BRITISH SMALLER COMPANIES VCT PLC
Annual Financial Report Announcement for the Year to 31 March 2019

British Smaller Companies VCT plc (the "Company") today announces its audited results for the year ended 31 March 2019.

HIGHLIGHTS

- Total Return increasing by 5.7 pence to 221.7 pence per ordinary share, an increase of 7.2 per cent over opening net asset value.

- The underlying growth in the investment portfolio was £6.5 million, an increase of 10.1 per cent.

- Realisations of investments and loan repayments generated total proceeds of £18.8 million in the year, a gain of £4.3 million over the opening carrying value and £9.6 million over cost.

- Three new investments and three follow-on investments totalling £5.7 million were completed during the year. Three further new investments and one follow-on investment totalling £7.8 million have been completed since the year end.

- Net asset value at 31 March 2019 of 74.3 pence per ordinary share (2018 79.6 pence per ordinary share).

- Total dividends paid in the year of 11.0 pence per ordinary share (2018: 5.75 pence per ordinary share). The directors are not proposing the payment of a final dividend for the year ended 31 March 2019.

- Total cumulative dividends paid since inception of 147.4 pence per ordinary share at 31 March 2019 (2018: 136.4 pence per ordinary share).

- Interim dividend for the year ending 31 March 2020 of 4.0 pence per ordinary share paid on 12 June 2019, taking cumulative dividends paid to date to 151.4 pence per ordinary share.

- Successful prospectus offer raising approximately £21.3 million. Shares were allotted in April 2019.

Chairman's Statement

I am pleased to report that your Company has made good progress during the year, with realised gains delivered on the sale of three portfolio companies in December 2018 and also net overall valuation gains across the rest of the portfolio. As a result, Total Return in the year was 5.7 pence per ordinary share, which equates to 7.2 per cent of the net asset value at 31 March 2018. Total Return is now 221.7 pence per ordinary share.

Your Company's investment portfolio delivered a strong performance over the year, generating a return of 10.1 per cent over its opening value, and new and follow-on investments totalling £5.71 million have also been completed.

Realisations in Year

Realisations and loan repayments generated total proceeds of £18.85 million which was a realised gain of £4.29 million over the opening carrying value and £9.61 million over cost. In December 2018 there were three successful realisations:

The sale of the Company's investment in **GTK (Holdco) Limited** generated proceeds of £3.75 million. The total return (including income) from this investment was £5.91 million, a multiple of 3.4x cost.

The sale of the Company's investment in **Mangar Health Limited** generated proceeds of £5.51 million. The total return (including income) from this investment was £6.59 million, a multiple of 2.7x cost.

The sale of the Company's investment in **Gill Marine Holdings Limited** generated proceeds of £3.80 million. The total return (including income) from this investment was £4.96 million, a multiple of 2.0x cost.

This was a very pleasing outcome for your Company, but naturally it reduces the proportion of "old" style investments in the portfolio.

Following these highly successful realisations your Company paid a special interim dividend for the year ended 31 March 2019 of 7.0 pence per ordinary share on 15 February 2019.

New Investments

During the year your Company completed new investments totalling £4.92 million:

During May 2018 £1.80 million was invested into **Arcus Global Limited**, a provider of cloud-based software solutions to local and national public-sector organisations. The funding will support the continued growth of the business; building resource in technology development, sales and customer services. Subsequent to the year-end your Company completed a further investment enabling Arcus to continue expanding its range of software solutions which assists the public sector via improved use of digital technologies.

In March 2019 £1.80 million was invested into **Frescobol Carioca Limited**, the luxury men's resort wear and lifestyle brand. The funds will be used to support the continued growth of the business, especially focussing on furthering the global customer base, and developing e-commerce opportunities.

In April 2018 your Company made an investment of £1.32 million into **Hutchinson Networks Limited**, a leading provider of multi-vendor IT and network solutions to clients globally. See below for further details on this company.

Follow-on investments totalling £0.79 million were made into **Traveltek Group Holdings Limited, Biz2Mobile Limited** and **Ncam Technologies Limited** respectively.

Investments made since the introduction of the new VCT rules in November 2015 made up 38 per cent of the portfolio's value at 31 March 2019.

Realisations since the year end

In April 2019 the Company sold its investment in **Leengate Holdings Limited** for £1.94 million.

In May 2019 **Matillion Limited** successfully raised $35 million to support its continued international expansion. At the same time your Company realised part of its investment for $2.75 million (£2.10 million) at an attractive valuation of $160 million. This equates to the cost of the first investment in November 2016 while retaining 4.96 per cent of the ordinary share capital.

Financial Results

The movement in **Total Return**[1] is set out in the table below:

Total Return[1]		Pence per ordinary share
Cumulative dividends to 31 March 2018	136.4	
NAV at 31 March 2018	79.6	
Total Return at 31 March 2018		216.0
Net underlying increase in investment portfolio	5.9	
Net result after expenses	(0.1)	
Issue/buy-back of shares	(0.1)	
Increase in Total Return		5.7
Total Return at 31 March 2019		**221.7**

1. Total Return is an Alternative Performance Measure.

The increase in Total Return comprised a 5.9 pence per ordinary share uplift in the value of the investment portfolio of which 3.9 pence per ordinary share derived from realised gains. There was a 0.2 pence per ordinary share reduction in the Total Return from other items.

As part of your Board's commitment to maintaining a sustainable level of dividends, supplemented by distributing the proceeds of realisations, interim dividends of 4.0 pence per ordinary share and 7.0 pence per ordinary share in respect of the year ended 31 March 2019 were paid in the period, bringing the cumulative dividends paid to 31 March 2019 to 147.4 pence per ordinary share.

The resultant movements in net asset value ("NAV") per ordinary share and cumulative dividends paid are set out in the table below:

		Pence per ordinary share		£000	
NAV at 31 March 2018			79.6		86,137
Net underlying increase in investment portfolio		5.9		6,544	
Net result after expenses		(0.1)		(139)	
Issue/buy-back of new shares		(0.1)		1,356	
		5.7		7,761	
Dividends paid		(11.0)		(11,875)	
			(5.3)		(4,114)
NAV at 31 March 2019			**74.3**		**82,023**
Cumulative dividends paid			147.4		
Total Return:	**at 31 March 2019**		**221.7**		
	at 31 March 2018		216.0		

The charts on page 13 of the annual report show in greater detail the movement in Total Return and net asset value over time.

The investment portfolio, valued at £64.09 million at the start of the financial year, delivered a realised and unrealised return of £6.54 million, equivalent to an increase in value for shareholders of 5.9 pence per ordinary share.

The three realisations delivered a gain of £3.37 million over the opening value and a £7.88 million gain over cost.

