focus on Manchester and consolidation around Bristol.

Cost:	£1,800,000
Valuation:	£1,800,000
Date of initial investment:	July 2017
Equity held:	21.60%
Valuation basis:	Cost, reviewed for change in fair value
Interest:	£58,142

Year ended 30 September	**2017* £million**	2016 £million
Sales	**4.34**	3.67
LBITA	**(0.41)**	(0.15)
Loss before tax	**(0.49)**	(0.20)
Retained losses	**(0.73)**	(0.25)
Net (liabilities) assets	**(0.22)**	-

* The 2017 figures above are not yet filed and may still be subject to change.

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 April 2016. Details of the Company's internal controls are contained in the Corporate Governance Internal Control section on pages 39 and 40 and further information on exposure to risks including those associated with financial instruments is given in note 17a of the financial statements.

Loss of Approval as a VCT

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

Mitigation - One of the Key Performance Indicators monitored by the Company is the compliance with legislative tests. Details of how the Company manages these requirements can be found under the heading "Compliance with VCT Legislative Tests" on page 13.

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 9) 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 39 and 40.

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. The Investment Adviser's systems are protected against viruses and other cyber attacks.

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 39 and 40.

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 rources 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.

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 the effectiveness of these policies.

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment, and has introduced an electronic communications policy. 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.

The Strategic Report on pages 5 to 30 is approved by order of the Board

Helen Sinclair
Chairman

26 June 2018

DIRECTORS

Name	Background and Experience

Helen Sinclair Chairman

Helen Sinclair (appointed 1 March 2008) has an MA in Economics from the University of Cambridge and an MBA from INSEAD Business School. After working in investment banking Helen spent nearly 8 years at 3i plc focusing on MBOs and growth capital investments. She later co-founded Matrix Private Equity (now Mobeus Equity Partners) in early 2000 raising Mobeus Income & Growth 2 VCT plc (formerly Matrix e-Ventures VCT plc). She subsequently became managing director of Matrix Private Equity before moving to take on a portfolio of non-executive director roles in 2005. She is currently a non-executive director of The Income & Growth VCT plc, Mobeus Income & Growth 4 VCT plc, Gresham House Strategic plc and North East Finance (Holdco) Limited.

Edward Buchan

Edward Buchan (appointed 22 September 2010) is a Fellow of the Institute of Chartered Accountants in England and Wales, starting his career with Deloitte before moving to Hill Samuel Bank Limited where he became Head of Corporate Finance and a member of the Bank Executive Committee. He subsequently joined Close Brothers Corporate Finance Limited and then West LB Panmure, specialising in the transport and logistics industry sectors. He is currently a senior consultant in corporate finance at Edmond De Rothschild Securities.

Rupert Cook

Rupert Cook (appointed 1 August 2017) specialises in corporate and business development, with twenty five years' experience of technology, including fifteen years in corporate finance and investment. He has led multiple fund-raisings, acquisitions and sales of IT businesses as well as having co-founded and built up his own IT Services business through to sale to a UK plc. Earlier in his career, he was a senior manager at Cap Gemini plc, Director of Advisory Services at Interregnum plc and Head of Technology M&A at goetzpartners corporate finance. Rupert is the founder of Red Penguin Ventures Limited, and was previously a partner at Realise Capital Partners, both of which are firms which advise and have investments in a range of technology businesses. He is investor-director of Krowd 9 Limited, Operatix Limited and an executive director at Immersive Labs Limited.

Secretary

The City Partnership (UK) Limited
110 George Street
Edinburgh
EH2 4LH

Registered No: SC269164

Registered Office of the Company

5th Floor
Valiant Building
14 South Parade
Leeds
LS1 5QS

Registered No: 03134749

DIRECTORS' REPORT

For the year ended 31 March 2018

The directors present their report and audited financial statements of British Smaller Companies VCT plc ("the Company") for the year ended 31 March 2018.

Principal Activity

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office and principal place of business is 5th Floor, Valiant Building, 14 South Parade, Leeds, LS1 5QS.

The Company has its primary, and sole, listing on the London Stock Exchange.

The principal activity of the Company is the making of long term equity and loan investments, mainly in unquoted businesses.

The Company operates as a venture capital trust ("VCT") and has been approved by HM Revenue & Customs as an authorised venture capital trust under Chapter 3 Part 6 of the Income Tax Act 2007. It is the directors' intention to continue to manage the Company's affairs in such a manner as to comply with Chapter 3 Part 6 of the Income Tax Act 2007.

Business Performance and Future Prospects

A detailed and fair review of the Company's business, its development, its financial performance during and at the end of the financial year, and its future prospects is set out in the Strategic Report on pages 5 to 30. The principal risks and uncertainties the Company faces are detailed on pages 28 to 29.

Results and Dividends

The Statement of Comprehensive Income is set out on page 50. The profit before and after taxation for the year amounted to £3,364,000 (2017: £4,529,000).

During the year the Company paid £6,150,000 in dividends (2017:£ 21,226,000) totalling 5.75 pence (2017: 22.0 pence) per ordinary share. A detailed review can be found in note 5 on page 61.

The Board do not recommend the payment of a final dividend (2017: none) for the year ended 31 March 2018.

On 18 May 2018 the Company paid an interim dividend for the year ending 31 March 2019 of 4.0 pence per ordinary share.

The net asset value per ordinary share at 31 March 2018 was 79.6 pence (2017: 82.3 pence). The transfer to and from reserves is given in the Statement of Changes in Equity on page 52.

Going Concern

The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations for the foreseeable future. The directors therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing the financial statements.

Statement on Long-term Viability

The AIC's Code of Corporate Governance requires the Board to assess the Company's viability over an appropriate period and the directors consider that for the purpose of this exercise it is not practical or meaningful to look forward over a period of more than three years. Taking into account the Company's current position and principal risks, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over that period.

In making their assessment the directors have taken into account the principal risks and their mitigation identified in the Strategic Report on pages 28 to 29, the nature of the Company's business, including its substantial reserves of cash, the potential of its venture capital portfolio to generate future income and capital proceeds, and the ability of the directors to minimise the level of cash outflows should this be necessary.

Corporate Governance

The statement on corporate governance set out on pages 35 to 40 is included in the Directors' Report by reference.

Directors' and Officers' Liability Insurance

The Company has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the directors indemnifying them against certain liabilities which may be incurred by any of them in relation to the Company.

Provision of Information to the External Auditor

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and that each of the directors has taken all the steps that he/she ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Share Capital

As shown in note 11 to the financial statements, the Company has only one class of share, being ordinary shares of 10 pence each.

Buy-Back and Issue of Ordinary Shares

In accordance with the Company's stated buy-back policy the Company purchased during the year (under the authority granted by the shareholders at a general meeting held on 1 August 2017) 1,177,019 ordinary shares of 10 pence each in the market (as disclosed in the table below) for aggregate consideration of £871,000. These shares are held in treasury.

Under the existing authority, which expires on the later of 1 August 2020, or at the conclusion of the Annual General Meeting held in 2020, the Company has the power to purchase shares up to 14.99 per cent of the Company's issued ordinary share capital as at 16 June 2017, being 16,394,140 ordinary shares.

During the year to 31 March 2018 a total of 2,407,686 ordinary shares were issued under the Company's DRIS. Further details are given in note 11 on page 71.

The directors have unconditional authority to allot shares in the Company or to grant rights to subscribe for or to convert any security into ordinary shares in the Company until 1 November 2018 up to an aggregate nominal amount of £4,000,000. This authority will be replaced by a new authority to issue shares up to an aggregate nominal amount of £5,000,000 at the forthcoming Annual General Meeting.

In addition, the directors have a separate unconditional authority to allot shares in the Company in connection with the Company's DRIS until the commencement of the Annual General Meeting in 2018. A resolution is proposed at the Annual General Meeting to renew the authority of the directors to allot shares pursuant to the DRIS until the commencement of the Annual General Meeting in 2023.

Capital Disclosures

The following information has been disclosed in accordance with Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended):

- the Company's capital structure is summarised in note 11 to the financial statements. Each ordinary share carries one vote. There are no restrictions on voting rights or any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- there are no securities carrying special rights with regard to the control of the Company;
- the Company does not have an employee share scheme;
- the rules concerning the appointment and replacement of directors, amendments to the Articles of Association and powers to issue or buy-back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- with the exception of the Investment Adviser's Incentive Agreement, there are no agreements to which the Company is party that take effect, alter or terminate upon a change in control following a takeover bid; and
- there are no agreements between the Company and its directors providing for compensation for loss of office that may occur because of a takeover bid.

Environment

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any emissions producing sources including those within its underlying investment portfolio under part 7 of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended.

Buy-Back of Shares

Date	Number of ordinary shares of 10p bought-back	Percentage of issued share capital at that date	Consideration paid per ordinary share (pence)
27 September 2017	260,000	0.24%	73.22
19 December 2017	500,000	0.46%	73.65
23 February 2018	122,000	0.11%	74.98
28 February 2018	115,019	0.11%	74.98
27 March 2018	180,000	0.17%	74.98
	1,177,019		

Directors and their Interests

The directors of the Company at 31 March 2018, their interests and contracts of significance are set out in the Directors' Remuneration Report on pages 41 to 43.

Mr P Cammerman retired from the Board on 1 August 2017 and Mr R Cook was appointed as a non-executive director on the same date.

Substantial Shareholdings

The directors are not aware of any substantial shareholdings representing 3 per cent or more of the Company's issued share capital as at 31 March 2018 and the date of this report.

Independent Auditor

BDO LLP has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the Annual General Meeting.

No fees are payable to the auditor in respect of non-audit services.

Financial Instruments

Details of the financial instruments held by the group and the risks associated with them are set out on pages 72 to 76 and this information is accordingly, incorporated into the Directors' Report by reference.

Employment Policies

The employment policies of the Company are set out on page 42.

Events after the Balance Sheet Date

On 18 May 2018 the Company paid an interim dividend for the year ending 31 March 2019 of 4.0 pence per ordinary share with 1,751,747 ordinary shares being issued under the Company's DRIS.

In April 2018 the Company made a new investment of £1.32 million into Hutchinson Networks Limited with a further £1.80 million invested into Arcus Global Limited during May 2018.

In May 2018 the Company has received a total of £1.9 million in deferred consideration and loan repayments from Fairlight Bridge Limited and ACC Aviation.

Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on pages 77 to 80 of these financial statements.

The ordinary business of the meeting includes a resolution **(Resolution 7)** proposed to ensure the directors retain the authority to allot shares in the Company until the date of the 2019 Annual General Meeting up to an aggregate nominal amount of £5,000,000 (representing approximately 45 per cent of the issued ordinary share capital of the Company as at 26 June 2018, excluding treasury shares).

Resolution 8 is proposed to authorise the directors to issue and allot new ordinary shares pursuant to the DRIS up to an aggregate nominal amount of £1,500,000, representing approximately 14 per cent of the ordinary share capital of the Company in issue as at 26 June 2018. This resolution will replace the existing authority the directors have to allot shares pursuant to the dividend re-investment scheme to reflect a new maximum number of shares which are permitted to be allotted under the authority,

Also included are two special resolutions:

Resolution 9 is proposed to empower the directors to allot shares under the authority granted by Resolution 7 and to sell treasury shares without regard to any rights of pre-emption on the part of the existing shareholders.

A special resolution is also included **(Resolution 10)** to empower the directors to allot shares pursuant to the DRIS authority contained in Resolution 8 without regard to any rights of pre-emption on the part of existing shareholders.

This report was approved by the Board on 26 June 2018 and signed on its behalf by

Helen Sinclair
Chairman

British Smaller Companies VCT plc
Registered number 03134749

CORPORATE GOVERNANCE

The Board is committed to the principle and application of sound corporate governance and confirms that the Company has taken steps, appropriate to a venture capital trust and relevant to its size and operational complexity, to comply with the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance issued in July 2016 ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") available on the AIC website www.theaic.co.uk

The AIC Code as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC"), as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company.

The UK Corporate Governance Code can be found on the website of the FRC at www.frc.org.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code and by reference the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company is committed to maintaining the highest standards of corporate governance and during the year to 31 March 2018 complied with the recommendations of the AIC Code and relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to the appointment of a chief executive and a recognised senior independent non-executive director, the presumption concerning the Chairman's independence and the need for an internal audit function. For reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of British Smaller Companies VCT plc, which is an externally advised venture capital trust. The Company has therefore not reported further in respect of these provisions.

Role of the Board

An investment advisory agreement between the Company and YFM Private Equity Limited sets out the matters over which the Investment Adviser has authority. This includes monitoring of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance, risk control and custody arrangements.

The Board meets at least quarterly and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow directors to discharge their responsibilities.

There is an agreed procedure for directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are followed. The Company indemnifies its directors and officers and has purchased insurance to cover its directors. Neither the insurance nor the indemnity provide cover if the director has acted fraudulently or dishonestly.

