BRITISH SMALLER COMPANIES VCT PLC
Annual Financial Report Announcement for the Year to 31 March 2018

British Smaller Companies VCT plc (the "Company") today announces its audited results for the year ended 31 March 2018.

HIGHLIGHTS

- Underlying growth in the investment portfolio of £3.6 million, an increase of 6.3 per cent.
- Return of 3.0 pence per ordinary share, which is 3.6 per cent of the opening net asset value ("NAV") per ordinary share.
- Four new investments and two follow-on investments totalling £8.2 million were completed during the year. Two further investments totalling £3.1 million have been completed since the year end.
- On 18 May 2017 the Company realised its investment in Selima Holding Company Ltd for initial proceeds of £2.0 million, representing a return of 3.7 times original cost to date.
- Total dividends paid during the year ended 31 March 2018 were 5.75 pence per ordinary share. The directors are not proposing the payment of a final dividend for the year ended 31 March 2018.
- NAV at 31 March 2018 of 79.6 pence per ordinary share, after paying dividends of 5.75 pence per ordinary share.
- Total cumulative dividends paid since inception of 136.4 pence per ordinary share at 31 March 2018.
- Interim dividend for the year ending 31 March 2019 of 4.0 pence per ordinary share paid on 18 May 2018, taking cumulative dividends paid to 140.4 pence per ordinary share.

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.

Financial Results

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

	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 the annual report show in greater detail the movement in total return, net asset value and dividends paid over time.

The investments held at 31 March 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 the 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

Annual General Meeting

The Annual General Meeting of the Company will be held at 11:00 am 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 of the annual report.

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 of the annual report.

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 under the Statement of Changes in Equity 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 above 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

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 of the annual report.

Other Key Policies

Details of the Company's policies on the payment of dividends, the DRIS and the buy-back of shares are given on the inside of the front cover of the annual report. In addition to these the Company's anti-bribery and environmental and social responsibilities policies can be found on page 30 of the annual report.

PROCESSES AND OPERATIONS

The Investment Adviser is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Once approved, further due diligence is carried out 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 of the annual report (note 3).

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

Administration of the 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**. The charts on page 11 of the annual report show the performance history of these benchmarks.

The evaluation of comparative success of the Company's total return is by way of reference to the share price total return for approximately 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 of the annual report.

Shareholder Returns

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

Tax year	Net asset value as at 31 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 Company 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 of the annual report. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

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

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

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

Income Test

The Company's income in the period must be derived wholly or mainly (70 per cent) from shares or securities.

Retained Income Test

The Company must not retain more than 15 per cent of its income from shares and securities.

Qualifying Holdings Test

At least 70 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in Qualifying Holdings of investee companies.

Eligible Shares Test

At least 30 per cent of the Company's Qualifying Holdings must be represented throughout the period by holdings of non-preferential ordinary shares.

For monies raised from 6 April 2011 onwards the eligible shares test above increases to at least 70 per cent of Qualifying Holdings that must be represented by eligible shares.

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

There is also an annual limit for each investee company which provides that they may not raise more than £5 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.

The Budget in November 2017 introduced further changes that come into effect in future years and more detail on these is given in the Investment Review below 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 under the Statement of Changes in Equity.

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.

INVESTMENT PERFORMANCE

Portfolio Structure and Diversity

Set out on page 14 of the annual report is a profile of the investment portfolio by age, investment instrument, value compared to cost and industry sector. 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.

Investment Review

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.

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.

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**	

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.

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 of the annual report give more information on the investments into Eikon Holdco Limited and Matillion Limited.

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.

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**

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 of the annual report.

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 below under the heading "Summary of Investment Portfolio Movement since 31 March 2017".

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 the annual report 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.

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 of the annual report, which takes account of current industry guidelines for the valuation of venture capital portfolios. Adjustments to fair value are made where an investment is significantly under-performing. As at 31 March 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.

Table D Valuation Policy	2018 Valuation £million	2018 % of portfolio by value	2017 % 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 Changes