The residual portfolio also saw a positive overall gain of £2.14 million, but this included a higher volatility of movement that is beginning to reflect the changing nature of the portfolio. Overall there were £10.91 million of valuation increases and £8.77 million of decreases. There were strong performances from ACC Aviation Group Limited, Matillion Limited, Deep-Secure Ltd and Business Collaborator Limited. These were in part offset by the impact of difficult trading conditions at Hutchinson Networks Limited (see below), Traveltek Group Holdings Limited, Ncam Technologies Limited, e2E Engineering Limited and Seven Technologies Holdings Limited. In a number of these latter cases your Company has made further investments which in many cases have been accompanied by additions and enhancements to the boards and management teams of the underlying businesses. The nature of the younger businesses, which made up 38 per cent of the portfolio at 31 March 2019, is likely to mean that this pattern will continue over the period in which your Company is invested. Overall these earlier stage investments are held at a value of £21.29 million, a 5.0 per cent increase over cost. Three of these investments are valued at cost or above (original cost of £7.46 million) and the remaining eight investments are valued at less than cost (original cost of £12.81 million).

The investment into Hutchinson Networks Limited was intended to support additional marketing and operational resources to accelerate international growth. Whilst the business did expand in the latter part of the year it suffered from contract delays impacting its cash flows. Subsequently the business was unable to raise sufficient additional funding to allow it to continue to trade; the investment was fully impaired (£1.32 million) as at 31 March 2019 and has subsequently gone into administration.

Dividends

Dividends paid in the year comprise interim dividends of 4.0 and 7.0 pence per ordinary share in respect of the financial year just ended, totalling 11.0 pence per ordinary share. This takes the cumulative dividends paid to 147.4 pence per ordinary share at 31 March 2019.

On 12 June 2019 the Company paid an interim dividend of 4.0 pence per ordinary for the year ending 31 March 2020, taking cumulative dividends paid to date to 151.4 pence per ordinary share. The Board is not proposing a final dividend for the year ended 31 March 2019.

Dividend Re-investment Scheme ("DRIS")

Your Company operates a DRIS, which gives shareholders the opportunity to re-invest any cash dividends and is open to all shareholders, including those who invested under the recent offers. The three advantages of the DRIS are:

1. the dividends remain tax free;
2. any DRIS investment attracts income tax relief at the rate of 30 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 2019 dividends totalling £3.39 million were invested in your Company by way of the DRIS.

Fundraising

On 27 November 2018 your Company launched a new share offer with British Smaller Companies VCT2 plc to raise in aggregate up to £30 million, with an over-allotment facility of £5 million. I am delighted that due to strong demand the offer closed on 11 February 2019 raising total gross proceeds for both companies of £35 million. The allotment of 28,769,702 new ordinary shares took place on 1 April 2019, subsequent to which your Company received net proceeds of £21.31 million.

Shareholder Relations

The electronic communications policy continues to be a great success, with 84 per cent of shareholders now receiving communications in this way. Documents such as the annual report are published on 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.

The Investor Workshop, which was held on 20 June 2019 at Gibson Hall, 13 Bishopsgate, London EC2N 3BA, was attended by around 200 people. Shareholders saw presentations from Friska Limited, Matillion Limited and Frescobol Carioca Limited.

Board Composition

As previously announced, after nine years on the Board Edward Buchan will be standing down as a non-executive director at the Company's next Annual General Meeting.

The Board has commenced the process of recruiting a new non-executive director and details of any appointment will be made at the appropriate time.

Regulatory Developments

As I have previously noted, the new VCT rules have restricted the level of debt instruments that can be used in new investments. The impact of this is reflected in the level of interest received which was 18 per cent lower than the previous year.

In December 2016 HMRC published a consultation on improving the advance assurance process with the major proposal being for VCTs to self-assure as much as possible and since then the Investment Adviser and other VCT advisers have worked closely with HM Treasury and HMRC to clarify HMRC's guidance. As a result your Company has decided that it will, subject to professional advice, self-assure on investments that can easily be defined as Qualifying Investments.

Post Balance Sheet Events

Your Company allotted 28,769,702 ordinary shares arising from the above fundraising on 1 April 2019, subsequent to which net proceeds of £21.31 million were received.

An interim dividend of 4.0 pence per ordinary share in respect of the year ending 31 March 2020 was paid on 12 June 2019. On the same date 2,397,364 ordinary shares were issued under the Company's DRIS.

Investments totalling £7.77 million have been made into **Elucidat Limited, Wooshii Limited, Tonkotsu Limited** and a follow-on investment into **Arcus Global Limited**. Your Company has received total proceeds of £4.67 million since the year end.

Investment Adviser Remuneration

The Board and the Investment Adviser have agreed changes to the Investment Adviser's remuneration that will benefit shareholders, including a reduced Investment Adviser Fee of 1.0 per cent on cash in excess of £15 million with effect from 1 April 2019. This will help offset the low level of interest that is earned on cash balances. Further details on this can be found below.

Performance Incentive

Following a period of successful realisations over many years the terms of a revised Performance Incentive have been agreed with the Investment Adviser, based on a combination of Total Return and minimum annual dividends, and were approved by shareholders on 7 January 2019. The agreement requires an increase of 12.6 pence per ordinary share in Total Return, increased annually by a further 5.1 pence per ordinary share, indexed for changes in RPI, before any incentive becomes payable and any payment is also dependent on annual dividends exceeding a minimum amount. No performance incentive payment will be made in respect of the year ended 31 March 2019. Further details can be found below.

Outlook

Mangar, Gill Marine and GTK, three significant businesses, were sold in December 2018 and a number of the other investments made prior to November 2015 can be expected to mature over the next few years. It is to be expected that the proportion of investments in earlier stage companies will continue to increase year on year.

While resolution of the UK's withdrawal from the EU has been further delayed this appears to have had limited impact on your Company's activities. With £7.77 million invested after the balance sheet date including three new investments this indicates that good quality opportunities are available, notwithstanding that competition for deals has increased entry prices. The three realisations in December 2018 demonstrate that there are a variety of potential buyers of good quality assets in the market.

Although the Board believes that the UK's withdrawal from the European Union may have limited direct effect on the portfolio, any adverse economic impact resulting from this would undoubtedly have some consequences.

I would like to thank shareholders for supporting the successful joint fundraising with British Smaller Companies VCT2 plc and for their continued support.

Helen Sinclair
Chairman

Objectives and Key Policies

The Company's objective is to maximise Total Return and provide investors with an attractive long-term tax-free dividend yield while 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 established and emerging industries that offer opportunities in the application and development of innovation in their products and services. Investing across a range of companies and sectors reduces exposure to particular markets and individual companies. The changes to the venture capital trust legislation in November 2015 and those announced in the November 2017 Budget mean that there is greater emphasis on earlier stage growth businesses 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 venture capital 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. In order to limit the risk to the portfolio that is derived from any particular investment, at the point of investment no more than 15 per cent of the Company by value will be in any one investment.

Borrowing

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

Co-investment

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc ("the VCTs") have in aggregate first choice of all investment opportunities meeting the VCT qualifying criteria that require up to £4.5 million of equity. Amounts above £4.5 million will be allocated one third to YFM's 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, 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 50 of the annual report.

Other Key Policies

Details of the Company's policies on the payment of dividends, the DRIS and the buy-back of shares are given on page 1 of the annual report. In addition to these the Company's anti-bribery and environmental and social responsibilities policies can be found on page 36 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 below.

Performance Incentive

Under the terms of the incentive agreement in place at the start of the year, the Investment Adviser would have received an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceeded 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 were 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 below.