Board Composition

The Board consists of three non-executive directors including the Chairman, all of whom are regarded by the Board as independent and also as independent of the Company's Investment Adviser. The independence of the Chairman was assessed upon her appointment. Although The UK Corporate Governance Code presumes that the chairman of a company is deemed not to be an independent director, the remaining directors, having considered the nature of the role in the Company, are satisfied that Ms H Sinclair fulfils the criteria for independence as a non-executive director. On 1 August 2017 Mr P S Cammerman retired as a director and Mr R Cook was appointed as a director.

The directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and provide a balance of power and authority including recent and relevant financial experience. Brief biographical details of the current directors are set out on page 31.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which are given below.

There are no executive officers of the Company. Given the structure of the Board and the fact that the Company's administration is conducted by YFM Private Equity Limited, the Company has not appointed a chief executive officer or a senior independent non-executive director. In addition, the directors consider that the role of a senior independent non-executive director is taken on by all of the directors. Shareholders are therefore able to approach any director with any queries they may have.

Boardroom Diversity

The Board is committed to ensuring that the Company is run in the most effective manner. Consequently the Board monitors the diversity of all directors to ensure an appropriate level of experience and qualification.

The Board believes in the value and importance of diversity in the boardroom but does not consider that it is appropriate or in the best interests of the Company and its shareholders to set prescriptive targets for gender or nationality on the Board.

Diversity of thought, experience and approach are all important and the directors will always seek to appoint on merit against objective criteria.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, it is the Board's policy that a director's appointment will run for a term of one year until the next Annual General Meeting. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the director to seek a further term. The Board does not believe that length of service in itself necessarily disqualifies a director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of The UK Corporate Governance Code, including the need to refresh the Board and its Committees.

The Board seeks to maintain a balance of skills and the directors are satisfied that as currently composed the balance of experience and skills of the individual directors is appropriate for the Company, in particular with regards to investment appraisal and investment risk management.

The terms and conditions of directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting. All appointments are terminable by the relevant director or the Company on three months' notice.

The directors recommend the re-election of Ms H Sinclair, Mr C W E R Buchan and Mr R Cook at this year's Annual General Meeting, because of their commitment, experience and continued contribution to the Company.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Directors who are not members of Committees may attend at the invitation of the Chairman.

The table below details the number and function of the meetings attended by each director.

During the year there were five formal Board meetings, three Audit Committee meetings, one Remuneration and Nominations Committee meeting and one General meeting and no Allotment Committee meetings. The directors met via telephone and electronic conferences on 34 other occasions.

In addition there was one DRIS allotment meeting which the directors were not required to attend, but which was attended by the Company Secretary.

Training and Appraisal

On appointment, the Investment Adviser and Company Secretary provide all directors with induction training. Thereafter, regular briefings are provided on changes in regulatory requirements that affect the Company and its directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to VCTs.

The performance of the Board has been evaluated during the financial year ended 31 March 2018. The Board, led by Mr C W E R Buchan, has conducted a performance evaluation to determine whether it and individual directors are functioning effectively.

The factors taken into account were based on the relevant provisions of The UK Corporate Governance Code and included attendance and participation at Board and Committee meetings, commitment to Board activities and the effectiveness of their contribution. The results of the overall

Meetings attended

	Ms H Sinclair	Mr C W E R Buchan	Mr P S Cammerman	Mr R Cook	Total
Board meetings	5	5	2	3	5
Audit Committee	3	3	1	2	3
Remuneration and Nominations Committee	1	1	1	-	1
General meeting	1	1	-	1	1
Telephone and electronic conferences *	30	34	9	24	34
Total	**40**	**44**	**13**	**30**	**44**

* primarily related to the business of the Investment Committee.

evaluation process are communicated to the Board. Performance evaluation continues to be conducted on an annual basis.

The Chairman has confirmed that the performance of the other directors being proposed for re-election continues to be effective and that they continue to show commitment to the role. The independent directors have similarly appraised the performance of the Chairman. They considered that the performance of Ms H Sinclair continues to be effective and that she continues to demonstrate a strong commitment to the role.

Remuneration and Nominations Committee

The Company has a combined Remuneration and Nominations Committee, which consists of the three non-executive directors, who are considered by the Board to be independent of the Investment Adviser. Mr C W E R Buchan is Chairman of the Remuneration and Nominations Committee. The Remuneration and Nominations Committee reviews the Company's remuneration policy so as to determine and agree the remuneration to be paid to each director of the Company and is responsible for the production of the Directors' Remuneration Report which may be found on pages 41 to 43.

In considering appointments to the Board, the Remuneration and Nominations Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

In light of Mr P S Cammerman's decision to retire from the Board during the year the Remuneration and Nominations Committee has conducted a full and thorough recruitment process using external advisers resulting in the appointment of Mr R Cook to the Board on 1 August 2017.

Audit Committee

The Audit Committee consists of the three non-executive directors and meets at least three times each year. The directors consider that it is appropriate that the Chairman of the Committee should be Mr C W E R Buchan. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee, and that the Chair of the Committee meets the requirements of The UK Corporate Governance Code as to recent and relevant financial experience.

The Audit Committee's terms of reference include the following roles and responsibilities:

- monitoring and making recommendations to the Board in relation to the Company's published financial statements (including in relation to the valuation of the Company's unquoted investments) and other formal announcements relating to the Company's financial performance;
- monitoring and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;
- annually considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the Investment Adviser has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

It reviews the terms of the investment advisory agreement and examines the effectiveness of the Company's internal control and risk management systems, receives information from the Investment Adviser's compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor.

The directors' statement on the Company's system of internal control is set out on pages 39 and 40.

The Audit Committee has written terms of reference which define clearly its responsibilities, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting, and also on the Company's website at www.bscfunds.com.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However the Committee considers annually whether there is a need for such a function and, if so, would recommend this to the Board.

During the year ended 31 March 2018 the Audit Committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement, remuneration and independence;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks;
- reviewing YFM Private Equity Limited's statement of internal controls operated in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing reports on the effectiveness of YFM Private Equity Limited's compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial statements, half yearly results statement and interim management statements prior to Board approval, including the proposed fair value of investments as determined by the directors;
- reviewing the external auditor's detailed reports to the Committee on the annual financial statements; and
- recommending to the Board and shareholders the re-appointment of BDO LLP as the Company's external auditor.

The key areas of risk that have been identified and considered by the Audit Committee in relation to the business activities and financial statements of the Company are as follows:

- valuation of unquoted investments;
- compliance with HM Revenue & Customs' conditions for maintenance of approved venture capital trust status; and
- calculation of the Investment Adviser's incentive payment.

These issues were discussed with the Investment Adviser and the auditor at the pre-year end audit planning meeting and at the conclusion of the audit of the financial statements.

Valuation of unquoted investments

The Audit Committee reviewed the estimates and judgements made in the investment valuations and was satisfied that they were appropriate. The Investment Adviser and the auditor confirmed to the Audit Committee that the investment valuations had been carried out consistently with prior periods and in accordance with the published industry guidelines, taking account of the latest available information about investee companies and current market data, and the auditor's review of the valuations was considered.

Venture capital trust status

The Investment Adviser confirmed to the Audit Committee that the conditions for maintaining the Company's status as an approved venture capital trust had been complied with throughout the year. The position was also reviewed by the Company's VCT status adviser.

Financial statements

The Investment Adviser confirmed to the Audit Committee that it was not aware of any material unadjusted misstatements. Having reviewed the reports received from the Investment Adviser and the auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities and revenue recognition have been properly appraised and are sufficiently robust. The Committee considers that BDO LLP has carried out its duties as auditor in a diligent and professional manner.

Relationship with the Auditor

The Committee is responsible for overseeing the relationship with the external auditor, assessing the effectiveness of the external audit process and making recommendations on the appointment and removal of the external auditor. It makes recommendations to the Board on the level of audit fees and the terms of engagement for the auditor. The external auditor is invited to attend committee meetings, where appropriate, and also meets with the Committee and its Chairman without the representatives of the Investment Adviser being present.

The Committee undertakes a review of the external auditor's effectiveness of the audit process. The Committee considers whether the auditor has:

- demonstrated strong technical knowledge and clear understanding of the business;
- indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;
- allocated an audit team that is appropriately resourced;
- demonstrated a proactive approach to the audit planning process and engaged with the Committee Chairman and other key individuals within the business;
- provided a clear explanation of the scope and strategy of the audit;
- demonstrated the ability to communicate clearly and promptly with the members of the Committee and the Investment Adviser and produce comprehensive reports on its findings;
- demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity; and
- charged justifiable fees in respect of the scope of services provided.

The Board regularly reviews and monitors the external auditor's independence and objectivity. As part of this process it reviews the nature and extent of services supplied by the auditor to ensure that independence is maintained. It is the Company's policy to contract the external auditors to perform audit-related services only.

The auditor prepares an audit strategy document on an annual basis. This provides information on the audit team and timetable, audit scope and objectives, evaluation of materiality, initial assessment of key audit and accounting risks, confirmation of independence and proposed fees. This is reviewed and approved by the Committee with an opportunity to consider the audit approach and to raise any queries with the auditor.

The outcome of the review together with any actions that have arisen are formally minuted and a summary is submitted to the Board for consideration.

The Committee assesses the effectiveness of the external audit process annually and makes a recommendation to the Board on the re-appointment of the auditor. This is considered by the Board prior to agreeing the recommendation to shareholders for the re-appointment of the auditor at each Annual General Meeting of the Company. As part of its review, the Committee considers the performance of the auditor and whether it has met the agreed audit plan, the quality of its reporting in its management letter and the cost effectiveness of the services provided as well as the manner in which it has handled key audit issues and responded to the Committee's questions.

As part of the review of audit effectiveness and independence, BDO LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. BDO LLP has held office for five years; in accordance with professional guidelines the engagement partner will be rotated after at most five years, and the current partner has served for two years. The committee notes that the last tender process was performed in the year ended 31 March 2014.

The Committee concluded that the re-appointment of BDO LLP as auditor was in the best interests of the Company and of shareholders and its recommendation was endorsed by the Board. No non-audit services were provided by BDO LLP during the year.

Investment Committee

The Investment Committee currently consists of the three non-executive directors. The Chairman of the Committee is Mr R Cook.

The Investment Committee is authorised to make investment decisions (including new investment, further investment, variation and realisation decisions) on behalf of the Board. Where an urgent decision is required in respect of a potential new quoted investment, the Investment Adviser in conjunction with the Chairman is permitted to make a decision up to an investment level of £250,000, provided that papers have first been circulated to at least the Chairman of the Committee. With regard to the realisation of quoted holdings, the Investment Adviser is authorised to implement the Company's existing strategy for the holding in question within parameters previously agreed by the directors.

The Investment Committee has written terms of reference which define clearly its responsibilities, copies of which are available for inspection on request at the Company's registered office and on the Company's website at www.bscfunds.com.

Allotment Committee

The Company has an Allotment Committee which consists of the directors who are considered by the Board to be independent of the Investment Adviser. The quorum for Committee meetings is one director, unless otherwise determined by the Board. In addition the Company Secretary has an authority to allot shares under the DRIS.

The Committee considers and, if appropriate, authorises the allotment of shares. The Committee ensures that the total number of shares to be issued does not exceed the authority given by the shareholders. There are no written terms of reference.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance, and reports formally to shareholders twice a year by way of the Annual Report and the Interim Report. This is supplemented by the daily publication on its website of the Company's share price and the publication for the two quarters of the year where an Annual Report and the Interim Report is not issued (30 June and 31 December), through the London Stock Exchange, of the net asset value of the Company together with a factsheet detailing developments for the Company in that quarter.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the directors and representatives of the Investment Adviser are available in person to meet with and answer shareholders' questions. In addition representatives of the Investment Adviser periodically hold shareholder workshops which review the Company's performance and industry developments, and which give shareholders a further opportunity to meet members of the Board and chief executives or chairmen of some of the investee companies. During the year the Company's Investment Adviser has held regular discussions with shareholders. The directors are made fully aware of shareholders' views. The Chairman and directors make themselves available, as and when required, to address shareholder queries. The directors may be contacted through the Company Secretary whose details are shown on page 83.

The Company's Annual Report is published in time to give shareholders at least 21 clear days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 83. Separate resolutions are proposed for each separate issue. Proxy votes will be counted and the results announced at the Annual General Meeting for and against each resolution.

There was a good response to last year's shareholder survey with more than 1,000 responses and the key findings were highlighted at the shareholder workshop on 16 May 2018.