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_Cap

ital_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

Investment Portfolio Summary at 31 March 2018

Name of company	Date of initial investment	Location	Industry Sector	Current cost	Valuation at 31 March 2018	Proceeds to date	Realised & unrealised value to date*
				£000	£000	£000	£000
Unquoted portfolio							
Matillion Limited	Nov-16	Manchester	Software, IT & Telecomms	2,666	4,938	-	4,938
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	2,934	4,868	-	4,868
ACC Aviation (via NewAcc (2014) Limited)	Nov-14	Reigate	Business Services	1,142	4,673	*926*	5,599
Mangar Health Limited	Jan-14	Powys	Healthcare	2,460	4,156	-	4,156
Eikon Holdco Limited	Mar-18	London	Software, IT & Telecomms	3,000	3,000	-	3,000
GTK (Holdco) Limited	Oct-13	Basingstoke	Manufacturing & Industrial	222	2,937	1,832	4,769
Deep-Secure Ltd	Dec-09	Malvern	Software, IT & Telecomms	1,000	2,861	-	2,861
Business Collaborator Limited	Nov-14	Reading	Software, IT & Telecomms	2,010	2,798	-	2,798
Springboard Research Holdings Limited	Oct-14	Milton Keynes	Business Services	2,647	2,765	-	2,765
Gill Marine Holdings Limited	Sep-13	Nottingham	Retail & Brands	2,500	2,608	-	2,608
KeTech Enterprises Limited	Nov-15	Nottingham	Software, IT & Telecomms	2,000	2,488	-	2,488
Leengate Holdings Limited	Dec-13	Derbyshire	Manufacturing & Industrial	1,401	2,226	-	2,226
DisplayPlan Holdings Limited	Jan-12	Baldock	Business Services	130	1,863	1,521	3,384
Friska Limited	Jul-17	Bristol	Retail & Brands	1,800	1,800	-	1,800
Traveltek Group Holdings Limited	Oct-16	East Kilbride	Software, IT & Telecomms	1,470	1,538	-	1,538
Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Software, IT & Telecomms	1,770	1,475	-	1,475
Ncam Technologies Limited	Mar-18	London	Software, IT & Telecomms	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 & Telecomms	1,500	1,166	-	1,166
Seven Technologies Holdings Limited	Apr-12	Belfast	Software, IT & Telecomms	1,984	992	1,524	2,516
e2E Engineering Limited	Sep-17	Welwyn Garden City	Software, IT & Telecomms	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	Disposal proceeds	Additions including capitalised interest and dividends	Valuation gains including profits / (losses) on disposal	Investment valuation at 31 March 2018
	£000	**£000**	**£000**	**£000**	**£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 plc[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

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

Economic

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

Mitigation **-** As well as the response to 'Investment and Strategic' risk below the Company has a clear investment policy (summarised on page 9 of the annual report) and a diversified portfolio operating in a range of sectors. The Investment Adviser actively monitors investee performance which provides quality information for monthly reviews of the portfolio.

Investment and Strategic

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

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

Regulatory

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

Mitigation **-** The Investment Adviser and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met and actively consult with brokers, solicitors and external compliance advisers as appropriate. The key controls around regulatory compliance are explained on pages 39 and 40 of the annual report.

Reputational

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

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

Operational

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

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

Market/Liquidity

Risk – Lack of liquidity in both the venture capital and public markets. Investment in unquoted and AIM quoted companies, by their nature, involve a higher degree of risk than investment in companies trading on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. The fact that a share is traded on AIM or on the main market does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. 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 on page 41 of the annual report.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

Website Publication

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

Directors' Responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and

- the annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

The names and functions of all the directors are stated on page 31 of the annual report.

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

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 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		**1,284**	1,160
		66,082	59,123
Current assets			
Trade and other receivables		**1,733**	5,068
Cash on fixed term deposit		**9,001**	13,023
Cash and cash equivalents		**10,057**	14,847
		20,791	32,938
Liabilities			
Current liabilities			
Trade and other payables		**(736)**	(3,989)
Net current assets		**20,055**	28,949
Net assets		**86,137**	88,072
Shareholders' equity			
Share capital		**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	8	**79.6p**	82.3p

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Investment holding gains and losses reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£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**

Reserves available for distribution

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

	Capital reserve	Revenue reserve	Total
	£000	£000	£000
Distributable reserves as above	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 below.

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 the 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	7	**4,023**	3,028
Purchase of financial assets at fair value through profit or loss		**(10,586)**	(6,491)
Proceeds from sale of financial assets at fair value through profit or loss		**6,144**	16,968
Deferred consideration		**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		**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)

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.

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	2017
	£000	£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 on page 57 of the annual report. 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 fee 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 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 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2018 (audited)".

4. Taxation

	2018			2017		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£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	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£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

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* Unquoted Investments	*Level 1* Quoted Equity Investments	Total Quoted and Unquoted	*Level 1* Listed Investment Funds	*Level 1* Fixed Income Securities	Total Investments
	£000	£000	£000	£000	£000	£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.

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).

8. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £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.

9. 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 8.

10. Financial Commitments

There are no financial commitments at 31 March 2018.

11. Related Party Transactions

There are no related party transactions.

12. 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.

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2018 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at www.hemscott.com/msn/do. They can also shortly be viewed on the Company's website at www.bscfunds.com. Hard copies of the statutory accounts for the year to 31 March 2018 will be distributed by post or electronically to shareholders and will thereafter be available to members of the public from the Company's registered office.

14. Directors

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

15. Annual General Meeting

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

16. Final Dividend for the Year Ended 31 March 2018

An interim dividend for the year ending 31 March 2019 of 4.0 pence per ordinary share was paid on 18 May 2018. The directors are not proposing the payment of a final dividend for the year ended 31 March 2018.

17. Inside Information

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

For further information, please contact:

David Hall	YFM Equity Partners Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715