No payment could have been made in respect of the year to 31 March 2019 under this Incentive Agreement unless the average quarterly adjusted net asset value of the Company was a minimum of 92.2 pence per ordinary share and, in addition, at least 5.3 pence per ordinary share in dividends had been paid to shareholders. The total dividends paid in the year are 11.0 pence per ordinary share and the average quarterly adjusted net asset value for the year is 77.9 pence per ordinary share. As a result, the Investment Adviser would not have met the targets for the year under review.

At a general meeting of the Company on 7 January 2019 revisions to the incentive agreement between the Company and the Investment Adviser were approved by shareholders. The major revisions, effective from 7 January 2019 are:

- the incentive fee will be subject to achieving a target level of Total Return, replacing the previous requirement to achieve an average adjusted Net Asset Value ("NAV") per ordinary share as set out above;
- an incentive fee will be payable once a Total Return of at least 228.6 pence per ordinary share has been achieved. This is 12.6 pence per ordinary share higher than the Total Return at 31 March 2018 (216.0 pence per ordinary share) and represented 15.8 per cent of NAV at 31 March 2018;
- there will be an annual increase to the Total Return per ordinary share that must be achieved in order for an incentive fee to be paid. This annual increase is the minimum level of dividends required in order to pay an incentive fee under the previous arrangements, as set out above; and
- if the required Total Return is achieved the incentive fee can only be paid if the actual dividends paid exceed the minimum requirement, calculated on the same basis as the previous scheme.

The minimum requirement is therefore annual dividends of at least 4.0 pence per ordinary share, as increased or decreased by the percentage increase or decrease (if any) in RPI from 1 April 2009. For the year ended 31 March 2019 the requirement is 5.3 pence per ordinary share.

The total dividends paid in the year are 11.0 pence per ordinary share and the Total Return hurdle for the year ended 31 March 2019 was 233.9 pence per ordinary share while the Total Return at 31 March 2019 was 221.7 pence per ordinary share, a shortfall of 12.2 pence per ordinary share. As a result, the Investment Adviser has not met the targets for the year under review and no performance fee has accrued to the Investment Adviser (31 March 2018: £nil). 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.

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 Portfolio

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

Key Performance Indicators

Total Return, calculated by reference to the cumulative dividends paid plus net asset value (excluding tax reliefs received by shareholders), is the primary measure of performance in the VCT industry.

Total Return

The chart on page 13 of the annual report shows how the **Total Return** of your Company has developed over the last ten years.

The evaluation of comparative success of the Company's **Total Return** is by way of reference to the **Share Price Total Return** for approximately 47 Generalist VCTs as published by the Association of Investment Companies ("the AIC"). This is the Company's stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 52 of the annual report.

Total Return with DRIS

The chart on page 13 of the annual report illustrates the **Total Return** (excluding tax reliefs received by shareholders) for investors who subscribed to the first fundraising in 1996 who have re-invested their dividends.

Returns

Total Return is an Alternative Performance Measure and the Board considers it to be the primary measure of shareholder value. The table below shows the cumulative dividends, the Total Return on each fundraising round per ordinary share and the Internal Rate of Return ("IRR") if a shareholder had not opted to participate in the Company's DRIS. The cumulative dividend, Total Return and IRR figures in this table exclude the benefits of all tax reliefs.

Year of issue	NAV at 31 March 2019	Cumulative dividends paid since fundraising	Total Return to date[1]	Offer price [2]	IRR[3]
	Pence	Pence	Pence	Pence	%
1996	74.3	147.4	221.7	100.0	4.9%
1997	74.3	144.4	218.7	100.0	5.0%
1998	74.3	140.7	215.0	105.0	4.8%
2005 (C share) [4]	83.6	127.0	210.6	100.0	6.9%
2006	74.3	117.0	191.3	99.5	7.5%
2007	74.3	112.5	186.8	102.5	7.4%
2008	74.3	107.5	181.8	106.3	7.3%
2010	74.3	97.5	171.8	97.3	9.9%
2011	74.3	91.2	165.5	128.0	4.8%
2012	74.3	68.2	142.5	99.8	6.8%
2013	74.3	63.2	137.5	95.8	8.1%
2014	74.3	56.7	131.0	100.8	7.0%
2015	74.3	48.7	123.0	99.5	7.0%
2016	74.3	38.7	113.0	102.3	4.1%
2017	74.3	16.7	91.0	84.6	4.1%

Notes

1. Total Return to date is cumulative dividends paid plus the 31 March 2019 net asset value in pence per ordinary share.
2. The offer price for the relevant year excluding the benefit of income tax relief available to investors at the time of the offer.
3. IRR is the unaudited annual rate of return that equates the offer price at the date of the original investment with the value of subsequent dividends plus the 31 March 2019 net asset value per ordinary share. This excludes the benefit of any initial tax relief.
4. All figures have been adjusted for conversion of C shares into ordinary shares in May 2007.

Expenses

Ongoing Charges

The Ongoing Charges figure, as calculated in line with the AIC recommended methodology, is an Alternative Performance Measure used by the Board to monitor expenses. This figure shows shareholders the annual percentage reduction in net asset value as a result of recurring operational expenses which, whilst based on historical information, provides an indication of the likely level of costs that will be incurred in managing the Company in the future.

	Year to 31 March 2019 (%)	Year to 31 March 2018 (%)
Ongoing Charges figure	**2.54**	2.48

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 below. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

The main business risk facing the Company is the retention of VCT qualifying status. The Board receives regular reports on compliance with the VCT legislative tests from its Investment Adviser. In addition the Board receives formal reports from its VCT Status Adviser twice a year. The Board can confirm that during the period all of the VCT legislative tests have been met. Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on a European regulated market throughout the period, there are a further five specific tests that VCTs must meet following the initial three-year provisional period.

Income Test

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

Retained Income Test

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

Qualifying Holdings Test

At least 70 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in Qualifying Holdings of investee companies (80 per cent for accounting periods commencing after 5 April 2019).

For shares issued in accounting periods beginning on or after 6 April 2018, at least 30 per cent of the proceeds of those share issues must be invested in Qualifying Holdings of investee companies by the anniversary of the accounting period in which those shares are issued.

Eligible Shares Test
At least 70 per cent of the Company's Qualifying Holdings must be represented throughout the period by holdings of non-preferential shares.

Investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement.

At least 10 per cent of the Company's total investment in each Qualifying Investment must be in 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 has not, at any time in the period, represented more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and further additions and therefore cannot be breached passively.

The Board can confirm that during the period all of the VCT legislative tests set out above have been met, where required.

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.

Cancelled share premium of £16.07 million remains undistributable by the Company until on or after 1 April 2019 (see page 63 of the annual report).

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 source 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.

Portfolio structure and diversity

Portfolio Structure

The charts on page 17 of the annual report illustrate the broad range of the portfolio with 62 per cent of the portfolio valuation being held for more than 3 years, whilst 75 per cent is held at cost or above. 37 per cent of the portfolio's value is held in income generating financial instruments.

Portfolio Diversity

Also included on page 18 of the annual report is a profile of the portfolio by industry sector and the breakdown of the portfolio between investments made before and after the VCT rule changes in 2015.