Internal Control and Risk Management

Under an agreement dated 28 February 1996, as varied by agreements dated 1 July 2009, 16 November 2012, 17 October 2014 and 24 August 2015, certain functions of the Company have been sub-contracted to YFM Private Equity Limited. The Board receives operational and financial reports on the current state of the business and on appropriate strategic, financial, operational and compliance issues. These matters include, but are not limited to:

- a clearly defined investment strategy for the Investment Adviser to the Company;
- all decisions concerning the acquisition or disposal of investments are taken by the Board after due consideration of the recommendations made by the Investment Adviser, save for those in respect of quoted investments which are taken by the Investment Adviser (as regards new investment, in conjunction with the Chairman of the Investment Committee) in accordance with the terms as set out on this page;
- regular reviews of the Company's investments, liquid assets and liabilities, revenue and expenditure;
- regular reviews of compliance with the VCT regulations to retain status; and
- the Board receives copies of the Company's management accounts on a regular basis showing comparisons with budget. These include a report by the Investment Adviser with a review of performance. Additional information is supplied on request.

The Board confirms the procedures to implement the guidance detailed in section C.2: "Risk Management & Internal Control" of The UK Corporate Governance Code and those identified in the Principles 13 and 15 of the AIC Code were in place throughout the year ended 31 March 2018 and up to the date of this report. A detailed review of the risks faced by the Company and the techniques used to mitigate these risks can be found in the Strategic Report on pages 28 and 29.

The Board acknowledges that it is responsible for overseeing the Company's system of internal control and for reviewing

its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board arranges its meeting agenda so that risk management and internal control is considered on a regular basis and a full robust risk and control assessment takes place no less frequently than twice a year. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for longer than the year under review and up to the date of approval of the Annual Report. The process is formally reviewed bi-annually by the Board. However, due to the size and nature of the Company, the Board has concluded that it is not necessary at this stage to set up an internal audit function. This decision will be kept under review. The directors are satisfied that the systems of risk management that they have introduced are sufficient to comply with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

In particular the Board, together with the Audit Committee, is responsible for overseeing and reviewing internal controls concerning financial reporting. In addition to those controls sub-contracted as listed on page 39 the following controls have been in place throughout the year:

- a robust system of internal control is maintained by the Investment Adviser over the preparation and reconciliation of investment portfolio valuations;
- monthly reconciliation of assets held as fixed income securities and cash;
- independent review of the valuations of portfolio investments by the Board (quarterly);
- the Audit Committee review of financial reporting and compliance (as set out on pages 37 and 38);
- the Board reviews financial information including the Annual Report, Interim Report and interim management statements prior to their external communication; and
- the Board reviews the financial information in any prospectus or offer for subscription issued by the Company in connection with the issue of new share capital.

Following the FCA's registration of the Company as a Small Registered Alternative Investment Fund Manager in 2014 the Company holds its own investments. All investments made for the accounts of and monies received for the Company will be deposited in the name of the Company or will be held by a custodian or the Company's solicitors. All certificates and other documents evidencing title (whether or not in registered form) will be received by the Company and will be held in the Company's name or forwarded directly to the custodian or the Company's solicitors. No third party custodian has been appointed. The Company will take legal ownership of its assets.

The Board has reviewed the effectiveness of the Company's systems of internal control and risk management for the year and up to the date of this Report. The Board is of the opinion that the Company's systems of internal, financial, and other controls are appropriate to the nature of its business activities and methods of operation given the size of the Company, and the Board has a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

Conflicts of Interest

The directors have declared any conflicts or potential conflicts of interest to the Board which has the authority to authorise such situations if appropriate. The Company Secretary maintains the Register of Directors' Interests which is reviewed quarterly by the Board, when changes are notified, and the directors advise the Company Secretary and the Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest which have been approved by the Board do not take part in discussions or decisions which relate to any of their conflicts. Details of all related party transactions are shown in note 15 on page 72.

Corporate Governance in relation to Investee Companies

The Company delegates responsibility for monitoring its investments to its Investment Adviser whose policy, which has been noted by the Board, is as follows:

YFM Private Equity Limited is committed to introducing corporate governance standards into the companies in which its clients invest. With this in mind, the Company's investment agreements contain contractual terms specifying the required frequency of management board meetings and of annual shareholders' meetings, and for representation at such meetings through YFM Private Equity Limited. In addition, provision is made for the preparation of regular and timely management information to facilitate the monitoring of an investee company performance in accordance with best practice in the private equity sector.

Co-investment

Typically the Company invests alongside other venture capital funds and other private equity funds advised or managed by the Investment Adviser, such syndication spreading investment risk. Details of the amounts invested in individual companies are set out in the Strategic Report. Co-investments are detailed in note 7 to the financial statements on pages 68 and 69.

Management

The Board has delegated the monitoring of the investment portfolio to the Investment Adviser.

This report was approved by the Board on 26 June 2018 and signed on its behalf by

Helen Sinclair
Chairman
British Smaller Companies VCT plc
Registered number 03134749

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditor, BDO LLP, to audit certain information included in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the Independent Auditor's Report on pages 45 to 49.

Directors' Remuneration Policy

This statement of the Directors' Remuneration Policy took effect following approval by shareholders at the Annual General Meeting held on 1 August 2017. A resolution to approve the Directors' Remuneration Policy will be put to shareholders every three years.

The Board currently comprises three directors, all of whom are non-executive. The Company currently has an independent Remuneration and Nominations Committee, which is comprised of the full Board and of which Mr C W E R Buchan is the independent Chairman.

The Board has not retained external advisors in relation to remuneration matters but has access to information about directors' fees paid by other companies of a similar size and nature. Shareholders' views in respect of the directors' remuneration are communicated at the Company's AGM and are taken into consideration in formulating the Directors' Remuneration Policy.

At the last AGM over 94 per cent of shareholders who exercised their voting rights voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder approval.

The Board's policy is that the remuneration of non-executive directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant venture capital trusts that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the directors needed to oversee properly the Company and to reflect the duties and responsibilities of the directors and the value and amount of time committed to the Company's affairs.

It is not considered appropriate that directors' remuneration should be performance-related, and as such the directors are not eligible for bonuses, share options, pension benefits, long-term incentive schemes or other benefits in respect of their services as non-executive directors of the Company.

It is the Board's policy that directors do not have service contracts, but new directors are provided with a letter of appointment. The terms of directors' appointments provide that directors should retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter, it has been agreed that all directors will offer themselves for re-election on an annual basis. All directors have a 3 month notice period, and any director who ceases to hold office is not entitled to receive any payment other than accrued fees (if any) for past services. There were no payments for loss of office made during the period.

The policy will continue to be applied in the forthcoming year.

Brief biographical notes on the directors are given on page 31.

Statement by the Chairman of the Remuneration and Nominations Committee

The directors' fees payable by the Company have been fixed at June 2014 by the Board at £40,000 per annum for the Chairman and £25,000 per annum for the other Directors. In accordance with the Directors' Remuneration Policy the directors' fees were reviewed in June 2017 by the Board who agreed that they should be held constant and reviewed again in a year's time.

Directors' Remuneration for the year ended 31 March 2018 (audited)

The directors who served in the year received the following emoluments in the form of fees, which represent the entire remuneration payable to directors (see Table A):

There are no executive directors (2017: none).

Directors and their Interests (audited)

The directors of the Company at 31 March 2018 and their beneficial interests in the share capital of the Company (including those of immediate family members) were as shown in Table B:

None of the directors held any options to acquire additional shares at the year end.

The Company has not set out any formal requirement or guidelines concerning their ownership of shares in the Company.

Relative Importance of Spend on Pay

Directors' remuneration, dividend distribution to shareholders and share buy-backs are shown in Table C.

Consideration of Employment Conditions of Non-director Employees

The Company does not have any employees. Accordingly, the disclosures required under paragraph 38 and 39 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are not required.

Total fees paid (audited)

TABLE A

	2018 £	2017 £
H Sinclair	**40,000**	40,000
C W E R Buchan	**25,000**	25,000
R Cook	**16,667**	-
P S Cammerman	**10,417**	25,000
	92,084	90,000

Directors and their interests (audited)

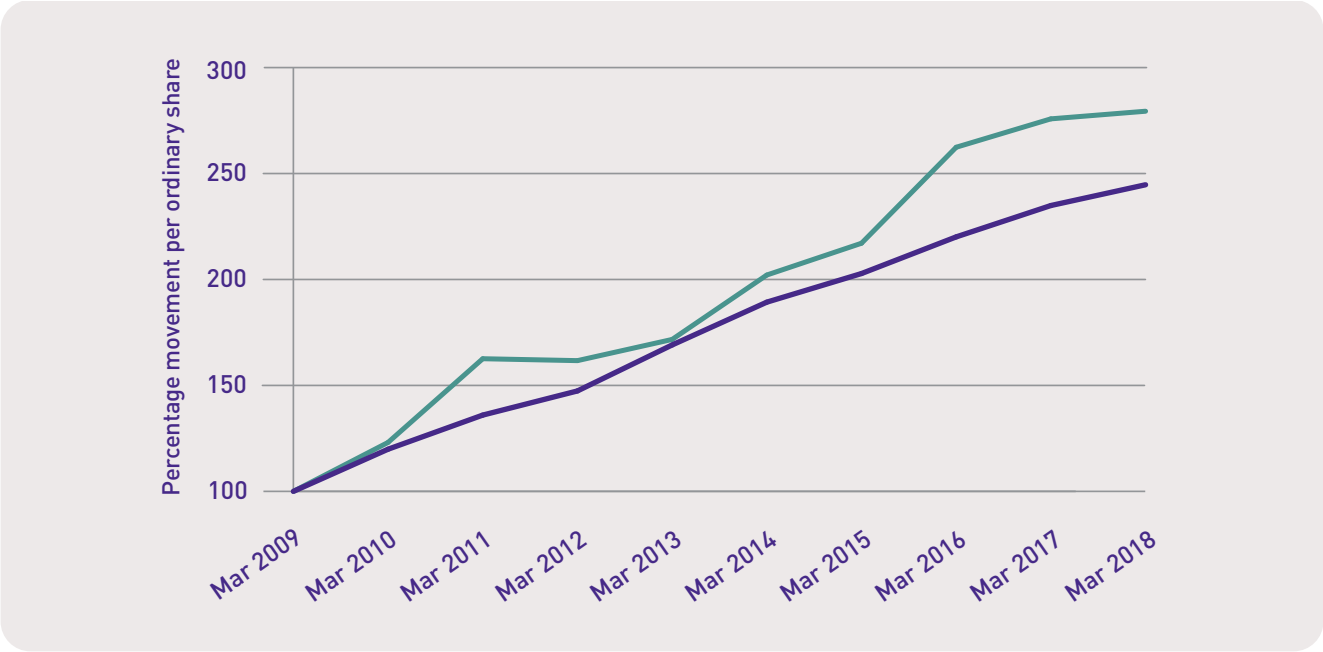
TABLE B

	Number of ordinary shares at 31 March 2018	Number of ordinary shares at 31 March 2017	% voting rights at 31 March 2018	% voting rights at 31 March 2017
H Sinclair	**23,062**	23,062	**0.02%**	0.02%
C W E R Buchan	**22,280**	22,280	**0.02%**	0.02%
R Cook	**-**	-	**-**	-

Relative importance of pay

TABLE C

	2018 £	2017 £
Dividends	**6,150,000**	21,226,000
Share buy-backs	**871,000**	404,000
Total directors' fees	**92,084**	90,000



VCT Generalist Share Price Total Return* (Source: Index compiled by the AIC)

BSC Share Price Total Return*

* assumes dividends re-invested

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Adviser through the advisory agreement, as referred to in the Directors' Report.

Net asset value total return (calculated by reference to the net asset value and cumulative dividends paid, as set out in note 13 of these financial statements and excluding tax reliefs received by shareholders) is the primary recognised measure of performance in the VCT industry. This measure is shown on page 11.

In accordance with the requirements of the Companies Act 2006 the graph above shows a comparison over the last nine years of the movements in both the Company's share price total return and the share price total return for approximately 45 Generalist VCTs as published by the Association of Investment Companies (the AIC). In line with the AIC index all the relative performance measures have been rebased to 100 as at March 2009. The directors consider this to be the most appropriate published index on which to report on comparative performance.

This report was approved by the Board and signed on its behalf on 26 June 2018.

Helen Sinclair
Chairman

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 31.

This statement was approved by the Board and signed on its behalf on 26 June 2018.