Investment Review

The portfolio delivered a good performance in the year, with a total return of £8.4 million, comprising a £6.4 million uplift on the opening value and income of £2.0 million.

Your Residual Portfolio

£57.0 million	Fair value of the portfolio	(2018: £61.8 million)
17	Number of portfolio companies with value of £1.0 million or more	(2018: 20)
£2.0 million	Income from the portfolio	(2018: £2.1 million)
£5.7 million	Level of investment	(2018: £8.2 million)
£6.4 million	Return from portfolio	(2018: £3.6 million)

The portfolio as a whole delivered an increased value of £6.40 million in the year, as shown in Table A below. A value gain of £2.02 million was derived from the unquoted portfolio with strong performances from ACC Aviation Group Limited, Matillion Limited, Deep-secure Ltd and Business Collaborator Limited. These were partly offset by the impact of difficult trading conditions at Hutchinson Networks Limited, Traveltek Group Holdings Limited, Ncam Technologies Limited, e2E Engineering Limited and Seven Technologies Holdings Limited.

Whilst the level of investment was a little lower than in the previous year, this was in part a result of the timing of completed investments, with a number of investments in a due diligence process at 31 March 2019 subsequently completing after the balance sheet date.

A gain of £3.59 million arose from the realisation of portfolio investments in the year, including £3.37 million from the disposal of GTK (Holdco) Limited, Mangar Health Limited and Gill Marine Holdings Limited.

Table A **Investment portfolio**	**£million**	**%**
Unquoted value gain*	2.02	32
Quoted value gain	0.12	2
Portfolio value gain	2.14	34
Gain on disposal over opening value (see Table C)	3.59	56
	5.73	90
Gain from deferred proceeds	0.67	10
Total portfolio gain	**6.40**	**100**
Gain on disposal of other investments	0.02	
Gain in value of other investments	0.12	
Total investment gain	**6.54**	

* The £2.02 million gain includes an uplift of £2.72 million from investments made before November 2015 and a reduction of £0.70 million from investments made since that date.

At 31 March 2019 the portfolio was valued at £57.02 million, representing 69.5 per cent of net assets (71.7 per cent at 31 March 2018). Cash (including fixed term deposits) and gilt investments at 31 March 2019 totalled £21.00 million representing 25.6 per cent of net assets (22.9 per cent at 31 March 2018). Following the year end the Company raised £21.31 million, received £4.67 million from realisations, paid a dividend of £3.97 million (net of DRIS) and has completed investments totalling £7.77 million.

One of the changes brought about in 2015 through the VCT legislation was to determine that any additional funds deposited for longer than seven days would be deemed to be a non-qualifying investment. As a consequence any cash deposits must be held effectively on an instant access account. Whilst lobbying has continued to seek to relax this rule to date there has been no inclination from HMRC or HMT to change their position. The Board continually reviews opportunities to generate a higher level of income, without significantly changing the risk profile of the funds held.

To this end, in 2018 the Board decided to invest in a small portfolio of listed investment funds. At 31 March 2019 this portfolio was valued at £2.49 million, or 3.0 per cent of net assets (2.7 per cent at 31 March 2018).

Other Significant Investment Movements

Investments

During the year ended 31 March 2019 the Company completed six investments totalling £5.71 million comprising three new investments of £4.92 million and three follow-on investments of £0.79 million.

The analysis of these investments is shown in Table B below. The case study on page 24 of the annual report gives more information on the investment into Frescobol Carioca Limited.

Table B Investments Date	**Company**	**Investments made £million**		
		New	**Follow-on**	**Total**
Apr -18	Hutchinson Networks Limited	1.32	-	1.32
May-18	Arcus Global Limited	1.80	-	1.80
Mar-19	Biz2Mobile Limited	-	0.16	0.16
Mar-19	Frescobol Carioca Limited	1.80	-	1.80
Mar-19	Traveltek Group Holdings Limited	-	0.19	0.19
Mar-19	Ncam Technologies Limited	-	0.44	0.44
	Invested in the year	4.92	0.79	5.71
	Capitalised interest, dividends and proceeds			0.71
	Total additions in the year			**6.42**

Unfortunately Hutchinson Networks ran into cash flow difficulties and was unable to raise additional funding, leading to the appointment of administrators in May 2019. A full impairment was taken against this investment at 31 March 2019.

Disposal of Investments

During the year to 31 March 2019 the Company received proceeds from disposals, repayments of loans/preference shares and deferred consideration of £18.85 million. This included the very successful realisations of GTK (Holdco) Limited, Mangar Health Limited and Gill Marine Holdings Limited which delivered exit multiples on original cost of 3.4x, 2.7x and 2.0x respectively and produced combined realised gains of £7.88 million.

The total value gain on disposal of investments was £4.29 million above the 31 March 2018 valuations as set out in Table C. The case study on page 25 of the annual report gives some insight into the value created from the investment in Mangar Health Limited.

Table C **Disposal of Investments**	**Net proceeds from sale of investments** £million	**Opening value 31 March 2018** £million	**Gain on opening value** £million
Unquoted investments	15.15	12.04	3.11
Quoted investments	1.74	1.26	0.48
Sale of portfolio investments	16.89	13.30	3.59
Deferred proceeds received	0.84	0.17	0.67
Total from portfolio	**17.73**	**13.47**	**4.26**
Fixed income securities	0.71	0.71	-
Listed investment funds	0.41	0.38	0.03
Total investment disposals	**18.85**	**14.56**	**4.29**

The quoted portfolio delivered proceeds of £1.74 million with a profit on cost of £1.36 million.

Further analysis of all investments sold in the year can be found in note 7 below.

Portfolio Composition

As at 31 March 2019 the portfolio had a value of £57.02 million which comprised £55.34 million in unquoted investments (97 per cent) and £1.68 million in quoted investments (3 per cent). An analysis of the movements in the year is shown below.

The portfolio remains well diversified, with 17 investments having a value equal to or greater than £1.0 million (31 March 2018: 20), with the single largest investment representing 10.0 per cent of the net asset value.

The charts on pages 17 and 18 of the annual report show the composition of the portfolio as at 31 March 2019 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.

As at 31 March 2019 72 per cent (2018: 75 per cent) of the portfolio was held at a value above cost; 3 per cent (2018: 16 per cent) was held at cost and 25 per cent (2018: 9 per cent) below cost.

Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out in note 1 on pages 66 and 67 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 2019 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 continue to increase as the more mature companies in the portfolio are divested.

Table D	**2019**		2018
Valuation policy	**Valuation £million**	**% of portfolio by value**	% of portfolio by value
Earnings multiple	24.32	42	53
Sales multiple	13.61	24	16
Price of recent investment, reviewed for change in fair value	8.37	15	9
Cost, reviewed for change in fair value	6.84	12	18
Discounted cash flows from investment	2.20	4	-
Quoted investments at bid price	1.68	3	4
Total	**57.02**	**100**	100

Regulatory Changes

After a number of years of significant rule changes it was pleasing that there were very few changes in the 2018 Budget. HMRC and the VCT industry have been working under the new rules for a couple of years now and, as ever, it has taken some time for these to bed in. During the year the Investment Adviser and other VCT investment advisers have worked closely with HMRC to refine HMRC's guidance on the new rules and it is pleasing that this has resulted in an environment whereby your Company may, under guidance from our VCT Status Adviser, decide to self-assure businesses as Qualifying Investments in the knowledge that its status as a VCT will not be withdrawn.

Impact

The Company's aim is to invest in smaller UK businesses to help them grow with the primary objective of delivering strong financial returns. However, your Company and the Investment Adviser are increasingly mindful of the impact, both positive and negative, that our activities and those of the businesses in the portfolio have on the environment, their employees, communities and society at large.

The Company believes that its investment activities have many positive benefits beyond the returns we deliver for shareholders. In the vast majority of cases the investments in the Company's portfolio help fund growth, create new employment, develop new technologies and products, improve productivity, help grow UK exports and lead to increased tax revenues, all of which contribute to the UK economy and have benefit to those employed in those businesses and their supply chains.

However, as a responsible investor, your Company has been seeking to do more in this area and to this end during the financial year your Company has been looking at ways in which it can improve the impact of our activities and help our portfolio companies do the same.

This has resulted in your Company along with the Investment Adviser introducing the following:

- An assessment of the positive and negative impact the portfolio companies invested in have on the environment, people and society is now carried out pre-investment during the investment appraisal process; and
- A structured framework to regularly assess the positive and negative impacts that the portfolio has on the environment, people and society. The Investment Adviser is committed to pro-actively working with portfolio companies on an ongoing basis to put Impact on their agenda and help improve their performance in these areas, through the introduction of specific initiatives and sharing of best practice across the portfolio.

This approach has only recently been implemented, but it has already resulted in many of our portfolio companies committing to projects or to making changes to their businesses to improve their Impact in a variety of areas. Examples of some of these activities include:

- Commitments to monitor and reduce energy usage and transportation;
- Projects to reduce raw material usage or re-design products to make them more environmentally sustainable;
- Projects to reduce waste and encourage re-use and recycling;
- Encouragement of charitable activities and volunteering across their organisations and partnering with charities;
- Initiatives to work with local schools and other educational establishments to help mentor and provide work experience and career guidance to students;
- Initiatives to improve staff welfare such as addressing mental health in the workplace; increase staff engagement, and enhance staff pay and conditions; and
- Investment in staff training and development.

Summary and Outlook

HMRC's revised guidance has allowed your Company to self-assure on a number of recent investments and this has undoubtedly increased the speed at which investments can be completed.

As the most recent investments demonstrate we are seeing a pipeline of good quality opportunities and we expect there to be an increasing level of follow-on funding into recent investments as they continue to grow and evolve.

There has been a lot of change in the portfolio this year, with several new investments undertaken and three disposals achieved. We continue to help to set agendas at portfolio companies, whether it is to add to, enhance and support the management teams, encourage realisations, or support further fundraisings. The balance of the portfolio is changing, with younger businesses now making up close to half its value.

David Hall

YFM Private Equity Limited

Portfolio Summary at 31 March 2019

Name of company	Date of initial investment	Location	Industry Sector	Current cost	Valuation at 31 March 2019	Proceeds to date	Realised & unrealised value to date*
				£000	£000	£000	£000
Unquoted portfolio							
Matillion Limited	Nov-16	Manchester	Software, IT & Telecommunications	2,666	8,233	-	8,233
ACC Aviation Group Limited	Nov-14	Reigate	Business Services	220	8,160	1,848	10,008
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	2,934	4,531	-	4,531
Deep-Secure Ltd	Dec-09	Malvern	Software, IT & Telecommunications	1,000	4,217	-	4,217
Business Collaborator Limited	Nov-14	Reading	Software, IT & Telecommunications	2,010	3,662	-	3,662
Eikon Holdco Limited	Mar-18	London	Software, IT & Telecommunications	3,000	3,142	-	3,142
KeTech Enterprises Limited	Nov-15	Nottingham	Software, IT & Telecommunications	1,500	2,231	500	2,731
Springboard Research Holdings Limited	Oct-14	Milton Keynes	Business Services	2,736	2,162	-	2,162
Leengate Holdings Limited	Dec-13	Derbyshire	Manufacturing & Industrial	1,074	1,936	577	2,513
Frescobol Carioca Limited	Mar-19	London	Retail & Brands	1,800	1,800	-	1,800
Friska Limited	Jul-17	Bristol	Retail & Brands	1,800	1,743	-	1,743
Arcus Global Limited	May-18	Cambridge	Software, IT & Telecommunications	1,800	1,691	-	1,691
Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Software, IT & Telecommunications	1,770	1,504	-	1,504
Ncam Technologies Limited	Mar-18	London	Software, IT & Telecommunications	1,902	1,479	-	1,479
Wakefield Acoustics (via Malvar Engineering Limited)	Dec-14	Heckmondwike	Manufacturing & Industrial	1,080	1,160	75	1,235
DisplayPlan Holdings Limited	Jan-12	Baldock	Business Services	130	1,136	1,521	2,657
Biz2Mobile Limited	Oct-16	Oxfordshire	Software, IT & Telecommunications	1,658	1,060	-	1,060
RMS Group Holdings Limited	Jul-07	Hull	Manufacturing & Industrial	180	823	897	1,720
Other investments £0.75 million and below				11,574	4,671	2,466	7,137
Total unquoted investments				**40,834**	**55,341**	**7,884**	**63,225**
Quoted portfolio investments £0.75 million and below				**984**	**1,678**	**1,681**	**3,359**
				41,818	**57,019**	**9,565**	**66,584**
Full disposals since 31 March 2002				39,785	-	88,736	88,736
Full disposals prior to 31 March 2002				5,748	-	1,899	1,899
Total portfolio				**87,351**	**57,019**	**100,200**	**157,219**

* represents proceeds received to date plus the unrealised valuation at 31 March 2019.