Helen Sinclair
Chairman

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRITISH SMALLER COMPANIES VCT PLC

Opinion

We have audited the financial statements of British Smaller Companies VCT plc ("the Company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

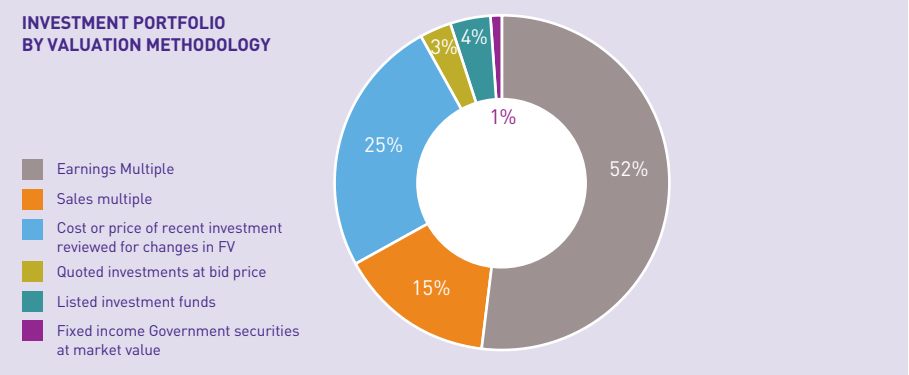
Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 28 and 29 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 32 in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 32 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 32 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
Valuation of unquoted investments We consider the valuation of investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the Company. The Company's accounting policy for assessing the fair value of unquoted investments is disclosed on page 55 in note 1 and disclosures regarding the fair value estimates are given on page 62 in note 7.	A breakdown of the investment portfolio valuation technique is shown below.  We selected a sample of unquoted investments for audit testing. For all investments in our sample we: • Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and accounting standards; • Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies; For investments sampled that were valued using less subjective valuation techniques (cost and price of recent investment reviewed for changes in fair value) we: • Verified the cost or price of recent investments to supporting documentation; • Considered whether the investment was an arm's length transaction; and • Considered whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee company. For investments sampled that were valued using more subjective techniques (earnings and sales multiples) we: • Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; • Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations; • Considered the sales or earnings multiples applied by reference to observable listed Company market data; and • Challenged the consistency and appropriateness of adjustments made to such market data in establishing the multiple applied in arriving at the valuations adopted. Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could reasonably influence the economic decisions of users that are taken on the basis of the financial statements.

Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The application of these key considerations gives rise to different levels of materiality, the quantum and purpose of which are tabulated below. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

Materiality Measure [Basis]	Purpose	Key considerations	2018 Quantum (£)	2017 Quantum (£)
Financial Statement Materiality [2% value of investments]	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	1,290,000	1,130,000
Performance Materiality [75% of materiality]	The maximum error in an individual balance or class of transaction that we would be prepared to accept and still conclude that the result from an audit procedure has achieved our objective.	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	970,000	850,000
Specific Materiality – classes of transactions and balances which impact on revenue profits [10% revenue return before tax]	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• The level of net income return	120,000	100,000

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £5,500 (2017: £10,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken by the Board and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement and focussed our audit approach on these areas.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 44 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair,

balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- Audit Committee reporting set out on pages 37 and 38 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 35 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We consider that the audit procedures we have undertaken in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatement or other irregularities that would not be considered to be material to the financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following a recommendation of the Audit Committee, we were reappointed by The Board of Directors on 1 August 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ending 31 March 2014 to 31 March 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (senior statutory auditor)
For and on behalf of BDO LLP,
statutory auditor
London
26 June 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

		2018			2017		
	Notes	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments held at fair value	7	**-**	**3,218**	**3,218**	-	5,053	5,053
Income	2	**2,152**	**-**	**2,152**	2,813	-	2,813
Gain on disposal of investments	7	**-**	**229**	**229**	-	2,763	2,763
Total income		**2,152**	**3,447**	**5,599**	2,813	7,816	10,629
Administrative expenses:							
Investment Adviser's fee		**(430)**	**(1,290)**	**(1,720)**	(477)	(1,431)	(1,908)
Incentive fee		**-**	**-**	**-**	-	(3,649)	(3,649)
Other expenses		**(515)**	**-**	**(515)**	(543)	-	(543)
	3	**(945)**	**(1,290)**	**(2,235)**	(1,020)	(5,080)	(6,100)
Profit before taxation		**1,207**	**2,157**	**3,364**	1,793	2,736	4,529
Taxation	4	**(125)**	**125**	**-**	(201)	201	-
Profit for the year		**1,082**	**2,282**	**3,364**	1,592	2,937	4,529
Total comprehensive income for the year		**1,082**	**2,282**	**3,364**	1,592	2,937	4,529
Basic and diluted earnings per ordinary share	6	**1.00p**	**2.10p**	**3.10p**	1.64p	3.01p	4.65p

The accompanying notes on pages 55 to 76 are an integral part of these financial statements.

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' (issued in November 2014 and updated in February 2018 with consequential amendments – "SORP") published by the AIC.

BALANCE SHEET

At 31 March 2018

	Notes	2018 £000	2017 £000
Assets			
Non-current assets			
Investments		**61,756**	56,519
Listed investment funds		**2,336**	-
Fixed income Government securities		**706**	1,444
Financial assets at fair value through profit or loss	7	**64,798**	57,963
Trade and other receivables	8	**1,284**	1,160
		66,082	59,123
Current assets			
Trade and other receivables	8	**1,733**	5,068
Cash on fixed term deposit	9	**9,001**	13,023
Cash and cash equivalents	9	**10,057**	14,847
		20,791	32,938
Liabilities			
Current liabilities			
Trade and other payables	10	**(736)**	(3,989)
Net current assets		**20,055**	28,949
Net assets		**86,137**	88,072
Shareholders' equity			
Share capital	11	**11,342**	11,101
Share premium account		**-**	35,519
Capital redemption reserve		**-**	221
Capital reserve		**53,422**	23,686
Investment holding gains and losses reserve		**18,146**	15,400
Revenue reserve		**3,227**	2,145
Total shareholders' equity		**86,137**	88,072
Net asset value per ordinary share	12	**79.6p**	82.3p

The accompanying notes on pages 55 to 76 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 26 June 2018.

Helen Sinclair
Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve £000	Investment holding gains and losses reserve £000	Revenue reserve £000	Total equity £000
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**
Revenue return for the year before tax	-	-	-	-	-	*1,207*	*1,207*
Capital expenses	-	-	-	*(1,290)*	-	-	*(1,290)*
Gain on investments held at fair value	-	-	-	-	*3,218*	-	*3,218*
Gain on disposal of investments in the year	-	-	-	*229*	-	-	*229*
Taxation	-	-	-	*125*	-	*(125)*	-
Total comprehensive (expense) income for the year	-	-	-	(936)	3,218	1,082	3,364
Issue of shares – DRIS	*241*	*1,505*	-	-	-	-	*1,746*
Issue costs – DRIS	-	*(14)*	-	-	-	-	*(14)*
Cancellation of share premium account – net of costs	-	*(37,010)*	*(221)*	*37,221*	-	-	*(10)*
Purchase of own shares	-	-	-	*(871)*	-	-	*(871)*
Dividends	-	-	-	*(6,150)*	-	-	*(6,150)*
Total transactions with owners	241	(35,519)	(221)	30,200	-	-	(5,299)
Realisation of prior year investment holding gains	-	-	-	472	(472)	-	-
Balance at 31 March 2018	**11,342**	**-**	**-**	**53,422**	**18,146**	**3,227**	**86,137**

The accompanying notes on pages 55 to 76 are an integral part of these financial statements.

Statement of Changes in Equity (continued)
for the year ended 31 March 2018

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 £000	Revenue reserve £000	Total £000
Distributable reserves as opposite		53,422	3,227	56,649
Less	*: Interest and dividends not yet distributable*	-	*(1,881)*	*(1,881)*
	: Cancelled share premium not yet distributable	*(39,103)*	-	*(39,103)*
Reserves available for distribution[1]		**14,319**	**1,346**	**15,665**

1. Subject to filing these financial statements at Companies House, see table at the bottom of this page.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £56,649,000 representing an increase of £30,818,000 during the year. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments. On 18 May 2018 an interim dividend for the year ending 31 March 2019 (4.0 pence per ordinary share) was paid which has reduced these reserves by approximately £4,328,000.

Of the potentially distributable reserves of £56,649,000 shown above, £1,881,000 relates to interest and dividends not yet distributable and £39,103,000 relates to share premium which becomes distributable from 1 April 2018 onwards (see below).

The total amount held in the share premium account at 30 June 2017 (£37,010,000) was cancelled on 21 September 2017. This reduction enables the Company to create distributable reserves which may be used for the purposes of buy-backs of the Company's shares, thereby improving the liquidity of its shares and minimising their discount to net asset value, and for other corporate purposes capable of being undertaken by the Company from time to time.

Total share premium cancelled (including £2,093,000 previously cancelled) will be available for distribution from the following dates.

	£000
1 April 2018	23,029
1 April 2019	6,295
1 April 2020	8,288
1 April 2021	1,491
Cancelled share premium not yet distributable	**39,103**

On filing these financial statements at Companies House the reserves available for distribution will be approximately £34,366,000.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	Notes	2018 £000	2017 £000
Net cash outflow from operating activities		**(3,475)**	(951)
Cash flows from (used in) investing activities			
Cash maturing from fixed term deposit		**4,023**	3,028
Purchase of financial assets at fair value through profit or loss	7	**(10,586)**	(6,491)
Proceeds from sale of financial assets at fair value through profit or loss	7	**6,144**	16,968
Deferred consideration	7	**269**	11
Net cash outflow (used in) from investing activities		**(150)**	13,516
Cash flows from (used in) financing activities			
Issue of ordinary shares		**4,245**	-
Costs of ordinary share issues*		**(118)**	(72)
Purchase of own ordinary shares		**(871)**	(404)
Share premium cancellation costs		**(10)**	-
Dividends paid	5	**(4,411)**	(15,861)
Net cash outflow used in financing activities		**(1,165)**	(16,337)
Net decrease in cash and cash equivalents		**(4,790)**	(3,772)
Cash and cash equivalents at the beginning of the year		**14,847**	18,619
Cash and cash equivalents at the end of the year	9	**10,057**	14,847

* 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

	2018 £000	2017 £000
Profit before taxation	**3,364**	4,529
(Decrease) increase in trade and other payables	**(3,142)**	2,642
Decrease in trade and other receivables	**(161)**	(197)
Gain on disposal of investments	**(229)**	(2,763)
Gains on investments held at fair value	**(3,218)**	(5,053)
Capitalised interest and dividends	**(89)**	(109)
Net cash outflow from operating activities	**(3,475)**	(951)

The accompanying notes on pages 55 to 76 are an integral part of these financial statements.

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 (issued in November 2014 and updated in February 2018 with consequential amendments – "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, and amendments to IFRS 2 and IFRS 10. The Company has carried out an assessment and considers that these standards, amendments and interpretations, issued but not yet effective, will not affect the Company's accounting policies, results or net assets. In particular the Company will be able to continue to classify its investments at fair value through profit and loss under IFRS 9, and will consequently not need to apply the impairment model.

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

Financial Assets held at Fair Value through Profit or Loss

Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the documented investment strategy of the Company. Information about these financial assets is provided internally on a fair value basis to the Company's key management. The Company's investment strategy is to invest cash resources in venture capital investments as part of the Company's long-term capital growth strategy. Consequently, all investments are classified as held at fair value through profit or loss.

All investments are measured at fair value on the whole unit of account basis with gains and losses arising from changes in fair value being included in the Statement of Comprehensive Income as gains or losses on investments held at fair value.

Transaction costs on purchases are expensed immediately through profit or loss.

Redemption premiums are designed to protect the value of the Company's investment. These are accrued daily on an effective rate basis and included within the capital valuation of the investment (and thus classified under "Gain or loss on investments held at fair value" in the Statement of Comprehensive Income).

Although the Company holds more than 20 per cent of the equity of certain companies, it is considered that the investments are held as part of the investment portfolio, and their value to the Company lies in their marketable value as part of that portfolio. These investments are therefore not accounted for using equity accounting, as permitted by IAS 28 'Investments in associates' and IFRS 11 'Joint arrangements' which give exemptions from equity accounting for venture capital organisations.

Under IFRS 10 "Consolidated Financial Statements", control is presumed to exist when the Company has power over an investee (whether or not used in practice); exposure or rights; to variable returns from that investee, and ability to use that power to affect the reporting entities returns from the investees. The Company does not hold more than 50 per cent of the equity of any of the companies within the portfolio. The Company does not control any of the companies held as part of the investment portfolio. It is not considered that any of the holdings represent investments in subsidiary undertakings.

Valuation of Investments

Unquoted investments are valued in accordance with IFRS 13 "Fair Value Measurement" and, where appropriate, the International Private Equity and Venture Capital (IPEV) Valuation Guidelines ("the Guidelines") issued in December 2015. Quoted investments are valued at market bid prices. A detailed explanation of the valuation policies of the Company is included overleaf.

1. Principal Accounting Policies (continued)

Initial measurement

Financial assets are initially measured at fair value. The best estimate of the initial fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

Subsequent measurement

The Guidelines identify six of the most widely used valuation methodologies for unquoted investments. The Guidelines advocate that the best valuation methodologies are those that draw on external, objective market based data in order to derive a fair value.