Summary of Portfolio Movement since 31 March 2018

Name of Company	Investment Valuation at 31 March 2018	Disposal proceeds	Additions including capitalised interest, dividends and proceeds	Valuation gains including profits / (losses) on disposal	Investment valuation at 31 March 2019
	£000	£000	£000	£000	£000
Unquoted portfolio					
ACC Aviation Group Limited [1]	4,673	(922)	-	4,409	8,160
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	4,868	-	-	(337)	4,531
Deep-Secure Ltd	2,861	-	-	1,356	4,217
Business Collaborator Limited	2,798	-	-	864	3,662
KeTech Enterprises Limited [1]	2,488	(500)	-	243	2,231
Springboard Research Holdings Limited	2,765	-	89	(692)	2,162
Leengate Holdings Limited [1]	2,226	(577)	-	287	1,936
Wakefield Acoustics (via Malvar Engineering Limited)	1,389	-	-	(229)	1,160
DisplayPlan Holdings Limited	1,863	-	-	(727)	1,136
RMS Group Holdings Limited	541	-	-	282	823
Macro Art Holdings Limited[1]	1,313	(26)	-	(685)	602
Seven Technologies Holdings Limited	992	-	-	(792)	200
Mangar Health Limited [1+2]	4,156	(5,513)	-	1,357	-
Gill Marine Holdings Limited[1+2]	2,608	(3,802)	-	1,194	-
GTK (Holdco) Limited[2]	2,937	(3,751)	-	814	-
Other investments £0.75 million and below[1]	4,804	(57)	-	(1,518)	3,229
Investments made prior to November 2015	43,282	(15,148)	89	5,826	34,049
Matillion Limited	4,938	-	-	3,295	8,233
Eikon Holdco Limited	3,000	-	-	142	3,142
Frescobol Carioca Limited	-	-	1,800	-	1,800
Friska Limited	1,800	-	-	(57)	1,743
Arcus Global Limited	-	-	1,800	(109)	1,691
Sipsynergy (via Hosted Network Services Limited)	1,475	-	-	29	1,504
Ncam Technologies Limited	1,466	-	436	(423)	1,479
Biz2Mobile Limited	1,166	-	158	(264)	1,060
Traveltek Group Holdings Limited	1,538	-	190	(1,313)	415
e2E Engineering Limited	900	-	-	(675)	225
Hutchinson Networks Limited	-	-	1,320	(1,320)	-
Investments made after November 2015	16,283	-	5,704	(695)	21,292
Total unquoted investments	**59,565**	**(15,148)**	**5,793**	**5,131**	**55,341**
Total quoted investments £0.75 million and below[2]	**2,191**	**(1,740)**	**631**	**596**	**1,678**
Total movement	**61,756**	**(16,888)**	**6,424**	**5,727**	**57,019**

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 48 and 49 of the annual report 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" above.

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 above) 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 48 and 49 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 48 and 49 of the annual report.

Market/Liquidity

Risk

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

Mitigation

Overall liquidity risks are monitored on an ongoing basis by the Investment Adviser and on a quarterly basis by the Board.

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. More details of the work that the Investment Adviser has done in this area are set out on page 22 of the annual report.

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 in the annual report.

Director’s 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 in note 14.

Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	**2019** Revenue £000	**2019** Capital £000	**2019** Total £000	2018 Revenue £000	2018 Capital £000	2018 Total £000
Gain on disposal of investments	7	-	4,286	4,286	-	229	229
Income	2	2,202	97	2,299	2,339	-	2,339
Gains on investments held at fair value	7	-	2,258	2,258	-	3,218	3,218
Total income		2,202	6,641	8,843	2,339	3,447	5,786
Administrative expenses:							
Investment Adviser's fee		(428)	(1,286)	(1,714)	(430)	(1,290)	(1,720)
Other expenses		(680)	(44)	(724)	(702)	-	(702)
	3	(1,108)	(1,330)	(2,438)	(1,132)	(1,290)	(2,422)
Profit before taxation		1,094	5,311	6,405	1,207	2,157	3,364
Taxation	4	(72)	72	-	(125)	125	-
Profit for the year		1,022	5,383	6,405	1,082	2,282	3,364
Total comprehensive income for the year		1,022	5,383	6,405	1,082	2,282	3,364
Basic and diluted earnings per ordinary share	6	0.94p	4.94p	5.88p	1.00p	2.10p	3.10p

The accompanying notes on pages 65 to 90 of the annual report 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 2019

	Notes	2019 £000	2018 £000
Assets			
Non-current assets at fair value through profit or loss			
Investments	7	57,019	61,756
Listed investment funds	7	2,494	2,336
Fixed income Government securities	7	-	706
Financial assets at fair value through profit or loss	7	59,513	64,798
Accrued income and other assets		656	1,284
		60,169	66,082
Current assets			
Accrued income and other assets		1,023	1,733
Cash on fixed term deposit		6,970	9,001
Cash and cash equivalents		14,030	10,057
		22,023	20,791
Liabilities			
Current liabilities			
Trade and other payables		(169)	(736)
Net current assets		21,854	20,055
Net assets		82,023	86,137
Shareholders' equity			
Share capital		11,833	11,342
Share premium account		2,868	-
Capital reserve		49,556	53,422
Investment holding gains and losses reserve		15,250	18,146
Revenue reserve		2,516	3,227
Total shareholders' equity		82,023	86,137
Net asset value per ordinary share	8	74.3p	79.6p

The accompanying notes on pages 65 to 90 of the annual report 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 x June 2019.

Statement of Changes in Equity

For the year ended 31 March 2019

	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 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**
Revenue return for the year before tax	-	-	-	-	-	*1,094*	*1,094*
Capital return for the year before tax	-	-	-	*(1,233)*	-	-	*(1,233)*
Gain on investments held at fair value	-	-	-	-	*2,258*	-	*2,258*
Gain on disposal of investments in the year	-	-	-	*4,286*	-	-	*4,286*
Taxation	-	-	-	*72*	-	*(72)*	-
Total comprehensive income for the year	-	-	-	*3,125*	*2,258*	*1,022*	*6,405*
Issue of shares – DRIS	*491*	*2,900*	-	-	-	-	*3,391*
Issue costs – DRIS	-	*(32)*	-	-	-	-	*(32)*
Unclaimed dividends	-	-	-	*6*	-	-	*6*
Purchase of own shares	-	-	-	*(2,009)*	-	-	*(2,009)*
Dividends	-	-	-	*(10,142)*	-	*(1,733)*	*(11,875)*
Total transactions with owners	491	2,868	-	(12,145)	-	(1,733)	(10,519)
Realisation of prior year investment holding gains	-	-	-	5,154	(5,154)	-	-
Balance at 31 March 2019	**11,833**	**2,868**	-	**49,556**	**15,250**	**2,516**	**82,023**

The accompanying notes on pages 65 to 90 of the annual report are an integral part of these financial statements.

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 opposite	49,556	2,516	52,072
Less : Interest, dividends and proceeds not yet distributable	(1,101)	(1,323)	(2,424)
: Revaluation losses	(1,935)	-	(1,935)
: Cancelled share premium not yet distributable (see below)	(16,074)	-	(16,074)
Reserves available for distribution[1]	**30,446**	**1,193**	**31,639**

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

The capital reserve and revenue reserve are both distributable reserves. The reserves total £52,072,000 representing a decrease of £4,577,000 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 12 June 2019 an interim dividend for the year ending 31 March 2020 (4.0 pence per ordinary share) was paid which has reduced these reserves by £5,565,000.

Of the potentially distributable reserves of £52,072,000 shown above, £2,424,000 relates to interest, dividends and other proceeds not yet distributable and £16,074,000 relates to share premium which became distributable from 1 April 2019 onwards (see below). In addition revaluation losses of £1,935,000 included within the Investment holding gains and losses reserve are not considered to be recoverable.

Total share premium cancelled will be available for distribution from the following dates.