Unquoted Investments

- **Price of recent investment, reviewed for change in fair value.** This represents the cost of the investment or the price at which a significant amount of new investment has been made by an independent third party adjusted, if necessary, for factors relevant to the background of the specific investment. The value of the investment is assessed for changes or events that would imply either a reduction or increase to its fair value through comparison of financial, technical and marketing milestones set at the time of investment. Where it is considered that the fair value no longer approximates to the cost of the recent investment an estimated adjustment to the cost, based on objective data, will be made to the investment's carrying value.
- **Earnings multiple.** A multiple that is appropriate and reasonable, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of that company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies.
- **Sales multiples and industry valuation benchmarks.** Where appropriate comparator companies can be identified, multiples of revenues may be used as a valuation benchmark.
- **Net assets.** The value of the business is derived by using appropriate measures to value the assets and liabilities of the investee company.
- **Discounted cash flows of the underlying business.** The present value of the underlying business is derived by using reasonable assumptions and estimations of expected future cash flows and the terminal value, and discounted by applying the appropriate risk-adjusted rate that quantifies the risk inherent in the company.
- **Discounted cash flows from the investment.** Under this method, the discounted cash flow concept is applied to the expected cash flows from the investment itself rather than the underlying business as a whole.

Discounted cash flows and industry valuation benchmarks are only likely to be reliable as the main basis of estimating fair value in limited situations. Their main use is to support valuations derived using other methodologies and for assessing reductions in fair value.

Where an independent third party valuation exists, this will be used as the basis to derive the gross attributable enterprise value of the company. In other cases, the most suitable valuation technique, as set out above, is used to determine this value. This value is then apportioned appropriately to reflect the respective amounts accruing to each financial instrument holder in the event of a sale at that level at the reporting date.

Unquoted investments held in the form of loan investments are valued at fair value using the appropriate methodologies as used for valuing equity investments, primarily being price of recent investment, earnings multiple and sales multiple.

Quoted Investments

Quoted investments and listed investment funds are valued at active market bid price. An active market is defined as one where transactions take place regularly with sufficient volume and frequency to determine price on an ongoing basis. Where the Company judges that the level of trading does not meet these requirements one of the methodologies above will be used to value the investment. No methodology other than active market bid price has been applied as at 31 March 2018.

Income

Dividend income on unquoted equity shares is recognised at the time when the right to the income is established. Interest on loan stock and dividends on preference shares are accrued daily on an effective rate basis. Provision is made against this income where recovery is doubtful. Where interest and preference dividends are rolled up and/or payable at redemption then they are recognised as income unless there is reasonable doubt as to their receipt.

Expenses

Expenses are accounted for on an accruals basis. Expenses are charged through the Revenue column of the Statement of Comprehensive Income, except for the Investment Adviser's fee and incentive fees. Of the Investment Adviser's fees 75 per cent are allocated to the Capital column of the Statement of Comprehensive Income, to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent of the Company's investment returns will be in the form of capital gains. The incentive fee payable to the Investment Adviser (as set out in note 3) is charged wholly through the Capital column.

Tax relief is allocated to the Capital Reserve using a marginal basis.

Cash and Cash Equivalents

Cash and cash equivalents include cash at hand as this meets the definition in IAS 7 'Statement of cash flows' of a short term highly liquid investment that is readily convertible into known amounts of cash and subject to insignificant risk of change in value.

Balances held in fixed term deposits are not classified as cash and cash equivalents, as they do not meet the definition in IAS 7 'Statement of cash flows' of short-term highly liquid investments.

Cash flows classified as "operating activities" for the purposes of the Statement of Cash Flows are those arising from the Revenue column of the Income Statement, together with the items in the Capital column that do not fall to be easily classified under the headings for "Investing Activities" given by IAS 7 'Statement of cash flows', being advisory and incentive fees payable to the Investment Adviser. The capital cash flows relating to acquisition and disposal of investments are presented under "investing activities" in the Statement of Cash Flows in line with both the requirements of IAS 7 and the positioning given to these headings by general practice in the industry.

Share Capital and Reserves

Share Capital

This reserve contains the nominal value of all shares allotted under offers for subscription.

Share Premium Account

This reserve contains the excess of gross proceeds less issue costs over the nominal value of shares allotted under offers for subscription, to the extent that it has not been cancelled.

Capital Redemption Reserve

The nominal value of shares bought back and cancelled is held in this reserve, so that the Company's capital is maintained.

Capital Reserve

The following are included within this reserve:

- Gains and losses on realisation of investments;
- Realised losses upon permanent diminution in value of investments;
- 75 per cent of the Investment Adviser's fee expense, together with the related taxation effect to this reserve in accordance with the policy on expenses in note 1 of the financial statements;
- Incentive fee payable to the Investment Adviser;
- Capital dividends paid to shareholders;
- Purchase and holding of the Company's own shares; and
- Credits arising from the cancellation of any share premium account.

Investment Holding Gains (Losses) Reserve

Increases and decreases in the valuation of investments held at the year end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

Revenue Reserve

This reserve includes all income from investments along with any costs associated with the running of the Company – less 75 per cent of the advisory fee expense as detailed in the Capital Reserve above.

1. Principal Accounting Policies (continued)

Taxation

Due to the Company's status as a venture capital trust and the continued intention to meet the conditions required to comply with Chapter 3 Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises. Deferred tax is recognised on all temporary differences that have originated, but not reversed, by the balance sheet date.

Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised. Deferred tax assets and liabilities are not discounted.

Dividends Payable

Dividends payable are recognised only when an obligation exists. Interim and special dividends are recognised when paid and final dividends are recognised when approved by shareholders in general meetings.

Segmental Reporting

In accordance with IFRS 8 'Operating segments' and the criteria for aggregating reportable segments, segmental reporting has been determined by the directors based upon the reports reviewed by the Board. The directors are of the opinion that the Company has engaged in a single operating segment - investing in equity and debt securities within the United Kingdom - and therefore no reportable segmental analysis is provided.

Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with generally accepted accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine the fair value of investments at fair value through profit or loss, as disclosed in note 7 to the financial statements.

The fair value of investments at fair value through profit or loss is determined by using valuation techniques. As explained above, the Board uses its judgement to select from a variety of methods and makes assumptions that are mainly based on market conditions at each balance sheet date.

2. Income

	2018 £000	2017 £000
Dividends from unquoted companies	**503**	763
Dividends from AIM quoted companies	**16**	28
Interest on loans to unquoted companies	**1,440**	1,728
Income from investment portfolio	**1,959**	2,519
Dividends from listed investment funds	**23**	-
Interest from listed investment funds	**7**	-
Fixed interest Government securities	**12**	16
Income from investments held at fair value through profit or loss	**2,001**	2,535
Interest on bank deposits	**151**	278
	2,152	2,813

The above is stated net of £415,000 (2017: £353,000) of income in relation to loan interest and preference dividends, which has not been recognised.

3. Administrative Expenses

	2018 £000	2017 £000
Investment Adviser's fee	**1,720**	1,908
Incentive fee	**-**	3,649
Administration fee	**62**	61
Total payable to YFM Private Equity Limited	**1,782**	5,618
Other expenses:		
Trail commission paid to financial intermediaries	**137**	168
Directors' remuneration	**102**	101
General expenses	**79**	83
Listing and registrar fees	**45**	49
Auditor's remuneration (excluding irrecoverable VAT):		
- audit of the statutory financial statements	**28**	26
- audit related assurance services	**-**	8
Irrecoverable VAT	**21**	24
Printing	**41**	23
	2,235	6,100
Ongoing charges figure	**2.48%**	2.43%

Directors' remuneration comprises only short term benefits including social security contributions of £8,000 (2017: £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 (2017: £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 this Report.

Following the Financial Conduct Authority's registration of the Company as a Small Registered Alternative Investment Fund Manager in 2014, 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. The fee is payable quarterly in advance. Based on the Company's net assets at 31 March 2018 of £86,137,000 this equates to £1,723,000 per annum, 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 £62,000 for the year ended 31 March 2018 (2017: £61,000); 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 (2017: £nil).

When the Company makes investments into its unquoted portfolio the Investment Adviser charges that investee an advisory or arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Investment Adviser have agreed that, if the average of the relevant fees during the Company's financial year exceeds 3.0 per cent of the total invested into new portfolio

3. Administrative Expenses (continued)

companies and 2.0 per cent into follow-on holdings this excess will be rebated to the Company. As at 31 March 2018, the Company was due a rebate from the Investment Adviser of £nil (2017: £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 2018 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 5.1 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. 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 Investment Adviser has not met these targets in the current year although they were exceeded in the prior year. Consequently £nil has been accrued within trade and other payables (2017: £3,648,873) in respect of the year ended 31 March 2018. Of the amount accrued at 31 March 2017 £3,125,568 was paid following the Annual General Meeting on 1 August 2017. The remaining unpaid incentive amount of £523,305 remains accrued within trade and other payables and will 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 total remuneration payable to YFM Private Equity Limited under the IAA and the Incentive Agreement in the period was £1,782,000 (2017: £5,618,000).

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 2018 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £680,000 (2017: £627,000).

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 payable to YFM Private Equity Limited under this offer for the year ended 31 March 2017 amounted to £133,287.

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 42 under the heading "Directors' Remuneration for the year ended 31 March 2018 (audited)".

4. Taxation

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit before taxation	**1,207**	**2,157**	**3,364**	1,793	2,736	4,529
Profit before taxation multiplied by standard rate of corporation tax in UK of 19% (2017: 20%)	**229**	**410**	**639**	359	547	906
Effect of:						
UK dividends received	**(104)**	**-**	**(104)**	(158)	-	(158)
Non-taxable profits on investments	**-**	**(655)**	**(655)**	-	(1,563)	(1,563)
Excess advisory expenses	**-**	**120**	**120**	-	815	815
Tax charge (credit)	**125**	**(125)**	**-**	201	(201)	-

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

Deferred tax assets of £1,628,000 (2017: £1,521,000) calculated at 17% in respect of unrelieved management expenses (£9.58 million as at 31 March 2018 (2017: £8.95 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:

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final dividend for the year ended 31 March 2016 of 3.5p per ordinary share	**-**	**-**	**-**	844	2,503	3,347
Special interim dividend for the year ended 31 March 2017 of 2.0p per ordinary share	**-**	**-**	**-**	-	1,913	1,913
Interim dividend for the year ended 31 March 2018 of 5.75p (2017: 16.5p) per ordinary share	**-**	**6,150**	**6,150**	596	15,370	15,966
	-	**6,150**	**6,150**	1,440	19,786	21,226
Shares allotted under DRIS			**(1,746)**			(5,367)
Unclaimed dividends			**7**			2
Dividends paid in Statement of Cash Flows			**4,411**			15,861

The interim dividend of 5.75 pence per ordinary share was paid on 26 May 2017 to shareholders on the register as at 5 May 2017.

During the year the Company has received £nil (2017: £28,000) from the Registrars in respect of unclaimed dividends. The Company has made efforts to contact the relevant shareholders, with the result that £7,000 (2017: £30,000) 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 £3,364,000 (2017: £4,529,000) and 108,702,504 (2017: 97,454,019) 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 £1,082,000 (2017: £1,592,000) and 108,702,504 (2017: 97,454,019) 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 £2,282,000 (2017: £2,937,000) and 108,702,504 (2017: 97,454,019) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 2,407,686 new ordinary shares in respect of its DRIS.

The Company has also repurchased 1,177,019 of its own shares in the year, and these shares are held in the capital reserve. The total of 5,225,018 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 ordinary share are the same.

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 equivalent for both of the years ended 31 March 2018 and 31 March 2017.

7. Financial Assets at Fair Value through Profit or Loss

IFRS13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- **Level 1:** quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1 and comprise listed investment funds, AIM quoted investments and other fixed income securities classified as held at fair value through profit or loss.
- **Level 2:** the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Company held no such instruments in the current or prior year.
- **Level 3:** the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings or sales multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The majority of the Company's investments fall into this category.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it is included at the beginning of each accounting period. The change in fair value for the current and previous year is recognised through profit or loss.

There have been no transfers between these classifications in either period.

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

Valuation of Investments

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

Movements in investments at fair value through profit or loss during the year to 31 March 2018 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1		Level 1	Level 1	
	Unquoted Investments £000	Quoted Equity Investments £000	Total Quoted and Unquoted £000	Listed Investment Funds £000	Fixed Income Securities £000	Total Investments £000
Opening cost	40,277	862	**41,139**	-	1,424	**42,563**
Opening investment holding gain	13,802	1,578	**15,380**	-	20	**15,400**
Opening fair value at 1 April 2017	**54,079**	**2,440**	**56,519**	**-**	**1,444**	**57,963**
Additions at cost	8,155	-	**8,155**	2,431	-	**10,586**
Capitalised interest and dividends	89	-	**89**	-	-	**89**
Disposal proceeds	(5,840)	(689)	**(6,529)**	-	(725)	**(7,254)**
Net profit (loss) on disposal*	163	36	**199**	-	(3)	**196**
Change in fair value	2,919	404	**3,323**	(95)	(10)	**3,218**
Closing fair value at 31 March 2018	**59,565**	**2,191**	**61,756**	**2,336**	**706**	**64,798**
Closing cost	42,793	732	**43,525**	2,431	696	**46,652**
Closing investment holding gain (loss)	16,772	1,459	**18,231**	(95)	10	**18,146**
Closing fair value at 31 March 2018	**59,565**	**2,191**	**61,756**	**2,336**	**706**	**64,798**

* The net profit on disposal in the table above is £196,000 whereas that shown in the Statement of Comprehensive Income is £229,000. The difference comprises deferred proceeds of £33,000 in respect of assets which have been disposed of and are not included within the investment portfolio at the year-end (see page 66).

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2017: £nil).

7. Financial Assets at Fair Value through Profit or Loss (continued)

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect change in fair value of financial assets held at the price of recent investment, or to adjust earnings multiples. IFRS 13 requires an entity to disclose quantitative information about the significant unobservable inputs used. Of the Company's Level 3 investments, 56 per cent are held on an earnings multiple basis and 17 per cent on a sales multiple basis, and therefore have significant judgement applied to the valuation inputs.

The table below sets out the range of Price Earnings multiples, Sales multiples and discounts applied in arriving at investments valued on these bases. 18 per cent are recent deals held at cost. The remaining 9 per cent are valued based on previous investment round reviewed for impairment.

Earnings multiple inputs		Software, IT & Telecoms	Business Services	Manufacturing & Industrial Services	Healthcare	Retail & Brands
2018	**PE Multiple Range**	**27.16**	**17.50 – 19.33**	**10.60 – 27.16**	**25.97**	**15.48 – 17.36**
	PE Multiple Weighted Average	**27.16**	**18.79**	**22.59**	**25.97**	**15.71**
2017	PE Multiple Range	28.42 – 34.50	20.74 – 24.68	20.74 – 32.90	27.72	15.41 – 27.04
	PE Multiple Weighted Average	32.88	23.54	27.16	27.72	18.63
2018	**Combined PE and/or Marketability Discount Range**	**68%**	**40% - 68%**	**28% - 68%**	**56%**	**40% - 52%**
	Combined PE and/or Marketability Discount Weighted Average	**68%**	**53%**	**59%**	**56%**	**41%**
2017	Combined PE and/or Marketability Discount Range	46% - 68%	52% - 68%	48% - 68%	64%	48% - 70%
	Combined PE and/or Marketability Discount Weighted Average	62%	62%	65%	64%	56%

Sales multiple inputs		Software, IT & Telecoms
2018 (2017: none)	**Sales Multiple Range**	**4.32 – 6.52**
	Sales Multiple Weighted Average	**5.17**
	Combined PE and/or Marketability Discount Range	**36% - 68%**
	Combined PE and/or Marketability Discount Weighted Average	**54%**

The standard also requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. Each unquoted portfolio company has been reviewed in order to identify the sensitivity of the valuation methodology to using alternative assumptions. Where discounts have been applied (for example to Earnings Levels, Sales levels or PE ratios) alternatives have been considered which still fall within the IPEV Guidelines (see page 56). For each unquoted investment, two scenarios have been modelled: more prudent assumptions (downside case) and more optimistic assumptions (upside case). Applying the downside alternative the value of the unquoted investments would be £4.0 million or 6.7 per cent lower. Using the upside alternative the value would be increased by £5.1 million or 8.6 per cent.

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 £000	Quoted Equity Investments £000	Total Quoted and Unquoted £000	Fixed Income Securities £000	Total Investments £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 67).

7. Financial Assets at Fair Value through Profit or Loss (continued)

The following disposals and loan repayments took place in the year:

	Net proceeds from sale** £000	Cost £000	Opening carrying value as at 1 April 2017 £000	Profit (loss) on disposal £000
Unquoted investments:				
Selima Holding Company Ltd*	2,064	600	1,417	647
GTK (Holdco) Limited	679	679	679	-
Harvey Jones Holdings Limited	970	735	975	(5)
Macro Art Holdings Limited	156	156	156	-
PowerOasis Limited	45	45	45	-
ACC Aviation (via Newacc (2014) Limited)	926	926	926	-
Fairlight Bridge Limited	1,000	1,000	1,000	-
The Heritage Window Company Holdco Limited	-	1,587	479	(479)
Quoted investments:				
AB Dynamics plc	392	67	400	(8)
Gamma Communications plc	120	35	91	29
Mattioli Woods plc	177	28	162	15
Total from disposals in the year	**6,529**	**5,858**	**6,330**	**199**
Deferred proceeds:				
Callstream Group Limited	33	-	-	33
Total from quoted and unquoted investments	**6,562**	**5,858**	**6,330**	**232**
Fixed income securities	725	728	728	(3)
Total	**7,287**	**6,586**	**7,058**	**229**

* Includes potential deferred proceeds of £110,000. There is the potential for total contingent consideration of up to a maximum of £1,410,000, subject to the achievement of agreed milestones over the period to 30 November 2019.

** The total from disposals in the table above is £7,287,000 whereas that shown in the Statement of Cash Flows is £6,144,000. This is due to the timing differences arising between the recognition of the deferred income and its receipt in cash.

The following disposals and loan repayments took place in the year to 31 March 2017:

	Net proceeds from sale* £000	Cost £000	Opening carrying value as at 1 April 2016 £000	Profit (loss) on disposal £000
Unquoted investments:				
Bagel Nash Group Limited	10	10	10	-
Cambrian Park & Leisure Homes Limited (via Cambrian Lodges Holdings Limited)	67	1,675	1,876	(1,809)
Dryden Human Capital Group Limited	-	609	37	(37)
GO Outdoors TopCo Limited	14,314	245	9,387	4,927
GTK (Holdco) Limited	640	336	574	66
Harvey Jones Holdings Limited	469	469	469	-
Lightmain Company Limited	90	150	-	90
Macro Art Holdings Limited	156	156	156	-
Ness (Holdings) Limited	180	1,547	783	(603)
Wakefield Acoustics (via Malvar Engineering Limited)	60	60	60	-
Quoted investments:				
AB Dynamics plc	371	79	308	63
Mattioli Woods plc	325	63	270	55
Total from disposals in the year	**16,682**	**5,399**	**13,930**	**2,752**
Deferred proceeds:				
Callstream Group Limited	11	-	-	11
Total from quoted and unquoted investments	**16,693**	**5,399**	**13,930**	**2,763**

* The total from disposals in the table above is £16,693,000 whereas that shown in the Statement of Cash Flows is £16,968,000. The difference comprises deferred proceeds of £275,000 which had not been received at 31 March 2017.

Significant Interests

YFM Private Equity Limited, the Company's Investment Adviser, also acts as investment adviser or manager to certain other funds that have invested in some of the companies within the current portfolio of the Company. Details of these investments are summarised in the tables on pages 68 and 69.

7. Financial Assets at Fair Value through Profit or Loss (continued)

At 31 March 2018 the Company held a significant holding of at least 20 per cent of the issued ordinary share capital, either individually or alongside commonly advised/managed funds, in the following companies:

Company	Principal activity	No of shares held by the Company	Percentage of class held by the Company*	Percentage of class held by commonly advised/ managed funds*
ACC Aviation (via Newacc (2014) Limited)**	Business Services	21,780,000	20%	50%
Bagel Nash Group Limited	Food Retail and Manufacturing	49,648	7%	40%
Biz2Mobile Limited	Software, IT & Telecomms	2,542,372	16%	27%
Business Collaborator Limited**	Software, IT & Telecomms	189,000	29%	48%
Deep-Secure Ltd	Software, IT & Telecomms	99,357	16%	57%
DisplayPlan Holdings Limited**	Business Services	2,340	23%	35%
EL Support Services Limited**	Business Services	3,500	50%	100%
e2E Engineering Limited	Software, IT & Telecomms	450,344	14%	23%
Friska Limited**	Retail & Brands	90,348	22%	36%
Gill Marine Holdings Limited	Retail & Brands	184,675	18%	66%
GTK (Holdco) Limited**	Manufacturing & Industrial	22,222,200	27%	48%
Harris Hill Holdings Limited	Business Services	65,714	10%	36%
The Heritage Window Company Holdco Limited**	Manufacturing & Industrial	15,000	30%	50%
Intamac Systems Limited	Software, IT & Telecomms	500,000	4%	34%
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)**	Business Services	159,913	27%	44%
KeTech Enterprises Limited	Software, IT & Telecomms	128,333	15%	46%
Macro Art Holdings Limited**	Business Services	150,000	21%	35%
Mangar Health Limited**	Healthcare	117,832	26%	48%
Matillion Limited	Software, IT & Telecomms	38,756	11%	21%
NB Technology Services Limited**	Software, IT & Telecomms	3,500	50%	100%
Ncam Technologies Limited	Software, IT & Telecomms	27,059	17%	38%
OC Engineering Services Limited**	Manufacturing & Industrial	3,500	50%	100%
RMS Group Holdings Limited	Manufacturing & Industrial	153,293	15%	21%
Seven Technologies Holdings Limited	Software, IT & Telecomms	992,175	10%	38%
SH Healthcare Services Limited**	Healthcare	3,500	50%	100%
Sipsynergy (via Hosted Network Services Limited)**	Software, IT & Telecomms	443,748	20%	50%
SP Manufacturing Services Limited**	Manufacturing & Industrial	3,500	50%	100%
Springboard Research Holdings Limited	Business Services	257,840	19%	32%
Wakefield Acoustics (via Malvar Engineering Limited)**	Manufacturing & Industrial	74,400	25%	41%

* Fully diluted holding.

** The registered office of these significant holdings is given on page 84.

In a number of cases the issued ordinary share capital of an investee company is split into different classes of shares and thus the percentages given above do not necessarily represent the Company's (or other commonly managed funds') percentage holding of an investee company's total equity.

The amounts shown below are the net cost of investments as at 31 March 2018 and exclude those companies which are in receivership or liquidation.

	British Smaller Companies VCT plc £000	British Smaller Companies VCT2 plc £000	British Smaller Companies EIS Fund £000	The Chandos Fund LP £000	Other commonly managed funds £000	Total £000
AB Dynamics plc	68	49	-	-	-	117
ACC Aviation (via Newacc (2014) Limited)	1,142	760	-	-	952	2,854
Bagel Nash Group Limited	944	630	-	2,185	-	3,759
Biz2Mobile Limited	1,500	1,000	-	-	-	2,500
Business Collaborator Limited	2,010	1,340	-	-	-	3,350
Deep-Secure Ltd	1,000	500	-	2,571	429	4,500
DisplayPlan Holdings Limited	130	70	-	-	-	200
E2E Engineering Limited	900	600	-	-	-	1,500
Eikon Holdco Limited	3,000	2,000	-	-	1,000	6,000
EKF Diagnostics plc	448	437	-	-	-	885
EL Support Services Limited	500	500	-	-	-	1,000
Friska Limited	1,800	1,200	-	-	-	3,000
Gamma Communication plc	104	72	-	-	-	176
Gill Marine Holdings Limited	2,500	1,870	600	4,000	-	8,970
GTK (Holdco) Limited	222	146	250	-	-	618
Harris Hill Holdings Limited	600	-	-	2,349	-	2,949
The Heritage Window Company Holdco Limited	615	410	-	-	300	1,325
Intamac Systems Limited	302	905	-	2,422	-	3,629
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	2,934	1,956	-	-	-	4,890
KeTech Enterprises Limited	2,000	2,000	-	-	1,000	5,000
Leengate Holdings Limited	1,401	934	-	-	-	2,335
Macro Art Holdings Limited	746	497	-	-	-	1,243
Mangar Health Limited	2,460	1,640	500	-	-	4,600
Matillion Limited	2,666	1,778	-	-	635	5,079
NB Technology Services Limited	500	500	-	-	-	1,000
Ncam Technologies LImited	1,466	977	-	-	921	3,364
OC Engineering Services Limited	500	500	-	-	-	1,000
PowerOasis Limited	445	594	-	1,186	-	2,225
RMS Group Holdings Limited	180	70	-	-	-	250
Seven Technologies Holdings Limited	1,984	1,238	370	4,491	500	8,583
SH Healthcare Services Limited	500	500	-	-	-	1,000
SP Manufacturing Services Limited	500	500	-	-	-	1,000
Springboard Research Holdings Limited	2,647	1,765	-	-	-	4,412
Sipsynergy (via Hosted Network Services Limited)	1,770	1,309	-	-	921	4,000
TeraView Limited	377	377	-	-	-	754
Traveltek Group Holdings Limited	1,470	980	-	-	1,250	3,700
Wakefield Acoustics (via Malvar Engineering Limited)	1,080	720	-	-	-	1,800

8. Trade and Other Receivables

	2018 £000	2017 £000
Non-current assets:		
Trade receivables	**1,284**	1,160
Current assets:		
Trade receivables	**1,897**	1,216
Less: Allowances for credit losses on trade receivables	**(228)**	(448)
Trade receivables - net	**1,669**	768
Other debtors	**-**	4,245
Prepayments and accrued income	**64**	55
	1,733	5,068
Allowance for credit losses on trade receivables:		
Allowances as at 1 April	**448**	95
Trade receivable written off	**(320)**	-
Unused amount reversed – credited to Statement of Comprehensive Income	**-**	(44)
Additions – charged to Statement of Comprehensive Income	**100**	397
Allowances as at 31 March	**228**	448

Trade receivables are assessed for reduction in fair value when older than 90 days or where there is reasonable doubt that payment will be received in due course. As of 31 March 2018, there was £84,000 of trade receivables that were past due but not impaired (2017: £nil). These were received by the end of May 2018.