	£000
1 April 2019 – now distributable	6,295
1 April 2020	8,288
1 April 2021	1,491
Cancelled share premium not yet distributable at 31 March 2019	**16,074**

Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Net cash outflow from operating activities		**(204)**	**(3,475)**
Cash flows from (used in) investing activities			
Cash maturing from fixed term deposit		**2,031**	**4,023**
Purchase of financial assets at fair value through profit or loss	7	**(6,126)**	**(10,586)**
Proceeds from sale of financial assets at fair value through profit or loss	7	**17,471**	**6,144**
Deferred consideration	7	**1,374**	**269**
Net cash inflow (outflow) from investing activities		**14,750**	**(150)**
Cash flows from (used in) financing activities			
Issue of ordinary shares		**-**	**4,245**
Costs of ordinary share issues*		**(32)**	**(118)**
Purchase of own ordinary shares		**(2,009)**	**(871)**
Share premium cancellation costs		**-**	**(10)**
Dividends paid	5	**(8,532)**	**(4,411)**
Net cash outflow used in financing activities		**(10,573)**	**(1,165)**
Net increase (decrease) in cash and cash equivalents		**3,973**	**(4,790)**
Cash and cash equivalents at the beginning of the year		**10,057**	**14,847**
Cash and cash equivalents at the end of the year		**14,030**	**10,057**

*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

	2019 £000	2019 £000
Profit before taxation	**6,405**	**3,364**
Decrease in trade and other payables	**(514)**	**(3,142)**
Decrease (increase) in trade and other receivables	**635**	**(161)**
Gain on disposal of investments	**(4,286)**	**(229)**
Gains on investments held at fair value	**(2,258)**	**(3,218)**
Capitalised interest and dividends	**(186)**	**(89)**
Net cash outflow from operating activities	**(204)**	**(3,475)**

The accompanying notes on pages 65 to 90 of the annual report 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.

The Company has carried out an assessment of accounting standards, amendments and interpretations that have been issued by the IASB and that are effective for the current reporting period. These include IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The Company has determined that the transitional effects of the standards do not have a material impact. The adoption of IFRS 9 resulted in changes to accounting policies and disclosures but no adjustment to the amounts recognised in the financial statements.

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

2. Income

	2019	2018
	£000	£000
Dividends from unquoted companies	**697**	**628**
Dividends from AIM quoted companies	**117**	**16**
Interest on loans to unquoted companies	**1,235**	**1,502**
Income from investment portfolio*	**2,049**	**2,146**
Dividends from listed investment funds	**61**	**23**
Interest from listed investment funds	**11**	**7**
Fixed interest Government securities	**3**	**12**
Income from investments held at fair value through profit or loss	**2,124**	**2,188**
Interest on bank deposits	**175**	**151**
	2,299	**2,339**

* £187,000 of income previously recognised now impaired was disclosed as a deduction from income in the 2018 Annual report (see note 3).

3. Administrative Expenses

	2019	2018
	£000	£000
Investment Adviser's fee	**1,714**	**1,720**
Administration fee	**64**	**62**
Total payable to YFM Private Equity Limited	**1,778**	**1,782**
Other expenses:		
General expenses	**125**	**79**
Directors' remuneration	**99**	**102**
Trail commission paid to financial intermediaries	**88**	**137**
Listing and registrar fees	**47**	**45**
Auditor's remuneration (excluding irrecoverable VAT):		
- audit of the statutory financial statements	**29**	**28**
- other services	**9**	**-**
Irrecoverable VAT	**28**	**21**
Printing	**39**	**41**
	2,242	**2,235**
Fair value movement related to credit risk*	**196**	**187**
	2,438	**2,422**
Ongoing charges figure	**2.54%**	**2.48%**

* The £187,000 shown for the year ended 31 March 2018 was previously disclosed as a deduction from income in the 2018 Annual report.

Directors' remuneration comprises only short-term benefits including social security contributions of £7,000 (2018: £8,000).

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

No fees are payable to the auditor in respect of other services (2018: £nil) apart from those shown above.

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 2.0 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.

- With effect from 1 April 2019 the annual advisory fee payable to the Investment Adviser will be 1.0 per cent on all surplus cash, defined as all cash above £15 million, unless an incentive fee has been paid under the new agreement in which case the amount determined to be surplus will be the excess over £7.5 million. The annual fee on all other assets will be 2.0 per cent of net assets per annum. Based on the Company's net assets at 31 March 2019 of £82,023,000 and cash of £21,000,000 at that date, this equates to £1,580,000 per annum, a reduction of £60,000 from the annual fee which would have been payable prior to the amendment;
- 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 £64,000 for the year ended 31 March 2019 (2018: £62,000); 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 (2018: £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 2019, the Company was due a rebate from the Investment Adviser of £nil (2018: £nil).

Under the terms of the incentive agreement in place at the start of the year, the Investment Adviser would have received an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceeded 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 were 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.

No payment could have been made in respect of the year to 31 March 2019 under this Incentive Agreement unless the average quarterly adjusted net asset value of the Company was a minimum of 92.2 pence per ordinary share and, in addition, at least 5.3 pence per ordinary share in dividends had been paid to shareholders. The total dividends paid in the year are 11.0 pence per ordinary share and the average quarterly adjusted net asset value for the year is 77.9 pence per ordinary share. As a result, the Investment Adviser would not have met the targets for the year under review.

At a general meeting of the Company on 7 January 2019 revisions to the incentive agreement between the Company and the Investment Adviser were approved by shareholders. The major revisions, effective from 7 January 2019 are:

- the incentive fee will be subject to achieving a target level of Total Return, replacing the previous requirement to achieve an average adjusted Net Asset Value ("NAV") per ordinary share as set out above;
- an incentive fee will be payable once a Total Return of at least 228.6 pence per ordinary share has been achieved. This is 12.6 pence per ordinary share higher than the Total Return at 31 March 2018 (216.0 pence per ordinary share) and represented 15.8 per cent of NAV at 31 March 2018;
- there will be an annual increase to the Total Return per ordinary share that must be achieved in order for an incentive fee to be paid. This is the minimum level of dividends required in order to pay an incentive fee under the previous arrangements, as set out above; and
- if the required Total Return is achieved the incentive fee can only be paid if the actual dividends paid exceed the minimum requirement, calculated on the same basis as the previous scheme.

The minimum requirement is therefore annual dividends of at least 4.0 pence per ordinary share, as increased or decreased by the percentage increase or decrease (if any) in RPI from 1 April 2009. For the year ended 31 March 2019 the requirement is 5.3 pence per ordinary share.

The total dividends paid in the year are 11.0 pence per ordinary share and the Total Return hurdle for the year ended 31 March 2019 was 233.9 pence per ordinary share while the Total Return at 30 March 2019 was 221.7 pence per ordinary share, a shortfall of 12.2 pence per ordinary share and as a result, the Investment Adviser has not met the targets for the year under review and no performance fee has accrued to the Investment Adviser (31 March 2018: £nil). 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 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 or the prior year although they were exceeded in the year to 31 March 2017. Consequently £nil has been accrued within trade and other payables (2018: £523,305) in respect of the year ended 31 March 2019. The amount accrued at 31 March 2018, which related to the final payment of the incentive fee arising in the year to 31 March 2017, was paid following the Annual General Meeting on 5 September 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 £1,778,000 (2018: £1,782,000).

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 2019 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £734,000 (2018: £680,000).

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 50 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2019 (audited)".