The carrying amounts of the Company's trade and other receivables are denominated in sterling.

The maximum exposure to credit risk at the reporting date in respect of trade and other receivables is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

Other debtors at 31 March 2017 represents the net proceeds arising from the allotment of ordinary shares on 29 March 2017 which were received in April 2017.

9. Cash and Cash Equivalents

	2018 £000	2017 £000
Cash at bank	**10,057**	14,847
Cash and Cash Equivalents	**10,057**	14,847

At 31 March 2018 a further £9.0 million (2017: £13.0 million) is also held in notice and fixed term deposit accounts with a notice period of 95 days. In accordance with the definition of cash and cash equivalents the amounts in both the current and prior year are shown separately as a current asset on the face of the balance sheet.

10. Trade and Other Payables

	2018 £000	2017 £000
Incentive fee	**523**	3,649
Accrued expenses	**213**	340
	736	3,989

An amount of £523,305 has been accrued within trade and other payables in relation to the performance incentive fee for the year ended 31 March 2017, as explained further in note 3. This will be paid following the Annual General Meeting on 5 September 2018.

11. Called-up Share Capital

	2018 Allotted, Called-up and Fully paid £000	2017 Allotted, Called-up and Fully paid £000
Ordinary shares of 10 pence		
Issued: 113,415,182 (2017: 111,007,496) including 5,225,018 shares held in treasury (2017: 4,047,999).	**11,342**	11,101

The movements in the year were as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2017				111,007,496	11,101
Issue of shares	DRIS	72.53	26 May 2017	2,407,686	241
As at 31 March 2018 (including treasury shares)				**113,415,182**	**11,342**
As at 31 March 2018 (excluding treasury shares)				**108,190,164**	

During the year the Company purchased 1,177,019 (2017: 458,334) of its own shares and these shares are held on the balance sheet in the Capital Reserve. Full details of the share purchases are set out in the Directors' Report under the heading 'Buy-back and Issue of Shares'. The treasury shares have been included in calculating the number of ordinary shares in issue, and excluded in calculating the number of ordinary shares with voting rights in issue at 31 March 2018 and 31 March 2017.

The movement in the previous year to 31 March 2017 was as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2016				99,345,335	9,935
Issue of shares	DRIS	93.10	5 August 2016	847,016	85
Issue of shares	DRIS	91.20	5 August 2016	494,088	49
Issue of shares	DRIS	77.71	18 January 2017	5,312,221	531
Issue of shares	Fundraising	84.64 - 86.34	29 March 2017	5,008,836	501
As at 31 March 2017 (including treasury shares)				**111,007,496**	**11,101**
As at 31 March 2017 (excluding treasury shares)				**106,959,497**	

12. 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 £86,137,000 (2017: £88,072,000) and 108,190,164 (2017: 106,959,497) 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 2018 and 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.

13. Total Return per Ordinary Share

The total return per ordinary share is calculated on cumulative dividends paid of 136.4 pence per ordinary share (2017: 130.7 pence per ordinary share) plus the net asset value as calculated per note 12.

14. Financial Commitments

There are no financial commitments at 31 March 2018.

15. Related Party Transactions

There are no related party transactions.

16. Events after the Balance Sheet Date

On 18 May 2018 the Company paid an interim dividend for the year ending 31 March 2019 of 4.0 pence per ordinary share with 1,751,747 ordinary shares being issued under the Company's DRIS.

In April 2018 the Company made a new investment of £1.32 million into Hutchinson Networks Limited with a further £1.80 million invested into Arcus Global Limited during May 2018.

In May 2018 the Company has received a total of £1.9 million in deferred consideration and loan repayments from Fairlight Bridge Limited and ACC Aviation.

17. Financial Instruments

The Company has no derivative financial instruments and has no financial asset or liability for which hedge accounting has been used in either year. The Company classifies its financial assets as either fair value through profit or loss or loans and receivables, and its financial liabilities, primarily accrued expenses, as fair value through profit or loss.

It is the directors' opinion that the carrying value of trade receivables and trade payables approximates their fair value. Therefore, the directors consider all assets and liabilities to be carried at a valuation which equates to fair value.

Investments are made in a combination of equity, fixed rate and variable rate financial instruments so as to comply with VCT legislation and provide potential future capital growth. Surplus funds are held in bank deposits until suitable qualifying investment opportunities arise.

In accordance with IAS 39, the Company has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain criteria set out in the standard. No embedded derivatives have been identified by the Company.

The accounting policies for financial instruments have been applied to the items below:

Assets as per balance sheet

	2018		2017	
	Loans and receivables £000	Assets at fair value through profit or loss £000	Loans and receivables £000	Assets at fair value through profit or loss £000
Non-current assets				
Financial assets at fair value through profit and loss	**-**	**64,798**	-	57,963
Accrued income	**1,284**	**-**	1,160	-
Current assets				
Cash and cash equivalents	**10,057**	**-**	14,847	-
Cash on fixed term deposit	**9,001**	**-**	13,023	-
Trade and other receivables	**1,669**	**-**	768	-
Other debtors	**-**	**-**	4,245	-
	22,011	**64,798**	34,043	57,963
Other assets – not financial instruments	**64**	**-**	55	-
	22,075	**64,798**	34,098	57,963

Assets classified as fair value through profit or loss were designated as such upon initial recognition. The Company has not reclassified financial assets between any of the categories detailed in IAS 39, either in current or prior periods.

Liabilities as per balance sheet

	2018 Other financial liabilities £000	2017 Other financial liabilities £000
Trade and other payables	**(736)**	(3,989)

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed are market risk, credit risk and liquidity risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below. There have been no changes since last year in the objectives, policies, and processes for managing and measuring risks facing the Company.

17a Market Risk

Market Price Risk

The Company invests in new and expanding businesses, the shares of which may not be traded on the stock market. Consequently, exposure to market factors, in relation to many investments, stems from market based measures that may be used to value unlisted investments. The Company also holds a number of quoted investments.

The market also defines the value at which investments may be sold. Returns are therefore maximised when investments are bought or sold at appropriate times in the economic cycle.

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. In addition, the ability of the Company to purchase or sell investments is also constrained by requirements set down for VCTs.

17. Financial Instruments (continued)

Of the Company's financial assets at fair value through profit or loss, 3 per cent are quoted on AIM (2017: 4 per cent) and 4 per cent (2017: none) are investment funds listed on the main market of the London Stock Exchange (including FCA authorised and regulated UCITS funds). A 5 per cent increase in stock prices as at 31 March 2018 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £226,000 (2017: £122,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

Of the Company's financial assets at fair value through profit or loss, 92 per cent are in unquoted companies held at fair value (2017: 96 per cent). The valuation methodology for these investments includes the application of externally produced sales multiples and FTSE® PE multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Investments have been valued in line with the valuation guidelines described within Note 1. Those using earnings and sales multiple methodologies include judgements regarding the level of discount applied to that multiple. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £3,966,000 (4.6 per cent of net assets). An equal change in the opposite direction would have decreased net assets attributable to the Company's shareholders and the total profit for the year by £3,687,000 (4.3 per cent of net assets).

Other valuations are valued at the price of recent investment, reviewed and discounted where the fair value of the investment no longer equates to the cost of the recent investment. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £1,211,000 (1.4 per cent of net assets).

The largest single concentration of risk relates to the Company's investment in Matillion Limited which constitutes 5.7 per cent (2017: ACC Aviation (via Newacc (2014) Limited) at 6.1 per cent) of the net assets attributable to the Company's shareholders. The Board seeks to mitigate this risk by diversifying the portfolio and monitors the status of all investments on an ongoing basis. The average investment (excluding those managed on a discretionary basis by Brewin Dolphin Securities Limited) is 1.9 per cent (2017: 1.7 per cent) of the value of net assets.

Comparison of realised proceeds to unrealised valuations

The table below shows a comparison of the realised proceeds to the unrealised valuations one year prior to sale, for all disposals of unquoted investments over the last ten years.

Full disposal	Date of Disposal	Sale proceeds £000	Valuation £000	Gain (loss) £000
Sheet Piling (UK) Limited	March 2010	1,288	750	538
Primal Pictures Limited	August 2012	537	307	230
Fishawack Limited	March 2013	1,303	896	407
Waterfall Services Limited	December 2014	3,854	1,952	1,902
President Engineering Group Limited	July 2015	7,534	4,071	3,463
Insider Technologies (Holdings) Limited	October 2015	1,159	880	279
Callstream Group Limited	March 2016	785	773	12
GO Outdoors Topco Limited	November 2016 & April 2011	20,849	9,932	10,917
Cambrian Park & Leisure Homes Limited	March 2017	-	1,876	(1,876)
Ness (Holdings) Limited*	March 2017	180	764	(584)
Selima Holding Company Ltd*	May 2017	2,064	923	1,141
Harvey Jones Holdings Limited	August 2017	970	1,113	(143)
Other	December 2009 to January 2017	172	124	48
		40,695	**24,361**	**16,334**

* includes estimated value of deferred consideration on exit or liquidation.

Interest Rate Risk

The Company's venture capital investments include £21,213,000 (2017: £21,719,000) of loan stock in unquoted companies. The majority of this loan stock at 31 March 2018 is at fixed rates to guard against fluctuations in interest rates. As a result the Company is exposed to cash flow interest rate risk on £750,000 (2017: £1,650,000) of its loan stock portfolio.

The Company holds a fixed income Government security. The value of the holding is inversely linked to movements in market interest rates and as such this portfolio is subject to fair value interest rate risk. The Board believes this risk to be satisfactorily mitigated.

The Company has some exposure to interest rates as a result of interest earned on bank deposits. Other financial assets (being accrued income) and other financial liabilities (being accrued expenses) attract no interest and have an expected maturity date of less than one year. A sensitivity analysis has not been performed as the amounts involved are not considered to be significant.

	2018			2017		
	£000	Weighted average interest rate %	Weighted average time for which rate is fixed Months	£000	Weighted average interest rate %	Weighted average time for which rate is fixed Months
Fixed rate loan stock and preference shares	**30,157**	**8.8**	**23**	27,834	8.9	26
Fixed income securities	**706**	**1.3**	**4**	1,444	1.1	11
Cash on fixed term deposit	**9,001**	**1.1**	**2**	13,023	0.9	2
Combined	**39,864**	**6.9**	**18**	42,301	6.2	18

Exchange Rate Risk

The Company has no significant direct exposure to exchange rate risk.

17b Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Adviser has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets excluding equity investments total £56,229,000 (2017: £60,541,000) which best represents the maximum credit risk exposure at the balance sheet date.

The Company does not invest in floating rate instruments other than, on occasion, unquoted loan stock. Credit risk on unquoted loan stock held within unlisted investments is considered to be part of market risk as disclosed above.

The fair value of the loans and receivables is not regarded as having changed due to the changes in credit risk in either year.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk. Bankruptcy or insolvency of the broker may cause the Company's rights with respect to securities held by the broker to be delayed or limited. The Investment Adviser monitors the Company's risk by reviewing the broker's internal control reports on a regular basis.

The cash held by the Company is held across a number of banks to spread the risk. Bankruptcy or insolvency of these banks may cause the Company's rights with respect to the cash held by the bank to be delayed or limited. The banks and financial adviser used by the Company are large and reputable. Should the credit quality or the financial position of the banks deteriorate significantly the Investment Adviser will move the cash holdings to another bank.

The Company holds a number of listed investment funds. Market disruption could delay the Company's ability to redeem these investments and their values may fall. The Investment Adviser and the Board monitor these investments on a regular basis in conjunction with the Company's Financial Adviser. The holdings are intended as medium to long-term investments but they could be sold on the market if necessary.

17. Financial Instruments (continued)

The maturities of the loan stock portfolio are as follows:

	2018 £000				2017 £000			
	<1 year	1-2 years	2-5 years	>5 years	<1 year	1-2 years	2-5 years	>5 years
Unquoted loan investments	**8,432**	**5,806**	**6,498**	**477**	2,405	10,458	8,856	-

The past due maturity dates of the loan stock portfolio are as follows:

Included within unquoted loan investments are £1,178,000 of loans which are past their due date but have been re-negotiated.

An aged analysis of the unquoted loan investments included above, which are past due but not individually impaired, is set out below. For this purpose these loans are considered to be past due when any payment due date under the loan's contractual terms (such as payment of interest) is received late or missed. The full value of the loan is given even though, in some cases, the only default is in respect of interest.

	2018 £000 0-6 months	2017 £000 0-6 months
Loans to investee companies past due	**5,033**	3,914

17c Liquidity Risk

The risk to the Company relates to liabilities which fall due within one year. These liabilities are deemed immaterial and as such the risk associated with them is minimal.

The Company needs to retain enough liquid resources to support the financing needs of its investment businesses. To meet this aim the Company places its surplus funds in a mixture of Government gilts, bank interest deposit accounts and listed investment funds. Investments in liquid funds are held for the purpose of liquidity whilst waiting for suitable qualifying investment opportunities to arise. The quoted investments and listed investment funds are closely monitored and could be realised at short notice if required, although there is some risk that redemptions could be suspended in extreme market conditions.

The Company's liquidity risk is managed on an ongoing basis by the Investment Adviser in accordance with policies and procedures in place. The cash requirements of the Company in respect of each investment are assessed at monthly portfolio meetings.

The Company's overall liquidity risks are monitored on a quarterly basis by the Board. The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. Of the Company's assets 15.2 per cent (2017: 18.5 per cent) are in the forms of liquid cash and readily realisable securities. There are no undrawn committed borrowing facilities at either year end. The Company does not have a material amount of liabilities at the year end.

18. Capital Management

The Company's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to ensure sufficient liquid resources are available to meet the funding requirements of its investments and to fund new investments where identified.

The Company has no external debt; consequently all capital is represented by the value of share capital, distributable and other reserves. Total shareholder equity at 31 March 2018 was £86.14 million (2017: £88.07 million).

In order to maintain or adjust its capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

There have been no changes in capital management objectives or the capital structure of the business from the previous year. The Company is not subject to any externally imposed capital requirements.

NOTICE OF THE ANNUAL GENERAL MEETING

No: 03134749
BRITISH SMALLER COMPANIES VCT PLC

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at 33 St James Square, London, SW1Y 4JS on 5 September 2018 at 11:00 am for the following purposes:

To consider and, if thought fit, pass the following resolutions:

Ordinary Resolutions

(1) That the annual report and accounts for the year ended 31 March 2018 be received.

(2) That the Directors' Remuneration Report for the year ended 31 March 2018 be approved other than the part of such report containing the Directors' Remuneration Policy.

(3) That Ms H Sinclair be re-elected as a director.

(5) That Mr C W E R Buchan be re-elected as a director.

(5) That Mr R W Cook be re-elected as a director.

(6) That BDO LLP be re-appointed as auditor to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that the directors be authorised to fix their remuneration.

(7) That the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £5,000,000, during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the passing of this Resolution or the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares in the Company to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

(8) That the directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company in connection with the dividend re-investment scheme up to an aggregate nominal amount of £1,500,000 representing approximately 14 per cent of the share capital in issue as at 26 June 2018 (excluding treasury shares) during the period commencing on the date of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted after such expiry and that all previous authorities given to the directors to allot shares in connection with the dividend re-investment scheme be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

(9) That the directors be and are hereby empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this Resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of this Resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in Resolution 7 above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the allotment for cash of equity securities up to an aggregate nominal amount of £5,000,000, but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(3) of the Act (treasury shares) as if in the first paragraph of this Resolution the words "pursuant to the general authority conferred upon the directors in Resolution 7 above" were omitted.

(10) That the directors be and are hereby empowered in accordance with section 570 of the Act during the period commencing on the passing of this resolution and expiring on the fifth anniversary of this resolution (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in Resolution 8 above as if section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the dividend re-investment scheme up to an aggregate nominal amount of £1,500,000, representing approximately 14 per cent of the issued share capital of the Company as at 26 June 2018 (excluding treasury shares) but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

By order of the Board

The City Partnership (UK) Limited
Company Secretary

26 June 2018

Registered office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS

Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006, is available from www.bscfunds.com.

Notes:

(a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. Any such appointment can only be made using the procedures set out in these notes and the notes of the Form of Proxy. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these notes. Please read note (k) below. Under section 319A of the Companies Act 2006, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;

- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy must be completed and signed and with the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at (and prior to the commencement of) the meeting at which the demand is made. If no voting indication is given in the Form of Proxy, your proxy will vote (or abstain from voting) as they think fit in relation to any matter put to the Annual General Meeting.

(c) To be valid, any Form of Proxy or other instrument appointing a proxy, must be returned by no later than 11:00 am on 3 September 2018 through any one of the following methods:

i) by post, courier or (during normal business hours only) hand to the Company's UK registrar at:

Link Asset Services
PXS1
34 Beckenham Road
Beckenham
BR3 4ZF;

ii) electronically through the website of the Company's UK registrar at www.signalshares.com; or

iii) in the case of shares held through CREST, via the CREST system (see note (p) below);

(d) If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

(e) The return of a completed Form of Proxy, electronic filing or any CREST Proxy Instruction (as described in note (p) below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

(f) In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to note (g) directly below, the proxy appointment will remain valid.

(g) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

(h) Copies of the directors' Letters of Appointment, the Register of Directors' Interests in the ordinary shares of the Company, a copy of the amended articles of association (marked up to show the changes) and a copy of the current articles of association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday (weekends and public holidays excluded) from the date of this Notice, until the end of the Annual General Meeting and at the Annual General Meeting venue itself for at least 15 minutes prior to and during the meeting.

(i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at close of business on 3 September 2018 or, in the event that the Annual General Meeting is adjourned, on the Register of Members at close of business on the day two days before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of

such shares registered in their name at the relevant time. Changes to entries on the Register of Members after close of business on 3 September 2018 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

(j) As at 26 June 2018 the Company's issued share capital comprised 109,941,911 ordinary shares of 10 pence each with a further 5,225,018 shares held in treasury. Those treasury shares represented 4.5 per cent of the total issued share capital (including treasury shares) at the aforementioned date. Each ordinary share carries one voting right at the Annual General Meeting of the Company and so the total number of voting rights in the Company as at 26 June 2018 was 109,941,911.

(k) If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"):

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

(l) A company which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

(m) In the case of joint members, any one of them may sign the Form of Proxy. The vote of the person whose name stands first in the register of members of the Company will be accepted to the exclusion of the votes of the other joint holders.

(n) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given on the Form of Proxy, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

(o) Members may not use any electronic address provided either in this Notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

(p) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) not less than 48 hours (excluding weekends and public holidays) before the time of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

BRITISH SMALLER COMPANIES VCT PLC

FORM OF PROXY

To be used at the Annual General Meeting of the Company to be held at 33 St James Square, London, SW1Y 4JS on 5 September 2018 at 11:00 am

I/We _____ being a member/members of the above named Company entitled to attend and vote at the Annual General Meeting of the Company hereby appoint the Chairman of the Annual General Meeting or (see notes (2) to (6)) _____ of

_____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 5 September 2018 at 11:00 am and at any adjournment thereof.

Please tick here if this proxy is one of multiple proxy appointments being made (see note 2) ☐

My/our proxy is to vote on the resolutions as indicated below. Please indicate with an "x" how you wish your vote to be cast. If no voting indication is given, your proxy will vote or abstain from voting on the resolutions at their discretion.

	FOR	AGAINST	WITHHELD
Ordinary Resolutions			
1. To receive the annual report and accounts	☐	☐	☐
2. To approve the Directors' Remuneration Report	☐	☐	☐
3. To re-elect Ms H Sinclair as a director	☐	☐	☐
4. To re-elect Mr C W E R Buchan as a director	☐	☐	☐
5. To re-elect Mr R W Cook as a director	☐	☐	☐
6. To re-appoint BDO LLP as auditor	☐	☐	☐
7. To authorise the directors to allot shares	☐	☐	☐
8. To grant authority to allot shares pursuant to the dividend re-investment scheme for a further period	☐	☐	☐
Special Resolutions			
9. To waive pre-emption rights in respect of the allotment of shares	☐	☐	☐
10. To authorise the directors to waive pre-emption rights in relation to the allotment of shares pursuant to the dividend re-investment scheme for a further period	☐	☐	☐

Signature _____ **Dated** _____ **2018**

Please refer to notes overleaf.

Please complete, sign and date, detach and return the Form of Proxy in the pre-paid envelope provided OR alternatively submit your proxy vote using the on-line facility at www.signalshares.com. You will be asked to enter your investor code, surname and postcode to be able to lodge your vote. Your investor code can be found on your share certificate or recent tax voucher.

Form of Proxy

To be used at the Annual General Meeting of the Company to be held at 33 St James Square, London, SW1Y 4JS on 5 September 2018 at 11:00 am

NOTES

1. The Notice of the Annual General Meeting is set out on pages 77 to 80 of the annual report.
2. Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. Any such appointment can only be made using the procedures set out in these notes and set out in the Notice of the Annual General Meeting. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
3. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the Annual General Meeting" and insert the name and address of the person whom you wish to appoint in the space provided.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at (and prior to the commencement of) the meeting at which the demand is made. If you would like to submit your form of proxy using the web-based voting facility go to www.signalshares.com. You will be asked to enter your investor code, surname and postcode to be able to lodge your vote. Your investor code can be found on your share certificate or recent tax voucher.
5. Any alterations to the Form of Proxy must be initialled by the person who has signed the Form of Proxy.
6. In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note 9 below, the proxy appointment will remain valid.
7. In the case of a company, this Form of Proxy must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the company.
8. In the case of joint shareholders, any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
9. Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
10. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion on any other matter which is put before the Annual General Meeting.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Please complete, sign and date, detach and return the Form of Proxy in the pre-paid envelope provided.

ADVISERS TO THE COMPANY

Investment Adviser
YFM Private Equity Limited
5th Floor, Valiant Building
14 South Parade
Leeds
LS1 5QS

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

Solicitors
Howard Kennedy LLP
No. 1 London Bridge
London
SE1 9BG

Stockbrokers
Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

Financial Adviser
Brewin Dolphin Limited
34 Lisbon Street
Leeds
LS1 4LX

Independent Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

VCT Status Adviser
Philip Hare & Associates LLP
Suite C, First Floor
4-6 Staple Inn
Holborn
London
WC1V 7QH

Bankers
Santander UK plc
44 Merrion Street
Leeds
LS2 8JQ

Company Secretary
The City Partnership (UK) Limited
110 George Street
Edinburgh
EH2 4LH

REGISTERED OFFICE OF SIGNIFICANT HOLDINGS

ACC Aviation (via NewAcc (2014) Limited)
Belgrave House,
39-43 Monument Hill,
Weybridge,
Surrey, KT13 8RN

Business Collaborator Limited
Reading Bridge House,
George Street,
Reading, RG1 8LS

DisplayPlan Holdings Limited
Clare House,
High Street,
Baldock,
Hertfordshire, SG7 6BE

EL Support Services Limited,
NB Technology Services Limited,
OC Engineering Services Limited,
SH Healthcare Services Limited,
SP Manufacturing Services Limited:
5th Floor,
Valiant Building,
14 South Parade,
Leeds, LS1 5QS

Friska Limited
S1, Bristol & Exeter House,
Lower Approach Road,
Bristol,
England, BS1 6QS

GTK (Holdco) Limited
Unit C2 Antura Bond Close,
Basingstoke,
Hampshire, RG24 8PZ

The Heritage Window Company Holdco Limited
Unit 23 Bellingham Trading Estate,
Randlesdown Road,
London, SE6 3BX

Intelligent Office UK
(IO Outsourcing Limited t/a Intelligent Office)
60 Chiswell Street,
London,
England, EC1Y 4AG

Macro Art Holdings Limited
Eltisley Business Park Potton Road,
Abbotsley, St. Neots,
Cambridgeshire, PE19 6TX

Mangar Health Limited
Presteigne Industrial Estate,
Presteigne,
Powys, LD8 2UF

Sipsynergy Limited
Wessex House,
Upper Market Street,
Eastleigh, Hampshire,
England, SO50 9FD

Wakefield Acoustics (via Malvar Engineering Limited)
Flush Mills Westgate,
Heckmondwike,
Wakefield,
West Yorkshire, WF16 0EN

British Smaller Companies VCT plc

5th Floor, Valiant Building
14 South Parade
Leeds LS1 5QS

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