4. Taxation

	2019			2018		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit before taxation	**1,094**	**5,311**	**6,405**	1,207	2,157	3,364
Profit before taxation multiplied by standard rate of corporation tax in UK of 19% (2018: 19%)	**208**	**1,009**	**1,217**	229	410	639
Effect of:						
UK dividends received	**(136)**	**-**	**(136)**	(104)	-	(104)
Non-taxable profits on investments	**-**	**(1,261)**	**(1,261)**	-	(655)	(655)
Excess advisory expenses	**-**	**180**	**180**	-	120	120
Tax charge (credit)	**72**	**(72)**	**-**	125	(125)	-

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

Deferred tax assets of £1,784,000 (2018: £1,628,000) calculated at 17% in respect of unrelieved management expenses (£10.49 million as at 31 March 2019 (2018: £9.58 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:

	2019			2018		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Interim dividend for the year ended 31 March 2019 of 4.0p (2018: 5.75p) per ordinary share	**940**	**3,388**	**4,328**	-	6,150	6,150
Special interim dividend for the year ended 31 March 2019 of 7.0p per ordinary share	**793**	**6,754**	**7,547**	-	-	-
	1,733	**10,142**	**11,875**	-	6,150	6,150
Shares allotted under DRIS			**(3,391)**			(1,746)
Unclaimed dividends			**48**			7
Dividends paid in Statement of Cash Flows			**8,532**			4,411

The interim dividend of 4.0 pence per ordinary share was paid on 18 May 2018 to shareholders on the register as at 20 April 2018.

The special interim dividend of 7.0 pence per ordinary share was paid on 15 February 2019 to shareholders on the register as at 18 January 2019.

During the year the Company has received £nil (2018: £nil) from the Registrars in respect of unclaimed dividends. The Company has made efforts to contact the relevant shareholders, with the result that £1,000 (2018: £7,000) has been paid to shareholders in the year. The unclaimed balance of £47,000 was returned to the Registrars during the year.

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 £6,405,000 (2018: £3,364,000) and 108,988,846 (2018: 108,702,504) 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 £1,022,000 (2018: £1,082,000) and 108,988,846 (2018: 108,702,504) 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 £5,383,000 (2018: £2,282,000) and 108,988,846 (2018: 108,702,504) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 4,917,789 new ordinary shares in respect of its DRIS.

The Company has also repurchased 2,750,155 of its own shares in the year and these shares are held in the Capital Reserve. The total of 7,975,173 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 potentially dilutive shares and hence the basic and diluted earnings per ordinary share are equivalent for both of the years ended 31 March 2019 and 31 March 2018.

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 2019 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1		Level 1	Level 1	
	Unquoted Investments	Quoted Equity Investments	Total Quoted and Unquoted	Listed Investment Funds	Fixed Income Securities	Total Investments
	£000	£000	£000	£000	£000	£000
Opening cost	42,793	732	**43,525**	2,431	696	**46,652**
Opening investment holding gain (loss)	16,772	1,459	**18,231**	(95)	10	**18,146**
Opening fair value at 1 April 2018	**59,565**	**2,191**	**61,756**	**2,336**	**706**	**64,798**
Additions at cost	5,704	-	**5,704**	422	-	**6,126**
Capitalised dividends and proceeds	89	631	**720**	-	-	**720**
Disposal proceeds	(15,148)	(1,740)	**(16,888)**	(412)	(705)	**(18,005)**
Net profit (loss) on disposal*	3,114	478	**3,592**	25	(1)	**3,616**
Change in fair value	2,017	118	**2,135**	123	-	**2,258**
Closing fair value at 31 March 2019	**55,341**	**1,678**	**57,019**	**2,494**	**-**	**59,513**
Closing cost	40,834	984	**41,818**	2,445	-	**44,263**
Closing investment holding gain	14,507	694	**15,201**	49	-	**15,250**
Closing fair value at 31 March 2019	**55,341**	**1,678**	**57,019**	**2,494**	**-**	**59,513**

*The net profit on disposal in the table above is £3,616,000 whereas that shown in the Statement of Comprehensive Income is £4,286,000. The difference comprises the change in the value of deferred proceeds totalling £670,000 in respect of assets which have been disposed of and are not included within the investment portfolio at 1 April 2018.

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

	Net proceeds from sale**	Cost	Opening carrying value as at 1 April 2018	Profit (loss) on disposal
	£000	£000	£000	£000
Unquoted investments:				
ACC Aviation Group Limited	922	922	922	-
GTK (Holdco) Limited	3,751	222	2,937	814
Gill Marine Holdings Limited	3,802	2,500	2,608	1,194
Harris Hill Holdings Limited	57	57	57	-
KeTech Enterprises Limited	500	500	500	-
Leengate Holdings Limited	577	327	457	120
Macro Art Holdings Limited	26	26	26	-
Mangar Health Limited	5,513	2,460	4,156	1,357
PowerOasis Limited	-	445	78	(78)
Seven Technologies Holdings Limited	-	293	293	(293)
Quoted investments:				
AB Dynamics plc	972	68	603	369
EKF Diagnostics plc	310	207	272	38
Gamma Communications plc	458	104	387	71
Total from disposals in the year	**16,888**	**8,131**	**13,296**	**3,592**
Deferred proceeds:				
Ness (Holdings) Limited	7	-	64	(57)
Selima Holding Company Ltd*	837	-	110	727
Total from quoted and unquoted investments	**17,732**	**8,131**	**13,470**	**4,262**
Fixed income securities	705	696	706	(1)
Listed Investment Funds	412	408	387	25
Total**	**18,849**	**9,235**	**14,563**	**4,286**

*Includes agreed deferred proceeds of £470,000 which will be received over the period to 30 November 2019.

**The total from disposals in the table above is £18,849,000 whereas that shown in the Statement of Cash Flows (including deferred consideration) is £18,845,000. This is due to the timing differences between the recognition of the deferred income and its receipt in cash.

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 £82,023,000 (2018: £86,137,000) and 110,357,798 (2018: 108,190,164) 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 2019 and 31 March 2018.

The Company has no potentially dilutive shares 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 147.4 pence per ordinary share (2018: 136.4 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 2019 or 31 March 2018.

11. Related Party Transactions

There are no related party transactions.

12. Events after the Balance Sheet Date

The Company allotted 28,769,702 ordinary shares arising from the fundraising on 1 April 2019, subsequent to which net proceeds of £21.31 million were received.

An interim dividend of 4.0 pence per ordinary share in respect of the year ending 31 March 2020 was paid on 12 June 2019. On the same date 2,397,364 ordinary shares were issued under the Company's DRIS.

Investments totalling £7.77 million have been made into Elucidat Limited, Wooshii Limited, Tonkotsu Limited and a follow-on investment into Arcus Global Limited. The Company has received total proceeds of £4.67 million since the year end.

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2019 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at www.morningstar.co.uk/uk/NSM. 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 2019 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 R Cook and Mr CWER Buchan.

15. Annual General Meeting

The Annual General Meeting of the Company will be held at 10:30 am on 11 September 2019 at 33 St James Square, London, SW1Y 4JS.

16. Final Dividend for the Year Ended 31 March 2019

The directors are not proposing a final dividend for the year ended 31 March 2019.

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
Robert Naylor	Panmure Gordon (UK) Limited	Tel: 0207 886 2768